

UNITED WAY OF SANTA CRUZ COUNTY
(a California nonprofit corporation)

AUDITED FINANCIAL STATEMENTS

for the year ended June 30, 2015
(with summarized comparative totals for June 30, 2014)

UNITED WAY OF SANTA CRUZ COUNTY
(a California nonprofit corporation)

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
United Way of Santa Cruz County
Capitola, California

We have audited the accompanying financial statements of United Way of Santa Cruz County (the "Organization," a California nonprofit corporation) which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 of Santa Cruz County as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Adjustment to Prior Period Financial Statements

As discussed in Note 12 to the financial statements, the Organization has adjusted its June 30, 2014 financial statements to retrospectively apply an additional partner program allocation expense that was not captured in the prior period.

As part of our audit of the June 30, 2015 financial statements, we also audited the adjustment to the June 30, 2014 financial statements as described in Note 12. In our opinion, such adjustment is appropriate and has been properly applied.

Report on Summarized Comparative Information

We have previously audited the United Way of Santa Cruz County's June 30, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 16, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Burr Puseer Mayer, INC.

San Jose, California
December 15, 2015

UNITED WAY OF SANTA CRUZ COUNTY

STATEMENT OF FINANCIAL POSITION

June 30, 2015

(with summarized comparative totals for June 30, 2014)

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Restated 2014 Total
Current assets:					
Cash and cash equivalents	\$ 215,947	\$ -	\$ -	\$ 215,947	\$ 419,958
Certificates of deposit	-	50,540	5,000	55,540	55,521
Grants and other receivables	252,728	389,600	-	642,328	606,274
Pledges receivable (net of allowance for uncollectible amounts of \$112,598)	324,248	-	-	324,248	317,857
Prepaid expenses	26,771	-	-	26,771	45,809
Total current assets	819,694	440,140	5,000	1,264,834	1,445,419
Long term assets:					
Property and equipment, net	19,657	-	-	19,657	22,003
Other assets:					
Certificates of deposit	-	79,099	-	79,099	117,882
Deposits	5,780	-	-	5,780	5,780
Total long-term assets	25,437	79,099	-	104,536	145,665
Total assets	\$ 845,131	\$ 519,239	\$ 5,000	\$ 1,369,370	\$ 1,591,084
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and accrued expenses	\$ 308,426	\$ -	\$ -	\$ 308,426	\$ 181,685
Allocations payable	440,995	-	-	440,995	371,000
Designations payable - member and non-member	217,941	-	-	217,941	202,613
Deferred rent liability	45,094	-	-	45,094	35,764
Deferred exchange transactions	2,500	-	-	2,500	300
Total current liabilities	1,014,956	-	-	1,014,956	791,362
Net assets	(169,825)	519,239	5,000	354,414	799,722
Total liabilities and net assets	\$ 845,131	\$ 519,239	\$ 5,000	\$ 1,369,370	\$ 1,591,084

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

UNITED WAY OF SANTA CRUZ COUNTY

STATEMENT OF ACTIVITIES

for the year ended June 30, 2015
(with summarized comparative totals for June 30, 2014)

	2015			Total	Restated 2014 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Public support:					
Campaign support					
Annual campaign	\$ 946,659	\$ -	\$ -	\$ 946,659	\$ 978,473
Less donor designations to other organizations	(240,945)	-	-	(240,945)	(228,205)
Less donor designations paid by others	(60,127)	-	-	(60,127)	(67,245)
Estimated uncollectible pledges	(45,132)	-	-	(45,132)	(38,865)
Net campaign support	600,455	-	-	600,455	644,158
Other public support and revenue:					
Grants and contracts	1,854,956	162,386	-	2,017,342	1,783,644
Community projects and miscellaneous support	221,221	-	-	221,221	283,805
Foundation grants	-	298,620	-	298,620	431,271
Special fund raising events	126,872	-	-	126,872	106,240
Fees for service	1,950	-	-	1,950	1,650
Investment income	3,989	-	-	3,989	4,856
Other income	35,413	-	-	35,413	30,793
Total other public support and revenue	2,244,401	461,006	-	2,705,407	2,642,259
Net assets released from restrictions - Family Service Association	41,179	(41,179)	-	-	-
Net assets released from restrictions - grants and program	606,953	(606,953)	-	-	-
Total net assets released from restrictions	648,132	(648,132)	-	-	-
Total public support, revenue and net assets released from restrictions	3,492,988	(187,126)	-	3,305,862	3,286,417
Expenses:					
Program services	2,877,730	-	-	2,877,730	2,572,730
Supporting services	873,440	-	-	873,440	733,184
Total expenses	3,751,170	-	-	3,751,170	3,305,914
Change in net assets	(258,182)	(187,126)	-	(445,308)	(19,497)
Net assets:					
Net assets, beginning of year	159,357	706,365	5,000	870,722	819,219
Prior period adjustment	(71,000)	-	-	(71,000)	-
Net assets, beginning of year, as restated	88,357	706,365	5,000	799,722	819,219
Net assets, end of year	\$ (169,825)	\$ 519,239	\$ 5,000	\$ 354,414	\$ 799,722

