

McGladrey & Pullen

Certified Public Accountants

United Way of Pierce County

Financial Report

December 31, 2008

United
Way
of
Pierce
County

**Financial
Report**

December 31
2008

Contents

Independent Auditor's Report	1
 Financial Statements	
Balance Sheets.....	2
Statements of Activities and Changes in Net Assets	3-6
Statements of Cash Flows	7
Statements of Functional Expenses	8-11
Notes to Financial Statements	12-20
 Supplementary Information	
Independent Auditor's Report on the Supplementary Information	21
Distributions to Agency Programs.....	22-25

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report

To the Board of Directors
United Way of Pierce County
Tacoma, Washington

We have audited the accompanying balance sheets of **United Way of Pierce County** as of December 31, 2008 and 2007, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 Pierce County** as of December 31, 2008 and 2007, and 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.

McGladrey & Pullen, LLP

Tacoma, Washington
June 26, 2009

Financial
Statements

Balance Sheets

United Way of Pierce County
December 31, 2008 and 2007

	2008	2007
Assets		
Current Assets		
Cash and cash equivalents	\$ 2,330,800	\$ 1,940,335
Promises receivable, less allowance for uncollectibles	4,037,158	4,767,715
Prepaid expenses	209,633	191,082
Investments	2,215,167	3,085,022
Total current assets	8,792,758	9,984,154
Property, Plant and Equipment, Net of Accumulated Depreciation	4,262,442	4,374,792
Other Assets		
Long-term investments	102,452	102,452
Other	203,688	201,503
Total other assets	306,140	303,955
Total assets	\$13,361,340	\$14,662,901
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 338,068	\$ 205,875
Agency funds payable	878,322	1,114,994
Current portion of grant payable	87,075	72,553
Total current liabilities	1,303,465	1,393,422
Grant Payable	616,057	672,112
Deferred Rent	290,400	316,800
Total liabilities	2,209,922	2,382,334
Unrestricted Net Assets		
Designated	5,030,080	5,263,426
Undesignated	1,314,742	1,715,223
Total unrestricted net assets	6,344,822	6,978,649
Temporarily Restricted Net Assets	4,704,144	5,199,466
Permanently Restricted Net Assets	102,452	102,452
Total net assets	11,151,418	12,280,567
Total liabilities and net assets	\$13,361,340	\$14,662,901

See notes to financial statements.

Statement of Activities and Changes in Net Assets

United Way of Pierce County
Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support				
Gross campaign results (07-08 campaign)	\$5,715,600	\$ 362,125	\$ --	\$ 6,077,725
Release of 07-08 campaign from restriction	4,136,683	(4,136,683)	--	--
Community match - Gates/Russell/Ueland	--	395,011	--	395,011
Less donor designations	(3,836,315)	--	--	(3,836,315)
Less provisions for uncollectible	(329,463)	--	--	(329,463)
Net campaign revenue (07-08 campaign)	5,686,505	(3,379,547)	--	2,306,958
Gross campaign results (08-09 campaign)	--	4,032,919	--	4,032,919
Less donor designations	--	(678,346)	--	(678,346)
Less provisions for uncollectible	--	(107,391)	--	(107,391)
Net campaign revenue (08-09 campaign)	--	3,247,182	--	3,247,182
Collection of prior year campaign over previously estimated uncollectibles	31,109	--	--	31,109
Designations from other United Ways	8,282	--	--	8,282
Other public support	56,088	26,037	--	82,125
Total revenue, gains and other support	5,781,984	(106,328)	--	5,675,656
Other Support				
Event income	35,000	--	--	35,000
Program income	301,976	--	--	301,976
Loaned executive sponsorship	60,700	--	--	60,700
In-kind advertising	272,286	--	--	272,286
Gifts-in-kind donations	1,376,750	--	--	1,376,750
Total other support	2,046,712	--	--	2,046,712
Program Income - Betye Martin Baker Human Service Center	425,982	--	--	425,982
Other Income (Loss)				
Designation fees collected	200,305	--	--	200,305
Unrealized loss on investments	(367,506)	(44,466)	--	(411,972)
Gain on disposal of assets	18,283	--	--	18,283
Investment income	172,527	4,280	--	176,807
Total other income (loss)	23,609	(40,186)	--	(16,577)
Total revenue	8,278,287	(146,514)	--	8,131,773
Net Assets Released from Restrictions	348,808	(348,808)	--	--
Revenue after net assets released	8,627,095	(495,322)	--	8,131,773

(continued)

See notes to financial statements.

