GREATER GALLATIN UNITED WAY, INC.

AUDITED FINANCIAL STATEMENTS
(With Comparative Totals as of June 30, 2008)

June 30, 2009

Junkermier · Clark
Campanella · Stevens · P.C.

Certified Public Accountants and Business Advisors

GREATER GALLATIN UNITED WAY, INC.
CONTENTS

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To the Board of Directors
Greater Gallatin United Way, Inc.
Bozeman, Montana

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of financial position of Greater Gallatin United Way, Inc. (a nonprofit organization), as of June 30, 2009, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of Greater Gallatin United Way, Inc.'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 June 30, 2008 financial statements and, in our report dated September 25, 2008, 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 Greater Gallatin United Way, Inc., as of June 30, 2009, 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.

Junkermier, Clark, Campanella, Stevens, P.C.

Bozeman, Montana
October 1, 2009

GREATER GALLATIN UNITED WAY, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2009
(With Comparative Totals as of June 30, 2008)

ASSETS

	2009	2008
CURRENT ASSETS		
Cash	$ 141,578	$ 8,281
Investments	381,169	548,732
Grants receivable	7,406	42,737
Pledges receivable, net uncollectible allowance of $34,940	163,280	176,363
	693,433	776,113
FIXED ASSETS		
Machinery, furniture and equipment	18,442	18,442
Less: accumulated depreciation	(18,442)	(17,190)
	-	1,252
ENDOWMENT INVESTMENTS	213,611	265,685
OTHER ASSETS		
Rent deposit	1,354	725
Totals	$ 908,398	$ 1,043,775

LIABILITIES AND NET ASSETS

	2009	2008
CURRENT LIABILITIES		
Accrued liabilities	$ 731	$ 4,471
Accrued compensated absences	7,730	8,738
Accrued allocations	455,000	463,750
Accrued designations	9,993	10,874
	473,454	487,833
NET ASSETS		
Unrestricted	172,064	301,562
Temporarily restricted	14,982	6,482
Permanently restricted	247,898	247,898
	434,944	555,942
Totals	$ 908,398	$ 1,043,775

See notes to financial statements.

GREATER GALLATIN UNITED WAY, INC.
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009
(With Comparative Totals for the Year Ended June 30, 2008)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Totals	2008 Totals
SUPPORT REVENUE					
Contributions	$ 681,410	$ -	$ -	$ 681,410	$ 730,660
Grants	86,000	59,820	-	145,820	175,188
Less: Uncollected pledges	(24,971)	-	-	(24,971)	(29,145)
Less: Designations	(9,993)	-	-	(9,993)	(10,874)
Total support	732,446	59,820	-	792,266	865,829
REVENUE					
Interest and dividend income	21,926	-	-	21,926	28,738
Other income	13,097	-	-	13,097	3,894
Proceeds from Montana Community Foundation	13,187	-	-	13,187	17,919
Proceeds from training collaborative	6,748	-	-	6,748	-
Service fees	666	-	-	666	211
In-kind donations	53,803	-	-	53,803	48,719
Net investment income (loss)	(117,549)	-	-	(117,549)	(34,514)
Total revenue	(8,122)	-	-	(8,122)	64,967
SATISFACTION OF PROGRAM RESTRICTIONS	51,320	(51,320)	-	-	-
Total support, revenues, and satisfaction of program restrictions	775,644	8,500	-	784,144	930,796
EXPENSES					
Allocations	544,388	-	-	544,388	603,909
Functional expenses					
Program	228,337	-	-	228,337	227,579
Fundraising	55,383	-	-	55,383	65,866
Management	77,034	-	-	77,034	56,937
Total expenses	905,142	-	-	905,142	954,291
CHANGE IN NET ASSETS	(129,498)	8,500	-	(120,998)	(23,495)
Net assets, beginning of year	301,562	6,482	247,898	555,942	579,437
NET ASSETS, end of year	$ 172,064	$ 14,982	$ 247,898	$ 434,944	$ 555,942

See notes to financial statements.

GREATER GALLATIN UNITED WAY, INC.
STATEMENT OF CASH FLOWS
Year Ended June 30, 2009
(With Comparative Totals for the Year Ended June 30, 2008)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (120,998)	$ (23,495)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,252	1,522
Realized and unrealized loss/(gain) and investments income	112,593	27,732
(Increase) decrease in:		
Grants receivable	35,331	(42,737)
Pledges receivable	13,083	5,003
Other receivable	-	1,267
Rent deposit	(629)	-
Increase (decrease) in:		
Accrued liabilities	(3,740)	(6,630)
Accrued compensated absences	(1,008)	3,999
Accrued allocations	(8,750)	(2,650)
Accrued designations	(881)	(17)
Net cash provided (used) by operating activities	26,253	(36,006)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments to cash/(cash to investments)	107,044	(209,814)
Cash from certificates of deposit	-	84,497
Net cash provided (used) by investing activities	107,044	(125,317)
NET INCREASE (DECREASE) IN CASH	133,297	(161,323)
Cash at beginning of year	8,281	169,604
CASH AT END OF YEAR	$ 141,578	$ 8,281

See notes to financial statements.

