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UNITED WAY BLACKHAWK REGION, INC.

FINANCIAL STATEMENTS

Period ended December 31, 2012

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Wegner CPAs INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way Blackhawk Region, Inc.
Janesville, Wisconsin

We have audited the accompanying financial statements of United Way Blackhawk Region, Inc., which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses, and cash flows for the period from July 26, 2012 to December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way Blackhawk Region, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

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May 7, 2013

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UNITED WAY BLACKHAWK REGION, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2012

ASSETS

Cash	\$ 1,367,102
Cash held for others	5,307
Certificate of deposit	12,371
Unconditional promises to give - net	1,792,710
Prepaid expenses	6,804
Investments	1,004,593
Beneficial interest in assets held by CFSW	72,824
Beneficial interest in perpetual trust	481,817
Property and equipment - net	365,360
Certificates of deposit - limited use	8,144

Total assets

\$ 5,117,032

LIABILITIES

Accounts payable	\$ 19,036
Accrued payroll and related liabilities	17,171
Due to other agencies	5,307
Due to designated agencies	134,216

Total liabilities

175,730

NET ASSETS

Unrestricted	
Designated	805,240
Undesignated	1,327,904

Total unrestricted

2,133,144

Temporarily restricted

2,084,037

Permanently restricted

724,121

Total net assets

4,941,302

Total liabilities and net assets

\$ 5,117,032

See accompanying notes.

UNITED WAY BLACKHAWK REGION, INC.
STATEMENT OF ACTIVITIES
Period from July 26, 2012 to December 31, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND OTHER REVENUE				
Gross campaign results for the prior year	\$ 1,256	\$ -	\$ -	\$ 1,256
Less donor designations	(11,896)	-	-	(11,896)
Change in provision for uncollectible	59,540	-	-	59,540
Net campaign revenue for the prior year	48,900	-	-	48,900
Gross campaign results for the current year	-	2,200,685	-	2,200,685
Less donor designations	-	(130,158)	-	(130,158)
Less provision for uncollectible	-	(99,800)	-	(99,800)
Net campaign revenue for the current year	-	1,970,727	-	1,970,727
Grants, contracts and other contributions	3,007	22,305	-	25,312
Processing and designation fees	-	2,617	-	2,617
Investment return	45,151	19,017	28,484	92,652
Miscellaneous income	4,153	-	-	4,153
Rental income	10,402	-	-	10,402
Total support and other revenue	111,613	2,014,666	28,484	2,154,763
PROGRAM ALLOCATIONS AND EXPENSES				
Gross funds awarded/distributed	152,654	-	-	152,654
Less donor designations	(142,054)	-	-	(142,054)
Net funds awarded/distributed	10,600	-	-	10,600
Community program services				
Community impact	34,265	-	-	34,265
Supporting activities				
Management and general	136,140	-	-	136,140
Fundraising	80,214	-	-	80,214
Total supporting activities	216,354	-	-	216,354
Total program allocations and expenses	261,219	-	-	261,219
Net assets released from restrictions	103,956	(103,956)	-	-
Change in net assets	(45,650)	1,910,710	28,484	1,893,544
Net assets - beginning of period	2,178,794	173,327	695,637	3,047,758
Net assets - end of period	<u>\$ 2,133,144</u>	<u>\$ 2,084,037</u>	<u>\$ 724,121</u>	<u>\$ 4,941,302</u>

See accompanying notes

UNITED WAY BLACKHAWK REGION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Period from July 26, 2012 to December 31, 2012

	Community Impact	Supporting Activities		Total
		Management and General	Fundraising	
Salaries	\$ 20,701	\$ 50,855	\$ 50,481	\$ 122,037
Employee insurance	1,016	6,498	1,280	8,794
Payroll taxes	1,945	4,901	4,723	11,569
Employee retirement plan	1,243	3,292	3,020	7,555
Professional fees	-	20,867	783	21,650
Computer software support	185	9,570	621	10,376
Office supplies	280	688	683	1,651
Telephone	549	1,350	1,340	3,239
Postage	-	833	145	978
Office utilities	1,010	6,282	1,845	9,137
Janitorial services	-	2,405	-	2,405
Office equipment	-	3,882	499	4,381
Repairs and maintenance	-	2,297	-	2,297
Printing and publications	409	5,726	1,297	7,432
Subscriptions	-	25	-	25
Awards and recognition	2,624	-	-	2,624
Local travel	55	1,475	686	2,216
Local meetings	333	136	3,919	4,388
Staff and volunteer development	-	265	-	265
Membership dues	2,130	8,306	4,434	14,870
Insurance	226	487	1,124	1,837
Miscellaneous	-	43	-	43
Functional expenses before depreciation	32,706	130,183	76,880	239,769
Depreciation	1,559	5,957	3,334	10,850
Total functional expenses	34,265	136,140	80,214	250,619
Grants and allocations	152,654	-	-	152,654
Less donor designations	(142,054)	-	-	(142,054)
Total program allocations and expenses	\$ 44,865	\$ 136,140	\$ 80,214	\$ 261,219

