United Way of San Diego County

Financial Statements and Supplemental Information

Year Ended June 30, 2014

AKT
CPAs and Business Consultants

UNITED WAY OF SAN DIEGO COUNTY

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2014 (With Comparative Amounts for the Year Ended 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 statement of financial position as of June 30, 2014, 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, 2014, 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 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 14, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

AKT LLP

San Diego, California
October 10, 2014

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2014 (With Comparative Amounts for June 30, 2013)

	2014	2013
ASSETS		
Cash and cash equivalents	$ 2,736,692	$ 2,523,117
Restricted cash	103,424	77,351
Pledges receivable, net	5,702,560	6,096,053
Accounts receivable	121,639	135,411
Grants receivable	200,000	335,000
Prepaid expenses and other assets	66,810	36,920
Investments	9,712,751	8,799,812
Land, building, and equipment, net	1,396,688	1,457,303
Pension fund asset	129,070	427,754
Total Assets	$ 20,169,634	$ 19,888,721
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 718,115	$ 567,711
Amount due to Combined Health Agencies	244,201	223,568
Amount due to Combined Federal Campaign agencies	2,428,577	2,771,101
Designations payable	1,358,716	1,332,998
Allocations payable	2,177,810	2,373,241
Line of credit	83,433	99,692
Total Liabilities	7,010,852	7,368,311
Commitments (Notes 6, 7, 8, 11 and 12)		
Net Assets		
Unrestricted	12,500,169	11,709,300
Temporarily restricted	611,949	764,446
Permanently restricted	46,664	46,664
Total Net Assets	13,158,782	12,520,410
Total Liabilities and Net Assets	$ 20,169,634	$ 19,888,721

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014 (With Comparative Summarized Amounts for the Year Ended June 30, 2013)

	2014				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2013 Total
REVENUE, GAINS, AND OTHER SUPPORT					
Campaign results					
Current campaign year	$ 15,161,612	$ -	$ -	$ 15,161,612	$ 17,288,085
Prior campaign years	357,156	-	-	357,156	380,481
Gross campaign results	15,518,768	-	-	15,518,768	17,668,566
Less designated campaign results	(8,574,246)	-	-	(8,574,246)	(10,392,359)
Campaign revenue	6,944,522	-	-	6,944,522	7,276,207
Less provision for uncollectible pledges	(869,490)	-	-	(869,490)	(833,893)
Net Campaign Results	6,075,032	-	-	6,075,032	6,442,314
Other					
Grants and contracts	1,416,032	40,000	-	1,456,032	718,000
Unrealized gains on investments	641,414	-	-	641,414	337,336
Contributions	542,796	-	-	542,796	512,916
Investment income	301,596	-	-	301,596	262,656
Assets released from restrictions	192,497	(192,497)	-	-	-
Service fees	147,545	-	-	147,545	213,581
Designations from other United Ways	63,542	-	-	63,542	79,635
In-kind contributions	31,431	-	-	31,431	52,629
Miscellaneous income	16,180	-	-	16,180	32,284
Total Other	3,353,033	(152,497)	-	3,200,536	2,209,037
Total Revenue, Gains, and Other Support	9,428,065	(152,497)	-	9,275,568	8,651,351
EXPENSES					
Program services					
Gross funds awarded/distributed	11,112,998	-	-	11,112,998	13,173,361
Less donor designations	(8,574,246)	-	-	(8,574,246)	(10,392,359)
Community impact funds distributed	2,538,752	-	-	2,538,752	2,781,002
Community Impact and Initiatives	2,911,407	-	-	2,911,407	1,800,537
Labor Community Services	398,808	-	-	398,808	440,686
Total Program Services	5,848,967	-	-	5,848,967	5,022,225
Supporting Services					
Fundraising	1,863,608	-	-	1,863,608	1,464,190
Organizational administration	924,621	-	-	924,621	650,252
Total Supporting Services	2,788,229	-	-	2,788,229	2,114,442
Total Expenses	8,637,196	-	-	8,637,196	7,136,667
CHANGE IN NET ASSETS	790,869	(152,497)	-	638,372	1,514,684
NET ASSETS					
Beginning of year	11,709,300	764,446	46,664	12,520,410	11,005,726
End of year	$ 12,500,169	$ 611,949	$ 46,664	$ 13,158,782	$ 12,520,410

See accompanying notes.

