

**UNITED WAY OF MUSKINGUM, PERRY
AND MORGAN COUNTIES, INC.**

ANNUAL REPORT

FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way Of Muskingum, Perry
and Morgan Counties, Inc.

We have audited the accompanying statements of financial position of the United Way of Muskingum, Perry and Morgan Counties, Inc. (the Agency), as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audits 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 the United Way of Muskingum, Perry and Morgan Counties, Inc., as of June 30, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with generally accepted accounting principles.

Zanesville, Ohio
August 22, 2011

UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2011 AND 2010

	2011	2010
ASSETS		
Cash and cash equivalents	\$ 456,262	\$ 501,755
Trust endowment	83,454	73,046
Pledges receivable	368,888	374,102
Less allowance for uncollectible pledges	(45,555)	(53,280)
	323,333	320,822
Prepaid expenses	10,907	10,898
Furniture and equipment	67,036	67,036
Accumulated Depreciation - Furniture and Equipment	(42,398)	(34,373)
	24,638	32,663
Beneficial interest in Perpetual Trusts	1,975,963	1,726,675
TOTAL ASSETS	\$ 2,874,557	\$ 2,665,859

	<u>2011</u>	<u>2010</u>
LIABILITIES AND NET ASSETS		
Agency allocations payable	\$ 400,000	\$ 468,449
Community Impact payable	2,365	2,866
Specific designations payable	103,022	115,488
Accounts payable and accrued liabilities	28,917	17,730
TOTAL LIABILITIES	<u>534,304</u>	<u>604,533</u>
NET ASSETS		
Unrestricted		
Board Discretion	261,312	251,014
Unappropriated	96,845	83,538
Temporarily restricted	6,133	99
Permanently restricted	1,975,963	1,726,675
TOTAL NET ASSETS	<u>2,340,253</u>	<u>2,061,326</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 2,874,557</u></u>	<u><u>\$ 2,665,859</u></u>

See notes to financial statements.

UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanent Restricted</u>	<u>Totals</u>	<u>2010</u>
PUBLIC SUPPORT AND REVENUE					
Gross Campaign Results	\$ 845,512	\$ -	\$ -	\$ 845,512	\$ 892,620
Less: Provision of uncollectible pledges	(45,295)	-	-	(45,295)	(46,119)
Less: Specific designations by donors	(142,729)	-	-	(142,729)	(171,268)
Recovery of prior year uncollectible pledges	20,595	-	-	20,595	29,924
NET CAMPAIGN REVENUE	<u>678,083</u>	<u>-</u>	<u>-</u>	<u>678,083</u>	<u>705,157</u>
Administrative fees	3,048	-	-	3,048	3,715
In-Kind Revenue	2,446	-	-	2,446	3,794
Contributions	-	6,133	-	6,133	10,719
Grant Revenue	21,758	-	-	21,758	34,304
FSP Revenue	24,474	-	-	24,474	25,460
211 Revenue	7,578	-	-	7,578	21,454
Sponsorship Income	-	-	-	-	250
Bequests and Trusts	112,259	-	-	112,259	52,969
Miscellaneous Income	458	-	-	458	293
Unrealized Gains/(Losses)	-	-	249,288	249,288	109,098
Interest income	3,230	-	-	3,230	3,918
TOTAL REVENUE	<u>853,334</u>	<u>6,133</u>	<u>249,288</u>	<u>1,108,755</u>	<u>971,131</u>
EXPENSES					
Program Services					
Gross Funds Awarded/Distributed	496,963	-	-	496,963	530,311
Less: Donor Designations	(96,963)	-	-	(96,963)	(103,862)
Net Funds Awarded	<u>400,000</u>	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>426,449</u>
Program Services Allocated to Awards	255,590	-	-	255,590	277,416
Support Services	165,685	-	-	165,685	179,678
United Way of America Dues	8,553	-	-	8,553	8,709
Total supporting services	<u>174,238</u>	<u>-</u>	<u>-</u>	<u>174,238</u>	<u>188,387</u>
TOTAL EXPENSES	<u>829,828</u>	<u>-</u>	<u>-</u>	<u>829,828</u>	<u>892,252</u>
INCREASE IN UNRESTRICTED NET ASSETS	23,506	6,133	249,288	278,927	78,879
NET ASSETS AT BEGINNING OF YEAR	<u>334,552</u>	<u>99</u>	<u>1,726,675</u>	<u>2,061,326</u>	<u>1,982,447</u>
NET ASSETS RELEASED FROM RESTRICTIONS	99	(99)	-	-	-
NET ASSETS AT END OF YEAR	<u>\$ 358,157</u>	<u>\$ 6,133</u>	<u>\$ 1,975,963</u>	<u>\$ 2,340,253</u>	<u>\$ 2,061,326</u>

See notes to financial statements.

UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011 WITH COMPARATIVE TOTALS FOR 2010

	Program Services				Support Services				2011 Total	2010 Total	
	Allocation Services	Community Impact	Financial Stability	211 Service	Total	Organization Administrative	Fundraising	UWA Dues			Total
Allocations/Awards	\$ 496,963	\$ -	\$ -	\$ -	\$ 496,963	\$ -	\$ -	\$ -	\$ -	\$ 496,963	\$ 530,311
(Less Donor Designations)	(96,963)	-	-	-	(96,963)	-	-	-	-	(96,963)	(103,862)
	400,000	-	-	-	400,000	-	-	-	-	400,000	426,449
Salaries	42,542	-	28,914	74,472	145,928	15,968	63,058	-	79,026	224,954	231,608
Payroll Taxes	3,700	-	2,534	5,973	12,207	1,374	5,498	-	6,872	19,079	19,080
Employee Benefits	4,484	-	1,384	14,581	20,449	1,665	6,660	-	8,325	28,774	28,138
	50,726	-	32,832	95,026	178,584	19,007	75,216	-	94,223	272,807	278,826
Marketing and Events	2,771	-	20	-	2,791	1,029	4,367	-	5,396	8,187	8,340
Professional Fees	264	-	-	-	264	34,378	393	-	34,771	35,035	35,496
Trusts Distributions	7,608	-	-	-	7,608	-	-	-	-	7,608	4,947
Office Supplies	1,018	-	179	799	1,996	378	1,513	-	1,891	3,887	4,781
Telephone	1,177	-	-	3,134	4,311	437	1,749	-	2,186	6,497	6,791
Postage and Printing	1,173	-	170	199	1,542	436	1,774	-	2,210	3,752	5,840
Web Page	173	-	-	-	173	64	257	-	321	494	495
211 Overnight Services Contract	-	-	-	7,500	7,500	-	823	-	823	8,323	8,700
211 Database	-	-	-	358	358	-	-	-	-	358	1,024
211 License/Application	-	-	-	145	145	-	-	-	-	145	50
211 Equipment/Office/Technical	-	-	-	33	33	-	-	-	-	33	332
Grant Funding	5,000	-	-	-	5,000	-	-	-	-	5,000	-
Insurance	1,101	-	-	-	1,101	409	1,636	-	2,045	3,146	3,017
Utilities	1,314	-	-	-	1,314	488	1,952	-	2,440	3,754	3,881
Repairs-Building	781	-	-	-	781	290	1,161	-	1,451	2,232	2,469
Repairs-Equipment	323	-	-	-	323	120	480	-	600	923	214
Equipment Lease	459	-	-	-	459	170	682	-	852	1,311	-
Copier Lease	256	-	-	-	256	95	380	-	475	731	732
Depreciation	2,809	-	-	-	2,809	1,043	4,173	-	5,216	8,025	8,681
Community Impact Supplies	-	-	-	-	-	-	-	-	-	-	13,853
FSP Expenses	-	-	709	-	709	-	-	-	-	709	1,108
Campaign Supplies	-	-	-	-	-	-	5,540	-	5,540	5,540	9,101
Campaign Meals	-	-	-	-	-	-	-	-	-	-	104
Subscriptions	55	-	-	-	55	21	82	-	103	158	123
Staff Travel	510	-	438	910	1,858	189	758	-	947	2,805	2,313
Conference and Meetings	104	-	50	205	359	38	154	-	192	551	595
AEP Health and Housing/Grant	29,758	-	-	-	29,758	-	-	-	-	29,758	29,205
Miscellaneous	2,452	-	-	-	2,452	570	1,481	-	2,051	4,503	3,149
State and Local Dues	1,051	-	-	-	1,051	390	1,562	-	1,952	3,003	5,326
Muskingum/Morgan/Perry	2,000	-	-	-	2,000	-	-	-	-	2,000	17,601
	62,157	-	1,566	13,283	77,006	40,545	30,917	-	71,462	148,468	178,268
United Way of America Dues	-	-	-	-	-	-	-	8,553	8,553	8,553	8,709
Total Functional Expenses	\$ 512,883	\$ -	\$ 34,398	\$ 108,309	\$ 655,590	\$ 59,552	\$ 106,133	\$ 8,553	\$ 174,238	\$ 829,828	\$ 892,252

See notes to financial statements.

UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 278,927	\$ 78,879
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	8,025	8,681
Prior Period Adjustment	-	-
Unrealized (gain) loss on beneficial interests	(249,288)	(109,098)
(Increase) decrease in operating assets		
Pledges receivable	(2,511)	(17,481)
Grant Receivable	-	47,602
Prepaid expenses	(9)	(2,039)
Increase (decrease) in operating liabilities		
Agency allocations payable	(68,449)	(3,819)
Community Impact payable	(501)	(40,307)
Specific designations payable	(12,466)	11,626
Accounts payable and accrued liabilities	11,187	(10,106)
Deferred revenue	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(35,085)	(36,062)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	-
Trust endowment	(10,408)	(3,630)
NET CASH (USED) BY INVESTING ACTIVITIES	(10,408)	(3,630)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(45,493)	(39,692)
BEGINNING CASH AND CASH EQUIVALENTS	501,755	541,447
ENDING CASH AND CASH EQUIVALENTS	\$ 456,262	\$ 501,755

See notes to financial statements.

UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Agency

The United Way of Muskingum, Perry and Morgan Counties, Inc., is a tax-exempt Agency under section 501(c)(3) of the Internal Revenue Code. The mission of the Agency is to mobilize the caring power of communities to create lasting changes in conditions that improve lives. It accomplishes this through continual assessment of the need for service programs, development of financial resources, and investment of these resources in community programs.

The largest single source of funding for the Agency is the annual campaign that is conducted in the fall. Proceeds from this initiative are distributed to programs in the community through an application process in the subsequent year. Campaign contributions are recognized as revenue in the year the contributions are designated to be used by the donor. Allocations are made to agencies monthly based on the board approved allocations. Cash designations are paid out by February, and all other designated funds are distributed quarterly starting in April. All contributions are considered unrestricted unless specifically restricted by the donor.

The Agency also receives additional sources of revenue through beneficial interest trusts, foundation awards, and grants.

Public Support, Revenue, and Promises To Give

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Contributions are recognized when the donor makes a promise to give to the Agency that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Specific designations by donors are separately stated as a contra account and properly reflect the donor's restriction.

The Agency uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis.

Contributed Services

During the years ended June 30, 2011 and 2010, the value of contributed services meeting the requirement for recognition in the financial statements was not material and has not been recorded.

Estimates

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

UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)

The Operating Fund

The Operating Fund, which includes unrestricted and restricted funds, is used to account for resources over which the Board of Directors has discretionary control which are used to carry out the operations of the Agency in accordance with its bylaws. Restricted funds, which are identified in the accompanying financial statements as appropriated for future allocations, and support designated for future periods, represent funds which have been designated by the Board of Directors as reserved specifically for future agency and non-agency allocations.

Deferred Revenue

Funds received in the current year that are designated as applicable to the next year's campaign are recorded as deferred revenue.

Income Taxes

The Agency is exempt from federal income taxes under Internal Revenue Code Section 501(A) and has been recognized as non-profit by the State of Ohio. Therefore, no tax provisions have been made in the accompanying financial statements.

Cash and Cash Equivalents

The Agency considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents for purposes of the statement of cash flows exclude permanently restricted cash and cash equivalents.

Restricted Assets

The Agency has beneficial interests in Perpetual Trusts which are permanently restricted to its use. The United Way records its share of these trusts at market value. Temporarily restricted assets are contributions received for the next year's campaign.

Concentrations

The Agency's operational fund receives the majority of its revenue from the public support of the communities of Muskingum, Perry, and Morgan counties. The Agency relies on and continues to need the support of the public.

Federal Filings

The Agency files a Form 990 each year and a copy can be retrieved from the IRS (www.irs.gov) or the Agency's website (www.unitedwayofmpm.org).

Subsequent Events

Pursuant to FASB ASC 855, the Agency evaluated events and transactions occurring after the balance sheet date through August 22, 2011, which is the date that the financial statements are issued and noted no events that need to be disclosed.

UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - FURNITURE AND EQUIPMENT

Office furniture and fixtures are stated at cost or, if acquired by gift or donation, at the estimated fair value at the date of receipt of the gift or donation, or if financed by capital lease agreements, at the present value of future minimum lease payments. Depreciation is provided over the estimated useful lives of the related assets ranging from 5 years to 7 years, using the straight-line method.

NOTE 3 - EMPLOYEE PENSION PLAN

The United Way offers a Simple IRA so eligible employees have an opportunity to save for retirement. An employee is eligible to participate in the plan provided the employee is reasonable expected at least \$5,000 in compensation for the calendar year. Participation in the Plan is voluntary.

For each calendar year, the United Way will contribute a matching contribution to each employee's SIMPLE IRA account, equal to the employee's salary deduction contributions but not to exceed up to a limit of 3% of the employee's compensation for the calendar year. The expense associated with this plan was \$4,603 for the year ended June 30, 2011.

NOTE 4 - RELATED PARTY TRANSACTIONS

During the audit, consideration was given to the existence of related party transactions requiring disclosure in accordance with Statement of Financial Accounting Standards (SFAS) number 57. Accordingly, the following related party transactions are disclosed. The Agency provides contributions to the United Way of America and Ohio. Contributions for the year ended June 30, 2011 and 2010 was \$11,270 and \$12,805, respectively.

**UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 – OVERHEAD RATE DETERMINATION

The overhead ratio is equal to fund-raising, management and general expenses divided by total campaign support and all other revenue sources. The ratio is calculated below using the Net Method recommended in “Functional Expenses and Overhead Reporting Standards for United Ways”, United Way of America, 2004, after a time study has been performed and a portion of the functional expenses have been allocated to program services. These items are reported below as stated on the Form 990 as required by the above standard.

	<u>2011</u>	<u>2010</u>
Management and General Expenses	\$ 59,552	\$ 81,511
Fundraising Expenses	106,133	98,167
Payments to Affiliates	<u>8,553</u>	<u>8,709</u>
Numerator: Supporting Services and General	\$ 174,238	\$ 188,387
Net Campaign Revenue	820,812	876,425
Other Revenue	181,384	152,789
Unrealized Gain/(Loss)	<u>249,288</u>	<u>109,098</u>
Denominator: Total Support and Other Revenue	\$ 1,251,484	\$ 1,138,312
Numerator/Denominator expressed as a percentage	13.92%	16.54%
Overhead Percentage without Market Value	17.38%	18.30%

The denominator includes the increase/decrease in market value of the Beneficial Interests in Perpetual Trusts as this financial statement agrees to the Form 990 as required by the United Way of America. This value will fluctuate as the market changes and can make the overhead rate appear better or worse than actual. As of June 30, 2011, the Agency had a market gain of \$249,288 and as of June 30, 2010, the Agency had a market gain of \$109,098.

NOTE 6 - BENEFICIAL INTEREST IN PERPETUAL TRUST

The Agency has a partial interest in the assets of the following trusts: Littick Charitable Trust, M. Findeiss Trust, R. Findeiss Trust, Hagar Residual Trust, Sulsberger Trust and the Emmitt France Trust. These trusts are made up of investments in marketable securities. The trusts are administered by local financial institutions. The Agency will receive annually the following percentage of income generated by these trusts in perpetuity: 2% of the Littick Charitable Trust, 12.5% of the M. Findeiss and R. Findeiss Trusts, 20% of the Hagar Residual Trust, 10% of the Sulsberger Trust and 8.0325% of the Emmitt France Trust. The Agency may not invade the principal of the trust. These trusts have been recorded at the percentages stated above of the market value as of June 30, 2011

UNITED WAY OF MUSKINGUM, PERRY AND MORGAN COUNTIES, INC.
NOTES TO FINANCIAL STATEMENTS

NOTE 7 – COMMUNITY IMPACT

A portion of campaign revenue will fund projects/initiatives that focus on the following criteria: mobilizing a broader range of our community's assets; changing community conditions; and improving lives, not just of program clients but of community populations. The Agency spent \$501 on community impact projects in the current fiscal year, leaving a balance of \$2,365 to be spent in the future. The Agency added \$42,000 of escrowed funds earmarked for community impact activities to the discretionary investment total for July 2010 through June 30, 2011. An additional \$5,000 was also invested in the Muskingum Family Y Summer camp.