United Way Silicon Valley

Financial Statements
June 30, 2012 and 2011

Together with
Independent Auditors' Report

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June 30, 2012

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, 2012, 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 audit. The prior year summarized comparative information has been derived from United Way Silicon Valley's 2011 financial statements and, in our report dated October 7, 2011, 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 audit 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 Silicon Valley as of June 30, 2012, and the changes in its 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 22, 2012

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UNITED WAY SILICON VALLEY

Statement of Financial Position

June 30, 2012 (with comparative totals as of June 30, 2011)

	2012			2011
	Unrestricted	**Temporarily restricted**	**Total**	**Total**
Assets				
Current assets:				
Cash and cash equivalents	$ 523,798	$ 322,092	$ 845,890	$ 684,139
Investments (Note 3)	1,014,110		1,014,110	1,270,000
Pledges receivable, net of allowance for doubtful accounts of $346,262 and $450,367 for 2012 and 2011, respectively (Note 4)	2,877,599	564,292	3,441,891	3,290,485
Prepaid expenses	91,289		91,289	131,504
Grants and other receivables	223,198	608,903	832,101	718,270
Total current assets	4,729,994	1,495,287	6,225,281	6,094,398
Long-term investments	1,017,549		1,017,549	1,671,521
Long-term receivable		1,667,101	1,667,101	1,964,327
Property and equipment, net (Note 5)	384,841		384,841	4,683,836
Building and improvements held-for-sale	3,887,289		3,887,289	
Other assets	27,421		27,421	20,663
Total assets	$ 10,047,094	$ 3,162,388	$ 13,209,482	$ 14,434,745
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued expenses	$ 551,674		$ 551,674	$ 862,816
Deferred revenue	7,144		7,144	3,000
Pledges due to agencies and other United Ways	1,355,352		1,355,352	1,675,473
Strategic grants payable	1,930,099		1,930,099	2,031,052
Capital lease obligations - current portion (Note 8)	9,531		9,531	38,295
Loan payable - current portion (Note 9)	72,607		72,607	48,203
Total current liabilities	3,926,407		3,926,407	4,658,839
Capital lease obligations - less current portion (Note 8)	29,662		29,662	49,295
Loan payable - less current portion (Note 9)	1,331,129		1,331,129	1,397,887
Other liabilities	44,596		44,596	44,706
Total liabilities	5,331,794		5,331,794	6,150,727
Contingency				
Net assets:				
Unrestricted				
Undesignated	4,664,716		4,664,716	5,429,843
Board-designated quasi-endowment	50,584		50,584	
Temporarily restricted (Note 10)		3,162,388	3,162,388	2,854,175
Total net assets	4,715,300	3,162,388	7,877,688	8,284,018
Total liabilities and net assets	$ 10,047,094	$ 3,162,388	$ 13,209,482	$ 14,434,745

See notes to financial statements.

UNITED WAY SILICON VALLEY

Statement of Activities and Changes in Net Assets

June 30, 2012 (with comparative totals as of June 30, 2011)

	2012			2011
	Unrestricted	**Temporarily restricted**	**Total**	**Total**
Revenues:				
Campaign support:				
Annual campaign	$ 11,433,683	$ 622,922	$ 12,056,605	$ 11,330,462
Less donor designations to other organizations	(6,314,597)		(6,314,597)	(5,596,159)
Estimated uncollectible pledges	(245,000)	(22,953)	(267,953)	(263,000)
Net campaign support	4,874,086	599,969	5,474,055	5,471,303
Grants	659,146	325,473	984,619	1,175,654
Gifts in-kind and other support (Note 13)	381,285		381,285	308,993
Investment income, net	26,651		26,651	23,781
Net assets released from restrictions (Note 10)	735,991	(735,991)		
Miscellaneous income	742,410	118,762	861,172	941,246
Total revenues	7,419,569	308,213	7,727,782	7,920,977
Expenses:				
Program services:				
Gross funds awarded/distributed	8,465,852		8,465,852	9,141,503
Less donor designations	(6,314,597)		(6,314,597)	(5,596,159)
Net funds awarded/distributed	2,151,255		2,151,255	3,545,344
Community and program support	3,474,956		3,474,956	3,653,961
Total program services	5,626,211		5,626,211	7,199,305
Support services:				
Management and general	759,816		759,816	774,945
Fundraising	1,748,085		1,748,085	1,675,909
Total support services	2,507,901		2,507,901	2,450,854
Total expenses	8,134,112		8,134,112	9,650,159
Changes in net assets	(714,543)	308,213	(406,330)	(1,729,182)
Net assets at beginning of year	5,429,843	2,854,175	8,284,018	10,013,200
Net assets at end of year	$ 4,715,300	$ 3,162,388	$ 7,877,688	$ 8,284,018

