United Way of San Diego County

Financial Statements and Supplemental Information

June 30, 2013

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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 financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from United Way of San Diego County's June 30, 2012 financial statements and, in our report dated October 16, 2012, we expressed an unqualified opinion on those 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, 2013, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

AKT LLP

San Diego, California
October 14, 2013

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UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2013 (With Comparative Amounts for June 30, 2012)

		2013		2012
ASSETS				
Cash and cash equivalents	$	2,523,117	$	1,406,456
Restricted cash		77,351		149,191
Pledges receivable, net		6,096,053		6,774,084
Accounts receivable		135,411		128,383
Grants receivable		335,000		-
Prepaid expenses and other assets		36,920		95,955
Investments		8,799,812		9,977,724
Land, building, and equipment, net		1,457,303		1,461,877
Pension fund asset		427,754		-
Total Assets	$	19,888,721	$	19,993,670
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$	567,711	$	579,123
Amount due to Combined Health Agencies		223,568		193,942
Amount due to Combined Federal Campaign agencies		2,771,101		3,154,512
Designations payable		1,332,998		1,981,549
Allocations payable		2,373,241		2,650,998
Line of credit		99,692		95,029
Pension fund liability		-		332,791
Total Liabilities		7,368,311		8,987,944
Commitments (Notes 6, 7, 8, 11 and 12)				
Net Assets				
Unrestricted		11,709,300		10,495,967
Temporarily restricted		764,446		463,095
Permanently restricted		46,664		46,664
Total Net Assets		12,520,410		11,005,726
Total Liabilities and Net Assets	$	19,888,721	$	19,993,670

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2013 (With Comparative Summarized Amounts for Year Ended June 30, 2012)

	2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2012 Total
REVENUE, GAINS, AND OTHER SUPPORT					
Campaign results					
Current campaign year	$ 17,288,085	$ -	$ -	$ 17,288,085	$ 18,207,141
Future campaign years	-	-	-	-	38,551
Prior campaign years	380,481	-	-	380,481	529,842
Gross campaign results	17,668,566	-	-	17,668,566	18,775,534
Less designated campaign results	(10,392,359)	-	-	(10,392,359)	(11,223,706)
Campaign revenue	7,276,207	-	-	7,276,207	7,551,828
Less provision for uncollectible pledges	(833,893)	-	-	(833,893)	(838,927)
Net Campaign Results	6,442,314	-	-	6,442,314	6,712,901
Other					
Grants and contracts	383,000	335,000	-	718,000	30,500
Contributions	512,916	-	-	512,916	547,588
Unrealized gains (losses) on investments	337,336	-	-	337,336	(377,414)
Investment income	262,656	-	-	262,656	307,856
Service fees	213,581	-	-	213,581	314,917
Designations from other United Ways	79,635	-	-	79,635	66,202
In-kind contributions	52,629	-	-	52,629	339,550
Miscellaneous income	32,284	-	-	32,284	75,750
Assets released from restrictions	33,649	(33,649)	-	-	-
Total Other	1,907,686	301,351	-	2,209,037	1,304,949
Total Revenue, Gains, and Other Support	8,350,000	301,351	-	8,651,351	8,017,850
EXPENSES					
Program services					
Gross funds awarded/distributed	13,173,361	-	-	13,173,361	15,105,938
Less donor designations	(10,392,359)	-	-	(10,392,359)	(11,223,706)
Community impact funds distributed	2,781,002	-	-	2,781,002	3,882,232
Community Impact and Initiatives	1,800,537	-	-	1,800,537	2,115,524
Labor Community Services	440,686	-	-	440,686	447,727
Total Program Services	5,022,225	-	-	5,022,225	6,445,483
Supporting Services					
Fundraising	1,464,190	-	-	1,464,190	1,718,724
Organizational administration	650,252	-	-	650,252	853,777
Total Support Services	2,114,442	-	-	2,114,442	2,572,501
Total Expenses	7,136,667	-	-	7,136,667	9,017,984
CHANGE IN NET ASSETS	1,213,333	301,351	-	1,514,684	(1,000,134)
NET ASSETS					
Beginning of year	10,495,967	463,095	46,664	11,005,726	12,005,860
End of year	$ 11,709,300	$ 764,446	$ 46,664	$ 12,520,410	$ 11,005,726

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2013 (With Comparative Summarized Amounts for Year Ended June 30, 2012)

