

UNITED PLANNING ORGANIZATION
Washington, DC

FINANCIAL STATEMENTS
September 30, 2008 and 2007





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Independent Auditor's Report

Board of Directors
United Planning Organization
Washington, D.C.

We have audited the accompanying statement of financial position of United Planning Organization (UPO) as of September 30, 2008, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of UPO's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of UPO as of September 30, 2007 were audited by other auditors whose report dated May 14, 2008 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 and *Government Auditing Standards* issued by the Comptroller General of 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Planning Organization as of September 30, 2008, 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.

In accordance with *Government Auditing Standards*, we have issued our report dated March 19, 2009, on our consideration of UPO's internal controls over financial reporting and on its compliance with laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report and the accompanying notes to the financial statements in considering the results of our audit.

Clifton Gunderson LLP

Calverton, Maryland
March 19, 2009

**UNITED PLANNING ORGANIZATION
STATEMENTS OF FINANCIAL POSITION
September 30, 2008 and 2007**

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,193,592	\$ 399,316
Contracts and grants receivable, Note 4	7,063,116	7,207,371
Advances to delegate agencies	330,315	342,969
Employee loans and advances	12,056	14,987
Prepaid expenses and other assets	211,172	321,145
Total current assets	8,810,251	8,285,788
Property and equipment, net, Note 6	13,827,007	14,030,156
TOTAL ASSETS	\$ 22,637,258	\$ 22,315,944
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 4,413,464	\$ 2,918,110
Accrued delegate agency expenses	1,705,539	3,317,588
Deferred contracts and grants revenue, Note 7	1,823,488	1,875,291
Line of credit, Note 10	434,341	175,000
Bonds payable-current, Note 11	260,358	244,805
Other liabilities	105,498	69,225
Total current liabilities	8,742,688	8,600,019
Bond payable, net of current portion, Note 11	10,540,654	10,801,008
Total liabilities	19,283,342	19,401,027
NET ASSETS		
Unrestricted:		
Board designated	143,220	115,326
Undesignated	1,220,875	947,409
Temporarily restricted	1,989,821	1,852,182
Total net assets	3,353,916	2,914,917
TOTAL LIABILITIES AND NET ASSETS	\$ 22,637,258	\$ 22,315,944

The accompanying notes are an integral part of the financial statements.

UNITED PLANNING ORGANIZATION
STATEMENTS OF ACTIVITIES
Years Ended September 30, 2008 and 2007

	<u>2008</u>	<u>2007</u>
REVENUE		
Direct federal	\$ 16,401,507	\$ 16,276,960
Pass-through federal	12,942,962	10,149,844
Direct district	9,866,888	9,856,867
Private and general	956,851	1,939,901
Fees and contribution	<u>336,051</u>	<u>342,542</u>
TOTAL REVENUE	<u>40,504,259</u>	<u>38,566,114</u>
EXPENSES		
Program services:		
Community services	9,146,975	8,018,554
Headstart	14,078,088	13,740,146
Preschool programs	3,027,381	3,236,077
Elderly	3,570,409	3,837,815
Homeless	1,287,171	941,273
Special emphasis	3,587,826	3,263,580
Other grants	442,915	646,958
Private and general	<u>562,392</u>	<u>669,206</u>
Total program services	35,703,157	34,353,609
General and administrative	3,745,010	3,621,450
Interest, fees, and other	<u>617,093</u>	<u>233,478</u>
TOTAL EXPENSES	<u>40,065,260</u>	<u>38,208,537</u>
CHANGE IN NET ASSETS	438,999	357,577
NET ASSETS, BEGINNING OF YEAR	<u>2,914,917</u>	<u>2,557,340</u>
NET ASSETS, END OF YEAR	<u>\$ 3,353,916</u>	<u>\$ 2,914,917</u>

The accompanying notes are an integral part of the financial statements.

