

ASSURANCE &

Elgin St. Charles Oakbrook Terrace Chicago



UNITED WAY OF ELGIN, INC.
AUDITED FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way of Elgin, Inc.
South Elgin, Illinois

We have audited the accompanying statements of financial position of United Way of Elgin, Inc. (a not for profit corporation) as of June 30, 2011 and 2010 and the related statements of activities and cash flows for the years then ended, and the statement of functional expenses for the year ended June 30, 2011. 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 2010 summarized comparative information on the statement of functional expenses has been derived from the Organization's 2010 financial statements and, in our report dated August 17, 2010, we expressed an unqualified opinion on those financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Elgin, 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 accounting principles generally accepted in the United States of America.

Mueller & Co., LLP

Elgin, Illinois
September 22, 2011

UNITED WAY OF ELGIN, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

ASSETS

	2011	2010
Cash	\$ 34,689	28,370
Short-term investments	1,323,028	1,467,856
Investments	461,301	410,014
2011 campaign pledges receivable, net of allowances for uncollectible pledges of \$89,760	388,146	-
2010 campaign pledges receivable, net of allowances for uncollectible pledges of \$90,000	-	422,581
Campaign receivables - other United Ways, net allowance for uncollectible pledges of \$20,000 in 2011 and 2010	28,005	26,635
Interest receivable	700	700
Prepaid expenses	17,401	15,147
Property and equipment, net of accumulated depreciation of \$176,321 in 2011 and \$163,229 in 2010	35,423	24,694
	\$ 2,288,693	2,395,997

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 10,144	6,560
Accrued expenses	29,765	28,791
Grant payable	9,080	20,000
	48,989	55,351

Net assets:

Unrestricted:

Designated by the Governing Board for:

Agency loan fund	100,000	100,000
Equipment fund	35,423	24,694
	135,423	124,694
Undesignated	556,996	729,650
	692,419	854,344
Temporarily restricted	1,142,310	1,081,327
Permanently restricted	404,975	404,975
	2,239,704	2,340,646
	\$ 2,288,693	2,395,997

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

UNITED WAY OF ELGIN, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2011 AND 2010

	2011			TOTAL
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	
Revenues:				
Campaign applicable to current allocation period:				
Prior year campaign	\$ 897,573	(897,573)	-	-
Prior years' campaign pledges received in current year	55,516	-	-	55,516
Net assets released from restrictions- satisfaction of use restrictions	60,435	(60,435)	-	-
Current year campaign	-	948,721	-	948,721
Pledges received for current allocation period designated for other organizations	-	13,117	-	13,117
Total campaign	<u>1,013,524</u>	<u>3,830</u>	<u>-</u>	<u>1,017,354</u>
Other revenues:				
Special events (net of direct costs of \$6,156 in 2011 and \$8,677 in 2010)	159	-	-	159
Other income	4,296	-	-	4,296
Information and referral	10,000	-	-	10,000
Dolly Parton Imagination Library	59,405	5,866	-	65,271
Board lunch	1,591	-	-	1,591
Designations from other United Ways	41,679	-	-	41,679
Funder's Forum	3,450	-	-	3,450
Bequest income	-	-	-	-
In-kind revenues	1,098	-	-	1,098
Investment income	16,005	51,287	-	67,292
Total other revenues	<u>137,683</u>	<u>57,153</u>	<u>-</u>	<u>194,836</u>
	<u>1,151,207</u>	<u>60,983</u>	<u>-</u>	<u>1,212,190</u>
Expenses:				
Distributions and expenses:				
Allocations to agencies	668,000	-	-	668,000
Information and referral	10,726	-	-	10,726
Dolly Parton Imagination Library	59,405	-	-	59,405
VITA/EITC	483	-	-	483
Board lunch	1,654	-	-	1,654
Designations paid to other United Ways	53,177	-	-	53,177
Funder's Forum	3,989	-	-	3,989
Community needs assessment	7,500	-	-	7,500
Community Initiative Grants	10,920	-	-	10,920
	<u>815,854</u>	<u>-</u>	<u>-</u>	<u>815,854</u>
Functional expenses:				
General and administrative	144,137	-	-	144,137
Marketing	81,967	-	-	81,967
Community impact	186,434	-	-	186,434
Fund raising	84,740	-	-	84,740
	<u>497,278</u>	<u>-</u>	<u>-</u>	<u>497,278</u>
	<u>1,313,132</u>	<u>-</u>	<u>-</u>	<u>1,313,132</u>
Change in net assets	(161,925)	60,983	-	(100,942)
Net assets, beginning of year	<u>854,344</u>	<u>1,081,327</u>	<u>404,975</u>	<u>2,340,646</u>
Net assets, end of year	<u>\$ 692,419</u>	<u>1,142,310</u>	<u>404,975</u>	<u>2,239,704</u>