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

UNITED WAY OF SANTA CRUZ COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

for the year ended June 30, 2015
(with summarized comparative totals for June 30, 2014)

2015

	Program Services			Supporting Services				Restated 2014 Total	
	Community Programs/ Grants	First 5 of Santa Cruz County	Total Program Services	Administration	First 5 of Santa Cruz County	Fundraising	Total Supporting Services		
Salaries	\$ 395,089	\$ 508,342	\$ 903,431	\$ 113,711	\$ 151,293	\$ 139,888	\$ 404,892	\$ 1,308,323	\$ 1,069,510
Benefits and payroll taxes	141,325	202,496	343,821	63,353	58,729	55,972	178,054	521,875	402,665
Total salaries and related expenses	536,414	710,838	1,247,252	177,064	210,022	195,860	582,946	1,830,198	1,472,175
Professional fees	218,127	418,696	636,823	9,830	48,819	11,144	69,793	706,616	805,996
Allocations to partner programs	375,000	-	375,000	-	-	-	-	375,000	371,000
Travel, training, and conference	33,488	40,874	74,362	17,224	6,768	6,031	30,023	104,385	80,390
Community engagement and stipends	20,810	107,681	128,491	-	-	-	-	128,491	88,447
Supplies	181,662	23,022	204,684	5,664	5,100	6,311	17,075	221,759	171,557
Occupancy	32,039	27,090	59,129	10,434	26,462	9,171	46,067	105,196	106,650
Printing and publications	45,396	3,352	48,748	959	3,160	48,610	52,729	101,477	65,187
Family service association	40,000	-	40,000	-	-	-	-	40,000	40,000
Donated services	-	-	-	-	-	-	-	-	-
Equipment rental and maintenance	3,702	2,738	6,440	1,206	2,966	1,141	5,313	11,753	16,909
Membership dues	8,689	109	8,798	2,786	4,633	3,247	10,666	19,464	17,263
Telephone	5,210	3,741	8,951	1,634	2,808	1,080	5,522	14,473	14,060
Postage and shipping	1,897	1,265	3,162	915	1,684	936	3,535	6,697	7,032
Depreciation	3,794	-	3,794	4,666	-	1,182	5,848	9,642	7,128
Bad debt/pledge loss	13,830	-	13,830	-	-	34,064	34,064	47,894	33,469
Miscellaneous	10,816	5,156	15,972	-	968	5,082	6,050	22,022	1,440
Insurance	1,992	302	2,294	492	2,727	590	3,809	6,103	7,211
Total functional expenses	\$ 1,532,866	\$ 1,344,864	\$ 2,877,730	\$ 232,874	\$ 316,117	\$ 324,449	\$ 873,440	\$ 3,751,170	\$ 3,305,914

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

UNITED WAY OF SANTA CRUZ COUNTY

STATEMENTS OF CASH FLOWS

for the years ended June 30, 2015 and 2014

	2015	Restated 2014
Cash flows from operating activities:		
Change in net assets	\$ (445,308)	\$ (19,497)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	9,641	7,128
Bad debt expense	20,692	-
(Increase) decrease in:		
Pledges receivable	(26,682)	30,471
Grants and other receivables	(36,455)	115,418
Prepaid expenses and deposits	19,038	(9,961)
Increase (decrease) in:		
Accounts payable and accrued expenses	126,741	(254,057)
Allocations payable	69,995	91,000
Designations payable - member and non-members	15,328	(18,761)
Deferred rent liability	9,330	9,330
Deferred exchange transactions	2,200	(21,645)
Net cash used in operating activities	(235,480)	(70,574)
Cash flows from investing activities:		
Redemptions of certificates of deposit	38,764	350,508
Acquisition of new equipment	(7,295)	-
Net cash provided by investing activities	31,469	350,508
Net (decrease) increase in cash and cash equivalents	(204,011)	279,934
Cash and cash equivalents, beginning of year	419,958	140,024
Cash and cash equivalents, end of year	\$ 215,947	\$ 419,958

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

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

1. Nature of Organization

The United Way of Santa Cruz County (the “Organization”) is a nonprofit charitable relief organization that raises funds primarily from local individuals and businesses and distributes those funds to various social service agencies in Santa Cruz County. The Organization also convenes organizations and individuals to solve community problems and improve the quality of life for the residents of Santa Cruz County. The Organization also includes the operations of the United Way of San Benito County.