Statement of Activities and Changes in Net Assets

(concluded)

United Way of Pierce County
Year Ended December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Community Program Services				
Distributions to community nonprofit organizations	\$7,739,978	\$ --	\$ --	\$ 7,739,978
Less donor designations	(3,836,315)	--	--	(3,836,315)
Net funds distributed	3,903,663	--	--	3,903,663
Community Building and Investment	713,709	--	--	713,709
211	253,377	--	--	253,377
Volunteer Opportunity Center	60,783	--	--	60,783
Youth United and other	111,102	--	--	111,102
Betye Martin Baker Human Service Center	409,417	--	--	409,417
Retired Senior Volunteer Program	182,327	--	--	182,327
Gifts in-kind program	70,059	--	--	70,059
Gifts-in-kind distributed to community nonprofits	1,373,897	--	--	1,373,897
Total community program services	7,078,334	--	--	7,078,334
Supporting Services				
Management and general	634,719	--	--	634,719
Fundraising	817,256	--	--	817,256
Marketing and community education in-kind advertising	638,452	--	--	638,452
Dues for national and state United Way organizations	92,161	--	--	92,161
Total supporting services	2,182,588	--	--	2,182,588
Total expenditures	9,260,922	--	--	9,260,922
Changes in net assets	(633,827)	(495,322)	--	(1,129,149)
Net Assets				
Beginning of year	6,978,649	5,199,466	102,452	12,280,567
End of year	\$6,344,822	\$4,704,144	\$102,452	\$11,151,418

See notes to financial statements.

Statement of Activities and Changes in Net Assets

United Way of Pierce County
Year Ended December 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Other Support				
Gross campaign results (06-07 campaign)	\$ 5,067,733	\$ 55,000	\$ --	\$ 5,122,733
Release of 06-07 campaign from restriction	5,167,872	(5,167,872)	--	--
Community match - Gates/Russell/Ueland	1,000,000	750,000	--	1,750,000
Less donor designations	(3,907,979)	--	--	(3,907,979)
Less provisions for uncollectible	(312,725)	--	--	(312,725)
Net campaign revenue (06-07 campaign)	7,014,901	(4,362,872)	--	2,652,029
Gross campaign results (07-08 campaign)	--	5,142,724	--	5,142,724
Less donor designations	--	(875,409)	--	(875,409)
Less provisions for uncollectible	--	(130,632)	--	(130,632)
Net campaign revenue (07-08 campaign)	--	4,136,683	--	4,136,683
Collection of prior year campaign over previously estimated uncollectibles	74,172	--	--	74,172
Designations from other United Ways	13,948	--	--	13,948
Other public support	54,431	66,320	--	120,751
Total revenue, gains and other support	7,157,452	(159,869)	--	6,997,583
Other Support				
Event income	39,155	--	--	39,155
Program income	343,805	--	--	343,805
Loaned executive sponsorship	70,526	--	--	70,526
In-kind advertising	250,517	--	--	250,517
Gifts-in-kind donations	995,791	--	--	995,791
Total other support	1,699,794	--	--	1,699,794
Program Income - Betye Martin Baker Human Service Center	480,320	--	--	480,320
Other Income (Loss)				
Designation fees collected	254,156	--	--	254,156
Unrealized loss on investments	(19,809)	--	--	(19,809)
Gain on disposal of assets	39,942	--	--	39,942
Investment income	181,432	17,606	--	199,038
Total other income (loss)	455,721	17,606	--	473,327
Total revenue	9,793,287	(142,263)	--	9,651,024
Net Assets Released from Restrictions	520,030	(520,030)	--	--
Revenue after net assets released	10,313,317	(662,293)	--	9,651,024

(continued)

See notes to financial statements.

Statement of Activities and Changes in Net Assets

(concluded)

United Way of Pierce County
Year Ended December 31, 2007

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Community Program Services				
Distributions to community nonprofit organizations	\$ 7,993,619	\$ --	\$ --	\$ 7,993,619
Less donor designations	(3,907,979)	--	--	(3,907,979)
Net funds distributed	4,085,640	--	--	4,085,640
Community Building and Investment	594,418	--	--	594,418
Labor Community Services	85,175	--	--	85,175
211	259,679	--	--	259,679
Volunteer Opportunity Center	83,231	--	--	83,231
Youth United and other	110,627	--	--	110,627
Betye Martin Baker Human Service Center	407,217	--	--	407,217
Retired Senior Volunteer Program	81,975	--	--	81,975
Gifts in-kind program	60,900	--	--	60,900
Gifts-in-kind distributed to community nonprofits	1,002,067	--	--	1,002,067
Total community program services	6,770,929	--	--	6,770,929
Supporting Services				
Management and general	626,338	--	--	626,338
Fundraising	749,725	--	--	749,725
Marketing and community education	611,332	--	--	611,332
Dues for national and state United Way organizations	117,229	--	--	117,229
Total supporting services	2,104,624	--	--	2,104,624
Total expenditures	8,875,553	--	--	8,875,553
Changes in net assets	1,437,764	(662,293)	--	775,471
Net Assets				
Beginning of year	5,540,885	5,861,759	102,452	11,505,096
End of year	\$ 6,978,649	\$5,199,466	\$102,452	\$12,280,567

See notes to financial statements.