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

2010

UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
1,010,515	(1,010,515)	-	-
139,788	-	-	139,788
59,657	(59,657)	-	-
-	854,286	-	854,286
-	43,287	-	43,287
<u>1,209,960</u>	<u>(172,599)</u>	<u>-</u>	<u>1,037,361</u>
(110)	-	-	(110)
2,939	-	-	2,939
12,000	-	-	12,000
46,281	49,316	-	95,597
1,979	-	-	1,979
36,968	-	-	36,968
-	-	-	-
-	-	326,226	326,226
-	-	-	-
24,139	5,039	-	29,178
<u>124,196</u>	<u>54,355</u>	<u>326,226</u>	<u>504,777</u>
<u>1,334,156</u>	<u>(118,244)</u>	<u>326,226</u>	<u>1,542,138</u>
799,000	-	-	799,000
20,153	-	-	20,153
46,281	-	-	46,281
425	-	-	425
2,658	-	-	2,658
6,649	-	-	6,649
-	-	-	-
-	-	-	-
20,000	-	-	20,000
<u>895,166</u>	<u>-</u>	<u>-</u>	<u>895,166</u>
137,086	-	-	137,086
82,875	-	-	82,875
189,314	-	-	189,314
93,345	-	-	93,345
<u>502,620</u>	<u>-</u>	<u>-</u>	<u>502,620</u>
<u>1,397,786</u>	<u>-</u>	<u>-</u>	<u>1,397,786</u>
(63,630)	(118,244)	326,226	144,352
<u>917,974</u>	<u>1,199,571</u>	<u>78,749</u>	<u>2,196,294</u>
<u>854,344</u>	<u>1,081,327</u>	<u>404,975</u>	<u>2,340,646</u>

UNITED WAY OF ELGIN, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash provided by (applied to) operating activities:		
Change in net assets	\$ (100,942)	144,352
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Depreciation	13,092	11,211
Unrealized gain on investments	(36,362)	-
Changes in:		
Pledges receivable	33,065	22,835
Agency loan receivable	-	25,000
Prepaid expenses	(2,254)	(3,525)
Accounts payable	3,584	6,111
Accrued expenses	974	3,328
Grant payable	(10,920)	20,000
	<u>(99,763)</u>	<u>229,312</u>
Cash provided by (applied to) investing activities:		
Proceeds from sale of certificate of deposit	-	78,749
Proceeds from sale of investments	-	17,871
Purchases of investments	(14,925)	(427,885)
Purchases of property and equipment	(23,821)	(1,750)
	<u>(38,746)</u>	<u>(333,015)</u>
 Net decrease in cash and short-term investments	 (138,509)	 (103,703)
Cash and short-term investments, beginning of year	<u>1,496,226</u>	<u>1,599,929</u>
Cash and short-term investments, end of year	<u>\$ 1,357,717</u>	<u>1,496,226</u>

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

UNITED WAY OF ELGIN, INC.

