

**UNITED WAY OF GREATER ROCHESTER, INC.  
AND AFFILIATE**

**Consolidated Financial Statements  
as of March 31, 2011  
Together with  
Independent Auditors' Report**

**Bonadio & Co., LLP**  
Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT**

August 25, 2011

To the Board of Directors of  
United Way of Greater Rochester, Inc.:

We have audited the accompanying consolidated balance sheet of United Way of Greater Rochester, Inc. (a New York not-for-profit corporation) and affiliate (collectively, the Organizations) as of March 31, 2011, and the related consolidated statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organizations' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from the Organizations' 2010 consolidated financial statements and, in our report dated August 3, 2010, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way of Greater Rochester, Inc. and affiliate as of March 31, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information contained in Exhibits I - III is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual corporations. The information contained in Exhibit IV is presented for purposes of additional analysis and is also not a required part of the basic consolidated financial statements. Such information except for the information on Exhibit IV which is marked "unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

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# UNITED WAY OF GREATER ROCHESTER, INC. AND AFFILIATE

## CONSOLIDATED BALANCE SHEET

MARCH 31, 2011

(With Comparative Totals for 2010)

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,826,586	\$ 4,925,250
Pledges receivable, net	9,637,141	9,837,058
Interest and dividends receivable	3,791	7,815
Bequests receivable	170,132	13,250
Investments	118,463,261	110,041,421
Notes receivable	1,049,312	367,064
Property and equipment, net	2,133,009	2,186,354
Beneficial interest in shared interest arrangements	2,925,900	2,695,857
Pooled life income fund assets	254,144	430,869
Other assets	179,094	365,238
	<u>\$ 140,642,370</u>	<u>\$ 130,870,176</u>
<b>LIABILITIES AND NET ASSETS</b>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,079,054	\$ 867,747
Due to agencies	8,405,873	8,421,717
Grants payable	-	15,000
Note payable	23,055	8,096
Charitable gift annuity reserve	322,702	335,391
Funds held for others	99,231	282,435
Pension and postretirement liability	1,301,727	2,574,777
Deferred revenue	7,709	7,287
Total liabilities	<u>11,239,351</u>	<u>12,512,450</u>
NET ASSETS:		
Unrestricted -		
Board designated	4,177,810	3,954,706
Undesignated	2,738,868	(774,804)
Quasi-endowment	52,110,522	72,868,786
Total unrestricted	59,027,200	76,048,688
Temporarily restricted	39,970,317	12,364,155
Permanently restricted	30,405,502	29,944,883
Total net assets	<u>129,403,019</u>	<u>118,357,726</u>
	<u>\$ 140,642,370</u>	<u>\$ 130,870,176</u>

The accompanying notes are an integral part of these statements.

**UNITED WAY OF GREATER ROCHESTER, INC. AND AFFILIATE**
**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**
**FOR THE YEAR ENDED MARCH 31, 2011**

(With Comparative Totals for 2010)

	2011				2010 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>REVENUE, GAINS AND OTHER SUPPORT:</b>					
Annual campaign, net	\$ 19,469,165	\$ 7,436,770	\$ -	\$ 26,905,935	\$ 27,283,103
Less: Allowance for uncollectible pledges	<u>(849,069)</u>	<u>-</u>	<u>-</u>	<u>(849,069)</u>	<u>(1,285,921)</u>
	<u>18,620,096</u>	<u>7,436,770</u>	<u>-</u>	<u>26,056,866</u>	<u>25,997,182</u>
Endowment legacies and gifts received	349,095	-	137,824	486,919	84,206
Charitable Gift Fund gifts received	2,939,278	-	-	2,939,278	1,420,610
Investment income used in operations in accordance with the United Way's total return spending policy	5,672,856	-	-	5,672,856	5,672,856
Donated goods and services	167,254	-	-	167,254	101,130
Other revenue	<u>1,858,751</u>	<u>224,737</u>	<u>-</u>	<u>2,083,488</u>	<u>2,344,231</u>
	<u>29,607,330</u>	<u>7,661,507</u>	<u>137,824</u>	<u>37,406,661</u>	<u>35,620,215</u>
Net assets released from restrictions -					
Satisfaction of program restrictions	167,737	(129,840)	(37,897)	-	-
Expiration of time restrictions	<u>7,805,641</u>	<u>(7,805,641)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>7,973,378</u>	<u>(7,935,481)</u>	<u>(37,897)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	<u>37,580,708</u>	<u>(273,974)</u>	<u>99,927</u>	<u>37,406,661</u>	<u>35,620,215</u>
<b>EXPENSES:</b>					
Program services -					
Allocations	28,260,492	-	-	28,260,492	27,893,477
Community investment and services	<u>2,139,903</u>	<u>-</u>	<u>-</u>	<u>2,139,903</u>	<u>2,058,993</u>
Total program services	<u>30,400,395</u>	<u>-</u>	<u>-</u>	<u>30,400,395</u>	<u>29,952,470</u>
Supporting services -					
Resource development	3,136,116	-	-	3,136,116	3,208,211
General management	<u>2,001,003</u>	<u>-</u>	<u>-</u>	<u>2,001,003</u>	<u>1,947,200</u>
Total supporting services	<u>5,137,119</u>	<u>-</u>	<u>-</u>	<u>5,137,119</u>	<u>5,155,411</u>
Total expenses	<u>35,537,514</u>	<u>-</u>	<u>-</u>	<u>35,537,514</u>	<u>35,107,881</u>
EXCESS (DEFICIENCY) OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES	2,043,194	(273,974)	99,927	1,869,147	512,334
INVESTMENT GAIN IN EXCESS OF UNITED WAY'S TOTAL RETURN SPENDING POLICY	9,484,302	466,596	360,692	10,311,590	25,071,013
CHANGE IN FUNDED STATUS OF PENSION AND POSTRETIREMENT LIABILITY	(1,135,444)	-	-	(1,135,444)	624,091
RECLASSIFICATION OF NET ASSETS BASED ON CHANGE IN LAW	<u>(27,413,540)</u>	<u>27,413,540</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	(17,021,488)	27,606,162	460,619	11,045,293	26,207,438
NET ASSETS - beginning of year	<u>76,048,688</u>	<u>12,364,155</u>	<u>29,944,883</u>	<u>118,357,726</u>	<u>92,150,288</u>
NET ASSETS - end of year	<u>\$ 59,027,200</u>	<u>\$ 39,970,317</u>	<u>\$ 30,405,502</u>	<u>\$ 129,403,019</u>	<u>\$ 118,357,726</u>

The accompanying notes are an integral part of these statements.

**UNITED WAY OF GREATER ROCHESTER, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED MARCH 31, 2011**

(With Comparative Totals for 2010)