Statements of Cash Flows

United Way of Pierce County
Years Ended December 31, 2008 and 2007

	2008	2007
Cash Flows from Operating Activities		
Cash received from contributions and public support	\$6,882,790	\$9,235,392
Cash received from tenants	425,982	453,920
Cash paid to agencies	(4,140,335)	(4,089,626)
Cash paid to employees and related employee benefits	(2,427,659)	(2,191,844)
Cash paid to suppliers	(783,343)	(1,326,326)
Interest income	176,807	199,037
Net cash provided by operating activities	134,242	2,280,553
Cash Flows from Investing Activities		
Purchase of equipment	(118,594)	(130,661)
Proceeds from sale of equipment	--	39,942
Purchase of securities	(679,138)	(1,190,111)
Proceeds from investment sales	1,137,021	--
Net cash provided by (used in) investing activities	339,289	(1,280,830)
Cash Flows from Financing Activities		
Payments on grants payable	(83,066)	(80,551)
Net increase in cash and cash equivalents	390,465	919,172
Cash and Cash Equivalents		
Beginning of year	1,940,335	1,021,163
End of year	\$2,330,880	\$1,940,335
Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities		
Changes in net assets	(\$1,129,149)	\$ 775,471
Reconciling adjustments (non-cash items):		
Depreciation	230,944	231,526
Amortization	10,721	37,227
Deferred rent	(26,400)	(26,400)
Gain on disposal of assets	--	(39,942)
Unrealized (gain) loss on investments	411,972	19,809
Pledge to Boys & Girls Club	41,533	40,275
Changes in assets and liabilities:		
Increase (decrease) in promises receivable	730,557	1,259,517
Increase in prepaid expenses	(18,551)	26,206
Decrease in other assets	(12,906)	(39,310)
Decrease in accounts payable and accrued expenses and agency funds payable	(104,479)	(3,826)
Net cash provided by operating activities	\$ 134,242	\$2,280,553

See notes to financial statements.

Statement of Functional Expenses

United Way of Pierce County
Year Ended December 31, 2008

	<u>Supporting Services</u>				<u>Community Program Services</u>		
	Management and General	Fund-raising	Marketing and Community Education	Dues for National and State United Way Organizations	Total Supporting Services	Distributions to Community Nonprofit Organizations	Community Building and Investment
Salaries	\$357,821	\$561,645	\$190,953	\$ --	\$1,110,419	\$ --	\$439,160
Employee health and retirement benefits	73,471	79,968	32,059	--	185,498	--	64,030
Payroll taxes	25,691	40,965	13,557	--	80,213	--	31,341
Total salaries and related expenses	456,983	682,578	236,569	--	1,376,130	--	534,531
Professional fees and contract services	76,894	3,707	38,124	--	118,725	--	107,582
Supplies	5,923	18,135	3,368	--	27,426	--	4,883
Telephone, fax and Internet	4,984	5,446	4,522	--	14,952	--	5,458
Postage and shipping	1,938	7,469	2,027	--	11,434	--	353
Occupancy	2,571	4,411	1,892	--	8,874	--	3,624
Equipment rental and maintenance	33,967	7,557	3,241	--	44,765	--	19,022
Printing publications and awards	5,483	47,056	41,579	--	94,118	--	2,243
Auto allowances and travel	12,190	14,080	65	--	26,335	--	9,067
Conferences, events and meetings	11,074	9,540	27,891	--	48,505	--	12,163
Dues	4,072	2,051	350	--	6,473	--	1,425
In-kind advertising	--	--	272,286	--	272,286	--	--
Gifts-in-kind to community nonprofit	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--
Miscellaneous	7,307	633	--	--	7,940	--	614
Depreciation and amortization	11,333	14,593	6,538	--	32,464	--	12,744
United Way dues	--	--	--	92,161	92,161	--	--
Distributions to community nonprofit	--	--	--	--	--	3,903,663	--
Total functional expenses	\$634,719	\$817,256	\$638,452	\$92,161	\$2,182,588	\$3,903,663	\$713,709

See notes to financial statements.

211	Volunteer Opportunity Center	Youth United and Other	Betye Martin Baker Human Service Center	Retired Senior Volunteer Program	Gifts-in-Kind Program	Gifts-in-Kind Distributed to Community Nonprofits	Total Community Program Services	Total Expenditures
\$173,074	\$40,497	\$ 69,564	\$ --	\$ 91,328	\$40,912	\$ --	\$ 854,535	\$1,964,954
27,751	6,602	11,995	--	12,071	11,600	--	134,049	319,547
13,755	2,937	5,138	--	6,672	3,101	--	62,944	143,157
214,580	50,036	86,697	--	110,071	55,613	--	1,051,528	2,427,658
2,126	--	--	--	--	--	--	109,708	228,433
2,726	598	4,836	--	685	572	--	14,300	41,726
6,354	642	429	--	1,241	593	--	14,717	29,669
357	977	569	--	1,037	154	--	3,447	14,881
1,733	631	630	225,060	3,089	315	--	235,082	243,956
6,245	4,080	1,381	--	551	540	--	31,819	76,584
7,004	1,663	6,155	--	4,315	70	--	21,450	115,568
5,038	607	2,138	--	44,838	2,156	--	63,844	90,179
2,190	414	6,283	--	12,441	45	--	33,536	82,041
500	50	--	--	803	8,750	--	11,528	18,001
--	--	--	--	--	--	--	--	272,286
--	--	--	--	--	--	1,373,897	1,373,897	1,373,897
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	614	8,554
4,524	1,085	1,984	184,357	3,256	1,251	--	209,201	241,665
--	--	--	--	--	--	--	--	92,161
--	--	--	--	--	--	--	3,903,663	3,903,663
\$253,377	\$60,783	\$111,102	\$409,417	\$182,327	\$70,059	\$1,373,897	\$7,078,334	\$9,260,922

