LIVE UNITED
United Way

United Way
of San Diego County
uwsd.org

CEO / CFO Financial Statement Certification

CERTIFICATIONS

I hereby certify that:

1. I have read the audited financial statements of United Way of San Diego County for the year ended June 30, 2018.

2. Based on my knowledge, these financial statements do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present, in all material respects, the financial condition, results of operations and cash flows of United Way of San Diego County as of and for the period ended June 30, 2018.

Bob Beatty
Digitally signed by Bob Beatty
DN: cn=Bob Beatty, o=United Way of San Diego County, ou, email=bob.beatty@uwsde.org, c=US
Date: 2018.11.01 11:23:30 -07'00'

Bob Beatty
Advisory Chief Financial Officer
Interim CEO until 9/10/18

October 24, 2018

United Way of San Diego County

Financial Statements
As of and for the Years Ended June 30, 2018
(With Comparative Summarized Financial
Information for the Year Ended June 30, 2017)

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

BDO

United Way of San Diego County

Financial Statements
As of and for the Year Ended June 30, 2018
(With Comparative Summarized Financial Information for the
Year Ended June 30, 2017)

United Way of San Diego County

Contents

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Independent Auditor's Report

The Board of Directors and Audit Committee
United Way of San Diego County
San Diego, California

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of San Diego County ("the Organization"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and changes in net assets, 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 controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 controls 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 controls. 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, 2018 and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Report on Summarized Comparative Information

The 2017 financial statements of United Way of San Diego County, were audited by other auditors, whose report dated October 25, 2017 expressed an unmodified opinion on those statements. The summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

San Diego, California
October 24, 2018

Financial Statements

United Way of San Diego County

Statement of Financial Position
(With Comparative totals as of June 30, 2017)

June 30,		2018		2017
Assets				
Assets				
Cash and cash equivalents	$	3,099,502	$	2,608,355
Restricted cash		113,527		69,050
Pledges receivable, net		1,976,437		5,129,767
Investments, at fair value		6,704,740		6,595,794
Accounts receivable		6,429		17,796
Grants receivable		4,500		430,866
Prepaid expenses and other assets		61,601		60,515
Land, building and equipment, net		1,076,725		1,127,748
Total assets	$	13,043,461	$	16,039,891
Liabilities and Net Assets				
Liabilities				
Accounts payable and accrued expenses	$	434,083	$	727,457
Amounts due to Combined Federal Campaign agencies		-		2,736,944
Designations payable		1,159,763		1,130,718
Grants and contracts payable		-		614,582
Total liabilities		1,593,846		5,209,701
Net assets				
Unrestricted		10,926,245		10,146,242
Temporarily restricted		476,706		637,284
Permanently restricted		46,664		46,664
Total net assets		11,449,615		10,830,190
Total liabilities and net assets	$	13,043,461	$	16,039,891

See accompanying notes to financial statements.

United Way of San Diego County

Statement of Activities

(With Comparative Totals for the Year Ended June 30, 2017)

