Independent Auditor's Report and
Financial Statements

United Way of Yellowstone County

June 30, 2013 and 2012

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For the Years Ended June 30, 2013 and 2012

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A PROFESSIONAL CORPORATION OF
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INDEPENDENT AUDITOR'S REPORT

October 21, 2013

To the Board of Directors
United Way of Yellowstone County
Billings, Montana

Report on the Financial Statements

We have audited the accompanying statements of financial position of United Way of Yellowstone County as of June 30, 2013 and 2012, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Yellowstone County as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Galusha, Higgins & Galusha, PC

GALUSHA HIGGINS & GALUSHA PC
Billings, Montana

STATEMENTS OF FINANCIAL POSITION
For the Year Ended June 30,

	2013	2012
ASSETS		
Current Assets:		
Cash and cash equivalents (includes certificates of deposits of $545,887 and $698,645, respectively)	716,650	838,222
Receivables:		
Pledges, net of allowance for uncollectible pledges of $35,000 and $42,000, respectively.	516,393	509,008
CARE receivable	28,951	28,702
Grants receivable	24,371	37,066
Investments	1,398,958	1,258,731
Prepaid expenses	8,849	6,633
Total current assets	2,694,172	2,678,362
Property and equipment		
Land	443,873	443,873
Furniture and equipment	178,085	150,164
Buildings and improvements	1,035,703	1,035,703
Less: accumulated depreciation	(158,572)	(119,327)
Net property and equipment	1,499,089	1,510,413
Other Assets		
Cash value of life insurance	15,364	14,628
Deferred financing cost	15,000	0
Less: accumulated amortization	(375)	0
Total other assets	29,989	14,628
Total assets	4,223,250	4,203,403

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

STATEMENTS OF FINANCIAL POSITION - CONTINUED
For the Year Ended June 30,

	2013	2012
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	80,083	95,423
Grants payable	18,383	0
Income taxes payable	2,952	0
Deferred revenue	54,287	84,570
Agency funds	222,386	261,024
Current portion of capital lease	2,700	2,700
Current portion of note payable	35,282	975,000
Total current liabilities	416,073	1,418,717
Long Term Liabilities		
Capital lease obligations	5,400	8,100
Note payable	937,567	0
Total long term liabilities	942,967	8,100
Total liabilities	1,359,040	1,426,817
Net Assets		
Unrestricted:		
Board designated	832,825	803,649
Undesignated	1,679,816	1,653,868
Permanently restricted	351,569	319,069
Total net assets	2,864,210	2,776,586
Total liabilities and net assets	4,223,250	4,203,403

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

STATEMENT OF ACTIVITIES – FOR THE YEAR ENDED JUNE 30, 2013

	Unrestricted	Permanently Restricted	Total
Public support and revenue:			
Campaign results:			
Campaign pledges for current year campaign	1,425,818	0	1,425,818
Less - donor designations	(290,452)	0	(290,452)
Total Campaign results	1,135,366	0	1,135,366
Grants	322,279	0	322,279
Administration fees	68,262	0	68,262
CARE Academy income, net of tuition assistance $30,366	463,865	0	463,865
Investment income	137,541	0	137,541
Endowment donations	0	32,500	32,500
Inkind income	31,385	0	31,385
Rental income	105,129	0	105,129
Other	12,205	0	12,205
Total public support and revenue	2,276,032	32,500	2,308,532
Expenses:			
Program services:			
Community response	1,830,978	0	1,830,978
Supporting services:			
Fundraising	267,022	0	267,022
Management and general	82,353	0	82,353
Other campaign administration	40,555	0	40,555
Total expenses	2,220,908	0	2,220,908
Change in net assets	55,124	32,500	87,624
Net assets, beginning of year	2,457,517	319,069	2,776,586
Net assets, end of year	2,512,641	351,569	2,864,210