Statement of Functional Expenses

United Way of Pierce County
Year Ended December 31, 2007

	<u>Supporting Services</u>				<u>Community Program Services</u>		
	Management and General	Fund-raising	Marketing and Community Education	Dues for National and State United Way Organizations	Total Supporting Services	Distributions to Community Nonprofit Organizations	Community Building and Investment
Salaries	\$357,588	\$467,662	\$185,565	\$ --	\$1,010,815	\$ --	\$351,421
Employee health and retirement benefits	73,294	64,742	26,042	--	164,078	--	51,660
Payroll taxes	25,163	35,354	12,937	--	73,454	--	24,245
Total salaries and related expenses	456,045	567,758	224,544	--	1,248,347	--	427,326
Professional fees and contract services	76,254	1,069	36,786	--	114,109	--	78,886
Supplies	8,913	19,395	3,175	--	31,483	--	8,606
Telephone, fax and Internet	5,309	5,358	3,790	--	14,457	--	5,145
Postage and shipping	6,245	10,295	2,297	--	18,837	--	1,413
Occupancy	3,488	6,962	2,743	--	13,193	--	4,853
Equipment rental and maintenance	4,330	6,522	2,566	--	13,418	--	18,123
Printing publications and awards	4,946	72,596	42,838	--	120,380	--	22,589
Auto allowances and travel	12,380	13,165	246	--	25,791	--	6,395
Conferences, events and meetings	26,200	28,791	34,494	--	89,485	--	7,355
Dues	4,842	966	--	--	5,808	--	1,729
In-kind advertising	--	--	250,517	--	250,517	--	--
Gifts-in-kind to community nonprofit	--	--	--	--	--	--	--
Interest	--	--	--	--	--	--	--
Miscellaneous	5,118	2,163	269	--	7,550	--	355
Depreciation and amortization	12,268	14,685	7,067	--	34,020	--	11,643
United Way dues	--	--	--	117,229	117,229	--	--
Distributions to community nonprofit	--	--	--	--	--	4,085,640	--
Total functional expenses	\$626,338	\$749,725	\$611,332	\$117,229	\$2,104,624	\$4,085,640	\$594,418

See notes to financial statements.

Labor Com- munity Services	211	Volunteer Oppor- tunity Center	Youth United and Other	Betye Martin Baker Human Service Center	Retired Senior Volunteer Program	Gifts- in-Kind Program	Gifts-in- Kind Distributed to Com- munity Nonprofits	Total Community Program Services	Total Expenditures
\$64,812	\$167,439	\$55,587	\$ 58,074	\$ --	\$41,272	\$36,738	\$ --	\$ 775,343	\$1,786,158
7,548	22,723	6,967	9,909	--	3,441	10,092	--	112,340	276,418
3,873	14,466	3,172	4,424	--	3,039	2,593	--	55,812	129,266
76,233	204,628	65,726	72,407	--	47,752	49,423	--	943,495	2,191,842
--	9,472	--	6,500	--	250	--	--	95,108	209,217
619	9,600	789	11,290	--	4,395	7	--	35,306	66,789
974	8,468	609	347	--	220	619	--	16,382	30,839
67	626	1,076	947	--	895	100	--	5,124	23,961
1,055	1,161	422	422	223,876	5,500	2,854	--	240,143	253,336
988	2,432	4,660	1,001	--	511	--	--	27,715	41,133
452	6,240	4,703	5,775	--	46	--	--	39,805	160,185
1,904	6,602	2,975	3,145	--	15,814	2,279	--	39,114	64,905
1,085	2,627	641	6,626	--	4,392	125	--	22,851	112,336
130	788	--	--	--	50	4,300	--	6,997	12,805
--	--	--	--	--	--	--	--	--	250,517
--	--	--	--	--	--	--	1,002,067	1,002,067	1,002,067
--	--	--	--	--	--	--	--	--	--
--	1,949	--	--	--	544	--	--	2,848	10,398
1,668	5,086	1,630	2,167	183,341	1,606	1,193	--	208,334	242,354
--	--	--	--	--	--	--	--	--	117,229
--	--	--	--	--	--	--	--	4,085,640	4,085,640
\$85,175	\$259,679	\$83,231	\$110,627	\$407,217	\$81,975	\$60,900	\$1,002,067	\$6,770,929	\$8,875,553

Notes to Financial Statements

United Way of Pierce County
December 31, 2008 and 2007

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

United Way (the Organization) is a Washington not-for-profit corporation organized for the purposes of assessing human service needs, developing financial resources from the public and private sectors, and allocating the financial resources to urgent community human service needs in Pierce County, Washington. United Way also offers several direct service programs.

Basis of Accounting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which involves the application of accrual accounting. Consequently, revenue and gains are recognized when earned, and expenses and losses are recognized when incurred.

Net assets, revenue and expenses are classified based on the existence or absence of donor-imposed restrictions. The Organization's net assets and changes therein are classified into the following three categories:

Unrestricted net assets represent expendable funds that are available for support to the Organization's operations. Certain of these amounts have been designated by the board of directors to be utilized for various programs.

