

United Way of Lane County
(a Nonprofit Organization)
Independent Auditor's Report
And Financial Statements
June 30, 2012 and 2011

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Mueller Larson Osterman Yuva LLP

Certified Public Accountants

October 30, 2012

Independent Auditor's Report

To the Board of Directors
United Way of Lane County

We have audited the accompanying statements of financial position of United Way of Lane County (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of United Way of Lane County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Lane County as of June 30, 2012 and 2011, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Mueller Larson Osterman Yuva, LLP

Mueller Larson Osterman Yuva LLP

United Way of Lane County
Statement of Financial Position
June 30,

	2012	2011
<u>Assets</u>		
Cash	\$ 721,870	\$ 760,705
Investments	117,686	117,025
Grants and other receivables	137,440	69,264
Pledges receivable, net	1,192,898	1,265,196
Prepaid expenses and deposits	51,530	59,927
Long term investments	424,058	421,860
Property and equipment, net	617,144	621,626
Total assets	\$ 3,262,626	\$ 3,315,603
<u>Liabilities</u>		
Accounts payable and accrued expenses	\$ 173,469	\$ 167,604
Designations payable	482,782	615,247
Agency allocations payable	659,291	669,126
Total liabilities	1,315,542	1,451,977
<u>Net Assets</u>		
Unrestricted		
Undesignated	852,709	862,848
Board designated:		
Program services and operations	359,859	375,020
Contingency	400,000	400,000
Total unrestricted net assets	1,612,568	1,637,868
Temporarily restricted	271,194	180,456
Permanently restricted	63,322	45,302
Total net assets	1,947,084	1,863,626
Total liabilities and net assets	\$ 3,262,626	\$ 3,315,603

United Way of Lane County
Statement of Activities
For the Year Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue				
Gross campaign results	\$ 2,334,168	\$ 1,278,734	\$ -	\$ 3,612,902
Less donor designations	-	(1,164,882)	-	(1,164,882)
Less provision for uncollectible pledges	(174,521)	41,208	-	(133,313)
Net campaign revenue	<u>2,159,647</u>	<u>155,060</u>	<u>-</u>	<u>2,314,707</u>
Program grants				
Education	-	219,522	-	219,522
Income	-	37,938	-	37,938
Health	257,843	206,936	-	464,779
Other grants	15,312	30,057	-	45,369
Sponsorships and events	55,056	-	-	55,056
In-kind support	35,799	-	-	35,799
In-kind support - human services system	-	73,079	-	73,079
Service fees	101,757	-	-	101,757
Interest and dividends	8,024	1,718	-	9,742
Net loss on investments	(17,306)	(1,851)	-	(19,157)
Other revenues	30,309	-	18,020	48,329
Net assets released from restriction satisfied by payments	631,721	(631,721)	-	-
	<u>1,118,515</u>	<u>(64,322)</u>	<u>18,020</u>	<u>1,072,213</u>
Total public support and revenue	<u>3,278,162</u>	<u>90,738</u>	<u>18,020</u>	<u>3,386,920</u>
Expenses				
Program services				
Gross funds awarded	2,507,262	-	-	2,507,262
Less donor designations	(1,164,882)	-	-	(1,164,882)
Net funds awarded to agencies	1,342,380	-	-	1,342,380
Venture grants and special response	175,426	-	-	175,426
Community services	247,620	-	-	247,620
	<u>1,765,426</u>	<u>-</u>	<u>-</u>	<u>1,765,426</u>
Education	171,046	-	-	171,046
Income	146,890	-	-	146,890
Health	524,116	-	-	524,116
Total program services	<u>2,607,478</u>	<u>-</u>	<u>-</u>	<u>2,607,478</u>
Supporting services				
Administration and general	237,221	-	-	237,221
Fundraising	458,763	-	-	458,763
Total supporting services	<u>695,984</u>	<u>-</u>	<u>-</u>	<u>695,984</u>
Total expenses	<u>3,303,462</u>	<u>-</u>	<u>-</u>	<u>3,303,462</u>
Change in net assets	(25,300)	90,738	18,020	83,458
Net assets, beginning of year	<u>1,637,868</u>	<u>180,456</u>	<u>45,302</u>	<u>1,863,626</u>
Net assets, end of year	<u>\$ 1,612,568</u>	<u>\$ 271,194</u>	<u>\$ 63,322</u>	<u>\$ 1,947,084</u>

