LIVE UNITED

United Way of San Diego County
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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, 2017.

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, 2017.

Laurie Coskey
President and Chief Executive Officer

October 25, 2017

Bob Beatty
Advisory Chief Financial Officer

October 25, 2017

United Way of San Diego County

Financial Statements

Year Ended June 30, 2017

Aldrich SM

C O N T E N T S

Aldrich

Aldrich CPAs + Advisors LLP
7676 Hazard Center Drive, #1300
San Diego, California 92108

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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Aldrich CPAs + Advisors LLP

San Diego, California
October 25, 2017

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2017 (With Comparative Summarized Amounts as of June 30, 2016)

	2017	2016
ASSETS		
Cash and cash equivalents	$ 2,539,508	$ 1,369,622
Restricted cash	137,898	155,184
Pledges receivable, net	5,129,768	5,948,554
Accounts receivable	17,796	84,741
Grants receivable	430,866	416,644
Prepaid expenses and other assets	60,514	114,537
Investments	6,595,794	6,841,329
Land, building, and equipment, net	1,127,748	1,319,780
Total Assets	$ 16,039,892	$ 16,250,391
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 727,459	$ 622,436
Amount due to Combined Federal Campaign agencies	2,736,944	2,863,395
Designations payable	1,130,718	1,335,154
Allocations payable	614,582	1,033,303
Line of credit	-	58,905
Total Liabilities	5,209,703	5,913,193
Net Assets		
Unrestricted	10,146,241	9,653,390
Temporarily restricted	637,284	637,144
Permanently restricted	46,664	46,664
Total Net Assets	10,830,189	10,337,198
Total Liabilities and Net Assets	$ 16,039,892	$ 16,250,391

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2017 (With Comparative Summarized Amounts for the Year Ended June 30, 2016)

	2017				2016
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
REVENUE, GAINS, AND OTHER SUPPORT					
Campaign results					
Current campaign year	$ 12,073,740	$ -	$ -	$ 12,073,740	$ 13,337,297
Prior campaign years	154,815	-	-	154,815	312,942
Gross campaign results	12,228,555	-	-	12,228,555	13,650,239
Less designated campaign results	(7,137,913)	-	-	(7,137,913)	(7,757,911)
Campaign revenue	5,090,642	-	-	5,090,642	5,892,328
Less provision for uncollectible pledges	(276,531)	-	-	(276,531)	(350,763)
Net Campaign Results	4,814,111	-	-	4,814,111	5,541,565
Other					
Contributions	232,108	781,833	-	1,013,941	720,881
Grants and contracts	-	913,342	-	913,342	901,775
Unrealized gain (loss) on investments	629,601	-	-	629,601	(225,525)
Service fees	136,624	-	-	136,624	97,263
Investment income	54,843	-	-	54,843	247,184
In-kind contributions	87,940	-	-	87,940	26,163
Designations from other United Ways	56,134	-	-	56,134	61,162
Miscellaneous income	6,984	-	-	6,984	11,366
Loss on disposal of equipment	(181,836)	-	-	(181,836)	-
Assets released from restrictions	1,695,035	(1,695,035)	-	-	-
Total Other	2,717,433	140	-	2,717,573	1,840,269
Total Revenue, Gains, and Other Support	7,531,544	140	-	7,531,684	7,381,834
EXPENSES					
Program Services	4,825,528	-	-	4,825,528	5,890,854
Supporting Services					
Fundraising	1,387,234	-	-	1,387,234	1,529,046
Organizational administration	825,931	-	-	825,931	943,944
Total Supporting Services	2,213,165	-	-	2,213,165	2,472,990
Total Expenses	7,038,693	-	-	7,038,693	8,363,844
CHANGE IN NET ASSETS	492,851	140	-	492,991	(982,010)
NET ASSETS					
Beginning of year	9,653,390	637,144	46,664	10,337,198	11,319,208
End of year	$ 10,146,241	$ 637,284	$ 46,664	$ 10,830,189	$ 10,337,198

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2017 (With Comparative Summarized Amounts for the Year Ended June 30, 2016)