	2011							
	Program Services			Supporting Services				2010 Total
	Allocations	Community Investment and Services	Total	Resource Development	General Management	Total	Total	
<b>SALARIES AND RELATED EXPENSES:</b>								
Salaries	\$ -	\$ 935,000	\$ 935,000	\$ 1,211,752	\$ 944,566	\$ 2,156,318	\$ 3,091,318	\$ 3,068,248
Employee health, retirement, pension and postretirement expenses	-	325,045	325,045	413,390	340,195	753,585	1,078,630	1,232,507
Payroll taxes	-	61,931	61,931	86,860	64,052	150,912	212,843	214,000
Total salaries and related expenses	-	1,321,976	1,321,976	1,712,002	1,348,813	3,060,815	4,382,791	4,514,755
<b>OTHER EXPENSES:</b>								
Allocations to agencies	28,260,492	-	28,260,492	-	-	-	28,260,492	27,893,477
Purchase of services (including \$94,066 and \$57,861 of donated services in 2011 and 2010, respectively)	-	255,971	255,971	553,171	122,909	676,080	932,051	667,231
Organization meetings and conferences (including \$4,868 of donated organization meetings and conferences expense in 2011)	-	72,869	72,869	114,401	105,364	219,765	292,634	216,911
United Way of America dues	-	83,474	83,474	106,897	86,690	193,587	277,061	300,222
Information technology	-	76,948	76,948	83,453	74,819	158,272	235,220	308,571
Printing, binding, and advertising	-	8,995	8,995	120,211	5,195	125,406	134,401	241,822
Rent and occupancy	-	46,464	46,464	54,643	28,171	82,814	129,278	122,939
Communication services	-	39,617	39,617	47,202	31,000	78,202	117,819	135,735
Professional fundraising counsel fees	-	-	-	117,610	-	117,610	117,610	58,371
Membership fees	-	84,286	84,286	4,489	5,106	9,595	93,881	84,345
Professional fees	-	12,028	12,028	8,747	71,504	80,251	92,279	76,760
Insurance	-	18,311	18,311	37,059	18,922	55,981	74,292	62,598
Office supplies (including \$1,125 and \$10,241 of donated office supplies in 2011 and 2010, respectively)	-	16,056	16,056	22,195	13,238	35,433	51,489	52,005
Building maintenance and repairs	-	14,099	14,099	18,329	14,569	32,898	46,997	48,349
Transportation	-	14,892	14,892	26,748	5,114	31,862	46,754	46,098
Rental of equipment	-	10,788	10,788	12,862	7,142	20,004	30,792	36,652
Awards and grants	-	6,340	6,340	21,610	2,390	24,000	30,340	42,619
Loss on disposal of fixed assets	-	350	350	456	362	818	1,168	7,459
Interest	-	222	222	261	133	394	616	856
Other	-	1,227	1,227	2,283	2,739	5,022	6,249	6,150
Total other expenses	28,260,492	762,937	29,023,429	1,352,627	595,367	1,947,994	30,971,423	30,409,170
Total expenses before depreciation and amortization	28,260,492	2,084,913	30,345,405	3,064,629	1,944,180	5,008,809	35,354,214	34,923,925
<b>DEPRECIATION AND AMORTIZATION</b>	-	54,990	54,990	71,487	56,823	128,310	183,300	183,956
Total expenses	\$ 28,260,492	\$ 2,139,903	\$ 30,400,395	\$ 3,136,116	\$ 2,001,003	\$ 5,137,119	\$ 35,537,514	\$ 35,107,881

The accompanying notes are an integral part of these statements.

# UNITED WAY OF GREATER ROCHESTER, INC. AND AFFILIATE

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2011

(With Comparative Totals for 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 11,045,293	\$ 26,207,438
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Net gain on investments	(14,151,295)	(28,968,742)
Depreciation and amortization	183,300	183,956
Loss on disposal of property and equipment	1,168	7,459
Permanently restricted legacies and gifts	(137,824)	(142,002)
Change in funded status of pension and postretirement liability	1,135,444	(624,091)
Provision for doubtful pledges receivable	(849,069)	(1,285,921)
Changes in:		
Pledges receivable	1,048,986	1,882,178
Interest and dividends receivable	4,024	96,840
Bequests receivable	(156,882)	228,782
Other assets	186,144	(180,075)
Accounts payable and accrued expenses	211,307	119,528
Due to agencies	(15,844)	(567,138)
Grants payable	(15,000)	15,000
Funds held for others	(183,204)	37,125
Pension and postretirement liability	(2,408,494)	105,490
Deferred revenue	422	(2,713)
	<u>(4,101,524)</u>	<u>(2,886,886)</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(131,123)	(87,549)
Purchases of investments	(3,284,730)	(3,158,880)
Sales of investments	9,014,185	6,346,752
Change in notes receivable, net	(682,248)	313,894
Change in beneficial interest in shared interest arrangements	(230,043)	(538,891)
	<u>4,686,041</u>	<u>2,875,326</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Net borrowings/(repayments) on note payable	14,959	(6,580)
Permanently restricted legacies and gifts	137,824	142,002
(Decrease)/increase in charitable gift annuity reserve	(12,689)	42,110
Change in pooled life income fund assets	176,725	(56,636)
	<u>316,819</u>	<u>120,896</u>
CHANGE IN CASH AND CASH EQUIVALENTS	901,336	109,336
CASH AND CASH EQUIVALENTS - beginning of year	<u>4,925,250</u>	<u>4,815,914</u>
CASH AND CASH EQUIVALENTS - end of year	<u>\$ 5,826,586</u>	<u>\$ 4,925,250</u>

The accompanying notes are an integral part of these statements.

# UNITED WAY OF GREATER ROCHESTER, INC. AND AFFILIATE

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011

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### 1. BASIS OF PRESENTATION AND DESCRIPTION OF THE ORGANIZATION

The consolidated financial statements include the combined funds of the United Way of Greater Rochester, Inc. (founded in 1918); the United Way of Wayne County, Inc.; the United Way of Ontario County, Inc.; the Genesee Country United Way; the United Way of Eastern Orleans, Inc.; the United Way of Livingston County, Inc.; and the United Way of Wyoming County, Inc. (collectively, the United Way). Under the terms of the affiliation agreements, each entity will maintain its corporate existence and any party may terminate the agreement with one year's advance notice to other parties.

The consolidated financial statements also include the accounts of UWGR Holding Company, Inc. (Holding Company), a not-for-profit corporation organized for the purpose of accepting, holding and managing gifts of real property, interests in real property, and other gifts for the sole benefit of United Way of Greater Rochester, Inc. United Way of Greater Rochester, Inc. is Holding Company's sole corporate member.

United Way's mission is to magnify and focus the power of community resources to advance the common good.

The United Way is governed by a volunteer Board of Directors (Board) and carries out its purpose through the following programs:

#### **Community Investment and Services**

Community Investment and Services advances the common good by making a measurable impact on the community by funding programs, engaging in strategic community partnerships, mobilizing volunteers and advancing advocacy efforts in support of declared strategies in five focus areas: early childhood, school age youth, crisis services, aging and disability services.

Leadership Development - Consists of leadership training to prepare Latino and African-American individuals for leadership positions in the community, in particular, on the boards and committees of not-for-profit organizations.

Labor Participation - Continues the collaborations and historic relationships between Labor Unions and the United Way. Programs include the annual Union Counselor Training Program, Help Stamp Out Hunger, recognition of the work unions provide, as well as various activities aimed at promoting organized labor's support.

#### **Affiliate Regional System**

United Way of Greater Rochester provides professional leadership and support services in the areas of governance, administration, planning, fundraising, communications and fund distribution to independent United Way affiliates in Wayne, Ontario, Genesee, Eastern Orleans, Livingston and Wyoming counties.

## 1. BASIS OF PRESENTATION AND DESCRIPTION OF THE ORGANIZATION (Continued)

### Resource Development

The Resource Development Division's mission is to optimize the number of donors and the total resources contributed through United Way to better our community. This involves organizing and conducting annual workplace campaigns, soliciting individual donors outside workplace campaigns, cultivating major gifts and promoting our planned giving efforts through estate planned giving, charitable gift funds and charitable gift annuities.

Specific activities include:

- developing year-round relationships with donors to better understand their needs and expectations
- recruiting a campaign cabinet that reflects the diversity and strength of the community
- planning, organizing, and executing the year-round fundraising effort
- providing donor and volunteer recognition programs
- reaching out to selected affinity groups

### General Management

General management includes the offices of the president, finance, information technology, human resources and facilities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The consolidated financial statements of the United Way are prepared in conformity with accounting principles generally accepted in the United States.

### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the United Way and Holding Company (collectively, the Organizations). All significant intercompany transactions and balances have been eliminated.

### Fair Value of Financial Instruments

The Organizations' financial instruments include cash and equivalents, investments, notes receivable, beneficial interest in shared interest arrangements and pooled life income fund assets. United Way believes that the carrying amount of these instruments approximates fair value.

### Financial Reporting

The revenue, expenses and net assets of the Organizations are reported in the following classifications:

#### Unrestricted

Unrestricted net assets include funds available for operating activities. In addition, they include net investment in property and equipment and other resources specifically designated by the respective governing Boards.

#### Temporarily Restricted

Temporarily restricted net assets include investments and other assets received with donor stipulations that limit their use and also includes unrestricted investment earnings on permanently restricted endowment funds not yet appropriated for expenditure by the Board. When a donor restriction expires or appropriation is made by the Board, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restriction.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial Reporting (Continued)

#### Permanently Restricted

Permanently restricted net assets consist primarily of investments from endowments and beneficial interests in shared interest arrangements. These are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity.

#### **Cash and Cash Equivalents**

The Organizations consider highly liquid investments, with a maturity of less than three months when purchased and not regarded as components of the endowment investment portfolio of the United Way, to be cash equivalents. In addition, cash and cash equivalents include bank accounts and money market funds which, at times, may exceed federally insured limits. The Organizations have not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to its cash and cash equivalents.

