United Way Silicon Valley

Financial Statements
June 30, 2011 and 2010

Together with
Independent Auditors' Report

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Robert Lee & Associates, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way Silicon Valley
San Jose, California

We have audited the accompanying statement of financial position of United Way Silicon Valley ("United Way," a California public benefit corporation) as of June 30, 2011, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits. The prior year summarized comparative data has been derived from United Way Silicon Valley's 2010 financial statements and, in our report dated October 14, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

Robert Lee + Associates, LLP

San Jose, California
October 7, 2011

UNITED WAY SILICON VALLEY

Statement of Financial Position

June 30, 2011 (with comparative totals as of June 30, 2010)

	2011			2010
	Unrestricted	**Temporarily restricted**	**Total**	**Total**
Assets				
Current assets:				
Cash and cash equivalents	$ 390,911	$ 293,228	$ 684,139	$ 1,840,823
Investments (Note 3)	1,270,000	-	1,270,000	2,000,000
Pledges receivable, net of allowance for doubtful accounts of $450,367 and $475,488 for 2011 and 2010, respectively (Note 4)	3,243,085	47,400	3,290,485	3,667,155
Prepaid expenses	131,504	-	131,504	127,422
Grants and other receivables	169,050	549,220	718,270	1,173,205
Total current assets	5,204,550	889,848	6,094,398	8,808,605
Restricted cash	-		-	-
Long-term investments	1,671,521	-	1,671,521	250,000
Long-term in-kind receivable	-	1,964,327	1,964,327	2,248,753
Property and equipment, net (Note 5)	4,683,836	-	4,683,836	5,079,678
Other assets	20,663	-	20,663	47,158
Total assets	$ 11,580,570	$ 2,854,175	$ 14,434,745	$ 16,434,194
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued expenses	$ 862,816		$ 862,816	$ 754,922
Deferred revenue	3,000		3,000	2,760
Pledges due to agencies and other United Ways	1,675,473		1,675,473	1,548,896
Strategic grants payable	2,031,052		2,031,052	2,047,275
Capital lease obligations - current portion (Note 8)	38,295		38,295	29,398
Bonds payable - current portion (Note 9)	-		-	510,000
Loan payable - current portion (Note 10)	48,203		48,203	-
Total current liabilities	4,658,839		4,658,839	4,893,251
Capital lease obligations - less current portion (Note 9	49,295		49,295	39,184
Loan payable - less current portion (Note 10)	1,397,887		1,397,887	1,446,090
Other liabilities	44,706		44,706	42,469
Total liabilities	6,150,727		6,150,727	6,420,994
Net assets:				
Unrestricted	5,429,843		5,429,843	5,790,023
Temporarily restricted (Note 11)	-	2,854,175	2,854,175	4,223,177
Total net assets	5,429,843	2,854,175	8,284,018	10,013,200
Total liabilities and net assets	$ 11,580,570	$ 2,854,175	$ 14,434,745	$ 16,434,194

See notes to financial statements.

UNITED WAY SILICON VALLEY

Statement of Activities and Changes in Net Assets

June 30, 2011 (with comparative totals as of June 30, 2010)