Year ended June 30,	Unrestricted	Temporarily Restricted	Permanently Restricted	**Total 2018**	Total 2017
Revenue, Gains, and Other Support					
Campaign results					
Current campaign year	$ 7,847,391	$ 52,007	$ -	$ **7,899,398**	$ 12,073,740
Prior campaign year	215,042	32,627	-	**247,669**	154,815
Gross campaign results	8,062,433	84,634	-	**8,147,067**	12,228,555
Less designated campaign results	(3,989,815)	-	-	**(3,989,815)**	(7,137,913)
Campaign revenue	4,072,618	84,634	-	**4,157,252**	5,090,642
Less provision for uncollectible pledges	(170,670)	-	-	**(170,670)**	(276,531)
Net campaign results	3,901,948	84,634	-	**3,986,582**	4,814,111
Other					
Contributions	65,217	315,000	-	**380,217**	1,013,941
Investment return, net	477,046	-	-	**477,046**	684,444
Rent and miscellaneous income	141,458	-	-	**141,458**	134,167
Service fees	116,205	-	-	**116,205**	136,624
Grants and contracts	-	79,332	-	**79,332**	913,342
Designations from other United Way organizations	73,712	-	-	**73,712**	56,134
In-kind contributions	41,418	-	-	**41,418**	87,940
Loss on disposal of equipment	-	-	-	**-**	(181,836)
Assets released from restrictions	639,544	(639,544)	-	**-**	-
Total other	1,554,600	(245,212)	-	**1,309,388**	2,844,756
Total revenue, gains, and other support	5,456,548	(160,578)	-	**5,295,970**	7,658,867
Expenses					
Program services	2,936,321	-	-	**2,936,321**	4,825,528
Supporting services					
Fundraising	848,816	-	-	**848,816**	1,387,234
Organizational administration	891,407	-	-	**891,407**	953,114
Total supporting services	1,740,223	-	-	1,740,223	2,340,348
Total expenses	4,676,544	-	-	4,676,544	7,165,876
Change in net assets	780,004	(160,578)	-	**619,426**	492,991
Net assets, beginning of year	10,146,241	637,284	46,664	**10,830,189**	10,337,198
Net assets, end of year	$ 10,926,245	$ 476,706	$ 46,664	$ **11,449,615**	$ 10,830,189

See accompanying notes to financial statements.

United Way of San Diego County

Statement of Functional Expenses
(With Comparative Totals for the Year Ended June 30, 2017)

Year ended June 30,	Program Services Unions United	Financial Stability	Education	subtotal 2018	Supporting Services Fundraising	Organizational Administration	subtotal 2018	**Total 2018**	Total 2017
Salaries and related expenses	$ 459,780	$ 231,827	$ 1,332,410	$ 2,024,017	$ 564,544	$ 504,587	$ 1,069,131	**$ 3,093,148**	$ 3,672,993
Advertising and outreach	8,169	4,119	23,673	35,961	25,067	297	25,364	**61,325**	149,735
Audit and legal fees	9,396	4,738	27,229	41,363	111	41,252	41,363	**82,726**	82,569
CFC and other campaign	-	-	-	-	-	-	-	**-**	319,930
Contracts and other consulting	57,785	29,136	167,456	254,377	57,688	165,056	222,744	**477,121**	291,300
Depreciation	10,026	5,055	29,055	44,136	-	44,136	44,136	**88,272**	100,886
Dues and subscriptions	6,590	3,323	19,097	29,010	13,481	9,923	23,404	**52,414**	60,961
Duplicating and printing	9,993	5,039	28,960	43,992	35,078	4,822	39,900	**83,892**	123,691
Equipment maintenance	925	466	2,679	4,070	1,628	2,442	4,070	**8,140**	11,012
Equipment rental & leases	3,882	1,957	11,248	17,087	8,829	5,831	14,660	**31,747**	12,586
Events	2,622	1,322	7,599	11,543	10,104	4	10,108	**21,651**	51,648
Films and audio visual	3,490	1,760	10,115	15,365	14,837	-	14,837	**30,202**	64,557
In-kind goods and services	8,991	4,534	26,056	39,581	-	-	-	**39,581**	41,286
Insurance	6,154	3,103	17,834	27,091	2,254	17,148	19,402	**46,493**	60,632
Investment management fee	5,581	2,814	16,173	24,568	-	24,568	24,568	**49,136**	49,279
Minor equipment	2,803	1,413	8,122	12,338	7,590	2,951	10,541	**22,879**	16,922
Occupancy	11,882	5,991	34,432	52,305	20,855	31,290	52,145	**104,450**	132,640
Processing fees	2,701	1,362	7,827	11,890	119	11,770	11,889	**23,779**	30,403
Postage	753	380	2,181	3,314	2,603	531	3,134	**6,448**	8,499
Recognition and awards	703	354	2,036	3,093	1,972	601	2,573	**5,666**	24,217
Grants and other distributions	10,450	5,269	30,282	46,001	-	4,350	4,350	**50,351**	1,539,894
Staff development	3,083	1,555	8,936	13,574	4,334	4,486	8,820	**22,394**	32,297
Supplies, meetings, and misc.	16,944	8,543	49,103	74,590	5,067	2,565	7,632	**82,222**	60,846
Telephone	5,760	2,904	16,691	25,355	11,879	9,154	21,033	**46,388**	59,875
Transportation	4,456	2,247	12,916	19,619	4,871	3,638	8,509	**28,128**	27,289
United Way dues	14,102	7,111	40,868	62,081	55,905	5	55,910	**117,991**	141,929
Total expenditures	$ 667,021	$ 336,322	$ 1,932,978	$ 2,936,321	$ 848,816	$ 891,407	$ 1,740,223	**$ 4,676,544**	$ 7,167,876

See accompanying notes to financial statements.

