

**UNITED WAY OF MONTEREY COUNTY**

Financial Report

June 30, 2016

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
United Way of Monterey County  
Monterey, California

We have audited the accompanying financial statements of United Way of Monterey County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, 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 Monterey County as of June 30, 2016, 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**

The financial statements of United Way of Monterey County, as of and for the year ended June 30, 2015, were audited by other auditors, whose report, dated October 12, 2015, expressed an unmodified opinion on those statements.

*Hutchinson and Bloodgood LLP*

October 27, 2016

# UNITED WAY OF MONTEREY COUNTY

## STATEMENT OF FINANCIAL POSITION

June 30, 2016

With Comparative Totals For June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 2,139,056	\$ --	\$ --	<b>\$ 2,139,056</b>	\$ 1,357,966
Pledges receivable, less allowance of \$216,000 in 2016 and \$229,000 in 2015	587,888	--	--	<b>587,888</b>	697,689
Other receivables	56,674	--	--	<b>56,674</b>	83,580
Prepaid expenses	37,242	--	--	<b>37,242</b>	37,189
	2,820,860	--	--	<b>2,820,860</b>	2,176,424
<b>PROPERTY AND EQUIPMENT, at cost</b>					
Furniture and equipment	144,479	--	--	<b>144,479</b>	137,122
Less accumulated depreciation	136,644	--	--	<b>136,644</b>	135,252
	7,835	--	--	<b>7,835</b>	1,870
<b>OTHER ASSETS</b>					
Beneficial interest in assets held by others	234,467	--	33,175	<b>267,642</b>	276,717
Permanently restricted cash (Note 10)	--	--	166,558	<b>166,558</b>	166,558
Security deposits	4,709	--	--	<b>4,709</b>	4,709
	239,176	--	199,733	<b>438,909</b>	447,984
	\$ 3,067,871	\$ --	\$ 199,733	<b>\$ 3,267,604</b>	\$ 2,626,278

**UNITED WAY OF MONTEREY COUNTY**

STATEMENT OF FINANCIAL POSITION

June 30, 2016

With Comparative Totals For June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2016 Total</u>	<u>2015 Total</u>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 74,335	\$ --	\$ --	\$ 74,335	\$ 126,263
Accrued expenses	47,127	--	--	47,127	47,979
Designated pledges payable	201,084	--	--	201,084	280,811
Total current liabilities	<u>322,546</u>	<u>--</u>	<u>--</u>	<u>322,546</u>	<u>455,053</u>
<b>COMMITMENTS (NOTE 15)</b>					
<b>NET ASSETS</b>					
Unrestricted	2,745,325	--	--	2,745,325	1,876,901
Temporarily restricted (Note 9)	--	--	--	--	94,591
Permanently restricted (Note 10)	--	--	199,733	199,733	199,733
Total net assets	<u>2,745,325</u>	<u>--</u>	<u>199,733</u>	<u>2,945,058</u>	<u>2,171,225</u>
	<u>\$ 3,067,871</u>	<u>\$ --</u>	<u>\$ 199,733</u>	<u>\$ 3,267,604</u>	<u>\$ 2,626,278</u>