	2011			2010
	Unrestricted	**Temporarily restricted**	**Total**	**Total**
Revenues:				
Campaign support:				
Annual campaign	$ 11,258,178	$ 72,284	$ 11,330,462	$ 11,956,091
Less donor designations to other organizations (Note 6)	(5,596,159)	-	(5,596,159)	(5,704,881)
Estimated uncollectible pledges	(236,254)	(26,746)	(263,000)	(317,151)
Net campaign support	5,425,765	45,538	5,471,303	5,934,059
Grants	915,980	259,674	1,175,654	2,587,219
Gifts in-kind and other support (Note 14)	207,285	101,708	308,993	409,560
Interest income	28,147	78	28,225	18,735
Net assets released from restrictions (Note 11)	1,776,000	(1,776,000)	-	-
Miscellaneous income (Note7)	936,802	-	936,802	820,994
Total revenues	9,289,979	(1,369,002)	7,920,977	9,770,567
Expenses:				
Program services:				
Gross funds awarded/distributed	9,141,503		9,141,503	9,245,606
Less donor designations	(5,596,159)		(5,596,159)	(5,704,881)
Net funds awarded/distributed	3,545,344		3,545,344	3,540,725
Community and program support	3,653,961		3,653,961	3,653,321
Total program services	7,199,305		7,199,305	7,194,046
Support services:				
Management and general	774,945		774,945	780,266
Fundraising	1,675,909		1,675,909	1,701,604
Total support services	2,450,854		2,450,854	2,481,870
Total expenses	9,650,159		9,650,159	9,675,916
Changes in net assets	(360,180)	(1,369,002)	(1,729,182)	94,651
Net assets at beginning of year	5,790,023	4,223,177	10,013,200	9,918,549
Net assets at end of year	$ 5,429,843	$ 2,854,175	$ 8,284,018	$ 10,013,200

See notes to financial statements.

UNITED WAY SILICON VALLEY

Statement of Functional Expenses

June 30, 2011

	Program Services			Support Services			
	Net Funds Awarded/ Distributed	Community and Program Support	Total	Management and General	Fundraising	Total	Total Expenses
Funds awarded/distributed	$ 9,141,503	$ -	$ 9,141,503	$ -	$ -	$ -	$ 9,141,503
Less donor designations (Note 6)	(5,596,159)	-	(5,596,159)	-	-	-	(5,596,159)
Sub-total	3,545,344	-	3,545,344	-	-	-	3,545,344
Salaries and wages		1,218,124	1,218,124	421,149	927,409	1,348,558	2,566,682
Fringe benefits (Notes 12 and 13)		294,313	294,313	101,588	222,015	323,603	617,916
Occupancy expense		603,817	603,817	86,285	199,476	285,761	889,578
Professional fees/technical services		351,115	351,115	100,911	84,551	185,462	536,577
Depreciation and amortization		426,676	426,676	16,512	38,152	54,664	481,340
Contract services		356,390	356,390	-	-	-	356,390
Publicity materials, services and supplies		37,993	37,993	102	92,114	92,216	130,209
Interest and bank charges		106,897	106,897	46,077	2,981	49,058	155,955
United Way of America Dues		60,215	60,215	-	60,215	60,215	120,430
Special events		62,167	62,167	41	21,763	21,804	83,971
Conferences, travel and training		34,817	34,817	9,583	28,006	37,589	72,406
Office operating expenses		37,374	37,374	9,147	9,327	18,474	55,848
Miscellaneous expense		64,063	64,063	(16,450)	(10,100)	(26,550)	37,513
Total expenses	$ 3,545,344	$ 3,653,961	$ 7,199,305	$ 774,945	$ 1,675,909	$ 2,450,854	$ 9,650,159

See notes to financial statements.

UNITED WAY SILICON VALLEY

Statement of Functional Expenses

June 30, 2010

	Program Services			Support Services			
	Net Funds Awarded/ Distributed	**Community and Program Support**	**Total**	**Management and General**	**Fundraising**	**Total**	**Total Expenses**
Funds awarded/distributed	$ 9,245,606	$ -	$ 9,245,606	$ -	$ -	$ -	$ 9,245,606
Less donor designations (Note 6)	(5,704,881)	-	(5,704,881)	-	-	-	(5,704,881)
Sub-total	3,540,725	-	3,540,725	-	-	-	3,540,725
Salaries and wages		1,176,689	1,176,689	422,087	955,738	1,377,825	2,554,514
Fringe benefits (Notes 12 and 13)		275,140	275,140	98,445	223,276	321,721	596,861
Occupancy expense		602,504	602,504	88,515	194,746	283,261	885,765
Professional fees/technical services		411,574	411,574	117,685	89,073	206,758	618,332
Depreciation and amortization		409,687	409,687	18,549	39,308	57,857	467,544
Contract services		384,321	384,321	-	-	-	384,321
Interest and bank charges		94,311	94,311	51,621	16,483	68,104	162,415
United Way of America Dues		59,500	59,500		59,500	59,500	119,000
Special events		54,414	54,414	700	34,044	34,744	89,158
Publicity materials, services and supplies		9,261	9,261	233	67,186	67,419	76,680
Office operating expenses		38,467	38,467	12,334	14,553	26,887	65,354
Conferences, travel and training		27,892	27,892	10,387	26,545	36,932	64,824
Miscellaneous expense		109,561	109,561	(40,290)	(18,848)	(59,138)	50,423
Total expenses	$ 3,540,725	$ 3,653,321	$ 7,194,046	$ 780,266	$ 1,701,604	$ 2,481,870	$ 9,675,916

