United Way of San Diego County

Financial Statements

Year Ended June 30, 2015

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CONTENTS

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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, 2015, 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, 2015, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 10, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

AKT LLP

San Diego, California
October 28, 2015

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AKT LLP

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2015 (With Comparative Amounts for June 30, 2014)

		2015		2014
ASSETS				
Cash and cash equivalents	$	1,250,444	$	2,736,692
Restricted cash		145,821		103,424
Pledges receivable, net		5,030,480		5,702,560
Accounts receivable		120,642		121,639
Grants receivable		150,000		200,000
Prepaid expenses and other assets		97,570		66,810
Investments		9,563,058		9,712,751
Land, building, and equipment, net		1,374,567		1,396,688
Pension fund asset		-		129,070
Total Assets	$	17,732,582	$	20,169,634
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	$	1,753,292	$	718,115
Amount due to Combined Health Agencies		34,787		244,201
Amount due to Combined Federal Campaign agencies		2,144,924		2,428,577
Designations payable		1,090,076		1,358,716
Allocations payable		1,301,078		2,177,810
Line of credit		89,217		83,433
Total Liabilities		6,413,374		7,010,852
Net Assets				
Unrestricted		10,398,261		12,500,169
Temporarily restricted		874,283		611,949
Permanently restricted		46,664		46,664
Total Net Assets		11,319,208		13,158,782
Total Liabilities and Net Assets	$	17,732,582	$	20,169,634

See accompanying notes.

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015 (With Comparative Summarized Amounts for the Year Ended June 30, 2014)

	2015				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	2014 Total
REVENUE, GAINS, AND OTHER SUPPORT					
Campaign results					
Current campaign year	$ 14,531,246	$ -	$ -	$ 14,531,246	$ 15,161,612
Future campaign years	657	-	-	657	-
Prior campaign years	845,268	-	-	845,268	357,156
Gross campaign results	15,377,171	-	-	15,377,171	15,518,768
Less designated campaign results	(8,517,133)	-	-	(8,517,133)	(8,574,246)
Campaign revenue	6,860,038	-	-	6,860,038	6,944,522
Less provision for uncollectible pledges	(848,370)	-	-	(848,370)	(869,490)
Net Campaign Results	6,011,668	-	-	6,011,668	6,075,032
Other					
Grants and contracts	-	664,395	-	664,395	1,456,032
Investment income	189,918	-	-	189,918	301,596
Service fees	130,873	-	-	130,873	147,545
Contributions	109,522	-	-	109,522	542,796
Designations from other United Ways	65,684	-	-	65,684	63,542
Miscellaneous income	34,793	-	-	34,793	16,180
In-kind contributions	15,247	-	-	15,247	31,431
Unrealized (loss) gains on investments	(54,424)	-	-	(54,424)	641,414
Assets released from restrictions	402,061	(402,061)	-	-	-
Total Other	893,674	262,334	-	1,156,008	3,200,536
Total Revenue, Gains, and Other Support	6,905,342	262,334	-	7,167,676	9,275,568
EXPENSES					
Program services					
Gross funds awarded/distributed	9,724,568	-	-	9,724,568	11,112,998
Less donor designations	(8,517,133)	-	-	(8,517,133)	(8,574,246)
Collective impact funds distributed	1,207,435	-	-	1,207,435	2,538,752
Collective Impact and Initiatives	4,079,788	-	-	4,079,788	2,413,208
City Heights Partnership for Children	541,521	-	-	541,521	498,199
Labor Community Services	455,938	-	-	455,938	398,808
Total Program Services	6,284,682	-	-	6,284,682	5,848,967
Supporting Services					
Fundraising	1,606,200	-	-	1,606,200	1,863,608
Organizational administration	1,116,368	-	-	1,116,368	924,621
Total Supporting Services	2,722,568	-	-	2,722,568	2,788,229
Total Expenses	9,007,250	-	-	9,007,250	8,637,196
CHANGE IN NET ASSETS	(2,101,908)	262,334	-	(1,839,574)	638,372
NET ASSETS					
Beginning of year	12,500,169	611,949	46,664	13,158,782	12,520,410
End of year	$ 10,398,261	$ 874,283	$ 46,664	$ 11,319,208	$ 13,158,782

