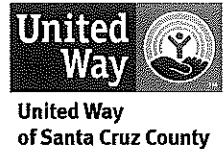


PO Box 1458
4450 Capitola Road, Suite 106
Capitola, CA 95010
tel 831.479.5466
fax 831.479.5477
www.unitedwaysc.org



Audit Committee Minutes January 11, 2011

Members Present: Marshall Delk
Members Absent: Suzanne Mine-Eguchi and Todd Coelho
Staff Present: Angela Cline and Mary Lou Goeke
Auditors Present: Max Walters and Angela Henderson

New Business:

Auditors Max Walters and Angela Henderson from Walters and Kondrasheff , CPA reviewed the 2009-2010 audit. The auditors incorporated changes and updates from Members Mine-Eguchi and Coelho. Minor changes were also updated from Board Members Michael Machado and Steve Snodgrass. Additional Notes were discussed to add into the final version.

Current activities and changes for the 2009-2010 year were discussed. Items that were noticed during the field work were discussed, such as approval signatures on timecards and employee files missing items. Staff will make sure these items are updated. The audit was approved based upon the changes to be made. Staff will transmit the final version to the United Way Santa Cruz Board for recommendation.

Respectfully submitted,

Angela Cline

WALTERS & KONDRASHEFF
CERTIFIED PUBLIC ACCOUNTANTS
1729 SEABRIGHT AVENUE SUITE B
SANTA CRUZ, CA 95062
TELEPHONE (831) 429-8617
FAX (831) 429-6537
www.waltersandkondrasheff.com

January 13, 2011

To the Audit Committee and senior management of
United Way of Santa Cruz County

We have audited the financial statements of United Way of Santa Cruz County for the year ended June 30, 2010, and have issued our report thereon dated January 13, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and OMB Circular A-133), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 15, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by United Way of Santa Cruz County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year 2010. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the allowance for depreciation is based on management's estimate of the useful life of an asset. We evaluated the key factors and assumptions used in computing the allowance for depreciation in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for uncollectible pledges is based on management's estimate of pledges that will not be collectible. We evaluated the key factors and assumptions used in computing the allowance for uncollectible pledges in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 13, 2011.

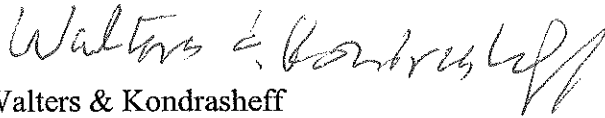
Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Finding or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Walters & Kondrasheff".

Walters & Kondrasheff
Certified Public Accountants

**UNITED WAY OF SANTA CRUZ COUNTY
(A CALIFORNIA NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION
JUNE 30, 2010
(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)**

UNITED WAY OF SANTA CRUZ COUNTY
(A CALIFORNIA NONPROFIT CORPORATION)

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JUNE 30, 2010

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WALTERS & KONDRASHEFF
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1729 SEABRIGHT AVENUE SUITE B
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TELEPHONE (831) 429-8617
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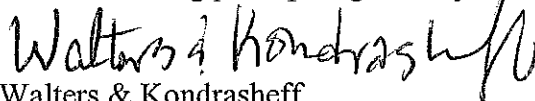
INDEPENDENT AUDITOR'S REPORT

Board of Trustees
United Way of Santa Cruz County
Capitola, California

We have audited the accompanying statements of financial position of United Way of Santa Cruz County (a California nonprofit corporation) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year 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 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 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 audit provides 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 Santa Cruz County as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



Walters & Kondrasheff
Certified Public Accountants
Santa Cruz, California
January 13, 2011

UNITED WAY OF SANTA CRUZ COUNTY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2010

(WITH COMPARATIVE TOTALS FOR JUNE 30, 2009)

