

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

**Consolidated Financial Statements
as of March 31, 2010
Together with
Independent Auditors' Report**

Bonadio & Co., LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

August 3, 2010

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 as of March 31, 2010, 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' 2009 consolidated financial statements and, in our report dated August 27, 2009, 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 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, 2010, 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 made 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 budget 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, 2010

(With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and equivalents	\$ 4,925,250	\$ 4,815,914
Pledges receivable, net	9,837,058	10,433,315
Interest and dividends receivable	7,815	104,655
Bequests receivable	13,250	242,032
Investments	110,041,421	84,260,551
Notes receivable	367,064	680,958
Property and equipment, net	2,186,354	2,290,220
Beneficial interest in shared interest arrangements	2,695,857	2,156,966
Pooled life income fund assets	430,869	374,233
Other assets	365,238	185,163
	<u>\$ 130,870,176</u>	<u>\$ 105,544,007</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 867,747	\$ 748,219
Due to agencies	8,421,717	8,988,855
Grants payable	15,000	-
Note payable	8,096	14,676
Charitable gift annuity reserve	335,391	293,281
Funds held for others	282,435	245,310
Pension and postretirement liability	2,574,777	3,093,378
Deferred revenue	7,287	10,000
Total liabilities	<u>12,512,450</u>	<u>13,393,719</u>
NET ASSETS:		
Unrestricted -		
Board designated	3,954,706	3,519,477
Undesignated	(774,804)	(940,318)
Quasi-endowment	72,868,786	49,225,467
Total unrestricted	76,048,688	51,804,626
Temporarily restricted	12,364,155	11,093,990
Permanently restricted	29,944,883	29,251,672
Total net assets	<u>118,357,726</u>	<u>92,150,288</u>
	<u>\$ 130,870,176</u>	<u>\$ 105,544,007</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, 2010**
(With Comparative Totals for 2009)

	2010				2009 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
REVENUE, GAINS AND OTHER SUPPORT:					
Annual campaign, net	\$ 19,923,254	\$ 7,359,849	\$ -	\$ 27,283,103	\$ 31,909,982
Less: Allowance for uncollectible pledges	<u>(1,285,921)</u>	<u>-</u>	<u>-</u>	<u>(1,285,921)</u>	<u>(1,736,035)</u>
	<u>18,637,333</u>	<u>7,359,849</u>	<u>-</u>	<u>25,997,182</u>	<u>30,173,947</u>
Endowment legacies and gifts received	(57,796)	-	142,002	84,206	550,907
Charitable Gift Fund gifts received	1,420,610	-	-	1,420,610	2,432,834
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	101,130	-	-	101,130	163,379
Other revenue	<u>2,102,682</u>	<u>234,090</u>	<u>-</u>	<u>2,336,772</u>	<u>2,802,312</u>
	<u>27,876,815</u>	<u>7,593,939</u>	<u>142,002</u>	<u>35,612,756</u>	<u>41,796,235</u>
Net assets released from restrictions -					
Satisfaction of program restrictions	107,568	(107,568)	-	-	-
Expiration of time restrictions	<u>7,598,380</u>	<u>(7,598,380)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>7,705,948</u>	<u>(7,705,948)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	<u>35,582,763</u>	<u>(112,009)</u>	<u>142,002</u>	<u>35,612,756</u>	<u>41,796,235</u>
EXPENSES:					
Program services -					
Allocations	27,893,477	-	-	27,893,477	32,436,449
Community investment and services	<u>2,058,993</u>	<u>-</u>	<u>-</u>	<u>2,058,993</u>	<u>1,877,135</u>
Total program services	<u>29,952,470</u>	<u>-</u>	<u>-</u>	<u>29,952,470</u>	<u>34,313,584</u>
Supporting services -					
Resource development	3,208,211	-	-	3,208,211	3,068,681
General management	<u>1,939,741</u>	<u>-</u>	<u>-</u>	<u>1,939,741</u>	<u>1,846,747</u>
Total supporting services	<u>5,147,952</u>	<u>-</u>	<u>-</u>	<u>5,147,952</u>	<u>4,915,428</u>
Total expenses	<u>35,100,422</u>	<u>-</u>	<u>-</u>	<u>35,100,422</u>	<u>39,229,012</u>
EXCESS (DEFICIENCY) OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES	482,341	(112,009)	142,002	512,334	2,567,223
INVESTMENT GAIN (LOSS) IN EXCESS OF UNITED WAY'S TOTAL RETURN SPENDING POLICY	23,137,630	1,382,174	551,209	25,071,013	(46,674,561)
CHANGE IN FUNDED STATUS OF PENSION AND POSTRETIREMENT LIABILITY	<u>624,091</u>	<u>-</u>	<u>-</u>	<u>624,091</u>	<u>(2,676,427)</u>
CHANGE IN NET ASSETS	24,244,062	1,270,165	693,211	26,207,438	(46,783,765)
NET ASSETS - beginning of year	<u>51,804,626</u>	<u>11,093,990</u>	<u>29,251,672</u>	<u>92,150,288</u>	<u>138,934,053</u>
NET ASSETS - end 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>

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, 2010

(With Comparative Totals for 2009)

