

FOOTHILLS UNITED WAY, INC.
Lafayette, Colorado

FINANCIAL STATEMENTS
June 30, 2012 and 2011

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CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditors' Report

Board of Directors
Foothills United Way, Inc.
Lafayette, Colorado

We have audited the accompanying statements of financial position of Foothills United Way, Inc. (a Colorado non-profit organization) as of June 30, 2012 and 2011 and the related statements of activities, changes in net assets, functional expenses and cash flows for the years 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.

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

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

CliftonLarsonAllen LLP

Denver, Colorado
October 16, 2012

FOOTHILLS UNITED WAY, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

ASSETS

	2012	2011
ASSETS		
Cash and cash equivalents	\$ 36,380	\$ 380,509
Cash and cash equivalents, restricted	345,702	489,149
Temporary investments	85,887	84,766
Contributions receivable, net	807,821	784,465
Accrued interest receivable	4,590	4,987
Short-term investments	999,679	882,834
Long-term investments	462,530	563,130
Other assets	29,664	14,558
Land, building and equipment, net	1,145,002	1,173,526
TOTAL ASSETS	\$ 3,917,255	\$ 4,377,924

LIABILITIES AND NET ASSETS

LIABILITIES		
Accounts payable	\$ 12,050	\$ 7,099
Accrued expenses	89,874	97,302
Donor designated payable	319,864	394,045
Agency allocations payable	813,000	913,176
Tenant deposits	1,000	-
Total liabilities	1,235,788	1,411,622
NET ASSETS		
Unrestricted		
Designated by Board for Foundation	1,490,366	1,454,078
Undesignated	845,399	1,023,075
Temporarily restricted	345,702	489,149
Total net assets	2,681,467	2,966,302
TOTAL LIABILITIES AND NET ASSETS	\$ 3,917,255	\$ 4,377,924

The accompanying notes are an integral part of the financial statements.

FOOTHILLS UNITED WAY, INC.
STATEMENTS OF ACTIVITIES
Years Ended June 30, 2012 and 2011

	2012	2011
UNRESTRICTED NET ASSETS		
Revenue		
Gross campaign results	\$ 2,251,704	\$ 2,321,689
Less amounts designated by donors	(626,641)	(652,879)
Less provision for uncollectibles	(103,316)	(79,166)
Net campaign revenue	1,521,747	1,589,644
Administrative fee revenue	91,831	89,969
Investment income	50,491	342,187
Gifts-in-kind	62,449	47,428
Other revenue	15,077	29,062
Contribution received in acquisition	8,400	-
Total unrestricted support	1,749,995	2,098,290
Net assets released from restrictions	416,652	268,263
Total unrestricted support	2,166,647	2,366,553
 Expenses		
Program services:		
Community Building	1,097,461	1,162,840
Emergency Food and Shelter Program	1,036	1,112
Foundation	12,280	10,197
Fourmile Fire Recovery	131,732	106,720
Imagination Library	40,836	36,449
Nonprofit Cultivation Center	141,075	79,470
Personal Investment Enterprise	209,476	125,221
Volunteer Connection	66,038	-
Supporting services:		
Management and general	280,374	311,378
Fundraising	327,727	325,349
Total expenses	2,308,035	2,158,736
Increase (decrease) in unrestricted net assets	(141,388)	207,817
 TEMPORARILY RESTRICTED NET ASSETS		
Contributions	228,068	422,751
Contribution received in acquisition	45,137	-
Net assets released from restrictions	(416,652)	(268,263)
Increase (decrease) in temporarily restricted net assets	(143,447)	154,488
INCREASE (DECREASE) IN NET ASSETS	\$ (284,835)	\$ 362,305

The accompanying notes are an integral part of the financial statements.

FOOTHILLS UNITED WAY, INC.
STATEMENTS OF CHANGES IN NET ASSETS
Years Ended June 30, 2012 and 2011

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total Net Assets</u>
BALANCE AT JUNE 30, 2010	\$ 2,269,336	\$ 334,661	\$ 2,603,997
Increase in net assets	<u>207,817</u>	<u>154,488</u>	<u>362,305</u>
BALANCE AT JUNE 30, 2011	2,477,153	489,149	2,966,302
Decrease in net assets	<u>(141,388)</u>	<u>(143,447)</u>	<u>(284,835)</u>
BALANCE AT JUNE 30, 2012	<u>\$ 2,335,765</u>	<u>\$ 345,702</u>	<u>\$ 2,681,467</u>

The accompanying notes are an integral part of the financial statements.

