

**UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)**

FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of Monterey County
(A Nonprofit Corporation)
Monterey, California

We have audited the accompanying financial statements of United Way of Monterey County (United Way), a nonprofit corporation, which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 auditors' 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 as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Bianchi, Kasavan & Pope LLP

Salinas, California
October 8, 2014

FINANCIAL STATEMENTS

**UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)**

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2014

ASSETS				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 938,378	\$ 230,865	\$ -	\$ 1,169,243
Pledges receivable, net of allowance for uncollectible accounts of \$202,362 - Note 2	736,508	(5,081)	-	731,427
Other receivables - Note 3	71,847	50,000	-	121,847
Prepaid expenses	34,346	-	-	34,346
TOTAL CURRENT ASSETS	1,781,079	275,784	-	2,056,863
INVESTMENTS HELD AT COMMUNITY FOUNDATION - Note 4	237,794	-	33,175	270,969
PROPERTY AND EQUIPMENT - net - Note 5	6,780	-	-	6,780
OTHER ASSETS	4,709	-	-	4,709
ENDOWMENT ASSET - Note 8	-	-	166,558	166,558
	\$ 2,030,362	\$ 275,784	\$ 199,733	\$ 2,505,879
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 118,566	\$ -	\$ -	\$ 118,566
Accrued expenses	50,726	-	-	50,726
Designated pledges payable - Note 6	296,446	-	-	296,446
TOTAL CURRENT LIABILITIES	465,738	-	-	465,738
NET ASSETS				
Unrestricted and undesignated	1,564,624	-	-	1,564,624
Temporarily restricted - Note 7	-	275,784	-	275,784
Permanently restricted - Note 8	-	-	199,733	199,733
TOTAL NET ASSETS	1,564,624	275,784	199,733	2,040,141
	\$ 2,030,362	\$ 275,784	\$ 199,733	\$ 2,505,879

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)**

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2013

ASSETS				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,012,199	\$ 146,158	\$ -	\$ 1,158,357
Pledges receivable, net of allowance for uncollectible accounts of \$295,000 - Note 2	808,360	2,731	-	811,091
Other receivables - Note 3	80,173	-	-	80,173
Prepaid expenses	32,437	-	-	32,437
TOTAL CURRENT ASSETS	1,933,169	148,889	-	2,082,058
INVESTMENTS HELD AT COMMUNITY FOUNDATION - Note 4	206,100	-	33,175	239,275
PROPERTY AND EQUIPMENT - net - Note 5	22,692	-	-	22,692
OTHER ASSETS	4,709	-	-	4,709
ENDOWMENT ASSET - Note 8	-	-	166,558	166,558
	\$ 2,166,670	\$ 148,889	\$ 199,733	\$ 2,515,292
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts payable	\$ 87,597	\$ -	\$ -	\$ 87,597
Accrued expenses	53,958	-	-	53,958
Designated pledges payable - Note 6	387,758	-	-	387,758
TOTAL CURRENT LIABILITIES	529,313	-	-	529,313
NET ASSETS				
Unrestricted and undesignated	1,637,357	-	-	1,637,357
Temporarily restricted - Note 7	-	148,889	-	148,889
Permanently restricted - Note 8	-	-	199,733	199,733
TOTAL NET ASSETS	1,637,357	148,889	199,733	1,985,979
	\$ 2,166,670	\$ 148,889	\$ 199,733	\$ 2,515,292

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Campaign Support:				
Pledges, current campaign year	\$ 2,467,430	\$ -	\$ -	\$ 2,467,430
Donor designations to other organizations	(667,641)	-	-	(667,641)
Net Current Pledges	1,799,789	-	-	1,799,789
Pledges, next campaign year	-	3,923	-	3,923
Provision for uncollectible pledges	(56,552)	-	-	(56,552)
Net Campaign Support	1,743,237	3,923	-	1,747,160
Grants	277,684	265,316	-	543,000
Other support - Note 11	1,232,346	-	-	1,232,346
Interest and dividends	8,169	3	-	8,172
Gain on investments	32,341	-	-	32,341
Administrative fees	275,191	-	-	275,191
Miscellaneous income	6,607	-	-	6,607
Net assets released from restrictions - Note 7	142,347	(142,347)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	3,717,922	126,895	-	3,844,817
EXPENSES				
Program Services:				
Allocations and designations - Note 9	1,517,641	-	-	1,517,641
Amounts designated by donors	(667,641)	-	-	(667,641)
Allocations and Grants	850,000	-	-	850,000
Community services	1,966,310	-	-	1,966,310
Total Program Services	2,816,310	-	-	2,816,310
Support Services:				
Management and general	342,670	-	-	342,670
Fundraising	604,729	-	-	604,729
Total Support Services	947,399	-	-	947,399
TOTAL PROGRAM AND SUPPORT SERVICES	3,763,709	-	-	3,763,709
Unallocated payments to affiliated organizations-				
United Way Worldwide	26,946	-	-	26,946
TOTAL EXPENSES	3,790,655	-	-	3,790,655
CHANGES IN NET ASSETS	(72,733)	126,895	-	54,162
NET ASSETS, BEGINNING OF YEAR	1,637,357	148,889	199,733	1,985,979
NET ASSETS, END OF YEAR	\$ 1,564,624	\$ 275,784	\$ 199,733	\$ 2,040,141