See notes to financial statements.

UNITED WAY SILICON VALLEY
Statements of Cash Flows

	For the Years Ended June 30, 2011	2010
Cash flows from operating activities:		
Changes in net assets	$ (1,729,182)	$ 94,651
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	481,340	467,544
Unrealized loss on investment	4,444	-
Bond amortization	23,366	22,448
Disposal of property and equipment	32,485	91,898
Receipt of in-kind equipment	(14,380)	(126,614)
Release of permanently restricted funds	-	40,000
Changes in assets and liabilities		
Pledges receivables, net	376,670	100,956
Prepaid expenses	(4,082)	(34,514)
Grants and other receivables	454,935	(54,560)
Long term grants receivable	-	140,027
Long term in-kind receivable	284,426	272,178
Other assets	3,129	223
Accounts payable and accrued expenses	107,894	(71,804)
Deferred income	240	120
Pledges due to agencies and other United Way	126,577	229,562
Strategic grants payable	(16,223)	(230,845)
Other liabilities	2,237	(295,133)
Net cash provided by operating activities	133,877	646,137
Cash flows used by investing activities:		
Investment in CD's and Corporate Bonds	(695,965)	(1,500,000)
Purchase of property and equipment	(103,603)	(246,573)
Net cash used by investing activities	(799,568)	(1,746,573)
Cash flows used by financing activities:		
Payment on capital lease obligations	19,008	(26,267)
Receipt of loan proceeds	-	500,000
Repayment of loan	-	(16,410)
Payment of bond principal	(510,000)	(490,000)
Net cash used by financing activities	(490,992)	(32,677)
Net decrease in cash and cash equivalents	(1,156,684)	(1,133,113)
Cash and cash equivalents at beginning of year	1,840,823	2,973,936
Cash and cash equivalents at end of year	$ 684,139	$ 1,840,823
Supplemental cash flow information:		
Interest paid during the year	$ 77,838	$ 81,738
Noncash items:		
Equipment acquired by capitalized lease	49,162	16,126
In-kind donations - capitalized equipment	14,380	126,614
Total noncash items	$ 63,542	$ 142,740

See notes to financial statements.

Note 1 - Organization and operations:

United Way Silicon Valley ("United Way") is an independent, locally managed nonprofit organization founded in 1922. United Way is leading a movement to improve community conditions in Santa Clara County by helping local people become financially stable and independent. To drive positive change, United Way helps people help themselves by identifying critical needs, mobilizing the caring power of the community, and aligning resources to achieve the best solutions. United Way is focused on the building blocks for a good life: income, education and health.

Note 2 - Summary of significant accounting policies:

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation - United Way reports information regarding its financial position and activities according to three classes of net assets:

- *Unrestricted net assets* - the portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use of management and the Board of Directors for facility maintenance and general operations.
- *Temporarily restricted net assets* - the portion of net assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of United Way.
- *Permanently restricted net assets* - the portion of net assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of United Way. There were no permanently restricted net assets as of June 30, 2010 and 2011.

Use of estimates - The preparation of financial statements, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

The allowance for uncollectible pledges is a significant estimate. The determination of the balance in this account is an estimate based on United Way's historical experience, review of significant account balances and expectations relative to current economic conditions. Uncollected pledges in excess of the allowance for uncollectible pledges are written-off in the following fiscal year.

