United Way of San Diego County

Financial Statements

Year Ended June 30, 2016

AKT

CPAs AND BUSINESS CONSULTANTS

C O N T E N T S

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way of San Diego County

We have audited the accompanying financial statements of United Way of San Diego County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of San Diego County as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Way of San Diego County's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

AKT LLP

San Diego, California
October 26, 2016

7676 HAZARD CENTER DRIVE, SUITE 1300, SAN DIEGO, CA 92108
PHONE: 619.810.4940 FAX: 619.810.4941

PORTLAND, OR | SALEM, OR | CARLSBAD, CA | ESCONDIDO, CA | SAN DIEGO, CA | ANCHORAGE, AK
AKT LLP

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016 (With Comparative Summarized Amounts as of June 30, 2015)

a

		2016		2015
ASSETS				
Cash and cash equivalents	$	1,369,622	$	1,250,444
Restricted cash		155,184		145,821
Pledges receivable, net		5,948,554		5,030,480
Accounts receivable		84,741		120,642
Grants receivable		416,644		150,000
Prepaid expenses and other assets		114,537		97,570
Investments		6,841,329		9,563,058
Land, building, and equipment, net		1,319,780		1,374,567
Total Assets	$	16,250,391	$	17,732,582
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$	622,436	$	1,659,739
Amount due to Combined Federal Campaign agencies		2,863,395		2,144,924
Designations payable		1,335,154		1,218,416
Allocations payable		1,033,303		1,301,078
Line of credit		58,905		89,217
Total Liabilities		5,913,193		6,413,374
Net Assets				
Unrestricted		9,653,390		10,398,261
Temporarily restricted		637,144		874,283
Permanently restricted		46,664		46,664
Total Net Assets		10,337,198		11,319,208
Total Liabilities and Net Assets	$	16,250,391	$	17,732,582

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016 (With Comparative Summarized Amounts for the Year Ended June 30, 2015)

	2016				2015
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE, GAINS, AND OTHER SUPPORT					
Campaign results					
Current campaign year	$ 13,337,297	$ -	$ -	$ 13,337,297	$ 14,531,286
Future campaign years	-	-	-	-	617
Prior campaign years	312,942	-	-	312,942	845,268
Gross campaign results	13,650,239	-	-	13,650,239	15,377,171
Less designated campaign results	(7,757,911)	-	-	(7,757,911)	(8,517,133)
Campaign revenue	5,892,328	-	-	5,892,328	6,860,038
Less provision for uncollectible pledges	(350,763)	-	-	(350,763)	(848,370)
Net Campaign Results	5,541,565	-	-	5,541,565	6,011,668
Other					
Grants and contracts	-	901,775	-	901,775	664,395
Contributions	123,499	597,382	-	720,881	109,522
Investment income	247,184	-	-	247,184	135,494
Service fees	97,263	-	-	97,263	130,873
Designations from other United Ways	61,162	-	-	61,162	65,684
In-kind contributions	26,163	-	-	26,163	15,247
Miscellaneous income	11,366	-	-	11,366	34,793
Unrealized loss on investments	(225,525)	-	-	(225,525)	(54,424)
Assets released from restrictions	1,736,296	(1,736,296)	-	-	-
Total Other	2,077,408	(237,139)	-	1,840,269	1,101,584
Total Revenue, Gains, and Other Support	7,618,973	(237,139)	-	7,381,834	7,113,252
EXPENSES					
Collective Impact and Initiatives	4,341,676	-	-	4,341,676	5,254,447
City Heights Partnership for Children	1,189,486	-	-	1,189,486	574,297
Labor Community Services	359,692	-	-	359,692	455,938
Total Program Services	5,890,854	-	-	5,890,854	6,284,682
Supporting Services					
Fundraising	1,529,046	-	-	1,529,046	1,606,200
Organizational administration	943,944	-	-	943,944	1,116,368
Total Supporting Services	2,472,990	-	-	2,472,990	2,722,568
Total Expenses	8,363,844	-	-	8,363,844	9,007,250
CHANGE IN NET ASSETS	(744,871)	(237,139)	-	(982,010)	(1,893,998)
NET ASSETS					
Beginning of year	10,398,261	874,283	46,664	11,319,208	13,158,782
End of year	$ 9,653,390	$ 637,144	$ 46,664	$ 10,337,198	$ 11,264,784

See accompanying notes.

