



BERBERICH TRAHAN & CO., P.A.

*Certified Public Accountants*

# UNITED WAY OF GREATER TOPEKA, INC.

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FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2012

UNITED WAY OF GREATER TOPEKA, INC.

FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

Year Ended December 31, 2012

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BERBERICH TRAHAN & CO., P.A.  
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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
United Way of Greater Topeka, Inc.:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of United Way of Greater Topeka, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, cash flows and other functional expenses for the year 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.

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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 the Organization as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as outlined in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

## **Report on Summarized Comparative Information**

We have previously audited the Organization's December 31, 2011 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 16, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Berberich Trahan & Co., P.A.*

July 17, 2013  
Topeka, Kansas

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UNITED WAY OF GREATER TOPEKA, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2012

With Summarized Financial Information as of December 31, 2011

	<u>2012</u>	<u>2011</u>
<u>ASSETS</u>		
Current assets:		
Cash on hand and in banks	\$ 1,343,076	\$ 512,998
Operating investments	500,872	498,831
Pledges receivable:		
2012-2013 campaign, less allowance of \$ 233,016	2,285,925	-
2011-2012 campaign, less allowance of \$ 366,987 and \$ 202,947 in 2012 and 2011, respectively	347,268	2,553,617
2010-2011 campaign, less allowance of \$ 361,419 in 2011	-	297,091
Interest and other receivables	18,934	942
Grants receivable	153,348	305,227
Prepaid expenses	31,060	18,915
	<u>4,680,483</u>	<u>4,187,621</u>
Total current assets		
Furniture and equipment, net of accumulated depreciation of \$ 352,014 and \$ 332,881 in 2012 and 2011, respectively	38,975	30,404
Long-term investments	2,399,380	2,250,448
	<u>7,118,838</u>	<u>6,468,473</u>
Total assets		

See accompanying notes to financial statements.

	<u>2012</u>	<u>2011</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 222,377	\$ 177,645
Grants payable	-	109,558
Accrued expenses	64,996	59,798
Due to participating agencies and other communities	744,396	617,489
Deferred revenue	30,220	95,828
	<u>1,061,989</u>	<u>1,060,318</u>
Net assets:		
Unrestricted:		
Undesignated	1,310,905	251,365
Board designated	1,886,492	2,119,703
	<u>3,197,397</u>	<u>2,371,068</u>
Restricted:		
Temporarily restricted	2,643,498	2,821,133
Permanently restricted	215,954	215,954
	<u>6,056,849</u>	<u>5,408,155</u>
Total net assets	<u>6,056,849</u>	<u>5,408,155</u>
Total liabilities and net assets	<u>\$ 7,118,838</u>	<u>\$ 6,468,473</u>

UNITED WAY OF GREATER TOPEKA, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2012

With Summarized Financial Information for the Year Ended December 31, 2011

	2012				2011 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Revenues, gains and other support:					
Campaign applicable to current period:					
Contributions received - current period	\$ 1,637,724	\$ -	\$ -	\$ 1,637,724	\$ 1,475,460
Contributions received in prior periods released from restriction	3,418,286	(3,418,286)	-	-	-
Gross campaign applicable to current period	5,056,010	(3,418,286)	-	1,637,724	1,475,460
Less: donor designations - United Way campaign	(669,545)	556,629	-	(112,916)	(6,487)
Less: unfulfilled donor restrictions	-	14,948	-	14,948	-
Less: allowance for uncollectible pledges	(415,140)	202,947	-	(212,193)	(34,882)
Net campaign applicable to current period	3,971,325	(2,643,762)	-	1,327,563	1,434,091
Gross campaign revenue received for next allocation period	-	3,196,960	-	3,196,960	3,418,286
Less: donor designation - United Way campaign	-	(577,751)	-	(577,751)	(556,629)
Less: allowance for uncollectible pledges	-	(233,016)	-	(233,016)	(202,947)
Net campaign for next allocation period	-	2,386,193	-	2,386,193	2,658,710
Total campaign	3,971,325	(257,569)	-	3,713,756	4,092,801
Private and public grants	1,540,914	-	-	1,540,914	1,804,519
Special grants and contributions	-	102,254	-	102,254	40,175
Memorial and trust income	2,300	-	-	2,300	2,341
Net investment income (loss)	140,554	10,490	-	151,044	(55,623)
In-kind contributions	35,850	-	-	35,850	85,782
Volunteer Center programs	-	69,329	-	69,329	70,359
Other	55,193	-	-	55,193	72,527
Net assets released from restriction	102,139	(102,139)	-	-	-
Total revenues, gains and other support	5,848,275	(177,635)	-	5,670,640	6,112,881
Allocations and other functional expenses:					
Funds allocated and distributed to participating programs and agencies	-	-	-	-	2,925,076
Community impact	1,781,947	-	-	1,781,947	85,885
Donated materials and services - public relations for resource development	35,850	-	-	35,850	85,782
Other functional expenses	3,204,149	-	-	3,204,149	3,271,374
Total expenses	5,021,946	-	-	5,021,946	6,368,117
Change in net assets	826,329	(177,635)	-	648,694	(255,236)
Net assets, beginning of year	2,371,068	2,821,133	215,954	5,408,155	5,663,391
Net assets, end of year	\$ 3,197,397	\$ 2,643,498	\$ 215,954	\$ 6,056,849	\$ 5,408,155