**United Way of Lane County
Statement of Activities
For the Year Ended June 30, 2011**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support and revenue				
Gross campaign results	\$ 2,361,174	\$ 1,424,653	\$ 45,302	\$ 3,831,129
Less donor designations	-	(1,230,979)	-	(1,230,979)
Less provision for uncollectible pledges	(21,506)	(12,732)	-	(34,238)
Net campaign revenue	<u>2,339,668</u>	<u>180,942</u>	<u>45,302</u>	<u>2,565,912</u>
Program grants				
Education	-	13,759	-	13,759
Income	-	124,007	-	124,007
Health	-	143,831	-	143,831
Other grants	-	220,335	-	220,335
In-kind support	75,243	-	-	75,243
In-kind support - human services system	-	94,917	-	94,917
Service fees	105,472	-	-	105,472
Interest and dividends	14,121	143	-	14,264
Net gain on investments	58,690	1,395	-	60,085
Other revenues	53,398	-	-	53,398
Net assets released from restriction satisfied by payments	<u>1,020,657</u>	<u>(1,020,657)</u>	<u>-</u>	<u>-</u>
	<u>1,327,581</u>	<u>(422,270)</u>	<u>-</u>	<u>905,311</u>
Total public support and revenue	<u>3,667,249</u>	<u>(241,328)</u>	<u>45,302</u>	<u>3,471,223</u>
Expenses				
Program services				
Gross funds awarded	2,591,807	-	-	2,591,807
Less donor designations	(1,230,979)	-	-	(1,230,979)
Net funds awarded to agencies	1,360,828	-	-	1,360,828
Venture grants and special response	218,476	-	-	218,476
Community services	226,254	-	-	226,254
	<u>1,805,557</u>	<u>-</u>	<u>-</u>	<u>1,805,557</u>
Education	99,794	-	-	99,794
Income	362,759	-	-	362,759
Health	400,258	-	-	400,258
Total program services	<u>2,668,368</u>	<u>-</u>	<u>-</u>	<u>2,668,368</u>
Supporting services				
Administration and general	351,712	-	-	351,712
Fundraising	516,757	-	-	516,757
Total supporting services	<u>868,469</u>	<u>-</u>	<u>-</u>	<u>868,469</u>
Total expenses	<u>3,536,838</u>	<u>-</u>	<u>-</u>	<u>3,536,838</u>
Change in net assets	130,411	(241,328)	45,302	(65,615)
Net assets, beginning of year	<u>1,507,457</u>	<u>421,784</u>	<u>-</u>	<u>1,929,241</u>
Net assets, end of year	<u>\$ 1,637,868</u>	<u>\$ 180,456</u>	<u>\$ 45,302</u>	<u>\$ 1,863,626</u>

See accompanying notes.

United Way of Lane County
Statement of Cash Flows
For the Years Ended June 30,

	2012	2011
Cash flows from operating activities		
Change in net assets	\$ 83,458	\$ (65,615)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Net (gain) loss on investments	19,157	(60,085)
Depreciation	21,080	20,639
Changes in:		
Grants and other receivables	(68,176)	16,208
Pledges receivable, net	72,298	78,528
Prepaid expenses and deposits	8,397	3,169
Accounts payable and accrued expenses	5,865	(36,254)
Designations payable	(132,465)	(40,593)
Agency allocations payable	(9,835)	(61,032)
Net cash used by operating activities	(221)	(145,036)
 Cash flows from investing activities		
Purchase of equipment	(16,598)	(19,767)
Purchase of investments	(22,016)	(79,312)
Net cash used by investing activities	(38,614)	(99,079)
 Net (decrease) in cash	(38,835)	(244,115)
 Cash, beginning of year	760,705	1,004,820
 Cash, end of year	\$ 721,870	\$ 760,705