# UNITED WAY OF MONTEREY COUNTY

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

With Comparative Totals For Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
<b>SUPPORT AND REVENUE</b>					
Support:					
Pledges, current campaign year	\$ 2,008,157	\$ --	\$ --	\$ 2,008,157	\$ 2,326,272
Donor designations to other organizations	(460,586)	--	--	(460,586)	(636,320)
Provision for uncollectible pledges	(94,919)	--	--	(94,919)	(104,248)
Grants	288,500	--	--	288,500	418,004
Non-campaign bequests and gifts	682,831	--	--	682,831	134,584
Other support	1,171,640	--	--	1,171,640	1,111,304
<b>Total support</b>	<b>3,595,623</b>	<b>--</b>	<b>--</b>	<b>3,595,623</b>	<b>3,249,596</b>
Revenue:					
Investment income	1,569	--	--	1,569	2,065
Administrative fees	272,958	--	--	272,958	264,017
Miscellaneous income	2,758	--	--	2,758	3,532
Net assets released from restrictions	94,591	(94,591)	--	--	--
<b>Total revenue</b>	<b>371,876</b>	<b>(94,591)</b>	<b>--</b>	<b>277,285</b>	<b>269,614</b>
<b>Total support and revenue</b>	<b>3,967,499</b>	<b>(94,591)</b>	<b>--</b>	<b>3,872,908</b>	<b>3,519,210</b>
<b>EXPENSES</b>					
Program services:					
Allocations and designations	713,680	--	--	713,680	1,055,696
Amounts designated by donors	(460,586)	--	--	(460,586)	(636,320)
Community Services	1,940,164	--	--	1,940,164	2,086,928
Support services:					
Management and general	403,067	--	--	403,067	312,621
Fundraising	475,698	--	--	475,698	543,232
<b>Total program and support services</b>	<b>3,072,023</b>	<b>--</b>	<b>--</b>	<b>3,072,023</b>	<b>3,362,157</b>
Unallocated payments to affiliated organizations					
United Way Worldwide	27,052	--	--	27,052	25,969
<b>Total expenses</b>	<b>3,099,075</b>	<b>--</b>	<b>--</b>	<b>3,099,075</b>	<b>3,388,126</b>
<b>Increase (decrease) in net assets</b>	<b>868,424</b>	<b>(94,591)</b>	<b>--</b>	<b>773,833</b>	<b>131,084</b>
<b>Net Assets, beginning</b>	<b>1,876,901</b>	<b>94,591</b>	<b>199,733</b>	<b>2,171,225</b>	<b>2,040,141</b>
<b>Net Assets, ending</b>	<b>\$ 2,745,325</b>	<b>\$ --</b>	<b>\$ 199,733</b>	<b>\$ 2,945,058</b>	<b>\$ 2,171,225</b>

The notes to financial statements are an integral part of this statement.

## UNITED WAY OF MONTEREY COUNTY

### STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2016

With Comparative Totals For Year Ended June 30, 2015

	Program Services			Support Services			2016 Total	2015 Total
	Allocations and Grants	Community Services	Total Program Services	Management and General	Fundraising	Total Support Services		
<b>EXPENSES</b>								
Allocations and designations	\$ 713,680	\$ --	\$ 713,680	\$ --	\$ --	\$ --	\$ <b>713,680</b>	\$ 1,055,696
Amounts designated by donors	(460,586)	--	(460,586)	--	--	--	<b>(460,586)</b>	(636,320)
Net allocations	253,094	--	253,094	--	--	--	<b>253,094</b>	419,376
Advertising and in-kind media donations	--	778,384	778,384	2,129	256,835	258,964	<b>1,037,348</b>	1,031,280
Salaries and wages	--	500,062	500,062	242,833	124,365	367,198	<b>867,260</b>	949,816
Payroll taxes and benefits	--	134,482	134,482	65,305	33,445	98,750	<b>233,232</b>	244,207
Professional and other fees	--	243,859	243,859	19,937	18,124	38,061	<b>281,920</b>	386,320
Occupancy expenses	--	55,303	55,303	35,885	12,422	48,307	<b>103,610</b>	94,556
Office expense	--	52,836	52,836	16,521	8,371	24,892	<b>77,728</b>	68,245
Conferences, travel and training	--	36,323	36,323	10,050	3,862	13,912	<b>50,235</b>	47,583
Program and campaign materials, services and supplies	--	126,735	126,735	2,693	12,786	15,479	<b>142,214</b>	79,883
Special events	--	3,616	3,616	1,698	4,229	5,927	<b>9,543</b>	9,806
Insurance	--	3,125	3,125	1,517	777	2,294	<b>5,419</b>	4,241
Depreciation	--	803	803	389	200	589	<b>1,392</b>	4,910
Miscellaneous	--	4,636	4,636	4,110	282	4,392	<b>9,028</b>	21,934
	<u>\$ 253,094</u>	<u>\$ 1,940,164</u>	<u>\$ 2,193,258</u>	<u>\$ 403,067</u>	<u>\$ 475,698</u>	<u>\$ 878,765</u>	<u>\$ <b>3,072,023</b></u>	<u>\$ 3,362,157</u>

The notes to financial statements are an integral part of this statement.