	ASSETS			June 30,	
	Unrestricted	Temporarily Restricted	Permanently Restricted	2010	2009
CURRENT ASSETS:					
Cash and Cash Equivalents (Note 3)	\$ 125,967	\$ -	\$ -	\$ 125,967	\$ 167,589
Certificates of Deposit	182,089	364,339	5,000	551,428	679,899
Pledges Receivable (Net of Allowance for Uncollectible of \$75,000 at June 30, 2010)	403,360	-	-	403,360	449,079
Grants and Other Receivables	685,558	-	-	685,558	371,899
Prepaid Expenses (Note 10)	21,389	-	-	21,389	22,002
Total Current Assets	<u>1,418,363</u>	<u>364,339</u>	<u>5,000</u>	<u>1,787,702</u>	<u>1,690,468</u>
PROPERTY AND EQUIPMENT, Net (Note 4)	<u>32,132</u>	<u>-</u>	<u>-</u>	<u>32,132</u>	<u>42,677</u>
OTHER ASSETS:					
Deposits	<u>5,087</u>	<u>-</u>	<u>-</u>	<u>5,087</u>	<u>5,087</u>
TOTAL ASSETS	<u><u>\$ 1,455,582</u></u>	<u><u>\$ 364,339</u></u>	<u><u>\$ 5,000</u></u>	<u><u>\$ 1,824,921</u></u>	<u><u>\$ 1,738,232</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES					
Accounts Payable and Accrued Expenses	\$ 501,675	\$ -	\$ -	\$ 501,675	\$ 139,393
Allocations Payable	321,700	-	-	321,700	340,000
Designation Payable - Member and Non-Member	368,452	-	-	368,452	427,131
Deferred Exchange Transactions (Note 9)	58,454	-	-	58,454	362,504
Total Current Liabilities	<u>1,250,281</u>	<u>-</u>	<u>-</u>	<u>1,250,281</u>	<u>1,269,028</u>
Net Assets	<u>205,301</u>	<u>364,339</u>	<u>5,000</u>	<u>574,640</u>	<u>469,204</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,455,582</u></u>	<u><u>\$ 364,339</u></u>	<u><u>\$ 5,000</u></u>	<u><u>\$ 1,824,921</u></u>	<u><u>\$ 1,738,232</u></u>

See Accompanying Notes to Financial Statements

UNITED WAY OF SANTA CRUZ COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2010

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	June 30,	
				2010 Total	2009 Total
PUBLIC SUPPORT:					
Annual Campaign	\$ 650,838	\$ -	\$ -	\$ 650,838	\$ 607,379
Allowance for Uncollectible Pledges (Net of Designations)	(75,000)	-	-	(75,000)	(75,000)
Total Public Support	<u>575,838</u>	<u>-</u>	<u>-</u>	<u>575,838</u>	<u>532,379</u>
OTHER PUBLIC SUPPORT AND REVENUE:					
Grants and Contracts	384,723	105,283	-	490,006	843,775
Foundation Grants	132,513	-	-	132,513	246,036
Community Projects and Miscellaneous Support	111,786	-	-	111,786	132,514
Fees for Service	123,234	-	-	123,234	136,179
Special Fund Raising Events Activities, Net of Related Expenses (Note 11)	38,990	-	-	38,990	52,216
Net Assets Released - Family Service Association	45,000	(45,000)	-	-	-
Investment Income	22,875	-	-	22,875	24,825
Net Assets Released - Grants and Program	13,671	(13,671)	-	-	-
Total Other Public Support and Revenue	<u>872,792</u>	<u>46,612</u>	<u>-</u>	<u>919,404</u>	<u>1,435,545</u>
OTHER REVENUE:					
Amounts Raised on Behalf of Others	336,503	-	-	336,503	454,733
Less Amount Remitted to Others	(329,948)	-	-	(329,948)	(445,326)
Administrative Fees for Raising Funds for Others	6,555	-	-	6,555	9,407
Total Support and Revenue	<u>1,455,185</u>	<u>46,612</u>	<u>-</u>	<u>1,501,797</u>	<u>1,977,331</u>
EXPENSES:					
Program Services	989,881	-	-	989,881	1,534,570
Supporting Services	424,409	-	-	424,409	486,350
Total Expenses	<u>1,414,290</u>	<u>-</u>	<u>-</u>	<u>1,414,290</u>	<u>2,020,920</u>
Excess (Deficiency) of Public Support and Revenue Over Expenses	40,895	46,612	-	87,507	(43,589)
OTHER CHANGES IN NET ASSETS:					
Collections on Prior Year Campaign in Excess of Amount Estimated	17,929	-	-	17,929	32,371
Total Increase (Decrease) in Net Assets	<u>58,824</u>	<u>46,612</u>	<u>-</u>	<u>105,436</u>	<u>(11,218)</u>
NET ASSETS:					
Net Assets, Beginning of Year	146,477	317,727	5,000	469,204	512,956
Prior Period Adjustment	-	-	-	-	(32,534)
Net Assets, End of Year	<u>\$ 205,301</u>	<u>\$ 364,339</u>	<u>\$ 5,000</u>	<u>\$ 574,640</u>	<u>\$ 469,204</u>

