

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

AUDITED FINANCIAL STATEMENTS

for the year ended June 30, 2014
(with summarized comparative totals for June 30, 2013)

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

C O N T E N T S

	Page
Independent Auditors' Report	1-2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7-16

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, 2014, 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, 2014, 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

The financial statements of United Way of Santa Cruz County as of June 30, 2013 were audited by other auditors whose report dated January 10, 2014, expressed an unmodified opinion on those statements. As discussed in Note 12 to the 2014 financial statements, the Organization has adjusted its June 30, 2013 financial statements to retrospectively apply the change in accounting for deferred rent liability. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the June 30, 2014 financial statements, we also audited the adjustment to the June 30, 2013 financial statements to retrospectively apply the change in accounting as described in Note 12. In our opinion, such adjustment is appropriate and has been properly applied. We were not engaged to audit, review, or apply any procedures to United Way of Santa Cruz County's June 30, 2013 financial statements other than with respect to the adjustment and, accordingly, we do not express an opinion or any other form of assurance on the June 30, 2013 financial statements as a whole.

Summarized Comparative Information

As noted in the previous paragraphs, the financial statements of United Way of Santa Cruz County as of June 30, 2013 were audited by other auditors whose report dated January 10, 2014, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Burr Puseer Mayer, Inc.

San Jose, California
October 16, 2014

UNITED WAY OF SANTA CRUZ COUNTY

STATEMENT OF FINANCIAL POSITION

June 30, 2014

(with summarized comparative totals for June 30, 2013)

ASSETS	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Restated
					(For comparative purposes only) 2013 Total
Current assets:					
Cash and cash equivalents	\$ 419,958	\$ -	\$ -	\$ 419,958	\$ 140,024
Certificates of deposit	-	50,521	5,000	55,521	287,891
Grants and other receivables	68,312	537,962	-	606,274	721,692
Pledges receivable (net of allowance for uncollectible amounts of \$38,835)	317,857	-	-	317,857	348,328
Prepaid expenses	45,809	-	-	45,809	35,848
Total current assets	<u>851,936</u>	<u>588,483</u>	<u>5,000</u>	<u>1,445,419</u>	<u>1,533,783</u>
Long term assets:					
Property and equipment, net	22,003	-	-	22,003	29,131
Other assets:					
Certificates of deposit	-	117,882	-	117,882	236,020
Deposits	5,780	-	-	5,780	5,780
Total long-term assets	<u>27,783</u>	<u>117,882</u>	<u>-</u>	<u>145,665</u>	<u>270,931</u>
Total assets	<u>\$ 879,719</u>	<u>\$ 706,365</u>	<u>\$ 5,000</u>	<u>\$ 1,591,084</u>	<u>\$ 1,804,714</u>
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable and accrued expenses	\$ 181,685	\$ -	\$ -	\$ 181,685	\$ 435,742
Allocations payable	300,000	-	-	300,000	280,000
Designations payable - member and non-member	202,613	-	-	202,613	221,374
Deferred rent liability	35,764	-	-	35,764	26,434
Deferred exchange transactions	300	-	-	300	21,945
Total current liabilities	<u>720,362</u>	<u>-</u>	<u>-</u>	<u>720,362</u>	<u>985,495</u>
Net assets	<u>159,357</u>	<u>706,365</u>	<u>5,000</u>	<u>870,722</u>	<u>819,219</u>
Total liabilities and net assets	<u>\$ 879,719</u>	<u>\$ 706,365</u>	<u>\$ 5,000</u>	<u>\$ 1,591,084</u>	<u>\$ 1,804,714</u>

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, 2014
(with summarized comparative totals for June 30, 2013)