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

STATEMENT OF ACTIVITIES – FOR THE YEAR ENDED JUNE 30, 2012

	Unrestricted As Restated	Permanently Restricted	Total
Public support and revenue:			
Campaign results:			
Campaign pledges for current year campaign	1,497,574	0	1,497,574
Less - donor designations	(342,564)	0	(342,564)
Total Campaign results	1,155,010	0	1,155,010
Grants	264,918	0	264,918
Administration fees	73,147	0	73,147
CARE Academy income, net of tuition assistance of $27,864	443,214	0	443,214
Investment income	14,564	0	14,564
Endowment donations	0	17,611	17,611
Rental income	6,600	0	6,600
Other	14,127	0	14,127
Total public support and revenue	1,971,580	17,611	1,989,191
Expenses:			
Program services:			
Community response	1,604,283	0	1,604,283
Supporting services:			
Fundraising	276,258	0	276,258
Management and general	106,348	0	106,348
Other campaign administration	47,896	0	47,896
Total expenses	2,034,785	0	2,034,785
Change in net assets	(63,205)	17,611	(45,594)
Net assets, beginning of year	2,520,722	301,458	2,822,180
Net assets, end of year	2,457,517	319,069	2,776,586

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

STATEMENTS OF CHANGES IN NET ASSETS
For the Years Ended June 30, 2013 and 2012

	Designated								
	Endowment	HRDC	General	Building Fund	Out of School	Undesignated	Total Unrestricted	Permanently Restricted	Total
Net Assets, July 1, 2011	164,665	25,000	569,565	0	36,475	1,725,017	2,520,722	301,458	2,822,180
Board transfers	0	0	0	6,600	0	(6,600)	0	0	0
Change in net assets	6,344	(5,000)	0	0	0	(64,549)	(63,205)	17,611	(45,594)
Net Assets, July 1, 2012	171,009	20,000	569,565	6,600	36,475	1,653,868	2,457,517	319,069	2,776,586
Board transfers	0	0	0	0	(16,745)	16,745	0	0	0
Change in net assets	7,502	(5,000)	0	43,419	0	9,203	55,124	32,500	87,624
Net Assets, June 30, 2013	178,511	15,000	569,565	50,019	19,730	1,679,816	2,512,641	351,569	2,864,210

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

STATEMENT OF FUNCTIONAL EXPENSES – FOR THE YEAR ENDED JUNE 30, 2013

	Community Response	Fundraising	Management & General	Other Campaign Administration	Total
Allocations	550,600	0	0	0	550,600
Bank service charges	0	3,501	5	0	3,506
Best Beginnings	28,828	0	0	0	28,828
Board expense	370	0	1,235	0	1,605
CARE expense	80,051	0	0	0	80,051
Communications	878	24,711	89	2,986	28,664
Community resource center	19,165	0	0	0	19,165
Disaster project	177	0	0	0	177
Drug free grant expense	124,847	0	0	0	124,847
Dues and subscriptions	1,083	1,356	309	0	2,748
EFSP expense	35,748	0	0	0	35,748
Early Childhood	25,899	2	0	0	25,901
Employee benefits	82,131	34,035	16,999	5,815	138,980
Fees	1,261	266	4,852	0	6,379
Impact building	21,490	0	0	0	21,490
Income taxes	0	0	2,952	0	2,952
Insurance	4,057	600	1,223	0	5,880
Interest expense	30,490	5,743	1,585	0	37,818
Investment fees	0	14,005	0	0	14,005
Janitorial	3,193	472	160	0	3,825
Legal and accounting	11,081	1,638	556	3,650	16,925
Maintenance	10,284	1,520	516	0	12,320
Meals and entertainment	652	363	0	0	1,015
Mileage	726	752	282	522	2,282
Parking	3,700	541	184	0	4,425
Payroll expenses	632,869	122,244	42,303	19,435	816,851
Postage	1,939	1,671	153	1,061	4,824
Rent	21,834	3,228	1,096	5,500	31,658
Software and computer maintenance	10,735	3,038	539	250	14,562
Supplies	58,627	9,068	2,390	505	70,590
Telephone	5,095	623	211	186	6,115
Training and development	3,170	733	2,276	0	6,179
Uncollectible pledges	0	29,732	0	0	29,732
Utilities	6,795	1,005	341	0	8,141
UW of America dues	13,800	2,040	693	0	16,533
Youth volunteer corps	5,055	0	0	0	5,055
	1,796,630	262,887	80,949	39,910	2,180,376
Depreciation and Amortization	34,348	4,135	1,404	645	40,532
	1,830,978	267,022	82,353	40,555	2,220,908

