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April 20, 2004

FILED

APR 20 2004

Missouri Public
Service Commission

The Honorable Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102-0360

Re: Case No. AO-2004-0036

Dear Judge Roberts:

Please find enclosed for filing in the referenced matter an original and five copies of the Direct Testimony of W. Thomas Dugard, Jr. You will notice that testimony is filed with a facsimile of Mr. Dugard's affidavit. The original of Mr. Dugard's affidavit will be filed separately tomorrow.

Would you please bring this filing to the attention of the appropriate Commission personnel. Thank you.

Very truly yours,

NEWMAN, COMLEY & RUTH P.C.

By:


Mark W. Comley
comleym@ncrpc.com

MWC:ab
Enclosure

cc: Office of Public Counsel
William K. Haas
Brian T. McCartney
W. Thomas Dugard, Jr.

Exhibit No.: _____
Issue:
Witness: W. Thomas Dugard, Jr.
Sponsoring Party: Heart of America United
Way
Case No.: Case No. AO-2004-0036

HEART OF AMERICA UNITED WAY

Case No. AO-2004-0036

FILED

APR 20 2004

DIRECT TESTIMONY

Missouri Public
Service Commission

OF

W. THOMAS DUGARD, JR.

Kansas City, Missouri
April, 2004

BEFORE THE PUBLIC SERVICE COMMISSION OF
THE STATE OF MISSOURI

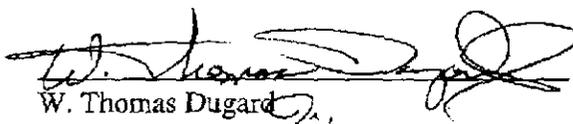
In the Matter of the Assignment)
of the 2-1-1 Abbreviated Dialing Code) Case No. AO-2004-0036
in the State of Missouri)

AFFIDAVIT OF W. THOMAS DUGARD

STATE OF MISSOURI)
) ss.
COUNTY OF JACKSON)

I, W. Thomas Dugard, of lawful age, and being duly sworn, do hereby depose and state:

1. My name is W. Thomas Dugard. I am President and CEO of Heart of America United Way, applicant in the referenced matter.
2. Attached hereto and made a part hereof for all purposes is my direct testimony.
3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct to the best of my personal knowledge, information and belief.

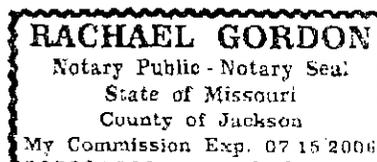

W. Thomas Dugard

Subscribed and sworn to before me, a Notary Public, this 24 day of April, 2004.


Notary Public

My Commission expires:

07/15/06



TESTIMONY OF W. THOMAS DUGARD, JR.

I. INTRODUCTION

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS FOR THE RECORD.

A. My name is W. Thomas Dugard, Jr., President and CEO of Heart of America United Way, at 1080 Washington, Kansas City, Missouri, 64105.

Q. PLEASE DESCRIBE YOUR EDUCATION AND EXPERIENCE.

A. I have attached WTD Schedule 1 which sets out my biographical data.

Q. WHAT ARE YOUR DUTIES AS PRESIDENT AND CEO OF HEART OF AMERICA UNITED WAY (HAUW)?

A. As President and CEO of HAUW, I am charged by the Board of Directors with leading HAUW in becoming one of the major catalysts and facilitators for bringing the diversity of people and needs in the greater Kansas City metropolitan area together with common goals and focus around: understanding needs, efficient and effective use of resources, and the most effective delivery of needed services.

Q. PLEASE DESCRIBE THE MISSION OF HAUW.

A. The mission of HAUW is to "improve people's lives by mobilizing the caring power of our community." It is organized to address the community's most critical health and human service issues by engaging community resources to create desired change. To respond to identified needs, it specifically conducts community-wide fundraising efforts,

allocates funds, coordinates collaborative efforts and connects citizens to service and volunteer opportunities.

Q. WHEN WAS HAUW FOUNDED AND HOW IS IT ORGANIZED AND GOVERNED?

A. HAUW was founded more than 80 years ago. It is a non-profit corporation and authorized to do business in the states of Missouri and Kansas. It is a tax exempt organization under Section 501 (c) (3) of the Internal Revenue Code. HAUW is governed by a 35 member Board of Directors. It is responsible for the distribution of more than \$30 million a year and has an annual operating budget of approximately \$5 million.

II. HISTORY AND SERVICES OF 2-1-1

Q. WHAT IS THE 2-1-1 DIALING CODE?

A. Briefly, the 2-1-1 dialing code is a three-digit, easy to remember telephone number that, when available, connects citizens with important community services and volunteer opportunities. As a service, 2-1-1 is a comprehensive information and referral program that responds to callers' non-emergency inquiries 24 hours a day, 365 days a year.

2-1-1 is known primarily for connecting people with health and human service referrals for every day needs. It however also serves as a vital coordinating point and follow-up to organizations that provide first line response during local, regional or national emergencies or disasters. It also centralizes the community's system for recruiting and connecting individuals who wish to volunteer their time or donate goods to non-profit

organizations. Finally, a 2-1-1 service generates data important to the community's larger needs assessment and resource allocation decisions.

Q. CAN YOU DESCRIBE FOR THE COMMISSION YOUR UNDERSTANDING OF THE FEDERAL COMMUNICATIONS COMMISSION'S TREATMENT OF 2-1-1?

A. In its Third Report and Order on Reconsideration released July 31, 2000, the FCC designated the 2-1-1 number for "direct access to organizations providing community I&R (Information and Referral) services; such as housing assistance, counseling and hospice services that are not currently available through the 9-1-1 emergency code or the 3-1-1 police non-emergency code."

Q. WHAT IS THE CURRENT STATUS OF 2-1-1 NATIONALLY?

A. Currently, 2-1-1 is available in 25 states and reaches 85 million Americans, or approximately 30% of the population. Generally, the development of 2-1-1 systems and call centers across the country has been lead by United Ways and other Information and Referral providers. In some cases, the development has been a collaborative effort and/or involved public private partnerships.

Q. IS 2-1-1 AN EFFECTIVE WAY OF CONNECTING SERVICE PROVIDERS AND THOSE WHO NEED SERVICES?

A. Yes, definitely. Most people have little idea where to acquire the services they need for themselves and their families. Given the dramatic increase in the number of social service agencies, programs and helplines, people do not know what choice is most appropriate

for their needs. Non-profit agencies that are there to help rarely have either the resources to do community-wide outreach to “advertise” their services to potential clients; or to provide connections to other types of services for their clients. In many cases, individuals go without needed services, rather than “navigate the maze” within the human services system.