	2014			Total	Restated
	Unrestricted	Temporarily Restricted	Permanently Restricted		(For comparative purposes only) 2013 Total
Public support:					
Campaign support					
Annual campaign	\$ 978,473	\$ -	\$ -	\$ 978,473	\$ 954,617
Less donor designations to other organizations	(228,205)	-	-	(228,205)	(228,187)
Less donor designations paid by others	(67,245)	-	-	(67,245)	(50,559)
Estimated uncollectible pledges	(38,865)	-	-	(38,865)	(39,116)
Net campaign support	644,158	-	-	644,158	636,755
Other public support and revenue:					
Grants and contracts	1,283,216	500,428	-	1,783,644	1,729,739
Community projects and miscellaneous support	36,620	247,185	-	283,805	262,925
Foundation grants	-	431,271	-	431,271	362,835
Special fund raising events	106,240	-	-	106,240	76,721
Fees for service	1,650	-	-	1,650	1,275
Donated services	-	-	-	-	25,000
Investment income	633	4,223	-	4,856	7,738
Other income	30,793	-	-	30,793	35,576
Total other public support and revenue	1,459,152	1,183,107	-	2,642,259	2,501,809
Net assets released from restrictions - Family Service Association	42,360	(42,360)	-	-	-
Net assets released from restrictions - grants and program	1,043,354	(1,043,354)	-	-	-
Total net assets released from restrictions	1,085,714	(1,085,714)	-	-	-
Total public support, revenue and net assets released from restrictions	3,189,024	97,393	-	3,286,417	3,138,564
Expenses:					
Program services	2,501,730	-	-	2,501,730	2,329,232
Supporting services	733,184	-	-	733,184	746,802
Total expenses	3,234,914	-	-	3,234,914	3,076,034
Change in net assets	(45,890)	97,393	-	51,503	62,530
Net assets:					
Net assets, beginning of year, as restated	205,247	608,972	5,000	819,219	571,408
Prior period adjustment	-	-	-	-	185,281
Net assets, beginning of year, as restated	205,247	608,972	5,000	819,219	756,689
Net assets, end of year	\$ 159,357	\$ 706,365	\$ 5,000	\$ 870,722	\$ 819,219

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, 2014

(with summarized comparative totals for June 30, 2013)

	2014							Restated (For comparative purposes only) 2013 Total	
	Program Services			Supporting Services					
	Community Programs/ Grants	First 5 of Santa Cruz County	Total Program Services	Administration	First 5 of Santa Cruz County	Fundraising	Total Supporting Services		Total
Salaries	\$ 459,569	\$ 320,470	\$ 780,039	\$ 79,871	\$ 125,381	\$ 84,219	\$ 289,471	\$ 1,069,510	\$ 982,446
Benefits and payroll taxes	148,215	126,203	274,418	57,282	49,200	21,765	128,247	402,665	364,031
Total salaries and related expenses	<u>607,784</u>	<u>446,673</u>	<u>1,054,457</u>	<u>137,153</u>	<u>174,581</u>	<u>105,984</u>	<u>417,718</u>	<u>1,472,175</u>	<u>1,346,477</u>
Professional fees	315,989	392,675	708,664	28,068	56,569	12,695	97,332	805,996	612,912
Allocations to partner programs	300,000	-	300,000	-	-	-	-	300,000	280,000
Travel, training, and conference	34,711	33,015	67,726	8,152	769	3,743	12,664	80,390	209,482
Community engagement and stipends	20,940	67,507	88,447	-	-	-	-	88,447	162,709
Supplies	105,450	34,995	140,445	8,137	10,130	12,845	31,112	171,557	109,202
Occupancy	33,124	16,880	50,004	18,277	21,985	16,384	56,646	106,650	120,836
Printing and publications	21,537	2,806	24,343	1,195	860	38,789	40,844	65,187	93,761
Family service association	40,000	-	40,000	-	-	-	-	40,000	40,000
Donated services	-	-	-	-	-	-	-	-	25,000
Equipment rental and maintenance	1,620	3,020	4,640	3,223	3,589	5,457	12,269	16,909	18,929
Membership dues	6,547	200	6,747	2,280	3,582	4,654	10,516	17,263	17,556
Telephone	6,131	2,051	8,182	1,023	2,281	2,574	5,878	14,060	13,814
Postage and shipping	1,054	2,021	3,075	734	1,741	1,482	3,957	7,032	10,172
Depreciation	-	-	-	7,128	-	-	7,128	7,128	8,285
Bad debt/pledge loss	5,000	-	5,000	-	-	28,469	28,469	33,469	-
Miscellaneous	-	-	-	1,440	-	-	1,440	1,440	-
Insurance	-	-	-	4,855	2,356	-	7,211	7,211	6,899
Total functional expenses	<u>\$ 1,499,887</u>	<u>\$ 1,001,843</u>	<u>\$ 2,501,730</u>	<u>\$ 221,665</u>	<u>\$ 278,443</u>	<u>\$ 233,076</u>	<u>\$ 733,184</u>	<u>\$ 3,234,914</u>	<u>\$ 3,076,034</u>