#### **Notes Receivable**

Notes receivable represent loans used for moderate and low income housing in the Greater Rochester Area through the Martin Luther King Jr. Memorial Housing Fund and other loans made at the discretion of the United Way's Board of Directors. The outstanding notes at March 31, 2011 are interest free and are due through fiscal year 2013.

#### **Investments**

The United Way invests in various types of investment vehicles that are recorded at fair value in the accompanying consolidated financial statements. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated financial statements.

#### **Fair Value Measurement - Definition and Hierarchy**

The United Way uses various valuation techniques in determining fair value. Generally accepted accounting principles established a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the United Way. Unobservable inputs are inputs that reflect the United Way's assumptions about the estimates market participants would use in pricing the asset or liability, developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the United Way has the ability to access. Valuation adjustments are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Fair Value Measurement - Definition and Hierarchy (Continued)**

The availability of observable inputs can vary and is affected by a wide variety of factors. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

### **Property and Equipment**

Property and equipment are recorded at cost if purchased, or the fair market value at the date of donation. The Organization's policy is to capitalize all computer equipment and all other property and equipment purchases greater than \$1,000 with a useful life greater than one year. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 15 years for equipment and furniture and 40 years for building and improvements. No depreciation expense is recognized in the year of acquisition for equipment and furniture. Depreciation is recognized in the first full month after acquisition for building and improvements.

### **Split-Interest Agreements**

The United Way has recorded as contributions various types of split-interest agreements, including charitable remainder and perpetual trusts. With respect to charitable remainder trust agreements, the United Way has recorded the contributions as temporarily restricted revenue at the estimated fair value of the assets to be received based on the present value of the estimated future payments using a discount rate of 8%.

Under the terms of perpetual trust arrangements, a donor establishes and funds a perpetual trust administered by an individual or organization other than the United Way. Under the terms of the trust, the United Way has the irrevocable right to receive the income earned on the trust assets in perpetuity, but never receives the assets held in trust. The United Way has recorded the asset at the estimated fair value of the United Way's beneficial interest in trust assets. Income earned on the trust assets is recorded as unrestricted revenue in the accompanying consolidated statement of activities unless otherwise restricted by the donor. Subsequent changes in fair value of the beneficial interest in the trust assets are recorded as a component of investment income in the permanently restricted net asset class.

### **Due to Agencies**

The United Way allocates campaign pledges to Agencies on a twelve-month cycle, which runs from August 1 to July 31 each year. The amount accrued represents the final four months of 2010 campaign pledges due to be paid to Agencies as of the United Way's fiscal year end. All donor designated pledges are paid in full to Agencies by year-end.

### **Annual Campaign**

The annual campaign, a joint fundraising campaign by the United Way and the Rochester-Monroe County Chapter of the American Red Cross, is conducted to raise support for distribution to programs that are driven by demonstrated quality, customer focus and results.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Annual Campaign (Continued)

Campaign results are as follows for the years ended March 31:

	<u>2011</u>	<u>2010</u>
Total amount raised	\$ 28,736,718	\$ 28,812,318
Less:		
State and federal campaign fundraising	(786,424)	(866,455)
Provision for doubtful pledges - current year	(849,069)	(1,285,921)
Investment income	(329,527)	(96,354)
Reversal of investment grants from advised funds	(585,015)	(596,361)
Amounts recorded in prior year	(7,565,630)	(7,532,255)
Add:		
Reversal of amount announced but not included in revenue	-	102,392
Amounts recorded related to next year's campaign	<u>7,435,813</u>	<u>7,459,818</u>
Amount recorded in statement of activities	<u>\$ 26,056,866</u>	<u>\$ 25,997,182</u>

### Contributions

The United Way reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit their use. Donor-restricted contributions whose restrictions are met in the same reporting period as the contributions are received are reported directly as unrestricted support.

### Wills, Trusts and Estates

The United Way is the beneficiary under various wills and trust agreements, the total realizable value of which is not presently determinable. With respect to wills, amounts are recorded when a will is declared valid by a probate court and the proceeds are measurable.

### Investment Gains, Losses and Income

Dividend, interest and other investment income are reported in the period earned as increases in unrestricted net assets, unless the use of income on such assets is explicitly limited by donor-imposed restrictions. Investment income earned on permanently restricted endowment gifts follows the donor's restrictions on the use of the related income (interest and dividends), and unrestricted income on permanent endowment funds is classified as temporarily restricted until appropriated for expenditure by the Board. Donor-restricted investment income is reported as an increase in temporarily restricted or permanently restricted net assets based on donor stipulation. Gains and investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the gains and income are recognized.

### Donated Goods and Services

The United Way recognizes contributed goods and services as revenue and expense if such services meet the criteria for recognition under generally accepted accounting principles. Donated services totaled \$94,066 and \$57,861 in fiscal 2011 and 2010, respectively. Donated services consist primarily of advertising services, including advertising time on television and radio stations, and advertisements placed in newspapers.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Donated Goods and Services (Continued)**

Revenue recognized for donated office supplies totaled \$73,188 and \$43,269 in fiscal 2011 and 2010, respectively. Expense recognized for donated office and meeting supplies totaled \$5,993 and \$10,241 in fiscal 2011 and 2010, respectively. Expense recognized for donated allocations totaled \$65,000 and \$35,519 in fiscal 2011 and 2010, respectively and represented office equipment allocated to agencies. Revenue recognized for donated office supplies differs from expense recognized due to the United Way's policy of capitalizing supplies into inventory when received and expensing the supplies when used.

In addition to the previously described services, volunteers have donated significant amounts of time in support of the United Way's activities. These contributions have not been recorded as revenue and expense as they do not meet the criteria for recognition under generally accepted accounting principles.

### **Advertising Costs**

Advertising costs are expensed as incurred. Advertising costs were \$13,206 and \$56,047 in 2011 and 2010, respectively.

### **Expenses**

Functional cost allocations are based on the percentage of salary dollars for the specific programs or activities to total salary expense. All other expenses are directly allocated to the program benefited by the expense.

### **Cost Deduction**

The United Way may assess fundraising and management and general fees in accordance with the United Way Worldwide membership standards as outlined in United Way Worldwide's publication titled "United Way of America Cost Deduction Requirements for Standard M."

### **Income Taxes**

The United Way and Holding Company are not-for-profit organizations and are exempt from income taxes as organizations qualified under Section 501(c)(3) of the Internal Revenue Code. The Organizations have also been classified by the Internal Revenue Service as entities that are not private foundations.

For tax-exempt entities, their tax-exempt status itself is deemed to be an uncertainty, since events could potentially occur to jeopardize their tax-exempt status. As of March 31, 2011 and 2010, the Organizations do not have a liability for unrecognized tax benefits. The Organizations file informational returns in the U.S. federal jurisdiction and New York State. The Organizations are no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2008.

### **Comparative Information**

The consolidated financial statements include certain prior-year comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organizations' consolidated financial statements for the year ended March 31, 2010, from which the information was derived.

### **Reclassifications**

Certain reclassifications have been made to the prior year financial statements to conform with the current year presentation.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Estimates

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

## 3. NET ASSETS

Temporarily restricted net assets are expendable as follows at March 31:

	<u>2011</u>	<u>2010</u>
Housing and housing-related programs (Martin Luther King, Jr. Fund)	\$ 2,567,897	\$ 2,463,161
Time restricted - for use as part of a future year annual campaign	7,689,187	7,805,641
Time restricted - living endowment arrangements	1,779	14,351
Time restricted - to be used for agency capital projects	1,227,020	1,109,190
Time restricted - charitable remainder trust arrangements	203,838	198,422
Accumulated unappropriated earnings on permanently restricted endowment funds	27,413,540	-
Program restrictions	<u>867,056</u>	<u>773,390</u>
	<u>\$ 39,970,317</u>	<u>\$ 12,364,155</u>

Temporarily restricted net assets were released as follows at March 31:

	<u>2011</u>	<u>2010</u>
Program restriction:		
For housing and housing-related programs (Martin Luther King, Jr. Fund)	\$ 16,163	\$ 39,636
For allocations to United Way agencies	49,387	49,267
Other programs	<u>64,290</u>	<u>18,665</u>
	<u>\$ 129,840</u>	<u>\$ 107,568</u>
Time restriction:		
For use as part of the current year annual campaign	<u>\$ 7,805,641</u>	<u>\$ 7,598,380</u>

The earnings from the following permanently restricted net assets are expendable as follows at March 31:

	<u>2011</u>	<u>2010</u>
Accumulated for appropriation by the Board of Directors of the United Way	\$ 24,082,012	\$ -
Unrestricted uses by the United Way	-	23,578,864
Future year campaign pledges	5,378,885	5,421,414
Other	<u>944,605</u>	<u>944,605</u>
	<u>\$ 30,405,502</u>	<u>\$ 29,944,883</u>

#### 4. PLEDGES RECEIVABLE

At March 31, 2011 and 2010, contributors to the United Way had made written unconditional promises to give in connection with annual campaigns as follows:

	<u>2011</u>	<u>2010</u>
2011 Campaign	\$ 6,280,141	\$ -
2010 Campaign	4,462,631	5,948,822
2009 Campaign	280,883	5,309,298
2008 and prior Campaigns	347,069	1,429,695
Less: Allowance for uncollectible pledges	<u>(1,733,583)</u>	<u>(2,850,757)</u>
	<u>\$ 9,637,141</u>	<u>\$ 9,837,058</u>

Most pledges lack due dates or are due within one year or less. Consequently, all pledges are recorded without any discount to present value. The United Way records an allowance for doubtful accounts in anticipation of future collection problems. The allowance for doubtful accounts is computed based on management estimates of current collectibility and includes estimates of economic factors, which are applied to gross campaign pledges, including donor designations.

#### 5. DONOR DIRECTED PLEDGES

The United Way has a donor choice program, which allows donors to direct their pledges to various service areas, funded providers and other eligible organizations. Pledges directed to funded providers, which are in excess of the program allocation as determined by the United Way, are also remitted to the provider. Annual campaign revenue includes donor directed pledges as follows for the years ended March 31:

	<u>2011</u>	<u>2010</u>
Donor directed pledges - funded providers	\$ 1,452,761	\$ 1,817,782
Donor directed pledges - funded providers in excess of program allocations	327,010	193,273
Donor directed pledges - other eligible organizations	<u>5,061,173</u>	<u>5,251,930</u>
	<u>\$ 6,840,944</u>	<u>\$ 7,262,985</u>

Donor directed pledges made to the United Way of Greater Rochester's campaign are subject to the United Way's policy, which provides that the United Way can unilaterally redirect the funds otherwise designated by the donor should the United Way determine the designation is contrary to the goals and strategies of the United Way.

Donor directed pledges were allocated to providers net of a 4.95% and 5.10% reserve for pledge loss in 2011 and 2010, respectively.

## 6. INVESTMENTS

Investments consisted of the following at March 31:

	<u>2011</u>	<u>2010</u>
Domestic equity mutual funds	\$ 37,762,440	\$ 35,528,205
International equity mutual funds	34,753,731	31,143,507
Fixed income mutual funds	24,277,459	22,101,035
Alternative investments	10,528,411	9,946,981
Real estate	6,357,442	5,052,318
Balanced mutual funds	2,934,781	2,066,181
Cash equivalents	1,360,469	1,249,262
U.S. government obligations	190,430	808,594
Common stocks	180,634	736,392
Corporate bonds	<u>117,464</u>	<u>1,408,946</u>
	<u>\$118,463,261</u>	<u>\$110,041,421</u>

For the years ended March 31, 2011 and 2010, the total amount of investment income, including amounts appropriated under and used in operations in accordance with the United Way's total return spending policy, are as follows:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 2,275,679	\$ 2,388,640
Realized and unrealized gains, net	14,151,295	28,968,742
Fees	<u>(442,528)</u>	<u>(613,513)</u>
	<u>\$ 15,984,446</u>	<u>\$ 30,743,869</u>

### **Fair Value of Financial Instruments**

Fair value of a portion of the United Way's domestic equity mutual funds, international equity mutual funds, fixed income mutual funds and all of the United Way's balanced mutual funds, U.S. government obligations and common stocks is determined based on quoted market prices. Fair value of a portion of the United Way's domestic equity mutual funds, international equity mutual funds, fixed income mutual funds and all of the United Way's corporate bonds is determined by entering standard inputs into a pricing model. These inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads and industry and economic events.

The fair value of the United Way's investment in real estate was \$6,357,442. These securities are publicly traded real estate investment trusts (REITs). Fair value of these investments are based utilizing the current net asset value (NAV), derived from the value of the underlying investments input into an industry standard valuation model.

The United Way's alternative investments consist primarily of ownership interests in hedge funds, which are valued by the hedge fund managers based on a review of the fair values of the underlying holdings in the fund.

Additionally, the fair value of the United Way's split-interest arrangements is determined on a recurring basis by estimating the present value of future cash flows, which incorporates an estimate of an annual rate of return on trust assets, life expectancy and discount rate.

## 6. INVESTMENTS (Continued)

### Fair Value of Financial Instruments (Continued)

The United Way utilized the net asset value (NAV) reported by each of the hedge funds as a practical expedient for determining fair value of the investment. These investments are redeemable at NAV under the original terms of the subscription agreements and operations of the underlying funds. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by these funds, changes in market conditions and the economic environment may significantly impact the NAV of the funds and, consequently, the fair value of the United Way's interest in the funds. Furthermore, changes to the liquidity provisions of the funds may significantly impact the fair value of the United Way's interest in the funds.

The majority of the United Way's hedge fund strategies are described as follows:

#### Archstone Offshore Fund, Ltd.

The United Way had an investment in this fund of \$5,013,513 and \$4,726,426 at March 31, 2011 and 2010, respectively. The fund was formed primarily with the purpose of achieving long-term growth of capital with reduced volatility by allocating its capital among various money managers that, as a group, employ a variety of investment techniques and strategies. The fund trades in securities indirectly by investing its assets in particular investment funds and investment managers. After an initial one year lock-up period that ended April 30, 2010, the fund is subject to monthly redemption with a 90 day redemption notice period. As of March 31, 2011, there were no unfunded commitments associated with this investment.

#### Weatherlow Offshore Fund I, Ltd.

The United Way had an investment in this fund of \$5,266,593 and \$4,842,407 at March 31, 2011 and 2010, respectively. The fund is a multi-manager, multi-strategy fund of funds formed to invest predominantly in limited partnerships and similar pooled investment vehicles. After a three year lock-up period, ending April 1, 2012, the fund is subject to monthly redemption with a 65 day redemption notice period. As of March 31, 2011, there were no unfunded commitments associated with this investment.

The United Way's investments and split-interest arrangements are classified in the following fair value hierarchy at March 31, 2011:

	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Domestic equity mutual funds	\$ 37,703,977	\$ 58,463	\$ -	\$ 37,762,440
International equity mutual funds	7,450,848	27,302,883	-	34,753,731
Fixed income mutual funds	19,967,785	4,309,674	-	24,277,459
Alternative investments	-	5,013,513	5,514,898	10,528,411
Real estate	23,096	6,334,346	-	6,357,442
Balanced mutual funds	2,934,781	-	-	2,934,781
U.S. government obligations	190,430	-	-	190,430
Common stocks	180,634	-	-	180,634
Corporate bonds	-	117,464	-	117,464
Pooled life income fund	254,144	-	-	254,144
Split-interest arrangements	-	-	2,925,900	2,925,900
	<u>\$ 68,705,695</u>	<u>\$ 43,136,343</u>	<u>\$ 8,440,798</u>	<u>\$ 120,282,836</u>

## 6. INVESTMENTS (Continued)

### Fair Value of Financial Instruments (Continued)

The United Way's investments and split-interest arrangements are classified in the following fair value hierarchy at March 31, 2010:

	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Domestic equity mutual funds	\$ 859,470	\$ 34,668,735	\$ -	\$ 35,528,205
International equity mutual funds	5,751,637	25,391,870	-	31,143,507
Fixed income mutual funds	18,024,134	4,076,901	-	22,101,035
Alternative investments	-	4,726,426	5,220,555	9,946,981
Real estate	2,196	5,050,122	-	5,052,318
Balanced mutual funds	2,066,181	-	-	2,066,181
U.S. government obligations	808,594	-	-	808,594
Common stocks	736,392	-	-	736,392
Corporate bonds	-	1,408,946	-	1,408,946
Pooled life income fund	430,869	-	-	430,869
Split-interest arrangements	-	-	2,695,857	2,695,857
	<u>\$ 28,679,473</u>	<u>\$ 75,323,000</u>	<u>\$ 7,916,412</u>	<u>\$ 111,918,885</u>

The following is a reconciliation of the beginning and ending balances for the United Way's alternative investments and split-interest arrangements, which are measured at fair value using significant unobservable inputs (Level 3):

	<u>Alternative Investments</u>	<u>Split-interest Arrangements</u>
Balance at March 31, 2009	\$ 1,154,137	\$ 2,156,966
Additions	4,100,000	-
Withdrawals	(830,373)	-
Realized and unrealized gains	<u>796,791</u>	<u>538,891</u>
Balance at March 31, 2010	5,220,555	2,695,857
Additions	-	597
Withdrawals	(60,526)	-
Realized and unrealized gains	<u>354,869</u>	<u>229,446</u>
Balance at March 31, 2011	<u>\$ 5,514,898</u>	<u>\$ 2,925,900</u>

The unrealized gains included in the change in net assets relating to financial instruments still held at the reporting date were \$351,850 and \$229,446 for alternative investments and split-interest arrangements, respectively, for the year ended March 31, 2011.