The Organization collaborates with First 5 Santa Cruz County under two separate service agreements. Under the direction and supervision of the First 5 Santa Cruz County Commission (First 5), the Organization will hire staff or consultants to perform all necessary administrative duties to fulfill the responsibilities of First 5 as outlined in the service agreements.

Community engagement, education and advocacy are the cornerstones of United Way’s work. United Way engages with the community through in house programs that are funded through county contracts, private foundations and grants. These include critical areas of concern: homelessness, obesity, poverty, youth violence prevention, healthy eating, children’s network – and others. As the lead organization for these initiatives, United Way plays a critical role in our community – promoting change at all levels of the community.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Financial Statement Presentation

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations. The provisions of these standards require the Organization to report its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets based upon the existence or absence of donor-imposed restrictions.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes. Unrestricted net assets currently include the operating fund and Board designated funds.

Temporarily restricted net assets include those assets which are subject to donor restrictions and for which the applicable restriction was not met as of the year end of the current reporting period. Donor restrictions expire when stipulated time restriction ends or purpose restriction is accomplished. Temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions when the restrictions expire.

Permanently restricted net assets include those assets which are subject to non-expiring donor restriction, such as endowments.

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

2. Summary of Significant Accounting Policies, continued

Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit and all highly liquid debt instruments with original maturities of three months or less.

Annual Campaign, Pledges Receivable, Designations, and Provisions for Uncollectible Pledges

The Organization conducts an annual campaign to raise funds to support various social service agencies in Santa Cruz and San Benito Counties. Pledges received from local individuals and businesses are recorded as revenue and a receivable upon receipt of the pledge, and an allowance is provided for amounts estimated as uncollectible. Included in these pledges are contributions designated by donors for other nonprofit organizations, for which the Organization serves as the primary fiscal agent in the solicitation and distribution of such pledges, net of related administrative fees. These pledges are included in campaign support and are deducted as donor designations to other organizations in the statement of activities to arrive at net campaign support.

Also included in these pledges raised by the Organization are contributions designated for other nonprofit organizations by employee donors of certain companies. These companies distribute the designated funds directly to the other nonprofit organizations, net of related administrative fees. These pledges are also included in campaign support, and are deducted as donor designations paid by others in the Organization's statement of activities to arrive at net campaign support.

The provision for uncollectible pledges is computed based upon historical averages and management's consideration of current economic factors that could affect pledge collections. Using the criteria, the provisions as of June 30, 2015 and 2014, were determined to be 6% of gross campaign pledges. Bad debt recovery is netted against the gross provision for uncollectible pledges on the statements of activities. For years ended June 30, 2015 and 2014, there was no bad debt recovery.

Property and Equipment

All equipment is stated at cost, if purchased, or if donated, at fair value at the date of the donation for items exceeding \$1,000. During the year ended June 30, 2015, no equipment was donated to the organization. Major improvements are charged to the property accounts, while repairs and maintenance, which do not extend the life of the asset, are expensed in the current year.

Estimated useful lives are as follows:

Computer and office equipment	5-7 years
Leasehold improvements	5-10 years

Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets.

Allocations Expenses and Allocations Payable

Allocations are contributions from the Organization to member agencies. Allocations are made from unrestricted support raised by the annual campaign. Member agencies are selected every three years by the governing board, with annual updated financial reports and annual site visits. Unconditional promises to give are reported as an expense upon notification of the promise.

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

2. Summary of Significant Accounting Policies, continued

Allocations Expenses and Allocations Payable, continued

The Organization mails out allocation letters prior to the close of its fiscal year. Accordingly, those allocations are reported as an expense and as allocations payable. The allocations are paid out over the following fiscal year.

Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. For the year ended June 30, 2015 the Organization recognized contributions of \$0 for donated consulting services. Additionally, a substantial number of volunteers donated significant amounts of their time in the Organization's fund-raising campaigns.

Income Taxes

The Organization is exempt from Federal income tax under Section 501 (c)(3) of the Internal Revenue Code, and from California franchise tax under section 23701d of the Revenue and Taxation Code.