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, 2014 and 2013

	2014	Restated 2013
Cash flows from operating activities:		
Change in net assets	\$ 51,503	\$ 62,530
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	7,128	8,285
(Increase) decrease in:		
Pledges receivable	30,471	99,056
Grants and other receivables	115,418	(226,120)
Prepaid expenses and deposits	(9,961)	(22,741)
Increase (decrease) in:		
Accounts payable and accrued expenses	(254,057)	231,117
Allocations payable	20,000	(75,000)
Designations payable - member and non-members	(18,761)	(99,275)
Deferred rent liability	9,330	26,434
Deferred exchange transactions	(21,645)	21,945
Net cash (used in) provided by operating activities	(70,574)	26,231
Cash flows from investing activities:		
Purchases of certificates of deposit	-	(7,623)
Redemptions of certificates of deposit	350,508	55,788
Acquisition of new equipment	-	(8,050)
Net cash provided by investing activities	350,508	40,115
Net increase in cash and cash equivalents	279,934	66,346
Cash and cash equivalents, beginning of year	140,024	73,678
Cash and cash equivalents, end of year	\$ 419,958	\$ 140,024

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

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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, 2014

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, 2014 and 2013, were determined to be 6% and 10% of gross campaign pledges, respectively. Bad debt recovery is netted against the gross provision for uncollectible pledges on the statements of activities. For years ended June 30, 2014 and 2013, 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 years ended June 30, 2014 and 2013, 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, 2014

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, 2014 and 2013 the Organization recognized contributions of \$0 and \$25,000, respectively 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 and Uncertain Tax Positions

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.

The Organization's policy for evaluating uncertain tax positions is a two step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more-likely-than-not that the position will be sustained upon audit, including resolution of related appeals or litigations processes, if any. The second step is to measure the tax benefit or liability as the largest amount that is more than 50% likely to be realized or incurred upon settlement. Based on an analysis prepared by the Organization, it was determined that the tax positions taken or expected to be taken had no material effect on the recorded tax assets and liabilities of the Organization.

For the federal tax jurisdiction, tax years for 2011 through 2013 remain open and could be subject to examination. For the state tax jurisdiction, the tax years 2010 through 2013 remain open and subject to examination.

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).

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

2. Summary of Significant Accounting Policies, continued

***Fair Value Measurements*, continued**

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.

The following tables present the assets that are measured at fair value on a recurring basis at June 30, 2014 and 2013:

	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
	\$ 330,026	\$ 173,403	\$ -	\$ 503,429

	Assets at Fair Value at June 30, 2013			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 53,906	\$ -	\$ -	\$ 53,906
Certificates of deposit	-	523,911	-	523,911
	\$ 53,906	\$ 523,911	\$ -	\$ 577,817

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.

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

2. Summary of Significant Accounting Policies, continued

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.

Summarized Financial Information for Fiscal Year 2013

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, 2013, financial statements of United Way of Santa Cruz County, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the June 30, 2013 financial statement presentation to conform to the June 30, 2014 presentation.

3. Cash and Cash Equivalents

Cash and cash equivalents consisted of the following as of June 30, 2014 and 2013:

	2014	2013
Cash and checking accounts	\$ 89,932	\$ 86,118
Money market and maximizer accounts	330,026	53,906
	<u>\$ 419,958</u>	<u>\$ 140,024</u>

4. Prepaid Expenses

Prepaid expenses consisted of the following as of June 30, 2014 and 2013:

	2014	2013
Consulting	\$ 37,749	\$ 29,778
Rent	6,580	5,780
Insurance	1,480	290
	<u>\$ 45,809</u>	<u>\$ 35,848</u>

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

5. Property and Equipment, net

Property and equipment consisted of the following as of June 30, 2014 and 2013:

	2014		Total
	Donated	Purchased	
Computer equipment	\$ 28,164	\$ 48,494	\$ 76,658
Office equipment	-	40,641	40,641
Leasehold improvements	-	16,773	16,773
	<u>\$ 28,164</u>	<u>\$ 105,908</u>	134,072
Accumulated depreciation			(112,069)
Property and equipment, net			<u>\$ 22,003</u>
	2013		Total
	Donated	Purchased	
Computer equipment	\$ 28,164	\$ 48,494	\$ 76,658
Office equipment	-	40,641	40,641
Leasehold improvements	-	16,773	16,773
	<u>\$ 28,164</u>	<u>\$ 105,908</u>	134,072
Accumulated depreciation			(104,941)
Property and equipment, net			<u>\$ 29,131</u>

Depreciation expense for the years ended June 30, 2014 and 2013 was \$7,128 and \$8,285, respectively.

