

**MAUI UNITED WAY**  
(A Hawai'i Nonprofit Corporation)

**AUDITED FINANCIAL STATEMENTS**  
(With Independent Auditors' Report)

**FOR THE YEAR ENDED JUNE 30, 2010**

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Maui United Way  
Wailuku, HI. 96793

We have audited the accompanying statement of financial position of Maui United Way (a Hawai'i nonprofit corporation) as of June 30, 2010, and the related statements of activity and changes in net assets, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Maui United Way's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's 2009 financial statements and, in our report dated September 30, 2009, we expressed an unqualified opinion on those financial statements.

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 Maui United Way 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of allocations to member agencies is presented for purposes of additional analysis and is not a required part of the basic financial statements. This supplemental schedule is the responsibility of the Organization's management. This supplemental schedule has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, when considered in relation to the basic financial statements taken as a whole.

*Carbonaro DeMichele CPA*

Wailuku, Hawaii  
September 30, 2010

**Maui United Way**

**Statement of Financial Position**

As of June 30, 2010

(With summarized totals as of June 30, 2009)

<b>ASSETS</b>	<u>2010</u>	<u>2009</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 388,175	\$ 386,688
Investments (Note 6)	1,786,616	1,547,979
Accounts Receivable		
Unconditional Promises to Give		
2010-2011 Campaign	1,245	-
2009-2010 Campaign	294,220	103
2008-2009 Campaign	-	357,590
Allowance for Uncollectible Accounts (Note 2)	(49,953)	(38,031)
Net Pledges Receivable	<u>245,512</u>	<u>319,662</u>
Prepaid Expenses	1,176	201
Total Current Assets	<u>2,421,479</u>	<u>2,254,530</u>
<b>PROPERTY AND EQUIPMENT: (Note 2)</b>		
Wailuku Office Condo	258,484	258,484
Office Furniture and Equipment	43,668	43,668
Leasehold Improvements	29,514	29,014
Accumulated Depreciation	(76,368)	(43,648)
Net Fixed Assets	<u>255,298</u>	<u>287,518</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 2,676,777</u></u>	<u><u>\$ 2,542,048</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 106,366	\$ 78,013
Donor Choice Payable (Note 2)	164,832	132,002
Wages and Payroll Taxes Payable	<u>6,667</u>	<u>3,789</u>
Total Liabilities	277,865	213,804
<b>NET ASSETS (Notes 3 and 7)</b>		
Unrestricted Net Assets	621,740	567,801
Temporarily Restricted Net Assets	818,449	801,720
Permanently Restricted Net Assets	<u>958,723</u>	<u>958,723</u>
Total Net Assets	<u>2,398,912</u>	<u>2,328,244</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 2,676,777</u></u>	<u><u>\$ 2,542,048</u></u>

The accompanying notes and Auditors' report are an integral part of these financial statements.

**Maui United Way**

**Statement of Activity and Changes in Net Assets**

For the year ended June 30, 2010

(With summarized totals for the year ended June 30, 2009)

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues, gains and other support for campaigns					
Gross campaign results:					
2010 - 2011 campaign	\$ -	\$ 2,414	\$ -	\$ 2,414	\$ -
2009 - 2010 campaign	-	1,037,201	-	1,037,201	3,050
2008 - 2009 campaign		19,236		19,236	955,258
2007 - 2008 campaign				-	36,584
Total Results	-	1,058,851	-	1,058,851	994,892
Less:					
Donor designations		(164,832)		(164,832)	(132,002)
Uncollectible promises to give		(75,570)		(75,570)	(61,170)
Total campaign revenue for current period		818,449		818,449	801,720
Interest Income	807			807	3,075
Other Income	283,083			283,083	18,676
Gain or Loss on Investment	(21,363)			(21,363)	(231,298)
Total Public Support and Revenue	262,527	818,449	-	1,080,976	592,173
Net assets released from restrictions	801,720	(801,720)	-	-	-
Total revenue, support and reclassifications	1,064,247	16,729	-	1,080,976	592,173
Expenses:					
Program Services	772,876			772,876	647,923
Management and General	142,560			142,560	145,553
Fundraising	94,872			94,872	169,413
Total Expenses	1,010,308	-	-	1,010,308	962,889
<b>Change in Net Assets</b>	<b>53,939</b>	<b>16,729</b>	<b>-</b>	<b>70,668</b>	<b>(370,716)</b>
Net assets at beginning of year	567,801	801,720	958,723	2,328,244	2,698,960
Net assets at end of year	<u>\$ 621,740</u>	<u>\$ 818,449</u>	<u>\$ 958,723</u>	<u>\$ 2,398,912</u>	<u>\$ 2,328,244</u>

The accompanying notes and Auditors' report are an integral part of these financial statements.