See accompanying notes to financial statements.



UNITED WAY OF GREATER TOPEKA, INC.

STATEMENT OF CASH FLOWS

Year Ended December 31, 2012

With Summarized Financial Information for the Year Ended December 31, 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 648,694	\$ (255,236)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	19,133	16,804
Unrealized loss (gain) on investments	(120,858)	57,292
Realized loss (gain) on investments	(15,147)	2,082
Change in assets and liabilities:		
Pledges receivable for other than long-term purposes	217,515	340,686
Interest and other receivables	(17,992)	14,287
Grants receivable	151,879	(81,304)
Prepaid expenses	(12,145)	18
Accounts payable	44,732	141,212
Grants payable	(109,558)	(268,341)
Accrued expenses	5,198	5,194
Due to participating agencies and other communities	126,907	(388,564)
Deferred revenue	(65,608)	(44,754)
Net cash provided by (used in) operating activities	<u>872,750</u>	<u>(460,624)</u>
Cash flows from investing activities:		
Purchases of operating investments	(2,503)	(13,517)
Purchases of long-term investments	(12,927)	(20,151)
Proceeds from maturity of operating investments	462	101,069
Purchases of furniture and equipment	(27,704)	(26,868)
Net cash provided by (used in) investing activities	<u>(42,672)</u>	<u>40,533</u>
Cash flows from financing activities:		
Collections of contributions restricted for long-term purposes	-	11,500
Net increase (decrease) in cash	830,078	(408,591)
Cash on hand and in banks, beginning of year	<u>512,998</u>	<u>921,589</u>
Cash on hand and in banks, end of year	<u>\$ 1,343,076</u>	<u>\$ 512,998</u>

See accompanying notes to financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

STATEMENT OF OTHER FUNCTIONAL EXPENSES

Year Ended December 31, 2012

With Summarized Financial Information for the Year Ended December 31, 2011

	Support Services	
	Management and General	Resource Development
1 Salaries	\$ 213,513	\$ 140,555
2 Payroll taxes	17,166	12,306
3 Employee benefits and retirement	34,065	24,420
4 Office rent	31,579	22,638
5 Campaign expenses	-	60,615
6 Public relations	2,662	5,485
7 Professional fees	50,940	-
8 Insurance	2,442	1,751
9 Data processing and computer maintenance	7,253	5,200
10 Office supplies	8,710	6,244
11 Program supplies	-	-
12 Telephone	2,600	1,864
13 Postage and shipping	3,459	2,480
14 Local transportation	1,968	5,032
15 Conferences and travel	13,317	5,592
16 Meetings	13,295	846
17 Subscriptions and reference publications	169	-
18 Local dues	2,980	-
19 Volunteer recognition	-	27
20 National dues	50,628	-
21 Sales tax	606	434
Payments to other organizations:		
22 Grants	30,197	-
23 Disaster relief fund	-	-
Payments to individuals:		
24 Christmas Bureau	-	-
25 Women United	-	-
26 New Parent Education	-	-
27 YLS	-	11,104
28 WU Student Allocation	-	-
29 Miscellaneous	1,062	457
Total expenses before depreciation	488,611	307,050
Depreciation of furniture and equipment	4,981	3,571
Total expenses - 2012	<u>\$ 493,592</u>	<u>\$ 310,621</u>
Total expenses - 2011	<u>\$ 424,277</u>	<u>\$ 380,662</u>

See accompanying notes to financial statements.