See accompanying notes.

UNITED WAY BLACKHAWK REGION, INC.
STATEMENT OF CASH FLOWS
Period from July 26, 2012 to December 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 1,893,544
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Depreciation	10,850
Allowance for uncollectible promises to give	32,659
Realized and unrealized (gains) losses	(55,820)
(Increase) decrease in assets	
Unconditional promises to give	(872,623)
Prepaid expenses	4,105
Increase (decrease) in liabilities	
Accounts payable	15,629
Accrued payroll and related liabilities	(29,428)
Due to other agencies	(54,512)
Due to designated agencies	93,742
Grants payable	<u>(696,916)</u>
Net cash flows from operating activities	341,230
CASH FLOWS FROM INVESTING ACTIVITIES	
Redemption of certificates of deposit	1,911
Purchase of property and equipment	(1,998)
Investment return retained in perpetual trust	(28,484)
Reinvested investment return	(5,051)
Reinvestment of interest in certificate of deposit	(12)
Investment return retained in agency endowment	<u>(3,521)</u>
Net cash flows from investing activities	<u>(37,155)</u>
Net change in cash	304,075
Cash - beginning of period	<u>1,063,027</u>
Cash - end of period	<u>\$ 1,367,102</u>

See accompanying notes.

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

The mission of United Way Blackhawk Region, Inc. is to improve lives by mobilizing the caring power of communities.

Community Impact Strategies

United Way and other partners engage the community in developing a comprehensive plan for impacting selected priority issues, identifying the lasting changes sought and the specific strategies needed. All those interested in the outcomes are included. United Way determines its role in the plan and focuses on selected strategies.

United Way Blackhawk Region is dedicated to advancing the common good by creating opportunities for a better life for all. Our goal is to create long lasting changes that prevent problems by investing in community strategies.

United Way impact areas are Education, Income, Health and Families – the building blocks for a good quality of life.

1. Education – Helping children and youth achieve their potential
2. Income – Meeting basic needs, building and sustaining self-sufficiency
3. Health – Enhancing health and supporting wellness
4. Families – building and sustaining strong families and communities.

United Way Community Services Building provides space at a reduced rate for five local non-profit groups and a meeting room that can seat approximately 40 people.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

United Way Blackhawk Region is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets—Net assets that are not restricted by donors. Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments. A level of unrestricted net assets is maintained to provide ongoing funding to meet future allocation and operating commitments and for extraordinary purposes as may be authorized by the Board of Directors. Its purpose is to provide financial resources in the event of a natural disaster which threatens the welfare of a substantial portion of the community, an economic emergency which causes great hardship to the existence of critical human care services within the community, or other circumstances considered by the Board of Directors to be an extreme threat to the well-being of the community.

Temporarily restricted net assets—Net assets whose use has been limited by donor-imposed time restrictions or purpose restrictions. Temporarily restricted net assets are comprised of contributions raised from the annual campaign and special grants. Annual campaign funds are restricted for allocation to agencies and operating expenses while the special grant funds are restricted for the donor's stipulated purpose.

Permanently restricted net assets—Net assets that have been restricted by donors to be maintained by United Way Blackhawk Region in perpetuity.

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Donated Services

Donated services are valued at the services' fair value at the date of service if the services would have been purchased if they had not been donated. Donated services not included in the financial statements because they do not meet the financial statement recognition criteria includes significant amounts of time donated by a substantial number of volunteers for the United Way Blackhawk Region's program services and fund raising campaigns.