**Maui United Way**

**Statement of Functional Expenses**

For the Year Ended June 30, 2010

(With summarized totals for the year ended June 30, 2009)

	2010			2009	
	Program Services	Supporting Services	Fundraising Services	Total	Total
Salaries and Wages	\$ 84,941	\$ 79,015	\$ 33,581	\$ 197,537	\$ 194,817
Health Insurance and Benefits	19,052	17,722	7,532	44,306	32,675
Payroll Taxes	7,751	7,211	3,065	18,027	17,281
Total salaries and related expenses	<u>111,744</u>	<u>103,948</u>	<u>44,178</u>	<u>259,870</u>	<u>244,773</u>
Funds allocated to Member Agencies	549,584	-	-	549,584	496,132
Professional Fees	72,716	10,178	15,267	98,161	124,625
Depreciation	10,081	8,427	14,213	32,721	6,823
Dues	13,536	1,536	4,507	19,579	7,155
Maintenance	3,642	4,162	2,601	10,405	13,696
Equipment	3,478	3,975	2,485	9,938	11,613
Utilities	2,814	3,216	2,010	8,040	9,090
Postage and supplies	2,757	3,151	1,969	7,877	12,641
Publications, printing and marketing	413	1,525	5,016	6,954	23,098
Conferences and Meetings	921	1,082	1,777	3,780	5,578
Miscellaneous	1,190	1,360	849	3,399	7,665
	<u>\$ 772,876</u>	<u>\$ 142,560</u>	<u>\$ 94,872</u>	<u>\$ 1,010,308</u>	<u>\$ 962,889</u>

The accompanying notes and Auditors' report are an integral part of these financial statements.

**Maui United Way**

**Statement of Cash Flows**

For the Year Ended June 30, 2010

(With summarized totals for the year ended June 30, 2009 )

	<u>2010</u>	<u>2009</u>
Cash flows from Operating Activities:		
Change in net assets	\$ 70,668	\$ (370,716)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	32,721	6,823
Net Unrealized/Realized loss (gain) on investments	21,363	137,037
(Increase) decrease in:		
Unconditional promises to give and other receivables (net)	74,150	(5,973)
Prepaid Expenses	(975)	12
(Decrease) increase in:		
Donor choice and United Way allocation payable	32,830	(11,908)
Accounts payable and other liabilities	31,230	11,073
	<u>261,987</u>	<u>(233,652)</u>
Net cash provided (used) by operating activities	261,987	(233,652)
Cash flows from Investing Activities:		
Net Investing Activities	(260,000)	94,123
Property and equipment additions	(500)	(14,541)
	<u>(260,500)</u>	<u>79,582</u>
Net cash provided (used) by investing activities	(260,500)	79,582
Cash flows from Financing Activities	<u>-</u>	<u>-</u>
	-	-
<b>Net increase (decrease) in cash</b>	<b>1,487</b>	<b>(154,070)</b>
Cash and cash equivalents at beginning of year	<u>386,688</u>	<u>540,758</u>
Cash and cash equivalents at end of year	<u>\$ 388,175</u>	<u>\$ 386,688</u>

The accompanying notes and Auditors' report are an integral part of these financial statements.

## MAUI UNITED WAY

Notes to the Financial Statements  
June 30, 2010

### Note 1. ORGANIZATION

Maui United Way (Organization) is a nonprofit organization that was established in March 1944 to conduct an annual campaign on the Island of Maui to raise funds for participating health and welfare agencies. The organization has its own board of directors and establishes its own policies unique to community needs. The corporation is a member of the United Way Statewide Association of Hawai'i, a cooperative effort among the various United Way Organizations in Hawai'i to improve lives by mobilizing the caring power of communities. The Organization is also a member of the United Way of America, a trade organization that supports local United Ways throughout the nation.

The accompanying financial statements of the Organization are presented in accordance with the standards of accounting and financial reporting prescribed for not-for-profit organizations. In accordance with these standards, the Corporation uses the following accounting policies applicable to not-for-profit organizations.

### Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Financial Statement Presentation:* The Organization reports its financial position according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As explained further in the following section of this footnote, donor restrictions placed on most contributions are met in the same year that the contributions are received. Therefore, the Organization has adopted the policy of recording these contributions as increases to unrestricted net assets. The Organization has adopted the policy of recording unrestricted gifts of long-lived assets as contributions increasing unrestricted net assets.