See Accompanying Notes to Financial Statements

UNITED WAY OF SANTA CRUZ COUNTY
STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2010

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	Programs Community Programs/Grants	Supporting Services			June 30,	
		Administration	Fund Raising	Community Building	2010 Total	2009 Total
Salaries	\$ 311,352	\$ 73,977	\$ 120,428	\$ 22,097	\$ 216,502	\$ 527,854
Benefits	56,104	14,347	9,146	4,285	27,778	83,882
Payroll Burden	29,982	4,961	11,658	1,482	18,101	48,083
Total	397,438	93,285	141,232	27,864	262,381	659,819
Allocations to Partner Programs	321,700	-	-	-	-	321,700
Professional Fees	70,867	12,659	5,341	3,781	21,781	92,648
Miscellaneous/Grants to Others	89,630	177	770	-	947	90,577
Occupancy	6,030	38,347	8,788	11,454	58,589	64,619
Family Service Association	40,000	-	-	-	-	40,000
Travel, Conferences & Meetings	19,127	6,904	5,656	2,062	14,622	33,749
Supplies	13,061	4,565	10,073	1,364	16,002	29,063
Printing and Publications	12,225	229	3,518	69	3,816	16,041
Community Engagement & Stipends	14,506	269	821	-	1,090	15,596
Membership Dues	-	11,583	612	-	12,195	12,195
Property Fund: Depreciation	-	10,545	-	-	10,545	10,545
Telephone	2,670	4,757	1,293	1,421	7,471	10,141
Equipment Rental and Maintenance	1,289	5,071	743	1,514	7,328	8,617
Postage and Shipping	1,038	1,545	1,655	461	3,661	4,699
Insurance	300	2,606	597	778	3,981	4,281
Totals	\$ 989,881	\$ 192,542	\$ 181,099	\$ 50,768	\$ 424,409	\$ 1,414,290
						\$ 2,020,920

See Accompanying Notes to Financial Statements

UNITED WAY OF SANTA CRUZ COUNTY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2010

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2009)

	June 30,	
	2010	2009
RECONCILIATION OF CHANGE IN NET ASSETS TO CASH FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 105,436	\$ (11,218)
Depreciation	10,545	14,071
(Increase) Decrease in:		
Pledges Receivable	45,719	53,215
Grant and Other Receivable	(313,659)	(77,517)
Prepaid Expenses and Deposits	613	(5,529)
(Decrease) Increase in:		
Accounts Payable and Accrued Expenses	362,282	23,653
Allocations Payable	(18,300)	(55,000)
Designations Payable	(58,679)	(68,436)
Deferred Exchange Transactions	(304,050)	(84,126)
Net Cash Used by Operating Activities	<u>(170,093)</u>	<u>(210,887)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Certificates of Deposit	(22,650)	(121,840)
Redemptions of Certificates of Deposit	151,121	160,174
Acquisition of New Equipment	-	(2,647)
Net Cash Provided by Investing Activities	<u>128,471</u>	<u>35,687</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(41,622)	(175,200)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>167,589</u>	<u>342,789</u>
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 125,967</u>	<u>\$ 167,589</u>

See Accompanying Notes to Financial Statements

UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 DESCRIPTION OF THE ENTITY:

United Way of Santa Cruz County is a nonprofit charitable relief organization that raises funds primarily from local individuals and businesses and distributes those funds to various social service agencies in Santa Cruz County. The Organization also convenes organizations and individuals to solve community problems and improve the quality of life for the residents of Santa Cruz County.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Presentation - The Organization is required to report information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. 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, 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 in the statement of activities as net assets released from restriction.