FOOTHILLS UNITED WAY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	Program Services								Supporting Services				
	Emergency										Total		
	Community Building	Food and Shelter Program	Foothills United Way Foundation	Fourmile Fire Recovery	Imagination Library	Nonprofit Cultivation Center	Personal Investment Enterprise	Volunteer Connection	Total Program Services	Management and General	Fund Raising	Total Supporting Services	Total
Salaries	\$ 144,369	\$ 625	\$ 7,404	\$ 38,790	\$ 2,988	\$ 60,397	\$ 42,109	\$ 37,152	\$ 333,834	\$ 169,040	\$ 193,608	\$ 362,648	\$ 696,482
Employee health and retirement benefits	23,591	102	1,210	270	488	8,746	9,611	3,556	47,574	27,622	31,637	59,259	106,833
Payroll taxes	11,172	48	572	2,968	231	4,503	3,458	2,130	25,082	13,081	14,982	28,063	53,145
Contract labor	-	-	-	-	-	-	-	3,755	3,755	-	6,606	6,606	10,361
Total salaries and related expenses	179,132	775	9,186	42,028	3,707	73,646	55,178	46,593	410,245	209,743	246,833	456,576	866,821
Agency allocations	777,095	-	-	-	-	-	-	-	777,095	-	-	-	777,095
Professional fees	4,874	21	248	901	100	3,041	1,890	1,249	12,324	5,669	6,493	12,162	24,486
Supplies	1,904	8	97	352	39	1,188	738	488	4,814	2,214	2,536	4,750	9,564
Telephone	1,535	7	78	284	32	957	595	393	3,881	1,785	2,044	3,829	7,710
Postage	884	4	45	163	18	551	343	226	2,234	1,028	1,177	2,205	4,439
Occupancy	5,614	24	286	1,038	115	3,503	2,177	1,438	14,195	6,530	7,479	14,009	28,204
Printing and publication	6,861	29	350	1,268	141	4,282	2,660	1,758	17,349	7,981	9,140	17,121	34,470
Local transportation/meetings	1,402	6	72	259	29	875	544	359	3,546	1,631	1,868	3,499	7,045
Organizational dues	1,546	7	79	286	32	964	599	396	3,909	1,798	2,059	3,857	7,766
United Way of America dues	4,897	21	249	905	101	3,055	1,898	1,255	12,381	5,696	6,523	12,219	24,600
Equipment rental and maintenance	3,086	13	157	570	63	1,926	1,197	791	7,803	3,590	4,111	7,701	15,504
Staff development	714	3	36	132	15	445	277	183	1,805	830	951	1,781	3,586
Miscellaneous	324	1	17	60	7	202	126	83	820	377	433	810	1,630
Computer maintenance	2,785	12	142	515	57	1,738	1,079	713	7,041	3,239	3,710	6,949	13,990
Bank charges	1,695	7	86	313	35	1,058	657	434	4,285	1,972	2,258	4,230	8,515
Stock transaction fees	2,551	11	130	471	52	1,592	989	653	6,449	2,967	3,398	6,365	12,814
Special events	8,741	38	445	1,616	180	5,455	3,388	2,239	22,102	10,167	11,645	21,812	43,914
Volunteer recognition	588	2	30	109	12	367	228	151	1,487	684	783	1,467	2,954
Insurance	2,056	9	105	380	42	1,283	797	527	5,199	2,391	2,738	5,129	10,328
Taxes and licenses	373	2	19	69	8	233	144	96	944	434	497	931	1,875
Personal Investment Enterprise	-	-	-	-	-	-	130,756	-	130,756	-	-	-	130,756
Imagination Library Program	-	-	-	-	35,880	-	-	-	35,880	-	-	-	35,880
CCCTC	51,211	-	-	-	-	-	-	-	51,211	-	-	-	51,211
Nonprofit Cultivation Center	-	-	-	-	-	29,538	-	-	29,538	-	-	-	29,538
211 Program	7,637	-	-	-	-	-	-	-	7,637	-	-	-	7,637
Fourmile Fire Relief Fund	-	-	-	78,480	-	-	-	-	78,480	-	-	-	78,480
Boulder Country Supplement Nutrition Program	21,660	-	-	-	-	-	-	-	21,660	-	-	-	21,660
Volunteer Connection	-	-	-	-	-	-	-	3,888	3,888	-	-	-	3,888
Total before depreciation	1,089,165	1,000	11,857	130,199	40,665	135,899	206,260	63,913	1,678,958	270,726	316,676	587,402	2,266,360
Depreciation of buildings and equipment	8,296	36	423	1,533	171	5,176	3,216	2,125	20,976	9,648	11,051	20,699	41,675
TOTAL EXPENSES	\$ 1,097,461	\$ 1,036	\$ 12,280	\$ 131,732	\$ 40,836	\$ 141,075	\$ 209,476	\$ 66,038	\$1,699,934	\$ 280,374	\$ 327,727	\$ 608,101	\$ 2,308,035