See accompanying notes.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015 (With Comparative Summarized Amounts for the Year Ended June 30, 2014)

	PROGRAM SERVICES					SUPPORTING SERVICES			
	Collective Impact and Initiatives	City Heights Partnership for Children	Labor Community Services	2015 Total	2014 Total	Fundraising	Organizational Administration	2015 Total	2014 Total
Salaries and Related Expenses									
Professional salaries	$ 1,212,035	$ 208,493	$ 64,674	$ 1,485,202	$ 1,378,298	$ 433,324	$ 330,484	$ 763,808	$ 887,056
Payroll taxes and benefits	317,306	61,199	97,681	476,186	406,234	100,828	172,819	273,647	278,888
Support salaries	269,307	44,578	147,072	460,957	373,693	81,714	183,851	265,565	275,600
Contracted staff salaries	96,876	17,614	-	114,490	176,097	69,234	33,616	102,850	188,332
Pension expense	630,513	108,460	33,644	772,617	150,548	225,420	171,921	397,341	151,636
Temporary salaries	47,229	8,587	-	55,816	38,682	30,334	21,451	51,785	50,198
Allocated staff services	(40,926)	(7,441)	44,133	(4,234)	(5,476)	(2,501)	(45,866)	(48,367)	(90,091)
Total Salaries and Related Expenses	2,532,340	441,490	387,204	3,361,034	2,518,076	938,353	868,276	1,806,629	1,741,619
Other Expenses									
Special allocations, grants, and other distributions	971,107	294	-	971,401	246,377	1,080	831	1,911	3,922
Audit and legal fees	83,988	15,271	-	99,259	37,683	-	49,259	49,259	50,671
Depreciation	56,837	10,334	-	67,171	56,676	26,868	40,302	67,170	75,956
Advertisement	56,823	10,330	-	67,153	55,199	54,569	380	54,949	74,224
Printing and awards	51,881	9,347	144	61,372	52,194	37,216	5,998	43,214	58,907
Occupancy	15,078	2,741	39,503	57,322	45,991	2,589	(16)	2,573	8,038
Transportation	29,596	4,133	7,879	41,608	32,623	13,724	7,701	21,425	19,697
Dues and subscriptions	19,430	2,817	14,281	36,528	11,371	6,894	5,112	12,006	4,560
Films and audio visual	28,496	5,181	-	33,677	25,587	18,678	-	18,678	34,405
Staff development	27,502	4,362	-	31,864	21,378	1,545	15,824	17,369	16,538
Investment management fee	22,262	4,048	-	26,310	11,401	-	26,310	26,310	15,330
Equipment rental and leases	18,746	3,408	3,545	25,699	21,516	14,508	7,646	22,154	25,362
Supplies, meetings, and miscellaneous	19,283	3,043	547	22,873	17,669	12,634	4,528	17,162	8,910
Insurance	15,197	2,763	285	18,245	16,887	34	9,273	9,307	14,214
Telephone	10,923	1,986	2,328	15,237	16,284	8,941	3,281	12,222	14,617
Local expenses	11,490	688	-	12,178	7,154	1,624	1,831	3,455	4,134
Duplicating	8,858	1,575	22	10,455	11,900	9,953	230	10,183	12,287
Payroll and processing service fees	6,460	1,175	200	7,835	5,867	-	7,835	7,835	7,890
Minor equipment	5,936	638	-	6,574	3,185	4,791	1,254	6,045	3,620
Equipment maintenance	4,331	787	-	5,118	3,839	2,273	2,842	5,115	5,162
Postage	4,088	722	-	4,810	4,133	3,162	1,320	4,482	4,720
Loss on disposal of land, building, and equipment	-	-	-	-	-	-	-	-	748
CFC and other campaigns	-	-	-	-	556	446,764	-	446,764	514,550
Total Other Expenses	1,468,312	85,643	68,734	1,622,689	705,470	667,847	191,741	859,588	978,462
Expenses before United Way dues and Collective impact funds distributed	4,000,652	527,133	455,938	4,983,723	3,223,546	1,606,200	1,060,017	2,666,217	2,720,081
United Way Worldwide Dues	47,682	8,669	-	56,351	67,659	-	56,351	56,351	68,148
United Way of California Dues	31,454	5,719	-	37,173	19,010	-	-	-	-
Collective impact funds distributed	1,174,659	32,776	-	1,207,435	2,538,752	-	-	-	-
Total Program Services/Support Services	$ 5,254,447	$ 574,297	$ 455,938	$ 6,284,682	$ 5,848,967	$ 1,606,200	$ 1,116,368	$ 2,722,568	$ 2,788,229