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

STATEMENT OF FUNCTIONAL EXPENSES – FOR THE YEAR ENDED JUNE 30, 2012

	Community Response	Fundraising	Management & General	Other Campaign Administration	Total
Allocations	496,250	0	0	0	496,250
Bank service charges	0	2,709	0	0	2,709
Board expense	495	0	1,889	0	2,384
CARE expense	80,288	0	0	0	80,288
Communications	2,768	25,144	855	4,860	33,627
Disaster project	2,391	0	0	0	2,391
Drug free grant expense	95,140	0	0	0	95,140
Dues and subscriptions	796	1,259	216	0	2,271
Early childhood	25,547	0	0	0	25,547
EFSP expense	19,954	0	0	0	19,954
Employee benefits	79,009	34,959	16,241	5,815	136,024
Fees	34	174	2,553	0	2,761
Impact building	11,937	0	0	0	11,937
Insurance	713	278	1,308	0	2,299
Interest expense	905	197	367	156	1,625
Investment fees	0	14,782	0	0	14,782
Janitorial	2,045	829	752	0	3,626
Legal and accounting	7,180	3,018	2,377	3,650	16,225
Maintenances	20	8	7	0	35
Meals and entertainment	43	535	0	0	578
Mileage	219	420	42	220	901
Miscellaneous	0	0	237	0	237
Parking	2,807	1,158	1,030	0	4,995
Payroll expenses	684,280	133,208	47,410	19,435	884,333
Postage	1,826	2,261	428	604	5,119
Rent	16,376	6,635	6,026	5,500	34,537
Software and computer maintenance	6,551	3,091	2,300	2,308	14,250
Supplies	37,260	5,670	1,709	791	45,430
Telephone	4,065	1,169	1,064	386	6,684
Training and development	5,772	3,528	1,667	0	10,967
Uncollectible pledges	0	32,646	0	3,446	36,092
Utilities	3,511	1,414	1,311	0	6,236
UW of America dues	0	0	15,010	0	15,010
Youth voluteer corps	5,167	0	0	0	5,167
	1,593,349	275,092	104,799	47,171	2,020,411
Depreciation	10,934	1,166	1,549	725	14,374
	1,604,283	276,258	106,348	47,896	2,034,785

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

STATEMENTS OF CASH FLOW
For the Years Ended June 30,

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	87,624	(45,594)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	40,532	14,374
Realized and unrealized losses (gains) on investments	(101,871)	27,879
Contributions restricted for long-term purposes	(32,500)	(17,611)
Changes in assets and liabilities:		
(Increase) decrease in receivables	5,061	(15,425)
Increase in prepaid expenses	(2,216)	(2,793)
Increase in other assets	(15,361)	(423)
Increase (decrease) in accounts payable and accrued expenses	(15,340)	10,400
Increase (decrease) in allocations payable	0	(11,667)
Increase (decrease) in income taxes payable	2,952	0
Increase (decrease) in grants payable	18,383	0
Increase (decrease) in deferred revenue	(30,283)	6,317
Decrease in agency funds	(38,638)	(55,555)
Net cash used in operating activities	(81,657)	(90,098)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	(27,921)	(1,480,853)
Purchase of investments	(338,656)	(540,163)
Proceeds from sale of investments	299,014	490,991
Net cash used in investing activities	(67,563)	(1,530,025)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital lease repayments	(2,700)	(2,700)
Proceeds from note payable	990,000	975,000
Payments on notes payable	(992,152)	0
Proceeds from contributions restricted for investment in permanent endowment	32,500	17,611
Net cash provided by financing activities	27,648	989,911
Net increase (decrease) in cash and cash equivalents	(121,572)	(630,212)
Cash and cash equivalents, beginning of year	838,222	1,468,434
Cash and cash equivalents, end of year	716,650	838,222
Supplemental Cash Flow Information:		
Cash paid during the year for:		
Interest	37,930	0
Income taxes	0	0

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

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2013 and 2012

Note A. Organization and Significant Accounting Policies

1. **Nature of Operations:**
The United Way of Yellowstone County is a nonprofit organization formed for the purpose of providing solutions for community needs by developing strategies, building partnerships and investing in programs, all of which are supported through annual fundraising campaigns as well as fundraising through grant applications.

2. **Financial Statement Presentation**
The Organization has presented its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

    Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

    Permanently restricted net assets – Net assets that are restricted by donors to be maintained by the Organization in perpetuity.