Community Services and Programs

Community Investment	Community Initiatives	Community Services	2012	2011	
\$ 23,529	\$ 271,614	\$ 100,309	\$ 749,520	\$ 685,557	1
2,025	25,150	9,288	65,935	60,594	2
4,019	49,907	18,431	130,842	122,747	3
3,726	46,266	17,086	121,295	106,823	4
-	-	-	60,615	89,620	5
-	-	-	8,147	-	6
-	-	-	50,940	38,427	7
288	3,578	1,322	9,381	11,109	8
856	10,627	3,925	27,861	15,568	9
1,028	12,761	4,713	33,456	29,418	10
-	-	353	353	-	11
307	3,809	1,407	9,987	12,835	12
408	5,068	1,872	13,287	14,874	13
1,798	-	2,661	11,459	12,103	14
8,585	247	1,093	28,834	23,096	15
5,034	-	480	19,655	15,428	16
-	-	-	169	1,188	17
270	-	600	3,850	3,539	18
-	-	15,795	15,822	2,489	19
-	-	-	50,628	54,234	20
71	887	328	2,326	1,630	21
1,567,446	-	17,115	1,614,758	1,836,004	22
-	34,086	-	34,086	26,044	23
-	-	55,967	55,967	49,529	24
-	-	5,614	5,614	7,625	25
-	45,697	-	45,697	15,000	26
-	-	-	11,104	4,611	27
-	-	-	-	6,000	28
140	856	913	3,428	8,478	29
1,619,530	510,553	259,272	3,185,016	3,254,570	
588	7,298	2,695	19,133	16,804	
<u>\$ 1,620,118</u>	<u>\$ 517,851</u>	<u>\$ 261,967</u>	<u>\$ 3,204,149</u>		
<u>\$ 1,857,618</u>	<u>\$ 314,627</u>	<u>\$ 294,190</u>		<u>\$ 3,271,374</u>	

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2012

1 - Organization and Summary of Significant Accounting Policies

Organization

United Way of Greater Topeka, Inc. (the Organization) was organized to unite diverse elements in an area-wide effort to plan, support, deliver and monitor effective human service agencies. The Organization is funded by contributions from individuals and businesses in Topeka and surrounding communities.

Cash on Hand and in Banks

Cash on hand and in banks consists of cash and investments with original maturities of less than three months and which have not been designated by management as operating investments (see Note 2).

The Organization maintains deposits in banks. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$ 250,000 per bank. The Organization's deposits may have exceeded the FDIC insurance limits during the year ended December 31, 2012.

Investments

Operating investments, which include savings accounts, money market deposit accounts and nonnegotiable certificates of deposit, are recorded at cost since they are not affected by market rate changes.

The Organization invests in mutual funds at G-Trust, which are reported at fair value, and pooled funds at the Topeka Community Foundation (the Foundation). The pooled shares at the Foundation are recorded at fair value, as reported by the Foundation, which may be based upon quoted market prices or at an estimated fair value using other valuation methods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Pledges Receivable

Pledges receivable represent legally enforceable pledges which are recorded at their net realizable value in the year made. The allowance for uncollectable pledges estimated at 7.45% and 5.9% for the years ended December 31, 2012 and 2011, respectively, is based on an analysis of historical trends, current levels of campaign revenue and other factors.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Pledges Receivable (Continued)

Pledges for each campaign year are expected to be collected within one year. Pledges not collected by March 31 of the following year are deemed uncollectible.

Furniture and Equipment

Furniture and equipment are carried at cost. Furniture and equipment with a cost of more than \$ 500 and an estimated useful life of more than one year are capitalized. Donated furniture and equipment are recorded at fair value at the date of donation. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, generally three to five years. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in income for the period. The cost of maintenance and repairs is charged to expense as incurred; significant renewals and betterments are capitalized.

Donor Imposed Restrictions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted support that increases that net asset class. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restriction. If a restriction is fulfilled in the same time period in which the contribution is received, the contribution is reported as unrestricted. Contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization are recorded as permanently restricted net assets.