Note 2 - Summary of significant accounting policies (continued):

Use of estimates (continued) - Another significant estimate related to uncollectible pledges is an account that has been established as a provision for designations that will not be paid due to the uncollectibility of the related donor pledge. This balance for designations that will not be paid is estimated based on historical experience, the level of anticipated uncollectible pledges and the rate at which donors have designated their pledges to other not-for-profit organizations. This account balance is netted against the liability for pledges due to agencies and other united ways.

Revenue recognition - Contributed support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other contributed support is recognized as revenue when received or un-conditionally promised. United Way reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Contributed support that is expected to be collected in future years, is recorded at the present value of its estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts, if any, is included in contribution revenue. Conditional promises to give, if any, are not included as support until the conditions are substantially met.

Recognition of pledges from fundraising campaign and designations - Each year, from July to June, United Way conducts annual fundraising campaigns in Santa Clara County to raise funds to support strategic and targeted investments in its community impact focus areas. Such public support is recorded at the fair value of the pledge in the year it is received. Pledges and promises to give are accounted for as either unconditional or conditional. Unconditional promises to give are promises that depend only on the passage of time or the demand by the donor for performance. A conditional promise to give is a promise that depends on the occurrence of a specified future and uncertain event to bind the donor. There were no conditional promises to give at June 30, 2011 and 2010. Outstanding pledges, less a provision for uncollectible amounts, are recorded as pledges receivable. Included in these pledges are contributions designated for other non-profit organizations throughout the United States, and for other United Ways in California and other states, for which United Way serves as the primary fiscal agent in the solicitation and distribution of such pledges. These pledges are included in campaign support and are deducted as donor designations to other organizations in arriving at net campaign support. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted contributions. As a result, all pledges receivable at the end of the fiscal year are for the year in which they were pledged and are recorded in unrestricted net assets.

Note 2 - Summary of significant accounting policies (continued):

Recognition of pledges from fundraising campaign and designations (continued) - The use of funds to achieve community impact outcomes is approved by the Board of Directors in June of each year. A portion of these funds are distributed to agencies in the succeeding twelve-month fiscal year provided agencies are in compliance with the agency agreements. At June 30, 2011 and 2010, strategic investments committed to be paid to agencies are recorded as liabilities.

Gifts in-kind - Significant donated property and equipment is recorded at estimated fair value at the date of receipt. Contributed services, which require a specialized skill and which United Way would have paid for if not contributed, have been recorded at their estimated fair market value. In addition, a substantial number of volunteers have donated significant amounts of time in promoting United Way's programs. The value of donated volunteer services has not been recognized in the accompanying financial statements because such volunteer services do not require specialized skills.

Other contributions and support - United Way receives other public support outside the conduct of the annual fundraising campaign. This other support includes both public and private grants, gifts in-kind of goods and services, donor designated funds received in the course of other appeals or another United Way annual campaign outside of Santa Clara County and sponsorship revenue. Certain ceremonial, celebratory and special recognition events at United Way are underwritten by sponsorship, or the costs are offset by contributions for the specific event. Generally, the donating companies agree that their contributions may also be used for other costs related to the operation of United Way.

Functional expense allocations - The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated, based on estimates of time, space, and other factors, among the classifications.

Concentration of credit risk - Financial instruments that potentially subject United Way to credit risk consist primarily of cash and cash equivalents, investments, and pledges receivable. United Way maintains cash and cash equivalents with domestic institutions that are federally insured, up to the limits of the Federal Deposit Insurance Corporation ("FDIC") deposit insurance. Cash equivalents may include U.S. treasury and agency securities, certificates of deposits, savings accounts, money market funds or depository receipts of highly rated domestic financial institutions, and corporate commercial paper and notes. The obligor of all investments must meet certain credit requirements as indicated by at least two Nationally Recognized Statistical Rating Organizations (NRSRO). Pledges receivable are unsecured and are due from various individuals and corporations primarily located in Santa Clara County. The carrying amount is net of uncollectible amounts and is a reasonable estimate of the fair value. Additionally, any pledges that are expected to be collected after one year have been discounted and are reflected in the financial statements at their net present value. It is United Way's opinion that it is not exposed to any significant credit risks.