	2010								2009 Total
	Program Services			Supporting Services					
	Allocations	Community Investment and Services	Total	Resource Development	General Management	Total	Total		
SALARIES AND RELATED EXPENSES:									
Salaries	\$ -	\$ 911,123	\$ 911,123	\$ 1,257,054	\$ 900,071	\$ 2,157,125	\$ 3,068,248	\$ 3,103,573	
Employee health, retirement, pension and postretirement expenses	-	358,588	358,588	492,382	381,537	873,919	1,232,507	574,396	
Payroll taxes	-	61,520	61,520	90,089	62,391	152,480	214,000	217,712	
Total salaries and related expenses	-	1,331,231	1,331,231	1,839,525	1,343,999	3,183,524	4,514,755	3,895,681	
OTHER EXPENSES:									
Allocations to agencies	27,893,477	-	27,893,477	-	-	-	27,893,477	32,436,449	
Purchase of services (including \$57,861 and \$116,305 of donated services in 2010 and 2009, respectively)	-	220,220	220,220	326,522	120,489	447,011	667,231	809,013	
Information technology	-	53,155	53,155	196,264	59,152	255,416	308,571	238,981	
United Way of America dues	-	88,593	88,593	121,601	90,028	211,629	300,222	318,639	
Printing, binding, and advertising	-	20,674	20,674	217,254	3,894	221,148	241,822	298,762	
Organization meetings and conferences	-	44,709	44,709	105,088	67,114	172,202	216,911	212,529	
Communication services	-	44,709	44,709	57,178	33,848	91,026	135,735	129,847	
Rent and occupancy	-	44,770	44,770	53,730	24,439	78,169	122,939	138,298	
Membership fees	-	75,372	75,372	2,974	5,999	8,973	84,345	88,465	
Professional fees	-	2,571	2,571	9,983	64,206	74,189	76,760	106,222	
Insurance	-	18,453	18,453	25,339	18,806	44,145	62,598	55,908	
Professional fundraising counsel fees	-	-	-	58,371	-	58,371	58,371	22,845	
Office supplies (including \$10,241 and \$38,374 of donated office supplies in 2010 and 2009, respectively)	-	14,984	14,984	20,098	16,923	37,021	52,005	79,579	
Building maintenance and repairs	-	14,253	14,253	19,572	14,524	34,096	48,349	48,198	
Transportation	-	12,038	12,038	28,689	5,371	34,060	46,098	55,862	
Awards and grants	-	4,993	4,993	33,632	3,994	37,626	42,619	57,964	
Rental of equipment	-	12,367	12,367	15,564	8,721	24,285	36,652	34,087	
Loss on disposal of fixed assets	-	-	-	-	-	-	-	3,375	
Interest	-	272	272	356	228	584	856	1,424	
Other	-	1,362	1,362	1,968	2,820	4,788	6,150	6,294	
Total other expenses	27,893,477	673,495	28,566,972	1,294,183	540,556	1,834,739	30,401,711	35,142,741	
Total expenses before depreciation and amortization	27,893,477	2,004,726	29,898,203	3,133,708	1,884,555	5,018,263	34,916,466	39,038,422	
DEPRECIATION AND AMORTIZATION	-	54,267	54,267	74,503	55,186	129,689	183,956	190,590	
Total expenses	\$ 27,893,477	\$ 2,058,993	\$ 29,952,470	\$ 3,208,211	\$ 1,939,741	\$ 5,147,952	\$ 35,100,422	\$ 39,229,012	

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, 2010

(With Comparative Totals for 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 26,207,438	\$ (46,783,765)
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Net (gain)/loss on investments	(28,429,851)	42,899,427
Depreciation and amortization	183,956	190,590
Loss on disposal of property and equipment	7,459	3,375
Permanently restricted legacies and gifts	(142,002)	(139,955)
Change in funded status of pension and postretirement liability	(624,091)	2,676,427
Provision for doubtful pledges receivable	(1,285,921)	1,736,035
Changes in:		
Pledges receivable	1,882,178	(3,241,341)
Interest and dividends receivable	96,840	31,991
Bequests receivable	228,782	(199,820)
Other assets	(180,075)	(6,637)
Accounts payable and accrued expenses	119,528	118,093
Due to agencies	(567,138)	650,197
Grants payable	15,000	-
Funds held for others	37,125	(45,161)
Pension and postretirement liability	105,490	(390,488)
Deferred revenue	(2,713)	10,000
	<u>(2,347,995)</u>	<u>(2,491,032)</u>
Net cash flow from operating activities		
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(87,549)	(108,558)
Sales of investments, net	2,648,981	4,213,304
Change in notes receivable, net	313,894	(180,958)
Change in beneficial interest in shared interest arrangements	(538,891)	663,012
	<u>2,336,435</u>	<u>4,586,800</u>
Net cash flow from investing activities		
CASH FLOW FROM FINANCING ACTIVITIES:		
Net repayments on note payable	(6,580)	(6,571)
Permanently restricted legacies and gifts	142,002	139,955
Increase/(decrease) in charitable gift annuity reserve	42,110	(11,118)
Change in pooled life income fund assets	(56,636)	68,896
	<u>120,896</u>	<u>191,162</u>
Net cash flow from financing activities		
CHANGE IN CASH AND EQUIVALENTS	109,336	2,286,930
CASH AND EQUIVALENTS - beginning of year	<u>4,815,914</u>	<u>2,528,984</u>
CASH AND EQUIVALENTS - end of year	<u>\$ 4,925,250</u>	<u>\$ 4,815,914</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, 2010

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 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. All significant intercompany transactions and balances have been eliminated.