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016 (With Comparative Summarized Amounts for the Year Ended June 30, 2015)

	PROGRAM SERVICES					SUPPORTING SERVICES			
	Collective Impact and Initiatives	City Heights Partnership for Children	Labor Community Services	2016 Total	2015 Total	Fundraising	Organizational Administration	2016 Total	2015 Total
Salaries and Related Expenses									
Professional salaries	$ 1,202,854	$ 432,678	$ 58,499	$ 1,694,031	$ 1,485,202	$ 552,074	$ 281,863	$ 833,937	$ 763,808
Payroll taxes and benefits	276,056	115,676	52,593	444,325	476,186	120,673	119,073	239,746	273,647
Support salaries	240,546	104,076	153,603	498,225	460,957	79,056	175,107	254,163	265,565
Contracted staff salaries	164,257	43,761	-	208,018	114,490	49,881	97,447	147,328	102,850
Pension expense	2,587	1,093	-	3,680	772,617	-	3,680	3,680	397,341
Temporary salaries	29,727	12,561	-	42,288	55,816	32,959	9,328	42,287	51,785
Allocated staff services	(24,802)	(10,480)	-	(35,282)	(4,234)	(3,505)	(31,777)	(35,282)	(48,367)
Total Salaries and Related Expenses	1,891,225	699,365	264,695	2,855,285	3,361,034	831,138	654,721	1,485,859	1,806,629
Other Expenses									
Advertisement	72,671	23,994	-	96,665	67,153	62,125	18,612	80,737	54,949
Audit and legal fees	31,030	12,650	-	43,680	99,259	490	42,098	42,588	49,259
CFC and other campaigns	-	-	-	-	-	387,376	-	387,376	446,764
Depreciation	37,741	16,075	16,075	69,891	67,171	33,547	36,343	69,890	67,170
Dues and subscriptions	22,959	7,066	11,575	41,600	36,528	7,958	5,694	13,652	12,006
Duplicating	9,940	4,127	428	14,495	10,455	13,355	397	13,752	10,183
Equipment maintenance	3,520	1,488	961	5,969	5,118	2,082	2,926	5,008	5,115
Equipment rental and leases	18,605	5,960	3,375	27,940	25,699	13,945	6,120	20,065	22,154
Films and audio visual	27,111	7,830	-	34,941	33,677	26,361	-	26,361	18,678
In-kind services and allocated expenses	(11,780)	1,286	16,163	5,669	-	4,733	(402)	4,331	-
Insurance	9,821	4,150	-	13,971	18,245	-	13,971	13,971	9,307
Investment management fee	19,207	8,116	-	27,323	26,310	-	27,323	27,323	26,310
Local expenses	11,733	846	-	12,579	12,178	804	1,875	2,679	3,455
Minor equipment	19,194	7,396	2,243	28,833	6,574	16,560	8,205	24,765	6,045
Occupancy	12,541	3,523	29,918	45,982	57,322	4,745	7,117	11,862	2,573
Payroll and processing service fees	9,431	3,985	-	13,416	7,835	31	13,386	13,417	7,835
Postage	4,877	2,022	550	7,449	4,810	5,016	1,780	6,796	4,482
Printing and awards	37,579	15,096	-	52,675	61,372	44,150	6,495	50,645	43,214
Special allocations, grants, and other distributions	1,867,969	308,626	2,641	2,179,236	2,178,836	14,087	2,197	16,284	1,911
Staff development	28,330	6,072	-	34,402	31,864	11,285	6,492	17,777	17,369
Supplies, meetings, and miscellaneous	130,822	11,829	572	143,223	22,873	24,540	7,612	32,152	17,162
Telephone	14,840	7,388	6,479	28,707	15,237	11,713	7,330	19,043	12,222
Transportation	24,777	10,512	4,017	39,306	41,608	13,005	6,034	19,039	21,425
Total Other Expenses	2,402,918	470,037	94,997	2,967,952	2,830,124	697,908	221,605	919,513	859,588
Expenses before United Way dues	4,294,143	1,169,402	359,692	5,823,237	6,191,158	1,529,046	876,326	2,405,372	2,666,217
United Way Worldwide Dues	42,099	17,788	-	59,887	56,351	-	59,888	59,888	56,351
United Way of California Dues	5,434	2,296	-	7,730	37,173	-	7,730	7,730	-
Total Program Services/Support Services	$ 4,341,676	$ 1,189,486	$ 359,692	$ 5,890,854	$ 6,284,682	$ 1,529,046	$ 943,944	$ 2,472,990	$ 2,722,568