Note 2 - Summary of significant accounting policies (continued):

Cash and cash equivalents - Cash and cash equivalents consist of cash and money market funds. United Way considers all short-term, highly liquid investments, and investments with original maturity dates of three months or less at the date of purchase to be cash equivalents.

Investments - United Way's investments are valued in accordance with generally accepted accounting principles in the United States, including Fair Value Measurements. United Way's investment policy authorizes investments in U.S. treasury and agency securities, certificates of deposits, savings accounts, money market funds or depository receipts of highly rated domestic financial institutions, corporate commercial paper, notes and bonds. Public stocks, subject to considerable price fluctuations, are valued at the closing market price on the last day of the fiscal year and must be readily convertible into cash and diversified by security type with maturities ranging from 3 months to 2 years as specified by the purpose for which the funds are held. Contributions of investments ("donated in-kind gifts") are recorded at quoted market prices at the date of donation. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur as part of unrestricted net assets. Realized gains or losses resulting from sales or maturities are the differences between the investment's cost basis and the sale or maturity settlement of the investment. Dividend and interest income are accrued when earned. Interest accrued on investments through the date of the financial statements is accrued as interest receivable.

Fair value of financial instruments - Financial instruments included in United Way's Statement of Financial Position as of June 30, 2011 include cash and cash equivalents, investments, receivables, and accounts payable and accrued expenses. Cash equivalents include overnight investments, certificates of deposits and money market funds. For cash and cash equivalents, receivables, and accounts payable and accrued expenses, the carrying amounts represent a reasonable estimate of the corresponding fair values. Investments are reflected in the accompanying Statement of Financial Position at their estimated fair values using methodologies described above.

Prepaid expenses - Prepaid expenses consist of expenditures and assets that are expected to be realized in the future. Prepaid expenses occur when expenditures are made for goods and services which are expected to be received in the near future. Insurance premiums and payments made for maintenance services paid in advance of receiving the services are classified as prepaid expenses.

Grants and Other receivables - Grants receivable consist of amounts that have been granted to United Way from other organizations and have not been collected at year end. There were no conditional grants at June 30, 2011 and 2010. All grants are expected to be received within the next 12 months. Other receivables include the value of future receipts (other than campaign pledges and grants) that are expected to be received within the next 12 months. Outstanding rent and miscellaneous fees are classified as other receivables.

Note 2 - Summary of significant accounting policies (continued):

Long-term in-kind receivables - The portion of receivables expected to be collected during a period extending beyond one year is classified as a long-term receivable and is discounted to reflect the current value of the amount to be received. United Way received an in-kind donation of office rent for the period extending from June 2008 to May 2018. The estimated fair rental value of in-kind office rent which will be realized beyond June 30, 2011 has been classified as a long term in-kind receivable (see Note 14).

Property, equipment, depreciation and amortization - Purchased property and equipment are stated at cost. Acquisitions of property and equipment in excess of $1,000 are capitalized. Significant donated property and equipment is recorded at estimated fair value at the date of receipt. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	27.5
Building improvements	3 - 27.5
Furniture and equipment	3 - 7

Leasehold improvements are amortized using the straight-line method over the lesser of the assets' estimated useful lives or the term of the applicable lease.

Long-lived assets - United Way reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any assets may not be recoverable. No such impairments have been identified to date.

Asset retirement obligation - United Way is not aware of any asset retirement obligation which individually or in the aggregate, is material to United Way's financial position.

Advertising - Advertising costs are expensed as incurred. Advertising, promotion, and marketing expense for the years ended June 30, 2011 and 2010 were approximately $130,000 and $77,000, respectively.

Tax-exempt status - Income taxes are not provided for in the financial statements since United Way is an exempt organization for Federal and state income tax purposes under Section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the California Revenue and Taxation Code. The Organization is not classified as a private foundation.