GREATER GALLATIN UNITED WAY, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2009
(With Comparative Totals for the Year Ended June 30, 2008)

	PROGRAM	FUND-RAISING	MANAGEMENT	2009 TOTALS	2008 TOTALS
Accounting	$ -	$ -	$ 14,320	$ 14,320	$ 13,996
Acknowledgements and awards	-	3,005	751	3,756	3,317
Advertising	41,522	-	4,613	46,135	44,775
Bank charges	-	-	4,881	4,881	5,205
Collaborative training expense	5,223	-	-	5,223	-
Contract labor	-	-	1,237	1,237	-
Curriculum	19,276	-	-	19,276	28,577
Dues and subscriptions	751	168	202	1,121	1,099
Employee benefits	16,443	5,304	4,774	26,521	21,081
Insurance	1,219	273	2,302	3,794	3,289
Investment fees	-	-	1,672	1,672	1,689
Maintenance and repairs	839	4,474	279	5,592	5,824
Meetings	903	-	3,614	4,517	3,381
Office rent	9,481	2,123	2,547	14,151	12,180
Nutrition	3,400	-	-	3,400	1,591
Payroll taxes	8,840	1,979	2,375	13,194	13,304
Postage	818	1,610	128	2,556	2,762
Printing and copying	2,500	4,923	391	7,814	4,455
Professional fees	-	-	3,000	3,000	3,000
Salaries	104,407	23,379	27,826	155,612	141,625
Change in compensated absences	(675)	(151)	(182)	(1,008)	3,998
Supplies	2,873	5,657	449	8,979	6,266
Technology	403	794	63	1,260	5,998
Telephone	2,275	509	611	3,395	3,272
Travel and training	2,729	-	-	2,729	10,946
United Way of America dues	4,271	1,148	956	6,375	7,230
Total functional expenses before depreciation	227,498	55,195	76,809	359,502	348,860
Depreciation	839	188	225	1,252	1,522
	$ 228,337	$ 55,383	$ 77,034	$ 360,754	$ 350,382

See notes to financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Operations:

Greater Gallatin United Way, Inc. (the Organization) is a nonprofit agency organized to identify and prioritize human service issues; then garner and distribute resources to make an impact on those issues. The Organization serves people in Park, Madison, Meagher and Gallatin County, Montana. The Agency was incorporated with the State of Montana on December 19, 1978. The governing board consists of an elected president, and elected members of the board of directors. The Organization is supported primarily through contributions from an annual campaign.

Basis of Accounting:

The accompanying financial statements have been prepared on the accrual basis of accounting. Contributions are recorded when received, unless susceptible to accrual, and expenses are recognized when incurred. Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified as follows:

<u>Unrestricted net assets</u> - Net assets that are not subject to donor imposed stipulations.

<u>Temporarily restricted net assets</u> - Net assets subject to donor imposed stipulations that may or will be met, either by actions of the Organization or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as satisfaction of program restrictions. Restricted revenue is reported as unrestricted if the restrictions are met in the reporting period.

<u>Permanently restricted net assets</u> - Net assets subject to donor imposed stipulations require that they be maintained permanently by the Organization. Generally, the donors of these assets permit the use of all or part of the income earned on any related investments for general or specific purposes.

Use of Estimates:

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

Income taxes:

The Organization is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and therefore, has made no provision for income taxes.

Donated services, materials, and facilities:

The financial statements of the Organization reflect in-kind donations as revenues in the period received and as assets, expenses, or decreases of liabilities depending on the type of benefit received. Donations are measured at estimated fair market values. Donations received with donor restrictions for future periods are reported as an increase in net assets.

Contributions of services are recognized in the financial statements if the services enhance or create non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents:

For purposes of the cash flow statement, cash includes amounts held in checking and savings accounts as well as certificates of deposit with an original maturity of three months or less.

Property and Equipment:

Property and equipment are recorded at their historical cost, or if donated, at the estimated fair market values at the date of donation based on independent appraisals. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. The Organization capitalizes assets purchased with a useful life of more than one year and purchase price greater than $2,500. The property and equipment is depreciated using the straight-line method over their estimated useful lives.

Endowment Investments:

Investments with D.A. Davidson 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. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Pledges Receivable:

Pledges receivable are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization uses an allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Compensated Absences:

The Organization accrues annual leave based upon the employees anniversary date. An employee which separates from the organization is paid for all granted and unused annual leave.