Q. WHAT SERVICES ARE OR CAN BE CONNECTED BY USE OF 2-1-1?

A. 2-1-1 offers access to a comprehensive range of services, including:

- > Support for children, youth and families: child care, after school programs, family resource centers, camps and recreational programs. Mentoring, tutoring, protective services.

- > Basic human needs: emergency assistance, utility assistance, housing and rent assistance, shelters, food pantries, homeless services.

- > Physical and mental health resources: health clinics, Medicaid and Medicare, Children’s Health Insurance Program, medical information lines, crisis intervention services, support groups, counseling, and substance abuse intervention/treatment/rehabilitation.

- > Employment supports: job training, transportation assistance, literacy and adult basic education/English as a Second Language programs.

- > Support for seniors and individuals with disabilities or special needs: adult day care, home health care, Meals on Wheels, respite care, transportation, and homemaker services.

- > Access to volunteer opportunities and avenues for donations of goods and products.

III. HAUW APPLICATION AND QUALIFICATIONS

Q. IN WHICH EXCHANGES IS HAUW ASKING FOR AUTHORITY TO ACT AS THE PROVIDER OF 2-1-1 SERVICE?

A. HAUW is seeking authority to provide 2-1-1 service in the telephone exchanges located in 16 counties in Missouri; specifically the counties of Andrew, Bates, Buchanan, Caldwell, Cass, Clay, Clinton, DeKalb, Henry, Jackson, Johnson, Lafayette, Pettis, Platte, Saline, and Ray.

Q. WHY IS HAUW LIMITING ITS REQUEST TO THE EXCHANGES LOCATED IN THOSE COUNTIES?

A. The proposed 16 county 2-1-1 service area in Missouri includes the counties in the Metropolitan Statistical Area (MSA) for Kansas City, and additional surrounding counties within the Area of Dominant Influence (ADI) of Kansas City based television. In addition to this Missouri application, HAUW is seeking the opportunity to provide 2-1-1 service in seven counties in Kansas that comprise the remainder of the bi-state MSA

for metropolitan Kansas City. HAUW included counties in the ADI recognizing that individuals in those communities would be aware of 2-1-1 through media announcements, and would expect to have access to the service.

For the present it is HAUW's intention to pilot its 2-1-1 service in the selected counties, but will support expansion of 2-1-1 coverage into exchanges in other counties when feasible.

Q. REGARDING ANDREW AND BUCHANAN COUNTIES, WILL HAUW NEED TO MAKE SPECIAL ARRANGEMENTS TO PROVIDE SERVICE?

A. HAUW intends to contract with the United Way of Greater St. Joseph and our partner I&R provider, AFL-CIO Community Services, to assist HAUW in providing 2-1-1 service in Andrew and Buchanan counties.

Q. WHAT ASSISTANCE WILL HAUW NEED FROM THESE TWO AGENCIES?

A. HAUW will initiate a Memorandum of Understanding with AFL-CIO Community Services regarding database management and compatibility, after hours service, and data collection and reporting. In addition, HAUW will request marketing and communications assistance from the United Way of Greater St. Joseph; and in turn will provide data important for community needs assessment and planning.

Q. IS HAUW QUALIFIED TO ACT AS THE PROVIDER OF THE 2-1-1 SERVICE FOR THE TELEPHONE EXCHANGES FOUND IN THOSE COUNTIES?

A. Yes, it is. I will first observe that HAUW has access to national organizations that support expansion of 2-1-1. Nationally, United Way of America (UWA) and the Alliance of Information and Referral Systems (AIRS) are partnering to aggressively support the expansion of 2-1-1 with the goal that 50% of the population will have access to 2-1-1 by summer 2005. UWA and AIRS are providing technical assistance and other support to local United Ways to develop and sustain 2-1-1 services. HAUW is also supported in this application by local organizations. HAUW is a member of the United Ways of Missouri, a state association of United Ways which encouraged and continues to support HAUW's lead regarding 2-1-1 development through this application to the Commission.

HAUW has qualified leadership in its efforts to establish a 2-1-1 program. For example, as the Commission will notice from my education and experience, I have 3 years of direct experience in the establishment of 2-1-1 systems, having been deeply involved in the design and implementation of the service in North Carolina.

Additionally, HAUW is already intimately familiar with the process of obtaining, organizing and providing information on community health and human services through telephone inquiry, printed directories and a cross-referenced web site. From 1966-1997, HAUW operated the only community-wide generic information and referral service in Kansas City, INFOLine. Additionally, for more than 35 years, HAUW has produced a comprehensive resource directory, entitled *Where to Turn*. HAUW's in-house I&R service was re-established in 2002, and the service provides information and referral

during business hours, with voice mail response after hours, weekends and holidays. Callers access the service through a seven digit number assigned to the United Way Volunteer Center, or by calling the United Way main number. Staffing currently consists of a supervisor, an AIRS certified Information and Referral Specialist, and a Resource Data Specialist, collectively with 46 years experience in information and referral. HAUW is possessed of considerable practical experience in providing I&R services.

HAUW will have the financial systems and processes needed to provide 2-1-1 in the applied for service area. HAUW is responsible for the distribution of approximately \$30 million a year and has an annual operating budget of approximately \$5 million. HAUW has a financial staff of seven full time individuals dedicated to complete and accurate financial management. HAUW is audited on an annual basis and files a Form 990 with the IRS. A volunteer Finance Committee regularly reviews the financial status of the organization and reports to the Board of Directors. I have attached the Accountant's Report and Financial Statements for HAUW as of June 30, 2003, and the projected 2-1-1 Operating Budget and Start Up Budget as WTD Schedules 2 and 3 respectively.

To financially support the 2-1-1 initiative, HAUW will seek public and private funds outside its regular operating budget. HAUW has a long history of initiating and financially supporting community initiatives through contributions from other private and public sector funders. I am confident that the funds needed to add 2-1-1 to HAUW's services can be raised in proper course.

IV. 2-1-1 SERVICE IN MISSOURI

Q. DESCRIBE THE 2-1-1 SERVICE HAUW PROPOSES IN THIS PROCEEDING.

A. HAUW 2-1-1 will be a full service, comprehensive information and referral call center accessible by telephone and Internet 24 hours a day, 7 days a week, 365 days a year. The 2-1-1 call center will be professionally staffed, with trained information and referral specialists either certified, or working towards Alliance of Information and Referral Systems (AIRS) certification. The 2-1-1 service will be provided at no charge to the caller.

Q. WHERE WILL THE 2-1-1 SERVICE BE LOCATED, AND WHAT WILL BE THE HOURS OF SERVICE?

A. HAUW plans to house the 2-1-1 call center at its offices at 1080 Washington, Kansas City, Missouri 64105. It has sufficient space for the initial call center operation and has space to expand. HAUW will offer 2-1-1 service from 7:00 am - 7:00 pm, with initial after hours, weekend and holiday service contracted to an experienced information and referral community agency.