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2014 (With Comparative Summarized Amounts for the Year Ended June 30, 2013)

	PROGRAM SERVICES					SUPPORTING SERVICES				
	Community Impact and Initiatives	City Heights Partnership for Children	Labor Community Services	2014 Total	2013 Total	Fundraising	City Heights Partnership for Children	Organizational Administration	2014 Total	2013 Total
Salaries and Related Expenses										
Professional salaries	$ 993,333	$ 299,693	$ 85,272	$ 1,378,298	$ 942,287	$ 408,440	$ 108,664	$ 369,952	$ 887,056	$ 753,313
Payroll taxes and benefits	261,572	69,907	74,755	406,234	300,890	107,720	25,347	145,821	278,888	224,691
Support salaries	229,377	-	144,316	373,693	347,691	85,572	-	190,028	275,600	244,932
Contracted staff salaries	126,755	49,342	-	176,097	76,497	132,074	17,890	38,368	188,332	81,259
Pension expense	150,548	-	-	150,548	(128,565)	70,711	-	80,925	151,636	(131,214)
Temporary salaries	36,833	1,849	-	38,682	52,267	47,576	670	1,952	50,198	71,213
Allocated staff services	(75,946)	33,180	37,290	(5,476)	1,469	(15,045)	12,031	(87,077)	(90,091)	(91,807)
Total Salaries and Related Expenses	1,722,472	453,971	341,633	2,518,076	1,592,536	837,048	164,602	739,969	1,741,619	1,152,387
Other Expenses										
Special allocations, grants, and other distributions	246,377	-	-	246,377	172,890	3,922	-	-	3,922	2,840
Depreciation	56,457	109	110	56,676	53,662	34,086	40	41,830	75,956	73,062
Advertisement	55,199	-	-	55,199	41,424	71,437	-	2,787	74,224	56,574
Printing and awards	42,148	10,046	-	52,194	40,193	55,025	3,642	240	58,907	54,893
Audit and legal fees	37,683	-	-	37,683	28,622	-	-	50,671	50,671	37,178
Occupancy and mortgage interest	5,098	227	30,246	35,571	33,586	3,048	84	3,806	6,938	4,626
Transportation	22,811	282	9,530	32,623	34,357	12,505	102	7,090	19,697	21,174
Films and audio visual	25,587	-	-	25,587	16,832	34,405	-	-	34,405	22,988
Equipment rental and leases	19,150	-	2,366	21,516	22,348	16,921	-	8,441	25,362	28,469
Staff development	13,631	7,747	-	21,378	11,102	6,402	2,809	7,327	16,538	11,332
Supplies, meetings, and miscellaneous	4,321	12,709	639	17,669	7,480	2,030	4,609	2,271	8,910	8,299
Insurance	12,824	3,581	482	16,887	12,013	6,023	1,298	6,893	14,214	12,043
Telephone	10,751	442	5,091	16,284	21,782	8,871	160	5,586	14,617	19,622
Duplicating	11,267	340	293	11,900	8,979	7,385	123	4,779	12,287	9,789
Investment management fee	11,401	-	-	11,401	12,223	15,330	-	-	15,330	16,694
Dues and subscriptions	10,678	657	36	11,371	10,793	692	238	3,630	4,560	5,280
In-kind services and allocated expenses	93	2,689	7,638	10,420	21,822	11,626	975	(11,501)	1,100	10,588
Local expenses	2,233	4,577	344	7,154	2,527	1,191	1,659	1,284	4,134	2,553
Payroll and processing service fees	5,867	-	-	5,867	5,887	-	-	7,890	7,890	8,040
Postage	3,585	148	400	4,133	4,004	2,820	54	1,846	4,720	4,962
Equipment maintenance	3,839	-	-	3,839	3,328	2,297	-	2,865	5,162	4,545
Minor equipment	2,511	674	-	3,185	1,480	3,240	244	136	3,620	2,020
Loss on disposal of fixed assets	556	-	-	556	472	336	-	412	748	644
CFC and other campaigns	-	-	-	-	-	514,550	-	-	514,550	475,530
Total Other Expenses	604,067	44,228	57,175	705,470	567,806	814,142	16,037	148,283	978,462	893,745
Expenses before United Way dues and Community impact funds distributed	2,326,539	498,199	398,808	3,223,546	2,160,342	1,651,190	180,639	888,252	2,720,081	2,046,132
United Way Worldwide Dues	67,659	-	-	67,659	66,930	31,779	-	36,369	68,148	68,310
United Way of California Dues	19,010	-	-	19,010	13,951	-	-	-	-	-
Community impact funds distributed	-	-	-	2,538,752	2,781,002	-	-	-	-	-
Total Support Services/Program Services	$ 2,413,208	$ 498,199	$ 398,808	$ 5,848,967	$ 5,022,225	$ 1,682,969	$ 180,639	$ 924,621	$ 2,788,229	$ 2,114,442