Temporarily restricted net assets consist of contributions that have been restricted by the donor for specific purposes or are not available for use until a specific time.

Permanently restricted net assets consist of contributions with donor restrictions that stipulate the resources be maintained permanently, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

Revenue is reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Use of Estimates

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. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(continued)

Notes to Financial Statements

United Way of Pierce County
December 31, 2008 and 2007

Note 1 - Summary of Significant Accounting Policies *(continued)*

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Deposits are insured by the Federal Deposit Insurance Corporation up to \$250,000 through December 31, 2009. Balances periodically exceed this level; however, the Company has not experienced any losses in such accounts. Cash balances exceeding insured limits at December 31, 2008, totaled approximately \$2,000,000.

Promises Receivable

Donors typically pay total promises in installments within a 12-month period. The commencement date of payments will vary among donors; therefore, promises are usually collected within an 18-month cycle (campaign collection cycle). Unconditional promises to give that are expected to be collected within the campaign collection cycle are recorded at their net realizable value. Conditional promises to give are not included as support until such time as the conditions are substantially met and both the timing and the value of the promise are known with reasonable certainty.

All promises receivable are due within one campaign collection cycle. Allowances are provided by campaign year based on amounts estimated to be uncollectible, which are based on past collection experience. The allowance for uncollectibles for the current and prior year campaigns was estimated at \$462,407 and \$470,289 at December 31, 2008 and 2007, respectively.

Fixed Assets

Expenditures for fixed asset additions in excess of \$500 are capitalized at cost; the fair value of donated equipment is similarly capitalized. Depreciation is calculated on the straight-line and accelerated methods based on estimated useful lives of five to 10 years for equipment and 15 to 40 years for building and improvements. Contributed property and equipment are recorded at fair value at the date of donation.

Investments

Investments in equity securities that have readily determinable market values and all investments in debt securities are accounted for and reported at fair value under provisions prescribed in SFAS No. 124.

Interest and other investment income are reported in the period earned as increases in unrestricted net assets unless the use of the assets is limited by donor-imposed restriction, in which case they are reported as increases in temporarily or permanently restricted assets. Gains and losses on investments are reported as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulation or law.

(continued)

Notes to Financial Statements

United Way of Pierce County
December 31, 2008 and 2007

Note 1 - Summary of Significant Accounting Policies *(continued)*

Investments *(concluded)*

The Organization holds investments that are measured at fair value on a recurring basis. Under the requirements of SFAS No. 157, *Fair Value Measurements*, these investments holdings are valued based on quoted prices in active markets and as such are considered Level 1 measurements. The Organization does not hold any Level 2 or 3 priced investments. Fair value of these investments totaled approximately \$2,318,000 at December 31, 2008.

Deferred Rent

During 1994 the Organization entered into an agreement with the State of Washington Department of Social and Health Services (DSHS), whereby the Organization received \$660,000 for use in the building renovation project in return for certain responsibilities, which included providing DSHS a specified amount of space per year at no charge, for a period of 25 years. If for any reason within this period DSHS is deprived of the use of this space, it will be entitled to recover fair and reasonable compensation for the loss. However, DSHS may also release the Organization from this obligation should it decide it is in its best interest to do so.

The Organization has a contract with DSHS and has previously recorded a deferred rent liability of \$660,000, which is being amortized over the 25-year life of the responsibility to provide DSHS with space in the building. As of December 31, 2008 and 2007, the deferred rent liability is \$316,800 and \$343,200, respectively, of which \$26,400 is included in current liabilities for both years.

Unrestricted Net Assets

The Organization's governance has directed that unrestricted net assets be further classified as either designated or undesignated. The Organization's board has designated the following:

	2008	2007
Betye Martin Baker Human Service Center	\$4,296,724	\$4,350,521
Community impact	54,281	129,897
Endowment	506,452	783,008
Equipment	172,623	--
Total	\$5,030,080	\$5,263,426

(continued)

Notes to Financial Statements

United Way of Pierce County
December 31, 2008 and 2007

Note 1 - Summary of Significant Accounting Policies *(continued)*

Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31 are available for the following purposes:

	2008	2007
Campaign results, net	\$3,247,182	\$4,136,683
Education - early learning and youth development	1,206,962	812,783
Housing	250,000	250,000
Total temporarily restricted net assets	\$4,704,144	\$5,199,466

Net assets released from restrictions during the years ended December 31 are as follows:

	2008	2007
Donor restrictions satisfied:		
Net release from prior campaign	\$4,136,683	\$5,167,872
Education - early learning and youth development	298,808	18,432
Donor transfer to unrestricted endowment	50,000	-
Housing	-	501,598
Total net assets released from restrictions	\$4,485,491	\$5,687,902

Support and Revenue

Gifts of cash and other assets are presented as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statements of activities as net assets released from restrictions. Promises recognized in the previous year and released from restriction in the current year were \$4,136,683 and \$5,167,872 in 2008 and 2007, respectively.