United Way of Lane County
Statement of Functional Expenses
For the Year Ended June 30, 2012

	Program Services				Total
	Allocations and Community Services	Education	Income	Health	
Allocations and awards	\$ 2,507,262	\$ -	\$ -	\$ -	\$ 2,507,262
Less donor designations	(1,164,882)	-	-	-	(1,164,882)
	<u>1,342,380</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,342,380</u>
Venture grants	110,762	-	-	-	110,762
In-kind support - human services system	64,664	-	-	8,415	73,079
	<u>175,426</u>	<u>-</u>	<u>-</u>	<u>8,415</u>	<u>183,841</u>
Salaries, benefits and payroll taxes	178,327	90,714	87,071	335,886	691,998
Purchased services	-	5,781	12,821	25,648	44,250
Community-building activities	9,083	42,626	25,786	6,981	84,476
Public education and awareness	-	10,960	310	21,995	33,265
Office expense	10,692	7,241	3,712	24,435	46,080
Occupancy expense	5,345	1,343	1,856	3,793	12,337
Travel and conferences	2,727	1,966	946	10,407	16,046
Information technology	3,799	955	1,319	18,280	24,353
Professional fees	18,704	4,700	6,493	54,831	84,728
Depreciation	5,023	1,262	1,744	3,565	11,594
Miscellaneous	4,622	1,161	1,604	3,281	10,668
United Way Worldwide dues	9,298	2,337	3,228	6,599	21,462
	<u>247,620</u>	<u>171,046</u>	<u>146,890</u>	<u>515,701</u>	<u>1,081,257</u>
	<u>\$ 1,765,426</u>	<u>\$ 171,046</u>	<u>\$ 146,890</u>	<u>\$ 524,116</u>	<u>\$ 2,607,478</u>
	Supporting Services				
	Administration and General	Fundraising			Total
Salaries, benefits and payroll taxes	\$ 185,863	\$ 290,514			\$ 476,377
Direct fundraising expenses	-	70,116			70,116
Office expense	7,889	12,299			20,188
Occupancy expense	3,944	6,149			10,093
Travel and staff development	2,012	3,137			5,149
Information technology	2,803	4,370			7,173
Professional fees	13,801	21,516			35,317
Depreciation	3,707	5,779			9,486
Miscellaneous	3,411	5,318			8,729
In-kind support	6,930	28,869			35,799
United Way Worldwide dues	6,861	10,696			17,557
	<u>\$ 237,221</u>	<u>\$ 458,763</u>			<u>\$ 695,984</u>

**United Way of Lane County
Statement of Functional Expenses
For the Year Ended June 30, 2011**

	Program Services				Total
	Allocations and Community Services	Education	Income	Health	
Allocations and awards	\$ 2,591,807	\$ -	\$ -	\$ -	\$ 2,591,807
Less donor designations	(1,230,979)	-	-	-	(1,230,979)
	<u>1,360,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,360,828</u>
Venture grants	196,476	-	-	-	196,476
In-kind support - human services system	22,000	-	72,917	-	94,917
	<u>218,476</u>	<u>-</u>	<u>72,917</u>	<u>-</u>	<u>291,393</u>
Salaries, benefits and payroll taxes	172,196	59,249	66,079	95,021	392,545
Purchased services	-	18,139	169,434	223,433	411,006
Community-building activities	11,697	518	5,165	1,030	18,410
Public education	-	8,268	3,899	638	12,805
Office expense	11,307	2,660	3,868	5,917	23,752
Occupancy expense	5,127	1,206	1,313	2,634	10,280
Travel and staff development	1,873	692	578	4,559	7,702
Information technology	2,467	581	788	31,484	35,320
Professional fees	5,332	4,658	34,552	27,191	71,733
Depreciation	4,660	1,096	1,194	2,394	9,344
Miscellaneous	2,394	563	615	1,230	4,802
United Way Worldwide dues	9,200	2,164	2,357	4,727	18,448
	<u>226,253</u>	<u>99,794</u>	<u>289,842</u>	<u>400,258</u>	<u>1,016,147</u>
	<u>\$ 1,805,557</u>	<u>\$ 99,794</u>	<u>\$ 362,759</u>	<u>\$ 400,258</u>	<u>\$ 2,668,368</u>

