NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The United Way of the Southern Tier, Inc., (the Agency) is a nonprofit fund raising, fund distribution and community service agency. The mission of the Agency is to effectively mobilize the caring power of our community to help people improve their lives. The Agency raises funds on an annual basis each fall through employee payroll deductions at the workplace and corporate contributions. A volunteer board of directors provides governance over the Agency.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with generally accepted accounting principles whereby revenue is recognized when earned and expenses are recorded when incurred.

Basis of Presentation

The Agency has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations," and SFAS No. 116, "Accounting for Contributions Received and Contributions Made." Under SFAS No. 117, the Agency is required to report information regarding its financial position and activities according to separate unrestricted, temporarily restricted, and restricted classes of net assets. Contributions with donor or grantor restrictions that limit the use of donated assets are reported as temporarily or permanently restricted support in the statement of activities. When donor or grantor restrictions expire, temporarily restricted net assets are reclassified as unrestricted and reported in the statement of activities as net assets released from restrictions. In addition, the SFAS requires a statement of cash flows.

SFAS No. 116 requires that contributions received be recognized as revenues or gains in the period received. Such contributions include unconditional promises to give, in the form of pledges. Contributions made are recognized in the period made, and also include unconditional promises to give, in the form of allocations. Contributions receivable are expected to be collected within one year. An allowance for uncollectible accounts is recorded based on management's evaluation of the existing promises to give. The provision is based on the average collections over the previous ten years.

Allocations Payable

It is the policy of the Agency to approve allocations to its member organizations in the spring of each year to be distributed during the following fiscal year. Therefore, at June 30th, twelve months of approved allocations are payable.

Donor Designations

The Agency has adopted Statement of Financial Accounting Standards (SFAS) No. 136, "Transfer of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others". Under SFAS No. 136, a liability is reported for contributions received which have been donor designated for specific beneficiary organizations. When the designation is paid to the beneficiary organization, the corresponding liability is eliminated.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

The Agency has adopted Statement of Financial Accounting Standards (SFAS) No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair market value in the statement of financial position.

Fixed Assets

Property and equipment purchased in excess of $500 is capitalized and recorded at cost. Donated items are recorded at fair market value. Depreciation is computed on the straight-line basis over the estimated useful lives of the assets. Equipment, furniture and fixtures have depreciable lives between three and seven years.

Income Taxes

The Agency qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for income taxes is required.

Contributions Received In-Kind

The Agency occupies, without charge, certain facilities used for its program services. In addition, the Agency receives in-kind professional services, advertising, supplies and other expenses. The estimated fair value of donated rent, services, supplies and other expenses are reported in the accompanying financial statements at the date of receipt.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to programs based on units of service. Program expenses are broken down into either Community Building expenses or Community Investment expenses.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets

Net assets are reported in the Statement of Financial Position as permanently restricted, temporarily restricted, or unrestricted, according to the intentions of donors and the board approved by-laws. The principal portion of the endowment fund consists of gifts from donors, and is reported as permanently restricted because it cannot be used for operating purposes. The accumulated earnings of the endowment fund are unrestricted, but have been designated by the Organization for use in offsetting operating expenses, and not to be used for direct member agency support. Temporarily restricted net assets consist of contributions received in advance of the subsequent year campaign plus other contributions restricted to specific uses or time periods by donors.

Cash and Cash Equivalents

The Agency considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

NOTE B – PLEDGES RECEIVABLE

Pledges currently receivable and the related allowances for doubtful pledges are as follows:

Campaign Year	Pledges Receivable	Allowances for Doubtful Pledges	Net
2006 – 2007	$ 102	$ -	$ 102
2005 – 2006	1,838,867	(228,617)	1,610,250
	$1,838,969	$(228,617)	$1,610,352

All pledges receivable are expected to be received within one year and are recorded at their net realizable value.

NOTE C – INVESTMENTS

Investments consist of marketable debt and equity securities, and are reported on the statement of financial position at quoted market value. At June 30, 2006 and 2005 investments consisted of the following:

	2006	2005
Cash and cash equivalents	$ 10,468	$ 34,749
Bonds	516,980	443,466
Stocks	464,489	446,572
	$991,937	$924,787

NOTE D – FIXED ASSETS

At June 30, 2006 and 2005 fixed assets consisted of the following:

	2006	2005
Equipment, furniture and fixtures	$ 134,403	$ 139,975
Less accumulated depreciation	(80,587)	(83,115)
	$ 53,816	$ 56,860
Depreciation expense for the period	$ 18,837	$ 17,433

NOTE E – IN-KIND CONTRIBUTIONS

Effective July 1, 2005, the Agency retroactively changed its policy for recognizing in-kind contributions and the related expenses. In-kind contributions are now reported at estimated fair value by the Agency. There was no effect on the 2005 change in net assets as a result of the new policy.

The following is a summary of in-kind contributions which are reported as revenue and related expenses in the financial statements for the years ended June 30, 2006 and 2005:

	2006	2005
Advertising	$ 34,339	$ 30,007
Volunteer services	89,298	85,090
Other goods and services	44,086	7,240
Total	$ 167,723	$ 122,337

NOTE F – PENSION PLAN

The Agency participates in a nationally sponsored defined contribution pension plan for nonprofit organizations. The non-contributory plan is available to all full-time employees with at least one year of service who have reached the age of twenty-one. Contributions are calculated at 8% of the participants' compensation. Pension costs for the period ended June 30, 2006 and 2005, amounted to $34,286 and $38,679, respectively.

NOTE G – DEMAND AND TIME DEPOSITS

At June 30, 2006 and 2005 the Agency's demand and time deposits at local banks exceeded FDIC coverage by a total of $1,067,785 and $1,085,617, respectively.

NOTE H – LEASE CONTRACT

The Agency entered into a three-year lease agreement in 2006 for its location in the Civic Center Plaza in Corning, New York. Future minimum lease payments under the agreement are as follows:

2006 – 2007	$39,753
2007 – 2008	$26,502

During the current year, the Agency was presented with a new lease, with an effective date of March 1, 2005. The lease expires on February 28, 2008. The Agency has the option to renew for two additional three year periods. The Agency has entered into multiple agreements to sublet office space on a triennial basis. Monthly rental income is $950.

NOTE I – FUNCTIONAL EXPENSES

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activity. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The statement of functional expenses includes prior-year comparative total amounts. Such total amounts do not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such amounts should be read in conjunction with the Agency's financial statements for the year ended June 30, 2005, from which the comparative total amounts were derived.

NOTE J – RELATED PARTIES

Employees of certain financial institutions, which hold deposits on behalf of the Agency, serve as members of the Board of Directors.