3. **Cash Equivalents:**
The Organization considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

4. **Promises to Give:**
Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All promises to give are expected to be collected within one year. 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 donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

5. **Allowance Method Used to Record Bad Debts**
The Organization uses the allowance method for uncollectible pledges receivables.

6. **Investments:**
Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

    Investment securities are exposed to various risks, such as interest rate, credit and market risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances and the amounts reported in the statements of financial position.

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the Years Ended June 30, 2013 and 2012

7. **Property and Equipment:**
   Property and equipment acquisitions with an original cost of at least $1,000 are recorded at cost. Donated property and equipment is reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Depreciation is provided over the estimated useful lives of assets (generally 5-40 years) and is computed using the straight-line method.

8. **Allocations Payable:**
   Allocations payable represent amounts approved by the Board of Directors payable to United Way agencies.

9. **Annuity Obligation:**
   The Organization receives charitable donations for annuities from donors with a provision that a fixed income be paid to the donor and/or his named beneficiary for life. The annuity obligation represents the present value of payments to be made over the life expectancies of the annuitant and/or his named beneficiaries based on Internal Revenue Service annuity tables. The contributions received and the related obligations are permanently restricted until the death of the annuitant and/or his named beneficiary at which time the remaining assets become permanently restricted or unrestricted based upon the terms of the original annuity agreement. The recorded obligation is recognized as income at the time of death. On an annual basis, the Organization revalues the liability related to required distributions to the designated beneficiaries based on actuarial assumptions. The liability is included in the accounts payable balance on the statement of financial position. The present value of the estimated future payments at June 30, 2013 and 2012 is $13,276 and $10,245, respectively. The obligation is included in Accounts Payable and Accrued Expenses.

10. **Board Designated Endowment:**
    Board designated endowment funds represent funds that are designated by Board policy requiring in perpetuity that the principal be invested and the income only be used as determined by the Board.

11. **Revenue Recognition:**
    Annual campaigns are conducted to raise support for allocation to participating agencies. Pledges, less an allowance for uncollectible amounts, are recorded as receivables in the year made. All contributions are considered available for unrestricted use unless specifically restricted by the donor as to time or purpose. The Organization acts as an agent of the donor when contributions are directed by the donor and are to be distributed to a specific third-party beneficiary. These contributions received and subsequently remitted to third parties are reflected in campaign results on the statement of activities but are not treated as contribution revenue.

    The Organization administers other campaigns for local employers. Under the agreements, the employers run campaigns, collect the pledges and make payments to the Organization for quarterly distribution to the agencies designated by the employee. The Organization collects administration fees for administrating the other campaigns. The Organization is acting as an agent in administrating the other campaigns and, therefore, contributions received and subsequently remitted to agencies are not included in the statement of activities.

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the Years Ended June 30, 2013 and 2012

12. **Advertising:**
Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2013 and 2012 was $1,670 and $6,671, respectively.

13. **Donated Services, Materials and Facilities:**
Many individuals volunteer their time and perform a variety of tasks that assist the Organization. The value of these contributed services do not meet the requirements for recognition in the financial statements and have not been recorded.

14. **Functional Allocation:**
The Organization's management allocates expenses by function between program and supporting service classifications based upon estimated levels of functional time and effort.

15. **Use of Estimates:**
Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could differ from those estimates.

16. **Income Taxes:**
The Organization is organized as a nonprofit corporation and is exempt from federal and state income taxes under section 501(c)(3) of the Internal Revenue Code. However, during the year ended June 30, 2013, the Organization recognized income unrelated to its tax exempt status and a provision for income taxes totaling $2,952 has been reflected in the financial statements. The Organization is subject to examination of their federal income tax filing in the United States for the 2010 through 2012 tax years. There were no uncertain tax positions taken by the Organization. In the event that the Organization is assessed penalties and or interest, penalties will be charged to other operating expense and interest will be charged to interest expense.

17. **Concentration of Credit risk:**
The Organization has accounts that are maintained in several banks. Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of balances held at these banks in amounts that may, at times, exceed the $250,000 FDIC insurance limits.

18. **Date of Management's Review:**
Management has performed a review of the activities and transactions subsequent to June 30, 2013 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2013. Management has performed this analysis through October 21, 2013, the date the financial statements were available to be issued.