Fair Value of Financial Instruments

United Way's financial instruments include cash and equivalents, investments, notes receivable, pooled life income funds and interests in shared interest agreements. United Way believes that the carrying amount of these instruments approximates fair value.

Financial Reporting

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

Unrestricted

Unrestricted net assets include funds available for the United Way's operating activities. In addition, they include the United Way's 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. When a donor restriction expires, 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 Equivalents

The United Way considers 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 equivalents include bank accounts and money market funds which, at times, may exceed federally insured limits. The United Way has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to its cash and equivalents.

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

	<u>2010</u>	<u>2009</u>
Total amount raised	\$ 28,812,318	\$ 32,200,818
Less:		
State and federal campaign fundraising	(866,455)	(862,279)
Provision for doubtful pledges - current year	(1,285,921)	(1,736,035)
Investment income	(96,354)	(473,048)
Reversal of investment income on advised funds	(596,361)	(917,043)
Amounts recorded in prior year	(7,532,255)	(5,353,234)
Add:		
Reversal of amount announced but not included in revenue	102,392	-
Amounts recorded related to next year's campaign	<u>7,459,818</u>	<u>7,314,768</u>
Amount recorded in statement of activities	<u>\$ 25,997,182</u>	<u>\$ 30,173,947</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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement - Definition and Hierarchy

Accounting Standards Codification Section 820 (ASC Section 820) defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The United Way uses various valuation techniques in determining fair value. ASC Section 820 establishes 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 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.

The United Way's U.S. government obligations, equity securities, and equity and bond mutual funds are valued using Level 1 inputs.

- Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

The United Way's investment in corporate bonds, common trust funds and commingled index funds are valued using Level 2 inputs. Fair value 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 investment in common trust funds and commingled index funds are valued based on the daily prices of the underlying holdings of the trust, which consist entirely of exchange traded securities.

Additionally, the United Way's investments in real estate funds are valued using Level 2 inputs. The investments in real estate funds are valued based on the price of the underlying assets which are publically traded REITs.

- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The United Way's alternative investments are valued using Level 3 inputs. The 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 United Way's split-interest arrangements are valued using Level 3 inputs. The fair value is determined on a reoccurring 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.

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.

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, 2010 are interest free and are due through fiscal year 2013.

Property and Equipment

Property and equipment are recorded at cost if purchased, or the fair market value at the date of donation. The United Way and Holding Company'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 due to agencies represents the final four months of 2009 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 United Way and Holding Company have also been classified by the Internal Revenue Service as entities that are not private foundations.

In June 2006, the Financial Accounting Standards Board (FASB) issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB No. 109, Accounting for Income Taxes* (FIN 48 now known as ASC Section 740). This interpretation addressed the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. 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. ASC Section 740 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

The United Way and Holding Company adopted the provisions of ASC 740 on April 1, 2009, and there was no impact on the United Way and Holding Company's financial statements. At the date of adoption and as of March 30, 2010, the United Way and Holding Company do not have a liability for unrecognized tax benefits. The United Way and Holding Company file informational returns in the U.S. federal jurisdiction and New York State. The United Way and Holding Company are no longer subject to U.S. federal and state income tax examinations by tax authorities for years through 2006.

Investment Gains, Losses and Income

Dividend, interest and other investment income is 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. 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 \$56,707 and \$116,305 in fiscal 2010 and 2009, respectively. Donated services consist primarily of advertising services, including advertising time on television and radio stations, and advertisements placed in newspapers.

Revenue recognized for donated office supplies totaled \$43,269 and \$47,047 in fiscal 2010 and 2009, respectively. Expense recognized for donated office supplies totaled \$10,241 and \$38,374 in fiscal 2010 and 2009, respectively. Expense recognized for donated allocations totaled \$35,519 and \$6,000 in fiscal 2010 and 2009, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

Advertising costs are expensed as incurred. Advertising costs were \$56,047 in 2010.

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."

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 United Way's consolidated financial statements for the year ended March 31, 2009, from which the information was derived.

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>2010</u>	<u>2009</u>
Housing and housing-related programs (Martin Luther King, Jr. Fund)	\$ 2,463,161	\$ 2,141,691
Time restricted - for use as part of a future year annual campaign	7,805,641	7,598,380
Time restricted - living endowment arrangements	14,351	4,140
Time restricted - to be used for agency capital projects	1,109,190	796,895
Time restricted - charitable remainder trust arrangements	198,422	174,409
Program restrictions	<u>773,390</u>	<u>378,475</u>
	<u>\$ 12,364,155</u>	<u>\$ 11,093,990</u>

3. NET ASSETS (Continued)

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

	<u>2010</u>	<u>2009</u>
Program restriction:		
For housing and housing-related programs (Martin Luther King, Jr. Fund)	\$ 39,636	\$ 67,872
For allocations to United Way agencies	49,267	59,131
Other programs	<u>18,665</u>	<u>144,315</u>
	<u>\$ 107,568</u>	<u>\$ 271,318</u>
Time restriction:		
For use as part of the current year annual campaign	<u>\$ 7,598,380</u>	<u>\$ 5,800,852</u>

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

	<u>2010</u>	<u>2009</u>
Unrestricted use by the United Way	\$ 23,578,864	\$ 22,973,415
Future year campaign pledges	5,421,414	5,333,652
Other	<u>944,605</u>	<u>944,605</u>
	<u>\$ 29,944,883</u>	<u>\$ 29,251,672</u>