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

6. Restricted Net Assets

Temporarily Restricted Net Assets

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

	2014	2013
Restricted for Time:		
Packard General Operating	\$ 25,000	\$ 50,000
Restricted for Use:		
United Way of San Benito County	127,351	170,702
Family Service Association of the Central Coast- (Cumulative Investment Income)	83,798	79,575
Family Service Association of the Central Coast- (Principal)	34,084	76,445
Friends of Pajaro Park	79,557	62,594
Packard Youth Violence	90,898	25,000
TCW Sabbatical	-	20,000
2-1-1	-	17,729
Appleton Smart Solutions	12,717	12,710
Santa Cruz Meth Project	-	12,588
Success by Six	8,893	9,629
Homeless Action Project	-	9,549
Robert Wood Johnson	-	7,712
County of Santa Cruz Probation Department	-	7,616
PVCHT Healthy Corner Markets	-	7,329
Together for Youth	7,099	7,099
Children's Network CAPC	-	7,077
Go for Health! (Stipends)	-	6,223
Project Homeless Connect	4,101	3,467
Bi-National Health Week	2,097	3,417
Hep C	1,683	3,352
Immunization Coalition	2,509	2,509
Perinatal Services/CPSP	1,970	2,152
CAG	5,042	1,941
Go for Health!	-	1,193
Homeless Summit	-	1,011
Safe Kids	464	353
Harbourtion Foundation	15,929	-
Pajaro Valley Health Trust - Markets	3,173	-
Healthy Kids	200,000	-
	\$ 706,365	\$ 608,972

Continued

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

6. Restricted Net Assets, continued

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:

	2014
Program services	\$ 1,060,714
Time restricted	25,000
	<u>\$ 1,085,714</u>

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, 2014 and 2013, 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 \$159,357 and \$205,247 as of June 30, 2014 and 2013, 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 \$85,828 and \$82,603 for the years ended June 30, 2014 and 2013, 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 39% and 41% of the Organization's total support and revenue and represents approximately 35% and 51% of total grants receivable as of June 30, 2014 and 2013, 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.

UNITED WAY OF SANTA CRUZ COUNTY

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

9. Concentrations, continued

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.

10. Lease Commitments

In September 2010, the Organization entered into a ten year lease for its main office space in Capitola, California. Monthly lease payments, including triple net charges, were \$5,780 for the years ended June 30, 2014 and 2013. 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, 2014 and 2013 was \$87,490 and \$79,097, respectively, including triple net charges. At June 30, 2014, the Organization is committed to the following annual minimum lease payments including triple net charges:

	Minimum payment	Amortization of straight line deferred rent (deferred liability)	Straight line expense
Years ending June 30:			
2015	\$ 51,000	\$ 9,330	\$ 60,330
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 and thereafter	90,692	(20,309)	70,383
	\$ 407,797	\$ (35,764)	\$ 372,033

11. Advertising Costs

Advertising costs are expensed as incurred. For the years ended June 30, 2014 and 2013, advertising expenses were \$4,876 and \$15,271, respectively.

UNITED WAY OF SANTA CRUZ COUNTY

12. Adjustment to Prior Period Financial Statements

The Organization has adjusted its June 30, 2013 financial statements to retrospectively apply the change in accounting for deferred rent liability. In accordance with generally accepted accounting principles, certain operating leases require that operating lease expense be recognized on a straight-line basis, unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property. As detailed at Note 10, the Organization entered into a ten year lease for its main office space in Capitola, California which includes escalating lease payments. As a result of the accounting change, the June 30, 2013 financial statements were restated to include a deferred rent liability and respective expense of \$26,434 which in turn resulted in a decrease in the ending net asset as of June 30, 2013 of \$26,434. Prior to the accounting change, the Organization did not recognize rent expense on a straight-line basis.

13. Subsequent Events

The Organization has evaluated events subsequent to June 30, 2014, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through October 16, 2014, 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.