## UNITED WAY OF MONTEREY COUNTY

### STATEMENTS OF CASH FLOWS

Years Ended June 30, 2016 and 2015

	2016	2015
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 773,833	\$ 131,084
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	1,392	4,910
Change in beneficial interest in assets held by others	5,259	(9,463)
Grant made from beneficial interest in assets held by others	3,816	3,715
Change in allowance for doubtful accounts	(13,000)	--
(Increase) decrease in:		
Pledges receivable	122,801	33,738
Other receivables	26,906	38,267
Prepaid expenses	(53)	(2,843)
Increase (decrease) in:		
Accounts payable	(51,928)	7,697
Accrued expenses	(852)	(2,747)
Designated pledges payable	(79,727)	(15,635)
Net cash provided by operating activities	<u>788,447</u>	188,723
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid to purchase property and equipment	<u>(7,357)</u>	<u>--</u>
Net increase in cash and cash equivalents	781,090	188,723
<b>Cash and Cash Equivalents, beginning</b>	<u>1,524,524</u>	<u>1,335,801</u>
<b>Cash and Cash Equivalents, ending</b>	<u>\$ 2,305,614</u>	<u>\$ 1,524,524</u>
<b>AS PRESENTED ON THE STATEMENT OF FINANCIAL POSITION</b>		
Cash and cash equivalents	2,139,056	1,357,966
Permanently restricted cash	<u>166,558</u>	<u>166,558</u>
	<u>\$ 2,305,614</u>	<u>\$ 1,524,524</u>

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

## UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements  
June 30, 2016

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The Organization 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 nonprofit organizations throughout the world (designations). For the years ended June 30, 2016 and 2015, \$269,342 and \$408,704, respectively, was raised for this campaign and is included in current campaign year pledges. As of June 30, 2016 and 2015, \$208,486 and \$350,025, respectively, of donor designated pledge receipts were proportionately distributed to each member agency.

**Accounting Policies:** The accounting policy relative to the carrying value of property and equipment is indicated in a caption on the statements of financial position. Other significant accounting policies are:

**Basis of Presentation:** The financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets represent the portion of expendable funds that are available for support of the Organization's operations. Temporarily restricted net assets include those assets which are subject to a donor restriction and for which the applicable restriction was not met as of the end of the current reporting period. Donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Permanently restricted net assets are the portion of net assets for which use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by action of the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

**Use of Estimates:** Preparing the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect assets and liabilities and disclosures 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.

**Cash and Cash Equivalents:** For purposes of the statements of cash flows, the Organization considers as cash equivalents all highly liquid investments, which include certificates of deposit with maturities ranging from three to twelve months and penalties for early withdrawal. Penalties for early withdrawal would not have a material effect on the financial statements.

## UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements  
June 30, 2016

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Expense Allocation:** Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services on the basis of management estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**Income taxes:** The Organization is a nonprofit corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue code and from state franchise tax under Revenue and Taxation Code Section 23701(d).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's tax years 2012 through 2015 remain open and could be subject to examination by the federal tax jurisdiction. For the state tax jurisdiction, the tax years 2011 through 2015 remain open and could be subject to examination.

**Property and Equipment:** The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. All property and equipment is stated at cost, or if donated, at estimated fair value on the date of donation. Major improvements are charged to the property accounts, while maintenance and repairs, which do not extend the life of the respective assets, are expensed. When property is retired or otherwise disposed, the cost of the property and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

**Depreciation:** Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally 3 to 7 years.

**Recognition of pledges from fundraising campaign, designations and allocations:** The Organization conducts fundraising campaigns in Monterey County for program support and for participating health and human care agencies. For the year ended June 30, 2016, the campaign year ran from June 1, 2015, to May 31, 2016. For the year ended June 30, 2015, the campaign year ran from June 1, 2014 to May 31, 2015. 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 the Organization are included in current year campaign pledges. The Organization 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.

## UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements  
June 30, 2016

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### NOTE 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:** The Organization receives other public support outside the conduct of the annual fundraising campaigns. Certain ceremonial, celebratory and special recognition events at the Organization 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 Organization.

**Volunteer Services:** A substantial number of volunteers donate significant amounts of time to the Organization'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.

**Advertising:** Advertising costs are expensed as incurred, and totaled \$1,037,348 (\$1,023,915 in-kind) and \$1,031,280 (\$1,015,785 in-kind) for the years ended June 30, 2016 and 2015, respectively.

**Comparative Financial Information:** The 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 the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

**Reclassification:** Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation with respect to the Statement of Cash Flows.

### NOTE 2. CONCENTRATION OF REVENUE

For the year ended June 30, 2016, approximately 46% of the Organization's pledge revenue came from four corporations. For the year ended June 30, 2015, approximately 41% of the Organization's pledge revenue came from those same four corporations.

## UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements  
June 30, 2016

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### NOTE 3. CONCENTRATION OF CREDIT RISK

The Organization maintains balances in cash and interest-bearing deposit accounts at various financial institutions and, from time to time during the year, the cash balances may be in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). In the event of insolvency by the financial institution, deposits in excess of insured amounts are potentially subject to unrecoverable loss.

### NOTE 4. PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
Pledges receivable, due within one year	\$ 803,888	\$ 926,689
Allowance for uncollectible accounts	<u>(216,000)</u>	<u>(229,000)</u>
Net pledges receivable	<u>\$ 587,888</u>	<u>\$ 697,689</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.

### NOTE 5. 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 the Organization.

Other receivables consisted of the following as of June 30:

	<u>2016</u>	<u>2015</u>
County grants receivable	\$ 45,794	\$ --
Community Foundation receivable	--	25,000
Miscellaneous receivables	<u>10,880</u>	<u>58,580</u>
	<u>\$ 56,674</u>	<u>\$ 83,580</u>

Due to the collection history and the Organization'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.

## UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements  
June 30, 2016

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### NOTE 6. DESIGNATED PLEDGES PAYABLE

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

	<u>2016</u>	<u>2015</u>
From the Combined Federal Campaign:		
Gross designations payable	\$ 198,620	\$ 265,644
Allowance for unpayable designations	<u>(15,000)</u>	<u>(20,000)</u>
	183,620	245,644
From other designated gifts received:		
Gross designations payable	<u>17,464</u>	<u>35,167</u>
	<u>\$ 201,084</u>	<u>\$ 280,811</u>

### NOTE 7. FAIR VALUE MEASUREMENTS

The Fair Value Measurements Topic of the FASB Accounting Standards Codification 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 unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are briefly described below:

- Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.

The asset's 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 measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value:

- Interest in assets held at Community Foundation: Funds are invested for long-term growth, both in equities and fixed income investments, which are valued at the net asset value ("NAV") of shares held by the Foundation at year end.

## UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements  
June 30, 2016

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### NOTE 7. FAIR VALUE MEASUREMENTS (Continued)

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by others	<u>\$ --</u>	<u>\$ 267,642</u>	<u>\$ --</u>	<u>\$ 267,642</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by others	<u>\$ --</u>	<u>\$ 276,717</u>	<u>\$ --</u>	<u>\$ 276,717</u>

### NOTE 8. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Community Foundation for Monterey County (Foundation) holds funds for the Organization in the amount of \$267,642 and \$276,717 at June 30, 2016 and 2015, respectively.

Funds are composed of the following as of June 30:

	<u>2016</u>	<u>2015</u>
General Endowment	<u>\$ 78,239</u>	<u>\$ 83,750</u>
Stewardship Fund	<u>189,403</u>	<u>192,967</u>
	<u>\$ 267,642</u>	<u>\$ 276,717</u>

**General Endowment:** In 1987, the Organization 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 the Organization at the discretion of the Foundation's Board of Directors. Earnings, net of administrative fees, are distributed to the Organization on an annual basis and in accordance with the Foundation's policy on the distribution of earnings.

## UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements  
June 30, 2016

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### NOTE 8. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS (Continued)

**Stewardship Fund:** In 2012, the Organization established a Stewardship Fund with the Foundation, for the benefit of the Organization. The Organization 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 the Organization 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, the Foundation shall continue to hold the funds and shall distribute the income to organizations as in the opinion of the Foundation most nearly serve the purposes and objectives of the Organization. All monies held in the funds are subject to the power of the 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.

The earnings payout of the funds is evaluated at least annually by the 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, 2016 and 2015, there were no earnings payouts from the Stewardship Fund.