UNITED PLANNING ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2008

	Program Services										Total	
	Community Services	Headstart and Early Headstart	Preschool and Day Care	Elderly	Homeless	Special Emphasis	Other Programs	Private and General	Program Services	General and Admin		Total 2008
EXPENSES												
Personnel	\$ 2,957,911	\$ 2,791,630	\$ 1,777,432	\$ 2,225,528	\$ 821,243	\$ 1,319,102	\$ 147,731	\$ 305,755	\$ 12,346,332	\$ 2,632,273	\$ 14,978,605	
Fringe benefits	592,428	570,561	358,760	452,923	168,805	270,068	33,999	62,515	2,510,059	541,474	3,051,533	
Purchase of services	564,727	1,274,914	392,654	191,987	26,965	790,029	216,038	38,113	3,495,427	239,881	3,735,308	
Occupancy	563,011	666,064	246,413	92,713	75,374	268,229	29,614	54,175	1,995,593	392,941	2,388,534	
Travel/transportation	417,226	739,237	11,471	705,801	145,342	68,816	13,159	64	2,101,116	16,207	2,117,323	
Supplies and construction	209,881	208,970	84,482	79,628	29,026	57,621	3,785	40,146	713,539	59,475	773,014	
Lease/purchase of equipment	201,519	76,318	1,749	20,039	12,339	40,649	-	3,868	356,481	51,089	407,570	
Client related costs	93,450	294,510	145,014	40,755	-	760,524	683	29,524	1,364,460	-	1,364,460	
Accrued and other expenses	60,140	41,315	9,406	(37,756)	8,077	12,788	(2,094)	27,368	119,244	50,218	169,462	
	5,660,293	6,663,519	3,027,381	3,771,618	1,287,171	3,587,826	442,915	561,528	25,002,251	3,983,558	28,985,809	
Delegate agencies expenses	1,714,113	8,234,887	-	-	-	-	-	-	9,949,000	-	9,949,000	
Unallocated indirect	-	-	-	-	-	-	-	-	-	153,902	153,902	
Co-funding	1,021,612	(820,318)	-	(201,294)	-	-	-	-	-	-	-	
Unallocated depreciation	148,317	-	-	-	-	-	-	-	148,317	66,636	214,953	
Interest and penalties	602,640	-	-	85	-	-	-	864	603,589	26,046	629,635	
	9,146,975	14,078,088	3,027,381	3,570,409	1,287,171	3,587,826	442,915	562,392	35,703,157	4,230,142	39,933,299	
Subtotal	842,776	1,212,807	398,502	504,982	173,352	477,010	59,229	76,352	3,745,010	(3,745,010)	-	
Allocation of indirect costs	-	-	-	-	-	-	-	-	-	86,882	86,882	
Bad and doubtful expense	-	-	-	-	-	-	-	-	-	45,079	45,079	
Others	-	-	-	-	-	-	-	-	-	-	-	
TOTAL EXPENSES	\$ 9,989,751	\$ 15,290,895	\$ 3,425,883	\$ 4,075,391	\$ 1,460,523	\$ 4,064,836	\$ 502,144	\$ 638,744	\$ 39,448,167	\$ 617,093	\$ 40,065,260	

The accompanying notes are an integral part of the financial statements.

UNITED PLANNING ORGANIZATION
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2007