The 07-08 campaign, which raised \$9,852,283, included \$1,121,695 of promises from Combined Federal Campaign. In addition, some companies have chosen to have other organizations process their pledges and pay the donor designated agencies directly. While the Organization does not receive the cash from these contributions, it has incurred the costs related to raising these funds. The majority of the designated funds from the 07-08 campaign have been paid out at December 31, 2008. The 08-09 campaign is in progress at December 31, 2008, and includes estimated designations totaling approximately \$678,000. These designations are included in agency funds payable on the accompanying financial statements.

(continued)

Notes to Financial Statements

United Way of Pierce County
December 31, 2008 and 2007

Note 1 - Summary of Significant Accounting Policies *(concluded)*

Payments and Designations

Donors may designate their gifts to specific nonprofit agencies. The nonprofit agencies are required to provide the Organization with documentation of their tax-exempt status. The collection of these contributions and distribution to donor-specified agencies are transactions in which the Organization is acting as an agent. These transactions are not reported on the statements of activities as revenue and expenses but are included in total campaign results. Amounts collected and held at year-end are reported as agency funds payable.

Functional Expenses

Salaries and payroll related costs are allocated to the various supporting and program services of the Organization based on estimates of time incurred for the services by full-time equivalent staff. All other program costs not specifically identified are allocated based on estimates by management. These allocations are reviewed annually and changed as applicable to reflect changes in the activities of the Organization and its personnel.

Federal Income Taxes

The Organization is exempt from federal income taxes under provisions of Internal Revenue Code Section 501(c)(3).

Recent Accounting Pronouncement

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This statement defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. It clarifies that 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 in the market in which the reporting entity transacts. This statement does not require any new fair value measurements but rather provides enhanced guidance to other pronouncements that require or permit assets or liabilities to be measured at fair value. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. Generally, this statement will be applied prospectively. In February 2008, the FASB issued FASB Staff Position No. FAS 157-2, *Effective Date of FASB Statement No. 157* (the FSP), to partially defer SFAS No. 157. The FSP defers the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except those recognized or disclosed at fair value in the financial statements on at least an annual basis, to fiscal years beginning after November 15, 2008. The Organization does not expect that the adoption of this statement will have a material effect on its financial position, results of operations and cash flows. In October 2008, the FASB issued FSP 157-3, *Determining the Fair Value of a Financial Asset When the Market for That Asset is Not Active*, to clarify the application of SFAS No. 157 in an inactive market and how an entity would determine fair value in an inactive market. FSP 157-3 is effective immediately.

Notes to Financial Statements

United Way of Pierce County
December 31, 2008 and 2007

Note 2 - Operating Leases

The Organization has entered into noncancellable operating leases with the building's tenants. Lease terms vary from one year to 10 years, with options to extend up to five years, and maturity dates through 2013. The Organization is responsible for all taxes, repairs and maintenance related directly to the building, costs of which may be passed through to the tenants. Minimum rental receipts under the operating leases for future years ending December 31 are as follows:

2009	\$307,171
2010	225,196
2011	106,960
2012	91,739
2013	90,216
Total	\$821,282

Tenants that have signed lease agreements with the Organization, requiring approximate monthly rental payments as of December 31, 2008, are as follows:

Davita	\$13,645
The Nonprofit Center	1,286
Boys & Girls Club	6,448
DSHS	2,200
Safe Streets	3,041
Violent Crime Victim Services	1,023
Multicare	7,475
Inspired Beginnings Child Care and Preschool	1,500
Total monthly rent	\$36,618

Note 3 - Investments

Investments recorded at December 31 are as follows:

	Historical Cost	Unrealized Gains	Unrealized Losses	Market Value
2008				
U.S. Government obligations and CDs	\$1,500,000	\$ --	\$ --	\$1,500,000
Corporate bonds	198,506	6,436	--	204,942
Mutual funds	995,319	--	(382,642)	612,677
Total investments	\$2,693,825	\$6,436	(\$382,642)	\$2,317,619

(continued)

Notes to Financial Statements

United Way of Pierce County
December 31, 2008 and 2007

Note 3 - Investments *(concluded)*

	Historical Cost	Unrealized Gains	Unrealized Losses	Market Value
2007				
U.S. Government obligations and CDs	\$1,996,156	\$10,078	\$ --	\$2,006,234
Corporate bonds	298,233	4,604	--	302,837
Mutual funds	857,320	34,644	(13,561)	878,403
Total investments	\$3,151,709	\$49,326	(\$13,561)	\$3,187,474

Investments as of December 31 are presented on the balance sheets as follows:

	2008	2007
Current investments	\$2,215,167	\$3,085,022
Long-term investments	102,452	102,452
Total	\$2,317,619	\$3,187,474

Note 4 - Property, Plant and Equipment

Property, plant and equipment consist of the following at December 31:

	2008	2007
Land	\$ 618,300	\$ 618,300
Building	5,767,846	5,676,434
Leasehold improvements	51,342	51,342
Furniture and equipment	553,396	546,317
	6,990,884	6,892,393
Less accumulated depreciation	2,728,442	2,517,601
Property, plant and equipment, net	\$4,262,442	\$4,374,792

Note 5 - Retirement Plan

The Organization sponsors a 403(b) defined contribution plan for its eligible employees. The Organization initially contributes, at a minimum, 2.5 percent of each employee's base salary. Annual matching contributions of up to 20 percent of employee contributions are made at management's discretion. Matching contributions made by the Organization for the years ended December 31, 2008 and 2007, totaled \$114,067 and \$110,833, respectively.