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2014 (With Comparative Amounts for the Year Ended June 30, 2013)

	2014	2013
OPERATING ACTIVITIES		
Change in net assets	$ 638,372	$ 1,514,684
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	132,632	126,724
Loss on disposal of equipment	1,304	1,116
Realized gain on sale of investments	(105,726)	(20,996)
Unrealized gain on investments	(641,414)	(337,336)
Allowance for uncollectible pledges receivable	869,490	833,893
(Increase) decrease in operating assets:		
Pledges receivable	(475,997)	(155,862)
Accounts receivable	13,772	(7,028)
Grants receivable	135,000	(335,000)
Prepaid expenses and other assets	(29,892)	59,035
Pension fund asset	298,684	(427,754)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	150,404	(11,412)
Amounts due to others, designations, and allocations payable	(491,604)	(1,280,093)
Pension fund liability	-	(332,791)
Net cash provided (used) by operating activities	495,025	(372,820)
INVESTING ACTIVITIES		
Purchases of investments	(371,536)	(436,873)
Proceeds from sale of investments	205,738	1,973,117
Purchases of equipment	(73,320)	(123,266)
Net cash (used) provided by investing activities	(239,118)	1,412,978
FINANCING ACTIVITIES		
Net payments on the line of credit	(16,259)	4,663
Net cash (used) provided by financing activities	(16,259)	4,663
NET INCREASE IN CASH AND CASH EQUIVALENTS	239,648	1,044,821
CASH AND CASH EQUIVALENTS		
Beginning of year	2,600,468	1,555,647
End of year	$ 2,840,116	$ 2,600,468
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash and cash equivalents	$ 2,736,692	$ 2,523,117
Restricted cash	103,424	77,351
	$ 2,840,116	$ 2,600,468

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2014	2013
Cash payments for interest	$ 7,085	$ 6,015

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, 2014 and 2013, $4,736,358 and $5,621,388, respectively, was raised for this campaign and is included in campaign results.

The United Way had a ten-year combined campaign agreement with Combined Health Agencies that called 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. The contract with Combined Health Agencies terminated as of June 30, 2014.

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

<u>Education</u>

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 promote middle school transition and high school graduation

<u>Family Stability</u>

All San Diegans have enough money to make ends meet and plan for the future.

- Provide individuals with basic needs by offering assistance with food, utilities, rent and mortgage payments and public benefits
- Initiatives that increase access and use of health resources
- Initiatives that move families who are "working hard, but falling short" to self sufficiency
- Initiatives that promote healthy behaviors and improve community health

<u>Homeless</u>

Facilitate and support the systems changes needed to end homelessness in San Diego.

- Powerful, cross-functional Continuum of Care
- Aligned philanthropic investments in best practices

<u>Supporting functions</u>

- Fundraising campaigns
  - United Way/Combined Health Agencies Campaign
  - San Diego Combined Federal Campaign
  - United California State Employees Campaign
- Organizational Administration

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

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, 2014, 2013 and 2012 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.

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, 2014 and 2013, due to the relative short maturities of these instruments.

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

Revenue Recognition

Campaign Results – Contributions received, including unconditional promises to give, are recognized as revenue in the period received or pledged. Donors may give through United Way's Community Impact Fund, in which case, local volunteers review each program and make strategic funding recommendations based on the criticality of the need being addressed by the program, the program's impact on addressing the need, the participants' results in the program, the utilization of the program's capacity and the importance of United Way funding to the success of the program. When the donor specifies the agency that is to receive the donated funds, or donates through the community impact fund model, 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 $31,431 and $52,629 are reflected in the statement of activities for the years ended June 30, 2014 and 2013, 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.

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. Changes from the Office of Management and Budget may result in United Way no longer acting as PCFO after the 2015 campaign.

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, 2014 and 2013, the allowance for uncollectible pledges receivable was $846,462 and $920,075, respectively. At June 30, 2014 and 2013, 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 $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.

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

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 may have been designated by the Board of Directors for various uses.