## 6. INVESTMENTS (Continued)

### Fair Value of Financial Instruments (Continued)

The unrealized gains included in the change in net assets relating to financial instruments still held at the reporting date were \$878,175 and \$538,891 for alternative investments and split-interest arrangements, respectively, for the year ended March 31, 2010.

At March 31, 2011 and 2010, investments include approximately \$5.6 million and \$4.3 million, respectively, held as part of the United Way's Charitable Gift Fund program. Generally, these amounts represent unrestricted contributions received by the United Way. However, the donors may make non-binding recommendations to the United Way as to the timing, amount and recipient of distributions from these funds, including the distribution of fund principal.

## 7. ENDOWMENT

The United Way's endowment consists of numerous individual funds established over time for a variety of purposes. Its endowment includes both permanently restricted gifts and funds designated by the Board of Directors to function as quasi-endowments. The United Way's endowment was as follows for the year ended March 31:

	<u>2011</u>	<u>2010</u>
Permanently restricted	\$ 30,405,502	\$ 29,944,883
Temporarily restricted	\$ 29,389,577	\$ 1,980,919
Quasi-endowment	\$ 52,110,522	\$ 72,868,786

Changes in the Quasi-Endowment Net Assets for the year ended March 31 are as follows:

	<u>2011</u>	<u>2010</u>
Quasi-endowment, beginning of year	\$ 72,868,786	\$ 49,225,467
Contributions	253,700	298,903
Appropriation of endowment assets for expenditure	(8,388,965)	(6,589,890)
Investment return:		
Gain on investments	12,814,866	28,492,222
Interest income	1,975,673	1,442,084
Reclassification of net assets based on change in law	<u>(27,413,540)</u>	<u>-</u>
Quasi-endowment, end of year	<u>\$ 52,110,522</u>	<u>\$ 72,868,786</u>

Changes in the Temporarily Restricted Net Assets for the year ended March 31 are as follows:

	<u>2011</u>	<u>2010</u>
Temporarily restricted, beginning of year	\$ 1,980,919	\$ 1,118,562
Reclassification of net assets based on change in law	27,413,540	-
Appropriation of endowment assets for expenditure	(345,821)	(136,566)
Investment return:		
Gain on investments	242,708	622,420
Interest income	<u>98,231</u>	<u>376,503</u>
Temporarily restricted, end of year	<u>\$ 29,389,577</u>	<u>\$ 1,980,919</u>

## 7. ENDOWMENT (Continued)

Changes in the Permanently Restricted Endowment Net Assets and Charitable Remainder Trust for the year ended March 31 are as follows:

	<u>2011</u>	<u>2010</u>
Permanently restricted, beginning of year	\$ 29,944,883	\$ 29,251,672
Contributions and other revenue	137,824	142,002
Endowment assets released from restriction	(37,897)	-
Investment return:		
Gain on investments	327,468	515,618
Interest income	<u>33,224</u>	<u>35,591</u>
Permanently restricted, end of year	<u>\$ 30,405,502</u>	<u>\$ 29,944,883</u>

### **Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires the United Way to retain as a fund of perpetual duration. There were no such deficiencies as of March 31, 2011 and 2010.

### **Return Objectives and Risk Parameters**

The United Way has adopted investment and spending policies for endowment assets to attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under the investment policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is net of fees intended to exceed the price and yield results of the spending policy plus the rate of inflation as measured by the Consumer Price Index (over the long term) within a reasonable level of volatility.

### **Strategies Employed for Achieving Objectives**

To satisfy its long-term rate of return objectives, the United Way relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The United Way targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### **Spending Policy and Related Investment Objectives**

The United Way has adopted a total return spending policy, under which it appropriates a percentage of the average market value of investments at the end of the previous five years to help support its annual operating expenses. During 2007, the United Way appropriated 5.5% plus endowment expenses under its total return spending policy. The United Way also decided in 2007 to freeze its withdrawals at this calculated dollar value until the endowment value grows to a level where the 5% formula results in a higher withdrawal amount.

The United Way has interpreted the applicable provisions of New York Not-for-Profit Corporation Law to mean that the classification of appreciation on permanently restricted endowment gifts, beyond the original gift amount, follows the donor's restriction on the use of the related income (interest and dividends), and income is classified as temporarily restricted until appropriated by the Board for expenditure.

## 7. ENDOWMENT (Continued)

### Spending Policy and Related Investment Objectives (Continued)

New York Not-for-Profit Corporation Law was amended to add a new article known as the "Prudent Management of Institutional Funds Act," which became effective in September 2010. The implementation resulted in a reclassification of previously reported net asset balances from unrestricted to temporarily restricted net assets in the amount of \$27,413,540 that is reflected in the consolidated statement of activities and change in net assets for the year ended March 31, 2011.

New York State law allows the Board of Directors to expend net appreciation of endowment investments and in certain circumstances the principal of the gift. The Board of Directors must consider the long and short-term needs of the United Way in carrying out its purposes, its present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions when determining the amount to expend. The United Way believes that its total return spending policy meets New York State requirements.

## 8. SPLIT-INTEREST AGREEMENTS

Split-interest agreements consisted of the following at March 31:

	<u>2011</u>		<u>2010</u>	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Perpetual trusts	\$ 2,721,465	\$ -	\$ 2,497,435	\$ -
Charitable gift annuities	466,604	322,702	466,700	335,391
Charitable remainder trusts	203,838	-	198,422	-
Pooled life income fund	254,144	99,231	430,869	282,435
Life insurance policy	<u>597</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,646,648</u>	<u>\$ 421,933</u>	<u>\$ 3,593,426</u>	<u>\$ 617,826</u>

Liabilities are recorded equal to the estimated present value of payments that the United Way is required to make to specified beneficiaries under the terms of these agreements. Assets are recorded at fair value.

The change in value of split-interest agreements was \$239,783 and \$630,325 for the years ended March 31, 2011 and 2010, respectively, and is included in "Investment Gain" in the accompanying consolidated statement of activities and change in net assets.

## 9. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at March 31:

	<u>2011</u>	<u>2010</u>
Land	\$ 228,000	\$ 228,000
Building and improvements	2,595,794	2,579,049
Equipment	268,603	157,203
Furniture and fixtures	69,103	146,698
Computer equipment	<u>391,747</u>	<u>393,129</u>
	3,553,247	3,504,079
Less: Accumulated depreciation and amortization	<u>(1,420,238)</u>	<u>(1,317,725)</u>
	<u>\$ 2,133,009</u>	<u>\$ 2,186,354</u>

## 10. PENSION AND OTHER POSTRETIREMENT BENEFITS

### Pension Plan

The United Way maintains a noncontributory defined benefit pension plan covering substantially all employees. The Plan provides benefits based on years of service and employee compensation. The United Way's funding policy is to contribute annually an amount that meets the minimum funding requirements of the Employee Retirement Income Security Act of 1974 (ERISA). As of January 1, 2007, the Plan was frozen and was replaced by a 403(b) plan.

### Measurement Dates

The measurement date for the year-end benefit obligations and assets is April 1 for the fiscal year ended March 31, 2011 and 2010.