The accompanying notes are an integral of the financial statements.

FOOTHILLS UNITED WAY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2011

	Program Services							Supporting Services				Total
	Community Building	Emergency Food and Shelter Program	Foothills United Way Foundation	Fourmile Fire Recovery	Imagination Library	Nonprofit Cultivation Center	Personal Investment Enterprise	Total Program Services	Management and General	Fund Raising	Total Supporting Services	
Salaries	\$ 122,312	\$ 650	\$ 5,959	\$ 9,445	\$ 3,652	\$ 31,125	\$ 27,614	\$ 200,757	\$ 181,951	\$ 182,122	\$ 364,073	\$ 564,830
Employee health and retirement benefits	19,586	104	954	258	585	2,303	6,499	30,289	29,136	29,163	58,299	88,588
Payroll taxes	9,061	48	441	620	271	2,257	2,095	14,793	13,479	13,492	26,971	41,764
Contract labor	-	-	-	-	-	-	-	-	-	13,680	13,680	13,680
Total salaries and related expenses	150,959	802	7,354	10,323	4,508	35,685	36,208	245,839	224,566	238,457	463,023	708,862
Agency allocations	886,258	-	-	-	-	-	-	886,258	-	-	-	886,258
Professional fees	4,929	25	231	311	142	1,896	1,645	9,179	7,061	7,068	14,129	23,308
Supplies	1,552	8	73	98	45	597	518	2,891	2,224	2,227	4,451	7,342
Telephone	1,444	7	68	91	42	555	482	2,689	2,069	2,070	4,139	6,828
Postage	1,083	7	51	68	31	416	361	2,017	1,551	1,553	3,104	5,121
Occupancy	4,870	25	229	307	140	1,874	1,625	9,070	6,977	6,984	13,961	23,031
Printing and publication	7,414	38	348	468	213	2,852	2,473	13,806	10,621	10,630	21,251	35,057
Local transportation/meetings	1,065	5	50	67	31	410	356	1,984	1,526	1,527	3,053	5,037
Organizational dues	1,430	7	67	91	41	550	477	2,663	2,049	2,051	4,100	6,763
United Way of America dues	5,182	27	243	327	149	1,993	1,729	9,650	7,424	7,430	14,854	24,504
Equipment rental and maintenance	3,456	18	162	218	99	1,330	1,153	6,436	4,952	4,956	9,908	16,344
Miscellaneous	551	3	26	34	16	212	184	1,026	790	790	1,580	2,606
Computer maintenance	1,973	10	92	126	57	759	658	3,675	2,827	2,830	5,657	9,332
Bank Charges	1,700	8	80	107	49	654	567	3,165	2,435	2,437	4,872	8,037
Stock transaction fees	2,520	13	118	160	72	969	841	4,693	3,610	3,614	7,224	11,917
Special events	9,569	49	449	604	275	3,681	3,193	17,820	13,708	13,721	27,429	45,249
Volunteer recognition	525	3	24	33	15	202	175	977	752	753	1,505	2,482
Insurance	2,004	10	94	126	58	772	668	3,732	2,871	2,873	5,744	9,476
Taxes & Licenses	825	4	39	52	24	317	275	1,536	1,181	1,183	2,364	3,900
Personal Investment Enterprise	-	-	-	-	-	-	68,795	68,795	-	-	-	68,795
Imagination Library Program	-	-	-	-	30,198	-	-	30,198	-	-	-	30,198
CCCTC	32,500	-	-	-	-	-	-	32,500	-	-	-	32,500
Nonprofit Cultivation Center	-	-	-	-	-	20,474	-	20,474	-	-	-	20,474
211 Program	8,803	-	-	-	-	-	-	8,803	-	-	-	8,803
Fourmile Fire Relief Fund	-	-	-	92,572	-	-	-	92,572	-	-	-	92,572
Boulder Country Supplement Nutrition Program	23,723	-	-	-	-	-	-	23,723	-	-	-	23,723
Total before depreciation	1,154,335	1,069	9,798	106,183	36,205	76,198	122,383	1,506,171	299,194	313,154	612,348	2,118,519
Depreciation of buildings and equipment	8,505	43	399	537	244	3,272	2,838	15,838	12,184	12,195	24,379	40,217
TOTAL EXPENSES	\$ 1,162,840	\$ 1,112	\$ 10,197	\$ 106,720	\$ 36,449	\$ 79,470	\$ 125,221	\$1,522,009	\$ 311,378	\$ 325,349	\$ 636,727	\$2,158,736