Q. WHAT FACILITIES WILL HAUW MAKE AVAILABLE FOR THE 2-1-1 CALL CENTER?

A. HAUW will provide identified call center space to accommodate 5 cubicles equipped with telephone, headsets and PC's installed with the IRis information and referral software/database.

Q. WHAT STANDARDS AND QUALITY ASSURANCE WILL HAUW APPLY FOR OPERATION OF THE 2-1-1 CALL CENTER?

A. HAUW will operate United Way 2-1-1 in full accordance with the Standards for Professional Information and Referral developed by the Alliance of Information and Referral Systems (AIRS). AIRS is the professional association for nearly 1000 programs throughout North America that provide information and referral on human services in their communities. The AIRS Standards describe the functions of an I&R service (classification system, resource file, inquirer data collection, analysis and reporting). The U.S Administration on Aging has adopted the basic concepts in the AIRS Standards for I&R for older persons, as has the U.S. military for staff in the Family Services/Support Centers.

AIRS also provides certification for call center call specialists and resource data specialists; and accreditation for call centers. HAUW currently has one call specialist with certification and 26 years experience. The resource data specialist will be eligible to take the certification examination in summer 2004. Call specialists and resource data specialists study, receive training and recognition for work experience prior to being certified in the following: philosophy of information and referral; demographics of the I&R service area; knowledge of community resources; call documentation and tracking; call analysis; effective communications; understanding of multicultural/ethnic inquirers, older adults, individuals with disabilities, sexual minorities and other special populations;

competency in resource database population and maintenance, as well as in Internet application.

Specialists and call center eligibility for application for certification and accreditation begins after one year of employment or one year of call center operation. The HAUW 2-1-1 call center will make application and begin the process for AIRS accreditation as soon as eligible; and will achieve accreditation within 3 years if not sooner.

Q. HOW WILL CALL SPECIALISTS BE TRAINED?

A. United Way 2-1-1 call center staff will receive initial training through a 40 hour course based on the AIRS Standards; and will attend appropriate in-service training offered either internally or through other community organizations for a minimum of 2 hours per month. New employees will have additional hours in supervised on-the-job training and will be evaluated by the call center supervisor at regular intervals.

Q. WHAT SERVICES WILL BE PROVIDED THROUGH HAUW 2-1-1?

A. The primary intent of 2-1-1 service is to connect people with health and human services, generally defined as basic human needs, physical and mental health resources, work supports, supports for older people and persons with disabilities, and for children/youth/family supports.

2-1-1 will also fulfill a significant role in providing access to individuals wishing to volunteer their time or donate other goods and services to non-profit agencies. 2-1-1 will

also be utilized to provide direction to specialized services such as community health screenings and access to low-income tax sites.

In times of local, regional or national emergencies, 2-1-1 will be the vital coordinating point and follow-up to organizations that provide the first line response.

Through client and services data collection and demographic information documented, reported and analyzed, 2-1-1 will provide significant assistance for community planning and resource allocation decisions.

Q. DOES HAUW MAINTAIN A DATABASE OF LOCAL AND REGIONAL RESOURCES?

A. HAUW utilizes the most recent version of IRis software developed by Suncoast Systems to document and update resource information on health and human services, other non-profit and governmental resources.

The online public database is called the *Where to Turn*, and is active effective May 3, 2004. In addition, the IRis database houses much more resource information not appropriate for the online application. Currently, the IRis database holds resource information on private non-profit, governmental and educational resources available in 16 Missouri counties, and 7 Kansas counties.

Q. HOW WILL ORGANIZATIONS/PROGRAMS/SERVICES BE CHOSEN FOR INCLUSION OR EXCLUSION IN THE DATABASE?

A. HAUW has developed extensive inclusion/exclusion criteria for database population. Primary inclusion eligibility is based on factors such as: must provide a human service; must serve the residents of the I&R coverage area; must have been in existence more than 6 months unless an affiliate of an established service provider with multiple locations or is the result of a community or coalition planning process; may be either government or non-profit Section 501 (c) (3) (for profit and unincorporated groups meeting critical human service needs may also be included following review); services consistently and systemically tracked by another organization that gives public referrals may be included or excluded (i.e., mental health practitioners in areas with a comprehensive mental health service).

Examples of exclusion criteria include: anyone discriminating on the basis of ethnicity/age/gender/religion; organizations engaged in illegal or fraudulent activities; agencies which misrepresent their services; individual practitioners; unlicensed services (if service is in an area where licensing standards exist); political and issue-oriented groups; faith based services provided only to their own members; for profit organizations which offer and charge for hotlines, group therapy, support groups, etc.; trade associations; web site chat rooms; for profit home care businesses that offer homemakers, companions, chore assistance services, but do not offer home health services such as nursing or home health aides; organizations which fail to deliver service.

Q. WILL 2-1-1 SERVICE BE AVAILABLE INDIVIDUALS WITH SPECIAL NEEDS?

A. HAUW 2-1-1 will provide teletype (TTY) services for speech and hearing impaired individuals; and will provide multi-lingual accessibility through subscription to either the ATT Language Line or TeleInterpreters. At present, service to Spanish-speaking callers is available live.

Q. SINCE THE COMMISSION'S EMERGENCY RULE HAS BEEN ISSUED, IS IT STILL HAUW'S INTENTION TO OFFER 2-1-1 SERVICE AS A PILOT PROGRAM IN THE 16 COUNTIES IN MISSOURI?

A. As I mentioned earlier in my testimony, for the present it is HAUW's intention to first start its 2-1-1 service in the selected counties, but will support expansion of 2-1-1 coverage into exchanges in other counties when feasible. It is a "pilot" service in that sense. Let me affirm however, that HAUW is fully ready and prepared within the Implementation Sequence proposed in the application, receipt of Board approval and funding, to provide 2-1-1 service to the 16 Missouri counties and the 7 Kansas counties referred to in this application.

Q. DOES HAUW INTEND TO APPLY FOR AUTHORITY TO BECOME A STATEWIDE I&R PROVIDER, AND HAS HAUW ADOPTED ANY SCHEDULE ON WHEN IT MAY APPLY FOR THAT AUTHORITY?

A. HAUW filed its application for authority at a time when the Commission had not yet formulated any policies on the certification of I&R providers in Missouri. HAUW set out in its application a proposed Implementation Sequence over 5 years to support efforts

across the state to expand the 2-1-1 System. Since the issuance of the Commission's Emergency Rule and the publication of the Commission's Permanent Rule on this topic; HAUW has determined that if it later can move to offer 2-1-1 service in other areas of the state, the method prescribed by the rules to acquire authority exchange by exchange will suffice.