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2016 (With Comparative Summarized Amounts for the Year Ended June 30, 2015)

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	$ (982,010)	$ (1,839,574)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	139,781	134,341
Realized gain on sale of investments	(86,678)	(30,191)
Unrealized loss on investments	225,525	54,424
Allowance for uncollectible pledges receivable	325,084	848,370
(Increase) decrease in operating assets:		
Pledges receivable	(1,243,158)	(176,290)
Accounts receivable	35,901	997
Grants receivable	(266,644)	50,000
Prepaid expenses and other assets	(16,967)	(30,760)
Pension fund asset	-	129,070
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(1,037,303)	1,035,177
Amounts due to others, designations, and allocations payable	567,434	(1,638,439)
Net cash used by operating activities	(2,339,035)	(1,462,875)
INVESTING ACTIVITIES		
Purchases of investments	(827,758)	(1,148,654)
Proceeds from sale of investments	3,410,640	1,274,113
Purchases of equipment	(84,994)	(112,219)
Net cash provided by investing activities	2,497,888	13,240
FINANCING ACTIVITIES		
Net payments on the line of credit	(30,312)	5,784
Net cash (used) provided by financing activities	(30,312)	5,784
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	128,541	(1,443,851)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,396,265	2,840,116
End of year	$ 1,524,806	$ 1,396,265
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash and cash equivalents	$ 1,369,622	$ 1,250,444
Restricted cash	155,184	145,821
	$ 1,524,806	$ 1,396,265

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2016	2015
Cash payments for interest	$ 316	$ 72

Note 1 – Description of Organization and Summary of Significant Accounting Policies

General – United Way of San Diego County (United Way) envisions a vibrant community built on opportunity for everyone. Our mission is to spark breakthrough community action that elevates every child and family. Through the highest form of collaboration, known as "Collective Impact," we're unifying the resources of dozens of local partners to improve and enhance the lives of local children and families.

In the Collective Impact model, United Way is much more than a funder. We serve as the "backbone" of these cross-sector efforts, bringing together various stakeholders to align efforts toward a common goal.

Our roles include:

- Anchor/Backbone
- Active investor
- Leverage and align resources
- Advocate
- Partner and collaborate
- Connect and convene stakeholders
- Educate, engage, and mobilize

Collective Impact is a proven, more effective framework for solving complex social issues. We work with nonprofits, business and community leaders, city and county governments, schools and parents to ensure every child is surrounded by the tools they need to succeed in life. Our focus is on the cradle to college or career continuum; providing support outside of the classroom so that children can succeed inside the classroom.

Everyone deserves opportunities to have a good life. As we look at the key benchmarks of Readiness for Kindergarten and Third Grade Reading Levels and College or Career Readiness, we know that we must also provide support so that families are financially stable, emotionally healthy and engaged. We are all connected and interdependent; we all win when a child succeeds in school, when neighbors are financially stable, and when all of us are healthy. Our goal is to create long-lasting changes in our region's most pressing problems by addressing the underlying causes.

The activities and operations included in the accompanying financial statements include those activities and operations over which United Way has oversight responsibility or for which United Way directly provides public services.

United Way provides monetary and non-monetary support in the following areas:

Kindergarten Readiness: We measure kindergarten readiness across our portfolio along six metrics:

- Increased participation in quality preschool programs
- Increased developmental readiness for kindergarten
- Increased social-emotional readiness for kindergarten
- Improved parenting skills
- Increased family engagement
- Increased family stability and self-sufficiency

Early Grade Literacy: We measure early grade literacy along four metrics:

- Increased reading proficiency by third grade
- Increased early grade attendance
- Increased family engagement
- Increased family stability and self-sufficiency

College or Career Readiness: We measure college or career readiness along four metrics

- Increased high School graduation rates
- Increased number of students graduating with A-G requirements
- Increased number of work-based learning opportunities for students
- Increase number of corporate partners engaged in youth career development

Note 1 – Description of Organization and Summary of Significant Accounting Policies (Continued)