	Program Services										Total 2007	
	Community Services	Headstart and Early Headstart	Preschool and Day Care	Elderly	Homeless	Special Emphasis	Other Programs	Private and General	Program Services	General and Admin		
EXPENSES												
Personnel	\$ 2,184,368	\$ 2,322,813	\$ 1,665,124	\$ 2,410,950	\$ 669,768	\$ 1,277,886	\$ 205,403	\$ 319,006	\$ 11,055,318	\$ 2,307,809	\$ 13,363,127	
Fringe benefits	472,985	549,362	386,225	556,485	155,848	297,351	47,168	62,721	2,528,145	572,919	3,101,064	
Purchase of services	368,152	1,210,215	564,130	131,487	2,286	580,429	8,000	31,318	2,896,017	309,094	3,205,111	
Occupancy	739,758	498,348	301,990	84,520	53,480	185,180	100,182	129,918	2,093,376	378,485	2,471,861	
Travel/transportation	322,446	421,045	4,259	693,852	142,640	54,608	5,217	1,500	1,645,567	53,751	1,699,318	
Supplies and construction	178,289	238,175	167,847	85,306	25,498	68,347	48,734	14,754	826,950	67,010	893,960	
Lease/purchase of equipment	274,790	91,166	6,863	77,211	5,486	42,000	1,953	7,888	507,357	54,648	562,005	
Client related costs	131,633	247,369	122,297	77,115	998	745,989	231,235	39,960	1,596,596	-	1,596,596	
Accrued and other expenses	23,937	8,613	17,342	6,531	(1,838)	11,790	(934)	61,516	126,937	14,527	141,484	
	4,696,358	5,587,106	3,236,077	4,123,457	1,054,166	3,263,580	646,958	668,581	23,276,283	3,758,243	27,034,526	
Delegate agency expenses	1,783,795	8,530,623	-	-	-	-	-	-	10,314,418	-	10,314,418	
Co-funding	776,141	(377,583)	-	(285,665)	(112,893)	-	-	-	-	-	-	
Unallocated depreciation	148,317	-	-	-	-	-	-	-	148,317	66,636	214,953	
Interest and penalties	613,943	-	-	23	-	-	-	625	614,591	46,718	661,309	
Subtotal	8,018,554	13,740,146	3,236,077	3,837,815	941,273	3,263,580	646,958	669,206	34,353,609	3,871,597	38,225,206	
Allocation of indirect costs	768,871	1,130,072	407,290	556,670	142,312	440,583	87,340	88,312	3,621,450	(3,621,450)	-	
Bad and doubtful expense	-	-	-	-	-	-	-	-	-	-	-	
Others	-	-	-	-	-	-	-	-	-	(16,669)	(16,669)	
TOTAL EXPENSES	\$ 8,787,425	\$ 14,870,218	\$ 3,643,367	\$ 4,394,485	\$ 1,083,585	\$ 3,704,163	\$ 734,298	\$ 757,518	\$ 37,975,059	\$ 233,478	\$ 38,208,537	

The accompanying notes are an integral part of the financial statements.

**UNITED PLANNING ORGANIZATION
STATEMENTS OF CASH FLOWS
Years Ended September 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 438,999	\$ 357,577
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	647,706	664,006
Allowance for doubtful accounts	-	187,731
Effects of changes in operating assets and liabilities:		
Contracts and grants receivable	144,255	(2,119,045)
Prepaid expenses and other assets	109,973	(942)
Advances to delegate agencies	12,654	(77,780)
Employees loans and advances	2,931	(8,408)
Accounts payable	1,495,403	(225,828)
Accrued delegate agency expenses	(1,612,049)	1,260,010
Deferred contracts and grants revenue	(51,803)	221,764
Other liabilities	36,228	46,467
Net cash provided by operating activities	<u>1,224,297</u>	<u>305,552</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>(444,557)</u>	<u>(6,375)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from (payments of) line of credit	259,341	(300,000)
Payment of insurance premium loan	-	(112,841)
Principal payments on bonds payable	<u>(244,805)</u>	<u>(233,345)</u>
Net cash provided by (used in) financing activities	<u>14,536</u>	<u>(646,186)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	794,276	(347,009)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>399,316</u>	<u>746,325</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,193,592</u>	<u>\$ 399,316</u>
SUPPLEMENTAL DATA - INTEREST PAID	<u>\$ 625,589</u>	<u>\$ 661,309</u>

The accompanying notes are an integral part of the financial statements.

**UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007**

NOTE 1 – ORGANIZATION

The United Planning Organization (UPO) is a private, non-profit corporation whose major functions are to plan, coordinate and implement human service programs in the District of Columbia. The agency was founded in 1962 as a charitable and educational organization. Following passage of the Economic Opportunity Act of 1964, UPO was designated as the Community Action Agency (CAA) for the Washington metropolitan area. Today, as the designated CAA for the District of Columbia, UPO is responsible for providing leadership, support and advocacy to low-income residents as a means of attaining and maintaining self-sufficiency. These services are provided through community service and preschool and day care networks.

The community service network includes six community-based delegate agencies, four recurring contract agencies, three community service centers, and approximately thirty contractors in Latino, Community-based and Youth program initiatives. UPO works with community organizations, businesses and governmental agencies to plan and implement Community Services Block Grant (CSBG) programs. These programs are designed to have an influence on the quality of life for low income residents in the areas of education; housing; income management; emergency services; nutrition; self sufficiency; health; and coordination and linkages to other UPO, private and government support services. Programs are complemented by CSBG supported senior citizen services, homeless programs and services, youth and community outreach and advocacy programs.

UPO's comprehensive Preschool and Day Care network includes five Head Start delegate agencies and thirteen Early Childhood Development Centers (ECDCs). UPO's Head Start program was initiated in 1964 and was one of the first pilot programs in the country. UPO continues to support a rapidly expanding Head Start operation and is one of the District of Columbia's largest service providers of day care programs. In District of Columbia neighborhoods where poverty is most highly concentrated, these delegate agencies and ECDCs provide children ages five and under with child care services; age-appropriate, curriculum-based educational programs; health screenings; and nutritional meals. Parents participate in the parent policy council, parenting classes and as center volunteers. Coordination and linkages to other UPO private and governmental support services are also provided.

A significant portion of UPO's programs is included in a category called Special Emphasis. These programs are funded by the District of Columbia and the Federal government. They include Temporary Assistance to Needy Families (TANF), UPO in-School Youth Program, Foster Grandparents Program, Comprehensive Treatment Center and the year round Passport to Work Program. Other programs include weatherization programs from DC Department of Energy including the DC REACH (Be-Well-Be-Warm) Program.

**UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007**

NOTE 1 – ORGANIZATION (CONTINUED)

UPO is also a primary provider of services for the elderly and handicapped population in the District of Columbia. These programs include Washington Elderly and Handicapped Transportation Services (WEHTS), a city-wide transportation network for the elderly; a Weekend Nutrition and Transportation Program; Senior Citizens Home Delivered Meals Program; Senior Citizens Wellness Center; and a number of congregate meal sites in Wards 7 and 8.

All employees excluding supervisors, confidential and managerial staff are employed in accordance with the terms of UPO's collective bargaining agreement with the Communications Workers of America AFL-CIO (CWA) Local 2336.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

Basis of Accounting - The accompanying financial statements are prepared on the accrual basis of accounting, whereby, revenues are recognized when earned and expenses when incurred, without regard to the date of receipt or payment of cash.

Basis of Presentation - UPO's financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No 117, UPO is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted, as applicable.

Cash and Cash Equivalents - For purposes of the statements of cash flows, cash and cash equivalents are considered to be all unrestricted, highly liquid investments with maturities of three months or less at the time of acquisition. These accounts at times exceed federally insured limits. UPO however, has not experienced any losses on these accounts and does not believe it is exposed to any significant risk.

Contributions - Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and or nature of any donor-imposed restrictions. Contributions received with temporary restrictions that are met during the year are recorded as unrestricted.

**UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contracts and Grants - Contract and grant funds, which are restricted as to their use, are recognized as revenue only to the extent that expenditures incurred satisfy their restricted purposes. Receipts in excess of expenditures are included in the financial statements as deferred contracts and grant revenue.