The present application can be limited to HAUW's desire to start up in exchanges found in the 16 selected counties. HAUW has no present schedule in mind when it might seek additional authority from the Commission.

Q. WOULD THE PUBLIC INTEREST BE SERVED IF HAUW WERE GRANTED AUTHORITY AS AN I&R PROVIDER IN THE COUNTIES LISTED IN THE APPLICATION AND IN THIS TESTIMONY?

A. Yes, it would. The public interest is the paramount motivation for HAUW's application to the Commission to implement 2-1-1. Citizen access to information and referral is fragmented in Missouri; there are only 5 generic I&R services, either operated or financially supported in part by United Ways in Kansas City, Columbia, Cape Girardeau, St. Joseph and St. Louis. However, none are as comprehensive as in the HAUW proposal. Studies have shown that individuals often must make between 7 and 9 calls to access the appropriate service(s). Additionally, the value of 2-1-1 as an easily accessible entry for information during disaster and for access to volunteering/citizen service is without question. 2-1-1 will supply a valuable public benefit.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.

WTD SCHEDULE 1
EDUCATION AND EXPERIENCE (ABBREVIATED)
W. THOMAS DUGARD, JR.

EDUCATION:

BA, Memphis State University (currently University of Memphis)
Masters in Public Administration, Western Michigan University

PROFESSIONAL EXPERIENCE (UNITED WAY):

President and CEO Heart of America United Way Kansas City, Missouri	2001 to present
President Triangle United Way, Raleigh, Durham Chapel Hill, North Carolina	1996-2001
Executive Director Greater Kalamazoo United Way Kalamazoo, Michigan	1990-1996
Executive Director United Way of Greater Saint Joseph St. Joseph, Missouri	1986-1990
Executive Director United Way of Enid and Northwest Oklahoma' Enid, Oklahoma	1982-1986
Campaign Director (promoted from Assistant) United Way of Greater Memphis Memphis, Tennessee	1976-1982

Heart of America United Way, Inc.

Accountants' Report and Financial Statements

June 30, 2003 and 2002



Schedule WTD-2

Heart of America United Way, Inc.

June 30, 2003 and 2002

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Independent Accountants' Report

Board of Directors
Heart of America United Way, Inc.
Kansas City, Missouri

We have audited the accompanying statement of financial position of Heart of America United Way, Inc. as of June 30, 2003, 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. The financial statements of Heart of America United Way, Inc. as of June 30, 2002, before they were retroactively restated for the matter discussed in Note 2, were audited by other accountants whose report dated October 24, 2002, expressed an unqualified opinion on those 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 2003 financial statements referred to above present fairly, in all material respects, the financial position of Heart of America United Way, Inc. as of June 30, 2003, 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.

As discussed in Note 2, in 2003, the Organization changed its method of accounting for its beneficial interest in net assets held by a third-party foundation by retroactively restating prior years' financial statements.

September 12, 2003

BKD, LLP

Solutions
for
Success

Heart of America United Way, Inc.
Statement of Financial Position
June 30, 2003

Assets

	<u>Operations</u>	<u>Quasi Endowment</u>	<u>2003</u>
Cash and cash equivalents	\$ 1,264,886	\$ —	\$ 1,264,886
Campaign pledges receivable, net of allowance of \$2,370,469	12,765,818	—	12,765,818
Accounts and grants receivable	980,878	—	980,878
Investments	2,189,884	—	2,189,884
Property and equipment, net of accumulated depreciation and amortization of \$3,258,997	3,388,268	—	3,388,268
Beneficial interest in assets held by others	—	2,868,938	2,868,938
Other	<u>75,654</u>	<u>—</u>	<u>75,654</u>
Total assets	<u>\$ 20,665,388</u>	<u>\$ 2,868,938</u>	<u>\$ 23,534,326</u>

Liabilities and Net Assets

	<u>Operations</u>	<u>Quasi Endowment</u>	<u>2003</u>
Liabilities			
Payables to agencies – Community Care funds	\$ 7,369,751	\$ —	\$ 7,369,751
Designations to agencies and grants payable	6,185,293	—	6,185,293
Accounts payable and accrued liabilities	843,522	—	843,522
Accrued pension plan obligation	1,149,470	—	1,149,470
Long-term debt	<u>1,094,531</u>	<u>—</u>	<u>1,094,531</u>
Total liabilities	<u>16,642,567</u>	<u>—</u>	<u>16,642,567</u>
Net Assets			
Unrestricted			
Undesignated – available for general activities	819,305	—	819,305
Board – designated contingency fund	3,203,516	—	3,203,516
Board – designated quasi endowment fund	<u>—</u>	<u>2,868,938</u>	<u>2,868,938</u>
Total net assets	<u>4,022,821</u>	<u>2,868,938</u>	<u>6,891,759</u>
Total liabilities and net assets	<u>\$ 20,665,388</u>	<u>\$ 2,868,938</u>	<u>\$ 23,534,326</u>

Heart of America United Way, Inc.
Statement of Financial Position
June 30, 2002

Assets

	<u>Operations</u>	<u>Quasi Endowment</u>	<u>Total 2002 (Restated – Note 2)</u>
Cash and cash equivalents	\$ 1,439,301	\$ —	\$ 1,439,301
Campaign pledges receivable, net of allowance of \$2,610,932	14,670,136	—	14,670,136
Accounts and grants receivable	969,822	—	969,822
Investments	2,555,004	—	2,555,004
Property and equipment, net of accumulated depreciation and amortization of \$2,832,318	3,729,152	—	3,729,152
Beneficial interest in assets held by others	—	2,992,822	2,992,822
Other	<u>82,468</u>	<u>—</u>	<u>82,468</u>
Total assets	\$ <u>23,445,883</u>	\$ <u>2,992,822</u>	\$ <u>26,438,705</u>

Liabilities and Net Assets

	<u>Operations</u>	<u>Quasi Endowment</u>	<u>Total 2002 (Restated – Note 2)</u>
Liabilities			
Payables to agencies – Community Care funds	\$ 8,354,716	\$ —	\$ 8,354,716
Designations to agencies and grants payable	7,584,174	—	7,584,174
Accounts payable and accrued liabilities	1,114,952	—	1,114,952
Accrued pension plan obligation	816,326	—	816,326
Long-term debt	<u>1,046,801</u>	<u>—</u>	<u>1,046,801</u>
Total liabilities	<u>18,916,969</u>	<u>—</u>	<u>18,916,969</u>
Net Assets			
Unrestricted			
Undesignated – available for general activities	1,325,398	—	1,325,398
Board – designated contingency fund	3,203,516	—	3,203,516
Board – designated quasi endowment fund	<u>—</u>	<u>2,992,822</u>	<u>2,992,822</u>
Total net assets	<u>4,528,914</u>	<u>2,992,822</u>	<u>7,521,736</u>
Total liabilities and net assets	\$ <u>23,445,883</u>	\$ <u>2,992,822</u>	\$ <u>26,438,705</u>