Comparative Totals:

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, 2008 from which the summarized information was derived.

Basis of Presentation:

Certain balances on the 2008 financial statements have been reclassified to conform to current year presentation.

2. INVESTMENTS

Effective July 1, 2008, the Organization adopted the provisions of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ("SFAS 157"). In February 2008, the Financial Accounting Standards Board ("FASB") issued Staff Position No. SFAS 157-2, *Effective Date of FASB Statement No. 157*, which provides a one year deferral of the effective date of SFAS 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, the Organization has adopted the provision of SFAS 157 with respect to its financial assets and liabilities only.

SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and enhances disclosures about fair value measurements. Fair value is defined under SFAS 157 as the exchange price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value under SFAS 157 must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable, and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 - Quoted market prices in active markets for identical assets or liabilities.

Level 2- Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted market prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs for the asset or liability. Unobservable inputs shall be used to measure fair value to the extent that the observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

The adoption of SFAS 157 did not have a material impact on the Organization's financial position or changes in net assets and its cash flows.

	Cost	Gross Unrealized Gains (Losses)	Fair Value (Level 1) 2009
Marketable equity securities, cost	$ 385,123	$ (3,954)	$ 381,169
Marketable equity securities - endowment, cost	205,546	8,065	213,611
Total Level 1 marketable equity securities	$ 590,669	$ 4,111	$ 594,780

Components of investment and interest income for the year ended June 30, 2009 consist of the following:

Interest and dividends	$ 21,926	
Unrealized gains and (losses)	(32,715)	
Realized gains and (losses)	(84,834)	
		$ (95,623)

3. PROPERTY AND EQUIPMENT

A summary of property and equipment follows:

Machinery and equipment	$ 8,197	
Furniture and fixtures	10,245	
		$ 18,442

4. ENDOWMENT

As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. During the year ended June 30, 2009, fees paid for management of endowment funds were $1,672**.**

Interpretation of Relevant Law
The Board of Directors has interpreted the Montana Uniform Prudent Management of Institutional Funds Act ("MUPMIFA") 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, the Organization classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) any accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by MUPMIFA. In accordance with MUPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(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 the Organization; and
(7) The investment policies of the Organization.

Funds with Deficiencies
From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor of MUPMIFA requires the Organization to retain as a fund of perpetual direction. As of the June 30, 2009, the endowment fund had such a deficiency of $34,287.

4. ENDOWMENT (Continued)

Return Objectives and Risk Parameters
The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to operations 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). The Organization expects its endowment funds, over time, to provide a reasonable level of current income to support the spending policy authorized by the Board of Directors and to grow equity assets. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives
To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The Endowment and Investment Committee shall review the fiscal yearend account statements and returns of the endowment account and may transfer, to the general operating account, so much of the net income, but not more than five percent (5%) of the total portfolio balance of the account as valued on the last business day of the fiscal year, as they deem necessary and appropriate. Income shall be defined as dividends from stocks and interest from bond funds. In addition, the Board may set aside and transfer to the general operating account or can designate for a project so much of the net appreciation, realized and unrealized, in fair market value of the assets of the endowment funds over historic value. The historic value is the value of all gifts and transfer to the fund as of the date of such transfer. In establishing this policy, the Organization considered the long-term expected return on its endowment. Accordingly, over the long term, the Organization expects the current spending policy to allow its endowment to grow. This is consistent with the Organization's objective to preserve the fair value of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Endowment net asset composition by type of fund as of June 30, 2009 is as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Totals	2008 Totals
Donor-restricted endowment funds	$ (34,287)	$ -	$ 247,898	$ 213,611	$ 265,685

	Unrestricted	Temporarily Restricted	Permanently Restricted	2009 Totals	2008 Totals
Endowment net assets, beginning of year	$ 17,787	$ -	$ 247,898	$ 265,685	$ 298,556
Investment return:					
Investment income, net	-	6,628	-	6,628	8,471
Net appreciation (depreciation)	(52,074)	(6,628)	-	(58,702)	(41,342)
Contributions					
	$ (34,287)	$ -	$ 247,898	$ 213,611	$ 265,685

4. ENDOWMENT (Continued)

There are also restricted investments held in an endowment fund managed by the Montana Community Foundation (Foundation). The endowment principal may not be accessed by the Organization. However, the Organization receives interest from the endowment investment, which can be used at their discretion or can be reinvested.

The Foundation holds an endowment in the amount of $278,649 as of June 30, 2009 in which the Organization is the beneficiary of the interest and dividends less administration fees earned on the Foundation's endowment. The net earnings on the Foundation's endowment is credited to the Organization's endowment with the Foundation every December 31st and June 30th. During the year, payments from the Foundation endowment fund totaled $13,187.