Promises to Give

United Way Blackhawk Region's promises to give consist of amounts due from businesses and individuals. The provision for uncollectible promises is computed based on historical collectability of promises and current economic conditions in the community and approved by the board of directors and adjusted by management estimates. The uncollectible provision is based on the gross campaign. Promises to give are written off when deemed uncollectible. Recoveries of promises to give previously written off are recorded when received. Donor designated promises are assessed both a fundraising and processing fee based on a three year historical average in accordance with United Way of America membership standards as outlined in their publication titled United Way of America Implementation Requirements of Membership Standard M (Cost Deduction for Designated Funds).

Property and Equipment

Property and equipment are carried at cost less accumulated depreciation. Depreciation is computed using the straight-line method. The building is depreciated over its estimated useful life of forty years. Equipment is depreciated over their estimated useful lives of five to ten years. Major improvements and renewals over \$1,000 are capitalized while ordinary maintenance and repairs have been expensed.

Estimates

The preparation of financial statements 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 and including functional allocations during the reporting period. Actual results could differ from those estimates.

Expense Allocations

Functional expenses, which are not directly attributable to one function, are allocated between program and supporting activities based on the number of employees involved, the amount of time spent and the percentage of their salary associated with that time. Management overhead percentage is computed based on dividing management and general and fundraising expenses divided by total revenue on the audit. For the period from July 26, 2012 to December 31, 2012 the management overhead percentage of revenue is computed to be 10%.

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions

Contributions received, including unconditional promises to give, are recorded as revenue in the period the promise is received at their fair values. Conditional promises to give, whether received or made, are recognized when they become unconditional, that is, when the conditions are substantially met.

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. 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 restrictions.

Beneficial Interest in Assets Held by CFSW

United Way Blackhawk Region has transferred assets to the Community Foundation of Southern Wisconsin, Inc. (CFSW) and has specified that the assets and related earnings be used to benefit various programs of United Way Blackhawk Region. Because United Way Blackhawk Region and CFSW are not interrelated and United Way Blackhawk Region is the ultimate beneficiary of the transferred assets and related earnings the transfers are considered to be reciprocal and not contributions to CFSW. Accordingly, related earnings are presented with investment return in the accompanying statement of activities.

Beneficial Interest in Perpetual Trust

The beneficial interest in perpetual trust is a resource held and administered, at the direction of the donor, by an outside trustee for the benefit of United Way Blackhawk Region whereby 25% of the income of the trust is distributed to United Way Blackhawk Region annually. The beneficial interest in perpetual trust is carried at the fair value of the investments in the trust. Distributions from the trust are to be used for general support for United Way Blackhawk Region and recorded as unrestricted support in the statement of activities. Adjustments to the value of the investments in the trust are recorded as permanently restricted investment return in the statement of activities. Under the terms of the perpetual trust, United Way Blackhawk Region has the irrevocable right to receive 25% of the income earned on the trust assets in perpetuity, but never receives the assets held in trust. 25% of each investment's value held in the trust are reported as assets in the statement of financial position.

Income Tax Status

United Way Blackhawk Region is a nonprofit public charity exempt under Internal Revenue Code Section 501(c)(3) and is therefore not subject to federal and state income or franchise taxes. United Way Blackhawk Region's federal exempt organization returns are subject to examination by the Internal Revenue Service, generally for three years after they are filed. With few exceptions, United Way Blackhawk Region is no longer subject to such examinations for tax years before 2009.

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Date of Management's Review

Management has evaluated subsequent events through May 7, 2013, the date which the financial statements were available to be issued.

NOTE 2 - CERTIFICATES OF DEPOSIT

United Way Blackhawk Region has elected the reimbursement (self-insured) method to finance the cost of unemployment compensation benefits. Accordingly, United Way Blackhawk Region has placed in the custody of the Treasurer, Wisconsin Unemployment Compensation Division, two certificates of deposits in the amount of \$8,144 at December 31, 2012.

NOTE 3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following at December 31, 2012:

Fall 2012 Campaign	\$ 1,685,830
Fall 2011 Campaign	270,882
Other	<u>26,238</u>
Unconditional promises to give	1,982,950
Less allowance for uncollectible promises to give	<u>(190,240)</u>
Unconditional promises to give - net	<u><u>\$ 1,792,710</u></u>

NOTE 4 - INVESTMENTS

Investments consisted of the following at December 31, 2012:

Cash and money market	\$ 34,232
Mutual funds	<u>970,361</u>
Investments	<u><u>\$ 1,004,593</u></u>

Investment return consisted of the following for the period from July 26, 2012 to December 31, 2012:

Dividends and interest	\$ 14,517
Realized and unrealized gain/(loss)	55,820
Investment fees	(9,691)
Agency endowment return	3,522
Perpetual trust return	<u>28,484</u>
Investment return	<u><u>\$ 92,652</u></u>

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2012:

Land	\$ 71,700
Building	649,249
Computer equipment	55,665
Furniture, fixtures and equipment	<u>51,130</u>
Property and equipment	827,744
Less accumulated depreciation	<u>(462,384)</u>
Property and equipment - net	<u>\$ 365,360</u>

NOTE 6 - GRANTS, CONTRACTS, AND OTHER CONTRIBUTIONS

Grants, contracts, and other contributions consisted of the following for the period from July 26, 2012 to December 31, 2012:

Docs Who Rock revenue	\$ 22,312
Other sponsors	<u>3,000</u>
Grants, contracts, and other contributions	<u>\$ 25,312</u>

NOTE 7 - RETIREMENT PLAN

United Way Blackhawk Region has a Simplified Employee Pension Plan (SEP), which covers substantially all employees. United Way Blackhawk Region contributed an amount equal to 6% of the participant's compensation. A total of \$7,555 was contributed to this plan during the period from July 26, 2012 to December 31, 2012.

NOTE 8 - DESCRIPTION OF LEASING ARRANGEMENTS

In September 1989, the United Way Blackhawk Region began leasing office space in the building on a month to month basis to various nonprofit organizations. As of December 31, 2012, the United Way Blackhawk Region held lease agreements with four other nonprofit organizations. Each agreement requires monthly payments. Lease income for the United Way Blackhawk Region was \$10,402 for the period from July 26, 2012 to December 31, 2012.

United Way Blackhawk Region leases office space in Beloit, WI that requires monthly payments of \$850 that expires in February 2014.

Lease expense was \$5,100 for the period from July 26, 2012 to December 31, 2012. Future minimum lease payments are \$10,200 and \$1,700 for 2013 and 2014.

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 9 - FAIR VALUE MEASUREMENTS

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

	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Mutual Funds	\$ 1,342,400	\$ 1,342,400	\$ -	\$ -
Common stocks	85,732	85,732	-	-
Beneficial Interest in assets held by CFSW	<u>72,824</u>	<u>-</u>	<u>-</u>	<u>72,824</u>
Total	<u><u>\$ 1,500,956</u></u>	<u><u>\$ 1,428,132</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 72,824</u></u>

Fair values for mutual funds and common stocks are determined by reference to quoted market prices and other relevant information generated by market transactions. United Way Blackhawk Region's beneficial interest in assets held by Community Foundation of Southern Wisconsin, Inc. (CFSW) represents an agreement between United Way Blackhawk Region and CFSW in which United Way Blackhawk Region transfers assets to CFSW in exchange for future distributions. The beneficial interest is not actively traded and significant other observable inputs are not available. Thus, the fair value of the beneficial interest is measured at the proportional share of the underlying assets as reported to United Way Blackhawk Region by CFSW. Little information about those assets is released publicly. The estimated value does not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined.

The following table presents additional information about funds measured at fair value on a recurring basis using significant unobservable inputs:

	<u>Beneficial Interest in Assets Held by CFSW</u>
Beginning balance	\$ 69,303
Total gains or losses	2,957
Interest and dividends	1,173
Fees	<u>(608)</u>
Ending balance	<u><u>\$ 72,824</u></u>

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 10 – BOARD DESIGNATED NET ASSETS

United Way Blackhawk Region has designated \$688,096 for endowment purposes, \$84,000 of unrestricted net assets as a reserve amount in order to help fulfill its objectives and \$25,000 for future community impact projects. In addition, two certificates of deposits totaling \$8,144 have also been designated to finance the cost of unemployment compensation benefits. All designated amounts are subject to board review on an annual basis.

NOTE 11 - TEMPORARILY RESTRICTED NET ASSETS

A fund raising campaign is conducted in the fall of each year to provide funds for allocations to the member agencies and operations of United Way Blackhawk Region for the following calendar year. Therefore, the cash contributions and pledges of contributions received to December 31, as a result of the campaign in the fall, are temporarily restricted to cover the operations for the following year. Annually, assets are released from donor restrictions by allocations to participating agencies satisfying the restricted purposes specified by donors. If the restriction is accomplished in the same year as the gift is received, it is reported as unrestricted support. The temporarily restricted net assets related to the campaign totaled \$2,009,844 at December 31, 2012. In addition, the earnings on the permanently restricted endowment totaling \$74,193 are also temporarily restricted at December 31, 2012.