4. PLEDGES RECEIVABLE

At March 31, 2010 and 2009, contributors to the United Way had made written unconditional promises to give in connection with annual campaigns as follows:

	<u>2010</u>	<u>2009</u>
2010 Campaign	\$ 5,948,822	\$ 10,000
2009 Campaign	5,309,298	5,922,285
2008 Campaign	584,388	6,114,600
2007 and prior Campaigns	845,307	1,309,061
Less: Allowance for uncollectible pledges	<u>(2,850,757)</u>	<u>(2,922,631)</u>
	<u>\$ 9,837,058</u>	<u>\$ 10,433,315</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>2010</u>	<u>2009</u>
Donor directed pledges - funded providers	\$ 1,817,782	\$ 1,824,318
Donor directed pledges - funded providers in excess of program allocations	193,273	279,277
Donor directed pledges - other eligible organizations	<u>5,251,930</u>	<u>5,560,883</u>
	<u>\$ 7,262,985</u>	<u>\$ 7,664,478</u>

Donor directed pledges were allocated to providers net of a 5.10% and 4.70% reserve for pledge loss in 2010 and 2009, respectively.

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.

6. INVESTMENTS

Investments consisted of the following at March 31:

	<u>2010</u>	<u>2009</u>
Domestic equity mutual funds	\$ 35,528,205	\$ 34,892,558
International equity mutual funds	31,143,507	15,065,820
Fixed income mutual funds	22,101,035	5,640,320
Absolute return strategies	9,946,981	5,034,419
Real estate	5,052,318	2,429,664
Balanced mutual funds	2,066,181	1,727,565
Corporate bonds	1,408,946	3,984,125
Cash equivalents	1,249,262	5,378,311
U.S. government obligations	808,594	8,505,166
Common stocks	<u>736,392</u>	<u>1,602,603</u>
	<u>\$110,041,421</u>	<u>\$ 84,260,551</u>

For the years ended March 31, 2010 and 2009, the total amount of investment income, including amounts appropriated under this policy, are as follows:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 2,388,640	\$ 3,012,344
Realized and unrealized gains (losses), net	28,968,742	(43,562,439)
Fees	<u>(613,513)</u>	<u>(451,610)</u>
	<u>\$ 30,743,869</u>	<u>\$ (41,001,705)</u>

6. INVESTMENTS (Continued)

Fair Value of Investments

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
Absolute return strategies	-	-	9,946,981	9,946,981
Real estate	2,196	5,050,122	-	5,052,318
Balanced mutual funds	2,066,181	-	-	2,066,181
Corporate bonds	-	1,408,946	-	1,408,946
Cash equivalents	1,087,706	-	-	1,087,706
U.S. government obligations	808,594	-	-	808,594
Common stocks	736,392	-	-	736,392
Pooled life income fund	430,869	-	-	430,869
Split-interest arrangements	-	-	2,695,857	2,695,857
	<u>\$ 29,767,179</u>	<u>\$ 70,596,574</u>	<u>\$ 12,642,838</u>	<u>\$ 113,006,591</u>

The United Way's investments and split-interest arrangements are classified in the following fair value hierarchy at March 31, 2009:

	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	<u>Total</u>
Domestic equity mutual funds	\$ 723,864	\$ 34,168,694	\$ -	\$ 34,892,558
International equity mutual funds	1,859,807	13,206,013	-	15,065,820
U.S. government obligations	8,505,166	-	-	8,505,166
Fixed income mutual funds	5,640,320	-	-	5,640,320
Absolute return strategies	-	-	5,034,419	5,034,419
Corporate bonds	-	3,984,125	-	3,984,125
Real estate	12,140	2,417,524	-	2,429,664
Balanced mutual funds	1,727,565	-	-	1,727,565
Common stocks	1,602,603	-	-	1,602,603
Cash equivalents	1,566,842	-	-	1,566,842
Pooled life income fund	374,223	-	-	374,223
Split-interest arrangements	-	-	2,156,966	2,156,966
	<u>\$ 22,012,530</u>	<u>\$ 53,776,356</u>	<u>\$ 7,191,385</u>	<u>\$ 82,980,271</u>

6. INVESTMENTS (Continued)

Fair Value of Investments (Continued)

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

	<u>Absolute Return</u>	<u>Split-interest Arrangements</u>
Balance at March 31, 2008	\$ 6,643,026	\$ 2,819,978
Purchases	5,221	-
Withdrawals	(739,200)	-
Realized and unrealized losses	<u>(874,628)</u>	<u>(663,012)</u>
Balance at March 31, 2009	5,034,419	2,156,966
Purchases	8,207,960	-
Withdrawals	(4,708,395)	-
Realized and unrealized gains	<u>1,412,997</u>	<u>538,891</u>
Balance at March 31, 2010	<u>\$ 9,946,981</u>	<u>\$ 2,695,857</u>

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 absolute return and split-interest arrangements, respectively, for the year ended March 31, 2010.

The unrealized losses included in the change in net assets relating to financial instruments still held at the reporting date were (\$763,057) and (\$663,012) for absolute return and split-interest arrangements, respectively, for the year ended March 31, 2009.