5. LEASES

The Organization entered into a five-year and one-month lease agreement to rent office space. The lease began on June 1, 2009 and will terminate on June 30, 2014. The monthly lease obligation for fiscal years ending 2010, 2011, 2012, 2013, 2014 is $1,354, $1,354, $1,504, $1,655, $1,805, respectively. Rental expense under the prior lease that ended May 31, 2009 totaled $7,975 with an additional in-kind donation estimated to be $4,822 for the year ended June 30, 2009. The following is a schedule of future lease payments due:

2010	$ 16,245	
2011	16,245	
2012	18,050	
2013	19,855	
2014	21,660	
Total		$ 92,055

6. RESTRICTIONS ON NET ASSETS

The Organization's board of directors has also chosen to place limitations on a portion of the unrestricted net assets. The following is a listing of the unrestricted, temporarily restricted, and permanently restricted net assets:

Unrestricted		
Board designated	$ 283,312	
Undesignated	(111,248)	
Total unrestricted		$ 172,064
Temporarily restricted		14,982
Permanently restricted		247,898
Total net assets		$ 434,944

6. RESTRICTIONS ON NET ASSETS (Continued)

Temporarily restricted net assets is comprised of the following:

4H Curriculum	$ 144	
Early childhood projects	2,850	
kidsLINK	1,008	
PPL	9,000	
School readiness	1,980	
Totals		$ 14,982

7. DONATED SERVICES, MATERIALS, AND FACILITIES

The following in-kind donations were recognized as expenses for the year ended June 30, 2009:

Advertising	$ 35,186	
Meetings	3,150	
Rent	4,822	
Repairs and Maintenance	1,965	
Miscellaneous	4,680	
Accounting and professional fees	4,000	
		$ 53,803

8. CONCENTRATION OF CREDIT RISK

The Organization receives a significant portion of its annual revenue from several local entities. If the funds from those groups were not provided it would adversely affect the operations of the Organization. However, the Organization does not feel the support will be withheld based on the positive ongoing relationships.

9. RETIREMENT PLAN

In January 2004, the Organization adopted a Savings Incentive Match Plan for Employees (SIMPLE). All employees who are 21 years old and have been employed with the Organization two out of the five previous years and earned at least $5,000 are eligible to participate in the plan. According to the plan, the Organization will match each participant's elective salary deferrals, dollar for dollar, up to 3% of each participant's compensation. Participants may direct their investments among the funds offered by the plan. During the year, the Organization made a matching contribution of $2,170 to the SIMPLE plan.

10. OVERHEAD RATIO

The following overhead (fundraising) ratio is equal to fundraising, management, and general expenses divided by total campaign support and all other revenue sources. The ratio is calculated below using the net method recommended in functional expenses and overhead reporting guidelines for United Ways, United Way of America, 2003.

Numerator:	Fundraising and management expense, and payments to affiliates	$ 132,417
Denominator:	Total support and revenue, excluding in-kind donations and unrealized gains (losses) on investments	$ 847,890
	Add: Designations	9,993
		$ 857,883
Numerator/denominator expressed as a percent		15.4 %

11. GRANTS

MOUNTAIN SKY GUEST RANCH FUND
The Organization received a pledge of $8,000 from Mountain Sky Guest Ranch Fund for the kidsLINK after school program which was not received by June 30, 2009.

GARDNER C. WAITE FOUNDATION
The Organization received a grant of $3,500 from the Gardner C. Waite Foundation for kidsLINK after school program, which had been expended by June 30, 2009.

BOZEMAN DEACONESS HEALTH SERVICES
The Organization received a grant of $5,000 from Bozeman Deaconess Health Services for early childhood projects all but $2,850 was expended by June 30, 2009.

GALLATION COUNTY 4-H FOUNDATION
The Organization received a grant of $25,000 from the Gallatin County 4-H Foundation (Gilhousen Family Foundation) for kidsLINK after school program, which all had been expended in accordance with the grant during the year.

21ST CENTURY COMMUNITY LEARNING CENTER GRANT
The Organization received a grant of $86,000 from the Montana Office of Public Instruction to fund a program director and add curriculum to primarily serve the Bozeman kidsLINK sites. The grant is an expense reimbursement grant.

DENNIS AND PHYLLIS WASHINGTON FOUNDATION
The Organization received a grant of $10,000 from the Dennis and Phyllis Washington Foundation for early childhood education projects, which was expended in accordance with the grant.

PPL MONTANA
The Organization received a grant of $9,000 from PPL Montana for the startup of three new kidsLINK programs all of which was expended in accordance with the grant.