STATEMENT OF FUNCTIONAL EXPENSES

**YEAR ENDED JUNE 30, 2011
WITH COMPARATIVE TOTALS FOR 2010**

	2011				2010	
	GENERAL AND ADMINISTRATIVE	MARKETING	COMMUNITY IMPACT	FUND RAISING	TOTAL	TOTAL
Salaries	\$ 69,134	31,986	101,479	36,977	239,576	239,083
Employee benefits	17,428	8,063	25,582	9,321	60,394	52,780
Payroll taxes	5,488	2,539	8,055	2,935	19,017	19,917
Association dues	123	57	180	65	425	413
Professional fees	8,045	3,722	11,809	4,304	27,880	27,320
Supplies	1,200	555	1,762	643	4,160	5,284
Bank and credit card fees	160	74	234	85	553	(1,770)
Telephone	661	306	971	354	2,292	1,963
Postage and shipping	523	242	767	279	1,811	1,781
Occupancy	6,328	2,928	9,288	3,384	21,928	35,750
Printing and publications	1,979	916	2,905	1,058	6,858	10,629
Travel	2,191	1,014	3,216	1,172	7,593	7,900
Conferences and meetings	1,456	673	2,137	778	5,044	5,682
Insurance	1,533	709	2,250	820	5,312	5,417
Equipment maintenance	3,181	1,472	4,669	1,700	11,022	8,125
Awards	347	160	509	186	1,202	315
Payments to United Way of America	9,993	-	-	-	9,993	10,935
State dues - United Way of Illinois	303	140	445	162	1,050	1,246
Utilities	330	153	484	176	1,143	4,109
In-kind expenses	1,098	-	-	-	1,098	-
Moving expenses	8,858	-	-	-	8,858	-
Marketing	-	24,510	4,147	18,320	46,977	54,530
Depreciation	3,778	1,748	5,545	2,021	13,092	11,211
	<u>\$ 144,137</u>	<u>81,967</u>	<u>186,434</u>	<u>84,740</u>	<u>497,278</u>	<u>502,620</u>

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

UNITED WAY OF ELGIN, INC.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

United Way of Elgin, Inc., is a not for profit organization affiliated with the United Way of America. The United Way of Elgin, Inc. raises funds and in turn provides financial support to various health and human care organizations (partner agencies) within the Elgin community. A summary of the significant accounting policies of the Organization is presented below to assist the reader in evaluating the financial statements.

Financial Statement Presentation

The statement of functional expenses includes certain prior-year summarized comparative information in total but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Support and Expenses

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

Financial Statement Estimates

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 the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

UNITED WAY OF ELGIN, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Accordingly, the short-term investments are considered cash equivalents.

Donated Services

A substantial number of volunteers have donated services to the Organization's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills as defined by generally accepted accounting principles.

Campaigning Contributions, Partners' Share and Allocations

Campaign contributions arise from a fund raising campaign conducted by United Way of Elgin, Inc. in the greater Elgin area and are included in income as pledges (unconditional promises to give) are received during the fiscal year. Contributions for which the Organization has little or no discretion in determining how the funds will be used (e.g., designations and distributions to other United Ways) are excluded from revenues. The regular annual fund-raising campaign generally commences in the fall and concludes at June 30 each year.

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions which have donor imposed or time restrictions are recorded as temporarily restricted net assets until the restrictions have been met or the time has lapsed. Contributions generally include:

1. Cash contributions.
2. Pledges received represented by signed pledges or written commitments.
3. Employee reports of contributions pledged by employees under payroll deduction plans.

Investments

Investments consist of certificates of deposits, mutual funds and savings accounts, and are carried at market value, which approximates cost.

UNITED WAY OF ELGIN, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Campaign Pledges Receivable

The Organization carries its campaign pledges receivable at the outstanding principal balance adjusted for the allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the Organization's historical bad debt experience, the aging of the receivables and based on management's judgment. Accounts deemed uncollectible are charged to the allowance for doubtful accounts.

Property and Equipment

Property and equipment acquisitions are recorded at cost, if purchased, or fair market value, if received as a gift. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the assets, which range from three to seven years.

Designated Fund Balances

Designated fund balances represent amounts that have been designated by the Governing Board for the specific purpose identified.

Allocation of Expenses

The Organization's expenses, including the cost of fundraising, have been allocated on the statement of functional expenses based on management's time study of actual resource use.

Concentration of Credit Risk

The Organization maintains its cash in bank deposits which, at times, may exceed federally insured limits. The Organization believes it is not exposed to any significant credit risk on cash.

Income Taxes

The Organization has adopted accounting principles related to uncertain tax positions. Any interest and penalties recognized associated with a tax position are classified as current in the Organization's financial statements.

Subsequent Events

Subsequent events have been evaluated through September 22, 2011, the date that the financial statements were available for issue.