At March 31, 2010 and 2009, investments include approximately \$4.3 million and \$3.8 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>2010</u>	<u>2009</u>
Permanently restricted	\$ 29,944,883	\$ 29,251,672
Quasi-endowment	\$ 72,868,786	\$ 49,225,467

7. ENDOWMENT (Continued)

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

	<u>2010</u>	<u>2009</u>
Quasi-endowment, beginning of year	\$ 49,225,467	\$ 94,925,050
Contributions	298,903	185,416
Appropriation of endowment assets for expenditure	(6,589,890)	(6,311,888)
Investment return:		
Gain (loss) on investments	28,492,222	(42,630,845)
Interest income	<u>1,442,084</u>	<u>3,057,734</u>
Quasi-endowment, end of year	<u>\$ 72,868,786</u>	<u>\$ 49,225,467</u>

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

	<u>2010</u>	<u>2009</u>
Permanently restricted, beginning of year	\$ 29,251,672	\$ 29,784,677
Contributions	142,002	139,955
Investment return:		
Gain (loss) on investments	515,618	(700,346)
Interest income	<u>35,591</u>	<u>27,386</u>
Permanently restricted, end of year	<u>\$ 29,944,883</u>	<u>\$ 29,251,672</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, 2010 and 2009.

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 investments 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.

7. ENDOWMENT (Continued)

Spending Policy and Related Investment Objectives (Continued)

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 restrictions on the use of related income (interest and dividends).

New York State law requires that the historic dollar value of all permanently restricted endowment funds be preserved in perpetuity. For these purposes, "historic dollar value" means the aggregate fair market value in dollars of (1) an endowment fund at the time it becomes an endowment fund, (2) each subsequent donation to the fund at the time it is made, and (3) each accumulation made pursuant to a direction on the applicable gift instrument at the time the accumulation is added to the fund.

New York State law allows the Board of Directors to expend net appreciation of endowment investments. 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>2010</u>		<u>2009</u>	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Perpetual trusts	\$ 2,497,435	\$ -	\$ 1,982,557	\$ -
Charitable gift annuities	466,700	335,391	431,753	293,281
Charitable remainder trusts	198,422	-	174,409	-
Pooled life income fund	<u>430,869</u>	<u>282,435</u>	<u>374,233</u>	<u>245,310</u>
	<u>\$ 3,593,426</u>	<u>\$ 617,826</u>	<u>\$ 2,962,952</u>	<u>\$ 538,591</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.

The change in value of split-interest agreements was \$630,325 and \$(758,491) for the years ended March 31, 2010 and 2009, respectively, and is included in "Investment Gain (Loss)" 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>2010</u>	<u>2009</u>
Land	\$ 228,000	\$ 228,000
Building and improvements	2,579,049	2,566,328
Equipment	157,203	154,759
Furniture and fixtures	146,698	152,921
Computer equipment	<u>393,129</u>	<u>444,765</u>
	3,504,079	3,546,773
Less: Accumulated depreciation and amortization	<u>(1,317,725)</u>	<u>(1,256,553)</u>
	<u>\$ 2,186,354</u>	<u>\$ 2,290,220</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, 2010 and 2009.

Funded Status

Obligations and funded status of the plan are as follows:

	<u>2010</u>	<u>2009</u>
Projected benefit obligation	\$ (9,348,920)	\$ (7,998,141)
Fair value of plan assets at end of year	<u>7,544,708</u>	<u>5,582,341</u>
Funded status	<u>\$ (1,804,212)</u>	<u>\$ (2,415,800)</u>
Accumulated benefit obligation	\$ (9,348,920)	\$ (7,998,141)
Employer contributions	\$ 337,328	\$ 253,628
Benefit payments	\$ (509,296)	\$ (599,716)

Financial Statement Recognition

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

	<u>2010</u>	<u>2009</u>
As a non-current liability	\$ (1,804,212)	\$ (2,415,800)

10. PENSION AND OTHER POSTRETIREMENT BENEFITS (Continued)

Financial Statement Recognition (Continued)

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

	<u>2010</u>	<u>2009</u>
Net periodic cost (benefit)	\$ 432,654	\$ (124,800)

As of March 31, 2010, 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, 2010	\$ 2,949,972
Expected amortization of unrecognized items in next year's expense	\$ 223,898

For the year ended March 31, 2010, the United Way recognized \$259,734 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>2010</u>	<u>2009</u>
Discount rate	6.00%	7.25%
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, 2010 and 2009, by asset category, are as follows:

	<u>2010</u>	<u>2009</u>	<u>Target</u>
Equity securities	61%	58%	60%
Fixed income securities	29%	33%	30%
International securities	10%	9%	10%
	<u>100%</u>	<u>100%</u>	<u>100%</u>

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

Contributions

The United Way expects to contribute \$487,328 to the Plan in fiscal year 2011.

10. PENSION AND OTHER POSTRETIREMENT BENEFITS (Continued)

Estimated Future Benefit Payments

Benefit payments are expected to be paid as follows:

2011	\$	521,000
2012	\$	534,000
2013	\$	557,000
2014	\$	573,000
2015	\$	623,000
2016 - 2020	\$	3,468,000

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, 2010 and 2009.

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, 2010 and 2009 based on actuarial reports.