Notes to Financial Statements

United Way of Pierce County
December 31, 2008 and 2007

Note 6 - Contributed Goods and Services

The Organization operates a gifts-in-kind program that accepts donations of products from businesses and individuals. These products are then given by the Organization to other not for profit agencies that can benefit by their use. The Organization received gifts-in-kind for the years ended December 31, 2008 and 2007, totaling \$1,376,750 and \$995,791, respectively.

Employees of local companies participating in the United Way Loaned Executives Program for the year ended December 31, 2008, volunteered 2,800 hours, valued at \$54,628, and for the year ended December 31, 2007, 4,928 hours, valued at \$92,499, based on Independent Sector, a research firm. These volunteers assist the Organization mainly during the annual fund drive in the fall of each year. These services are not recognized in the accompanying financial statements because they do not meet recognition criteria under SFAS No. 116.

A substantial number of other volunteers and corporations have donated their time and services to United Way. No amounts have been reflected in the financial statements for donated services, since no objective basis is available to measure the value of these services.

The Organization receives sponsorships from corporations to fund special events and loaned executive costs. For the years ended December 31, 2008 and 2007, those costs were \$95,700 and \$109,681, respectively. In addition, local media have provided advertising on a pro bono basis totaling \$272,286 and \$250,517 as of December 31, 2008 and 2007, respectively. The costs associated with the special events, loaned executive costs and donated advertising are included on the statements of functional expenses, along with other fundraising and marketing costs, although no donor funds were expended to provide these goods and services as these items were donated.

Note 7 - Major Contributor

The Employees Community Fund of Boeing Puget Sound contributes a substantial amount to the annual campaign. Total pledges of \$973,378 were made to the Organization for the Fall Campaign of 2008. Any substantial reduction in this level of giving could adversely affect the Organization's operations.

Note 8 - Grant Payable

The Organization has made a promise to pay the Boys & Girls Clubs of South Puget Sound \$1 million over 10 years, to be used for the operations of the Hope Centers. The net present value of \$703,132 and \$744,665 has been accrued at December 2008 and 2007, respectively. Minimum payments under the agreement for the next five years ending December 31 and thereafter are as follows:

2009	\$ 87,075
2010	83,312
2011	101,853
2012	114,386
2013	93,229
Thereafter	223,277
Total	\$703,132

Notes to Financial Statements

United Way of Pierce County
December 31, 2008 and 2007

Note 9 - Deferred Compensation Plan

The Organization entered into a deferred compensation agreement with one key employee. The agreement provides for the employee to voluntarily defer certain additional compensation, to which the employee would otherwise be entitled. The Organization contributed \$12,906 and \$12,409 in 2008 and 2007, respectively.

Supplementary
Information

McGladrey & Pullen

Certified Public Accountants

Independent Auditor's Report on the Supplementary Information

To the Board of Directors
United Way of Pierce County
Tacoma, Washington

Our audits were made for the purpose of forming an opinion on the basic financial statements for the years ended December 31, 2008 and 2007, taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information for the years ended December 31, 2008 and 2007, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGladrey & Pullen, LLP

Tacoma, Washington
June 26, 2009

Distributions to Agency Programs

United Way of Pierce County
 Years Ended December 31, 2008 and 2007

	2008	2007
Regular and Special Allocations		
Affordable Housing Consortium	\$ 13,500	\$ --
Alliance for Youth	2,500	--
American Red Cross, Tacoma/Pierce County Chapter	162,934	184,290
Associated Ministries	--	3,954
Bates Technical College	94,244	16,116
Beckendorf Scholarship	500	--
Big Brothers and Big Sisters of King - Pierce County	63,390	62,076
Birth to Three Development Center	27,275	10,002
Boy Scouts of America, Pacific Harbors Council	9,396	9,198
Boys & Girls Clubs of South Puget Sound	170,918	178,626
Camp Fire - Orca Council	14,090	17,256
CARES of Washington	14,090	7,500
Cascade Christian Child Care	1,120	1,050
Catholic Community Services	197,328	194,402
CenterForce	28,412	30,246
Central Washington University (Beckendorf Scholarship Program)	1,000	--
Centro Latino SER	68,180	62,682
Charles Wright Academy	--	100
Child & Family Guidance Center	196,041	182,328
Children's Home Society of Washington	80,452	75,168
Children's Museum	55,000	--
City of Tacoma - Project Homeless	--	10,000
Clover Park Technical College	--	10,470
Communities in Schools - Lakewood	10,000	--
Communities in Schools - Orting	14,090	7,500
Communities in Schools - Tacoma	5,000	--
Community Counseling Institute	99,876	3,660
Community Health Care Delivery System	--	98,078
Community Health Plans	20,790	--
Community Montessori	60,878	55,410
Comprehensive Mental Health Center	26,796	42,792
Cottesmore Childcare Center	80	300
Diabetes Association of Pierce County	10,394	10,944
Eatonville Family Agency	10,832	10,530
Erling O. Mork Scholarship Fund	--	500
Executive Alliance	--	400
Exodus	18,784	19,008

(continued)

See auditor's report on the supplementary information.