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE				
Campaign Support:				
Pledges, current campaign year	\$ 2,880,597	\$ -	\$ -	\$ 2,880,597
Donor designations to other organizations	(824,378)	-	-	(824,378)
Net Current Pledges	2,056,219	-	-	2,056,219
Pledges, prior campaign year	299	-	-	299
Pledges, next campaign year	-	10,949	-	10,949
Provision for uncollectible pledges	(196,710)	-	-	(196,710)
Net Campaign Support	1,859,808	10,949	-	1,870,757
Grants	426,970	126,030	-	553,000
Other support - Note 11	1,237,335	-	-	1,237,335
Interest and dividends	10,007	6	-	10,013
Gain on investments	14,768	-	-	14,768
Administrative fees	255,247	-	-	255,247
Miscellaneous income	5,125	-	-	5,125
Net assets released from restrictions - Note 7	23,270	(23,270)	-	-
TOTAL PUBLIC SUPPORT AND REVENUE	3,832,530	113,715	-	3,946,245
EXPENSES				
Program Services:				
Allocations and designations - Note 9	1,824,378	-	-	1,824,378
Amounts designated by donors	(824,378)	-	-	(824,378)
Allocations and Grants	1,000,000	-	-	1,000,000
Community services	1,956,416	-	-	1,956,416
Total Program Services	2,956,416	-	-	2,956,416
Support Services:				
Management and general	315,566	-	-	315,566
Fundraising	683,160	-	-	683,160
Total Support Services	998,726	-	-	998,726
TOTAL PROGRAM AND SUPPORT SERVICES	3,955,142	-	-	3,955,142
Unallocated payments to affiliated organizations-				
United Way Worldwide	28,956	-	-	28,956
TOTAL EXPENSES	3,984,098	-	-	3,984,098
CHANGES IN NET ASSETS	(151,568)	113,715	-	(37,853)
NET ASSETS, BEGINNING OF YEAR	1,788,925	35,174	199,733	2,023,832
NET ASSETS, END OF YEAR	\$ 1,637,357	\$ 148,889	\$ 199,733	\$ 1,985,979

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2014

	PROGRAM SERVICES			SUPPORT SERVICES				TOTAL EXPENSES
	Allocations and Grants	Community Services	Program Services	Management and General	Fundraising	Support Services	Total	
Allocations and designations - Note 9	\$ 1,517,641	\$ -	\$ 1,517,641	\$ -	\$ -	\$ -	\$ -	\$ 1,517,641
Amounts designated by donors	(667,641)	-	(667,641)	-	-	-	-	(667,641)
NET ALLOCATIONS	850,000	-	850,000	-	-	-	-	850,000
Advertising and in-kind media donations	-	799,131	799,131	400	267,096	267,496	267,496	1,066,627
Salaries and wages	-	530,497	530,497	209,433	172,467	381,900	381,900	912,397
Payroll taxes and benefits	-	150,131	150,131	59,195	48,811	108,006	108,006	258,137
Professional and other fees	-	244,102	244,102	13,719	26,467	40,186	40,186	284,288
Occupancy expense	-	48,064	48,064	21,998	22,022	44,020	44,020	92,084
Office expenses	-	38,039	38,039	12,487	14,031	26,518	26,518	64,557
Conferences, travel and training	-	34,994	34,994	3,983	11,566	15,549	15,549	50,543
Program and campaign materials, services and supplies	-	58,017	58,017	1,540	9,763	11,303	11,303	69,320
Special events	-	4,383	4,383	480	13,104	13,584	13,584	17,967
Insurance	-	44,034	44,034	15,943	15,943	31,886	31,886	75,920
Depreciation	-	9,229	9,229	3,342	3,342	6,684	6,684	15,913
Miscellaneous expense	-	5,689	5,689	150	117	267	267	5,956
TOTAL ALLOCATIONS AND EXPENSES	\$ 850,000	\$ 1,966,310	\$ 2,816,310	\$ 342,670	\$ 604,729	\$ 947,399	\$ 947,399	\$ 3,763,709

