Independent Auditor's Report and
Financial Statements

United Way of Yellowstone County

June 30, 2012 and 2011

TABLE OF CONTENTS

UNITED WAY OF YELLOWSTONE COUNTY
For the Years Ended June 30, 2012 and 2011

Page

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INDEPENDENT AUDITOR'S REPORT

October 22, 2012

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

We have audited the accompanying statements of financial position of United Way of Yellowstone County (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of activities, changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

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

Galusha, Higgins & Galusha, PC

GALUSHA HIGGINS & GALUSHA PC
Billings, Montana

STATEMENTS OF FINANCIAL POSITION
For the Year Ended June 30,

	2012	2011 As restated
ASSETS		
Current Assets:		
Cash and cash equivalents (includes certificates of deposits of $698,645 and $974,399, respectively)	838,222	1,468,434
Receivables:		
Pledges, net of allowance for uncollectible pledges of $42,000 and $42,000, respectively.	509,008	487,552
CARE receivable	28,702	24,070
Grants receivable	37,066	47,729
Investments	1,258,731	1,237,438
Prepaid expenses	6,633	3,840
Total current assets	2,678,362	3,269,063
Property and equipment		
Land	443,873	0
Furniture and equipment	150,164	148,887
Buildings and improvements	1,035,703	0
Less: accumulated depreciation	(119,327)	(104,953)
Net property and equipment	1,510,413	43,934
Other Assets	14,628	14,205
Total assets	4,203,403	3,327,202

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

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

	2012	2011 As restated
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	95,423	85,023
Allocations payable	0	11,667
Deferred revenue	84,570	78,253
Agency funds	261,024	316,579
Current portion of capital lease	2,700	2,700
Total current liabilities	443,717	494,222
Long Term Liabilities		
Capital lease obligations	8,100	10,800
Note payable	975,000	0
Total long term liabilities	983,100	10,800
Total liabilities	1,426,817	505,022
Net Assets		
Unrestricted:		
Board designated	803,649	795,705
Undesignated	1,653,868	1,725,017
Permanently restricted	319,069	301,458
Total net assets	2,776,586	2,822,180
Total liabilities and net assets	4,203,403	3,327,202

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

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

	Unrestricted	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	443,214	0	443,214
Investment income	14,564	0	14,564
Endowment donations	0	17,611	17,611
Other	20,727	0	20,727
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.

STATEMENT OF ACTIVITIES – FOR THE YEAR ENDED JUNE 30, 2011

	Unrestricted As Restated	Permanently Restricted	Total As Restated
Public support and revenue:			
Campaign results:			
Campaign pledges for current year campaign	1,438,201	0	1,438,201
Less - donor designations	(403,920)	0	(403,920)
Total Campaign results	1,034,281	0	1,034,281
Grants	278,499	0	278,499
Administration fees	67,770	0	67,770
CARE Accademy income	413,115	0	413,115
Investment income	244,592	0	244,592
Endowment donations	0	10,762	10,762
Other	116,204	0	116,204
Total public support and revenue	2,154,461	10,762	2,165,223
Expenses:			
Program services:			
Community response	1,535,329	0	1,535,329
Supporting services:			
Fundraising	219,973	0	219,973
Management and general	100,423	0	100,423
Other campaign administration	44,067	0	44,067
Total expenses	1,899,792	0	1,899,792
Change in net assets	254,669	10,762	265,431
Net assets, beginning of year	2,266,053	290,696	2,556,749
Net assets, end of year	2,520,722	301,458	2,822,180

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

STATEMENTS OF CHANGES IN NET ASSETS
For the Years Ended June 30, 2012 and 2011

	Designated								
	Endowment	HRDC	General	Building Fund	Out of School	Undesignated	Total Unrestricted	Permanently Restricted	Total
Net Assets, July 1, 2010	159,611	0	569,565	0	0	1,536,877	2,266,053	290,696	2,556,749
Board transfers, as restated	0	25,000	0	0	36,475	(61,475)	0	0	0
Change in net assets, as restated	5,054	0	0	0	0	249,615	254,669	10,762	265,431
Net Assets, July 1, 2011, as restated	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, June 30, 2012	171,009	20,000	569,565	6,600	36,475	1,653,868	2,457,517	319,069	2,776,586

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	380,965	0	0	0	380,965
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
EFSP expense	19,954	0	0	0	19,954
Early Childhood	25,547	0	0	0	25,547
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
Maintenance	20	8	7	0	35
Meals and entertainment	43	535	0	0	578
Miscellaneous	0	0	237	0	237
Mileage	219	420	42	220	901
Parking	2,807	1,158	1,030	0	4,995
Payroll expenses	383,603	133,208	47,410	19,435	583,656
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 volunteer 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.