Family Stability: We measure family stability across four metrics

- Increase the percentage of families demonstrating increased stability and self-sufficiency.
- Increased use of free tax preparation services and claims of the Earned Income Tax Credit
- Increase families' knowledge and ability to access resources and services in their community
- Increase system level alignment between providers and across sectors

United Way also serves as the principal combined fundraising organization (PCFO) for the San Diego Combined Federal Campaign (federal employees). For the years ended June 30, 2016 and 2015, $3,634,679 and $4,012,590, respectively, was raised for this campaign and is included in campaign results. United Way and the Local Federal Coordinating Committee have entered into a new agreement to have UWSD serve as PCFO for the campaign period February 1, 2016 through the February 28, 2018; however, new regulations governing the campaign are scheduled to go into effect on March 1, 2017. At that time, United Way's tenure as PCFO will end unless there are unforeseen delays in the implementation of the new regulations.

Supporting functions

- Fundraising
  - United Way Campaign
  - San Diego Combined Federal Campaign
  - United California State Employees Campaign
- Organizational Administration

Method of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting standards generally accepted in the United States of America. United Way follows the accounting and reporting guidelines included in the Accounting and Audit Guide, *Not-for-Profit Entities,* issued by the American Institute of Certified Public Accountants and *Accounting and Financial Reporting – A Guide for United Ways and Not-for-Profit Human Service Organizations.*

Income Taxes – United Way is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. United Way currently has no unrelated business income and is not a private foundation; therefore, no provision for income taxes has been made.

United Way follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification. United Way recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions.

Financial Statement Presentation – The financial statements of United Way are presented utilizing the concept of net assets as described below:

- Unrestricted net assets represent expendable funds available for operations of United Way, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds that are subject to specific donor restrictions contingent upon a specific performance of a future event or a specific passage of time before United Way can spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions, requiring that the assets be maintained in perpetuity, usually for generating investment income to fund current operations.

Fair Value Measurements

United Way defines fair value as the exchange price that would be received for an asset or paid for a liability in the principal or most advantageous market. United Way applies fair value measurements to assets and liabilities that are required to be recorded at fair value under generally accepted accounting principles. Fair value measurement

Note 1 – Description of Organization and Summary of Significant Accounting Policies (Continued)

Fair Value Measurements, continued

techniques maximize the use of observable inputs and minimize the use of unobservable inputs, and are categorized in a fair value hierarchy based on the transparency of inputs. The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The carrying value of cash, receivables, and payables approximates fair value as of June 30, 2016 and 2015, due to the relative short maturities of these instruments.

Revenue Recognition

Campaign Results and Contributions – Contributions received, including unconditional promises to give, are recognized as revenue in the period received or pledged. When the donor specifies the agency that is to receive the donated funds, contributions are treated as agency transactions and are recorded as designated campaign results in the statement of activities. Contributions with specific donor-imposed restrictions are reported as temporarily or permanently restricted revenue, depending on the nature of the restriction.

Contributed Goods and Personal Services – Contributed goods are reflected as contributions in the accompanying financial statements at their estimated fair value. Contributed goods and services in the amount of $26,163 and $15,247 are reflected in the statement of activities for the years ended June 30, 2016 and 2015, respectively.

No amounts have been included in the accompanying financial statements for services contributed by campaign volunteers since such services do not require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased. Nevertheless, a substantial number of volunteers from the San Diego area donated their time to United Way.

Service Fees – United Way recognizes service fee revenue when designated contributions are paid.

Receivables – Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts to present value are computed using risk adjusted rates applicable in the years in which those promises are made. Amortization of the discounts is included in contributions in the statement of activities.

As PCFO for the Combined Federal Campaign (CFC), United Way advances funds to the CFC for operational expenses using funds from the line of credit. These amounts are reflected as accounts receivable in the statement of financial position.

An allowance for estimated uncollectible receivables is based on past experience and an analysis of current receivable balances. Receivables deemed uncollectible are recorded against the allowance in the year deemed uncollectible. The organization has changed its practice for the calculation method of the allowance for estimated uncollectible receivables. In prior years, the allowance for estimated uncollected receivables was based on the historical loss for both designated and undesignated pledge results. Designation expense was reduced by the amount of the loss allowance estimated for designated pledges. Beginning in the year ended June 30, 2016, the organization

Note 1 – Description of Organization and Summary of Significant Accounting Policies (Continued)

Revenue Recognition, continued

estimated the allowance for uncollectible receivables based on undesignated receivables only. No estimated allowance for uncollectible receivables for designated receivables or corresponding reduction in designated expense has been recorded. At June 30, 2016 and 2015, the allowance for uncollectible pledges receivable was $325,084 and $790,083, respectively. At June 30, 2016 and 2015, no allowance for uncollectible accounts and grants receivable was established as United Way believes all amounts are collectible.