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2013

	PROGRAM SERVICES			SUPPORT SERVICES				TOTAL EXPENSES
	Allocations and Grants	Community Services	Program Services	Management and General	Fundraising	Support Services	Total	
Allocations and designations - Note 9	\$ 1,824,378	\$ -	\$ 1,824,378	\$ -	\$ -	\$ -	\$ -	\$ 1,824,378
Amounts designated by donors	(824,378)	-	(824,378)	-	-	-	-	(824,378)
NET ALLOCATIONS	1,000,000	-	1,000,000	-	-	-	-	1,000,000
Advertising and in-kind media donations	-	863,556	863,556	1,103	290,951	292,054	292,054	1,155,610
Salaries and wages	-	502,357	502,357	198,452	199,599	398,051	398,051	900,408
Payroll taxes and benefits	-	135,253	135,253	53,365	53,726	107,091	107,091	242,344
Professional and other fees	-	247,384	247,384	12,008	28,713	40,721	40,721	288,105
Occupancy expense	-	46,416	46,416	22,927	24,410	47,337	47,337	93,753
Office expenses	-	36,224	36,224	10,481	19,447	29,928	29,928	66,152
Conferences, travel and training	-	32,674	32,674	3,800	18,681	22,481	22,481	55,155
Program and campaign materials, services and supplies	-	55,250	55,250	1,538	21,721	23,259	23,259	78,509
Special events	-	2,693	2,693	391	14,427	14,818	14,818	17,511
Insurance	-	19,548	19,548	7,680	7,680	15,360	15,360	34,908
Depreciation	-	9,584	9,584	3,766	3,765	7,531	7,531	17,115
Miscellaneous expense	-	5,477	5,477	55	40	95	95	5,572
TOTAL ALLOCATIONS AND EXPENSES	\$ 1,000,000	\$ 1,956,416	\$ 2,956,416	\$ 315,566	\$ 683,160	\$ 998,726	\$ 998,726	\$ 3,955,142

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2014 AND 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 54,162	\$ (37,853)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	15,913	17,115
Change in value of beneficial interest in community foundation	(35,537)	(18,837)
Changes in assets and liabilities:		
Pledges receivable - net	79,664	261,225
Other receivables	(41,674)	(69,484)
Prepaid expenses	(1,909)	(2,071)
Draw on beneficial interest in community foundation	3,842	3,799
Accounts payable	30,969	41,082
Accrued expenses	(3,232)	(15,185)
Designated pledges payable	(91,312)	(127,497)
Net cash provided by operating activities	10,886	52,294
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	-	(3,507)
Net cash used in investing activities	-	(3,507)
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,886	48,787
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,158,357	1,109,570
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,169,243	\$ 1,158,357

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United Way of Monterey County (United Way) is an independent, locally managed nonprofit organization incorporated under the laws of the State of California. As a voluntary health and welfare organization, United Way develops and allocates resources, conducts an assessment of health and human care needs of Monterey County and allocates funds to agencies to meet those needs and facilitates the distribution of donor directed contributions. United Way also brings experts together to develop collaborative approaches in addressing human care issues.

United Way serves as the principal combined fundraising organization (PCFO) for the Monterey Bay Combined Federal Campaign. The Combined Federal Campaign (CFC) is a campaign in which federal employees within Monterey County can make donations to numerous non-profit organizations throughout the world (designations). For the years ended June 30, 2014 and 2013, \$445,824 and \$596,219, respectively, was raised for this campaign and is included in current campaign year pledges. As of June 30, 2014 and 2013, \$372,374 and \$499,385, respectively, of donor designated pledge receipts were proportionately distributed to each member agency.