*Contributions:* Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Because campaigns are conducted on an annual basis, the majority of all unconditional promises to give are for a period less than one year. The organization records unconditional promises to give that are for a period of less than one year at its net realizable value. The Organization records unconditional promises to give that are for a period of more than one year at the present value of future payments. Support for the annual campaign comes from employees at the workplace, corporate gifts, individuals, trusts and foundations, and special events.

*Donor-Choice Support:* Maui United Way, Inc., allows individuals to restrict contributions to eligible, not-for-profit organizations under its Donor Choice Program. Such designations amounted to \$164,832 as of June 30, 2010.

With respect to these donor-choice contributions, the Organization acts only as an agent for third-party recipients. The Organization has recorded these donor designated contributions as receivables and payables in accordance with FASB's Codification topic 958-605-25 and no revenue or expense has been recognized.

## MAUI UNITED WAY

### Notes to the Financial Statements June 30, 2010

#### Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Investment Securities:* In accordance with FASB's Codification topic 958-320-05-02, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. The estimated fair values were determined by quoted market prices or dealer quotes for those or similar investments. Unrealized gains and losses are included in the statement of activity.

*Property and Equipment:* Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of acquisition. Such donations are reported as unrestricted revenue unless the donor has restricted the donated asset to a specific purpose. Major renewals and betterments are capitalized while repairs and maintenance which do not improve or extend the lives of assets are charged to expense in the statement of activities. Depreciation is computed using the straight-line method over depreciable lives that range from 5 to 30 years.

*Non-Cash Donations:* Non-Cash donations are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt.

*Cash and Cash Equivalents:* For the purpose of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

*Income Taxes:* Maui United Way, Inc. is exempt from Federal income taxes pursuant to Internal Revenue Code section 501(c)(3), and exempt from State income taxes under Section 237-23 (b) of the Hawai'i Revised Statutes.

*Estimates:* The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The allowances for uncollectible promises of \$49,953 is a combined estimate of campaign outstanding accounts receivable and other accounts receivables outstanding over 1 year and an estimate of potential uncollectible accounts receivable within the current campaign pledge receivables. These estimates are based on current economic conditions, historical analysis and actual amounts over one year past due. It is possible that a change in these estimates could occur in the near term.

*Fair Value of Financial Instruments:* The carrying amounts of cash and cash equivalents approximate their fair value because of the short maturities of those instruments.



**MAUI UNITED WAY**

Notes to the Financial Statements  
June 30, 2010

Note 3. NET ASSETS

At June 30, 2010, net assets were comprised of the following:

Unrestricted –	
Undesignated	\$ 32,484
Board-Designated Quasi Endowment	<u>\$ 589,256</u>
	\$ 621,740
Temporarily Restricted –	
Net Campaign revenue to be spent in the 2010-2011 fiscal year	\$ 818,449
Permanently Restricted –	
Balthis Trust permanent endowment	\$ 535,000
Other permanent endowments	<u>\$ 423,723</u>
	\$ 958,723
 Total Net Assets	 <u>\$2,398,912</u>

Note 4. PENSION PLAN

The Organization participates in a Simple Retirement Plan. The plan provides for a contribution of 6% of employee's gross monthly salary. Contributions for the years ended June 30, 2010 and 2009 amounted to \$9,514 and \$8,661 respectively.

NOTE 5. OPERATING LEASE COMMITMENT

As of September 6, 2007, Maui United Way entered into a five year non-cancelable operating lease for its office copier requiring monthly payments of \$377. Future lease payments required under the lease are as follows:

2011	4,524
2012	4,524
2013	754
	<u>\$ 9,802</u>

## MAUI UNITED WAY

Notes to the Financial Statements  
June 30, 2010

### Note 6. FAIR VALUE MEASUREMENTS

Maui United Way has conformed to FASB's ASC 820-10-50-1 which establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. This fair value hierarchy consists of three broad levels.

- Level 1 inputs consist of unadjusted quoted prices in active markets such as stock exchanges for identical assets and have the highest priority.
- Level 2 inputs consist of significant other observable inputs such as quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.
- Level 3 inputs consist of significant unobservable inputs and include situations where there is little, if any, market activity for the investment. The inputs require significant judgment or estimates, such as those associated with discounted cash flow methodologies and appraisals.