The accompanying notes are an integral part of the financial statements.

FOOTHILLS UNITED WAY, INC.
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (284,835)	\$ 362,305
Adjustments to reconcile changes in net assets to cash provided (used) by operating activities:		
Depreciation	41,675	40,217
Loss on disposal of assets	-	2,153
Contributed computer equipment capitalized	(5,900)	(1,000)
Net unrealized and realized gain on investments	(11,134)	(307,714)
Changes in working capital items:		
Contributions receivable	(23,356)	119,543
Accrued interest receivable	397	(796)
Other assets	(15,106)	1,434
Accounts payable	4,951	(4,937)
Accrued expense	(7,428)	8,821
Donor designated payable	(74,181)	6,060
Agency allocations payable	(100,176)	10,676
Tenant deposits	1,000	(2,216)
Net cash provided (used) by operating activities	(474,093)	234,546
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	537,786	620,721
Purchase of investments	(542,897)	(642,199)
Purchase of property and equipment	(7,251)	(13,411)
Change in temporary investments	(1,121)	(714)
Net cash used by investing activities	(13,483)	(35,603)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(487,576)	198,943
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	869,658	670,715
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 382,082	\$ 869,658
NONCASH INVESTING AND FINANCING TRANSACTIONS		
Contribution of computer equipment	\$ -	\$ 1,000
Unrealized gain (loss) on investment	\$ (54,311)	\$ 215,564
Contribution received in acquisition	\$ 8,400	\$ -

The accompanying notes are an integral part of the financial statements.

FOOTHILLS UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose

The mission of Foothills United Way, Inc. (the “Organization”) is to mobilize people and resources to address vital issues and build a stronger, thriving community. Substantially all of the contributions received by the Organization are from individuals or businesses in Boulder and Broomfield Counties.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Temporary Investments

An investment is classified as a temporary investment if it does not meet the definition of a cash equivalent due to withdrawal restrictions, penalties or original term to maturity of over three months. The Organization’s temporary investments consist of certificates of deposits with maturities greater than three months to two years.

Restricted Cash

Restricted cash includes cash received for programs that are held in separate interest bearing accounts. The funds are recognized as temporarily restricted and are to be used only for restricted programs.

Investments

Investments are carried at fair value and realized and unrealized gains and losses are reflected in the statement of activities. Fair value is determined based on quoted market prices.

Land, Building and Equipment

Land, building and equipment are recorded at cost if purchased, or estimated fair value at date of gift from donors. Expenditures for renewals and betterments that extend the estimated economic life of the assets or convert the asset to a new use are capitalized. Expenditures for maintenance, repairs and other renewals of items are charged to expense. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts and any gain or loss is included in the results of operations.

FOOTHILLS UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision for depreciation is made using straight-line methods over the estimated lives of the assets. Estimated economic lives of assets range as follows:

Building and building improvements	10 to 40 years
Furniture and equipment	3 to 7 years

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell. At June 30, 2012 and 2011, there were no such impairments.

Restricted and Unrestricted Revenue and Support

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

When a restriction expires in a time period other than the period of contribution (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Promises to Give

Contributions are recorded when the donor makes a promise to give to the Organization that is, in substance, unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The Organization expects the majority of promises to give to be collected within one year and, therefore, no discount rate has been applied. Conditional promises to give are not included as support until the conditions are substantially met. No interest is charged on past due pledges.

The Organization uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and current economic conditions. The Organization writes off uncollectible accounts against the allowance on an annual basis.