Reimbursable expenditures, for which payment has not been received as of the financial statement date, are recorded as contracts and grants receivable.

Property and Equipment - Property and equipment in excess of \$5,000 are recorded at acquisition cost if purchased or estimated fair market value, if donated. Assets purchased with federal funds are subject to appropriate federal and local government regulations regarding their acquisitions and dispositions. Depreciation of assets is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	25 to 30 years
Furniture and equipment	5 years
Leasehold improvements	5 years

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 certain reported amounts and disclosures. Consequently, actual results could differ from those estimates.

Functional Allocation of Expenses - The costs to UPO of providing the various programs and other activities have been presented on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - UPO is exempt from Federal income tax in accordance with Internal Revenue Code, section 501(c)(3). However, income from certain activities not directly related to UPO's tax-exempt purpose is subject to taxation as unrelated business income. UPO did not realize unrelated business income in fiscal years 2008 and 2007. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

**UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007**

NOTE 3 – CONCENTRATION OF CREDIT RISK

UPO maintains cash balances at several banks. As of September 30, 2007, cash balances were insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 per depositor per bank. As of September 30, 2008, balances in the Organization’s deposit accounts are fully insured by the FDIC up to \$250,000 per depositor per bank. As of September 30, 2008 and 2007, the Organization has cash balances on deposit with two banks that exceeded the balance insured by the FDIC in the amount of \$1,088,039 and \$172,300, respectively. Management does not expect any risk of loss from this concentration.

NOTE 4 – CONTRACTS RECEIVABLE

Contracts and grants receivable consist of the following at September 30:

	<u>2008</u>	<u>2007</u>
U.S. Department of Health and Human Services	\$ 3,049,423	\$ 2,986,104
D.C. Office on Aging	1,152,844	1,244,095
D.C. Department of Human Services	1,108,840	1,369,964
D.C. Department of Health	578,990	448,297
The Community Partnership for the Prevention of Homelessness	311,284	176,520
D.C. Department of Employment Services	147,034	147,842
Department of Agriculture	55,876	46,625
D.C. Department of Energy	262,731	346,308
Corporation for National Services	117,379	118,018
U.S Department of Veterans Affairs	121,790	238,704
JP Morgan Chase	189,196	137,165
Other	<u>20,000</u>	<u>-</u>
Contracts and grants receivable	7,115,387	7,259,642
Less: Provision for bad debts	<u>(52,271)</u>	<u>(52,271)</u>
	<u>\$ 7,063,116</u>	<u>\$ 7,207,371</u>

NOTE 5 – DELEGATE AGENCY ADVANCES AND EXPENSES

The statements of activities include expenses incurred by delegate agencies. Advances to delegate agencies represent unearned grant funds in excess of the delegate agencies' reported expenses. Accrued delegate agency expenses represent delegate agency expenses to be reimbursed.

**UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007**

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30:

	2008	2007
Land	\$ 1,578,661	\$ 1,295,520
Buildings	15,009,663	15,003,288
Capitalized interest	366,778	366,778
Furniture and equipment	685,985	524,568
Leasehold improvements	426,158	432,533
Total	18,067,245	17,622,687
Less: Accumulated depreciation	(4,240,238)	(3,592,531)
Property and equipment, net	<u>\$ 13,827,007</u>	<u>\$ 14,030,156</u>

Included in buildings are four properties acquired with HUD grant funds of \$108,182 in 1989 and 1990 and \$769,000 in 2003. These buildings are restricted as to disposition and use for a period of 20 years. The headquarters building at 301 Rhode Island Avenue, NW was purchased with the help of a \$975,000 grant received from DC Department of Housing and Community Development in 2002. The headquarters building is restricted as to disposition and use for a period of 10 years.

During fiscal year 2008, The Community Partnership for the Prevention of Homelessness purchased three vans for use in the Shelter Hotline program. The vans must remain in use for the express purpose of the Shelter Hotline Program as long as the program is operated by UPO or a term of five years expiring September 30, 2012. The balance of the temporarily restricted amount for these vans at September 30, 2008 was \$137,639.