	PROGRAM SERVICES						SUPPORTING SERVICES			
	Unions United	Financial Stability	Education	Collective Impact and Initiatives	2017 Total	2016 Total	Fundraising	Organizational Administration	2017 Total	2016 Total
Salaries and Related Expenses										
Professional salaries	$ 730	$ 148,782	$ 601,302	$ 739,984	$ 1,490,798	$ 1,694,031	$ 479,738	$ 300,946	$ 780,684	$ 833,937
Payroll taxes and benefits	44,166	37,916	154,605	162,519	399,206	444,325	113,309	111,510	224,819	239,746
Support salaries	165,951	38,968	140,619	122,775	468,313	498,225	83,247	146,698	229,945	254,163
Contracted staff salaries	-	5,437	20,377	13,445	39,259	208,018	36,469	-	36,469	147,328
Retirement plan expense	-	261	978	511	1,750	-	-	1,750	1,750	-
Pension expense	-	-	-	-	-	3,680	-	-	-	3,680
Temporary salaries	-	-	-	-	-	42,288	-	-	-	42,287
Allocated staff services	-	-	-	-	-	(35,282)	-	-	-	(35,282)
Total Salaries and Related Expenses	210,847	231,364	917,881	1,039,234	2,399,326	2,855,285	712,763	560,904	1,273,667	1,485,859
Other Expenses										
Advertisement	-	59,584	27,134	14,454	101,172	96,665	43,563	5,000	48,563	80,737
Audit and legal fees	-	6,155	23,068	12,062	41,285	43,680	987	40,297	41,284	42,588
CFC and other campaigns	-	-	-	-	-	-	319,930	-	319,930	387,376
Contracts and other consulting	-	24,027	82,620	42,748	149,395	-	52,603	89,302	141,905	-
Depreciation	-	7,520	28,185	14,738	50,443	69,891	-	50,443	50,443	69,890
Dues and subscriptions	-	3,567	18,269	15,199	37,035	41,600	12,346	11,580	23,926	13,652
Duplicating	340	10,993	33,230	21,303	65,866	14,495	52,614	5,211	57,825	13,752
Equipment maintenance	-	821	3,076	1,609	5,506	5,969	2,202	3,304	5,506	5,008
Equipment rental and leases	2,595	740	2,773	1,515	7,623	27,940	2,302	2,661	4,963	20,065
Events	-	3,850	14,429	7,545	25,824	-	25,721	103	25,824	-
Films and audio visual	-	12,495	15,716	8,218	36,429	34,941	28,128	-	28,128	26,361
In-kind services and allocated expenses	-	39,627	501	262	40,390	5,669	360	536	896	4,331
Insurance	9,731	3,609	13,791	10,100	37,231	13,971	4,272	19,129	23,401	13,971
Investment management fee	-	3,673	13,767	7,199	24,639	27,323	-	24,640	24,640	27,323
Local expenses	-	-	-	-	-	12,579	-	-	-	2,679
Minor equipment	-	5,401	3,377	2,100	10,878	28,833	5,302	742	6,044	24,765
Occupancy	32,374	-	-	-	32,374	45,982	446	(27,363)	(26,917)	11,862
Payroll and processing service fees	-	2,241	8,399	4,732	15,372	13,416	1,234	13,797	15,031	13,417
Postage	194	600	2,254	1,426	4,474	7,449	3,285	740	4,025	6,796
Printing and awards	98	1,741	6,525	4,175	12,539	52,675	9,167	2,511	11,678	50,645
Special allocations, grants, and other distributions	24,723	238,028	1,220,488	51,505	1,534,744	2,179,236	5,150	-	5,150	16,284
Staff development	-	1,768	11,263	7,409	20,440	34,402	9,433	2,424	11,857	17,777
Supplies, meetings, and miscellaneous	360	2,826	24,166	14,770	42,122	143,223	14,157	4,567	18,724	32,152
Telephone	9,686	3,612	14,184	8,507	35,989	28,707	13,740	10,146	23,886	19,043
Transportation	3,130	1,802	11,267	1,967	18,166	39,306	3,866	5,257	9,123	19,039
Total Other Expenses	83,231	434,680	1,578,482	253,543	2,349,936	2,967,952	610,808	265,027	875,835	919,513
Expenses before United Way dues	294,078	666,044	2,496,363	1,292,777	4,749,262	5,823,237	1,323,571	825,931	2,149,502	2,405,372
United Way Worldwide Dues	-	8,512	31,904	27,537	67,953	59,887	57,099	-	57,099	59,888
United Way of California Dues	-	978	3,667	3,668	8,313	7,730	6,564	-	6,564	7,730
Total Program Services/Support Services	$ 294,078	$ 675,534	$ 2,531,934	$ 1,323,982	$ 4,825,528	$ 5,890,854	$ 1,387,234	$ 825,931	$ 2,213,165	$ 2,472,990

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2017 (With Comparative Summarized Amounts for the Year Ended June 30, 2016)