Assets	Total 6/30/2010	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3
Cash and Equivalents	\$ 64,416	\$ 64,416	\$ -	\$ -
Equity Securities	1,214,543	1,214,543	-	-
Fixed Income Securities	<u>507,657</u>	<u>507,657</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 1,786,616</u></b>	<b><u>\$ 1,786,616</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

### Note 7. ACCOUNTING FOR ENDOWMENTS

Maui United Way is the sole beneficiary of several trusted endowments held on deposit at Bank of Hawaii and Smith Barney. The trusts are irrevocable.

**MAUI UNITED WAY**

Notes to the Financial Statements  
June 30, 2010

Note 7. ACCOUNTING FOR ENDOWMENTS (continued)

The endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principals (GAAP), net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. At June 30, 2010, the endowment net assets amounted to \$1,547,979

For the year ended June 30, 2010, the changes in endowment net assets are the following:

	<b>Endowment Net Asset Composition by Type of Fund</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
Donor-restricted endowment	\$ -	\$ -	\$ 958,723	\$ 958,723
Board-designated endowment	589,256	-	-	589,256
<b>Total Funds</b>	<u>\$ 589,256</u>	<u>\$ -</u>	<u>\$ 958,723</u>	<u>\$ 1,547,979</u>

<b>Changes in Endowment Net Assets</b>				
<b>Endowment net assets June 30, 2009</b>	\$ 589,256	\$ -	\$ 958,723	\$ 1,547,979
Investment Income	-			-
Contributions				
Appropriation of endowment assets for expenditure	-	-		-
<b>Endowment net assets June 30, 2010</b>	<u>\$ 589,256</u>	<u>\$ -</u>	<u>\$ 958,723</u>	<u>\$ 1,547,979</u>

*Interpretation of the law*

The Board of Directors of Maui United Way has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Maui United Way classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift at the accumulation is added to the fund.

## MAUI UNITED WAY

Notes to the Financial Statements  
June 30, 2010

### Note 7. ACCOUNTING FOR ENDOWMENTS (continued)

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as unrestricted net assets and are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPIMFA, management considers in its determination to appropriate or accumulate donor restricted endowment funds the following factors:

1. The duration and preservation of the fund
2. The purposes of the organization and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of Maui United Way
7. The investment policies of Maui United Way

#### *Return Objectives and Risk Parameters*

Maui United Way has adopted investment and spending policies for endowment assets that attempt to provide a real total return that preserves the purchasing power of the Endowment's Assets, while generating an income stream to support Maui United Way. The Endowment's real total return will be sought from an investment strategy that provides an opportunity for superior total returns within acceptable levels of risk and volatility.

#### *Strategies Employed for Achieving Objectives*

In order to meet Maui United Way's return objectives, investment managers operate under the general policy that investments be diversified within domestic equity, international equity, fixed-income, and cash as to provide a balance that will enhance total return while avoiding undue risk concentration in any single asset class or investment category.

### Note 8. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 30, 2010, the date the financial statements were available to be issued.

# Maui United Way

Supplemental schedule of allocations to member agencies  
(for the years ended June 30, 2010 and 2009)

	<u>2010</u>	<u>2009</u>
Aloha House	\$ 36,936	\$ 28,000
American Heart Association	27,163	22,400
American Red Cross	26,579	26,756
Big Brothers/Big Sisters of Maui, Inc.	32,944	34,356
Boy Scouts of America, Maui County Council, Ltd.	19,699	23,000
Child & Family Services	7,134	7,550
Community Clinic of Maui	25,253	26,155
Girl Scout Council of Hawaii	20,000	16,000
Horizons Academy	7,829	12,422
Hospice Maui	21,103	20,000
Hui Malama, The Learning Center	32,434	33,246
IMUA Rehab	46,758	46,564
Ka Hale A Ke Ola Resource Center	23,317	23,186
Malama Family Recovery Center	24,999	25,977
Maui Adult Day Care	30,000	30,000
Maui Aids Foundation	22,684	21,000
Maui Family Support Services	15,451	14,000
Maui Family YMCA	25,000	25,000
Maui Youth and Family Services	12,198	26,046
Mediation Services of Maui	35,604	33,193
Mental Health Association in Maui County	30,836	30,499
Mental Health Kokua	23,680	24,211
Ohana Makamae	31,292	26,922
Planned Parenthood	2,046	4,000
The Salvation Army	28,811	25,241
Women Helping Women	33,013	33,818
Nonaffiliated Agencies	38,823	500
Total	681,586	640,042
Less Donor Designations	(132,002)	(143,910)
Funds Allocated to member agencies	\$ 549,584	\$ 496,132