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the Years Ended June 30, 2013 and 2012

Note B. Cash and Cash Equivalents

Cash and cash equivalents at June 30 are as follows:

	2013	2012
General Operating Deposits	77,063	25,341
Care Academy Deposits	791	30,991
Combined Federal Campaign Deposits	34,093	44,021
Emergency Food and Shelter Fund Deposits	1,648	1,200
Employee Benefit Savings	120	806
General Operating Funds	1,467	678
General Operating Certificates of Deposit	545,887	698,645
Endowment Money Market	55,581	36,540
	716,650	838,222

Note C. Allowance Method Used to Record Bad Debts

The Organization provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Organization's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Organization's estimate of the allowance for doubtful accounts will change. Pledges receivable are presented net of an allowance for doubtful accounts of $35,000 and $42,000 at June 30, 2013 and 2012, respectively.

Note D. Fair Value Measurement of Investments and Investment Return

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Values Measurements and Disclosures*, specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). In accordance with FASB ASC 820, the following summarizes the fair value hierarchy:

Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

Level 2 Inputs – Inputs other than the quoted prices in active markets that are observable either directly or indirectly.

Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the Years Ended June 30, 2013 and 2012

FASB ASC 820 requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Organization classifies assets and liabilities within the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement of each individual asset and liability taken as a whole. The following table sets forth by level within the fair value hierarchy the gross components of investments measured at fair value on a recurring basis.

June 30, 2013	Level 1	Level 2	Level 3	Total
Fixed income securities	521,640	0	0	521,640
Equity securities	671,058	0	0	671,058
Complementary strategies	64,276	0	0	64,276
Real asset securities	141,984	0	0	141,984
Total	1,398,958	0	0	1,398,958

June 30, 2012	Level 1	Level 2	Level 3	Total
Fixed income securities	373,756	0	0	373,756
Equity securities	681,678	0	0	681,678
Complementary strategies	77,589	0	0	77,589
Real asset securities	125,708	0	0	125,708
Total	1,258,731	0	0	1,258,731

Investment income (loss) as of June 30, 2013 and 2012 is summarized as follows:

	2013	2012
Unrestricted:		
Interest income on cash and cash equivalents	4,270	4,536
Investment interest and dividends	31,400	37,907
Net realized and unrealized gains (losses)	101,871	(27,879)
	137,541	14,564

Note E. Other Assets

In November 2001, the Organization received a single premium whole life insurance policy from a donor. Under the terms of the insurance, the Organization receives the cash surrender value if the policy is terminated, and, upon death of the insured, receives a guaranteed death benefit. The cash surrender value of the life insurance as of June 30, 2013 and 2012 is $15,364 and $14,628, respectively, and is included in other assets in the accompanying statement of financial position.

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the Years Ended June 30, 2013 and 2012

On December 21, 2012, the Organization entered into a $990,000 revenue note agreement with Yellowstone County, Montana. The terms of the note agreement were payoff of a bridge loan to Wells Fargo Bank of $975,000 and $15,000 in origination and closing fees. These fees were capitalized immediately and will be amortized over the 20 year life of the loan. The Organization incurred amortization expense of $375 and $0 during the years ended June 30, 2013 and 2012, respectively.

Note F. Accrued Vacation Payable

Employees of the Organization are entitled to paid vacation, depending on length of service and other factors. Accrued but unused vacation leave in the amounts of $21,023 and $24,411 are included in accounts payable and accrued expenses on the statement of financial position at June 30, 2013 and 2012, respectively.

Note G. Agency Funds

The Organization acts as an agent for various organizations or projects where funds are to be disbursed only for the benefit of, and upon the instructions of those organizations or projects.

The Agency funds consist of cash and cash equivalents and pledges receivable for the following as of June 30:

	2013	2012
United Way Campaign, Donor Designations	68,921	98,620
Combined Federal Campaign	153,465	162,404
	222,386	261,024

Note H. Notes Payable

On June 15, 2012, the Organization entered into a $975,000 bridge loan with Wells Fargo Bank in order to finance the purchase of a new building. The terms of the loan are interest-only payments commencing on July 15, 2012 based on a floating interest rate. The interest rate is based on the greater of a floating rate equal to the index plus 0%, or a floor rate of 4.00%. The loan matured December 15, 2012 and the required balloon payment of $975,000 plus any accrued interest was made timely.