Annual Campaign and Pledges Receivable - The Organization conducts an annual campaign to raise support for allocations to participating agencies. Pledges received from local individuals and businesses are recorded as revenue and receivable upon receipt of the pledge, an allowance is provided for amounts estimated as uncollectible.

Allocations Expenses and Allocations Payable - Allocations are contributions from the Organization to member agencies. Allocations are made from unrestricted support raised by the annual campaign. Member agencies are selected on an annual basis by the governing board. Unconditional promises to give are reported as an expense upon notification of the promise. The Organization mails out allocation letters prior to the close of its fiscal year. Accordingly, those allocations are reported as an expense and as allocations payable. The allocations are paid out over the following fiscal year.

UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued):

Designations - The Organization, as part of its annual campaign, receives support that is restricted by the donor. The Organization refers to that support as "designations." Support that is received by fund-raisers that is designated by donors for specific beneficiaries that are member agencies are called agency transactions. Fund-raisers are not allowed to report agency transactions as revenue. For purpose of these financial statements and in accordance with accounting standards, the agency transactions or designations, are reported net of the amount remitted to others in the Other Revenue section of the statement of activities.

Property and Equipment - All equipment purchased is stated at cost. Donated property is stated at its fair market value at the date of gift. During the year ended June 30, 2010, no equipment was donated to the organization. Major improvements are charged to the property accounts, while repairs and maintenance, which do not extend the life of the asset, are expensed in the current period.

Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets. Depreciation expense for the year ended June 30, 2010 was \$10,545.

Donated Services - No amounts have been reflected in the statements for donated services since no objective basis is available to measure the value of such service. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the Organization's fund-raising campaigns.

Taxes on Income - The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code, and from California franchise tax under section 23701d of the Revenue and Taxation Code.

Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of six months or less.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (Continued):

Comparative Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2009, from which the summarized information was derived.

NOTE 3 CASH AND CASH EQUIVALENTS:

Cash and Checking Accounts	\$	102,834
Money Market and Maximizer Accounts		<u>23,133</u>
Total Cash and Cash Equivalents		<u>\$ 125,967</u>

NOTE 4 PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following as of June 30, 2010:

	<u>Donated</u>	<u>Purchased</u>	<u>Total</u>
Computer Equipment	\$ 30,906	\$ 33,704	\$ 64,610
Office Equipment	15,000	36,730	51,730
Leasehold Improvements	<u>37,824</u>	<u>26,972</u>	<u>64,796</u>
	<u>\$ 83,730</u>	<u>\$ 97,406</u>	\$ 181,136
Accumulated Depreciation			<u>(149,004)</u>
Net			<u>\$ 32,132</u>

UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 5 RESTRICTED NET ASSETS:

Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following purposes or periods:

Restricted for Use:

Family Service Association of the Central Coast	\$196,445
Family Service Association of the Central Coast (interest)	71,588
Santa Cruz County 2-1-1	38,420
Santa Cruz Meth Project	19,135
Together for Youth	11,620
Success by Six	6,741
Go for Health!	5,792
Bi-National Health Week	5,544
Hep C	3,352
Immunization Coalition	2,469
Project Homeless Connect	1,539
Perinatal Services/CPSP	1,326
Safe Kids	<u>368</u>
Total	<u>\$364,339</u>

Permanently Restricted Net Assets:

Permanently restricted net assets are funds that are required by the gift instruments to be invested in perpetuity. The income from such investments is unrestricted. As of June 30, 2010, the Organization had \$5,000 in permanently restricted net assets.

NOTE 6 DEFERRED COMPENSATION PLAN:

The Organization maintains a salary reduction plan pursuant to the I.R.C. Sec. 403(b) for eligible employees. Regular employees who work 20 hours or more per week are eligible. The employees become eligible and 100% vested on the first day of the month following the first full month's of employment.