In accordance with ASC 958-605, Not-For-Profit Revenue Recognition, contributions designated to specific recipient organizations are reflected as a reduction to campaign contributions and recorded as a liability.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Temporarily Restricted Net Assets

At December 31, 2012, temporarily restricted net assets consisted of amounts time-restricted by donors or law or restricted by donors for a specific purpose. The net assets released from restriction were contributions received in prior periods for which the time or purpose restriction was satisfied. Temporarily restricted net assets are included in pledges receivable, cash on hand and in banks, operating investments and long-term investments on the statement of financial position.

Donated Materials, Facilities and Services

Donated materials, facilities and services, such as advertising and professional services, have been recognized at fair value in the financial statements in the amounts of \$ 35,850 and \$ 85,782 for the years ended December 31, 2012 and 2011, respectively.

A substantial number of volunteers have donated significant amounts of their time on the Organization's fund raising campaign and other activities. No amounts have been reflected in the statements for such services.

Functional Expense Allocation

Certain expenses have been allocated between program and support services based on the amount of time employees spend on each function.

Income Taxes

The Organization is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code, is exempt from federal income taxes pursuant to Section 501(a) of the Code and has been classified as other than a private foundation by the Internal Revenue Service.

The Organization's policy is to evaluate uncertain tax positions annually. Management evaluated the Organization's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

1 - Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes (Continued)

Forms 990 and 990T filed by the Organization are subject to examination by the Internal Revenue Service (IRS) up to three years from the extended due date of each return. Forms 990 and 990T filed by the Organization are no longer subject to examination for the fiscal years ended December 31, 2008 and prior.

Risks and Uncertainties

The Organization maintains a significant portion of its total assets in a combination of stocks, bonds, fixed income securities, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the statement of financial position.

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

Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2011 from which the summarized information was derived.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

2 - Investments

Operating investments were as follows at December 31:

	<u>2012</u>	<u>2011</u>
Savings and money market deposit accounts:		
Community National Bank	\$ 102,996	\$ 102,623
Intrust Bank	9,541	9,507
Capitol Federal Savings	<u>133,362</u>	<u>132,919</u>
	<u>245,899</u>	<u>245,049</u>
Certificates of deposit:		
Silver Lake Bank	102,859	102,570
Alliance Bank	<u>152,114</u>	<u>151,212</u>
	<u>254,973</u>	<u>253,782</u>
	<u>\$ 500,872</u>	<u>\$ 498,831</u>

Long-term investments held at G-Trust, consisted of the following at December 31:

	<u>2012</u>		<u>2011</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Mutual funds	<u>\$ 857,224</u>	<u>\$ 913,298</u>	<u>\$ 820,516</u>	<u>\$ 827,151</u>

Other long-term investments, which are held in trust at the Foundation in the amount of \$ 1,486,082 and \$ 1,423,297 at December 31, 2012 and 2011, respectively, are pooled with other funds at the Foundation.



UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

2 - Investments (Continued)

Amounts included in investment income (loss) for the years ended December 31 were:

	<u>2012</u>	<u>2011</u>
Operating investments:		
Dividends and interest	\$ 2,696	\$ 3,037
Investment fees	<u>(581)</u>	<u>(7,759)</u>
	<u>2,115</u>	<u>(4,722)</u>
Long-term investments:		
Dividends, interest and capital gains	28,113	23,591
Unrealized gain (loss)	120,858	(57,292)
Realized gain (loss)	15,147	(2,082)
Investment fees	<u>(15,189)</u>	<u>(15,118)</u>
	<u>148,929</u>	<u>(50,901)</u>
	<u>\$ 151,044</u>	<u>\$ (55,623)</u>

3 - Fair Value Measurements

The disclosure provisions of the Fair Value Measurements and Disclosures Topic of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 820) establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - Fair Value Measurements (Continued)

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 under FASB ASC 820 are described below:

- |         |  |
|---------|--|
| Level 1 | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;                              |
| Level 2 | Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly; |
| Level 3 | Prices or valuations that require inputs that are both significant to fair value measurement and unobservable.   |

The asset 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.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2012 and 2011.

*Mutual funds:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Pooled Funds:* The fair value is based on quoted market prices or at estimated fair value as reported by the fund manager. The fair value of the Organization's position is the same as the pool value of the shares as reported by the fund manager. The Foundation invests in various other investments that are classified as Level 3 investments based on the significant unobservable inputs. These investments include private equity funds, fixed income and other alternative investments. The fair values of these investments have been estimated using the net asset value per share of the investments as provided by the audited financial statements provided by the managers of the investment funds. Some investments have redemption restrictions which may limit the liquidity of the investment portfolio.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - Fair Value Measurements (Continued)

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although 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.