Depreciation expense for the fiscal years ended September 30, 2008 and 2007 was \$647,706 and \$664,006, respectively.

NOTE 7 – DEFERRED CONTRACTS AND GRANTS REVENUE

Deferred contracts and grants revenue consist of the following for the year ended September 30:

	2008	2007
Community Services Block Grant	\$ 1,797,388	\$ 1,845,291
Other	26,100	30,000
Total	<u>\$ 1,823,488</u>	<u>\$ 1,875,291</u>

UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from government contracts and grants are subject to audit by grantor agencies. Adjustments by such agencies, principally the United States Government and the District of Columbia Government, and any disallowed claims, including amounts already collected, may constitute a liability to the grantor agency. The amount of such expenditures, if any, that may be disallowed by the grantor cannot be determined at this time. Such costs are accounted for in the year of notification

UPO has operating leases for certain facilities and equipment. The terms of the operating leases for UPO's facilities require UPO to pay normal maintenance expenses and maintain minimum insurance coverage. Total rental expense for operating leases in 2008 and 2007 was \$780,801 and \$704,577, respectively. See Note 15.

Litigation - In May, 2005, a former employee filed a lawsuit against UPO for wrongful discharge. On December 23, 2008, a judgment was entered in the amount of \$891,546 for back pay and compensatory damages against UPO. UPO has filed post-trial motions requesting the Court to reverse the verdict, amend the judgment or in the alternative grant remittitur (re-trial). UPO believes that the awarded damages are excessive, and there is evidence that the award was incorrectly transmitted to the Court.

Management does not expect the outcome of this matter to have a material adverse effect on UPO's financial position; as the damages will be covered by an insurance policy.

NOTE 9 – ACCRUED ANNUAL LEAVE

In accordance with UPO's collective bargaining agreement with CWA and its policy for management personnel, annual leave is accrued at the rate of 117 hours per year for full-time employees with less than four years of service and 156 hours per year for full-time employees with four or more years of service. Annual leave earned during the calendar year must be used by the end of the first quarter of the following year. UPO's policy does however, allow employees hired before March 15, 2001, to carry forward a maximum of 225 hours of annual leave earned prior to that date from year to year. The annual leave liability is determined accordingly.

NOTE 10 – LINES OF CREDIT

On September 1, 2005, United Bank of Virginia, as part of a bond refinancing, provided UPO with a working capital line of credit of up to \$1,500,000 but limited to 75% of total contracts receivable under 91 days old. The interest rate will float daily at one percent (1%) over the prime interest rate as published in the Wall Street Journal. The line of credit is collateralized by a second deed of trust on three UPO properties. It is also secured by a blanket first lien on all UPO assets. The maturity date of the original note has been extended to August 31, 2009.

**UNITED PLANNING ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
September 30, 2008 and 2007**

NOTE 10 – LINES OF CREDIT (CONTINUED)

Starting with the fiscal year ended September 30, 2006, the line of credit agreement requires UPO to maintain certain covenants, including a debt-to-worth ratio of not More than 5.0 times and the total net assets above \$3,500,000, as measured at the end of the fiscal year.

Bank of America has also provided UPO with an annual \$200,000 line of credit bearing interest at the Bank’s prime interest rate. The line expires July 21, 2009.