Basis of Accounting

The financial statements of United Way have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

United Way is required to report information regarding its financial position and activities according to classes of net assets in the following three categories:

- Unrestricted net assets have no donor-imposed restrictions. This category includes those revenues and expenses associated with the annual fundraising campaign and the corresponding programs and supporting services. Net assets that have been designated by the Board of Directors are included in unrestricted net assets.

UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Basis of Presentation (Continued)

- Temporarily restricted net assets are the portion of net assets for which use by United Way is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of United Way.
- Permanently restricted net assets are the portion of net assets for which use by United Way is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by action of United Way. Generally, the donors of such assets permit United Way to use all or part of the income earned on the assets.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

The allowance for uncollectible pledges is a significant estimate. The determination of the balance in this account is an estimate based on United Way's historical experience, review of significant account balances and expectations relative to current economic conditions. Uncollected pledges in excess of the allowance are written off in the following fiscal year.

Cash and Cash Equivalents

For purposes of the statement of cash flows, United Way considers all cash accounts and all highly liquid investments to be cash equivalents. Highly liquid investments include Certificates of Deposit with maturities ranging from three to twelve months and penalties for early withdrawal. Penalties for early withdrawal would have no material effect on the financial statements.

UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment are stated at cost or fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Years</u>
Software	3
Computer equipment	5
Furniture and other equipment	7

Maintenance and repairs that do not improve or extend the useful lives of respective assets are charged against income; major renewals and betterments of \$1,000 are capitalized and depreciated.

Recognition of Pledges from Fundraising Campaign, Designations and Allocations

United Way conducts fundraising campaigns in Monterey County for program support and for participating health and human care agencies. For the year ended June 30, 2013, the campaign year ran from April 1, 2012 to May 31, 2013. For the year ended June 30, 2014, the campaign year ran from June 1, 2013 to May 31, 2014. Public support, including unconditional promises to give, is recorded at the fair value of the pledge in the year it is received or pledged.

Contributions designated by the donor to nonprofit organizations other than United Way are included in current year campaign pledges. United Way serves as the primary fiscal agent with the solicitation and distribution of such pledges. Donor designations and the provision for uncollectible pledges are deducted from the total campaign results to arrive at net campaign support.

Allocations to participating agencies are approved by the Board of Directors each year for the succeeding twelve-month fiscal year provided that the agencies are compliant with the agency agreement.

UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Expiration of Donor-Imposed Restrictions

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Other Support

United Way receives other public support outside the conduct of the annual fundraising campaigns. Certain ceremonial, celebratory and special recognition events at United Way are underwritten by sponsorship or the costs are offset by contributions for the specific event. Generally, the donating companies agree their contributions may also be used for other costs related to the operation of the United Way.

Volunteer Services

A substantial number of volunteers donate significant amounts of time to United Way's fundraising campaign, allocation functions and administrative oversight. Such services are not reflected in the financial statements, since they do not create or enhance non-financial assets or require specialized skills that would typically be purchased.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services based on an analysis of personnel time.

**UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax-Exempt Status

United Way has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board under Code Sections 501(c)(3) and 23701(d), respectively. Certain types of income are considered unrelated business taxable income which is taxed at regular corporate income tax rates. United Way had no unrelated business taxable income during the years ended June 30, 2014 and 2013.

Management evaluated United Way's tax positions and concluded they took no uncertain tax positions requiring adjustment to the financial statements to comply with the provisions issued by the Financial Accounting Standards Board.

Fair Value of Financial Instruments

United Way's financial instruments, including cash and cash equivalents, accounts receivable and accounts payable are carried at cost, which approximates their fair value because of the short-term maturity of these instruments.

United Way applies fair value measurements of financial assets and liabilities that are recorded in accordance with generally accepted accounting principles. That framework establishes 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 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that United Way has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments (Continued)

- Level 3 inputs are unobservable inputs for the asset or liability.

Fair value measurements on a nonrecurring basis at June 30, 2014 are as follows:

	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 1,169,243		
Beneficial interest in			
Community Foundation		\$ 270,969	
In-kind media donations		\$ 1,059,986	
Pledges receivable			\$ 731,427

Fair value measurements on a nonrecurring basis at June 30, 2013 are as follows:

	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 1,158,357		
Beneficial interest in			
Community Foundation		\$ 239,275	
In-kind media donations		\$ 1,146,168	
Pledges receivable			\$ 811,091

Advertising

Advertising costs are expensed as incurred.