	<u>2010</u>	<u>2009</u>
Accumulated postretirement benefit obligation	\$ (770,565)	\$ (677,578)
Market value of plan assets	<u>-</u>	<u>-</u>
Funded status	<u>\$ (770,565)</u>	<u>\$ (677,578)</u>
Net periodic postretirement benefit expense	<u>\$ 34,809</u>	<u>\$ 27,644</u>
Employer contributions	<u>\$ 24,645</u>	<u>\$ 26,157</u>
Benefits paid	<u>\$ 39,645</u>	<u>\$ 38,315</u>

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

	<u>2010</u>	<u>2009</u>
As a non-current liability	\$ (770,565)	\$ (677,578)
Amounts unamortized in Other Change in Net Assets at March 31:		
Actuarial gain recognition	\$ 264,560	\$ 330,294
Prior service costs	\$ (2,733)	\$ 14,356
Amounts expected to be amortized in Other Change in Net Assets in the coming year:		
Actuarial gain recognition	\$ 18,750	\$ 23,867
Prior service costs	\$ 11,922	\$ 17,089

10. PENSION AND OTHER POSTRETIREMENT BENEFITS (Continued)

Other Postretirement Benefits Plan (Continued)

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

	<u>2010</u>	<u>2009</u>
Discount rate	6.00%	7.25%
Medical care cost trend rate	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 2010 gradually reduces to 5.0% in fiscal 2014 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.

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:

2011	\$	39,110
2012	\$	40,000
2013	\$	45,000
2014	\$	47,000
2015	\$	48,000
2016 - 2020	\$	287,000

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 \$309,452 of expense related to the Plan in 2010.

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, 2010). There were no amounts outstanding under this agreement at March 31, 2010 and 2009.

Interest paid on the line-of-credit was \$0 and \$130 in 2010 and 2009, respectively.

13. BOARD DESIGNATED NET ASSETS

Net assets are designated for the following purposes at March 31, 2010. 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	\$ 5,513	\$ -	\$ (500)	\$ -	\$ 5,013
Berman Fund	214,485	13,705	(11,897)	-	216,293
Community Indicators	23,465	-	-	(23,465)	-
Venture Philanthropy	4,225	-	-	(4,225)	-
Technology Investment	44,251	-	(38,286)	(5,965)	-
Wayne County	443,848	975,773	(872,657)	(70,772)	476,192
Ontario County	405,384	1,383,475	(1,284,668)	(116,844)	387,347
Eastern Orleans County	58,615	168,057	(143,111)	(1,365)	82,196
Livingston County	98,539	295,993	(290,802)	(10,513)	93,217
Genesee County	197,703	411,850	(378,613)	(11,580)	219,360
Wyoming County	131,189	193,947	(186,833)	(8,589)	129,714
Hardware/Software					
Acquisition	29,677	74,000	(76,420)	-	27,257
Synergy Fund	335,947	300,000	(287,672)	-	348,275
Blueprint Fund	70,655	15,000	(82,239)	-	3,416
Reserve Fund	1,312,504	-	(70,319)	36,001	1,278,186
Transition Fund	-	519,854	-	-	519,854
UWSC Post Retirement					
Reserve Fund	43,477	-	(2,671)	-	40,806
UWGR Holding Co.					
Capital Reserve Fund	100,000	40,300	(12,720)	-	127,580
	<u>\$ 3,519,477</u>	<u>\$ 4,391,954</u>	<u>\$ (3,739,408)</u>	<u>\$ (217,317)</u>	<u>\$ 3,954,706</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 \$56,781 and \$80,052 in 2010 and 2009, respectively. In addition, UWSC provides services to the United Way's resource development department. Payment for such services was \$90,445 and \$53,578 in 2010 and 2009, 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 \$250,000 for the year ended March 31, 2010.

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 2010 and 2009 was approximately \$194,000 and \$171,000, respectively. Minimum payments under these lease agreements are as follows for the years ending March 31:

2011	\$	169,614
2012		143,610
2013		45,903
2014		29,151
2015		<u>16,800</u>
	\$	<u>405,078</u>

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 3, 2010, which is the date the financial statements were available to be issued.

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

CONSOLIDATING BALANCE SHEET

MARCH 31, 2010

(With Comparative Totals for 2009)

	2010				2009 Consolidated
	United Way of Greater Rochester, Inc.	UWGR Holding Company, Inc.	Eliminations	Consolidated	
ASSETS					
Cash and equivalents	\$ 4,823,296	\$ 101,954	\$ -	\$ 4,925,250	\$ 4,815,914
Pledges receivable, net	9,837,058	-	-	9,837,058	10,433,315
Interest and dividends receivable	7,815	-	-	7,815	104,655
Rent receivable - affiliate	-	40,301	(40,301)	-	-
Bequests receivable	13,250	-	-	13,250	242,032
Investments	110,041,421	-	-	110,041,421	84,260,551
Notes receivable	367,064	-	-	367,064	680,958
Property and equipment, net	180,650	2,005,704	-	2,186,354	2,290,220
Beneficial interest in shared interest arrangements	2,695,857	-	-	2,695,857	2,156,966
Pooled life income fund assets	430,869	-	-	430,869	374,233
Other assets	353,384	11,854	-	365,238	185,163
	<u>\$ 128,750,664</u>	<u>\$ 2,159,813</u>	<u>\$ (40,301)</u>	<u>\$ 130,870,176</u>	<u>\$ 105,544,007</u>
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable and accrued expenses	\$ 846,246	\$ 21,501	\$ -	\$ 867,747	\$ 748,219
Due to agencies	8,421,717	-	-	8,421,717	8,988,855
Rent payable - affiliate	40,301	-	(40,301)	-	-
Grants payable	15,000	-	-	15,000	-
Note payable	8,096	-	-	8,096	14,676
Charitable gift annuity reserve	335,391	-	-	335,391	293,281
Funds held for others	282,435	-	-	282,435	245,310
Pension and postretirement liability	2,574,777	-	-	2,574,777	3,093,378
Deferred revenue	6,260	1,027	-	7,287	10,000
Total liabilities	<u>12,530,223</u>	<u>22,528</u>	<u>(40,301)</u>	<u>12,512,450</u>	<u>13,393,719</u>
NET ASSETS:					
Unrestricted -					
Board designated	3,827,126	127,580	-	3,954,706	3,519,477
Undesignated	(2,784,509)	2,009,705	-	(774,804)	(940,318)
Quasi-endowment	72,868,786	-	-	72,868,786	49,225,467
Total unrestricted	<u>73,911,403</u>	<u>2,137,285</u>	<u>-</u>	<u>76,048,688</u>	<u>51,804,626</u>
Temporarily restricted	12,364,155	-	-	12,364,155	11,093,990
Permanently restricted	29,944,883	-	-	29,944,883	29,251,672
Total net assets	<u>116,220,441</u>	<u>2,137,285</u>	<u>-</u>	<u>118,357,726</u>	<u>92,150,288</u>
	<u>\$ 128,750,664</u>	<u>\$ 2,159,813</u>	<u>\$ (40,301)</u>	<u>\$ 130,870,176</u>	<u>\$ 105,544,007</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, 2010
(With Comparative Totals for 2009)**