Amounts received that are designated for a certain agency are recorded as a receivable from the donor and as a liability to the designated agency. Designations are shown in the statement of activities as a subtraction from gross campaign results.

FOOTHILLS UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Donor and Agency Payables

Donor and agency payables are made from available resources in accordance with donor and the Board of Directors recommendations. Liabilities for agency allocations made are recognized when approved by the Board of Directors and payment is generally made within one year.

Donated Assets

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Donated marketable securities and other non-cash donations, including inventory and equipment, are recorded as contributions at their estimated fair values at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. Donated assets that are earmarked for specific organizations are not recorded by the Organization. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

Under the provisions of the Internal Revenue Code Section 501(c)(3), the Organization is exempt from Federal income tax on earnings from operations or activities related to its status as a non-profit organization. The Organization is exempt from federal income taxes under Sections 501(c) (3) of the internal Revenue Code. The Organization is also exempt from state sales, personal, and real estate property taxes. As of June 30, 2012, the IRS has not proposed any adjustments that would result in a material change to the Organization's financial position. The Organization is no longer subject to examination by federal and Colorado taxing authorities for years before 2008 and 2007, respectively.

Subsequent Events

Management evaluated subsequent events through October 16, 2012, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2012, but prior to October 16, 2012, that provided additional evidence about conditions that existed at June 30, 2012 have been recognized in the financial statements for the year ended June 30, 2012. Events or transactions that provided evidence about conditions that did not exist at June 30, 2012, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2012.

FOOTHILLS UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 2 – ACQUISITION

Effective August 1, 2011, the Organization acquired certain assets of Volunteer Connection of Boulder County, Inc. (VC), a Colorado nonprofit corporation, for one dollar. The Organization agreed to continue operating VC as a program of the Organization, and to serve Boulder and Broomfield Counties by providing volunteer matching services, supporting volunteer managers in local nonprofit agencies, and advocating for volunteerism.

The Organization recorded the following estimated fair values of assets as of August 1, 2011:

Cash	\$	45,137
Furniture, fixtures and equipment		5,900
Gifts in kind inventory		<u>2,500</u>
Total	\$	<u>53,537</u>

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2012 and 2011 consist of 2012 and 2011 campaigns. A breakdown of the contributions receivable and the allowance for uncollectible accounts is as follows:

	<u>Unrestricted</u>	<u>Donor Designations</u>	<u>Total 2012</u>	<u>Total 2011</u>
Contribution receivable expected to be collected in:				
Less than one year	\$ 570,239	\$ 332,779	\$ 903,018	\$ 942,375
Allowance for uncollectible accounts	<u>(95,197)</u>	<u>-</u>	<u>(95,197)</u>	<u>(157,910)</u>
Total	<u>\$ 475,042</u>	<u>\$ 332,779</u>	<u>\$ 807,821</u>	<u>\$ 784,465</u>

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS

In determining fair value, the Organization uses various valuation approaches within the fair value measurement framework. Fair value measurements are determined based on the assumptions that market participants would use in pricing an asset or liability.

The fair value measurement framework 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 the most observable inputs be used when available. The three levels of fair value hierarchy based on the reliability of inputs are described as follows:

- Level 1—Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;

FOOTHILLS UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

- Level 2—Valuations based on quoted prices for similar assets or liabilities or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models and similar techniques not based on market, exchange, dealer or broker-traded transactions.

As of June 30, 2012 and 2011, the only assets or liabilities that are measured at fair value on a recurring basis in periods subsequent to initial recognition are investment securities classified as short-term and long-term investments. Securities listed on a national market or exchange are valued at the last sales price, or if there is no sale and the market is still considered active, at the last transaction price before year-end. Such securities are classified within Level 1 of the valuation hierarchy and are reported as assets in the accompanying statements of financial position.