Fair Value Measurements

The carrying amount of cash and cash equivalents, pledges, grants and other receivables, accounts payable and accrued expenses approximate fair market value due to short-term maturities of these instruments.

The Organization defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization uses 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 described below:

- Level 1: quoted prices in active markets for identical investments.
- Level 2: pricing inputs, including broker quotes, are those other than exchange quoted prices in active markets, are either directly or indirectly observable as of the reporting date which the fair value is determined through the use of models or other valuation methodologies.
- Level 3: pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investments and may require a high level of judgment to determine fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Level 1 assets are based on quoted market prices. Level 2 assets are based on estimated current market inputs for similar financial instruments with comparable terms and credit quality.

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements, continued

The following tables present the assets that are measured at fair value on a recurring basis at June 30, 2015 and 2014:

	Assets at Fair Value at June 30, 2015			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 158,003	\$ -	\$ -	\$ 158,003
Certificates of deposit	-	134,639	-	134,639
	<u>\$ 158,003</u>	<u>\$ 134,639</u>	<u>\$ -</u>	<u>\$ 292,642</u>

	Assets at Fair Value at June 30, 2014			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 330,026	\$ -	\$ -	\$ 330,026
Certificates of deposit	-	173,403	-	173,403
	<u>\$ 330,026</u>	<u>\$ 173,403</u>	<u>\$ -</u>	<u>\$ 503,429</u>

Deferred Rent

The Organization's lease of their main office space in Capitola, California provides for a 3% increase in monthly lease payments and triple net charges. The Organization recognizes the related rent expense on a straight-line basis over the life of the lease and records the difference between the expense included in the accompanying statement of activities and the amount recorded as deferred rent liability.

Functional Allocation of Expenses

The majority of expenses can be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among program and supporting services classification based on the average number of full-time employees, the time study allocation method, and on a direct costs basis. This is consistent with the standards for allocation of functional expenses in accordance with United Way Worldwide.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

2. Summary of Significant Accounting Policies, continued

Summarized Financial Information for Fiscal Year 2014

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the June 30, 2014, financial statements of United Way of Santa Cruz County, from which the summarized information was derived.

3. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of June 30, 2015 and 2014:

	2015	2014
Cash and checking accounts	\$ 57,944	\$ 89,932
Money market and maximizer accounts	158,003	330,026
	<u>\$ 215,947</u>	<u>\$ 419,958</u>

4. Prepaid Expenses

Prepaid expenses consisted of the following as of June 30, 2015 and 2014:

	2015	2014
Consulting	\$ 5,208	\$ 37,749
Staff salaries	8,581	-
Dues and subscriptions	3,816	-
Employee benefits	3,019	-
Rent	-	6,580
Insurance	-	1,480
Other	6,147	-
	<u>\$ 26,771</u>	<u>\$ 45,809</u>

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

5. Property and Equipment, net

Property and equipment consisted of the following as of June 30, 2015 and 2014:

	June 30, 2015		
	Donated	Purchased	Total
Computer equipment	\$ 28,164	\$ 48,494	\$ 76,658
Office equipment	-	47,936	47,936
Leasehold improvements	-	16,773	16,773
	\$ 28,164	\$ 113,203	141,367
Accumulated depreciation			(121,710)
Property and equipment, net			\$ 19,657
	June 30, 2014		
	Donated	Purchased	Total
Computer equipment	\$ 28,164	\$ 48,494	\$ 76,658
Office equipment	-	40,641	40,641
Leasehold improvements	-	16,773	16,773
	\$ 28,164	\$ 105,908	134,072
Accumulated depreciation			(112,069)
Property and equipment, net			\$ 22,003

Depreciation expense for the years ended June 30, 2015 and 2014 was \$9,641 and \$7,128, respectively.

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

6. Restricted Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes or years:

	<u>2015</u>	<u>2014</u>
Restricted for Time:		
Packard General Operating	\$ -	\$ 25,000
Restricted for Use:		
United Way of San Benito County	138,760	127,351
Family Service Association of the Central Coast- (Cumulative Investment Income)	45,014	83,798
Family Service Association of the Central Coast- (Principal)	34,084	34,084
Friends of Pajaro Park	73,809	79,557
Packard Youth Violence	43,120	90,898
Appleton Smart Solutions	12,465	12,717
Success by Six	8,867	8,893
Together for Youth	7,199	7,099
Project Homeless Connect	158	4,101
Bi-National Health Week	900	2,097
Hep C	1,683	1,683
Immunization Coalition	2,509	2,509
Perinatal Services/CPSP	1,707	1,970
CAG	5,905	5,042
Safe Kids	341	464
Harbourtion Foundation	42,718	15,929
Pajaro Valley Health Trust - Markets	-	3,173
Healthy Kids	100,000	200,000
	<u>\$ 519,239</u>	<u>\$ 706,365</u>