United Way of San Diego County

Statement of Cash Flows

(With Comparative Summarized Information for the Year Ended June 30, 2017)

Year ended June 30,	2018	2017
Cash flows from operating activities:		
Change in net assets	$ 619,426	$ 492,991
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	88,272	100,886
In-kind donations	(1,836)	(10,174)
Loss on disposal of equipment	-	181,836
Net realized and unrealized (gains) losses on investments	(332,189)	(543,301)
Provision for uncollectible pledges receivable	170,670	276,531
(Increase) decrease in operating assets:		
Pledges receivable	2,982,661	542,255
Accounts receivable	11,367	66,945
Grants receivable	426,366	(14,222)
Prepaid expenses and other assets	(1,088)	54,023
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	(293,376)	105,023
Amounts due to others, designations, and other payables	(3,322,480)	(749,608)
Net cash provided by operating activities	347,793	503,185
Cash flows from investing activities:		
Purchases of investments	(1,217,954)	(3,221,767)
Proceeds from sales of investments	1,441,198	4,010,602
Purchases of equipment	(35,413)	(80,516)
Net cash used in investing activities	187,831	708,319
Cash flows from financing activities:		
Net payments on the line of credit	-	(58,905)
Net change in cash, cash equivalents and restricted cash	535,624	1,152,599
Cash, cash equivalents and restricted cash, beginning of year	2,677,405	1,524,806
Cash, cash equivalents and restricted cash, end of year	$ 3,213,029	$ 2,677,405
Cash, cash equivalents and restricted cash consists of the following:		
Cash and cash equivalents	$ 3,099,502	$ 2,608,355
Restricted cash	113,527	69,050
	$ 3,213,029	$ 2,677,405
Supplemental cash flow information		
Cash payments for interest	$ 1,820	$ 737

See accompanying notes to financial statements.

1. Description of Organization and Summary of Significant Accounting Policies

For over 98 years, United Way of San Diego County ("United Way") has been disrupting cycles of poverty by tackling issues impacting children and families in San Diego.

United Way plays a unique role, bringing the people and resources together to spark breakthrough community action that elevates every child and family toward a brighter future.

From cradle to career, United Way works to close the achievement gap so kids can succeed in school and in life. We partner with schools, businesses and community agencies to support children outside the classroom so they can be successful inside the classroom. The specific milestones, identified by the community that we support are: kindergarten readiness, third grade literacy, and college and career readiness.

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

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

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

Kindergarten Readiness: We measure kindergarten readiness across our portfolio along six metrics:
- Increased participation in quality preschool programs
- Increased developmental readiness for kindergarten
- Increased social-emotional readiness for kindergarten
- Improved parenting skills
- Increased family engagement
- Increased family stability and self-sufficiency

Early Grade Literacy: We measure early grade literacy along four metrics:
- Increased reading proficiency by third grade
- Increased early grade attendance
- Increased family engagement
- Increased family stability and self-sufficiency

College or Career Readiness: We measure college or career readiness along four metrics
- Increased high School graduation rates
- Increased number of students graduating with A-G requirements
- Increased number of work-based learning opportunities for students
- Increase number of corporate partners engaged in youth career development

Family Stability: We measure family stability across four metrics

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

United Way served as the principal combined fundraising organization (PCFO) for the San Diego Combined Federal Campaign (federal employees) for the year ended June 30, 2017, raising $3,221,129 for this campaign, which is included in campaign results. New regulations governing the campaign went into effect on March 1, 2017. At that time, United Way's tenure as PCFO ended.