The outstanding balances at year end on the lines of credit were:

	2008	2007
United Bank	\$ 259,341	\$ -
Bank of America	175,000	175,000
Total	\$ 434,341	\$ 175,000

NOTE 11 – BONDS PAYABLE

On September 1, 2005, UPO refinanced its Enterprise Zone Facility Revenue Bonds (EZ Bonds) with United Bank of Virginia. The original bond proceeds were used to purchase UPO's headquarters property at 301 Rhode Island Avenue, N.W., under a turn-key agreement and also to construct two new community service centers at 2907-2913 Martin Luther King Jr. Avenue, S.E, and 1647-1649 Good Hope Road, S.E. Monthly principal and interest payments on the obligation began in October 2005. The obligation is amortized over a period of 25 years at an interest rate of 5.42% per annum with monthly payments of principal and interest of \$70,607. The interest rate is variable based on the tax-exempt equivalent of the average yield on US Treasury obligations maturing in five years, plus 2.5%. The rate is fixed for five years on each fifth anniversary of the bond issue date. The bonds are callable at the option of the holder on every fifth anniversary of the bond issue date with a six-month advance notice required. The bonds are secured by a first deed of trust on the properties, including any personal property attached to the real estate, and an assignment of leases and rents.

UNITED PLANNING ORGANIZATION
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NOTE 11 – BONDS PAYABLE (CONTINUED)

The following is a schedule of the bond amortization for the next five fiscal years and thereafter:

<u>Year Ending</u>	<u>Required Principal Payments</u>	<u>Interest and Other Fees</u>	<u>Total</u>
September 30:			
2009	\$ 260,358	\$ 586,992	\$ 847,288
2010	274,965	572,323	847,288
2011	290,462	556,826	847,288
2012	305,307	541,981	847,288
2013	323,838	523,250	847,288
Thereafter	<u>9,346,082</u>	<u>5,058,011</u>	<u>14,403,955</u>
Total	<u>\$10,801,012</u>	<u>\$ 7,839,383</u>	<u>\$18,640,395</u>

NOTE 12 – PENSION PLAN

UPO has a defined contribution pension plan in accordance with Section 401(k) of the Internal Revenue Code. Full-time employees and part-time employees working more than 21 hours per week are eligible to participate in the plan upon completion of six months of service. Employees have the option to make voluntary contributions on pre-tax and or post-tax basis. UPO contributes 5.5% of an employee's basic earnings for all eligible employees. Starting with calendar year 2006, UPO also matches employee pre-tax contributions to the plan on a dollar-for-dollar basis up to 1% of earnings as an additional contribution. UPO contributed \$712,941 and \$614,722 for the fiscal years ended September 30, 2008 and 2007, respectively.

In addition, UPO has a voluntary Tax Sheltered Annuity Plan in accordance with Section 403(b) of the Internal Revenue Code. UPO does not contribute to this plan.

UPO also offers a 457(b) Deferred Compensation Plan for management and highly compensated employees. Participation is voluntary and UPO does not contribute to the plan.

NOTE 13 – BOARD DESIGNATED, NET ASSETS

Unrestricted net assets include Board designated cash set aside from the Martin Luther King, Jr. Breakfast program to award scholarships to students in need.

NOTE 14 – RECLASSIFICATIONS

Certain amounts from the fiscal year 2007 financial statements have been reclassified to conform with current year presentation with no effect on the change in net assets.

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NOTE 15 – OPERATING LEASES

UPO leases copiers under operating leases expiring in various years through 2013. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of September 30, 2008, for each of the next five years and in the aggregate are:

Year-ending September 30:	
2009	\$ 49,170
2010	28,317
2011	19,499
2012	14,646
2013	<u>6,319</u>
Total minimum future rental payments	<u>\$ 117,951</u>

Rent expense for copiers was \$54,518 and \$40,955 in 2008 and 2007, respectively.

UPO entered into rental agreements for facilities at several locations. The lease terms range from 2-7 years and expire at various times through 2013. Future minimum lease payments under these leases are as follows:

Year-ending September 30:	
2009	\$ 688,049
2010	617,472
2011	543,657
2012	487,395
2013	<u>78,621</u>
Total	<u>\$ 2,415,194</u>

Rental expense was \$726,283 and \$663,622 in 2008 and 2007, respectively.

This information is an integral part of the accompanying financial statements.