The Organization normally contributes an additional 8% of gross salary of the eligible employees. Depending on the availability of funds, the contribution percentage is subject to changes by the Board of Trustees. Due to fiscal constraints the Organization contributed 6% or \$28,995.

UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 7 CONCENTRATION OF CREDIT RISK:

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist of checking accounts, certificates of deposit, money market accounts, and accounts and pledges receivable.

Credit risk with respect to grants receivable is considered low because a substantial portion is from government agencies. Pledges receivable, which have been shown net of an allowance for uncollectible amounts, are due from corporations, foundations and individuals located primarily in Santa Cruz County.

Deposits with banks and certain financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC). Deposits are insured up to an aggregate amount of \$250,000 per depositor.

The Organization maintains balances in cash and interest-bearing deposit accounts in financial institutions in excess of the amount insured by the F.D.I.C. In the event of insolvency by the financial institution, deposits in excess of insured amounts are potentially subject to unrecoverable loss. At June 30, 2010, the Organization held approximately \$34,785 in uninsured deposits.

NOTE 8 LEASE COMMITMENTS:

The Organization leases facilities under a lease which went into effect on October 1, 2000 and expired on September 30, 2005, with an option term of five years. The five-year option was exercised; the new expiration date is September 30, 2010. Future net lease monthly payments are scheduled to increase on an annual basis consistent with the Consumer Price Index, no adjustment shall be less than 2% nor greater than 4%. In addition, the lease calls for payment of triple net charges monthly based on the number of square feet and adjusted annually on the anniversary date of the lease. Lease expense for the year ended June 30, 2010 was \$91,586 including triple net charges. United Way's portion of the lease payments after current year reimbursements was \$57,692. The Organization is committed to the following annual minimum lease payments including triple net charges:

	<u>Rent and NNN Charges</u>
July 1, 2010 to September 30, 2010	<u>\$ 22,608</u>

**UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 8 LEASE COMMITMENTS (Continued):

Subsequent to the year ending June 30, 2010, the above lease expired and the Organization entered into a lease at a different location. (see note 14).

The Organization, entered into a one-year operating lease agreement commencing December 1, 2009 for property located on Pacific Avenue in Santa Cruz, California. Monthly rent payments for this property are \$450 per month. Future minimum rents for this property are \$2,250 for the year ending June 30, 2011.

NOTE 9 DEFERRED EXCHANGE TRANSACTIONS:

Deferred Exchange Transactions, or Contracts for Services, for which the Organization had received payment but had not provided the service, consisted of the following as of June 30, 2010:

The David and Lucile Packard Foundation	\$ 30,000
Together for Youth	11,076
Go For Health 52-10	8,500
The California Endowment	6,391
The Robert Wood Johnson Foundation	<u>2,487</u>
Total	<u>\$ 58,454</u>

NOTE 10 PREPAID EXPENSES:

Prepaid expenses consisted of the following items at June 30, 2010:

Rent	\$ 9,293
Prepaid Insurance	2,396
Office Supplies	4,700
Campaign Related	<u>5,000</u>
Total	<u>\$ 21,389</u>

**UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 11 SPECIAL FUND RAISING EVENTS ACTIVITIES, NET OF RELATED EXPENSES:

Special fund raising events activities, net of related expenses for the year ended June 30, 2010 are as follows:

	Gross	Direct Expenses	Net
Golf Tournament	\$ 43,380	\$ 22,331	\$ 21,049
Direct Mail	20,498	3,191	17,307
Kickoff and Victory Events	<u>10,124</u>	<u>9,490</u>	<u>634</u>
	<u>\$74,002</u>	<u>\$ 35,012</u>	<u>\$ 38,990</u>

NOTE 12 ADVERTISING COSTS:

Advertising costs are expensed as incurred. For the year ended June 30, 2010 advertising expenses totaled \$4,860.

NOTE 13 UNCERTAIN TAX POSITIONS:

The Organization has implemented new accounting standards associated with uncertainty in income taxes. Accordingly, the Organization shall initially recognize the financial statement effects of a tax position when it is more-likely-than-not, based on the technical merits, that the position will be sustained upon examination. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

For the federal tax jurisdiction, tax years for 2006 through 2009 remain open and could be subject to examination. For the state tax jurisdiction, the tax years 2005 through 2009 remain open and subject to examination.