### Funded Status

Obligations and funded status of the plan are as follows:

	<u>2011</u>	<u>2010</u>
Projected benefit obligation	\$ (9,962,161)	\$ (9,348,920)
Fair value of plan assets at end of year	<u>9,499,036</u>	<u>7,544,708</u>
Funded status	<u>\$ (463,125)</u>	<u>\$ (1,804,212)</u>
Accumulated benefit obligation	\$ (9,962,161)	\$ (9,348,920)
Employer contributions	\$ 2,650,328	\$ 337,328
Benefit payments	\$ (518,147)	\$ (509,296)

**10. PENSION AND OTHER POSTRETIREMENT BENEFITS (Continued)**

**Financial Statement Recognition**

As of March 31, the following amounts were recognized in the consolidated balance sheet:

	<u>2011</u>	<u>2010</u>
As a non-current liability	\$ (463,125)	\$ (1,804,212)

Amounts recognized in the consolidated statements of activities and changes in net assets as of March 31 consist of:

	<u>2011</u>	<u>2010</u>
Net periodic cost	\$ 216,466	\$ 432,654

As of March 31, 2011, the following items included in net assets had not yet been recognized as components of benefits expense:

	<u>Net Actuarial Loss</u>
Unrecognized amounts at March 31, 2011	\$ 4,042,747
Expected amortization of unrecognized items in next year's expense	\$ 380,816

For the year ended March 31, 2011, the United Way recognized \$223,898 related to the amortization of its net actuarial loss in the consolidated statement of activities and change in net assets.

**Assumptions**

Weighted average assumptions used to determine benefit obligations at March 31, are as follows:

	<u>2011</u>	<u>2010</u>
Discount rate	5.50%	6.00%
Average annual increase in compensation	N/A	N/A
Expected long-term rate of return on plan assets	8.00%	8.00%

The expected long-term rate of return on plan assets was developed by considering historical plan performance, current asset allocation and forecasts of future returns.

**Plan Assets**

The United Way's pension plan weighted average asset allocations at March 31, 2011 and 2010, by asset category, are as follows:

	<u>2011</u>	<u>2010</u>	<u>Target</u>
Equity securities	60%	61%	60%
Fixed income securities	31%	29%	30%
International securities	9%	10%	10%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

## 10. PENSION AND OTHER POSTRETIREMENT BENEFITS (Continued)

### Plan Assets (Continued)

The United Way's overall investment strategy is a target of 60% - 80% equity, 20% - 40% fixed income securities and 0-10% international securities.

The fair values of the pension plan assets at March 31, 2011 are as follows:

	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
General account	\$ -	\$ 506,948	\$ -	\$ 506,948
Bond Fund	-	1,880,310	-	1,880,310
Mid-Term Bond Fund	-	561,713	-	561,713
Equity Index Fund	-	4,955,999	-	4,955,999
Mid-Cap Equity Index Fund	-	708,385	-	708,385
Vanguard International Fund	-	885,681	-	885,681
	<u>\$ -</u>	<u>\$ 9,499,036</u>	<u>\$ -</u>	<u>\$ 9,499,036</u>

The fair values of the pension plan assets at March 31, 2010 are as follows:

	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
General account	\$ -	\$ 7,332	\$ -	\$ 7,332
Bond Fund	-	1,605,113	-	1,605,113
DWS Bond Fund	-	454,793	-	454,793
Mid-Term Bond Fund	-	142,249	-	142,249
Equity Index Fund	-	4,050,788	-	4,050,788
Mid-Cap Equity Index Fund	-	547,929	-	547,929
Vanguard International Fund	-	736,504	-	736,504
	<u>\$ -</u>	<u>\$ 7,544,708</u>	<u>\$ -</u>	<u>\$ 7,544,708</u>

Fair value of the pension plan assets are determined by entering standard inputs into a pricing model. These inputs include factors such as yield, quality, coupon rate, maturity, issue type, quoted prices for similar securities, prepayment speeds and trading characteristics.

### Contributions

The United Way does not expect to contribute to the Plan in fiscal year 2012.

### Estimated Future Benefit Payments

Benefit payments are expected to be paid as follows:

2012	\$ 548,000
2013	\$ 553,000
2014	\$ 569,000
2015	\$ 620,000
2016	\$ 649,000
2017 - 2021	\$ 3,577,000

## 10. PENSION AND OTHER POSTRETIREMENT BENEFITS (Continued)

### Other Postretirement Benefits Plan

The United Way provides health care and life insurance benefits for employees who retire from United Way and have attained age 55 with 10 years of service. The United Way's policy is to contribute amounts to this plan on an annual basis as needed for current benefit payments.

The measurement date for the year-end benefit obligations and assets is March 31 for the fiscal year ended March 31, 2011 and 2010.

The following table sets forth the Plan's funded status and expense recognized in the United Way's consolidated financial statements as of and for the years ended March 31, 2011 and 2010 based on actuarial reports.

	<u>2011</u>	<u>2010</u>
Accumulated postretirement benefit obligation	\$ (838,602)	\$ (770,565)
Market value of plan assets	<u>-</u>	<u>-</u>
Funded status	<u>\$ (838,602)</u>	<u>\$ (770,565)</u>
Net periodic postretirement benefit expense	<u>\$ 45,961</u>	<u>\$ 34,809</u>
Employer contributions	<u>\$ 20,593</u>	<u>\$ 24,645</u>
Benefits paid	<u>\$ 49,973</u>	<u>\$ 39,645</u>

As of March 31, the following amounts were recognized in the consolidated balance sheet:

	<u>2011</u>	<u>2010</u>
As a non-current liability	\$ (838,602)	\$ (770,565)
Amounts unamortized in Other Change in Net Assets at March 31:		
Actuarial gain recognition	\$ 233,813	\$ 264,560
Prior service costs	\$ (14,655)	\$ (2,733)
Amounts expected to be amortized in Other Change in Net Assets in the coming year:		
Actuarial gain recognition	\$ 16,661	\$ 18,750
Prior service costs	\$ 591	\$ 11,922

The significant actuarial assumptions on which the actuarial valuations were based are:

	<u>2011</u>	<u>2010</u>
Discount rate	5.50%	6.00%
Medical care cost trend rate - Pre 65	10.00%	10.00%
Medical care cost trend rate - Post 65	10.00%	10.00%
Rate of future salary increases	3.50%	3.50%

The medical care cost trend rate used in the actuarial computation for 2011 gradually reduces to 5.0% in fiscal 2016 and subsequent years.

It was determined that the effect of a one percentage point change in the assumed rates would not materially increase or decrease the accrued postretirement benefit cost and postretirement benefit expense.

**10. PENSION AND OTHER POSTRETIREMENT BENEFITS (Continued)**

**Other Postretirement Benefits Plan (Continued)**

The United Way did not seek the 28% Retiree Drug Subsidy offered by Medicare Part D effective January 1, 2006. Therefore, the actuary did not recognize the impact of the Medicare Prescription Drug Improvement and Modernization Act of 2003 on the Plan's accumulated benefit obligation or periodic pension cost.

In general, the United Way intends to fund the postretirement plan on a pay as incurred basis. The following table of benefit payments are expected to be paid:

2012	\$	39,000
2013	\$	44,000
2014	\$	46,000
2015	\$	46,000
2016	\$	51,000
2017 - 2021	\$	295,000

**11. RETIREMENT PLAN**

The United Way has a retirement plan qualified under Section 403(b) of the Internal Revenue Code. All employees of the United Way may elect to contribute a percentage of their compensation subject to limitations imposed by the Internal Revenue Service. For qualifying employees, the United Way makes contributions to the plan. The United Way recognized \$302,471 and \$298,710 of expense related to the Plan in 2011 and 2010, respectively.

**12. LINE-OF-CREDIT**

The United Way has a \$3,500,000 annually renewable line-of-credit agreement with J.P. Morgan Chase Bank. Amounts borrowed are unsecured and bear interest at the greater of the prime rate or the Adjusted One Month LIBOR Rate plus 1.5% (3.25% at March 31, 2011). There were no amounts outstanding under this agreement at March 31, 2011 and 2010.

There was no interest paid on the line-of-credit in 2011 or 2010.

### 13. BOARD DESIGNATED NET ASSETS

Net assets are designated for the following purposes at March 31, 2011. The Board of Directors has designated the following amounts to meet anticipated program expansion and future needs.