Concentrations

Pledges receivable are unsecured and are due from various individuals and corporations primarily located in Monterey County, California. The top five contributions approximate 38% and 35% for the years ended June 30, 2014 and 2013, respectively, of total campaign support.

UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Concentrations (Continued)

United Way has deposits with financial institutions that at times reflect a total balance greater than the Federal Deposit Insurance Corporation's maximum insurable at each institution at June 30, 2014 and 2013. As of June 30, 2014 and 2013, United Way's uninsured cash balance totaled \$645,666 and \$655,466, respectively. United Way believes there is no significant risk with respect to these deposits.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified to conform with the presentation in the current-year financial statements.

Subsequent Events

Subsequent events were evaluated through October 8, 2014, the date the financial statements were available to be issued.

2. **PLEDGES RECEIVABLE**

Pledges receivable for the year ended consists of:

	<u>2014</u>	<u>2013</u>
Total pledges receivable, due within one year	\$ 933,789	\$ 1,106,091
Allowance for uncollectible accounts	<u>(202,362)</u>	<u>(295,000)</u>
Net pledges receivable	<u>\$ 731,427</u>	<u>\$ 811,091</u>

The provision for uncollectible pledges is made on campaign contributions (total amount raised) and is based primarily on recent historical experience as well as other factors anticipated by management to affect collections.

**UNITED WAY OF MONTEREY COUNTY
(A Nonprofit Corporation)**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

2. PLEDGES RECEIVABLE (Continued)

Pledges receivable arising from the campaign years ended May 31, of each of the respective years presented in this financial statement are recognized as support increasing temporarily restricted net assets. These pledges are generally expected to be collected within the next fiscal year. The restrictions placed on this support will expire in the next fiscal year. As of June 30, 2014, such pledges receivable amounted to (\$4,081) less an allowance for doubtful accounts of \$1,000. As of June 30, 2013, such pledges receivable amounted to \$3,731 less an allowance for doubtful accounts of \$1,000.

3. OTHER RECEIVABLES

Other receivables include County grants and miscellaneous receivables. County grants receivable arise from grant contracts entered into with the County of Monterey. Grant income is billed to the County in relation to services performed by United Way.

Other receivables consisted of the following as of June 30:

	<u>2014</u>	<u>2013</u>
County grants receivable	\$ 19,264	\$ 43,996
Community Foundation receivable	50,000	-
Miscellaneous receivables	<u>52,583</u>	<u>36,177</u>
	<u>\$ 121,847</u>	<u>\$ 80,173</u>

Due to the collection history and United Way's experience with various County grants and miscellaneous receivables, no allowance for doubtful accounts was considered necessary for other receivables as management believes all amounts receivable are fully collectible. Other receivables consisting of \$121,847 are expected to be collected as follows: \$96,847 in the year ending June 30, 2015 and \$25,000 in the year ending June 30, 2016.

4. INVESTMENTS HELD AT COMMUNITY FOUNDATION

The Community Foundation for Monterey County (Foundation) holds funds for United Way in the amount of \$270,969 and \$239,275 at June 30, 2014 and 2013, respectively. Of those funds, \$33,175 and \$33,175, respectively, is permanently restricted as endowment funds. The remaining balance represents reinvested earnings and investment appreciation.

**UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

4. INVESTMENTS HELD AT THE COMMUNITY FOUNDATION (Continued)

Funds are composed of the following as of June 30:

	<u>2014</u>	<u>2013</u>
General Endowment	\$ 88,288	\$ 80,292
Stewardship Fund	<u>182,681</u>	<u>158,983</u>
	<u>\$ 270,969</u>	<u>\$ 239,275</u>

General Endowment

In 1987, United Way established a "Restricted and Organized Purpose Fund" (Agreement) at the Foundation with an initial contribution of \$33,175. All contributions made to the fund are irrevocable. Under the terms of the Agreement, the Foundation may substitute another beneficiary in place of United Way at the discretion of the Foundation's Board of Directors. Earnings net of administrative fees are distributed to United Way on an annual basis and in accordance with the Foundation's policy on the distribution of earnings.

Stewardship Fund

In 2012, the Organization established a Stewardship Fund with the Foundation, for the benefit of United Way. United Way granted variance power to the Foundation, thus the Foundation has full authority and discretion as to the investment and reinvestment of the assets.