See accompanying notes.

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2015 (With Comparative Amounts for the Year Ended June 30, 2014)

	2015	2014
OPERATING ACTIVITIES		
Change in net assets	$ (1,839,574)	$ 638,372
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	134,341	132,632
Loss on disposal of equipment	-	1,304
Realized gain on sale of investments	(30,191)	(105,726)
Unrealized loss on investments	54,424	(641,414)
Allowance for uncollectible pledges receivable	848,370	869,490
(Increase) decrease in operating assets:		
Pledges receivable	(176,290)	(475,997)
Accounts receivable	997	13,772
Grants receivable	50,000	135,000
Prepaid expenses and other assets	(30,760)	(29,892)
Pension fund asset	129,070	298,684
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	1,035,177	150,404
Amounts due to others, designations, and allocations payable	(1,638,439)	(491,604)
Net cash (used) provided by operating activities	(1,462,875)	495,025
INVESTING ACTIVITIES		
Purchases of investments	(1,148,654)	(371,536)
Proceeds from sale of investments	1,274,113	205,738
Purchases of equipment	(112,219)	(73,320)
Net cash provided (used) by investing activities	13,240	(239,118)
FINANCING ACTIVITIES		
Net payments on the line of credit	5,784	(16,259)
Net cash provided (used) by financing activities	5,784	(16,259)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,443,851)	239,648
CASH AND CASH EQUIVALENTS		
Beginning of year	2,840,116	2,600,468
End of year	$ 1,396,265	$ 2,840,116
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash and cash equivalents	$ 1,250,444	$ 2,736,692
Restricted cash	145,821	103,424
	$ 1,396,265	$ 2,840,116

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash payments for interest	$ 72	$ 7,085

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

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

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

<u>Our roles include:</u>

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

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

Everyone deserves opportunities to have a good life. As we look at the key benchmarks of Readiness for Kindergarten and Third Grade Reading Levels, we know that we must also provide support so that families are financially stable, emotionally healthy and engaged. We are all connected and interdependent; we all win when a child succeeds in school, when neighbors are financially stable, and when all of us are healthy. In addition to our focus on Education, we continue our work to address chronic homelessness in the region. We are supporting the creation of governance structures that encourage systems alignment, as well as the streamlining of philanthropic resources toward best practices proven to work in other communities. Our goal is to create long-lasting changes in our region's most pressing problems by addressing the underlying causes.

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

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

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

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

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

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

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

Homelessness: We 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

United Way also serves as the principal combined fundraising organization (PCFO) for the San Diego Combined Federal Campaign (federal employees). For the years ended June 30, 2015 and 2014, \$4,012,590 and \$4,736,358, 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. The contract with Combined Health Agencies terminated as of June 30, 2014.