See notes to financial statements.

UNITED WAY SILICON VALLEY

Statement of Functional Expenses

June 30, 2012

	2012						
	Program Services			Support Services			
	Net Funds Awarded/ Distributed	Community and Program Support	Total	Management and General	Fundraising	Total	Total Expenses
Funds awarded/distributed	$ 8,465,852		$ 8,465,852				$ 8,465,852
Less donor designations	(6,314,597)		(6,314,597)				(6,314,597)
Sub-total	2,151,255		2,151,255				2,151,255
Salaries and wages		$ 1,201,984	1,201,984	$ 396,060	$ 1,024,806	$ 1,420,866	2,622,850
Occupancy expense		625,924	625,924	92,731	200,419	293,150	919,074
Fringe benefits		323,825	323,825	106,076	277,612	383,688	707,513
Depreciation and amortization		420,413	420,413	18,264	39,473	57,737	478,150
Professional fees/technical services		243,120	243,120	82,681	56,846	139,527	382,647
Contract services		341,477	341,477				341,477
United Way of America dues		57,715	57,715		57,715	57,715	115,430
Interest and bank charges		62,030	62,030	48,914	1,257	50,171	112,201
Publicity materials, services and supplies		24,913	24,913	82	66,554	66,636	91,549
Office operating expenses		38,983	38,983	9,739	11,825	21,564	60,547
Special events		53,489	53,489	532	2,774	3,306	56,795
Conferences, travel and training		30,233	30,233	6,486	15,552	22,038	52,271
Miscellaneous (income) expense		50,850	50,850	(1,749)	(6,748)	(8,497)	42,353
Total expenses	$ 2,151,255	$ 3,474,956	$ 5,626,211	$ 759,816	$ 1,748,085	$ 2,507,901	$ 8,134,112

See notes to financial statements.

UNITED WAY SILICON VALLEY

Statement of Functional Expenses

June 30, 2011

	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	(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
Occupancy expense		603,817	603,817	86,285	199,476	285,761	889,578
Fringe benefits		294,313	294,313	101,588	222,015	323,603	617,916
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
Interest and bank charges		106,897	106,897	46,077	2,981	49,058	155,955
Publicity materials, services and supplies		37,993	37,993	102	92,114	92,216	130,209
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 (income) 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 Cash Flows

June 30, 2012

		2012		2011
Cash flows from operating activities:				
Changes in net assets	$	(406,330)	$	(1,729,182)
Adjustments to reconcile changes in net assets to ne				
cash provided by operating activities				
Depreciation and amortizatior		478,150		481,340
Unrealized loss on investments		9,743		4,444
Bond amortization				23,366
Loss on disposal of property and equipment		36,132		32,485
Receipt of in-kind equipment		(15,950)		(14,380)
Changes in assets and liabilities				
Pledges receivables, net		(151,406)		376,672
Prepaid expenses		40,215		(4,082)
Grants and other receivables		(113,831)		454,935
Long term in-kind receivable		297,226		284,426
Other assets		(6,758)		3,129
Accounts payable and accrued expenses		(311,142)		107,894
Deferred revenue		4,144		240
Pledges due to agencies and other United Ways		(320,121)		126,577
Strategic grants payable		(100,953)		(16,223)
Other liabilities		(110)		2,237
Net cash provided (used) by operating activities		(560,992)		133,878
Cash flows used by investing activities:				
Investment in certificates of deposit and corporate bonds		900,120		(695,965)
Purchase of property and equipment		(86,626)		(103,605)
Net cash provided (used) by investing activities		813,494		(799,570)
Cash flows used by financing activities:				
Payment on capital lease obligations		(48,397)		19,008
Repayment of loan		(42,354)		
Payment of bond principal				(510,000)
Net cash used by financing activities		(90,751)		(490,992)
Net increase (decrease) in cash and cash equivalents		161,751		(1,156,684)
Cash and cash equivalents at beginning of year		684,139		1,840,823
Cash and cash equivalents at end of year	$	845,890	$	684,139
Supplemental cash flow information:				
Interest paid during the year	$	56,813	$	77,838
Non-cash items:				
Equipment acquired by capitalized lease	$		$	49,162
In-kind donations - computer equipment and software		15,950		14,380
Transfer of building and improvements from in-service to held-for-sale		3,887,289		
Total non-cash items	$	3,903,239	$	63,542