Cash and Cash Equivalents – Cash and cash equivalents include cash in bank deposit accounts and highly liquid investments with an original maturity of three months or less.

United Way is required to maintain a separate bank account for contributions related to the San Diego Gas & Electric Neighbor to Neighbor Fund in order to comply with monthly reporting requirements.

Investments – United Way carries investments in equity securities with readily determinable fair values and investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the statement of activities.

Land, Building, and Equipment – Land, building, and equipment which exceed $5,000 are recorded at cost. Donated assets are recorded at estimated fair value at the date of donation. Depreciation is calculated on the straight-line basis using lives of 31.5 years for building and improvements, 10 years for furniture and equipment, and 3 years for computer equipment. Salvage value is generally estimated as 10 percent for equipment, furniture, and computer equipment.

Impairment of Long-lived Assets – United Way evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

Allocations and Contracts – Allocations payable represent amounts approved by the Board of Directors based on results of the current year campaign. A majority of allocations to agencies are distributed in the following year. As provided in the contractual agreements with Combined Health Agencies and the CFC agencies, distributions to Combined Health Agencies and to CFC agencies are paid monthly and quarterly respectively based upon the previous month's or quarter’s campaign receipts.

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses – supporting services. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Concentration of Credit Risk

Cash and Cash Equivalents – United Way maintains cash and cash equivalents in bank deposit and other financial institution accounts which exceed federally insured deposit limits. United Way has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

Investments – Investments are exposed to various risks, such as interest rates, market, and credit risk. It is at least reasonably possible given the level of risk associated with investments that change in the near term could materially affect the amounts reported in the financial statements.

Note 3 – Investments

Investments consist of amounts that are permanently restricted, temporarily restricted, and unrestricted. Investments are maintained at Merrill Lynch Wealth Management, the San Diego Foundation, and other various banks. Unrestricted amounts have been designated by the Board of Directors for various uses.

As of June 30, 2016, all certificates of deposit and bank deposit programs held in short-term investments were insured by FDIC with no more than $250,000 in any one bank.

The following tables present investments categorized according to the fair value hierarchy as of June 30:

	2016			
	Level 1	Level 2	Level 3	Total Fair Value
Short-term investments:				
Large Cap Equities	$ 1,910,766	$ -	$ -	$ 1,910,766
Small/Mid Cap Equities	736,451	-	-	736,451
International Securities	992,254	-	-	992,254
Alternative Investments	522,706	-	-	522,706
Fixed Income	1,731,235	-	-	1,731,235
Long term investments:				
Pooled fund held by San Diego Foundation	-	-	947,917	947,917
	$ 5,893,412	$ -	$ 947,917	$ 6,841,329

	2015			
	Level 1	Level 2	Level 3	Total Fair Value
Short-term investments:				
Large Cap Equities	$ 2,027,716	$ -	$ -	$ 2,027,716
Small/Mid Cap Equities	723,223	-	-	723,223
International Securities	1,070,671	-	-	1,070,671
Alternative Investments	475,158	-	-	475,158
Fixed Income	4,256,003	-	-	4,256,003
Long term investments:				
Pooled fund held by San Diego Foundation	-	-	1,010,287	1,010,287
	$ 8,552,771	$ -	$ 1,010,287	$ 9,563,058

Investment income for the years ended June 30, consist of:

	2016	2015
Dividends and interest	$ 160,506	$ 159,727
Realized gains	86,678	30,191
	$ 247,184	$ 189,918

Note 3 – Investments (Continued)

The approximate allocation of the pooled funds held by San Diego Foundation as of June 30, 2016 were:

	2016	2015
Domestic equities	26%	25%
International equities	22%	30%
Alternative	16%	16%
Domestic Fixed Income	10%	10%
Real Estate	8%	8%
International Fixed Income	7%	7%
Global Equity	6%	0%
Commodities	4%	4%
Cash	1%	0%
	100%	100%

The following table presents changes in the fair value of level 3 investments for the years ended June 30:

	2016	2015
Investments:		
Beginning balance	$ 1,010,287	$ 1,022,799
Net realized and unrealized gains (losses)	(18,832)	25,343
Appropriation for endowment assets for expenditure	(43,538)	(37,855)
Ending balance	$ 947,917	$ 1,010,287

United Way has Board of Directors designated and donor designated endowment funds with the San Diego Foundation (SDF) established for its benefit that has irrevocable designations of the income. The United Way does not have access to the principal. SDF has variance power over the funds. SDF makes distributions from the endowment funds in accordance with agreements, less administrative fees, with any excess amounts remaining at SDF. Additionally, United Way has a board designated endowment fund with Merrill Lynch Wealth Management. See Note 10 for further information relating to endowment funds.

Note 4 – Pledges Receivable

Pledges receivable at June 30, consist of:

	2016	2015
Due in less than one year		
United Way	$ 3,409,077	$ 3,236,120
Combined Federal Campaign	2,864,561	2,584,443
	6,273,638	5,820,563
Less Allowances for uncollectible pledges		
United Way	(325,084)	(357,953)
Combined Federal Campaign	-	(432,130)
	(325,084)	(790,083)
	$ 5,948,554	$ 5,030,480

Note 5 – Land, Building, and Equipment

Land, building, and equipment at June 30 consists of:

	2016	2015
Building and Improvements	$ 2,641,033	$ 2,538,256
Land	718,121	718,121
Furniture and equipment	358,890	358,890
Computer equipment	546,260	546,260
Work in progress	-	17,782
	4,264,304	4,179,309
Less accumulated depreciation	(2,944,524)	(2,804,742)
	$ 1,319,780	$ 1,374,567

Note 6 – Amount Due to Combined Health Agencies and Combined Federal Campaign and Designations Payable

Combined Federal Campaign – The amount due to Combined Federal Campaign agencies is the outstanding liability from the workplace campaign conducted with federal employees at June 30.

Designations Payable – Designations payable to non-CFC agencies at June 30 represent donor-designated pledges related to the applicable campaign.

Note 7 – Leases

Certain non-cancelable leases for equipment are accounted for as operating leases. Rental expense for operating leases (except those with lease terms of a month or less that were not renewed) was $28,187 and $29,346 for the years ended June 30, 2016 and 2015, respectively.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2016 are as follows:

Years ending June 30,

2017	$ 20,842
2018	20,842
2019	8,269
2020	1,344
2021	1,120
	$ 52,417

Note 8 – Line of Credit

Line of Credit – United Way has two unsecured financing agreements with a commercial bank that expire March 1, 2017 and permit borrowings up to $500,000 each at a variable rate of interest of prime plus 0 percent with a floor of 0 percent collateralized by substantially all assets. United Way has designated one of the financing agreements for CFC, for which United Way acts as a fiscal agent. Each year, United Way must maintain a zero balance for a period of not less than 30 consecutive days on the $500,000 not designated for CFC. United Way maintained a zero balance for 365 days during the fiscal year on the $500,000 portion not designated for CFC. At June 30, 2016 and 2015, the balance was $58,905 and $89,217, respectively, which was entirely related to CFC.

Note 9 – Net Assets

Unrestricted – Unrestricted net assets at June 30, consist of:

	2016	2015
Designated for Endowment	$ 6,401,994	$ 6,747,461
Designated for program support		
Other	231,320	1,509,164
Board discretionary grants	-	140,870
Total program support	231,320	1,650,034
Undesignated	1,700,296	626,200
Land, Building, and Equipment	1,319,780	1,374,566
	$ 9,653,390	$ 10,398,261

Temporarily Restricted – Temporarily restricted net assets at June 30, consist of:

	2016	2015
Emergency loan fund	$ 100,000	$ 100,000
Emergency Assistance Program	58,251	76,013
SD Local Disaster Fund	-	257,624
Grants receivable	478,893	440,646
	$ 637,144	$ 874,283

Permanently Restricted – Permanently restricted net assets represent restricted bequests and contributions that are invested through the San Diego Foundation and Merrill Lynch Wealth Management. This principal is to remain in perpetuity, and only investment income may be utilized for unrestricted purposes.

Note 10 – Endowments and Beneficial Interest Endowment Funds

Endowment Funds Held by Merrill Lynch Wealth Management
The United Way endowment consists of three individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of United Way acknowledge the board-designated endowment or quasi-endowment funds invested to provide income for a long but unspecified period are not donor restricted and are classified as unrestricted net assets.