	PROGRAM SERVICES				SUPPORTING SERVICES			
	Community Impact and Initiatives	Labor Community Services	2013 Total	2012 Total	Fundraising	Organizational Administration	2013 Total	2012 Total
Salaries and Related Expenses								
Professional salaries	$ 858,154	$ 84,133	$ 942,287	$ 793,410	$ 423,735	$ 329,578	$ 753,313	$ 698,875
Support salaries	204,852	142,839	347,691	327,636	70,504	174,428	244,932	246,662
Payroll taxes and benefits	221,340	79,550	300,890	270,207	105,593	119,098	224,691	216,790
Contracted staff salaries	76,497	-	76,497	49,985	67,597	13,662	81,259	69,396
Temporary salaries	52,267	-	52,267	64,674	68,219	2,994	71,213	73,512
Allocated staff services	(67,221)	68,690	1,469	6,149	(5,880)	(85,927)	(91,807)	(92,952)
Pension expense	(128,565)	-	(128,565)	245,709	(60,658)	(70,556)	(131,214)	254,309
Total Salaries and Related Expenses	1,217,324	375,212	1,592,536	1,757,770	669,110	483,277	1,152,387	1,466,592
Other Expenses								
Special allocations, grants, and other distributions	172,890	-	172,890	255,639	2,840	-	2,840	1,337
Depreciation and amortization	53,496	166	53,662	45,139	32,348	40,714	73,062	62,439
Advertisement	41,424	-	41,424	21,141	56,560	14	56,574	29,351
Printing and awards	40,193	-	40,193	39,031	53,093	1,800	54,893	54,112
Transportation	23,963	10,394	34,357	33,981	12,993	8,181	21,174	22,871
Occupancy and mortgage interest	3,387	30,199	33,586	32,474	2,048	2,578	4,626	3,268
Audit and legal fees	28,622	-	28,622	27,269	-	37,178	37,178	37,859
Equipment rental and leases	20,845	1,503	22,348	19,409	20,631	7,838	28,469	23,921
In-kind services and allocated expenses	7,753	14,069	21,822	143,231	23,832	(13,244)	10,588	178,068
Telephone	14,368	7,414	21,782	19,269	12,134	7,488	19,622	17,261
Films and audio visual	16,832	-	16,832	9,328	22,988	-	22,988	12,951
Investment management fee	12,223	-	12,223	10,374	16,694	-	16,694	14,403
Insurance	11,800	213	12,013	12,463	5,567	6,476	12,043	12,427
Staff development	11,102	-	11,102	10,044	5,239	6,093	11,332	10,395
Dues and subscriptions	10,732	61	10,793	10,155	623	4,657	5,280	4,901
Duplicating	8,787	192	8,979	10,538	6,983	2,806	9,789	12,127
Supplies, meetings, and miscellaneous	6,956	524	7,480	8,606	5,296	3,003	8,299	7,107
Payroll and processing service fees	5,887	-	5,887	9,548	-	8,040	8,040	13,256
Postage	3,728	276	4,004	2,730	3,822	1,140	4,962	3,389
Equipment maintenance	3,328	-	3,328	3,721	2,012	2,533	4,545	5,165
Local expenses	2,064	463	2,527	2,106	603	1,950	2,553	1,427
Minor equipment	1,480	-	1,480	6,055	1,380	640	2,020	8,407
Loss on disposal of fixed assets	472	-	472	918	285	359	644	1,274
CFC and other campaigns	-	-	-	-	475,530	-	475,530	493,350
Total Other Expenses	502,332	65,474	567,806	733,169	763,501	130,244	893,745	1,031,066
Expenses before United Way dues and Community impact funds distributed	1,719,656	440,686	2,160,342	2,490,939	1,432,611	613,521	2,046,132	2,497,658
United Way Worldwide Dues	66,930	-	66,930	66,082	31,579	36,731	68,310	68,395
United Way of California Dues	13,951	-	13,951	6,230	-	-	-	6,448
Community impact funds distributed	-	-	2,781,002	3,882,232	-	-	-	-
Total Support Services/Program Services	$ 1,800,537	$ 440,686	$ 5,022,225	$ 6,445,483	$ 1,464,190	$ 650,252	$ 2,114,442	$ 2,572,501

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2013 (With Comparative Amounts for Year Ended June 30, 2012)