	Supporting Services		Total
	Administration and General	Fundraising	
Salaries, benefits and payroll taxes	\$ 300,880	\$ 314,766	\$ 615,646
Direct fundraising expenses	-	74,896	74,896
Office expense	13,425	13,984	27,409
Occupancy expense	6,087	6,340	12,427
Travel and staff development	2,224	2,317	4,541
Information technology	2,929	3,052	5,981
Professional fees	6,331	6,595	12,926
Depreciation	5,532	5,763	11,295
Miscellaneous	2,843	2,961	5,804
In-kind support	538	74,705	75,243
United Way Worldwide dues	10,923	11,378	22,301
	<u>\$ 351,712</u>	<u>\$ 516,757</u>	<u>\$ 868,469</u>

United Way of Lane County
Notes to Financial Statements
June 30, 2012 and 2011

Note 1 - Description of Operations and Summary of Significant Accounting Policies

Description of operations – United Way of Lane County (UWLC) is an Oregon nonprofit organization that mobilizes the caring power of the community by raising resources (financial, volunteers, social capital) and investing in strategic areas to address serious human needs and social conditions.

UWLC focuses on education, income and health – the building blocks for a good quality of life. As a necessary foundation to support these strategic priorities, UWLC also funds basic needs services for food, shelter, safety, health care and access to services.

UWLC conducts an annual campaign to raise support for programs and initiatives. Donors have three options for investing their contributions. Unrestricted contributions to UWLC are invested in the three strategic areas identified above and basic needs of the community. Donors may also direct their contributions to one or more of the strategic areas of Health, Education or Income. Contributions may also be directed to a specific nonprofit agency. Community Investment Volunteers allocate unrestricted dollars to partner agencies based on UWLC strategic initiatives and basic needs to the community. Pledges designated by donors to specific nonprofit organization are segregated as such in the accompanying statements of financial positions.

Basis of accounting – UWLC maintains its books on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Net assets, revenues and expenses are classified based on the existence or absence of donor-imposed restriction. Net assets of UWLC and changes therein are classified into the following three categories:

- *Unrestricted net assets* – represent expendable funds that are available for support to UWLC's operations. Certain of these amounts have been designated by the Board of Directors to be utilized for various purposes.
- *Temporarily restricted net assets* – consist of net assets that have been restricted by the donor for specific purposes or are not available for use until a specific time.
- *Permanently restricted net assets* – consist of net assets with donor restrictions that stipulate the resources be maintained permanently, but permit UWLC to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. UWLC had \$63,322 and \$45,302 in permanently restricted net assets as of June 30, 2012 and 2011, respectively.

Revenues are reported as unrestricted or temporarily restricted based on the existence or lack of donor-imposed restrictions. Restricted contributions whose restrictions are met in the same reporting period as they are made are reported as unrestricted support.

United Way of Lane County
Notes to Financial Statements
June 30, 2012 and 2011

**Note 1 - Description of Operations and Summary of Significant Accounting Policies
(continued)**

Restricted revenues are reported as an increase in unrestricted net assets if the restrictions are met in the same reporting period in which the revenue is recognized. Corresponding expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

UWLC donors have the option of designating a portion or all of their pledges to be passed on to a specific non-profit agency. In these cases, ULWC acts as an agent when it receives assets and agrees to remit these assets to the specified agency on a quarterly basis unless otherwise specified by the donor. On the statement of activities, agency transactions have been included within "Gross campaign results" and then subtracted and presented distinctly as "Donor designations."

Use of estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications – Certain prior period amounts have been reclassified to conform to the current year financial statement presentation with no effect on the previously stated change in net assets.