Heart of America United Way, Inc.
Statement of Activities
Year Ended June 30, 2003

	Operations	Quasi Endowment	Total
Revenues, Gains and Other Support			
Campaign pledges (net of estimated uncollectible pledges of \$2,555,000)	\$ 31,159,939	\$ 62,852	\$ 31,222,791
Less amounts raised on behalf of others	<u>(8,708,112)</u>	<u>—</u>	<u>(8,708,112)</u>
Total campaign pledges	22,451,827	62,852	22,514,679
Federal grants	2,495,096	—	2,495,096
Investment income (loss)	124,245	54,117	178,362
Miscellaneous	<u>259,863</u>	<u>—</u>	<u>259,863</u>
Total revenues, gains and other support	<u>25,331,031</u>	<u>116,969</u>	<u>25,448,000</u>
Allocations and Expenses			
Program services			
Agency allocations	17,094,869	225,000	17,319,869
Federal grant expense (Kids Safe and Healthy Start Programs)	2,119,892	—	2,119,892
Support services			
Management and general	846,326	15,853	862,179
Financial resources development	3,255,756	—	3,255,756
Community services	1,981,220	—	1,981,220
National organization services	<u>234,078</u>	<u>—</u>	<u>234,078</u>
Total allocations and expenses	<u>25,532,141</u>	<u>240,853</u>	<u>25,772,994</u>
Decrease in Net Assets before Minimum Pension Liability Adjustment	(201,110)	(123,884)	(324,994)
Minimum Pension Liability Adjustment	<u>(304,983)</u>	<u>—</u>	<u>(304,983)</u>
Decrease in net assets	<u>(506,093)</u>	<u>(123,884)</u>	<u>(629,977)</u>
Net Assets, Beginning of Year, as previously reported	4,528,914	2,992,822	7,521,736
Adjustments Applicable to Prior Years	<u>—</u>	<u>—</u>	<u>—</u>
Net Assets, Beginning of Year, as restated	<u>4,528,914</u>	<u>2,992,822</u>	<u>7,521,736</u>
Net Assets, End of Year	<u>\$ 4,022,821</u>	<u>\$ 2,868,938</u>	<u>\$ 6,891,759</u>

Heart of America United Way, Inc.

Statement of Activities Year Ended June 30, 2002

	Operations	Quasi Endowment	Total
			(Restated – Note 2)
Revenues, Gains and Other Support			
Campaign pledges (net of estimated uncollectible pledges of \$2,240,000)	\$ 33,874,760	\$ 215,788	\$ 34,090,548
Less amounts raised on behalf of others	<u>(9,232,326)</u>	<u>—</u>	<u>(9,232,326)</u>
Total campaign pledges	24,642,434	215,788	24,858,222
Federal grants	3,235,376	—	3,235,376
Investment income (loss)	172,450	(324,462)	(152,012)
Miscellaneous	<u>434,234</u>	<u>—</u>	<u>434,234</u>
Total revenues, gains and other support	<u>28,484,494</u>	<u>(108,674)</u>	<u>28,375,820</u>
Allocations and Expenses			
Program services			
Agency allocations	19,293,873	200,000	19,493,873
Federal grant expense (Kids Safe and Healthy Start Programs)	3,225,408	—	3,225,408
Support services			
Management and general	636,582	15,422	652,004
Financial resources development	3,616,245	—	3,616,245
Community services	2,203,379	—	2,203,379
National organization services	<u>240,638</u>	<u>—</u>	<u>240,638</u>
Total allocations and expenses	<u>29,216,125</u>	<u>215,422</u>	<u>29,431,547</u>
Decrease in Net Assets before Minimum Pension Liability Adjustment	(731,631)	(324,096)	(1,055,727)
Minimum Pension Liability Adjustment	<u>(394,257)</u>	<u>—</u>	<u>(394,257)</u>
Decrease in net assets	<u>(1,125,888)</u>	<u>(324,096)</u>	<u>(1,449,984)</u>
Net Assets, Beginning of Year, as previously reported	5,654,802	—	5,654,802
Adjustments Applicable to Prior Years	<u>—</u>	<u>3,316,918</u>	<u>3,316,918</u>
Net Assets, Beginning of Year, as restated	<u>5,654,802</u>	<u>3,316,918</u>	<u>8,971,720</u>
Net Assets, End of Year	<u>\$ 4,528,914</u>	<u>\$ 2,992,822</u>	<u>\$ 7,521,736</u>

Heart of America United Way, Inc.

Statement of Functional Expenses

Year Ended June 30, 2003

	Program Services			Support Services				
	Federal Grant Expense			Management And General	Financial Resources Development	Community Services	National Organization Services	Total
	Agency Allocations	Kid Safe	Healthy Start					
Agency allocations	\$ 17,319,869	\$ 400,914	\$ 1,331,357	\$ —	\$ —	\$ —		\$ 19,052,140
Salaries	—	121,177	130,819	294,158	1,515,328	955,430		3,016,912
Employee benefits	—	12,256	19,697	45,067	223,834	122,520		423,374
Pension	—	16,939	12,396	55,418	262,774	163,678		511,205
Payroll taxes	—	9,589	9,873	19,277	110,552	67,855		217,146
Contract services	—	—	—	35,874	162,430	65,854		264,158
Training, conferences and meetings	—	10,996	12,791	10,356	181,943	33,061		249,147
Insurance	—	—	—	12,842	12,837	14,604		40,283
Depreciation	—	—	906	142,741	142,698	142,698		429,043
Printing and subscriptions	—	—	—	12,146	217,648	23,959		253,753
Occupancy	—	2,000	1,201	85,344	94,126	91,190		273,861
Publicity	—	2,921	4,934	509	101,754	2,331		112,449
Professional fees	—	1,500	—	23,522	23,515	23,515		72,052
Equipment, rental and maintenance	—	278	536	35,774	36,362	37,793		110,743
Supplies	—	3,551	1,891	32,028	46,447	43,047		126,964
Telephone	—	235	1,694	24,490	30,266	28,393		85,078
Labor relations	—	—	—	—	—	27,493		27,493
Postage, travel and transportation	—	887	863	6,952	38,646	19,811		67,159
Travel and transportation	—	—	—	7,472	34,807	17,427		59,706
Miscellaneous expense	—	—	7,691	18,209	19,789	18,493		64,182
Development of 211 program	—	—	—	—	—	82,068		82,068
National Organization Services	—	—	—	—	—	—	\$ 234,078	234,078
	<u>\$ 17,319,869</u>	<u>\$ 583,243</u>	<u>\$ 1,536,649</u>	<u>\$ 862,179</u>	<u>\$ 3,255,756</u>	<u>\$ 1,981,220</u>	<u>\$ 234,078</u>	<u>\$ 25,772,994</u>

Heart of America United Way, Inc.