In estimating fair value of the investments in Level 3, management monitors the Foundation's investment activity by analyzing the Foundation's investment statements and attending the Foundation's annual meeting. The Foundation's valuation policies and procedures are determined reasonable by management of the Organization on a quarterly basis. These valuation procedures are to allocate the Foundation's portion of earnings based on its pro rata ownership percentage in the pool. The valuation of earnings in the pool is based on the earnings of the pooled assets, which are tracked to price indices.

The Organization reconciles investment accounts on a quarterly basis. The Organization's Board of Directors monitors the financial reports, which provides detailed information for the Foundation.

Fair values of assets measured on a recurring basis at December 31, 2012 are as follows:

Description	Fair Value	Fair Value Measurements at December 31, 2012		
		Level 1	Level 2	Level 3
Mutual Funds:				
Growth funds	\$ 63,686	\$ 63,686	\$ -	\$ -
Index funds	256,429	256,429	-	-
Value funds	53,544	53,544	-	-
Fixed income funds	351,727	351,727	-	-
International funds	56,885	56,885	-	-
Specialty funds	41,273	41,273	-	-
Market neutral	31,932	31,932	-	-
Money market funds	57,822	57,822	-	-
Pooled funds	1,486,082	-	-	1,486,082
Total	\$ 2,399,380	\$ 913,298	\$ -	\$ 1,486,082

There were no transfers between the levels during the year. The Organization's policy is to only recognize transfers in and out of the levels at the end of the fiscal year; interim changes in the fair value inputs are not recognized.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - Fair Value Measurements (Continued)

Fair values of assets measured on a recurring basis at December 31, 2011 are as follows:

Description	Fair Value	Fair Value Measurements at December 31, 2011		
		Level 1	Level 2	Level 3
Mutual Funds:				
Growth funds	\$ 20,148	\$ 20,148	\$ -	\$ -
Index funds	292,628	292,628	-	-
Value funds	37,204	37,204	-	-
Fixed income funds	329,338	329,338	-	-
International funds	44,985	44,985	-	-
Specialty funds	36,310	36,310	-	-
Market neutral	64,792	64,792	-	-
Money market funds	1,746	1,746	-	-
Pooled funds	1,423,297	-	-	1,423,297
Total	\$ 2,250,448	\$ 827,151	\$ -	\$ 1,423,297

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

3 - Fair Value Measurements (Continued)

The following table presents a reconciliation of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 assets).

	<u>Pooled Funds</u>
Balance, January 1, 2011	\$1,451,451
Unrealized and realized gains (losses)	(33,097)
Purchases	13,669
Investment fees	<u>(8,726)</u>
Balance, December 31, 2011	1,423,297
Unrealized and realized gains (losses)	71,419
Purchases	-
Investment fees	<u>(8,634)</u>
Balance, December 31, 2012	<u><u>\$1,486,082</u></u>

4 - Bank Line of Credit

The Organization has a line of credit with a bank in the amount of \$ 200,000. No amounts have been drawn against the line during the years ended December 31, 2012 and 2011. The line of credit carries a variable interest rate based on the prime rate but with a minimum rate of 5.00%. The interest rate was 5.00% at December 31, 2012 and 2011 and the line of credit expires on October 1, 2013.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

5 - Leases

The Organization leases office space, storage space and equipment under agreements which are classified as operating leases. A five year lease for office space had monthly lease payments of \$ 5,916 and additional charges for operating expenses of the building. The monthly lease payments increased \$ 740 each subsequent year through December 31, 2012. The office space lease was renewed in December 2012 for a five-year term expiring December 31, 2017. Monthly lease payments are \$ 9,375 for the new lease. Annual net lease expense for the office space including operating expenses for the years ended December 31, 2012 and 2011 was \$ 121,295 and \$ 106,823, respectively. Future minimum lease payments are as follows:

<u>Year Ended</u> <u>December 31</u>	
2013	\$ 112,500
2014	112,500
2015	112,500
2016	112,500
2017	<u>112,500</u>
Total	<u>\$ 562,500</u>