Cash – Cash consists of cash maintained in checking and savings accounts and highly liquid investments with original maturities of 90 days or less. Cash is deposited with two regional financial institutions, and exceed amounts insured by the Federal Deposit Insurance Corporation. Such amount totaled \$371,880 and \$369,637 at June 30, 2012 and 2011, respectively.

Investments – Investments in certificates of deposit with original maturities greater than three months do not fall within the scope of ASC 320 and are presented separately from cash equivalents in the statement of financial position. UWLC's long term investment in the assets of the Oregon Community Foundation are measured at fair value in the statement of financial position. Fair values are based on quoted prices as of the date of the statement of financial position. Investment income or loss (including gains and losses on investments, interest and dividends), is included in the statement of activities as increases or decreases in unrestricted net assets, unless the income or loss is restricted by donor or law.

Grants and other receivables – Credit risk associated with grants and other receivables are periodically reviewed by management. An allowance for uncollectible accounts is established if considered necessary. Grants and other receivables are collectible in the current year and stated at the amount UWLC expects to collect.

United Way of Lane County
Notes to Financial Statements
June 30, 2012 and 2011

**Note 1 - Description of Operations and Summary of Significant Accounting Policies
(Continued)**

Pledges receivable, net – Pledges for contributions received from local companies and individuals are uncollateralized and are recorded in full when pledges are made. All pledges are due within one campaign cycle. Allowances are provided by campaign year based on amounts estimated to be uncollectible, which are based on past collection experience. Pledges receivable are collectible in the current year and stated at the amount UWLC expects to receive.

Property and equipment – Purchased property and equipment are recorded at cost. Donated equipment is recorded at its estimated fair market value on the date of gift. UWLC has a capitalization policy of \$500. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is computed over the estimated useful lives of the property and equipment using the straight-line method (5 to 7 years for equipment and 39 years for building). Gains and losses on the disposal of property and equipment are recorded in the period incurred.

Endowment Classification and Distributions – UWLC has adopted the Uniform Prudent Management of Institutional Funds Act, requiring the long term preservation of the fair value of the original gift amount as of the gift date of donor restricted endowment funds absent explicit donor stipulations to the contrary.

For financial statement presentation purposes, UWLC classifies as permanently restricted net assets (a) all funds explicitly stated by the donor to be retained permanently and (b) absent such stipulation, the fair value on the date of gift for gifts donated to the permanent endowment. The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets represents net unappropriated endowment investment income and is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by UWLC, in a manner consistent with the standard of prudence prescribed by OR-UPMIFA. If, as a result of investment losses or appropriations (Board authorized distributions), the fair value of endowment assets is less than the donor restricted amounts, the deficiencies are reported as reductions of UWLC-controlled unrestricted net assets.

When considering appropriation for distribution or accumulation of endowment funds, absent a specifically stated requirement in the gift instrument, UWLC makes a good faith application of the approved UWLC spending policy, considering (a) the duration and preservation of the fund; (b) the purposes of UWLC and the endowment fund; (c) general economic conditions; (d) the possible effect of inflation and deflation; (e) the expected total return from income and the appreciation of investments; (f) other resources of UWLC; and (g) the investment policies of UWLC. The good faith application of the approved UWLC spending policy may result in the fair value of endowment assets being below the level determined as permanently restricted net assets for financial statement presentation purposes.

Advertising, marketing and public relations expense – UWLC expenses advertising, marketing and public relations costs as incurred. Advertising expense totaled \$81,472 and \$70,705 for the years ended June 30, 2012 and 2011 respectively.

United Way of Lane County
Notes to Financial Statements
June 30, 2012 and 2011

Note 1 - Description of Operations and Summary of Significant Accounting Policies (Continued)

Income taxes – Under the provisions of the Internal Revenue Code Section 501(c)(3) and applicable state law, UWLC has been granted exemption from state and federal income taxes.

Expense allocation – The expenses of UWLC are categorized as either program services or supporting services. Program services include direct and indirect costs related to providing the services and community building activities for which purpose UWLC exists. Supporting services include administration and fundraising activities. Expenses are allocated according to actual time incurred by UWLC employees related to these areas. During the current fiscal year program services were increased and tracked more accurately to result in reduced administrative and fundraising costs.