The following is a summary of investments:

	June 30, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities				
Common stock	\$ 770,563	\$ 214,714	\$ (29,236)	\$ 956,041
Foreign equities	24,981	18,657	-	43,638
Bonds				
U.S Government securities	60,060	12,286	-	72,346
Municipals	301,712	41,745	-	343,457
Corporate bonds	44,883	1,844	-	46,727
Total	<u>\$ 1,202,199</u>	<u>\$ 289,246</u>	<u>\$ (29,236)</u>	<u>\$ 1,462,209</u>

	June 30, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Equity securities				
Common stock	\$ 571,705	\$ 270,767	\$ (3,362)	\$ 839,110
Preferred stock	18,770	24,954	-	43,724
Bonds				
U.S Government securities	112,127	5,391	-	117,518
Municipals	404,040	16,640	(1,996)	418,684
Corporate bonds	25,000	1,928	-	26,928
Total	<u>\$ 1,131,642</u>	<u>\$ 319,680</u>	<u>\$ (5,358)</u>	<u>\$ 1,445,964</u>

FOOTHILLS UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 4 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Investment income from these investments for the years ended June 30, 2012 and 2011 is summarized as follows:

	<u>2012</u>	<u>2011</u>
Net realized gain on sale of investments	\$ 65,445	\$ 92,150
Net unrealized gain (loss) on investments	(54,311)	215,564
Other investment income	<u>39,357</u>	<u>34,473</u>
Total	<u>\$ 50,491</u>	<u>\$ 342,187</u>

NOTE 5 – BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization entered into a designated agency agreement with The Community Foundation. The Community Foundation shall hold, manage, invest, and reinvest the assets of the Fund. Distribution from the Fund shall be made exclusively for charitable purposes as defined in The Community Foundation's Articles of Incorporation and Bylaws and Section 501(c) of the Internal Revenue Code. The Organization may request distributions of investment income from the Fund. The aggregate fair market value of the Foothills United Way Fund as of June 30, 2012 and 2011 was \$13,220 and \$14,160, respectively. The Fund is not recorded as an asset for the Organization for June 30, 2012 or 2011. The Organization is only entitled to contributions from their Organization and earnings on the amount invested.

NOTE 6 – LAND, BUILDING AND EQUIPMENT

The following is a summary of land, building, and equipment recorded at cost, less accumulated depreciation as of:

	<u>2012</u>	<u>2011</u>
Land	\$ 100,000	\$ 100,000
Building and improvements	1,185,895	1,185,895
Furniture and equipment	<u>122,346</u>	<u>109,096</u>
	1,408,241	1,394,991
Less accumulated depreciation	<u>(263,239)</u>	<u>(221,465)</u>
Total	<u>\$ 1,145,002</u>	<u>\$ 1,173,526</u>

Depreciation expense incurred for the years ended June 30, 2012 and 2011 was \$41,675 and \$40,217, respectively.

FOOTHILLS UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of:

	<u>2012</u>	<u>2011</u>
Personal Investment Enterprise	\$ 173,375	\$ 275,295
Imagination Library Program	-	1,248
CCCTC Program	5,527	37,558
Nonprofit Cultivation Center	60,152	32,241
Boulder County Supplemental Nutrition Assistance Program	11,567	33,227
Fourmile Fire Relief	16,991	109,580
Volunteer Connection	<u>78,090</u>	<u>-</u>
Total	<u>\$ 345,702</u>	<u>\$ 489,149</u>

NOTE 8 – BOARD DESIGNATED ENDOWMENT

As of June 30, 2012 and 2011, the Board of Directors had originally designated \$1,227,163 of unrestricted net assets as a general endowment to support the mission of the Organization. Since that amount resulted from an internal designation and is not donor-restricted, it is classified and reported as unrestricted net assets.

The Organization has a policy of appropriating annually up to 3% of the endowment fund's fair value to maintain the purchasing power of the endowment assets. Distributions to the community in the form of grants are determined annually, after considering the endowment fund's reserve requirements as well as investment return and endowment fund operating expenses for the previous 12 months. Historically, distributions to the community have been between 5% and 7% of the fund's fair value in years that the fund experienced sufficient growth.

To achieve the objective, the Organization has adopted investment and spending policies for endowment assets that attempt to provide a minimum real rate return of 2% while also growing the endowment over time, apart from additional contributions. Under these policies, as approved by the Board of Directors, endowment assets are expected to generate an appropriate level of income to meet the approved spending requirements of the fund while maintaining a moderate level of risk and specific diversification guidelines.

To satisfy its minimum real rate-of-return objective, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization utilizes a paid professional investment manager to implement the investment policy. A separate investment committee oversees the work of the investment manager.

From time to time, the fair market value of assets associated with Board-designated funds may fall below the level the Board has determined the Organization should retain as an endowment of perpetual duration. There was no such deficiency as of June 30, 2012 or June 30, 2011.