6 - Endowment

The Organization's endowment consists of donor restricted endowment funds and the earnings on those funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

6 - Endowment (Continued)

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) 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 fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a 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 effect 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 endowment net assets composition at December 31, 2012 was:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds	\$ -	\$ 57,590	\$ 215,954	\$ 273,544

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

6 - Endowment (Continued)

Changes in endowment net assets for the year ended December 31, 2012 were:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 47,100	\$ 215,954	\$ 263,054
Investment return:				
Net appreciation (realized and unrealized)	-	10,490	-	10,490
Contributions	-	-	-	-
Appropriations of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 57,590</u>	<u>\$ 215,954</u>	<u>\$ 273,544</u>

The endowment net assets composition at December 31, 2011 was:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment funds	<u>\$ -</u>	<u>\$ 47,100</u>	<u>\$ 215,954</u>	<u>\$ 263,054</u>



UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

6 - Endowment (Continued)

Changes in endowment net assets for the year ended December 31, 2011 were:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 55,787	\$ 215,954	\$ 271,741
Investment return:				
Net depreciation (realized and unrealized)	-	(8,687)	-	(8,687)
Contributions	-	-	-	-
Appropriations of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 47,100</u>	<u>\$ 215,954</u>	<u>\$ 263,054</u>

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations after the investment of permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors. There were no such deficiencies as of December 31, 2012 and 2011.

The Organization's endowment assets are invested at the Foundation; therefore the Organization uses the Foundation's growth portfolio investment policy for investment of its endowment assets. This investment policy is designed to provide for the preservation of capital and for the preservation of purchasing power of the endowment assets by striving for long-term returns that either match or exceed the Foundation's spending policy, the rate of inflation and investment fees. Endowment assets include those assets of donor-designated funds that the Organization should hold in perpetuity. Under the Foundation's investment policy, the long-term investment objective is to earn a rate of return, net of all fees, in excess of a 80% S&P 500 Index/20% Barclays Aggregate Government/Corporate Bond Index benchmark over rolling five- and ten-year periods.

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

6 - Endowment (Continued)

The Organization's endowment funds are pooled with other funds at the Foundation. Investment gains and losses of the Foundation's investments are then allocated to the Organization by the Foundation in proportion to the Organization's portion of the investment pool. The Organization has not implemented a formal spending policy as of December 31, 2012, as the endowment income is generally being allowed to accumulate. The Organization's informal spending policy is to appropriate for expenditure the endowment earnings on a case-by-case basis in accordance with donor restrictions and/or as approved by the Board of Directors.

7 - Board Designated Net Assets

Net assets in the amount of \$ 1,886,492 and \$ 2,119,703 as of December 31, 2012 and 2011, respectively, are designated by the board of directors to be used for community impact, working capital and other operational needs and contingencies.

8 - Net Asset Restrictions

Temporarily restricted net assets consisted of the following at December 31:

	<u>2012</u>	<u>2011</u>
Time and purpose restrictions - community impact - campaign	\$ 2,401,142	\$ 2,658,710
Time restrictions - endowment earnings	31,637	26,934
Women United	7,752	8,078
Christmas Bureau	57,596	44,234
Young Leaders Society readers	19,192	13,511
Community impact	34,952	29,165
Washburn University Venture Grant program	49,400	39,400
Disaster relief	41,827	1,101
	<u>\$ 2,643,498</u>	<u>\$ 2,821,133</u>

UNITED WAY OF GREATER TOPEKA, INC.

NOTES TO FINANCIAL STATEMENTS  
(Continued)

8 - Net Asset Restrictions (Continued)

The following temporarily restricted net assets were released from restriction for their restricted purposes for the years ended December 31:

	2012	2011
Women United	\$ 5,614	\$ 7,625
Washburn University Venture Grant program	-	6,000
Christmas Bureau	55,967	49,529
YLS Readers	11,104	4,611
Disaster relief	29,454	2,368
	\$ 102,139	\$ 70,133

Permanently restricted net assets in the amount of \$ 215,954, for both December 31, 2012 and 2011, respectively, represent the portion of perpetual endowment funds that is required to be retained permanently either by explicit stipulation or by UPMIFA. Permanently restricted net assets are included in long-term investments on the statement of financial position.