Note 10 – Endowments and Beneficial Interest Endowment Funds, continued

The Board of Directors of United Way has interpreted the enacted version of the Uniform Prudent Management of Institutional funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor - restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, United Way classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment (2) the original value of subsequent gifts donated to the permanent endowment (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted until appropriated for expenditure. In accordance with UPMIFA, United Way considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

United Way has adopted investment and spending policies for endowment funds that:

1. Protect the invested assets
2. Preserve spending capacity of the fund income
3. Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
4. Comply with applicable laws

United Way's endowment funds are invested in debt and other securities that are structured to satisfy its long-term rate-of-return objectives. United Way relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

United Way's spending policy is to disburse funds available to meet the current program needs of the organization.

Beneficial Interest Endowment Funds Held by The San Diego Foundation (SDF)
The beneficial interest endowment funds of the United Way are held by SDF. SDF manages the funds in accordance with the UPMIFA. SDF has variance power over the funds. SDF's objective is to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require United Way to retain as a fund of perpetual duration.

SDF has adopted investment and spending policies for endowment funds that:

1. Protect the invested assets
2. Preserve spending capacity of the fund income
3. Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
4. Comply with applicable laws

SDF's endowment funds are invested in a "Balanced Pool" portfolio, which is structured for long-term total return. To provide diversification and to moderate risk, the investments are divided into carefully defined asset classes. Funding available for each asset classification is invested by professional money managers hired by SDF through a competitive process. The investment performance of each money manager is monitored by an independent consultant hired by SDF.

SDF's spending policy is to disburse 5% annually, based upon endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the Endowment Principal of any fund,

Note 10 – Endowments and Beneficial Interest Endowment Funds (Continued)

at the end of each month, is less than the initial value of all contributions made to the Endowment Principal, then distributions will be limited to interest and dividends received.

Changes in Endowment Net Assets and Beneficial Interest Endowments at June 30:

	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment/Beneficial Interset Net Assets, beginning of year	$ 6,747,461	$ -	$ 46,664	$ 6,794,125
Investment return:				
Investment income	151,982	-	-	151,982
Net realized and unrealized loss	(143,796)	-	-	(143,796)
Total Investment Return	8,186	-	-	8,186
Distributions	(299,008)	-	-	(299,008)
Appropriation of endowment assets for expenditure	(54,645)	-	-	(54,645)
Endowment/Beneficial Interest Net Asset, end of year	$ 6,401,994	$ -	$ 46,664	$ 6,448,658

Changes in Endowment Net Assets and Beneficial Interest Endowments for Year Ended June 30, 2015:

	2015			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment/Beneficial Interset Net Assets, beginning of year	$ 6,941,704	$ -	$ 46,664	$ 6,988,368
Investment return:				
Investment income	143,664	-	-	143,664
Net realized and unrealized loss	(21,167)	-	-	(21,167)
Total Investment Return	122,497	-	-	122,497
Contributions	2,663	-	-	2,663
Distributions	(266,784)	-	-	(266,784)
Appropriation of endowment assets for expenditure	(52,619)	-	-	(52,619)
Endowment/Beneficial Interest Net Asset, end of year	$ 6,747,461	$ -	$ 46,664	$ 6,794,125

Note 11 – Pension Plan

United Way sponsored a non-contributory defined benefit pension plan (Plan) that provides for retirement benefits for eligible employees. Employees became eligible to participate in the plan on the first day of the month coinciding with or following the completion of one year of service and attaining age 21. Effective January 31, 2009 the plan was frozen for all non-bargained participants and March 31, 2011 for all collectively bargained participants. The termination of the plan began on the effective date of January 1, 2014 as directed by the Board of Directors resolution; the plan was fully terminated on August 26, 2015.

United Way adopted the provisions of the standard, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* which requires United Way to recognize in the statement of financial position at June 30, 2015, the funded status of the Plan with a corresponding adjustment to net assets.