In-kind donations of materials and services – Donated materials and services are reflected as “In-kind support” at their estimated fair values at the date of receipt. Donated materials are comprised of equipment, supplies, and food. Donated services are comprised of professional services as well as television, radio and newspaper advertising and any other services that enhance or create non-financial assets or require specialized skills which are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Many individuals volunteer their time and perform a variety of tasks that assist UWLC in many areas, including program services, fund raising events and office support, but don’t meet these criteria and are, therefore, not recorded in the financial statements.

UWLC recognized \$73,079 and \$94,917 of in-kind support provided directly to partner agencies and social programs in the community as “*in-kind support for human services system*” for the years ended June 30, 2012 and 2011 respectively, whereas, “*in-kind support*” is considered to be the value of goods and services that UWLC receives to help with community initiatives, activities and events with totals of \$6,930 and \$538 allocated to administration and \$28,869 and \$74,705 to fundraising for the years ended June 30, 2012 and 2011 respectively.

Note 2 – Pledges Receivable, Net

	June 30,	
	2012	2011
Pledges receivable	\$ 1,360,879	\$ 1,482,186
Less allowance for uncollectible pledges	(167,981)	(216,990)
Net pledges receivable	1,192,898	1,265,196

United Way of Lane County
Notes to Financial Statements
June 30, 2012 and 2011

Note 3 – Grants and Other Receivables

	June 30,	
	2012	2011
Grants receivable	\$ 127,410	\$ 65,796
Other receivables	10,030	3,468
Total grants and other receivables	\$ 137,440	\$ 69,264

Note 4 – Property and Equipment

	June 30,	
	2012	2011
Land	\$ 296,000	\$ 296,000
Building	419,000	419,000
Equipment	234,904	234,237
	949,904	949,237
Less accumulated depreciation	332,760	327,611
	\$ 617,144	\$ 621,626

Note 5 – Investments and Fair Value Measurements

UWLC has adopted authoritative accounting guidance on fair value measurements. The guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. UWLC classifies its investments based upon an established fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Quoted prices in active markets for identical assets and liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

United Way of Lane County
Notes to Financial Statements
June 30, 2012 and 2011

Note 5 – Investments and Fair Value Measurements (continued)

UWLC has segregated all financial assets and liabilities that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on inputs used to determine the fair value at the measurement date. The following table discloses the level by fair value hierarchy as of June 30, 2012 and 2011:

Description	Investment assets at fair value as of June 30, 2012			
	Level 1	Level 2	Level 3	Total
Beneficial interest in the assets of Oregon Community Foundation	<u>\$ -</u>	<u>\$ 424,058</u>	<u>\$ -</u>	<u>\$ 424,058</u>

Description	Investment assets at fair value as of June 30, 2011			
	Level 1	Level 2	Level 3	Total
Beneficial interest in the assets of Oregon Community Foundation	<u>\$ -</u>	<u>\$ 421,860</u>	<u>\$ -</u>	<u>\$ 421,860</u>

Note 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets consist of:

	June 30,	
	2012	2011
Retired Senior Volunteer Program	\$ 3,302	\$ 55,062
Education	141,208	13,838
Income	12,789	13,768
Health	112,560	83,936
Other	<u>1,335</u>	<u>13,852</u>
Total temporarily restricted net assets	<u>\$ 271,194</u>	<u>\$ 180,456</u>

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Note 7 – Endowment

UWLC's endowment consists of donor restricted endowment funds. The Board is authorized to determine distributions to be made from endowment funds and has established the long-term policy objective of maintaining the real (after inflation) purchasing power of endowment gifts. The fund allows annual distributions up to 4.5% of the average fair value of the prior 13 quarters.

Authorized distributions (appropriations) are retained as temporarily restricted net assets until disbursement is authorized by UWLC officials consistent with the terms of the gift. Such amounts are then transferred from temporality restricted net assets to unrestricted net assets and the disbursement is reported as a decrease in unrestricted net assets.