2. Summary of Significant Accounting Policies

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). 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.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in their federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns for years ended June 30, 2018 and 2017 are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Financial Statement Presentations

United Way follows the accounting provisions prescribed by ASC 958, Not-for-Profit Entities. ASC 958 requires, among other things, the recognition of contributions received at fair value, including unconditional promises to give, in the period received. ASC 958 establishes standards for general purpose external financial statements. Focusing on the entity as a whole, ASC 958 requires that all not-for-profit organizations provide a statement of financial position, a statement of activities and changes in net assets and a statement of cash flows and that net assets and changes in net assets be classified as unrestricted, temporarily restricted, or permanently restricted.

- 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.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law.

Expirations of temporary restrictions on net assets are reported as being released between the applicable classes of net assets.

Fair Value Measurements

Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

<table>
<tr><th>Level Input</th><th>Input Definition</th></tr>
<tr><td>Level 1</td><td>Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.</td></tr>
<tr><td>Level 2</td><td>Inputs to the valuation methodology include:
• Quoted process for similar assets or liabilities in active markets;
• Quoted prices for identical or similar assets or liabilities in inactive markets;
• Inputs or other than quoted prices that are observable for the asset or liability;
• Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.</td></tr>
<tr><td>Level 3</td><td>Inputs to the valuation methodology are unobservable and significant to the fair value measurement.</td></tr>
</table>

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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 $41,418 and $87,940 are reflected in the statement of activities for the years ended June 30, 2018 and 2017, respectively.

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

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

Receivables

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

During the year ended June 30, 2017, as PCFO for the Combined Federal Campaign (CFC), United Way advanced funds to the CFC for operational expenses using funds from the line of credit. These amounts are reflected as accounts receivable in the statement of financial position.

An allowance for estimated uncollectible receivables is based on past experience and an analysis of current receivable balances. Receivables deemed uncollectible are recorded against the allowance in the year deemed uncollectible. The organization has changed its practice for the calculation method of the allowance for estimated uncollectible receivables. In prior years, the allowance for estimated uncollected receivables was based on the historical loss for both designated and undesignated pledge results. Designation expense was reduced by the amount of the loss allowance estimated for designated pledges. Beginning in the year ended June 30, 2016, the organization estimated the allowance for uncollectible receivables based on undesignated receivables only. No estimated allowance for uncollectible receivables for designated receivables or corresponding reduction in designated expense has been recorded. At June 30, 2018 and 2017, the allowance for uncollectible pledges receivable was $295,828 and $276,590, respectively. At June 30, 2018 and 2017, no allowance for uncollectible accounts for 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 and Electric Neighbor to Neighbor Fund in order to comply with monthly reporting requirements. These amounts are reflected as restricted cash in the accompanying statement of financial position.

Investments

United Way values its investments at fair value. Realized and unrealized gains and losses are reflected in the accompanying statement of activities.

Land, Building, and Equipment

Land, building, and equipment which exceed $5,000 are recorded at cost. Donated assets are recorded at estimated fair value at the date of donation. Depreciation is calculated on the straight-line basis using lives of 31.5 years for building and improvements, 10 years for furniture and equipment, and 3 years for computer equipment. Maintenance and repair costs are charged to expense as incurred.

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.

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 US GAAP 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.

Advertising Expenses

Advertising costs are expensed as incurred. During the years ended June 30, 2018 and 2017 advertising costs were approximately $49,834 and $82,393, respectively, and are reported as advertising and outreach expenses in the accompanying statement of functional expenses.

Litigation

In the normal course of business, the Organization is occasionally named as a defendant in various claims. It is the opinion of management that the outcome of any pending claims will not materially affect the operation or the financial position of the Organization.

Reclassification

Certain reclassifications have been made to the 2017 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Concentration of Credit Risk

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. As of June 30, 2018, 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.

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.

Comparative Totals

The June 30, 2017 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, 2017, from which the summarized information was derived.