Statement of Functional Expenses Year Ended June 30, 2002 (Restated)

	Program Services			Support Services				Total
	Federal Grant Expense			Management and General	Financial Resources Development	Community Services	National Organization Services	
	Agency Allocations	Kid Safe	Healthy Start					
Agency allocations	\$ 19,493,873	\$ 484,848	\$ 2,094,014	\$ —	\$ —	\$ —		\$ 22,072,735
Salaries	—	193,624	148,761	220,518	1,709,443	1,099,405		3,371,751
Employee benefits	—	17,161	19,270	26,445	229,948	123,515		416,339
Pension	—	6,019	16,749	17,543	281,321	189,383		511,015
Payroll taxes	—	15,883	12,109	17,645	134,658	87,616		267,911
Contract services	—	66,868	21,363	21,173	160,385	81,968		351,757
Training, conferences and meetings	—	20,050	26,511	14,934	207,418	60,635		329,548
Insurance	—	—	—	5,870	10,272	10,082		26,224
Depreciation	—	—	—	100,332	175,580	142,136		418,048
Printing and subscriptions	—	8,298	4,952	1,871	201,435	8,035		224,591
Occupancy	—	—	—	59,060	112,054	89,468		260,582
Publicity	—	32,993	4,066	524	26,600	1,063		65,246
Professional fees	—	—	—	47,446	83,031	67,215		197,692
Equipment, rental and maintenance	—	678	471	26,678	47,437	38,294		113,558
Supplies	—	3,410	3,543	32,250	71,136	59,487		169,826
Telephone	—	664	2,169	18,418	39,264	29,049		89,564
Labor relations	—	—	—	—	—	40,836		40,836
Postage, travel and transporta- tion	—	6,469	8,572	12,661	86,027	47,965		161,694
Relocation	—	—	—	10,999	23,936	15,582		50,517
Miscellaneous expense	—	—	5,893	17,637	16,300	11,645		51,475
National Organization Services	—	—	—	—	—	—	\$ 240,638	240,638
	<u>\$ 19,493,873</u>	<u>\$ 856,965</u>	<u>\$ 2,368,443</u>	<u>\$ 652,004</u>	<u>\$ 3,616,245</u>	<u>\$ 2,203,379</u>	<u>\$ 240,638</u>	<u>\$ 29,431,547</u>

See Notes to Financial Statements

Heart of America United Way, Inc.

Statements of Cash Flows Years Ended June 30, 2003 and 2002

	2003	2002
		(Restated – Note 2)
Operating Activities		
Decrease in net assets	\$ (629,977)	\$ (1,449,984)
Items not requiring (providing) cash		
Depreciation and amortization	426,679	418,048
Net realized and unrealized gains on investments	(36,203)	(37,520)
Net realized and unrealized (gains) losses on beneficial interest in assets held by others	(54,117)	324,462
Contributions restricted for long-term purposes	(62,852)	(215,788)
Accretion of capital lease obligation for building	49,836	44,892
Changes in		
Campaign pledges receivable	1,904,318	(547,076)
Accounts and grants receivable	(11,056)	(50,217)
Other assets	6,814	33,211
Payable to agencies – community care funds	(984,965)	149,199
Designations to agencies and grants payable	(1,398,881)	52,719
Accounts payable and accrued expenses	(271,430)	544,173
Accrued pension plan obligation	333,144	552,092
	(728,690)	(181,789)
Net cash used in operating activities		
Investing Activities		
Proceeds from maturities of investments	1,787,500	6,034,059
Net change in beneficial interest in assets held by others	178,001	(366)
Purchase of investments	(1,386,177)	(4,544,500)
Purchase of property and equipment	(85,795)	(187,630)
	493,529	1,301,563
Net cash provided by investing activities		
Financing Activities		
Principal payments on long-term debt	(2,106)	(925)
Proceeds from contributions restricted for long-term purposes	62,852	215,788
	60,746	214,863
Net cash provided by financing activities		
Increase (Decrease) in Cash and Cash Equivalents	(174,415)	1,334,637
Cash and Cash Equivalents, Beginning of Year	1,439,301	104,664
Cash and Cash Equivalents, End of Year	\$ 1,264,886	\$ 1,439,301
Supplemental Cash Flows Information		
Interest paid (net of amount capitalized)	\$ —	\$ 6,908

Heart of America United Way, Inc.

Notes to Financial Statements

June 30, 2003 and 2002

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Heart of America United Way, Inc. (the "Organization") is a not-for-profit organization established to benefit other not-for-profit organizations in the metropolitan Kansas City area. The Organization conducts an annual campaign to raise support for allocation to participating agencies.

The Organization's revenues and other support are derived principally from contributions and federal and state grants and its activities are conducted principally in the metropolitan Kansas City area.

Use of 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, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2003 and 2002, cash equivalents consisted primarily of money market funds and certificates of deposit. At June 30, 2003, the Organization's cash accounts exceeded federally insured limits by approximately \$1,090,000.

Accounts and Grants Receivable

Accounts and grants receivable are stated at the amounts billed under the terms of the grants or agreements. If necessary, the Organization will record an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances.

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Heart of America United Way, Inc.

Notes to Financial Statements

June 30, 2003 and 2002

Property and Equipment

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor 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 restrictions. Gifts having donor stipulations which are satisfied in the period the gift is received are reported as unrestricted revenue and net assets.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. It is the Organization's policy to imply a time restriction, based on the assets' estimated useful lives, on donations of property and equipment that are not restricted as to their use by the donor. Accordingly, those donations are recorded as support increasing temporarily restricted net assets. The Organization reclassifies temporarily restricted net assets to unrestricted net assets each year in the amount of the donated property and equipment's depreciation expense.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are reported at the present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Contributed Services

No amounts have been reflected in the financial statements for donated services, since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers have donated significant amounts of their time in the Organization's program services and financial resources development.

Heart of America United Way, Inc.

Notes to Financial Statements

June 30, 2003 and 2002

Government Grants

Support funded by grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Payable to Agencies and Other Organizations

Unconditional grants to participating agencies are recorded when approved by the Board of Directors. Conditional grants are recorded when the grantee has substantially met the conditions of the grant. Funds are distributed to designated agencies based on actual dollars collected.

Amounts Raised on Behalf of Others

Contributions, which are donor designated for specific participating agencies or communities, other than those represented by the Organization, are considered amounts raised on behalf of others and are not considered income to the Organization. These amounts are included in payable to agencies and other organizations on the statements of financial position.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated by management among the program, management and general and fundraising categories based on accumulation of relevant, current and historical data.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law.