Note 2 - Summary of significant accounting policies (continued):

Accounting for uncertainty in income taxes - The Organization evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2011 management did not identify any uncertain tax positions.

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is June 30, 2008 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2007 and forward.

Subsequent events - Subsequent events are evaluated through October 7, 2011, which is the date the financial statements were available to be issued and determined that no material subsequent events require an estimate to be recorded or disclosed as of June 30, 2011.

Summarized financial information for fiscal 2010 - The accompanying statements of financial position and statement of activities and changes in net assets include certain prior year summarized comparative information in total but not by net asset class and fund as presented for the current year. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly such information should be read in conjunction with United Way's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Reclassifications - Certain 2010 balances have been reclassified to conform to the 2011 financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

Recent accounting pronouncements - In May 2011, the Financial Accounting Standards Board ("FASB") issued FASB Accounting Standards Update ("ASU") No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." The update amends FASB Accounting Standards Codification ("ASC") Topic 820, "Fair Value Measurements." This new standard results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. The amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and disclosing information about fair value measurements. The amendments also clarify FASB's intent about the application of existing fair value measurement requirements. The amendments in this update should be applied retrospectively to all prior periods presented, effective for fiscal years ending after December 15, 2011.

Note 2 - Summary of significant accounting policies (continued):

Recent accounting pronouncements (continued) -
The above pronouncement issued by FASB does not require adoption until a future date and is not expected to have a material impact on the United Way's financial statements upon adoption.

Note 3 - Investments:

The Organization follows the provisions of the Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of significant unobservable inputs and have the lowest priority. All investments are at quoted prices in active markets for identical assets (level 1 inputs) as follows:

	2011	2010
Certificates of deposit	$ 1,100,000	$ 2,250,000
U.S. corporate bonds	1,841,521	-
Total investments	2,941,521	2,250,000
Less portion maturing within one year	(1,270,000)	(2,000,000)
Portion maturing after one year	$ 1,671,521	$ 250,000

Note 4 - Pledges receivable:

Pledges receivable and changes in the allowance for uncollectible amounts are summarized as follows as of June 30:

	2011	2010
Total pledges receivable	$ 3,740,852	$ 4,142,642
Allowance for uncollectible amounts:		
Balance, beginning of year	475,487	594,386
Add provision for uncollectible	263,000	317,151
Less write-off of uncollectible pledges	(288,120)	(436,050)
Balance, end of year	450,367	475,487
Net pledges receivable	$ 3,290,485	$ 3,667,155

The provision for uncollectible pledges is made on campaign contributions (total amount raised) and is based primarily on recent historical experience as well as other factors anticipated by management to affect collections.

Note 5 - Property and equipment:

Property and equipment consisted of the following at June 30:

	2011	2010
Building and building improvements – held-for-rent	$ 7,770,971	$ 7,740,691
Land and land improvements – held-for-rent	1,967,920	1,967,920
Furniture and equipment	642,196	898,998
Building and building improvements	280,130	280,131
Construction in progress	270	-
Total property and equipment	10,661,487	10,887,740
Less: accumulated depreciation	(5,977,651)	(5,808,062)
Total property and equipment, net	$ 4,683,836	$ 5,079,678

Land, building, and related improvements served as collateral for bonds payable (Note 8) until the bonds were retired in June 2011.

Depreciation and amortization expense for the years ended June 30, 2011 and 2010 were approximately $481,000 and $468,000, respectively.

Note 6 - Distributions to the community and benefiting organizations:

United Way's various fundraising campaigns and activities resulted in the following distributions to United Way partner agencies and other benefiting organizations for the years ended June 30:

	2011	2010
Distributed funds determined by the Board of Directors to partner agencies	$ 2,150,000	$ 2,000,000
Designations directed by donors	5,596,159	5,704,881
Program grants to agencies	1,395,344	1,540,725
Total distributions	$ 9,141,503	$ 9,245,606

UNITED WAY SILICON VALLEY
Notes to Financial Statements
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Note 7 - Rental income activity:

Since June 2008 United Way has held for rent the building which it previously occupied and utilized at approximately 25% for its own operations. United Way moved its primary offices out of the building in 2008 and continues to support the community by renting the entire building to the not-for-profit community on a long-term rental basis.