UNITED WAY OF ELGIN, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable are expected to be collected within the next year and are included in temporarily restricted net assets.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2011 and 2010 consisted of the following:

	<u>2011</u>	<u>2010</u>
Computer equipment and software	\$ 115,763	115,763
Office furniture and equipment	76,943	70,325
Leasehold improvements	<u>19,038</u>	<u>1,835</u>
	211,744	187,923
Less accumulated depreciation	<u>176,321</u>	<u>163,229</u>
	\$ <u>35,423</u>	<u>24,694</u>

Depreciation expense for the year ended June 30, 2011 and 2010 was \$13,092 and \$11,211, respectively.

NOTE 4 - RETIREMENT PLAN

The Organization has adopted a Simplified Employee Pension - Individual Retirement Account (SEP-IRA) for the benefit of its employees. Under a SEP-IRA, the Organization may make discretionary contributions directly to its employees' Individual Retirement Accounts. The Organization has elected to make contributions equal to 10% of each eligible employee's salary. Contributions for the years ended June 30, 2011 and 2010 totaled \$19,905 and \$19,492, respectively.

NOTE 5 - BUILDING LEASE

The Organization leased office space under the terms of an operating lease. The lease required monthly payments of \$2,875. The lease expired May 31, 2010. The lease was extended on a month-to-month basis until new office space was available.

The Organization signed a new operating lease agreement for office space beginning October 1, 2010. The lease requires monthly payments of \$1,438. The lease expires on September 30, 2013. The Organization is responsible for insurance on the building.

Rent expense under these lease agreements for the years ended June 30, 2011 and 2010 was \$21,928 and \$35,750, respectively.

UNITED WAY OF ELGIN, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 5 - BUILDING LEASE, CONTINUED

The aggregate future minimum lease commitment for these leases as of June 30, 2011 is as follows:

2012	\$	17,250
2013		17,250
2014		<u>4,313</u>
	\$	<u><u>38,813</u></u>

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets include campaign gifts received that are applicable to the next allocation period and grant money received restricted for specific purposes. The balance as of June 30, 2011 and 2010, is as follows:

	<u>2011</u>	<u>2010</u>
Pledges receivable	\$ 525,911	559,216
Allowance for uncollectible pledges	(109,760)	(110,000)
	416,151	449,216
Cash receipts	<u>597,130</u>	<u>558,964</u>
Campaign subtotal	1,013,281	1,008,180
Use restrictions	<u>129,029</u>	<u>73,147</u>
	\$ <u><u>1,142,310</u></u>	<u><u>1,081,327</u></u>

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are restricted as investments in perpetuity. The Organization's endowment only consists of donor-restricted endowment funds. Net assets associated with the Organization's endowment funds are classified and reported based on the existence of donor-imposed restrictions. In accordance with donor stipulations, the income generated from these assets is not purpose restricted.

The Organization accounts for endowment net assets by preserving the fair value of the original gift as of the gift date of the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, the Organization classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment fund.

UNITED WAY OF ELGIN, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS, CONTINUED

The Organization considers the following factors in making the determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Organization and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effects of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

The Organization has adopted an investment policy that attempts to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. As of June 30, 2010, endowment assets only include those assets of donor-restricted funds that the Organization must hold in perpetuity, as the Organization does not have any Board-designated endowment funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to provide adequate liquidity, maximizing returns on all funds invested and achieving full employment of all available funds as earning assets. The Organization has an active Executive Committee that meets regularly to ensure that the objectives of the investment policy are being met, and that the strategies used to meet the objectives are in accordance with the investment policy. The Organization's policy is to appropriate spending amounts deemed prudent for donor-restricted funds.

Changes in endowment net assets for the fiscal year ended June 30, 2011 and 2010 are as follows:

		2011			
		UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, beginning of year	\$	-	5,039	404,975	410,014
Investment income		-	51,287	-	51,287
Endowment net assets, end of year	\$	-	56,326	404,975	461,301
		2010			
		UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Endowment net assets, beginning of year	\$	-	-	78,749	78,749
New Gifts		-	-	326,226	326,226
Investment Income		-	5,029	-	5,039
Endowment net assets, end of year	\$	-	5,029	404,975	410,014

UNITED WAY OF ELGIN, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS, CONTINUED

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that that donor or state law requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2011, there were no such deficiencies.

NOTE 8 - TAX STATUS

The United Way of Elgin, Inc. is an exempt organization under Section 501(c)(3) of the Internal Revenue Code.