STATEMENT OF FUNCTIONAL EXPENSES – FOR THE YEAR ENDED JUNE 30, 2011

	Community Response As Restated	Fundraising	Management & General	Other Campaign Administration	Total As Restated
Allocations	500,000	0	0	0	500,000
Bank service charges	0	2,531	0	0	2,531
Board expense	300	348	1,830	0	2,478
CARE expense	365,251	0	0	0	365,251
Communications	2,436	17,215	406	5,895	25,952
Disaster project	222	0	0	0	222
Drug free grant expense	105,033	0	0	0	105,033
Dues and subscriptions	608	1,710	192	0	2,510
Early childhood	6,704	7	0	0	6,711
EFSP expense	25,465	0	0	0	25,465
Employee benefits	68,951	27,419	15,033	5,815	117,218
Fees	0	197	7,484	0	7,681
Impact building	6,783	0	0	0	6,783
Insurance	299	126	1,117	0	1,542
Investment fees	0	11,201	0	0	11,201
Janitorial	2,072	872	691	0	3,635
Legal and accounting	6,712	2,826	2,237	3,575	15,350
Maintenances	0	0	35	0	35
Meals and entertainment	68	403	14	0	485
Mileage	568	396	84	95	1,143
Miscellaneous	0	0	15	0	15
Parking	2,579	1,086	860	3	4,528
Payroll expenses	342,726	105,894	39,064	19,435	507,119
Postage	1,088	1,929	357	473	3,847
Rent	16,551	6,969	5,517	5,500	34,537
Software and computer maintenance	6,689	3,485	2,330	2,306	14,810
Supplies	47,178	3,031	2,033	195	52,437
Telephone	3,725	1,085	808	154	5,772
Training and development	1,509	1,605	1,107	0	4,221
Uncollectible pledges	0	26,850	0	0	26,850
Utilities	3,696	1,556	1,232	0	6,484
UW of America dues	0	0	16,735	0	16,735
Youth voluteer corps	7,205	0	0	0	7,205
	1,524,418	218,741	99,181	43,446	1,885,786
Depreciation	10,911	1,232	1,242	621	14,006
	1,535,329	219,973	100,423	44,067	1,899,792

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

STATEMENTS OF CASH FLOW
For the Years Ended June 30,

	2012	2011 As Restated
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	(45,594)	265,431
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	14,374	14,006
Realized and unrealized losses (gains) on investments	27,879	(202,215)
Contributions restricted for long-term purposes	(17,611)	(10,762)
Changes in assets and liabilities:		
(Increase) decrease in receivables	(15,425)	444
(Increase) decrease in prepaid expenses	(2,793)	748
(Increase) decrease in other assets	(423)	(546)
Increase (decrease) in accounts payable and accrued expenses	10,400	1,539
Increase (decrease) in allocations payable	(11,667)	11,667
Increase (decrease) in deferred revenue	6,317	6,515
Increase (decrease) in agency funds	(55,555)	15,557
Net cash provided by (used in) operating activities	(90,098)	102,384
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases	(1,480,853)	(18,225)
Purchase of investments	(540,163)	(341,273)
Proceeds from sale of investments	490,991	480,516
Net cash provided by (used in) investing activities	(1,530,025)	121,018
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital lease borrowings	0	12,974
Capital lease repayments	(2,700)	0
Proceeds from note payable	975,000	0
Proceeds from contributions restricted for investment in permanent endowment	17,611	10,762
Net cash provided by financing activities	989,911	23,736
Net increase (decrease) in cash and cash equivalents	(630,212)	247,138
Cash and cash equivalents, beginning of year	1,468,434	1,221,296
Cash and cash equivalents, end of year	838,222	1,468,434
Supplemental Cash Flow Information:		
Cash paid during the year for:		
Interest	0	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, 2012 and 2011

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.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

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, 2012 and 2011 is $10,245 and $8,902, 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.

12. **Advertising:**
Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2012 and 2011 was $6,671 and $5,013, respectively.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

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 and, therefore, no provision for income taxes has been made in these statements. The Organization is subject to examination of their federal income tax filing in the United States for the 2008 through 2011 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, 2012 to determine the need for any adjustments to and/or disclosure within the audited financial statements for the year ended June 30, 2012. Management has performed this analysis through October 22, 2012, the date the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

Note B. Cash and Cash Equivalents

Cash and cash equivalents at June 30 are as follows:

	2012	2011
General Operating Deposits	25,341	95,145
Care Academy Deposits	30,991	60,714
Combined Federal Campaign Deposits	44,021	47,712
Emergency Food and Shelter Fund Deposits	1,200	3,571
Employee Benefit Savings	806	0
General Operating Funds	678	1,149
General Operating Certificates of Deposit	698,645	974,399
Endowment Money Market	36,540	285,744
	838,222	1,468,434

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 $42,000 and $42,000 at June 30, 2012 and 2011, respectively.