	2017	2016
OPERATING ACTIVITIES		
Change in net assets	$ 492,991	$ (982,010)
Adjustments to reconcile change in net assets to net cash		
Provided (used) by operating activities:		
Depreciation	100,886	139,781
In-kind donation of equipment	(10,174)	-
Loss on disposal of equipment	181,836	-
Investment income, net of fees	(4,826)	(192,493)
Unrealized (gain) loss on investments	(629,601)	225,525
Provision for uncollectible pledges	276,531	314,997
(Increase) decrease in operating assets:		
Pledges receivable	542,255	(1,243,158)
Accounts receivable	66,945	35,901
Grants receivable	(14,222)	(266,644)
Prepaid expenses and other assets	54,023	(16,967)
(Decrease) increase in operating liabilities:		
Accounts payable and accrued expenses	105,023	(1,037,303)
Amounts due to others, designations, and allocations payable	(749,608)	567,434
Net cash provided (used) by operating activities	412,059	(2,454,937)
INVESTING ACTIVITIES		
Change in portion of endowment in cash	196,651	(186,363)
Distributions	683,311	2,875,060
Purchases of equipment	(80,516)	(84,994)
Net cash provided by investing activities	799,446	2,603,703
FINANCING ACTIVITIES		
Net payments on the line of credit	(58,905)	(30,312)
Net cash (used) provided by financing activities	(58,905)	(30,312)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,152,600	128,541
CASH AND CASH EQUIVALENTS		
Beginning of year	1,524,806	1,396,265
End of year	$ 2,677,406	$ 1,524,806
CASH AND CASH EQUIVALENTS CONSIST OF THE FOLLOWING:		
Cash and cash equivalents	$ 2,539,508	$ 1,369,622
Restricted cash	137,898	155,184
	$ 2,677,406	$ 1,524,806

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2017	2016
Cash payments for interest	$ 737	$ 316

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

General – For 97 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, career pathways and family stability, to provide support outside the classroom so children can be successful inside the classroom.

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:

- Participation in quality preschool programs
- Developmental readiness for kindergarten
- Social-emotional readiness for kindergarten
- Parenting skills
- Family engagement
- Family stability and self-sufficiency

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

- Reading proficiency by third grade
- Early grade attendance
- Family engagement
- Family stability and self-sufficiency

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

- High school graduation rates
- Number of students graduating with A-G requirements
- Number of work-based learning opportunities for students
- Number of corporate partners engaged in youth career development

Family Stability: We measure family stability across four metrics:

- Percentage of families demonstrating increased stability and self-sufficiency
- Use of free tax preparation services and claims of the Earned Income Tax Credit
- Families' knowledge and ability to access resources and services in their community
- System level alignment between providers and across sectors

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

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, 2017 and 2016, $3,221,129 and $3,637,679, respectively, was raised for this campaign and is included in campaign results. United Way and the Local Federal Coordinating Committee have entered into a new agreement to have United Way serve as PCFO for the campaign period February 1, 2016 through the February 28, 2018; however, new regulations governing the campaign are scheduled to go into effect on March 1, 2017. At that time, United Way's tenure as PCFO will end unless there are unforeseen delays in the implementation of the new regulations.

Supporting functions

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

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

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

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

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

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

Fair Value Measurements

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

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

Fair Value Measurements, continued

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, 2017 and 2016, 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 $87,940 and $26,163 are reflected in the statement of activities for the years ended June 30, 2017 and 2016, respectively.

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

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

Receivables – Pledges receivable consist of unconditional promises to give.

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

An allowance for estimated uncollectible receivables is based on past experience and an analysis of current receivable balances of undesignated receivables. Receivables deemed uncollectible are recorded against the allowance in the year deemed uncollectible.

No estimated allowance for uncollectible receivables for designated receivables or corresponding reduction in designated expense has been recorded. At June 30, 2017 and 2016, the allowance for uncollectible pledges receivable was $276,590 and $325,084, respectively. At June 30, 2017 and 2016, no allowance for uncollectible accounts and grants receivable was established as United Way believes all amounts are collectible.

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

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

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

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

Land, Building, and Equipment – Land, building, and equipment which exceed $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.

Funds Distribution Plan – The Funds Distribution Plan represents amounts approved by the Board of Directors based on results of the current year campaign, to be spent in the following year. As provided in the contractual agreements with CFC agencies, distributions to CFC agencies are paid quarterly based upon the previous 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.