FOOTHILLS UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 8 – BOARD DESIGNATED ENDOWMENT (CONTINUED)

Composition of and changes in endowment net assets for the years ended June 30, 2012 and 2011 are as follows:

Board designated endowment net assets, beginning of year	<u>\$ 1,454,078</u>	<u>\$ 1,122,755</u>
Investment return		
Investment income	37,970	33,734
Net appreciation realized and unrealized	11,133	309,505
Investment fees	<u>(12,815)</u>	<u>(11,916)</u>
Total investment return	36,288	331,323
Contributions	<u>-</u>	<u>-</u>
Board designated endowment net assets, end of year	<u>\$ 1,490,366</u>	<u>\$ 1,454,078</u>

NOTE 9 – RETIREMENT PLAN

The Organization provides a 403(b) benefit plan for substantially all employees. Participants become eligible to receive employer contributions after attaining age twenty-one. The Organization is required to contribute 100% of the first 3% of a participant's salary reduction contribution, and 50% of the next 2% of a participant's salary reduction contribution received in that plan year. For the years ended June 30, 2012 and 2011, retirement expense totaled \$16,254 and \$19,903, respectively.

NOTE 10 – DONATED SERVICES

The Organization receives a significant amount of donated services from unpaid volunteers who assist with specific assistance programs, campaign solicitations, and various committee assignments. Except for the portion of advertising expense (see Note 13) no amounts have been recognized in the statement of activities because the criteria for recognition under FASB ASC 958 have not been satisfied.

NOTE 11 – IN-KIND GIFTS

For the year ended June 30, 2012, the Organization received gifts in-kind of \$62,449 of which \$15,461 was allocated to various agencies. For the year ended June 30, 2012, the Organization capitalized \$5,900, in contributed computer equipment, furniture, office equipment and supplies. For the year ended June 30, 2011, the Organization received gifts in-kind of \$47,428 of which \$16,262 was allocated to various agencies. For the year ended June 30, 2011, the Organization capitalized \$1,000, in contributed computer equipment, furniture, office equipment and supplies.

FOOTHILLS UNITED WAY, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2012 and 2011

NOTE 12 – CONCENTRATION OF CREDIT RISK

The Organization maintains its cash and cash equivalent balances at three financial institutions. As of June 30, 2012 and 2011, balances in the Organization's non-interest-bearing transaction deposit accounts are fully insured by the FDIC and balances in other deposit accounts are insured by the FDIC up to \$250,000 per depositor per bank. Total cash and cash equivalents held by banks with balances in excess of FDIC limits was \$167,302 and \$646,607 at June 30, 2012 and 2011, respectively. The Organization has not experienced any losses as a result of these concentrations.

NOTE 13 – ADVERTISING

Costs associated with advertising are expensed in the year incurred. Advertising expense is comprised primarily of print media. For the years ended June 30, 2012 and 2011 advertising costs were \$24,007 and \$28,662, respectively. For years ended June 30, 2012 and 2011, \$12,695 and \$15,645 was received as an in-kind gift from local media.

NOTE 14 – RENTALS UNDER OPERATING LEASE

During the year ended June 30, 2012, the Organization leased out a portion of its building. The lease commenced on August 1, 2011 and has an initial term date of August 1, 2012. The lease provides for two renewal terms of one year each. The monthly payment for rent and common area charges are \$1,000. Rental income received during the year ended June 30, 2012 was \$11,000.

During the year ended June 30, 2011, the Organization leased out a portion of its building. The lease was assigned on the date of purchased of the building September 28, 2006. The lease term ended on May 31, 2010 and continued on a month-to-month basis until June 1, 2011 when the tenants vacated the premises. The monthly payment for rent was \$2,216. Rental income received during the year ended June 30, 2011 was \$24,372.

NOTE 15 – SIGNIFICANT CONCENTRATIONS

Generally accepted accounting principles require disclosure of information about current vulnerabilities due to certain concentrations. These matters include the following:

Revenues from Major Sources

For the year ended June 30, 2012, approximately 29% of the Organization's revenues were from one donor company. For the year ended June 30, 2011, approximately 27% of the Organization's revenues were from one donor company.

NOTE 16 – SUBSEQUENT EVENTS

The Organization established a revolving line of credit for \$50,000 with a financial institution at an interest rate of Prime plus 6.75% on September 20, 2012.

This information is an integral part of the accompanying financial statements.