NOTE 12 – CONCENTRATION OF CREDIT RISK

United Way Blackhawk Region maintains cash balances at three financial institutions. The Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000. United Way Blackhawk Region had uninsured cash balances of \$193,650 at December 31, 2012.

NOTE 13 - MERGER

On July 26, 2012, the United Way Blackhawk Region, Inc. (UWNRC) and Stateline United Way, Inc. (SUW) merged to form United Way Blackhawk Region, Inc. in effort to maximize operational efficiency and lower costs for the combined organization. The merger was conducted in response to donor encouragement and endorsed by United Way Worldwide. The merged organization continues to serve the greater Rock County, Wisconsin region through innovation and leadership in community impact.

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 13 – MERGER (continued)

As of July 26, 2012, the major classes of assets, liabilities and net assets were:

	UWNRC	SUW	Merger Total
Assets			
Cash	\$ 604,033	\$ 458,994	\$ 1,063,027
Cash held for others	14,430	-	14,430
Certificate of deposit	12,359	-	12,359
Unconditional promises to give - net	360,849	591,896	952,745
Prepaid expenses	7,088	3,821	10,909
Investments	-	943,722	943,722
Beneficial interest in assets held by CFSW	69,303	-	69,303
Beneficial interest in perpetual trust	-	453,333	453,333
Property and equipment - net	370,190	4,022	374,212
Certificate of deposit - limited use	5,000	5,055	10,055
	<u>\$ 1,443,252</u>	<u>\$ 2,460,843</u>	<u>\$ 3,904,095</u>
Liabilities and net assets			
Accounts payable	\$ 2,820	\$ 587	\$ 3,407
Accrued payroll and related liabilities	40,637	5,962	46,599
Due to other agencies	13,682	35,523	49,205
Due to designated agencies	40,474	19,737	60,211
Grants payable	272,590	424,325	696,915
Unrestricted net assets	1,067,208	1,111,586	2,178,794
Temporarily restricted net assets	5,841	167,486	173,327
Permanently restricted net assets	-	695,637	695,637
	<u>\$ 1,443,252</u>	<u>\$ 2,460,843</u>	<u>\$ 3,904,095</u>

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 14 – ENDOWMENTS

United Way Blackhawk Region's endowment consists of 2 funds and includes both donor-restricted endowment funds and funds designated by the board of directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the board of directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The state of Wisconsin enacted UPMIFA effective July 20, 2009, the provisions of which apply to endowment funds existing on or established after that date. The Organization had determined that its permanently restricted net assets meet the definition of endowment funds under UPMIFA. The Organization has interpreted Wisconsin's enacted version of 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. In accordance with Wisconsin's enacted version of UPMIFA, the Organization expects it will need to consider the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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, and (7) the Organization's investment policies.

Return Objectives and Risk Parameters

The Organization has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Spending Policy

The spending policy provides for the Board Designated Endowment the ability to withdraw funds from the principal with a super majority of 2/3 of the Board vote. To date, all earnings of the endowment have been reinvested and no distributions have been made from the endowment.

Endowment net asset composition by type of fund was as follows at December 31, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 74,193	\$ 242,304	\$ 316,497
Board-designated endowment funds	688,096	-	-	688,096
Total	\$ 688,096	\$ 74,193	\$ 242,304	\$ 1,004,593

UNITED WAY BLACKHAWK REGION, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

NOTE 14 – ENDOWMENTS (continued)

Changes in endowment net assets for the period from July 26, 2012 to December 31, 2012 were as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 26, 2012	\$ 646,242	\$ 55,176	\$ 242,304	\$ 943,722
Investment return				
Investment Income	10,087	4,655	-	14,742
Net appreciation (realized and unrealized)	38,339	17,481	-	55,820
Total investment return	48,426	22,136	-	70,562
Contributions	-	-	-	-
Appropriation of endowment assets for expenditure (fees)	(6,572)	(3,119)	-	(9,691)
Reclassifications	-	-	-	-
Endowment net assets December 31, 2012	<u>\$ 688,096</u>	<u>\$ 74,193</u>	<u>\$ 242,304</u>	<u>\$ 1,004,593</u>