Distributions to Agency Programs

United Way of Pierce County
Years Ended December 31, 2008 and 2007

	2008	2007
Regular and Special Allocations <i>(continued)</i>		
Faith Home - Episcopal Services for Youth	\$ 47,043	\$ 61,674
Families Unlimited Network UPPC	48,364	15,252
First Five Fundamentals	43,000	--
First Place for Children	--	71,716
FISH Food Banks of Pierce County	14,698	7,824
Franklin Pierce - Youth for Christ	4,500	--
Franciscan Foundation	--	2,616
Girl Scouts - Pacific Peaks Council	43,574	59,046
Good Samaritan Childcare Center - DECA Training	1,797	--
Good Samaritan Community Services	244,634	237,162
Good Samaritan Hospital - Children's Therapy Unit	23,476	16,158
Greater Lakes Mental Health Center	56,350	56,358
Helping Hand House	36,012	34,320
Hilltop Artists	18,000	--
Indochinese Cultural and Service Center	19,636	22,236
Intercommunity Mercy House	14,090	14,556
Jason Lee Middle School	10,000	--
Jerry Beckendorf Scholarship Fund	--	500
KBTC Association	88,575	--
Korean Women's Association	23,476	10,440
Kreative Kidz	--	893
L'Arche Tahoma Hope	14,090	7,500
Lakewood Area Shelter Association	26,054	23,934
Lakewood Senior Center	16,910	9,000
Lifetime Advocacy Plus	--	5,232
Lindquist Clinic for Children	61,044	132,664
Little Winners	220	210
Lutheran Social Services of Washington	41,324	44,850
Martin Luther King Housing Development	28,180	31,953
Mary Bridge Children's Health Center	37,566	38,268
Message Magazine	1,000	--
Metropolitan Development Council	7,500	--
Metropolitan Park District	5,000	--
Multicare Adult Health System	66,402	54,252
Nativity House	8,000	2,952
Neighborhood Clinic	20,666	20,568
New Day Diaz Art for Youth	17,374	12,288
New Phoebe House Association	9,396	4,998
Northwest ESD 189	--	38
Northwest Leadership Foundation	24,720	10,500

(continued)

See auditor's report on the supplementary information.

Distributions to Agency Programs

United Way of Pierce County
 Years Ended December 31, 2008 and 2007

	2008	2007
Regular and Special Allocations <i>(continued)</i>		
Pacific Lutheran University - Beckendorf Scholarship	\$ 20,034	\$ 11,752
Parents and Students in Action	9,396	4,998
Pierce County - GIS Project	2,000	--
Pierce County AIDS Foundation	38,538	36,204
Pierce County Central Labor Council	175	--
Pierce County Housing Authority	2,000	--
Pierce County Labor Community Services	49,500	2,000
Prison Pet Partnership	26,528	23,040
Project Homelessness	15,000	--
Puget Sound ESD	56,611	21,300
Puyallup Playcare Center	38,052	32,998
Safe Streets	--	10,644
Salvation Army - Puyallup	14,090	14,424
Salvation Army - Tacoma	164,890	160,554
Schools Out Washington	15,000	--
Seattle Maritime Academy - Beckendorf Scholarship Program	500	--
Sexual Assault Center of Pierce County	33,396	40,200
Spanaway Lutheran BASE Center	5,000	--
St. Leo's Food Connection	9,396	4,998
TACID	30,054	29,880
Tacoma Community College	17,761	--
Tacoma Community House	71,376	75,642
Tacoma Community Redevelopment Authority - Housing Trust Fund	--	750,000
Tacoma Day Care and Preschool Association	82,567	69,648
Tacoma Learning Center	--	9,690
Tacoma Pierce County Affordable Housing Consortium	--	10,000
Tacoma Pierce County Child Care Resources	91,564	6,500
Tacoma Pierce County Health Department	103,400	37,000
Tacoma Pierce County Sports Commission	3,500	--
Tacoma Rescue Mission	28,180	26,322
The Youth Connection	--	5,760
Tillicum/American Lake Gardens Community Center	9,396	10,854
United Way of Lewis County - Flood Relief	--	20,000
University of Puget Sound - Beckendorf Scholarship	500	--
United Way of Thurston County	1,100	--
University of Washington - Beckendorf Scholarship	--	1,500
University Place Presbyterian Church	--	17,826
Vancouver Audubon Society	100	--

(continued)

See auditor's report on the supplementary information.

Distributions to Agency Programs

United Way of Pierce County
Years Ended December 31, 2008 and 2007

	2008	2007
Regular and Special Allocations <i>(concluded)</i>		
Washington State Child Care Resources	\$ 10,000	\$ --
Washington State University	2,750	--
Washington State University - Beckendorf Scholarship	--	750
Washington Women's Employment and Education	79,826	73,026
Willie Stewart Scholarship	1,000	1,000
YMCA of Tacoma Pierce County	82,744	89,424
Youth for Christ	54,940	46,404
Youth Resources	19,720	10,500
YWCA of Pierce County	112,518	116,258
Total regular and special allocations	\$3,903,663	\$4,085,640

See auditor's report on the supplementary information.