NOTE 14 TRANSFER OF PROGRAM:

Effective July 1, 2009, United Way of Santa Cruz County (UWSC) transferred grants received on behalf of Covering California's Children Project to the United Ways of California (UWCA).

During the current year, UWSC collected the income and paid the expenses for the Covering California's Children Project on behalf of the UWCA. As a result, at June 30, 2010, UWCA owed UWSC \$337,024 for expenses paid and UWSC owed UWCA \$294,415 for income collected.

**UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 15 SUBSEQUENT EVENTS:

In September 2010, the Organization moved from its Begonia Plaza location to a new location on Capitola Road. The Organization fully depreciated the \$22,540 balance in undepreciated leasehold improvements, which existed at the time of the move. In addition the Organization agreed to pay the lessor of the Begonia Plaza location \$10,000 for demolition costs necessary to bring the leased space back to its original condition.

In July of 2010, the Organization, signed an operating lease for the property on Capitola Road. The lease commenced September 1, 2010 and expires August 31, 2020. Monthly rent payments are \$4,250 base rent and \$1,530 Triple Net. Beginning in year six, and each subsequent year of the Lease, monthly payments are scheduled to increase by three percent of the previous year's expense on the anniversary of the commencement date. The following is a schedule by years of future minimum lease payments at June 30, 2010:

Year Ending June 30,	Base Rent	Triple Net
2011	\$ 29,750	\$ 15,300
2012	51,000	18,360
2013	51,000	18,360
2014	51,000	18,360
2015	51,000	18,360
Thereafter	<u>278,889</u>	<u>100,400</u>
Total	<u>\$ 512,639</u>	<u>\$ 189,140</u>

Beginning in August of 2010, United Way of Santa Cruz County employed staff to provide United Way services in San Benito County. United Way Worldwide approved the assignment of the zip codes in San Benito County to United Way of Santa Cruz County for the purposes of fundraising and allocations.

Subsequent events have been evaluated through January 13, 2011, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

WALTERS & KONDRASHEFF
CERTIFIED PUBLIC ACCOUNTANTS
1729 SEABRIGHT AVENUE SUITE B
SANTA CRUZ, CA 95062
TELEPHONE (831) 429-8617
FAX (831) 429-6537
www.waltersandkondrasheff.com

INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION

Board of Trustees
United Way of Santa Cruz County
Capitola, California

Our report on our audit of basic financial statements of United Way of Santa Cruz County as of June 30, 2010 appears on page 1. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information presented on Page 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

Walters & Kondrasheff
Certified Public Accountants
Santa Cruz, California
January 13, 2011

UNITED WAY OF SANTA CRUZ COUNTY

STATEMENT OF ACTIVITIES DETAIL

FOR THE YEAR ENDED JUNE 30, 2010

ALLOCATIONS TO PARTNER PROGRAMS:	Approved Allocation
Santa Cruz Community Ventures	\$ 50,000
Family Service Association, of the Central Coast	30,997
Santa Cruz Community Counseling Center	25,469
Volunteer Center	21,989
Community Bridges	15,000
Y.M.C.A., Watsonville	14,892
Girl Scouts of America	13,732
Community Foundation - Healthy Kids	11,713
Walnut Avenue Women's Center	10,247
Big Brothers/Big Sisters	10,745
Y.W.C.A., Watsonville	10,070
Cultural Counsel of Santa Cruz County	10,000
Live Oak School District	10,000
Pajaro Valley Unified School District	10,000
Santa Cruz Gardens Elementary	10,000
Salvation Army, Pajaro Valley	9,293
Pajaro Valley Shelter Services	9,274
Ombudsman/Advocate Program	7,207
Catholic Charities	6,821
Santa Cruz AIDS Project	6,281
Senior Network Services	5,922
Hospice Caring Project	5,922
Hope Services - Skills Center	5,643
Families in Transition	5,599
Foster Grandparents/Senior Companions	4,884
Total	\$ 321,700

See Independent Auditor's Report on Supplementary Information