As of June 30, 2014, 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.

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, 2014 were:

	2014		2013	
Domestic equities	27	%	30	%
International equities	30	%	24	%
Alternative	20	%	20	%
Domestic fixed income	10	%	14	%
Real estate	6	%	7	%
International fixed income	7	%	5	%
	100	%	100	%

Note 3 – Investments (Continued)

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

	2014			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Short-term investments:				
Large cap equities	$ 2,185,009	$ -	$ -	$ 2,185,009
Small/Mid cap equities	651,645	-	-	651,645
International securities	1,071,921	-	-	1,071,921
Multi-strategy	552,170	-	-	552,170
Fixed income	4,229,207	-	-	4,229,207
Long-term investments:				
Pooled fund held by San Diego Foundation	-	-	1,022,799	1,022,799
	$ 8,689,952	$ -	$ 1,022,799	$ 9,712,751

	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

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	
	2014	2013
Investments:		
Beginning balance	$ 928,746	$ 886,482
Net realized and unrealized gains (losses)	140,377	86,999
Appropriation of endowment assets for expenditure	(46,324)	(44,735)
Ending balance	$ 1,022,799	$ 928,746

Note 3 – Investments (Continued)

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

	2014	2013
Interest income	$ 195,870	$ 241,660
Realized gains	105,726	20,996
	$ 301,596	$ 262,656

Note 4 – Pledges Receivable

Pledges receivable at June 30, consist of:

	2014	2013
Due in less than one year:		
United Way	$ 3,602,592	$ 3,574,777
Combined Federal Campaign	2,946,430	3,441,351
	6,549,022	7,016,128
Less allowance for uncollectible pledges:		
United Way	(47,791)	(148,344)
Combined Federal Campaign	(798,671)	(771,731)
	(846,462)	(920,075)
	$ 5,702,560	$ 6,096,053

Note 5 – Land, Building, and Equipment

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

	2014	2013
Building and improvements	$ 2,508,681	$ 2,489,138
Land	718,122	718,122
Furniture and equipment	356,500	355,241
Computer equipment	485,876	451,329
	4,069,179	4,013,830
Less accumulated depreciation	(2,672,491)	(2,556,527)
	$ 1,396,688	$ 1,457,303

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 $20,034 and $7,776 for the years ended June 30, 2014 and 2013, 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, 2014 are as follows:

Years ending June 30,		
2015	$	20,554
2016		19,498
2017		19,498
2018		19,498
2019		6,625
Thereafter		-
	$	85,673

Note 8 – Notes Payable to Bank

Line of Credit – United Way has two unsecured financing agreements with a commercial bank that expire March 1, 2015 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, (3.25 percent at June 30, 2014) 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, 2014 and 2013, the balance was $83,433 and $99,692 respectively, which was entirely related to CFC.

Note 9 – Net Assets

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

	2014	2013
Designated for endowment	$ 6,941,704	$ 5,864,295
Designated for program support:		
Other	677,353	381,021
Board discretionary grants	140,870	98,430
Total program support	818,223	479,451
Undesignated	3,343,554	3,908,251
Land, building, and equipment	1,396,688	1,457,303
	$ 12,500,169	$ 11,709,300

Note 9 – Net Assets (Continued)

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

	2014	2013
Emergency loan fund	$ 100,000	$ 100,000
Emergency Assistance Program	54,325	67,900
Keel programs	-	3,922
SD local disaster fund	257,624	257,624
Grants receivable	200,000	335,000
	$ 611,949	$ 764,446

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

<u>Endowment Funds Held by Merrill Lynch Wealth Management</u>
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 (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, 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, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment/Beneficial Interest Net Assets, beginning of year	$ 5,864,295	$ -	$ 46,664	$ 5,910,959
Investment return:				
Investment income	110,580	-	-	110,580
Net realized and unrealized gains	760,704	-	-	760,704
Total Investment Return	871,284	-	-	871,284
Contributions	438,593	-	-	438,593
Distributions	(205,738)	-	-	(205,738)
Appropriation of endowment assets for expenditure	(26,730)	-	-	(26,730)
Endowment/Beneficial Interest Net Assets, end of year	$ 6,941,704	$ -	$ 46,664	$ 6,988,369

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

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 termination of the plan began on the effective date of January 1, 2014 as directed by the Board of Directors resolution; the full process is expected to take between 12 and 24 months from effective date.