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

	2017			
	Level 1	Level 2	Level 3	Total Fair Value
Short-term investments:				
Large Cap Equities	$ 2,019,942	$ -	$ -	$ 2,019,942
Small/Mid Cap Equities	664,297	-	-	664,297
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	-	-	1,013,411	1,013,411
	$ 5,582,383	$ -	$ 1,013,411	$ 6,595,794

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

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

	2017	2016
Dividends and interest	$ 141,143	$ 160,506
Realized gains (losses)	(86,300)	86,678
	$ 54,843	$ 247,184

Note 3 – Investments (Continued)

The approximate allocation of the pooled funds held by San Diego Foundation for the years ended June 30:

	2017	2016
Domestic equities	24%	26%
International equities	23%	22%
Alternative	20%	16%
Domestic Fixed Income	10%	10%
Real Estate	7%	8%
International Fixed Income	7%	7%
Global Equity	5%	6%
Commodities	4%	4%
Cash	0%	1%
	100%	100%

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

	2017	2016
Investments:		
Beginning balance	$ 947,917	$ 1,010,287
Net realized and unrealized gains (losses)	109,212	(18,832)
Appropriation for endowment assets for expenditure	(43,718)	(43,538)
Ending balance	$ 1,013,411	$ 947,917

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:

	2017	2016
Due in less than one year		
United Way	$ 2,669,414	$ 3,410,243
Combined Federal Campaign	2,736,944	2,863,395
	5,406,358	6,273,638
Less Allowances for uncollectible pledges		
United Way	(276,590)	(325,084)
	$ 5,129,768	$ 5,948,554

Note 5 – Land, Building, and Equipment

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

	2017	2016
Building and Improvements	$ 2,515,714	$ 2,641,033
Land	718,121	718,121
Furniture and equipment	-	358,890
Computer equipment	197,855	546,260
	3,431,690	4,264,304
Less accumulated depreciation	(2,303,942)	(2,944,524)
	$ 1,127,748	$ 1,319,780

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

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

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

Note 7 – Leases

Certain non-cancelable leases for equipment are accounted for as operating leases. Rental expense for operating leases (except those with lease terms of a month or less that were not renewed) was $22,402 and $28,187 for the years ended June 30, 2017 and 2016, 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, 2017 are as follows:

Years ending June 30,	
2018	$ 22,402
2019	8,823
2020	1,344
2021	1,120
2022	-
	$ 33,689

Note 8 – Line of Credit

Line of Credit – United Way has two unsecured financing agreements with a commercial bank that expire April 15, 2018, and permit borrowings up to $500,000 each at a variable rate of interest of prime plus 0 percent with a floor of 3 percent collateralized by substantially all assets. United Way has designated one of the financing agreements for CFC, for which United Way acts as a fiscal agent. Each year, United Way must maintain a zero balance for a period of not less than 30 consecutive days on the $500,000 not designated for CFC. United Way maintained a zero balance for 365 days during the fiscal year on the $500,000 portion not designated for CFC. At June 30, 2017 and 2016, the balance was $0 and $58,905, respectively, which was entirely related to CFC.

Note 9 – Net Assets

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

	2017	2016
Designated for Endowment	$ 6,728,050	$ 6,401,994
Undesignated	2,075,553	1,700,296
Land, Building, and Equipment	1,127,748	1,319,780
Designated for program support	214,890	231,320
	$ 10,146,241	$ 9,653,390

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

	2017	2016
Grants receivable	$ 491,076	$ 478,893
Emergency loan fund	100,000	100,000
Emergency Assistance Program	46,208	58,251
	$ 637,284	$ 637,144

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.

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:

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

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

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

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

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment/Beneficial Interset Net Assets, beginning of year	$ 6,401,994	$ -	$ 46,664	$ 6,448,658
Investment return:				
Investment income	140,406	-	-	140,406
Net realized and unrealized gain	543,304	-	-	543,304
Total Investment Return	683,710	-	-	683,710
Distributions	(308,375)	-	-	(308,375)
Appropriation of endowment assets for expenditure	(49,279)	-	-	(49,279)
Endowment/Beneficial Interest Net Asset, end of year	$ 6,728,050	$ -	$ 46,664	$ 6,774,714

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

Note 11 – 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 $99,105 and $107,687 to the plan for the years ended June 30, 2017 and 2016, respectively. As of January 1, 2017, United Way moved to a Safe Harbor plan that was approved by the Board of Directors. For each payroll period, United Way makes a qualified matching contribution of 100% of salary deferral contributions up to 3% of pay. Additionally, United Way makes a contribution of 50% of salary deferral contributions from 3% to 5% of pay.

Note 12 – Related-party Transactions

During the years ended June 30, 2017 and 2016, United Way had business transactions totaling $1,223,332 and $1,177,701, 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 $0 and $374,939 of United Way's investment portfolio as of June 30, 2017 and 2016, respectively.

Note 13 – June 30, 2016 Financial Information

The June 30, 2016 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, 2016, from which the summarized information was derived.

Note 14 - Reclassifications

Certain reclassifications have been made to the 2016 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 15 – Subsequent Events

Management has evaluated subsequent events through October 25, 2017, 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.