	2013	2012
OPERATING ACTIVITIES		
Change in net assets	$ 1,514,684	$ (1,000,134)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	126,724	107,578
Loss on disposal of equipment	1,116	2,192
Realized (gain) on sale of investments	(20,996)	(13,550)
Unrealized (gain) loss on investments	(337,336)	377,414
Allowance for uncollectible pledges receivable	833,893	838,927
(Increase) decrease in operating assets:		
Pledges receivable	(155,862)	(1,040,783)
Accounts receivable	(7,028)	(8,096)
Grants receivable	(335,000)	-
Prepaid expenses and other assets	59,035	(268)
Pension fund asset	(427,754)	-
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(11,412)	109,827
Amounts due to others, designations, and allocations payable	(1,280,093)	1,397,396
Pension fund liability	(332,791)	(447,848)
Net cash provided (used) by operating activities	(372,820)	322,655
INVESTING ACTIVITIES		
Purchases of investments	(436,873)	(621,267)
Proceeds from sale of investments	1,973,117	883,212
Purchases of equipment	(123,266)	(110,907)
Net cash provided by investing activities	1,412,978	151,038
FINANCING ACTIVITIES		
Net proceeds from line of credit	4,663	8,738
Net cash provided by financing activities	4,663	8,738
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,044,821	482,431
CASH AND CASH EQUIVALENTS		
Beginning of year	1,555,647	1,073,216
End of year	$ 2,600,468	$ 1,555,647
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash and cash equivalents	$ 2,523,117	$ 1,406,456
Restricted cash	77,351	149,191
	$ 2,600,468	$ 1,555,647

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for interest	$ 6,015	$ 6,885

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

General – United Way of San Diego County (United Way) advances the common good by creating opportunities for a better life for all. Our focus is on ensuring all San Diegans have Education, Income and Health: the building blocks for a good life.

Everyone deserves opportunities to have a good life: a quality education that leads to a stable job, enough income to support a family, and good health. We are all connected and interdependent; We all win when a child succeeds in school, when neighbors are financially stable, when all of us are healthy. Our goal is to create long-lasting changes in our region's most pressing problems by addressing their 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 serves as the principal combined fundraising organization (PCFO) for the San Diego Combined Federal Campaign (federal employees). For the years ended June 30, 2013 and 2012, $5,621,388 and $6,059,267, respectively, was raised for this campaign and is included in campaign results.

In 1998, United Way entered into a ten-year combined campaign agreement with Combined Health Agencies. The agreement calls for a stipulated percentage of United Way's campaign pledge revenue, subject to certain adjustments, to be remitted on a monthly basis and designations from the Business and Industry campaign to be remitted on a quarterly basis. In January 2008, the contract was extended to June 30, 2013, written notice of the termination of the existing contract was provided to Combined Health Agencies with an effective date of June 30, 2014.

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

<u>Education</u>

Our goal is to mobilize San Diegans to provide every San Diego County child with the support and education needed for 21st century success.

- Initiatives that prepare children to learn when entering Kindergarten
- Initiatives that prepare all 3rd graders to read at a proficient or advanced grade level
- Initiatives that use a holistic approach to increase the capacity of educational systems and communities

<u>Financial Self-Sufficiency</u>

Our goal is that all San Diegans have enough money to make ends meet and plan for the future.

- Initiatives that connect eligible individuals and families to benefits
- Initiatives that move families who are "working hard, but falling short" to self sufficiency
- Initiatives that demonstrate an integrated approach to removing barriers to self sufficiency

<u>Health</u>

- Initiatives that promote healthy behaviors and improve community health

<u>Homeless</u>

Our vision is to provide sufficient resources for the chronically homeless so they can be sheltered in a safe and independent environment.

- Initiatives that holistically address the needs of the chronically homeless
- Initiatives that identify, address and remove barriers that prevent the chronically homeless from permanently leaving the streets

<u>Labor Community Services</u>

- Basic Needs – We provide individuals with basic needs by offering assistance with food, utilities, rent and mortgage payments

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

Supporting functions

- Fundraising campaigns
  - United Way/Combined Health Agencies 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.

United Way files informational and income tax returns in the United States and various state and local jurisdictions. The United Way's Federal income tax and informational returns for the years ended June 30, 2013, 2012 and 2011 are subject to examination by the Internal Revenue Service, generally for 3 years after the returns were filed. State and local jurisdictions have statutes of limitation that generally range from 3 to 5 years.

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 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.

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

Fair Value Measurements, continued

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, 2013 and 2012, due to the relative short maturities of these instruments.