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. Unrestricted net assets also include those expendable resources that have been designated for special use by the Board of Directors.
- *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, 2012 and 2011.

Summarized financial information for fiscal 2011 - 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, 2011, from which the summarized information was derived.

Reclassifications - Certain 2011 balances have been reclassified to conform to the 2012 financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

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

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.

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 unconditionally 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.

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

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, 2012 and 2011. 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.

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, 2012 and 2011, strategic investments committed to be paid to agencies were 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.

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

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 NRSRO (Nationally Recognized Statistical Rating Organizations). 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.

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 bonds and SVCF investment pool. 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.

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

Board-designated quasi-endowment - United Way's board of directors has chosen to designate certain unrestricted net assets for future operations. These funds were placed with the Silicon Valley Community Foundation's investment pool and are considered a board designated quasi endowment.

Fair value of financial instruments - Financial instruments included in United Way's Statement of Financial Position as of June 30, 2012 and 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, 2012 and 2011. 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.

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, 2012 has been classified as a long-term in-kind receivable (see Note 13).

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

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.

Building and improvements held-for-sale - During the year ended June 30, 2012, United Way contracted with a commercial broker to sell a United Way-owned building located in San Jose, CA. As a result, the building is classified as held-for-sale which is measured at the lower of its net book value or fair value.

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.

Advertising - Advertising costs are expensed as incurred. Advertising, promotion, and marketing expense for the years ended June 30, 2012 and 2011 were approximately $92,000 and $130,000, 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 United Way is not classified as a private foundation.

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

Accounting for uncertainty in income taxes - United Way 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, 2012 management did not identify any uncertain tax positions.

United Way 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, 2009 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2008 and forward.

Subsequent events - Subsequent events have been evaluated through October 22, 2012, which is the date the financial statements were available to be issued and it has been determined that no material subsequent events require an estimate to be recorded as of June 30, 2012. See Note 16 for a subsequent event disclosure.

Note 3 - Investments:

United Way 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. United Way uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, United Way measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. United Way's investments consisted of the following at June 30:

	2012	2011
Certificates of deposit	$ 100,000	$ 1,100,000
US corporate bonds	1,881,075	1,841,521
SVCF investment pool - government bonds	50,584	-
Total investments	2,031,659	2,941,521
Less portion maturing within one year	(1,014,110)	(1,270,000)
Portion maturing after one year	$ 1,017,549	$ 1,671,521

Note 3 - Investments (continued):

An investment's classification within a level in the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. United Way's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The categorization of the investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to United Way's perceived risk of that investment. The following are major categories of investments measured at fair value on a recurring basis:

- Level 1: Quoted prices in active markets for identical assets
- Level 2: Significant other observable inputs
- Level 3: Significant unobservable inputs

At June 30, 2012, United Way's investments were recorded as follows:

	Level 1	Level 2	Total
Certificates of deposit	$ 100,000	$ -	$ 100,000
US corporate bonds	1,881,075	-	1,881,075
SVCF investment pool- government bonds	-	50,584	50,584
Total investments	$ 1,981,075	$ 50,584	$ 2,031,659

At June 30, 2011, United Way's investments were recorded at quoted prices in active markets for identical assets (Level 1 inputs).