	2010							
	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	2009 Consolidated
REVENUE, GAINS AND OTHER SUPPORT:								
Annual campaign, net	\$ 19,923,254	\$ -	\$ -	\$ 19,923,254	\$ 7,359,849	\$ -	\$ 27,283,103	\$ 31,909,982
Less: Allowance for uncollectible pledges	(1,285,921)	-	-	(1,285,921)	-	-	(1,285,921)	(1,736,035)
	<u>18,637,333</u>	<u>-</u>	<u>-</u>	<u>18,637,333</u>	<u>7,359,849</u>	<u>-</u>	<u>25,997,182</u>	<u>30,173,947</u>
Endowment legacies and gifts received	(57,796)	-	-	(57,796)	-	142,002	84,206	550,907
Charitable Gift Fund gifts received	1,420,610	-	-	1,420,610	-	-	1,420,610	2,432,834
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	101,130	151,441	(151,441)	101,130	-	-	101,130	163,379
Other revenues	<u>2,019,347</u>	<u>219,340</u>	<u>(136,005)</u>	<u>2,102,682</u>	<u>234,090</u>	<u>-</u>	<u>2,336,772</u>	<u>2,802,312</u>
	<u>27,793,480</u>	<u>370,781</u>	<u>(287,446)</u>	<u>27,876,815</u>	<u>7,593,939</u>	<u>142,002</u>	<u>35,612,756</u>	<u>41,796,235</u>
Net assets released from restrictions -								
Satisfaction of program restrictions	107,568	-	-	107,568	(107,568)	-	-	-
Expiration of time restrictions	<u>7,598,380</u>	<u>-</u>	<u>-</u>	<u>7,598,380</u>	<u>(7,598,380)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>7,705,948</u>	<u>-</u>	<u>-</u>	<u>7,705,948</u>	<u>(7,705,948)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue, gains and other support	<u>35,499,428</u>	<u>370,781</u>	<u>(287,446)</u>	<u>35,582,763</u>	<u>(112,009)</u>	<u>142,002</u>	<u>35,612,756</u>	<u>41,796,235</u>
EXPENSES:								
Program services -								
Allocations	27,893,477	-	-	27,893,477	-	-	27,893,477	32,436,449
Community investment and services	<u>2,018,378</u>	<u>106,812</u>	<u>(66,197)</u>	<u>2,058,993</u>	<u>-</u>	<u>-</u>	<u>2,058,993</u>	<u>1,877,135</u>
Total program services	<u>29,911,855</u>	<u>106,812</u>	<u>(66,197)</u>	<u>29,952,470</u>	<u>-</u>	<u>-</u>	<u>29,952,470</u>	<u>34,313,584</u>
Supporting services -								
Resource development	3,152,447	173,133	(117,369)	3,208,211	-	-	3,208,211	3,068,681
General management	<u>1,886,966</u>	<u>156,655</u>	<u>(103,880)</u>	<u>1,939,741</u>	<u>-</u>	<u>-</u>	<u>1,939,741</u>	<u>1,846,747</u>
Total supporting services	<u>5,039,413</u>	<u>329,788</u>	<u>(221,249)</u>	<u>5,147,952</u>	<u>-</u>	<u>-</u>	<u>5,147,952</u>	<u>4,915,428</u>
Total expenses	<u>34,951,268</u>	<u>436,600</u>	<u>(287,446)</u>	<u>35,100,422</u>	<u>-</u>	<u>-</u>	<u>35,100,422</u>	<u>39,229,012</u>
EXCESS (DEFICIENCY) OF REVENUE, GAINS AND OTHER SUPPORT OVER EXPENSES	548,160	(65,819)	-	482,341	(112,009)	142,002	512,334	2,567,223
INVESTMENT GAIN (LOSS) IN EXCESS OF UNITED WAY'S TOTAL RETURN SPENDING POLICY	23,137,630	-	-	23,137,630	1,382,174	551,209	25,071,013	(46,674,561)
CHANGE IN FUNDED STATUS OF PENSION AND POSTRETIREMENT LIABILITY	<u>624,091</u>	<u>-</u>	<u>-</u>	<u>624,091</u>	<u>-</u>	<u>-</u>	<u>624,091</u>	<u>(2,676,427)</u>
CHANGE IN NET ASSETS	24,309,881	(65,819)	-	24,244,062	1,270,165	693,211	26,207,438	(46,783,765)
NET ASSETS - beginning of year	<u>49,601,522</u>	<u>2,203,104</u>	<u>-</u>	<u>51,804,626</u>	<u>11,093,990</u>	<u>29,251,672</u>	<u>92,150,288</u>	<u>138,934,053</u>
NET ASSETS - end 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>