Note D. Fair Value of Financial Instruments

The Organization's financial instruments are cash and cash equivalents, contributions receivable, grants receivable, investments, accounts payable, accrued liabilities, notes and leases payable. The recorded values of cash equivalents, contributions receivable, grants receivable, investments, accounts payable, and accrued liabilities approximate their fair values based on their short-term nature. The fair value of notes and lease payable approximate their fair values as current interest rates approximate market rates.

Note E. 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.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

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

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, 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

June 30, 2011	Level 1	Level 2	Level 3	Total
Fixed income securities	365,837	0	0	365,837
Equity securities	663,129	0	0	663,129
Complementary strategies	79,232	0	0	79,232
Real asset securities	129,240	0	0	129,240
Total	1,237,438	0	0	1,237,438

Investment income (loss) as of June 30, 2012 and 2011 is summarized as follows:

	2012	2011
Unrestricted:		
Interest income on cash and cash equivalents	4,536	6,082
Investment interest and dividends	37,907	36,295
Net realized and unrealized gains (losses)	(27,879)	202,215
	14,564	244,592

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

Note F. 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, 2012 and 2011 is $14,628 and $14,205, respectively, and is included in other assets in the accompanying statement of financial position.

Note G. 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 $24,411 and $18,936 are included in accounts payable and accrued expenses on the statement of financial position at June 30, 2012 and 2011, respectively.

Note H. 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:

	2012	2011
United Way Campaign, Donor Designations	98,620	150,825
Combined Federal Campaign	162,404	165,754
	261,024	316,579

Note I. 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 matures December 15, 2012 and requires a balloon payment of $975,000 plus any accrued interest. As of the date of the audit report, the Yellowstone County Commissioners have approved a bond issuance to refinance the debt obligation. In accordance with FASB ASC 470-10-45-13 and 45-14, the note has been shown as a long term liability on the Statement of Financial Position.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

Note J. Capital Lease

During the year ended June 30, 2011, 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;

2013	2,700
2014	2,700
2015	2,700
2016	2,700
	10,800

Note K. Operating Lease

In May 2010, the Organization renewed the lease for office space under a long-term operating lease, which expires May 31, 2013. Generally, the Organization is required to pay minor repair, janitorial and utility costs. Rental expense was $34,537 and $34,537 for the years ended June 30, 2012 and 2011, respectively.

Future minimum lease payments will be:

2013	31,658
	31,658

Note L. 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.
c. Board Designate 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.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

Amounts for the following purposes have been designated as of June 30:

Unrestricted:	2012	2011
Board designated endowment	171,009	164,665
Board designated HRDC	20,000	25,000
Board designated general	569,565	569,565
Board designated building fund	6,600	0
Board designated out of school	36,475	36,475
	803,649	795,705
Undesignated	1,653,868	1,725,017
	2,457,517	2,520,722

2. Permanently Restricted:

Permanently Restricted:	2012	2011
Permanently restricted assets consist of endowment fund investments to be held indefinitely, the income from which is expendable for unrestricted purposes.	319,069	301,458

Note M. 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 $45,204 and $39,076, for the years ended June 30, 2012 and 2011, respectively.

Note N. Allocations Payable

United Way of Yellowstone County allocates funds to support qualifying agencies. Receipt of a signed contract from the agency accepting United Way of Yellowstone County's conditions creates the liability. At June 30, 2012 and 2011, no signed agency contracts had been returned to the United Way of Yellowstone County for the coming year. For the years ended June 30, 2012 and 2011, allocations payable were $0 and $11,667, respectively.

Note O. Reclassification

Certain items on the June 30, 2011 financial statements have been reclassified for comparative purposes to conform to their June 30, 2012 presentation. These reclassifications have no effect on the financial position, results of operations or cash flows of the Organization.

NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2012 and 2011

Note P. Prior Period Restatement

A restatement of the statement of financial position of the Organization as of June 30, 2011, and the related statement of activities, change in net assets, functional expenses, and cash flows for the year then ended was required because of an error that led to the Organization recognizing $25,000 in expenses before being incurred. The overall net effect of this decreased accounts payable $25,000, increased Board Designated net assets $25,000, decreased program service expense for Community Response $25,000 and increased net income $25,000, as of June 30, 2011.