Revenue Recognition

Campaign Results – 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 $52,629 and $339,550 are reflected in the statement of activities for the years ended June 30, 2013 and 2012, 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 designations and Combined Health Agencies' allocations are paid.

Grants and Contracts – United Way recognizes grants and contracts revenue to the extent it has incurred related expenses. Unspent amounts are recorded as deferred revenue.

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 on an analysis of current receivable balances. Receivables deemed uncollectible are recorded against the allowance in the year deemed uncollectible. At June 30, 2013 and 2012, the allowance for uncollectible pledges receivable was $920,075 and $1,106,795, respectively. At June 30, 2013 and 2012, no allowance for uncollectible accounts and grants receivable was established as United Way believes all amounts are collectible.

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

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 $1,000 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. Unrestricted amounts have been designated by the Board of Directors for various uses.

As of June 30, 2013, 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.

Note 3 – Investments (Continued)

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.

The approximate allocation of the pooled funds held by San Diego Foundation as of June 30, 2013 were:

	2013		2012	
Domestic equities	30	%	29	%
International equities	24	%	28	%
Alternative	20	%	17	%
Domestic fixed income	14	%	15	%
Real estate	7	%	6	%
International fixed income	5	%	5	%
	100	%	100	%

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

	2013			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Short-term investments:				
Large cap equities	$ 1,245,770	$ -	$ -	$ 1,245,770
Small/Mid cap equities	324,883	-	-	324,883
International securities	1,232,624	-	-	1,232,624
Real estate securities	385,096	-	-	385,096
Multi-strategy	696,892	-	-	696,892
Strategic allocation	7,019	-	-	7,019
Fixed income	3,978,782	-	-	3,978,782
Long-term investments:				
Pooled fund held by San Diego Foundation	-	-	928,746	928,746
	$ 7,871,066	$ -	$ 928,746	$ 8,799,812

Note 3 – Investments (Continued)

	2012			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Short-term investments:				
Large cap equities	$ 1,058,450	$ -	$ -	$ 1,058,450
Small/Mid cap equities	265,504	-	-	265,504
International securities	1,070,825	-	-	1,070,825
Real estate securities	358,809	-	-	358,809
Multi-strategy	666,684	-	-	666,684
Strategic allocation	6,465	-	-	6,465
Fixed income	5,664,505	-	-	5,664,505
Long-term investments:				
Pooled fund held by San Diego Foundation	-	-	886,482	886,482
	$ 9,091,242	$ -	$ 886,482	$ 9,977,724

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

	Pooled fund held by San Diego Foundation	
	2013	2012
Investments:		
Beginning balance	$ 886,482	$ 930,390
Net realized and unrealized gains (losses)	86,999	(1,439)
Appropriation of endowment assets for expenditure	(44,735)	(42,469)
Ending balance	$ 928,746	$ 886,482

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

	2013	2012
Interest income	$ 241,660	$ 294,306
Realized gains	20,996	13,550
	$ 262,656	$ 307,856

Note 4 – Pledges Receivable

Pledges receivable at June 30, consist of:

	2013	2012
Due in less than one year:		
United Way	$ 3,574,777	$ 3,969,245
Combined Federal Campaign	3,441,351	3,911,634
	7,016,128	7,880,879
Less allowance for uncollectible pledges:		
United Way	(148,344)	(429,817)
Combined Federal Campaign	(771,731)	(676,978)
	(920,075)	(1,106,795)
	$ 6,096,053	$ 6,774,084

Note 5 – Land, Building, and Equipment

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

	2013	2012
Building and improvements	$ 2,489,138	$ 2,412,920
Land	718,122	718,121
Furniture and equipment	355,241	325,234
Computer equipment	451,329	445,442
	4,013,830	3,901,717
Less accumulated depreciation	(2,556,527)	(2,439,840)
	$ 1,457,303	$ 1,461,877

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

Combined Health Agencies – The amount due to Combined Health Agencies at June 30 is based on a stipulated percentage of estimated campaign pledge receipts from the related campaign.

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 $7,776 and $12,252 for the years ended June 30, 2013 and 2012, 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, 2013 are as follows:

Years ending June 30,		
2014	$	7,776
2015		1,056
Thereafter		-
	$	8,832

Note 8 – Notes Payable to Bank

Line of Credit – United Way has two unsecured financing agreements with a commercial bank that expire March 1, 2014 and permit borrowings up to $500,000 each at a variable rate of interest of prime plus 1 percent with a floor of 5 percent (5.00 percent at June 30, 2013) 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, 2013 and 2012, the balance was $99,692 and $95,029, respectively, which was entirely related to CFC.