9 - Pension

The Organization has a noncontributory, defined contribution retirement plan which covers all employees at least 21 years of age with one year of service. The Organization contributes eight percent of employees' wages to the plan with immediate vesting of benefits. Pension cost was approximately \$ 49,600 and \$ 52,900 for the years ended December 31, 2012 and 2011, respectively.

10 - Subsequent Events

The Organization has evaluated subsequent events through the date of the independent auditor's report, which is the date that the financial statements are available to be issued.

**SUPPLEMENTARY INFORMATION**

## UNITED WAY OF GREATER TOPEKA, INC.

## COMMUNITY IMPACT

Year Ended December 31, 2012

With Summarized Financial Information for the Year Ended December 31, 2011

	<u>2012</u>	<u>2011</u>
Basic needs grants	\$ 661,389	\$ -
Early education grants	510,469	-
Financial stability grants	122,922	-
On-grade achievement grants	456,428	-
Substance abuse grants	29,004	-
Obesity grants	1,735	-
Kansas Children's Service League	-	16,405
Successful Connections	-	57,900
Midland Care Connections	-	11,580
	<u>\$ 1,781,947</u>	<u>\$ 85,885</u>

See accompanying independent auditor's report.

## UNITED WAY OF GREATER TOPEKA, INC.

## PUBLIC AND PRIVATE GRANT REVENUES

Year Ended December 31, 2012

With Summarized Financial Information for the Year Ended December 31, 2011

	<u>2012</u>	<u>2011</u>
Smart Start	\$ 568,140	\$ 689,831
Building Families Together	-	79,756
Community - Based Child Abuse Prevention Grants	104,958	99,351
Emergency Food and Shelter Program	604	590
Pre - K Pilot Program	501,128	434,920
Underage Drinking Grant	265,484	404,709
Retired and Senior Volunteer Program	49,100	89,154
Birth to Five Grant	-	30
20/30 Grant	5,000	-
Juvenile Justice Authority Grant	-	6,178
Bequests and Other Contributions	42,000	-
Case Management Grant	4,500	-
	<u>\$ 1,540,914</u>	<u>\$ 1,804,519</u>

See accompanying independent auditor's report.

## UNITED WAY OF GREATER TOPEKA, INC.

## OPERATING REVENUE AND EXPENSE

Year Ended December 31, 2012

With Summarized Financial Information for the Year Ended December 31, 2011

	2012		2011	
	Amount	% of Total Revenue	Amount	% of Total Revenue
Gross campaign applicable to current year	\$ 5,056,010		\$ 5,380,686	
Public and private grants	1,540,914		1,804,519	
Memorial and trust income	2,300		2,341	
Operating investment income and other income	159,447		137,938	
<b>Total revenue</b>	<b>6,758,671</b>	<b>100.0 %</b>	<b>7,325,484</b>	<b>100.0 %</b>
Allowance for uncollectible pledges	415,140	6.0	309,753	4.2
Allocations and community services and programs expenses:				
Funds allocated to participating agencies, net	-	0.0	2,925,076	39.9
Community impact	1,781,947	26.4	85,885	1.2
Funds designated to participating agencies	544,285	8.1	619,774	8.5
Funds designated to other communities	125,260	1.9	288,537	3.9
Community services and programs	2,399,936	35.5	2,466,435	33.7
<b>Total allocations and community services and programs expenses</b>	<b>4,851,428</b>	<b>71.9</b>	<b>6,385,707</b>	<b>87.2</b>
Support services expenses:				
Management and general	493,592	7.3	424,277	5.8
Resource development	310,621	4.5	380,662	5.2
<b>Total support services expenses</b>	<b>804,213</b>	<b>11.8</b>	<b>804,939</b>	<b>11.0</b>
<b>Total allowance, allocations, community services, program and support services expenses</b>	<b>6,070,781</b>	<b>89.8</b>	<b>7,500,399</b>	<b>102.4</b>
Net realized and unrealized investment income (loss) on long-term investments	138,439	2.0	(42,214)	(0.6)
<b>Increase (decrease) in unrestricted net assets</b>	<b>\$ 826,329</b>	<b>12.2 %</b>	<b>\$ (217,129)</b>	<b>(3.0) %</b>

During 1996, United Way of America revised a guideline paper that further defined the term "overhead" for consistency within the United Way system and to follow the guidance of the AICPA audit guide for nonprofit organizations. The United Way of Greater Topeka has elected to present the above calculation for information only.