The Organization has adopted accounting principles related to uncertain tax positions for the year ended June 30, 2011 and has evaluated its tax positions taken for all open tax years. Currently, the 2008, 2009 and 2010 tax years are open and subject to examination by the Internal Revenue Service and the Illinois Department of Revenue; however, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions.

Based on the evaluation of the Organization's tax positions, management believes all positions taken would be upheld under an examination; therefore, no provision for the effects of uncertain tax positions has been recorded for the year end June 30, 2011.

NOTE 9 - CITY OF ELGIN AGREEMENT

The United Way of Elgin entered into an agreement with the City of Elgin to distribute \$250,000 to local human service providers serving the Elgin community. The distribution of these funds is determined by a five-member panel consisting of three members appointed by the City of Elgin City Council and two appointed by the United Way of Elgin. All funds were to be expended by December 31, 2007. As of June 30, 2009, \$199,600 had been expended. The balance remaining was recorded as temporarily restricted net assets on the balance sheet as of June 30, 2009. The city requested United Way to expend the balance per the terms for use as specified in the grant agreement. During 2010, the remaining balance was expended for its designated purpose.

The funds were to be divided into distinct pools as follows:

City of Elgin Community Impact Model	\$	50,000
Emergency Fund Grants		
Maximum of \$7,500 per service provider		50,000
Program Grants		
Maximum of \$15,000 per service provider		150,000

UNITED WAY OF ELGIN, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 10 - IN-KIND SUPPORT

The Organization receives on occasion in-kind support in the form of services provided free or at reduced costs and miscellaneous office supplies. Since these services required special skills, the in-kind support is recognized as revenue. The estimated value of these contributions which have been reflected in the financial statements totaled \$1,098 for the year ended June 30, 2011. There was no such support for the year ended June 30, 2010.

NOTE 11 - FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets
- Inputs other than quoted prices that are observable for the asset or liability
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

UNITED WAY OF ELGIN, INC.

**NOTES TO FINANCIAL STATEMENTS
(CONTINUED)**

NOTE 11 - FAIR VALUE MEASUREMENTS, CONTINUED

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2011 and 2010.

Interest-bearing cash and certificates of deposit: Based on value of cash or certificate at year end.

Mutual funds: Based on the market value of shares held by the Organization at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth, by level, within the fair value hierarchy, the Organizations assets as of June 30, 2011 and 2010.

	Asset at Fair Value as of June 30, 2011			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest Bearing Cash	\$ 1,359,945	-	-	1,359,945
Mutual Funds:				
Mid-Cap Value	15,061	-	-	15,061
Intermediate Term Bond	198,649	-	-	198,649
Foreign Large Value	41,657	-	-	41,657
High Yield Bond	9,749	-	-	9,749
Large Value	60,804	-	-	60,804
World Bond	13,891	-	-	13,891
Commodities Broad Basket	18,325	-	-	18,325
Global Real Estate	14,946	-	-	14,946
Large Blend	28,588	-	-	28,588
Foreign Large Growth	28,988	-	-	28,988
Large Growth	<u>28,415</u>	<u>-</u>	<u>-</u>	<u>28,415</u>
	<u>\$ 1,819,018</u>	<u>-</u>	<u>-</u>	<u>1,819,018</u>

UNITED WAY OF ELGIN, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

NOTE 11 - FAIR VALUE MEASUREMENTS, CONTINUED

	Asset at Fair Value as of June 30, 2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Interest Bearing Cash	\$ 1,503,445	-	-	1,503,445
Mutual Funds:				
Large Cap	23,818	-	-	23,818
Mid-Cap Value	12,005	-	-	12,005
Intermediate Term Bond	184,622	-	-	184,622
Foreign Large Value	34,771	-	-	34,771
High Yield Bond	8,496	-	-	8,496
Large Value	51,247	-	-	51,247
World Bond	12,368	-	-	12,368
Commodities Broad Basket	15,699	-	-	15,699
Global Real Estate	12,223	-	-	12,223
Large Blend	23,668	-	-	23,668
Foreign Large Growth	<u>23,878</u>	-	-	<u>23,878</u>
	\$ <u>1,906,240</u>	<u>-</u>	<u>-</u>	<u>1,906,240</u>