On December 21, 2012, the Organization entered into a $990,000 revenue note agreement with Yellowstone County, Montana to provide long-term financing for the purchase of the building. On the same date Yellowstone County assigned the revenue note to Wells Fargo Bank. The terms of the note call for monthly payments of $5,768 commencing on January 15, 2013 with a fixed interest rate of 3.50%. The loan matures December 15, 2032 and is secured by the building.

NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the Years Ended June 30, 2013 and 2012

The following is a schedule of future principal payments:

2014	35,282
2015	36,554
2016	37,786
2017	39,235
2018	40,651
Thereafter	783,341
Total	972,849

Note I. Capital Lease

During the year ended June 30, 2012, the Organization acquired equipment under the provision of a long-term lease. For financial reporting purposes, minimum lease payments relating to the equipment have been capitalized and are included in equipment on the balance sheet. The leased equipment under the capital lease has a cost of $13,500. The following is a schedule of future minimum lease payments;

2014	2,700
2015	2,700
2016	2,700
	8,100

Note J. Operating Lease

In May 2010, the Organization renewed the lease for office space under a long-term operating lease, which expired May 31, 2013. Generally, the Organization was required to pay minor repair, janitorial and utility costs. Rental expense was $31,658 and $34,536 for the years ended June 30, 2013 and 2012, respectively. The lease was not renewed.

Note K. Net Assets

1. **Unrestricted:**

The Board of Directors designated certain funds for special purposes.

a. Board Designated Endowment is the principal of non-restricted gifts in the form of cash, bequests or stock.
b. Board Designated HRDC is funds to be used as matching contributions for the Human Resource Development Council’s federally funded Assets for Independence Demonstration Program. The match consists of five annual payments of $5,000.

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the Years Ended June 30, 2013 and 2012

c. Board Designated General is funds to be used to stabilize program funding during periods of below normal campaigns, for special purpose programs grants, for special purpose UWYC programs and activities, and to support the administrative activities of the Organization.
d. Board Designated Building Fund is income generated from the leasing of office space in the United Way building. The income will be used to pay for future building maintenance costs.
e. Board Designated Out of School was the net income from the CARE Academy program for the fiscal year 2010 to be used for after school programs.
f. Amounts for the following purposes have been designated as of June 30:

Unrestricted:

	2013	2012
Board designated endowment	178,511	171,009
Board designated HRDC	15,000	20,000
Board designated general	569,565	569,565
Board designated building fund	50,019	6,600
Board designated out of school	19,730	36,475
	832,825	803,649
Undesignated	1,679,816	1,653,868
	2,512,641	2,457,517

2. Permanently Restricted:

Permanently Restricted:

	2013	2012
Permanently restricted assets consist of endowment fund investments to be held indefinitely, the income from which is expendable for unrestricted purposes.	351,569	319,069

Note L. Pension Plan

The Organization has a 403(b) Plan covering all full-time and part-time employees who have performed services for the Organization in at least one year of the immediately preceding five years and does not include employees whose total compensation during the year is less than the amount specified in the Internal Revenue Code. The Organization contributes an amount equal to 5% of the annual compensation plus matches up to 5% of annual compensation of the employees who are members of the plan. Organization contributions to the plan total $55,746 and $45,204, for the years ended June 30, 2013 and 2012, respectively.

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

NOTES TO FINANCIAL STATEMENTS – CONTINUED
For the Years Ended June 30, 2013 and 2012

Note M. Unrelated Business Income

On June 15, 2011, United Way of Yellowstone County closed on a sale and leaseback agreement for an office building that was occupied by the former owners. Since the rents and expenses are unrelated to their tax-exempt purposes and the building is being financed by long term debt, they are subject to Unrelated Business Income Tax. The revenues and expenses for the rental of the office building during the year ended June 30, 2013 are as follows:

Office Rent per financial statements	105,129
Basis adjustment per Federal Form 990-T	95.26%
Rental income per Federal Form 990-T	100,146
Expenses	
Administrative wages	1,466
Depreciation	26,556
Interest	37,818
Maintenance	14,521
Insurance	3,525
Expenses per financial statements	83,886
Basis adjustment per Federal Form 990-T	95.26%
Expenses per Federal Form 990-T	79,910
Net Unrelated Business Income	20,236

Note N. Reclassification

Certain items on the June 30, 2012 financial statements have been reclassified for comparative purposes to conform to their June 30, 2013 presentation. These reclassifications have no effect on the financial position, results of operations or cash flows of the Organization.

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