The following schedule summarizes the investment returns for the year ended June 30:

	2012	2011
Interest income	$ 36,643	$ 28,225
Net realized and unrealized gains (losses)	(9,992)	(4,444)
Total investment returns	$ 26,651	$ 23,781

Note 3 - Investments (continued):

The following is a reconciliation of the beginning and ending balances for investments measured at fair value on a recurring basis using significant other observable inputs (Level 2):

		Year Ended June 30, 2012
Beginning balance	$	-
Purchase of SVCF investment pool - government bonds [a]		50,000
Net realized and unrealized gains (losses)		584
Ending balance	$	50,584

[a] This category includes investments in the Silicon Valley Community Foundation ("SVCF") Short-Term Investment Pool. The objective of this pool is current income and investment returns that exceed money market returns. The pool seeks to achieve its objective by investing in a diversified portfolio of U.S. and non-U.S. fixed income funds with a dollar-weighted average portfolio maturity of one to three years. The pool intends to maintain an asset allocation of 55% short-term bond funds, 35% intermediate-term bond funds and 10% global bond funds. Each month, cumulative, net amount of investment earnings of loss and investment related expenses, are allocated to each fund pro-rata based on each fund's average daily balance of that pool.

Note 4 - Pledges receivable:

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

		2012		2011
Total pledges receivable	$	3,788,153	$	3,740,852
Allowance for uncollectible amounts:				
Balance, beginning of year		450,367		475,488
Add provision for uncollectible		267,953		263,000
Less write-off of uncollectible pledges		(372,058)		(288,121)
Balance, end of year		346,262		450,367
Net pledges receivable	$	3,441,891	$	3,290,485

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:

	2012	2011
Building and building improvements	$ -	$ 7,770,971
Land and land improvements	-	1,967,920
Furniture and equipment	435,782	642,196
Building and building improvements	280,131	280,130
Construction-in-progress	-	270
	715,913	10,661,487
Less: accumulated depreciation and amortization	(331,072)	(5,977,651)
	$ 384,841	$ 4,683,836

Depreciation and amortization expense for the years ended June 30, 2012 and 2011 were approximately $478,000 and $481,000, 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:

	2012	2011
Distributed funds determined by the Board of Directors to partner agencies	$ 2,049,990	$ 2,150,000
Designations directed by donors	6,314,597	5,596,159
Program grants to agencies	101,265	1,395,344
Total distributions	$ 8,465,852	$ 9,141,503

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 most of the building to the not-for-profit community on a long-term rental basis.

Rental income under long-term lease agreements approximated $478,000 and $528,000 for the fiscal years ended June 30, 2012 and 2011, respectively. Long-term rental income commitments which extend into 2017 are as follows:

For the years ending June 30,		
2013	$	412,291
2014		114,035
2015		33,738
2016		31,896
2017		15,277
Totals	$	607,237

Subsequent to fiscal year end, United Way accepted a letter-of-intent to sell the building held-for-rent which is further discussed in Note 16. If the building is sold, the long-term rental income commitments would not be collected as aforementioned above.

Note 8 - Capital lease obligations:

United Way has entered into a capital lease agreement for equipment with a cost of approximately $49,200 and related accumulated amortization of approximately $9,800. The lease expires in 2016, requires aggregate monthly payments of approximately $900 and bears interest of 3.29% per annum. At June 30, 2012, the present value of future minimum annual obligations under the agreements was as follows:

For the years ending June 30,		
2013		10,677
2014		10,677
2015		10,677
2016		9,794
Total payments		41,825
Less amounts representing interest		(2,632)
Present value of minimum lease payments		39,193
Less portion due within one year		(9,531)
Portion due after one year	$	29,662

Note 9 - Loan payable:

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 provided for a maximum of $2,600,000 commitment over 5 years and is fully collateralized by the building and improvements held-for-sale. 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 accrued interest only during the initial two-year draw period at the LIBOR rate plus 3.50% or prime rate plus 1.50%. On October 20, 2011, the total amount of 1,446,090 which had been advanced under the commitment was converted to a term loan to be amortized based on a 20-year amortization schedule, with principal due on a monthly basis and final payment due October 20, 2014. The interest rate on the term loan also accrues at the LIBOR rate plus 3.50% or prime rate plus 1.50%. The term facility is secured by the first deed of trust on the owned premises. The agreement requires that United Way comply with certain covenants as defined. United Way was in compliance with the covenants at June 30, 2012. 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, 2012 there was an outstanding balance of $1,403,736 of which $72,607 has been classified as current based upon the existing terms.