Reclassifications

Certain reclassifications have been made to the 2002 financial statements to conform to the 2003 financial statement presentation. These reclassifications had no effect on the change in net assets.

Note 2: Restatement of Prior Year Financial Statements

In prior periods, the Organization did not record its interest in assets held by the Greater Kansas City Community Foundation (GKCCF), which are reflected in the accompanying statements of financial position as beneficial interest in assets held by others. The financial statements have been restated to reflect the Organization's beneficial interest in such assets.

Heart of America United Way, Inc.

Notes to Financial Statements

June 30, 2003 and 2002

The restatement increased net assets as of July 1, 2001 by \$3,316,918. Additionally, the restated 2002 decrease in net assets amounted to \$1,449,984 compared to the previously reported decrease of \$1,125,888.

Note 3: Investments and Beneficial Interest in Assets Held by Others

Investments

Investments at June 30 consisted of the following:

	<u>2003</u>	<u>2002</u>
Government securities	\$ <u>2,189,884</u>	\$ <u>2,555,004</u>

Beneficial Interest in Assets Held by Others

The Organization has transferred assets to the Greater Kansas City Community Foundation (Foundation) and retained a beneficial interest in those assets. Under the terms of the agreement, the Organization can withdraw all or a portion of the original amount transferred, any appreciation on those transferred assets, or both, provided that a majority of the governing boards of the Organization and the Foundation approve of the withdrawal. At the time of the transfer, the Organization granted variance power to the Foundation. That power gives the Foundation the right to make the final decision regarding distributions from the Fund. However, in the event of extraordinary circumstances, the principal of the quasi endowment fund, up to the entire fund balance, may be distributed to the Organization. At June 30, 2003 and 2002, the fund had a fair value of \$2,868,938 and \$2,992,822, respectively, which is reported in the statements of financial position as beneficial interest in assets held by others. The assets of the quasi endowment fund consist of short-term, fixed income and equity securities.

Investment Return

Investment return on investments and beneficial interest in assets held by others is composed of the following:

	<u>2003</u>	<u>2002</u>
Interest and dividend income	\$ 88,222	\$ 134,930
Net realized and unrealized gains (losses)	<u>90,140</u>	<u>(286,942)</u>
	\$ <u>178,362</u>	\$ <u>(152,012)</u>

Heart of America United Way, Inc.

Notes to Financial Statements

June 30, 2003 and 2002

Note 4: Property and Equipment

Property and equipment at June 30 consists of:

	<u>2003</u>	<u>2002</u>
Building	\$ 3,094,706	\$ 3,094,706
Equipment, furniture and fixtures	<u>3,552,559</u>	<u>3,466,764</u>
	6,647,265	6,561,470
Less accumulated depreciation and amortization	<u>3,258,997</u>	<u>2,832,318</u>
	<u>\$ 3,388,268</u>	<u>\$ 3,729,152</u>

Note 5: Line of Credit

The Organization had a \$1,000,000 revolving bank line of credit, which expired in August of 2003. No amounts were outstanding under the line of credit as of June 30, 2003.

Note 6: Long-Term Debt

	<u>2003</u>	<u>2002</u>
Note payable (A)	\$ 335,000	\$ 335,000
Capital lease obligations (B)	<u>759,531</u>	<u>711,801</u>
	<u>\$ 1,094,531</u>	<u>\$ 1,046,801</u>

(A) Payable to a not-for-profit corporation for building renovations; bears interest at 1%, payable annually on May 1; matures in 2019 or within 90 days after the Organization exercises the purchase option on the renovated property.

(B) Capital leases include a building and copier lease. The building lease consists of the building that the Organization occupies, which has a carrying value of approximately \$1,860,000. The Organization has exercised a purchase option (which is included in the capital lease obligation) for \$1,200,000 at the expiration of the lease in 2009.

Heart of America United Way, Inc.

Notes to Financial Statements

June 30, 2003 and 2002

Maturities on long-term debt and payments on capital lease obligations at June 30, 2003 are:

	<u>Long-Term Debt (Exc. Leases)</u>	<u>Capital Lease Obligations</u>
2004	\$ —	\$ 45,648
2005	—	45,648
2006	—	28,448
2007	—	25,008
2008	—	25,008
Thereafter	<u>335,000</u>	<u>1,228,134</u>
	<u>\$ 335,000</u>	1,397,894
Less amounts representing interest		<u>638,363</u>
		<u>\$ 759,531</u>

Note 7: Operating Leases

Operating leases consist of office space and equipment rental. Rental expense on such leases amounted to \$23,469 and \$26,984 for the years ended June 30, 2003 and 2002, respectively. The office space rental expires in 2005, with a renewal option for five years.

Future minimum lease payments at June 30, 2003, were:

2004	\$ 27,471
2005	27,471
2006	12,793
2007	12,793
2008	<u>10,127</u>
	<u>\$ 90,655</u>

The Organization also leases office space to another not-for-profit entity. The agreement expires in March 2006. Future minimum lease receipts at June 30, 2003, were:

2004	\$ 17,760
2005	17,760
2006	<u>13,320</u>
	<u>\$ 48,840</u>

Heart of America United Way, Inc.

Notes to Financial Statements

June 30, 2003 and 2002

Note 8: Related Party Transactions

Heartland Combined Federal Campaign

The Organization collects pledges on behalf of the Heartland Combined Federal Campaign ("HCFC"). In addition, the Organization pays certain campaign expenditures on a reimbursable basis on behalf of HCFC, and receives an allocation from and performs required accounting functions for HCFC.

Jackson County United Way

The Organization has a multi-year combined campaign arrangement with the Jackson County United Way (JCUW) which requires the Organization to make payments to JCUW based on amounts collected. This agreement, which expires December 31, 2003, allows JCUW to report campaign income raised through the combined campaign efforts of JCUW and the Organization. In return, JCUW will pay the Organization for specified accounting, marketing, training and computer assistance provided to JCUW and for shared-firm income allocated by the Organization to metro-serving agencies. This payment will be made through distribution of funds by JCUW during fiscal 2003 and 2004.

United Way of Wyandotte County

The Organization has a multi-year combined campaign arrangement with the United Way of Wyandotte County (UWWC) which requires the Organization to make payments to UWWC using a base amount and a percentage increase or decrease depending on money raised by the Organization. This agreement, which expires December 31, 2003, allows UWWC to report campaign income raised through the combined campaign efforts of UWWC and the Organization.

United Way of Johnson County

The Organization has a multi-year combined campaign arrangement with the United Way of Johnson County (UWJC) which requires the Organization to make payments to UWJC based on amounts collected. In addition, the Organization pays a portion of salaries and benefits for certain UWJC employees and assists UWJC in rent expense. The Organization also provides staff support to the UWJC, which is not reimbursed from UWJC.