Endowment net asset composition by type of fund is as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ 877</u>	<u>\$ 63,322</u>	<u>\$ 64,199</u>

For the years ended June 30, 2012 and 2011, the following table summarizes activity in endowment funds:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets - July 1, 2010	\$ -	\$ -	\$ -
Contributions	-	45,302	45,302
Interest and dividends	143	-	143
Investment gains (net)	1,579	-	1,579
Expenses	<u>(184)</u>	<u>-</u>	<u>(184)</u>
Endowment net assets - June 30, 2011	1,538	45,302	46,840
Contributions	-	18,020	18,020
Interest and dividends	1,718	-	1,718
Investment gains (net)	(1,851)	-	(1,851)
Expenses	<u>(528)</u>	<u>-</u>	<u>(528)</u>
Endowment net assets - June 30, 2012	<u>\$ 877</u>	<u>\$ 63,322</u>	<u>\$ 64,199</u>

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Note 8 – Retirement Plan

Substantially all full-time employees are covered by a SEP (Simplified Employee Pension), a defined contribution retirement plan. Employer contributions are discretionary and established annually by the board of directors. Employer contributions totaled \$31,648 and \$23,795 for the years ended June 30, 2012 and 2011, respectively and represented 5% and 3% respectively of eligible wages for each year.

Note 9 – Line of Credit

UWLC has a revolving line of credit agreement with Pacific Continental Bank expiring June 30, 2013. The agreement permits borrowing up to \$100,000 at a variable interest rate of prime plus 3.25 percent per annum with a floor of 6.0 percent. The credit line is secured by substantially all assets of UWLC. As of June 30, 2012 UWLC had not drawn funds on this line of credit.

Note 10 – Commitments and Contingencies

Grantor agencies - Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims including amounts already collected, may constitute a liability of the applicable funds. UWLC expects such amounts, if any, to be insignificant.

Deferred benefits – UWLC provides post-employment health insurance benefits to a key employee who retired during the year. Estimated annual payments of approximately \$6,000 will be paid for health insurance premiums continuing through March 2018. An estimated liability of approximately \$33,000 is anticipated and included in accrued liabilities at June 30, 2012 and 2011, respectively.

Unemployment reserve - UWLC is self-insured with respect to unemployment compensation and maintains a trust account with a third party administrator. The reserve account balance is included as a prepaid asset. Actual and anticipated claims are evaluated by management and an associated liability, when appropriate, is recorded. The total reserve account asset totaled \$32,843 and \$37,115 at June 30, 2012 and 2011, respectively, and estimated claims outstanding, included in accrued liabilities, totaled \$16,158 and \$23,669 at June 30, 2012 and 2011, respectively.

Operating leases – UWLC has several non-cancelable operating leases, primarily for various forms of equipment that expire at various dates through January 2016. Those leases generally contain renewal options for periods ranging from three to ten years and require UWLC to pay executory costs such as maintenance and insurance. Rental expense for those leases totaled \$14,753 and \$14,411 for the years ended June 30, 2012 and 2011 respectively.

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Note 10 – Commitments and Contingencies (continued)

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2012 are:

Year ending June 30:	
2013	\$ 25,890
2014	11,136
2015	9,504
2016	<u>4,752</u>
	<u>\$ 51,282</u>

Note 11 – Accounting for Uncertain Tax Positions

UWLC accounts for uncertain tax position in accordance with FASB Accounting Standards Codification (ASC) 740-10, Income Taxes, UWLC recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

UWLC was incorporated and operates in the State of Oregon which recognizes the 501(c)(3) nonprofit status for state tax purposes. UWLC is not aware of any activities which would terminate its tax exempt status. UWLC recognizes interest and penalties related to income tax matters in operating expenses. Management has concluded that there were no uncertain tax positions as of June 30, 2012. Tax year returns for 2009, 2010 and 2011 are open to examination by federal and state tax authorities.

Note 12 – Subsequent Events

UWLC has evaluated subsequent events through September 27, 2012, the date of the auditor's report, which date represents the date the financial statements were available to be issued. There were no subsequent events requiring disclosure in these financial statements.