Recent Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). The standard provides companies with a single model for accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. The guidance permits companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption, through a cumulative adjustment. In August 2015, the FASB issued ASU 2015-14, Deferral of the Effective Date, which defers the required adoption date of ASU 2014-09 by one year. As a result of the deferred effective date, ASU 2014-09 will be effective for the Organization in its first quarter of fiscal 2020. Early adoption is permitted. The Organization is in the process of evaluating the impact of adoption on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is in the process of evaluating the impact of adoption on its financial statements.

In August 2016, the FASB issued Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958). The guidance is intended to simplify and improve how a not-for-profit organization (NFP) classifies its net assets, as well as the information it presents in financial statements about its liquidity, financial performance and cash flows. The main provisions of this update require an NFP to do the following:

- Present net assets in two classes instead of three - net assets with donor restrictions and net assets without donor restrictions.
- Continue to present the statement of cash flows using either direct or indirect methods but no longer require the presentation of the indirect method (reconciliation) if using the direct method.
- Provide enhanced disclosure about:
    - Amounts and purposes of governing board designations;
    - Composition of net assets with donor restrictions and how the restrictions affect the use of resources;
    - Qualitative information about how an NFP manages its liquid resources;
    - Qualitative information about the availability of financial assets;
    - Expenses in both their natural and functional classes;
    - Description of cost allocation methods

The guidance is effective for fiscal years beginning after December 31, 2017 and early adoption is permitted. The Organization is in the process of evaluating the impact of this standard on its operations.

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.

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

	2018			
	Level 1	Level 2	Level 3	Total
Short-term investments:				
Large cap equities	$ 1,972,558	$ -	$ -	$ 1,972,558
Small/mid cap equities	625,624	-	-	625,624
International securities	1,278,626	-	-	1,278,626
Alternative Investments	460,491	-	-	460,491
Fixed Income	1,333,898	-	-	1,333,898
Long-term investments:				
Pooled fund held by San Diego Foundation	-	-	1,033,543	1,033,543
	$ 5,671,197	$ -	$ 1,033,543	$ 6,704,740

	2017			
	Level 1	Level 2	Level 3	Total
Short-term investments:				
Large cap equities	$ 2,019,942	$ -	$ -	$ 2,019,942
Small/mid cap equities	664,296	-	-	664,296
International securities	1,213,298	-	-	1,213,298
Equities blend	2,785	-	-	2,785
Alternative investments	443,965	-	-	443,965
Fixed income	1,238,096	-	-	1,238,096
Long-term investments:				
Pooled fund held by San Diego Foundation	-	-	1,013,412	1,013,412
	$ 5,582,382	$ -	$ 1,013,412	$ 6,595,794

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

	2018	2017
Unrealized gain on investments	**$ 211,576**	$ 629,601
Dividends and interest	**144,857**	141,143
Realized gains (losses)	**120,613**	(86,300)
Total investment return, net	**$ 477,046**	$ 684,444

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

	2018	2017
Domestic equities	25%	24%
International equities	22%	23%
Alternative	21%	20%
Domestic fixed income	16%	10%
Real estate	7%	7%
International fixed income	2%	7%
Global equity	5%	5%
Commodities	2%	4%
Cash	0%	0%
Total investment return, net	100%	100%

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

	2018	2017
Beginning balance	$ 1,013,412	$ 947,918
Net realized and unrealized gains	68,511	109,212
Appropriation for endowment assets for expenditure (including fees)	(48,380)	(43,718)
Ending balance	$ 1,033,543	$ 1,013,412

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. 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.

4. Pledges Receivable

Pledges receivable at June 30, consist of:

	2018	2017
Due in less than one year		
United Way	$ 2,272,265	$ 2,669,413
Combined Federal Campaign	-	2,736,944
	2,272,265	5,406,357
Less: allowance for uncollectible pledges		
United Way	(295,828)	(276,590)
Total pledges receivable, net	$ 1,976,437	$ 5,129,767

5. Land, Building, and Equipment

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

		2018		2017
Building and improvements	$	**2,543,963**	$	2,515,714
Land		**718,121**		718,121
Computer equipment		**197,855**		197,855
Work in progress		**9,000**		-
		3,468,939		3,431,690
Less: accumulated depreciation		**(2,392,214)**		(2,303,942)
Land, building, and equipment, net	$	**1,076,725**	$	1,127,748

Depreciation expense for the years ended June 30, 2018 and 2017 was $88,272 and $100,886, respectively.