The changes in projected benefit obligations and fair value of plan assets for the plan for the year ending June 30, 2015 are as follows:

Projected Benefit Obligations:		
Beginning of year	$	4,184,498
Interest cost		127,546
Actuarial (gain)/loss		990,519
Beneifits paid/includes settlements		(1,093,151)
Curtailment		-
End of year	$	4,209,412

Fair Value of Plan Assets:		
Beginning of year	$	4,313,568
Actual return on plan assets		(44,827)
Beneifits paid/includes settlements		(1,093,151)
End of year	$	3,175,590

All plan assets at June 30, 2015 are categorized as level 1 under the fair value measurement hierarchy.

Fund status of the plan at year-end over funded (under funded)	$	(1,033,822)
Amounts recognized in the statement of financial position:		
Current liabilities	$	(1,033,822)

The liability above is included in accounts payable and accrued expenses in the statement of financial position as of June 30, 2015.

Amounts recognized in unrestricted net assets but have not yet been recognized in net periodic pension costs at June 30, 2015:

Total net loss	$	1,743,411
Prior service cost		-
Total	$	1,743,411

Weighted-average assumptions used to determine benefit obligations as of June 30, 2015:

Discount rate	1.66%
Post retirement interest rate	1.66%
Rate of compensation increase	N/A

Note 11 – Pension Plan, continued

Components of net periodic pension cost for the year ended June 30, 2015:

Interest cost	$	127,546
Expected return on plan		(151,411)
Amortization of net loss		101,151
Effect of special events/settlement		439,126
Net periodic pension expense	$	516,412

Other changes in amounts included in net assets for the year ended June 30, 2015:

Net (gain) loss	$	1,186,757
Amortization of net (loss)		(101,151)
Amount recognized due to settlement		(439,126)
Total recognized in unrestricted net assets		646,480
Total recognized in net periodic benefit cost and unrestricted net assets	$	1,162,892

Weighted-average assumptions used to determine net periodic benefit cost for the year ended June 30, 2015:

Discount rate	3.25%
Post decrement interest rate	2.20%
Expected long-term rate of return on assets	4.50%
Rates of increase in future compensation levels	N/A

The long-term rate of return assumption represents the expected average rate of earnings on the funds invested or to be invested to provide for the benefits included in the benefit obligations. The long-term rate of return assumption was determined based on a number of factors, including historical market index returns, the anticipated long-term asset allocation of the plan, historical plan return data, plan expenses, and the potential to outperform market index returns.

Comparison of plan obligations to plan assets as of June 30, 2015:

Projected benefit obligation	$	4,209,412
Accumulated benefit obligation	$	4,209,412
Fair value of plan assets	$	3,175,590

Plan assets consisted of cash as of June 30, 2015.

The investment objective for the assets of the defined benefit pension plan portfolio was to generate a total rate of return, including income and capital appreciation, sufficient to enhance the ability of the plan to meet its obligations to plan participants and their beneficiaries when due without taking unnecessary risk of long-term capital decline.

Investment policies and strategies governing the assets of the plan were designed to achieve investment objectives within prudent risk parameters. Risk management practices included the use of an external investment manager and the maintenance of a portfolio diversified by asset class, investment approach and security holdings, and the maintenance of sufficient liquidity to meet benefit obligations as they came due.

Note 12 – Defined Contribution Plan

United Way has a defined contribution retirement plan. Employees must be at least 21 years of age and be employed for thirty days to be eligible to participate. Employees may contribute from 1 percent to 100 percent of their pay each pay period. Effective January 31, 2009 for eligible non-bargained employees and effective March 31, 2011 for eligible collectively bargained employees an annual discretionary employer matching and/or profit sharing contribution has been established. United Way made contributions of $107,687 and $73,961 to the plan for the years ended June 30, 2016 and 2015, respectively.

Note 13 – Related-party Transactions

During the years ended June 30, 2016 and 2015, United Way had business transactions totaling $1,177,701 and $466,057, respectively; with firms or agencies whose executives or family members are serving or served some portion of the year as a member of the United Way's Board of Directors, Home Again Board of Directors, sub-committee or vision council.

Investments – One non-voting member of the Finance Committee and Investment Committee is an employee of an investment management company that manages approximately $374,939 and $2,937,564 of United Way's investment portfolio as of June 30, 2016 and 2015, respectively.

Note 14 – June 30, 2015 Financial Information

The June 30, 2015 financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with United Way's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

Note 15 - Reclassifications

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 16 – Subsequent Events

Management has evaluated subsequent events through October 26, 2016, which is the date the financial statements were available for issuance. There were no subsequent events that require adjustments to or disclosure in the financial statements.