Rental income under long term lease agreements approximated $528,000 and $549,000 for the fiscal years ended June 30, 2011 and 2010, respectively. Long-term rental income commitments which extend into 2016 are as follows:

For the years ending June 30,		
2012	$	504,000
2013		393,000
2014		88,000
2015		17,000
2016		17,000
Thereafter		9,000
Totals	$	1,028,000

Note 8 - Capital lease obligations:

United Way has entered into capital lease agreements for equipment with a cost of approximately $165,702 and related accumulated amortization of approximately $72,729. The leases expire at various times through 2013, require aggregate monthly payments of approximately $3,676 and bear interest of 3.25% to 5.82% per annum. At June 30, 2011, the present value of future minimum annual obligations under the agreements was as follows:

For the years ending June 30,		
2012	$	40,749
2013		19,998
2014		11,646
2015		10,677
2016		9,785
Total payments		92,855
Less amounts representing interest		(5,265)
Present value of minimum lease payments		87,590
Less portion due within a year		(38,295)
Portion due after one year	$	49,295

Note 9 - Bonds payable:

United Way entered into a financing arrangement with ABAG Finance Authority for Nonprofit Corporations (the "Authority") on April 1, 2001. The Authority offered and United Way received all proceeds from a bond offering for $4,310,000, less $130,000 of issuance costs. Total bond costs are being amortized over the life of the bonds. The bonds are guaranteed by The David and Lucille Packard Foundation. The bonds mature at a set amount of $510,000 in 2011. The interest rate varies from 3% to 4.05% with payments due semiannually. Interest expense for the bonds was approximately $20,000 and $40,000 for the years ended June 30, 2011 and 2010, respectively. United Way completed principal payments to US Bank in June 2011 and the bonds were retired effective July 1, 2011.

Note 10 - Credit facility:

On October 20, 2009 United Way entered into a new credit agreement with a bank for the purpose of refinancing an existing term facility and funding the remaining bond payments and tenant improvements for an owned premise. The credit agreement provides for a $2,600,000 commitment over 5 years. On November 3, 2009, United Way drew approximately $946,000 in order to refund the remaining outstanding balance for principal and accrued interest on the previously existing credit facility. In June 2010, United Way also drew $500,000 in accordance with the credit agreement coincident with the annual principal payment on the outstanding bond. The term facility accrues interest only during the initial two-year draw period at the libor rate plus 3.50% or prime rate plus 1.50%. The interest rate is to be fixed for the remaining three year period, the interest rate to be set based on an interest rate swap and market conditions at the time of funding. On October 20, 2011, the total amount advanced under the commitment, not to exceed $2,600,000, will be converted to a term loan amortized based on a 20-year amortization schedule, with principal due on a monthly basis and final payment due October 20, 2014. The term facility is secured by the first deed of trust on the owned premises and a $500,000 CD to be held at the bank during the two-year draw period. The agreement requires that United Way comply with certain covenants as defined. The Organization is not in compliance with the financial covenants. However, the Organization has received a waiver from the financial institution relieving the Organization of the financial covenants for June 30, 2011. A board of director member who is also Treasurer and a finance committee member is employed by the bank that issued the line of credit and term loan. At June 30, 2011 there was an outstanding balance of $1,446,090 of which approximately $48,000 has been classified as current based upon the existing terms.

Subsequent to June 30, 2011, United Way has engaged in discussions with the lender regarding the terms and conditions of the conversion of the credit facility to a term loan.