Note 9 – Net Assets

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

		2013		2012
Designated for endowment	$	5,864,295	$	5,268,955
Designated for program support:				
Other		381,021		344,811
Computer and equipment fund		-		-
Outcomes measurement		-		353
Board discretionary grants		98,430		94,741
Total program support		479,451		439,905
Undesignated		3,908,251		3,325,230
Land, building, and equipment		1,457,303		1,461,877
	$	11,709,300	$	10,495,967

Note 9 – Net Assets (Continued)

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

		2013		2012
Emergency loan fund	$	100,000	$	100,000
Emergency Assistance Program		67,900		60,058
Future campaigns		-		38,551
Keel programs		3,922		6,862
SD local disaster fund		257,624		257,624
Grants receivable		335,000		-
	$	764,446	$	463,095

Permanently Restricted – Permanently restricted net assets represent restricted bequests and contributions that are invested through the San Diego Foundation and Halbert Hargrove. 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 Halbert Hargrove
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.

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

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

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

Endowment Funds Held by The San Diego Foundation
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, 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.

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

Changes in Endowment Net Assets and Beneficial Interest Endowments for year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment/Beneficial Interest Net Assets, beginning of year	$ 5,268,955	$ -	$ 46,664	$ 5,315,619
Investment return:				
Investment income	128,638	-	-	128,638
Net realized and unrealized gains	415,923	-	-	415,923
Total Investment Return	544,561	-	-	544,561
Contributions	265,812	-	-	265,812
Distributions	(186,116)	-	-	(186,116)
Appropriation of endowment assets for expenditure	(28,917)	-	-	(28,917)
Endowment/Beneficial Interest Net Assets, end of year	$ 5,864,295	$ -	$ 46,664	$ 5,910,959

Changes in Endowment Net Assets and Beneficial Interest Endowments for year ended June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment/Beneficial Interest Net Assets, beginning of year	$ 5,248,340	$ -	$ 46,664	$ 5,295,004
Investment return:				
Investment income	138,369	-	-	138,369
Net realized and unrealized losses	(292,920)	-	-	(292,920)
Total Investment Return	(154,551)	-	-	(154,551)
Contributions	370,156	-	-	370,156
Distributions	(170,213)	-	-	(170,213)
Appropriation of endowment assets for expenditure	(24,777)	-	-	(24,777)
Endowment/Beneficial Interest Net Assets, end of year	$ 5,268,955	$ -	$ 46,664	$ 5,315,619

Note 11 – Pension Plan

United Way sponsors a non-contributory defined benefit pension plan (Plan) that provides for retirement benefits for eligible employees. Employees may become 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 Board of Directors has approved moving forward with the termination of the plan with an effective date of January 1, 2014.

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, 2013, the funded status of the Plan with a corresponding adjustment to net assets.

Note 11 – Pension Plan (Continued)

The changes in projected benefit obligations and fair value of plan assets for the plan are as follows:

	2013	2012
Projected Benefit Obligations:		
Beginning of year	$ 3,854,131	$ 3,594,805
Interest cost	135,342	164,240
Actuarial (gain) loss	(73,364)	326,018
Benefits paid/includes settlements	(23,588)	(230,932)
End of year	$ 3,892,521	$ 3,854,131

	2013	2012
Fair value of plan assets:		
Beginning of year	$ 3,521,340	$ 2,814,166
Actual return on plan assets	372,523	(761)
Employer contributions	450,000	938,867
Benefits paid/includes settlements	(23,588)	(230,932)
End of year	$ 4,320,275	$ 3,521,340

All plan assets at June 30, 2013 are categorized as level 1 under the fair value measurement hierarchy.