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, 2014, 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:

	2014	2013
Projected Benefit Obligations:		
Beginning of year	$ 3,892,521	$ 3,854,131
Interest cost	141,101	135,342
Actuarial (gain) loss	601,530	(73,364)
Benefits paid/includes settlements	(450,654)	(23,588)
End of year	$ 4,184,498	$ 3,892,521

	2014	2013
Fair value of plan assets:		
Beginning of year	$ 4,320,275	$ 3,521,340
Actual return on plan assets	443,947	372,523
Employer contributions	-	450,000
Benefits paid/includes settlements	(450,654)	(23,588)
End of year	$ 4,313,568	$ 4,320,275

All plan assets at June 30, 2014 are categorized as level 1 under the fair value measurement hierarchy.

	2014	2013
Funded status of the plan at year-end over funded (under funded)	$ 129,070	$ 427,754
Amounts recognized in the statement of financial position:		
Non-current assets (liabilities)	$ 129,070	$ 427,754

Amounts recognized in unrestricted net assets but have not yet been recognized in net periodic pension costs at June 30, 2014:

Total net gain	$ 1,096,931
Prior service cost	-
Total	$ 1,096,931

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

	2014	2013
Discount rate	3.25%	4.00%
Postretirement interest rate	2.20%	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:

	2014	2013
Interest cost	$ 141,101	$ 135,342
Expected return on plan	(250,757)	(224,257)
Amortization of net loss	66,421	119,496
Effect of special events	111,409	-
Net periodic pension expense	$ 68,174	$ 30,581

The following amounts are expected to be recognized in net periodic pension cost in 2015:

Net loss	$ 101,151

Other changes in amounts included in net assets for the year ended June 30, 2014:

Net gain	$ 408,340
Amortization of net loss	(66,421)
Amount recognized due to settlement	(111,409)
Total recognized in unrestricted net assets	$ 230,510
Total recognized in net periodic benefit cost and unrestricted net assets	$ 298,684

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

	2014	2013
Discount rate	4.00%	3.75%
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	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 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:

	2014	2013
Projected benefit obligation	$ 4,184,498	$ 3,892,521
Accumulated benefit obligation	$ 4,184,498	$ 3,892,521
Fair value of plan assets	$ 4,313,568	$ 4,320,275

Note 11 – Pension Plan (Continued)

Plan assets by category as of June 30:

	2014	2013
Large U.S. equity	6%	32%
Small/Mid U.S. equity	1%	9%
International equity	5%	19%
Fixed income	88%	40%
	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 12 percent in total equity securities and 88 percent in fixed income securities to protect assets during plan termination process.

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,		
2015	$	520,000
2016		680,000
2017		110,000
2018		36,000
2019		300,000
2020-2024		1,620,000

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 $150,619 and $143,191 to the plan for the years ended June 30, 2014 and 2013, respectively.

Note 13 – Related-party Transaction

During the years ended June 30, 2014 and 2013, United Way had business transactions totaling $773,995 and $706,003, 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 $2,924,613 and $2,903,796 of United Way's investment portfolio as of June 30, 2014 and 2013, respectively.

Note 14 – June 30, 2013 Financial Information

The June 30, 2014 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, 2013, from which the summarized information was derived.

Note 15 – Subsequent Events

Management has evaluated subsequent events through October 10, 2014, 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, 2014, and have issued our report thereon dated October 10, 2014, 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 supplemental information that follows on page 21 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 10, 2014

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, 2014

	2013-2014 Community Impact Funds Awarded/ Distributed	2014-2015 Community Impact Funds Awarded/ Distributed	Designations paid in 13/14	Designations paid in 12/13
Education	$ 633,355	$ 339,627	$ 386,012	$ 204,838
Income	440,349	126,379	691,454	793,868
Health	435,262	89,808	386,465	455,059
Homeless Outreach and Prevention	502,114	120,279	450,539	766,151
Combined Health Agencies	467,726	452,993	208,793	233,456
Designated for Impact not yet assigned	50,115	1,235,274	-	-
Mobilization Fund	100,000	-	129,149	19,730
Stopping Child Abuse and Neglect	60,177	-	-	-
Women United Fund	91,905	124,391	92,404	50,000
Special Allocations	-	-	35,000	108,823
Response Fund	-	-	96,961	181,990
211 San Diego	-	50,000	50,000	50,000
Total	$ 2,781,002	$ 2,538,752	$ 2,526,777	$ 2,863,916