	Balance - Beginning of Year	Designated by Board	Uses	Transfers (To) From Undesignated Funds	Balance - End of Year
Emergency Assistance	\$ 5,013	\$ -	\$ (500)	\$ -	\$ 4,513
Berman Fund	216,293	-	(11,898)	-	204,395
Wayne County	476,192	988,063	(815,989)	(69,772)	578,494
Ontario County	387,347	1,466,981	(1,299,543)	(115,375)	439,410
Eastern Orleans County	82,196	93,618	(151,783)	(819)	23,212
Livingston County	93,217	313,939	(307,501)	(14,572)	85,083
Genesee County	219,360	426,939	(385,355)	(8,700)	252,244
Wyoming County	129,714	208,486	(186,094)	(15,048)	137,058
Hardware/Software					
Acquisition	27,257	61,000	(54,308)	-	33,949
Synergy Fund	348,275	300,000	(113,881)	-	534,394
Blueprint Fund	3,416	400,057	(23,941)	-	379,532
Reserve Fund	1,278,186	-	(250,016)	297,501	1,325,671
Transition Fund	519,854	-	(519,854)	-	-
UWSC Post Retirement					
Reserve Fund	40,806	-	(3,563)	-	37,243
UWGR Holding Co.					
Capital Reserve Fund	127,580	48,422	(33,390)	-	142,612
	<u>\$ 3,954,706</u>	<u>\$ 4,307,505</u>	<u>\$ (4,157,616)</u>	<u>\$ 73,215</u>	<u>\$ 4,177,810</u>

### 14. RELATED PARTY

The United Way is related to United Way Services Corporation (UWSC) through certain common members of management and common board representation. The United Way provides management consulting and support services relating to internal financial controls, computer services and operational functions to UWSC. Reimbursement for such services was \$60,952 and \$56,781 in 2011 and 2010, respectively. In addition, UWSC provides services to the United Way's resource development department. Payment for such services was \$99,403 and \$90,445 in 2011 and 2010, respectively.

In July 2008, the Children's Success Fund, LLC, a single-member LLC, was formed for the purpose of operating the Wegmans LPGA Golf Tournament. UWSC is the sole corporate member of the Children's Success Fund. The United Way will be the beneficiary of the net proceeds, which are guaranteed to be a minimum of \$100,000. Actual proceeds were \$400,000 and \$250,000 for the year ended March 31, 2011 and 2010, respectively.

## 15. COMMITMENTS AND CONTINGENCIES

### Future Lease Payments

The United Way leases office space and office equipment under the terms of operating lease agreements. Rental expense for fiscal 2011 and 2010 was approximately \$184,000 and \$194,000, respectively. Minimum payments under these lease agreements are as follows for the years ending March 31:

2012	\$	161,405
2013		63,263
2014		36,207
2015		<u>20,915</u>
	\$	<u>281,790</u>

## 16. SUBSEQUENT EVENTS

Effective April 1, 2011, the United Way of Eastern Orleans, Inc., an affiliate of the United Way, merged with the United Way of Western Orleans County to form the Orleans County United Way. The United Way of Eastern Orleans, Inc. will separate from the United Way as allowed under the terms of the affiliation agreement. Certain assets and liabilities will remain with the United Way until 2013, as part of this agreement, to collect remaining pledges receivable and payout allocations to agencies.

Subsequent events have been evaluated through August 25, 2011, which is the date the consolidated financial statements were available to be issued.

**UNITED WAY OF GREATER ROCHESTER, INC. AND UWGR HOLDING COMPANY, INC.**

**CONSOLIDATING BALANCE SHEET  
MARCH 31, 2011**

(With Comparative Totals for 2010)

	2011				2010 Consolidated
	United Way of Greater Rochester, Inc.	UWGR Holding Company, Inc.	Eliminations	Consolidated	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,704,043	\$ 122,543	\$ -	\$ 5,826,586	\$ 4,925,250
Pledges receivable, net	9,637,141	-	-	9,637,141	9,837,058
Interest and dividends receivable	3,791	-	-	3,791	7,815
Rent receivable - affiliate	-	29,543	(29,543)	-	-
Bequests receivable	170,132	-	-	170,132	13,250
Investments	118,463,261	-	-	118,463,261	110,041,421
Notes receivable	1,049,312	-	-	1,049,312	367,064
Property and equipment, net	198,588	1,934,421	-	2,133,009	2,186,354
Beneficial interest in shared interest arrangements	2,925,900	-	-	2,925,900	2,695,857
Pooled life income fund assets	254,144	-	-	254,144	430,869
Other assets	164,869	14,225	-	179,094	365,238
	<u>\$ 138,571,181</u>	<u>\$ 2,100,732</u>	<u>\$ (29,543)</u>	<u>\$ 140,642,370</u>	<u>\$ 130,870,176</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>LIABILITIES:</b>					
Accounts payable and accrued expenses	\$ 1,060,804	\$ 18,250	\$ -	\$ 1,079,054	\$ 867,747
Due to agencies	8,405,873	-	-	8,405,873	8,421,717
Rent payable - affiliate	29,543	-	(29,543)	-	-
Grants payable	-	-	-	-	15,000
Note payable	23,055	-	-	23,055	8,096
Charitable gift annuity reserve	322,702	-	-	322,702	335,391
Funds held for others	99,231	-	-	99,231	282,435
Pension and postretirement liability	1,301,727	-	-	1,301,727	2,574,777
Deferred revenue	6,260	1,449	-	7,709	7,287
Total liabilities	<u>11,249,195</u>	<u>19,699</u>	<u>(29,543)</u>	<u>11,239,351</u>	<u>12,512,450</u>
<b>NET ASSETS:</b>					
Unrestricted -					
Board designated	4,035,199	142,611	-	4,177,810	3,954,706
Undesignated	800,446	1,938,422	-	2,738,868	(774,804)
Quasi-endowment	52,110,522	-	-	52,110,522	72,868,786
Total unrestricted	<u>56,946,167</u>	<u>2,081,033</u>	<u>-</u>	<u>59,027,200</u>	<u>76,048,688</u>
Temporarily restricted	39,970,317	-	-	39,970,317	12,364,155
Permanently restricted	30,405,502	-	-	30,405,502	29,944,883
Total net assets	<u>127,321,986</u>	<u>2,081,033</u>	<u>-</u>	<u>129,403,019</u>	<u>118,357,726</u>
	<u>\$ 138,571,181</u>	<u>\$ 2,100,732</u>	<u>\$ (29,543)</u>	<u>\$ 140,642,370</u>	<u>\$ 130,870,176</u>

The accompanying notes are an integral part of these exhibits.

**UNITED WAY OF GREATER ROCHESTER, INC. AND UWGR HOLDING COMPANY, INC.**
**CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED MARCH 31, 2011  
(With Comparative Totals for 2010)**