	2013	2012
Funded status of the plan at year-end over funded (under funded)	$ 427,754	$ (332,791)
Amounts recognized in the statement of financial position:		
Non-current assets (liabilities)	$ 427,754	$ (332,791)

Amounts recognized in unrestricted net assets but have not yet been recognized in net periodic pension costs at June 30, 2013:

Total net gain	$ 866,421
Prior service cost	-
Total	$ 866,421

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

	2013	2012
Discount rate	4.00%	3.75%
Postretirement interest rate	3.20%	3.20%
Rate of compensation increase	N/A	N/A

Note 11 – Pension Plan (Continued)

Components of net periodic pension cost for years ended June 30:

		2013		2012
Interest cost	$	135,342	$	164,240
Expected return on plan		(224,257)		(139,033)
Amortization of net loss		119,496		88,666
Effect of special events		-		66,102
Net periodic pension expense	$	30,581	$	179,975

The following amounts are expected to be recognized in net periodic pension cost in 2014:

Net loss	$	66,421

Other changes in amounts included in net assets for the year ended June 30, 2013:

Net gain	$	(221,630)
Amortization of net loss		(119,496)
Total recognized in unrestricted net assets	$	(341,126)
Total recognized in net periodic benefit cost and unrestricted net assets	$	(310,545)

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

	2013	2012
Discount rate	3.75%	5.00%
Postretirement interest rate	3.20%	3.20%
Expected long-term rate of return on assets	7.25%	7.25%
Rate of compensation increase	N/A	5.00%

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 is 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:

		2013		2012
Projected benefit obligation	$	3,892,521	$	3,854,131
Accumulated benefit obligation	$	3,892,521	$	3,854,131
Fair value of plan assets	$	4,320,275	$	3,521,340

Note 11 – Pension Plan (Continued)

Plan assets by category as of June 30:

	2013	2012
Large U.S. equity	32%	32%
Small/Mid U.S. equity	9%	9%
International equity	19%	20%
Fixed income	40%	39%
	100%	100%

The investment objective for the assets of the defined benefit pension plan portfolio is 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 are designed to achieve investment objectives within prudent risk parameters. Risk management practices include 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 come due.

Current policies for the plan target an asset mix of 60 percent in total equity securities and 40 percent in debt and other securities.

Investment policy prohibits investments in precious metals, venture capital, commodity transactions, limited partnerships, and other such investments.

There are no required contributions to the plan in the upcoming year.

The following benefit payments are expected to be paid over the next 10 fiscal years ending:

Years ending June 30,		
2014	$	730,000
2015		28,000
2016		610,000
2017		93,000
2018		29,000
2019-2023		1,430,000

These amounts are based on current data and assumptions and reflect expected future service, as appropriate.

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 $143,191 and $145,498 to the plan for the years ended June 30, 2013 and 2012, respectively.

Note 13 – Related-party Transaction

During the years ended June 30, 2013 and 2012, United Way had business transactions totaling $706,003 and $464,555, 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 $2,903,796 and $4,680,707 of United Way's investment portfolio as of June 30, 2013 and 2012, respectively.

Note 14 – June 30, 2012 Financial Information

The June 30, 2013 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, 2012, from which the summarized information was derived.

Note 15 – Subsequent Events

Management has evaluated subsequent events through October 14, 2013, 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.

SUPPLEMENTAL INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTAL INFORMATION**

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

We have audited the financial statements of United Way of San Diego County as of and for the year ended June 30, 2013, and have issued our report thereon dated October 14, 2013, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The additional information that follows on page 22 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

AKT LLP

San Diego, California
October 14, 2013

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UNITED WAY OF SAN DIEGO COUNTY

SUPPLEMENTAL INFORMATION
COMMUNITY IMPACT FUNDS AWARDED AND DESIGNATIONS PAID TO ASSOCIATED, AFFILIATED, AND CERTIFIED AGENCIES
YEAR ENDED JUNE 30, 2013

	2012-2013 Community Impact Funds Awarded/ Distributed	2013-2014 Community Impact Funds Awarded/ Distributed	Designations paid in 12/13	Designations paid in 11/12
Education	$ 899,627	$ 633,355	$ 204,838	$ 44,999
Income	769,982	440,349	793,868	395,600
Health	678,637	435,262	455,059	-
Homeless Outreach and Prevention	730,894	502,114	766,151	622,003
Combined Health Agencies	444,719	467,726	233,456	282,162
Designated for Impact not yet assigned not yet assigned	110,477	50,115	-	-
Mobilization Fund	100,000	100,000	19,730	-
Stopping Child Abuse and Neglect	98,688	60,177	-	477,077
Women United Fund	49,209	91,905	50,000	-
Special Allocations	-	-	108,823	186,154
Response Fund	-	-	181,990	123,250
211 San Diego	-	-	50,000	50,625
Total	$ 3,882,232	$ 2,781,002	$ 2,863,916	$ 2,181,870