Note 11 - Temporarily restricted net assets:

Temporarily restricted net assets were restricted for the following purposes as of June 30, 2011 and 2010:

	2011	2010
Future year donor pledge	$ 2,349,926	$ 2,634,353
Emergency loan fund	107,237	107,189
CADRE	103,426	-
Financial Stability Partnership	93,776	113,070
Covering California's Children	71,768	54,510
Earn it Keep it Save it	45,323	14,441
Emergency Assistant Network	41,606	27,542
Education / AEC	36,579	30,868
Nonprofit Effectiveness-Packard Fund	3,581	452,706
Volunteer Assessment	953	21,381
Destination: Home	-	617,080
Koret Foundation	-	100,000
San Benito County	-	46,207
United Way of California	-	2,126
Homeless Connect	-	1,702
Grand total	$ 2,854,175	$ 4,223,177

Note 11 - Temporarily restricted net assets (continued):

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes or by occurrences of other events specified by donors for the years ended June 30, 2011 and 2010 as follows:

	2011	2010
Destination: Home	$ 617,080	$ 451,391
Nonprofit Effectiveness-Packard Fund	449,125	-
Future year donor pledge	385,620	385,632
Koret Foundation	100,000	-
Financial Stability Partnership	53,215	140,939
Covering California's Children	49,678	32,062
Education / AEC	30,868	145,723
Emergency Assistant Network	27,542	33,970
San Benito County	24,142	450
Volunteer Assessment	20,428	-
Earn it Keep it Save it	14,441	-
United Way of California	2,127	-
Homeless Connect	1,702	3,397
Emergency Loan	32	-
Partnership for School Readiness	-	101,086
Interest earned on restricted funds	-	5,600
Success by 6	-	792
Grand total	$ 1,776,000	$ 1,301,042

Note 12 - United Way 401(k) Defined contribution plan:

Effective August 1, 1995, United Way implemented a defined contribution retirement plan available to all employees with over one year of employment. The plan calls for employer contributions at an amount to be determined annually by United Way. Employees do not contribute to this plan. Participants' benefits vest ratably over five years. Contributions made under this plan totaled approximately $115,000 and $137,000 for the years ended June 30, 2011 and 2010, respectively.

Note 13 - 403(b) Tax deferred annuity for employees of United Way Silicon Valley:

United Way offers a 403(b) tax deferred annuity plan (“403(b) Plan”) for all full-time eligible employees. The plan provides for employee contributions but no employer contributions.

Note 14 - Gifts in-kind:

During the year ended June 30, 2011, United Way received in-kind donations of vouchers for flue shots, licenses for computer software and legal services. The estimated fair value of these donations totaled approximately $24,000, $14,000 and $2,000 respectively, which is reflected in other support in the accompanying statement of activities and changes in net assets. The vouchers were gifted at the discretion of United Way to selected organizations in the community. United Way capitalized the entire value of the licenses for computer software.

During the year ended June 30, 2010, United Way received in-kind donations of computer equipment and printers. The estimated fair value of these donations totaled approximately $127,000, which is reflected in other support in the accompanying statement of activities and changes in net assets. United Way capitalized the entire value of the equipment.

United Way received an in-kind donation of office rent beginning June 2008. The donated office rent extends over a period of ten years with an estimated net present value of $3,200,000 after applying a 4.5% discount for future rents. The portion of the discounted future rents earned totaled approximately $101,000 and $113,000 for the years ended June 30, 2011 and 2010, respectively.

Present value of future rent receivable is as follows:

For the years ending June 30,		
2012	$	385,623
2013		369,017
2014		353,127
2015		337,920
2016		323,369
Thereafter		580,895
Present value of future rent receivable		2,349,951
Less portion collectible within one year		(385,624)
Portion collectible after a year	$	1,964,327

The current portion of the in-kind receivable is included in grants and other receivables at June 30, 2011 and 2010.

Note 15 - Related party transactions:

United Way Board of Directors' members are active in both the oversight of United Way and its various fund raising events. Contributions received from the Board of Directors' members were approximately $630,000 and $700,000 for the years ended June 30, 2011 and 2010, respectively.

Note 16 - Contingencies:

Contingencies - Due to the nature of the Organization's operations, claims and litigation may periodically arise. As of June 30, 2011, management has evaluated the status of any potential legal maters and in its judgment believes there are not items which will have a material effect on the financial statements.