6. Amounts Due to Combined Federal Campaign and Designations Payable

Combined Federal Campaign - The amount due to Combined Federal Campaign agencies as of June 30, 2017 was the outstanding liability from the workplace campaign conducted with federal employees at June 30, 2017.

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

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 $22,545 and $22,402 for the years ended June 30, 2018 and 2017, 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, 2018 are as follows:

Years ending		
2019	$	8,966
2020		1,811
2021		633
2022		-
2023		-
Total	$	11,410

8. Line of Credit

During the year ended June 30, 2018, United Way has an unsecured financing agreement with a commercial bank that expires April 15, 2019 and permits borrowings up to $1,000,000 at a variable rate of interest equal to the prime rate, which was 5% as of June 30, 2018, with a floor of 3 percent, collateralized by substantially all assets, excluding real property. During the year ended June 30, 2017, United Way had two financing agreements: a financing agreement of $500,000 for CFC operations and an agreement of $500,000 for United Way operations. At June 30, 2018 and 2017, the balance was $0. United Way maintained a zero balance for 365 consecutive days during the fiscal year on the $500,000 not designated for CFC.

9. Net Assets

Unrestricted net assets at June 30, consist of:

	2018	2017
Designated for endowment	$ **6,848,018**	$ 6,728,050
Undesignated	**3,001,502**	2,075,553
Land, building, and equipment	**1,076,725**	1,127,748
Designated for program support	**-**	214,891
Total unrestricted	$ **10,926,245**	$ 10,146,242

Temporarily restricted net assets at June 30, consist of:

	2018	2017
Grants	$ **293,614**	$ 491,076
Emergency loan fund	**100,000**	100,000
Emergency Assistance Program	**83,092**	46,208
Total temporarily restricted	$ **476,706**	$ 637,284

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.

Permanently restricted net assets at June 30, consist of:

	2018	2017
Endowment - Merrill Lynch Management	$ **4,580**	$ 4,580
Endowment - San Diego Foundation	**42,084**	42,084
Total permanently restricted	$ **46,664**	$ 46,664

10. Endowments

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

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 board-designated 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 for board-designated endowments is to disburse funds available to meet the current program needs of the organization. The annual distribution shall be an amount equal to 5% of the average quarterly fair market value of the Endowment as valued on the last business day of each of the preceding twelve (12) quarters. 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. No distributions may be made that would invade the initial value of the Endowment, indexed for inflation from the date of inception. The initial value of the Endowment was $577,716 on March 31, 1998. At its discretion, the Board may elect to distribute an amount different from the spending policy, from $0 to the entire unrestricted balance.

The beneficial interest endowment funds of 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 the 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.

Changes in endowment net asset at June 30:

	2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 6,728,050	$ -	$ 46,664	$ 6,774,714
Investment return:				
Investment income	144,857	-	-	144,857
Net realized and unrealized loss	332,189	-	-	332,189
Total Investment return	477,046	-	-	477,046
Appropriation of endowment assets for expenditure	(357,078)	-	-	(357,078)
Endowment net assets, end of year	$ 6,848,018	$ -	$ 46,664	$ 6,894,682

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 6,401,994	$ -	$ 46,664	$ 6,448,658
Investment return:				
Investment income	141,143	-	-	141,143
Net realized and unrealized loss	543,301	-	-	543,301
Total Investment return	684,444	-	-	684,444
Appropriation of endowment assets for expenditure	(358,388)	-	-	(358,388)
Endowment net assets, end of year	$ 6,728,050	$ -	$ 46,664	$ 6,774,714

11. Related Party Transactions

During the years ended June 30, 2018 and 2017, United Way had business transactions totaling $373,437 and $1,223,232, respectively; with firms or agencies whose executives or family members are serving or served some portion of the year as a member of United Way's Board of Directors, sub-committee or vision council.

12. Subsequent Event

Management has evaluated subsequent events through October 24, 2018, 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.