Supporting functions

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

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

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

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

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

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

Fair Value Measurements

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

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

Fair Value Measurements, continued

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

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

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

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

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

The carrying value of cash, receivables, and payables approximates fair value as of June 30, 2015 and 2014, due to the relative short maturities of these instruments.

Revenue Recognition

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

Contributed Goods and Personal Services – Contributed goods are reflected as contributions in the accompanying financial statements at their estimated fair value. Contributed goods and services in the amount of $15,247 and $31,431 are reflected in the statement of activities for the years ended June 30, 2015 and 2014, 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.

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, 2015 and 2014, the allowance for uncollectible pledges receivable was $790,083 and

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

$846,462, respectively. At June 30, 2015 and 2014, 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.

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

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

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

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 – Concentration of Credit Risk

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

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

Note 3 – Investments

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

As of June 30, 2015, all certificates of deposit and bank deposit programs held in short-term investments were insured by FDIC with no more than $250,000 in any one bank.

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

	2015			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Short-term investments:				
Large cap equities	$ 2,027,716	$ -	$ -	$ 2,027,716
Fixed income	4,256,003	-	-	4,256,003
International securities	1,070,671	-	-	1,070,671
Small/Mid cap equities	723,223	-	-	723,223
Multi-strategy	475,158	-	-	475,158
Long-term investments:				
Pooled fund held by San Diego Foundation	-	-	1,010,287	1,010,287
	$ 8,552,771	$ -	$ 1,010,287	$ 9,563,058

	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

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

	2015	2014
Interest income	$ 159,727	$ 195,870
Net realized gains	30,191	105,726
	$ 189,918	$ 301,956

Note 3 – Investments (Continued)

The approximate allocation of the pooled funds held by San Diego Foundation as of June 30, 2015 were:

	2015		2014	
Domestic equities	25	%	27	%
International equities	30	%	30	%
Alternative	16	%	20	%
Domestic fixed income	10	%	10	%
Real estate	8	%	6	%
International fixed income	7	%	7	%
Commodities	4	%	0	%
	100	%	100	%

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			
		2015		2014
Investments:				
Beginning balance	$	1,022,799	$	928,746
Net realized and unrealized gains (losses)		25,343		140,377
Appropriation of endowment assets for expenditure		(37,855)		(46,324)
Ending balance	$	1,010,287	$	1,022,799

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

Note 4 – Pledges Receivable

Pledges receivable at June 30, consist of:

		2015		2014
Due in less than one year:				
United Way	$	3,236,120	$	3,602,592
Combined Federal Campaign		2,584,443		2,946,430
		5,820,563		6,549,022
Less allowance for uncollectible pledges:				
United Way		(357,953)		(47,791)
Combined Federal Campaign		(432,130)		(798,671)
		(790,083)		(846,462)
	$	5,030,480	$	5,702,560

Note 5 – Land, Building, and Equipment

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

	2015	2014
Building and improvements	$ 2,538,256	$ 2,508,681
Land	718,121	718,121
Furniture and equipment	358,890	356,500
Computer equipment	546,260	485,876
Work in progress	17,782	-
	4,179,309	4,069,178
Less accumulated depreciation	(2,804,742)	(2,672,490)
	$ 1,374,567	$ 1,396,688

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 $29,346 and $20,034 for the years ended June 30, 2015 and 2014, 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, 2015 are as follows:

Years ending June 30,	
2016	$ 19,498
2017	19,498
2018	19,498
2019	6,625
2020	-
	$ 65,419

Note 8 – Line of Credit

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 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

Note 8 – Line of Credit (Continued)

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, 2015 and 2014, the balance was $89,217 and $83,433, respectively, which was entirely related to CFC.