In the event of the dissolution of United Way or in the event it shall no longer be an organization described in Section 170 (c) of the Internal Revenue Code of 1954, as amended, Foundation shall continue to hold the funds and shall distribute the income to organizations as in the opinion of Foundation most nearly serve the purposes and objectives of United Way. All monies held in the funds are subject to the power of Foundation to modify any restrictions or conditions on the distribution of monies for any specified charitable purposes or to specified organizations, if in their sole judgment such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

4. INVESTMENTS HELD AT THE COMMUNITY FOUNDATION (Continued)

The earnings payout of the funds is evaluated at least annually by Foundation, in light of total return from investments, fees, expenses, and the effects of inflation, and for the General Endowment, the annual payout is typically 5% of the fair market value of the fund at December 31 of the preceding calendar year. For the years ended June 30, 2014 and 2013, there were no earnings payouts from the Stewardship Fund.

5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	2014	2013
Computer equipment	\$ 32,626	\$ 32,626
Furniture and general equipment	88,592	88,592
Software	15,904	15,904
	137,122	137,122
Less accumulated depreciation	(130,342)	(114,430)
	\$ 6,780	\$ 22,692

6. DESIGNATED PLEDGES PAYABLE

Designated pledges payable consisted of the following as of June 30:

	2014	2013
From the Combined Federal Campaign:		
Gross designations payable	\$ 278,728	\$ 387,412
Allowance for unpayable designations	(11,362)	(35,000)
Net designations payable	267,366	352,412
From other designated gifts received –		
Gross designations payable	29,080	35,346
Net designations payable	29,080	35,346
	\$ 296,446	\$ 387,758

**UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes as of June 30:

	2014	2013
211	\$ 50,000	\$ -
Community Assessment	119,863	126,030
Community Impact	95,453	-
Disaster fund	6,545	11,910
Pledges for next campaign year	3,923	10,949
	\$ 275,784	\$ 148,889

Net assets were released from donor restrictions by incurring expenses to satisfy the restricted purposes or by occurrences of other events specified by donors.

Temporarily restricted net assets were released as of June 30:

	2014	2013
Grants	\$ 126,030	\$ -
Pledges for next campaign year	10,949	23,270
Disaster fund	5,368	-
	\$ 142,347	\$ 23,270

8. PERMANENTLY RESTRICTED NET ASSETS – ENDOWMENT

Permanently restricted net assets are composed of various donor restricted contributions to United Way's endowment fund. Under the terms of these contributions, the original donation must be kept in perpetuity and, depending on the donors' wishes, the earnings are available for unrestricted uses. The total of these permanently restricted contributions was \$199,733 and \$199,733 at June 30, 2014 and 2013, respectively.

United Way's endowment consists of two individual funds, one established to support general operations and the second to support and provide community resources. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

8. PERMANENTLY RESTRICTED NET ASSETS – ENDOWMENT (Continued)

In 1987, United Way established a “Restricted and Organized Purpose Fund” (Agreement) at the Community Foundation for Monterey County (Foundation) with an initial contribution of \$33,175 from the unrestricted net assets of United Way. All contributions made to the fund are irrevocable. Under the terms of the Agreement, the Foundation may substitute another beneficiary in place of United Way at the discretion of the Foundation’s Board of Directors. Earnings net of administrative fees are distributed to United Way on an annual basis and in accordance with the Foundation’s policy on the distribution of earnings.

Additionally, in 1990, the General Endowment Fund was established at Morgan Stanley Dean Witter with an initial contribution of \$166,558. Since that time, these endowment funds have been transferred to other financial institutions.

Interpretation of Relevant Law

The Board of Directors of United Way has interpreted the California Prudent Management of Institutional Funds Act (CPMIFA) 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 (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) 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 net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by CPMIFA. In accordance with CPMIFA, 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 the organization 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

**UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

8. PERMANENTLY RESTRICTED NET ASSETS – ENDOWMENT (Continued)

Interpretation of Relevant Law (Continued)

- (6) Other resources of the organization
- (7) The investment policies of United Way

Spending Policy

Each year, the entire earnings of each fund shall be distributed according to written criteria and no earnings are provided to increase principal. The Board of Directors periodically reviews this policy for changes. The total amount appropriated from the Funds for fiscal year ending June 30, 2014 and 2013 was \$-0- and \$-0-, respectively.