	2011							
	Unrestricted				Temporarily Restricted	Permanently Restricted		
	United Way of Greater Rochester, Inc.	UWGR Holding Company, Inc.	Eliminations	Total	United Way of Greater Rochester, Inc.	United Way of Greater Rochester, Inc.	Consolidated	2010 Consolidated
REVENUE, GAINS AND OTHER SUPPORT:								
Annual campaign, net	\$ 19,469,165	\$ -	\$ -	\$ 19,469,165	\$ 7,436,770	\$ -	\$ 26,905,935	\$ 27,283,103
Less: Allowance for uncollectible pledges	(849,069)	-	-	(849,069)	-	-	(849,069)	(1,285,921)
	<u>18,620,096</u>	<u>-</u>	<u>-</u>	<u>18,620,096</u>	<u>7,436,770</u>	<u>-</u>	<u>26,056,866</u>	<u>25,997,182</u>
Endowment legacies and gifts received	349,095	-	-	349,095	-	137,824	486,919	84,206
Charitable Gift Fund gifts received	2,939,278	-	-	2,939,278	-	-	2,939,278	1,420,610
Investment income used in operations in accordance with the United Way's total return spending policy	5,672,856	-	-	5,672,856	-	-	5,672,856	5,672,856
Donated goods and services	167,254	158,172	(158,172)	167,254	-	-	167,254	101,130
Other revenues	<u>1,767,175</u>	<u>232,560</u>	<u>(140,984)</u>	<u>1,858,751</u>	<u>224,737</u>	<u>-</u>	<u>2,083,488</u>	<u>2,344,231</u>
	<u>29,515,754</u>	<u>390,732</u>	<u>(299,156)</u>	<u>29,607,330</u>	<u>7,661,507</u>	<u>137,824</u>	<u>37,406,661</u>	<u>35,620,215</u>
Net assets released from restrictions -								
Satisfaction of program restrictions	167,737	-	-	167,737	(129,840)	(37,897)	-	-
Expiration of time restrictions	<u>7,805,641</u>	<u>-</u>	<u>-</u>	<u>7,805,641</u>	<u>(7,805,641)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>7,973,378</u>	<u>-</u>	<u>-</u>	<u>7,973,378</u>	<u>(7,935,481)</u>	<u>(37,897)</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	<u>37,489,132</u>	<u>390,732</u>	<u>(299,156)</u>	<u>37,580,708</u>	<u>(273,974)</u>	<u>99,927</u>	<u>37,406,661</u>	<u>35,620,215</u>
EXPENSES:								
Program services -								
Allocations	28,260,492	-	-	28,260,492	-	-	28,260,492	27,893,477
Community investment and services	<u>2,099,335</u>	<u>111,100</u>	<u>(70,532)</u>	<u>2,139,903</u>	<u>-</u>	<u>-</u>	<u>2,139,903</u>	<u>2,058,993</u>
Total program services	<u>30,359,827</u>	<u>111,100</u>	<u>(70,532)</u>	<u>30,400,395</u>	<u>-</u>	<u>-</u>	<u>30,400,395</u>	<u>29,952,470</u>
Supporting services -								
Resource development	3,083,377	173,379	(120,640)	3,136,116	-	-	3,136,116	3,208,211
General management	<u>1,946,482</u>	<u>162,505</u>	<u>(107,984)</u>	<u>2,001,003</u>	<u>-</u>	<u>-</u>	<u>2,001,003</u>	<u>1,947,200</u>
Total supporting services	<u>5,029,859</u>	<u>335,884</u>	<u>(228,624)</u>	<u>5,137,119</u>	<u>-</u>	<u>-</u>	<u>5,137,119</u>	<u>5,155,411</u>
Total expenses	<u>35,389,686</u>	<u>446,984</u>	<u>(299,156)</u>	<u>35,537,514</u>	<u>-</u>	<u>-</u>	<u>35,537,514</u>	<u>35,107,881</u>
EXCESS (DEFICIENCY) OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES	2,099,446	(56,252)	-	2,043,194	(273,974)	99,927	1,869,147	512,334
INVESTMENT GAIN IN EXCESS OF UNITED WAY'S TOTAL RETURN SPENDING POLICY	9,484,302	-	-	9,484,302	466,596	360,692	10,311,590	25,071,013
CHANGE IN FUNDED STATUS OF PENSION AND POSTRETIREMENT LIABILITY	(1,135,444)	-	-	(1,135,444)	-	-	(1,135,444)	624,091
RECLASSIFICATION OF NET ASSETS BASED ON CHANGE IN LAW	<u>(27,413,540)</u>	<u>-</u>	<u>-</u>	<u>(27,413,540)</u>	<u>27,413,540</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET ASSETS	(16,965,236)	(56,252)	-	(17,021,488)	27,606,162	460,619	11,045,293	26,207,438
NET ASSETS - beginning of year	<u>73,911,403</u>	<u>2,137,285</u>	<u>-</u>	<u>76,048,688</u>	<u>12,364,155</u>	<u>29,944,883</u>	<u>118,357,726</u>	<u>92,150,288</u>
NET ASSETS - end of year	<u>\$ 56,946,167</u>	<u>\$ 2,081,033</u>	<u>\$ -</u>	<u>\$ 59,027,200</u>	<u>\$ 39,970,317</u>	<u>\$ 30,405,502</u>	<u>\$ 129,403,019</u>	<u>\$ 118,357,726</u>

The accompanying notes are an integral part of these exhibits.

**UNITED WAY OF GREATER ROCHESTER, INC. AND UWGR HOLDING COMPANY, INC.**

**CONSOLIDATING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2011  
(With Comparative Totals for 2010)**

	2011					2010 Consolidated
	United Way of Greater Rochester, Inc.	UWGR Holding Company, Inc.	Eliminations	Consolidated		
<b>CASH FLOW FROM OPERATING ACTIVITIES:</b>						
Change in net assets	\$ 11,101,545	\$ (56,252)	\$ -	\$ 11,045,293	\$ 26,207,438	
Adjustments to reconcile change in net assets to net cash flow from operating activities:						
Net gain on investments	(14,151,295)	-	-	(14,151,295)	(28,968,742)	
Depreciation and amortization	78,627	104,673	-	183,300	183,956	
Loss on disposal of property and equipment	1,168	-	-	1,168	7,459	
Permanently restricted legacies and gifts	(137,824)	-	-	(137,824)	(142,002)	
Change in funded status of pension and postretirement liability	1,135,444	-	-	1,135,444	(624,091)	
Provision for doubtful pledges receivable	(849,069)	-	-	(849,069)	(1,285,921)	
Changes in:						
Pledges receivable	1,048,986	-	-	1,048,986	1,882,178	
Interest and dividends receivable	4,024	-	-	4,024	96,840	
Rent receivable - affiliate	-	10,758	(10,758)	-	-	
Bequests receivable	(156,882)	-	-	(156,882)	228,782	
Other assets	188,515	(2,371)	-	186,144	(180,075)	
Accounts payable and accrued expenses	214,558	(3,251)	-	211,307	119,528	
Due to agencies	(15,844)	-	-	(15,844)	(567,138)	
Rent payable - affiliate	(10,758)	-	10,758	-	-	
Grants payable	(15,000)	-	-	(15,000)	15,000	
Funds held for others	(183,204)	-	-	(183,204)	37,125	
Pension and postretirement liability	(2,408,494)	-	-	(2,408,494)	105,490	
Deferred revenue	-	422	-	422	(2,713)	
Net cash flow from operating activities	<u>(4,155,503)</u>	<u>53,979</u>	<u>-</u>	<u>(4,101,524)</u>	<u>(2,886,886)</u>	
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>						
Purchases of property and equipment	(97,733)	(33,390)	-	(131,123)	(87,549)	
Purchases of investments	(3,284,730)	-	-	(3,284,730)	(3,158,880)	
Sales of investments	9,014,185	-	-	9,014,185	6,346,752	
Changes in notes receivable, net	(682,248)	-	-	(682,248)	313,894	
Changes in beneficial interest in shared interest arrangements	(230,043)	-	-	(230,043)	(538,891)	
Net cash flow from investing activities	<u>4,719,431</u>	<u>(33,390)</u>	<u>-</u>	<u>4,686,041</u>	<u>2,875,326</u>	
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>						
Net borrowings/(repayments) on note payable	14,959	-	-	14,959	(6,580)	
Permanently restricted legacies and gifts	137,824	-	-	137,824	142,002	
(Decrease)/increase in charitable gift annuity reserve	(12,689)	-	-	(12,689)	42,110	
Change in pooled life income fund assets	176,725	-	-	176,725	(56,636)	
Net cash flow from financing activities	<u>316,819</u>	<u>-</u>	<u>-</u>	<u>316,819</u>	<u>120,896</u>	
<b>CHANGE IN CASH AND EQUIVALENTS</b>	<b>880,747</b>	<b>20,589</b>	<b>-</b>	<b>901,336</b>	<b>109,336</b>	
CASH AND EQUIVALENTS - beginning of year	<u>4,823,296</u>	<u>101,954</u>	<u>-</u>	<u>4,925,250</u>	<u>4,815,914</u>	
CASH AND EQUIVALENTS - end of year	<u>\$ 5,704,043</u>	<u>\$ 122,543</u>	<u>\$ -</u>	<u>\$ 5,826,586</u>	<u>\$ 4,925,250</u>	

The accompanying notes are an integral part of these exhibits.

**UNITED WAY OF GREATER ROCHESTER, INC.**
**COMBINED FEDERAL CAMPAIGN ACTIVITY  
FOR THE FALL 2009 CAMPAIGN**


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	<u>Actual</u> (Unaudited)	<u>Budget</u> (Unaudited)
CAMPAIGN EXPENDITURES REIMBURSED:		
Salaries	\$ 25,310	\$ 25,310
Benefits	10,937	10,937
Copying	7,745	7,622
Purchased service	4,120	4,120
Legal and audit	2,050	2,050
Postage	500	500
Newspaper advertising	450	450
Meetings and events	230	225
Office supplies	100	100
Trophies and awards	85	250
Conferences	-	1,100
Travel	-	200
	<hr/>	<hr/>
Total	<u>\$ 51,527</u>	<u>\$ 52,864</u>
 TOTAL CAMPAIGN RESULTS	 <u>\$ 171,757</u>	 <u>\$ 200,000</u>
 Budget as % of total	 <u>30%</u>	 <u>26%</u>

The accompanying notes are an integral part of these exhibits.