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, 2010**
(With Comparative Totals for 2009)

	2010					2009 Consolidated
	United Way of Greater Rochester, Inc.	UWGR Holding Company, Inc.	Eliminations	Consolidated		
CASH FLOW FROM OPERATING ACTIVITIES:						
Change in net assets	\$ 26,273,257	\$ (65,819)	\$ -	\$ 26,207,438	\$ (46,783,765)	
Adjustments to reconcile change in net assets to net cash flow from operating activities:						
Net (gain)/loss on investments	(28,429,851)	-	-	(28,429,851)	42,899,427	
Depreciation and amortization	77,835	106,121	-	183,956	190,590	
Loss on disposal of property and equipment	7,459	-	-	7,459	3,375	
Permanently restricted legacies and gifts	(142,002)	-	-	(142,002)	(139,955)	
Change in funded status of pension and postretirement liability	(624,091)	-	-	(624,091)	2,676,427	
Provision for doubtful pledges receivable	(1,285,921)	-	-	(1,285,921)	1,736,035	
Changes in:						
Pledges receivable	1,882,178	-	-	1,882,178	(3,241,341)	
Interest and dividends receivable	96,840	-	-	96,840	31,991	
Rent receivable - affiliate	-	48,496	(48,496)	-	-	
Bequests receivable	228,782	-	-	228,782	(199,820)	
Other assets	(180,182)	107	-	(180,075)	(6,637)	
Accounts payable and accrued expenses	152,295	(32,767)	-	119,528	118,093	
Due to agencies	(567,138)	-	-	(567,138)	650,197	
Rent payable - affiliate	(48,496)	-	48,496	-	-	
Grants payable	15,000	-	-	15,000	-	
Funds held for others	37,125	-	-	37,125	(45,161)	
Pension and postretirement liability	105,490	-	-	105,490	(390,488)	
Deferred revenue	(3,740)	1,027	-	(2,713)	10,000	
Net cash flow from operating activities	<u>(2,405,160)</u>	<u>57,165</u>	<u>-</u>	<u>(2,347,995)</u>	<u>(2,491,032)</u>	
CASH FLOW FROM INVESTING ACTIVITIES:						
Purchases of property and equipment	(74,828)	(12,721)	-	(87,549)	(108,558)	
Sales of investments, net	2,648,981	-	-	2,648,981	4,213,304	
Changes in notes receivable, net	313,894	-	-	313,894	(180,958)	
Changes in beneficial interest in shared interest arrangements	(538,891)	-	-	(538,891)	663,012	
Net cash flow from investing activities	<u>2,349,156</u>	<u>(12,721)</u>	<u>-</u>	<u>2,336,435</u>	<u>4,586,800</u>	
CASH FLOW FROM FINANCING ACTIVITIES:						
Net repayments on note payable	(6,580)	-	-	(6,580)	(6,571)	
Permanently restricted legacies and gifts	142,002	-	-	142,002	139,955	
Increase/(decrease) in charitable gift annuity reserve	42,110	-	-	42,110	(11,118)	
Change in pooled life income fund assets	(56,636)	-	-	(56,636)	68,896	
Net cash flow from financing activities	<u>120,896</u>	<u>-</u>	<u>-</u>	<u>120,896</u>	<u>191,162</u>	
CHANGE IN CASH AND EQUIVALENTS	64,892	44,444	-	109,336	2,286,930	
CASH AND EQUIVALENTS - beginning of year	<u>4,758,404</u>	<u>57,510</u>	<u>-</u>	<u>4,815,914</u>	<u>2,528,984</u>	
CASH AND EQUIVALENTS - end of year	<u>\$ 4,823,296</u>	<u>\$ 101,954</u>	<u>\$ -</u>	<u>\$ 4,925,250</u>	<u>\$ 4,815,914</u>	

The accompanying notes are an integral part of these exhibits.

UNITED WAY OF GREATER ROCHESTER, INC.
**COMBINED FEDERAL CAMPAIGN ACTIVITY
FOR THE FALL 2008 CAMPAIGN**

	<u>Actual</u>	<u>Budget</u> (Unaudited)
CAMPAIGN EXPENDITURES REIMBURSED:		
Salaries	\$ 25,748	\$ 25,748
Benefits	9,503	9,503
Legal and audit	1,950	1,700
Postage	500	500
Newspaper advertising	443	443
Purchased service	4,107	4,107
Travel	200	200
Trophies and awards	246	225
Copying	7,403	6,628
Office supplies	100	100
Meetings and events	224	100
Conferences	-	1,100
	<hr/>	<hr/>
Total	<u>\$ 50,424</u>	<u>\$ 50,354</u>
 TOTAL CAMPAIGN RESULTS	 <u>\$ 203,216</u>	 <u>\$ 212,213</u>
 Budget as % of total	 <u>25%</u>	 <u>24%</u>

The accompanying notes are an integral part of these exhibits.