The composition of endowment net assets for this fund and the changes in endowment net assets as of June 30, 2014 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2012	\$ 44,387	\$ -	\$ 199,733	\$ 244,120
Contributions	-	-	-	-
Investment gains/losses – net	5,119	-	-	5,119
Investment income	3,071	-	-	3,071
Expenditures	(1,661)	-	-	(1,661)
Draw on beneficial interest at Community Foundation	(3,799)	-	-	(3,799)
Endowment net assets, June 30, 2013	\$ 47,117	\$ -	\$ 199,733	\$ 246,850
Contributions	-	-	-	-
Investment gains/losses – net	10,793	-	-	10,793
Investment income	2,421	-	-	2,421
Expenditures	(1,376)	-	-	(1,376)
Draw on beneficial interest at Community Foundation	(3,842)	-	-	(3,842)
Endowment net assets, June 30, 2014	\$ 55,113	\$ -	\$ 199,733	\$ 254,846

**UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

9. ALLOCATIONS AND DESIGNATIONS

United Way's various fundraising campaigns and activities resulted in the following distributions to United Way member agencies and other benefiting organizations:

	2014	2013
Allocations determined by the Board of Directors to member agencies	\$ 850,000	\$ 1,000,000
Designations directed by donor	667,641	824,378
Gross allocations and designations	\$ 1,517,641	\$ 1,824,378

10. PENSION PLANS

United Way maintains a Simplified Employee Pension (SEP) Plan for eligible staff members. Employees are eligible to participate in the plan on January 1st of their second calendar year of employment. United Way has adopted a non-binding contribution range of 6-10% of employee earnings. The exact contribution percentage each year shall be the same for all covered employees.

For 2014 and 2013, the United Way Board has determined a retirement contribution of 8% and 8% of earnings for covered employees at June 30, 2014 and 2013, respectively. Plan expenses incurred by United Way during 2014 and 2013 were \$ -0- and \$ -0-, respectively.

During the year ended June 30, 2014 and 2013, United Way contributed \$66,173 and \$65,294, respectively, to the plan.

11. OTHER SUPPORT AND JOINT ACTIVITIES

Other support consists of the following as of June 30:

	2014	2013
In-kind media donations	\$ 1,059,986	\$1,146,168
Non-campaign bequests and gifts	71,967	-
Sponsorship revenue	60,478	47,200
Other in-kind donations	35,840	32,622
Other event revenue	4,075	11,345
	\$ 1,232,346	\$1,237,335

**UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

11. OTHER SUPPORT AND JOINT ACTIVITIES (Continued)

The in-kind media donations constitute a joint activity and the costs related to this activity were allocated as follows as of June 30:

	2014	2013
Community services	\$ 794,989	\$ 859,626
Fundraising	264,997	286,542
	\$ 1,059,986	\$ 1,146,168

12. GRANTS FROM COUNTY OF MONTEREY

United Way receives grants from the County of Monterey. For the specific grants listed below, certain procedures were applied to the expenses reported under these grants.

Grant Award	Term of Grant	2014	2013
County of Monterey DSES, CalWorks	July 1, 2013 – June 30, 2014	\$ 116,373	
	July 1, 2012 – June 30, 2013		\$ 111,152
County of Monterey DSES, 211 Referral	July 1, 2013 – June 30, 2016	\$ 30,000	
	July 1, 2010 – June 30, 2013		\$ 30,000

13. OPERATING LEASES

Effective May 1, 2010, United Way entered into an agreement to lease an office facility in Monterey. The term of the lease is for five years ending April 30, 2015, with the option to renew the lease for one additional period of five years. The lease requires monthly payments of \$4,709, and does not provide for an annual increase in the base rent.

**UNITED WAY OF MONTEREY COUNTY
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NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2014 AND 2013

13. OPERATING LEASES (Continued)

On November 4, 2009, United Way entered into an agreement to lease an additional office in Salinas. The term of the lease is for three years, commencing on December 1, 2009, and ending on November 30, 2012. An option to renew was exercised for an additional period of three years, ending November 30, 2015. The lease requires United Way to pay a proration of maintenance charges. The lease requires monthly payments of \$2,031 and provides for an annual increase in the base rent.

Total rent expense incurred under all operating leases described for the year ended June 30, 2014 and 2013 totaled \$80,058 and \$81,496, respectively.

The future minimum rental payments required under these leases as of June 30, 2014 are as follows:

<u>Fiscal Year</u> <u>Ended June 30,</u>	
2015	\$ <u>57,243</u>