Defined Benefit Plan

Certain employees of HCFC and JCUW participate in a defined benefit pension plan (*see Note 9*) sponsored by Heart of America United Way, Inc. A pro-rata share of the pension expense and minimum pension liability adjustment is allocated to the respective organizations.

Heart of America United Way, Inc.

Notes to Financial Statements

June 30, 2003 and 2002

Note 9: Employee Benefit Plans

Defined Benefit Plan

The Organization has a noncontributory defined benefit pension plan covering all employees who meet the eligibility requirements. The Organization's funding policy is to make the minimum annual contribution that is required by applicable regulations, plus such amounts as the Organization determines to be appropriate from time to time.

Significant balances, costs and assumptions are:

	2003	2002
Benefit obligation	\$ 6,024,810	\$ 5,290,054
Fair value of plan assets	<u>3,742,410</u>	<u>3,104,697</u>
Funded status	<u>\$ 2,282,400</u>	<u>\$ 2,185,357</u>
Accrued benefit cost recognized in the statement of financial position	<u>\$ (1,149,470)</u>	<u>\$ (816,326)</u>
Benefit cost	\$ 606,816	\$ 486,599
Employer contribution	652,500	435,000
Benefits paid	91,212	618,908
Weighted-average assumptions		
Discount rate	6.5%	7.0%
Expected return on plan assets	8.0%	8.0%
Rate of compensation increase	4.5%	4.5%
	(after July 1, 2003 3.5%)	

As of June 30, 2003 and 2002, the Plan's accumulated benefit obligations exceeded the fair value of Plan assets, and the resulting additional minimum liability was in excess of unrecognized prior service cost. Accordingly, the Organization recognized a minimum pension liability adjustment loss of \$(304,983) and \$(394,257) in the statements of activities for the years ended June 30, 2003 and 2002, respectively.

Certain employees of related entities (*see Note 8*) participate in the above mentioned defined benefit pension plan. A pro-rata share of the pension expense and minimum liability pension adjustment is allocated to the respective organizations.

Heart of America United Way, Inc.

Notes to Financial Statements

June 30, 2003 and 2002

Defined Contribution Plan

The Organization also sponsors a 403(b) defined contribution plan, where eligible employees may defer a percentage of their salary to such plan. This plan includes a 50% employer matching contribution for the first 6% contributed by employees. The Organization's matching contribution amounted to \$76,647 in 2003 and \$55,446 in 2002.

2-1-1 Operating Budget

Expenses	Year 1	Year 2	Year 3
Salaries			
Call Center Staff	\$129,000	\$272,500	\$319,600
Benefits and other contract services			
Payroll and Benefits Admin. (30% salaries)	\$38,700	\$81,750	\$95,880
After Hours Contract/Technology Support	\$40,000	XX	XX
Iris on Web	\$3,500	\$3,500	\$3,500
Translation Service	\$500	\$550	\$600
Phones, Equipment, Internet			
Phone Service	\$1,500	\$2,000	\$2,500
Maintenance costs (phones)	\$1,680	\$1,680	\$1,680
800 number tolls (dependent on x-cent per minute rate)	XX	XX	XX
Professional Fees and Training			
AIRS Accreditation Process	\$3,000	\$3,000	\$3,000
Professional Fees and Subscriptions	\$1,500	\$3,300	\$3,900
Professional Development/Conferences	\$2,000	\$3,000	\$3,000
Meetings, Office Supplies	\$1,000	\$2,000	\$2,000
Postage	\$1,000	\$1,500	\$1,500
Printing/Copying	\$1,000	\$1,500	\$1,500
Travel	\$500	\$500	\$500
Marketing	\$50,000	\$50,000	\$50,000
Total			

Budget Explanation

- **Operating Premise** - This three year budget anticipates year one HAUW would provide direct service 7 a.m. - 7 p.m., Monday - Friday and contract with another local organization to cover "after hours". In years 2 and 3, HAUW would directly provide 24 hour coverage.
- **Service Area** - This budget is for service in 23 counties in the bi-state Kansas City Metropolitan Area (16 counties in Missouri and 7 counties in Kansas)
- **In Kind Support** - Heart of America United Way will provide the following as an in-kind contribution to the program:
 - ✓ office space for call center
 - ✓ IT network support
 - ✓ financial administration
 - ✓ insurance (Board/Officers Liability, Employee dishonesty, Fiduciary Liability, Property and casualty \$1 million umbrella /and workman's compensation)

Line Item Explanation

- Call Center staff - Estimates for staffing the call center are based on national formulas. *Year one* includes 5 FTE's - a Supervisor, a data specialist and 3 call specialists. Anticipate hiring 2 call specialists at the start of the operation, cross training the data specialist to handle calls at peak time and evaluate the need for additional staff based on call volume. (*Year one call volume estimated at 40,000 calls*)
Year two includes 11 FTE's - 2 supervisors, 7.5 call specialists and 1.5 data specialists to cover calls 24 hours a day, 365 days a year. (*estimated 56,000 calls*) This staffing pattern is again based on national guidelines.

Year three increases staff to 13 FTE's assuming increased call volume. (*estimated 80,000 calls*)

- After Hours Contract/Technology Support - Year one contract expense for outside organization to cover "after hours" calls. Year 2 and 3 with HAUW potentially covering after hours calls for communities outside Kansas City - anticipate additional technology support will be needed but cost unknown at this time.

- Iris on Web - Annual expense for outside host/server for web-based I &R database.

- Translation Service - Contract with either AT&T Language line or TeleInterpreters.

- 800 number Tolls - Unknown at this time.

Revenue

Heart of America United Way will need to raise the funds to support this program. Funds are likely to be secured initially from private and corporate foundations. It is customary for United Way to raise funding separate from its ongoing budget to support new initiatives. In addition, United Way anticipates revenue from contracts with other communities to provide "after hours" support for those communities' 2-1-1 service.

2-1-1 Capital and Start Up Budget

Expenditures	
New Phone System	\$13,898
Computer Hardware	\$10,000
Office Equipment	\$5,000
Marketing	\$50,000
Tariffs for Telco Connection	\$35,200 *
Total for Capital and Start Up	114,098

*Estimated cost

Budget Explanation

- Phone System - portion of new system attributed to 211.
- Computer Hardware - flat panels and computers for 5 staff
- Office Equipment - chairs, lighting, sound proofing
- Marketing - funds for initial market research and initial launch - assumes development of marketing plan is pro bono.
- Tariffs - based on an estimate of \$550 x 64 central offices - tariff estimated using a "blended rate" midpoint between the \$275 per central office from Sprint and the original \$800 per central office from SBC. This estimate is for the Missouri tariff expenses only.