Note 9 – Net Assets

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

	2015	2014
Designated for endowment	$ 6,747,461	$ 6,941,704
Designated for program support:		
Other	1,509,164	677,353
Board discretionary grants	140,870	140,870
Total program support	1,650,034	818,223
Undesignated	626,199	3,343,554
Land, building, and equipment	1,374,567	1,396,668
	$ 10,398,261	$ 12,500,169

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

	2015	2014
Emergency loan fund	$ 100,000	$ 100,000
Emergency Assistance Program	76,013	54,325
SD local disaster fund	257,624	257,624
Grants receivable	440,646	200,000
	$ 874,283	$ 611,949

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

Note 10 – Endowments and Beneficial Interest Endowment Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment/Beneficial Interest Net Assets, beginning of year	$ 6,941,704	$ -	$ 46,664	$ 6,988,369
Investment return:				
Investment income	143,664	-	-	143,664
Net realized and unrealized gains	(21,167)	-	-	(21,167)
Total Investment Return	122,497	-	-	122,497
Contributions	2,663	-	-	2,663
Distributions	(266,784)	-	-	(266,784)
Appropriation of endowment assets for expenditure	(52,619)	-	-	(52,619)
Endowment/Beneficial Interest Net Assets, end of year	$ 6,747,461	$ -	$ 46,664	$ 6,794,125

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 losses	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

Note 11 – Pension Plan

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

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

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

	2015	2014
Projected Benefit Obligations:		
Beginning of year	$ 4,184,498	$ 3,892,521
Interest cost	127,546	141,101
Actuarial (gain) loss	990,519	601,530
Benefits paid/includes settlements	(1,093,151)	(450,654)
End of year	$ 4,209,412	$ 4,184,498

	2015	2014
Fair value of plan assets:		
Beginning of year	$ 4,313,568	$ 4,320,275
Actual return on plan assets	(44,827)	443,947
Benefits paid/includes settlements	(1,093,151)	(450,654)
End of year	$ 3,175,590	$ 4,313,568

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

	2015	2014
Funded status of the plan at year-end over funded (under funded)	$ (1,033,822)	$ 129,070
Amounts recognized in the statement of financial position:		
Current (liabilities) assets	$ (1,033,822)	$ 129,070

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

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

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

Note 11 – Pension Plan (Continued)

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

	2015	2014
Discount rate	1.66%	3.25%
Postretirement interest rate	1.66%	2.20%
Rate of compensation increase	N/A	N/A

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

	2015	2014
Interest cost	$ 127,546	$ 141,101
Expected return on plan	(151,411)	(250,757)
Amortization of net loss	101,151	66,421
Effect of special events/settlement	439,126	111,409
Net periodic pension expense	$ 516,412	$ 68,174

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

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

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

	2015	2014
Discount rate	3.25%	4.00%
Postretirement interest rate	2.20%	3.20%
Expected long-term rate of return on assets	4.50%	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:

	2015	2014
Projected benefit obligation	$ 4,209,412	$ 4,184,498
Accumulated benefit obligation	$ 4,209,412	$ 4,184,498
Fair value of plan assets	$ 3,175,590	$ 4,313,568

Note 11 – Pension Plan (Continued)

Plan assets by category as of June 30:

	2015	2014
Large U.S. equity	0%	32%
Small/Mid U.S. equity	0%	9%
International equity	0%	19%
Fixed income	0%	40%
Cash	100%	0%
	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 100% in cash 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,	
2016	4,209,412
2017	-
2018	-
2019	-
2020	-
2021-2024	-

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 $73,961 and $150,619 to the plan for the years ended June 30, 2015 and 2014, respectively.

Note 13 – Related-party Transaction

During the years ended June 30, 2015 and 2014, United Way had business transactions totaling $466,057 and $773,995, 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 $2,937,564 and $2,924,613 of United Way's investment portfolio as of June 30, 2015 and 2014, respectively.

Note 14 – June 30, 2014 Financial Information

The June 30, 2015 financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with United Way's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Note 15 – Subsequent Events

Management has evaluated subsequent events through October 28, 2015, 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.