Net Assets Released From Restrictions

Net assets were released from restrictions by incurring expenses that satisfied the restricted purpose during the year, by the passage of time or the direction of the donor as follows:

	<u>2015</u>
Program services	\$ 623,132
Time restricted	25,000
	<u>\$ 648,132</u>

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

6. **Restricted Net Assets**, continued

Permanently Restricted Net Assets

Permanently restricted net assets are funds that are required by the gift instruments to be invested in perpetuity. The income from such investments is unrestricted. As of June 30, 2015 and 2014, the Organization had \$5,000 in permanently restricted net assets.

7. **Board Designation – Unrestricted Net Assets**

In fiscal year 2011-2012, the Organization's Board of Trustees passed a motion to establish a goal of \$250,000 of unrestricted net assets for an operating reserve, which totaled \$(169,825) and \$159,357 as of June 30, 2015 and 2014, respectively.

8. **Deferred Compensation Plan**

United Way sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering substantially all employees. Under the plan, employees contribute a specified percentage of their salary, or a fixed dollar amount, to the plan. Participants are immediately vested in all contributions to the Plan.

The Organization contributes a percentage of each participant's salary, as approved by the Board of Directors. The percentage has historically been 8%. Contributions totaling \$103,144 and \$85,828 for the years ended June 30, 2015 and 2014, respectively, were made by the Organization, in addition to elective deferrals made by employees.

9. **Concentrations**

Concentration of Grants

The Organization collaborates with First 5 Santa Cruz County, who provides approximately 51% and 39% of the Organization's total support and revenue and represents approximately 49% and 35% of total grants receivable as of June 30, 2015 and 2014, respectively. The contract with First 5 Santa Cruz County is renewable annually.

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist of checking accounts, certificates of deposit, money market accounts, and accounts and pledges receivable.

Credit risk with respect to grants receivable is considered low because a substantial portion is from government agencies. Pledges receivable, which have been shown net of an allowance for uncollectible amounts, are due from corporations, foundations and individuals located primarily in Santa Cruz County.

Cash and Cash Equivalents

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

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

10. Lease Commitments

In September 2010, the Organization entered into a ten year lease for its main office space in Capitola, California ending August 2020. Monthly lease payments, including triple net charges, were \$5,780 for the years ended June 30, 2015 and 2014. The agreement provides for a 3% increase in monthly lease payments and triple net charges beginning in year six and continuing each subsequent year.

The Organization also rents two other program facilities on a month-to-month basis. Monthly rents for these facilities are \$450 and \$350.

Rent expense for the years ended June 30, 2015 and 2014 was \$88,290 and \$87,490, respectively, including triple net charges. At June 30, 2015, the Organization is committed to the following annual minimum lease payments including triple net charges:

Year ending June 30:	Minimum payment	Amortization of Straight Line Deferred Rent (Deferred Liability)	Straight Line Expense
2016	\$ 51,000	\$ 9,330	\$ 60,330
2017	66,455	(6,125)	60,330
2018	73,226	(12,896)	60,330
2019	75,424	(15,094)	60,330
2020	77,682	(17,352)	60,330
Thereafter	13,010	(2,957)	10,053
	<u>\$ 356,797</u>	<u>\$ (45,094)</u>	<u>\$ 311,703</u>

11. Advertising Costs

Advertising costs are expensed as incurred. For the years ended June 30, 2015 and 2014, advertising expenses were \$5,873 and \$4,876, respectively.

12. Adjustment to Prior Period Financial Statements

The Organization has adjusted its June 30, 2014 financial statements to retrospectively apply an additional partner program allocation expense that was not captured in the prior period. Campaign revenue was accurately captured per the Organization's revenue reconciliation process, the amount then allocated to their partner programs was not accurately reflected in the June 30, 2014 financial statements. As a result of this correction, the June 30, 2014 financial statements were restated to include a \$71,000 increase in United Way Member Agency Allocation Expense and a decrease in the ending unrestricted net asset balance.

	As Previously Reported	Restated
Allocations payable	\$ 300,000	\$ 371,000
Net assets	\$ 870,722	\$ 799,722
Program service expense	\$ 2,501,730	\$ 2,572,730
Change in net assets	\$ 51,503	\$ (19,497)

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

13. Subsequent Events

The Organization has evaluated events subsequent to June 30, 2015, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through December 15, 2015 which is the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.