### NOTE 9. TEMPORARILY RESTRICTED NET ASSETS

For the year ended June 30, 2016, activity in temporarily restricted net assets was as follows:

	Beginning 6/30/2015	Additions	Satisfied	Ending 6/30/2016
211	\$ 25,000	\$ --	\$ 25,000	\$ --
Community Assessment	2,838	--	2,838	--
Community Impact	60,216	--	60,216	--
VITA	6,537	--	6,537	--
	<u>\$ 94,591</u>	<u>\$ --</u>	<u>\$ 94,591</u>	<u>\$ --</u>

## UNITED WAY OF MONTEREY COUNTY

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### NOTE 9. TEMPORARILY RESTRICTED NET ASSETS (Continued)

For the year ended June 30, 2015, activity in temporarily restricted net assets was as follows:

	Beginning 6/30/2014	Additions	Satisfied	Ending 6/30/2015
211	\$ 50,000	\$ --	\$ 25,000	\$ 25,000
Community Assessment	119,863	--	117,025	2,838
Community Impact	95,453	--	35,237	60,216
Disaster Fund	6,545	--	6,545	--
Pledges for next campaign year	3,923	--	3,923	--
VITA	--	6,537	--	6,537
	<u>\$ 275,784</u>	<u>\$ 6,537</u>	<u>\$ 187,730</u>	<u>\$ 94,591</u>

### NOTE 10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent two restricted endowments in which the principal is invested in perpetuity and the income is available to support and provide community resources. Total permanently restricted net assets was \$199,733 for each of the years ended June 30, 2016 and 2015.

In 1987, the Organization established a "Restricted and Organized Purpose Fund" (Agreement) at the Community Foundation for Monterey County with an initial contribution of \$33,175. 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 the Organization 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, the Organization 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.

## UNITED WAY OF MONTEREY COUNTY

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### NOTE 10. PERMANENTLY RESTRICTED NET ASSETS (Continued)

In accordance with CPMIFA, the Organization 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
- (6) Other resources of the organization
- (7) The investment policies of the Organization

**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.

### NOTE 11. ALLOCATIONS AND DESIGNATIONS

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

	<u>2016</u>	<u>2015</u>
Allocations determined by the Board of Directors to member agencies	\$ 253,094	\$ 419,376
Designations directed by donor	<u>460,586</u>	<u>636,320</u>
	<u>\$ 713,680</u>	<u>\$ 1,055,696</u>

### NOTE 12. PENSION PLANS

The Organization 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. The Organization 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 each of the years ended June 30, 2016 and 2015, the Organization's Board has determined a retirement contribution of 6% of earnings for covered employees. During the years ended June 30, 2016 and 2015, the Organization contributed \$39,518 and \$49,887, respectively, to the plan, and did not incur any plan expenses for the years indicated.

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**NOTE 13. OTHER SUPPORT AND JOINT ACTIVITIES**

Other support consists of the following as of June 30:

	<u>2016</u>	<u>2015</u>
In-kind media donations	\$ 1,023,915	\$ 1,015,785
Sponsorship revenue	52,905	64,140
Other in-kind donations	59,539	5,389
Other event revenue	<u>35,281</u>	<u>25,990</u>
	<u>\$ 1,171,640</u>	<u>\$ 1,111,304</u>

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

	<u>2016</u>	<u>2015</u>
Community services	\$ 767,936	\$ 761,839
Fundraising	<u>255,979</u>	<u>253,946</u>
	<u>\$ 1,023,915</u>	<u>\$ 1,015,785</u>

**NOTE 14. GRANTS FROM COUNTY OF MONTEREY**

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

<u>Grant Award</u>	<u>Term of Grant</u>	<u>2016</u>	<u>2015</u>
County of Monterey			
DSES, CalWorks	July 1, 2015 - June 30, 2016	\$ 193,095	
	July 1, 2014 - June 30, 2015		\$ 117,564
County of Monterey			
DSES, 211 Referral	July 1, 2013 - June 30, 2016	\$ 30,000	
	July 1, 2013 - June 30, 2016		\$ 30,000

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### NOTE 15. LEASE COMMITMENTS

Effective May 1, 2010, the Organization entered into an agreement to lease an office facility in Monterey. The term of the lease was for five years ending April 30, 2015, and an option to renew the lease for one additional period of five years was exercised. The lease requires monthly payments of \$5,299 and provides for an annual increase in the base rent.

The Organization leases an additional office in Salinas. The term of the current lease is for two years, ending on January 31, 2018. The lease requires monthly payments of \$2,495 and provides for an annual increase in the base rent.

Total rent expense incurred under all operating leases described for the years ended June 30, 2016 and 2015 totaled \$93,117 and \$83,000, respectively.

The future minimum rental payments required under these leases as of June 30, 2016 are as follows:

	<u>2016</u>
2017	\$ 95,213
2018	86,734
2019	67,703
2020	<u>57,356</u>
	<u>\$ 307,006</u>

### NOTE 16. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 27, 2016, the date the financial statements were available to be issued.