Future principal payments on the credit facility are due as follows:

For the years ending June 30,	
2013	72,607
2014	72,607
July through September 2014	24,202
Balance due on October 20, 2014	1,234,320
Total payments	1,403,736

Note 10 - Temporarily restricted net assets:

Temporarily restricted net assets were restricted for the following purposes as of June 30:

		2012		2011
Future year donor pledges	$	2,547,701	$	2,349,926
Financial Stability Partnership		202,561		93,776
Covering California's Children		106,233		71,768
Emergency Assistant Network		104,211		41,606
Emergency loan fund		92,293		107,237
CADRE		63,832		103,426
Earn it Keep it Save it		41,976		45,323
Nonprofit Effectiveness-Packard Fund		3,581		3,581
Education / AEC		-		36,579
Volunteer Assessment		-		953
Grand total	$	3,162,388	$	2,854,175

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, as follows:

		2012		2011
Future year donor pledge	$	385,621	$	385,620
CADRE		103,426		-
Financial Stability Partnership		78,726		53,215
Earn it Keep it Save it		45,323		14,441
Covering California's Children		44,347		49,678
Education / AEC		36,579		30,868
Volunteer Assessment		29,882		20,428
Emergency Assistant Network		12,087		27,542
Destination: Home		-		617,080
Nonprofit Effectiveness-Packard Fund		-		449,125
Koret Foundation		-		100,000
San Benito County		-		24,142
United Way of California		-		2,127
Homeless Connect		-		1,702
Emergency Loan		-		32
Grand total	$	735,991	$	1,776,000

Note 11 - 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 are not required to contribute to this plan. Participants' benefits vest ratably over five years. Contributions made under this plan totaled approximately $126,000 and $115,000 for the years ended June 30, 2012 and 2011, respectively.

Note 12 - 403(b) Tax deferred annuity for employees of United Way Silicon Valley:

United Way offered a 403(b) tax deferred annuity plan ("403(b) Plan") for all full-time eligible employees. In 2005 the 403(b) Plan was frozen and since then there have been no contributions.

Note 13 - Gifts in-kind:

During the year ended June 30, 2012, United Way received in-kind donations of children's toys, computer equipment, books and sports equipment. The estimated fair value of these donations totaled approximately $34,000, $16,000, $9,000 and $1,500, respectively, which is reflected in other support in the accompanying statement of activities and changes in net assets. The toys, books and sports equipment were distributed to the community through nonprofit organizations at the discretion of the United Way. United Way capitalized the entire value of the computer equipment.

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.

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, 2012 and 2011, respectively.

Note 13 - Gifts in-kind (continued):

Present value of future rent receivable is as follows:

For the years ending June 30,		
2013	$	385,623
2014		369,017
2015		353,127
2016		337,920
2017		323,369
Thereafter		283,656
Present value of future rent receivable		2,052,712
Less portion collectible within one year		(385,611)
Portion collectible after one year	$	1,667,101

The current portion of the in-kind receivable is included in grants and other receivables at June 30, 2012 and 2011.

Note 14 - 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 $1,121,000 and $630,000 for the years ended June 30, 2012 and 2011, respectively.

Note 15 - Contingency:

Due to the nature of the United Way's operations, claims and litigation may periodically arise. As of June 30, 2012, 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.

Note 16 - Subsequent event:

Subsequent to fiscal year end, United Way has accepted a letter-of-intent to sell the building and respective improvements classified as held-for-sale. The Board or Directors of has authorized management to proceed with negotiations.