United Way Silicon Valley

Financial Statements
June 30, 2013 and 2012

Together with
Independent Auditors' Report

UNITED WAY SILICON VALLEY
TABLE OF CONTENTS
June 30, 2013

Robert Lee & Associates, LLP

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way Silicon Valley
San Jose, California

We have audited the accompanying financial statements of United Way Silicon Valley ("United Way"), a California public benefit corporation, which comprise the statements of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, 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.

Auditor's 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 of 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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of United Way as of June 30, 2013, and the changes in its net assets, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Way's 2012 financial statements, and our report dated October 22, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Robert Lee + Associates, LLP

San Jose, California
September 30, 2013

UNITED WAY SILICON VALLEY
Statements of Financial Position

	June 30, 2013	June 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 243,175	$ 845,890
Investments (Note 3)	1,236,104	1,014,110
Pledges receivable, net	3,346,137	3,441,891
Prepaid expenses	45,343	91,289
Grants and other receivables	637,683	832,101
Total current assets	5,508,442	6,225,281
Long-term investments (Note 3)	3,755,455	1,017,549
Long-term receivable	1,356,500	1,667,101
Property and equipment, net (Note 5)	299,630	384,841
Building and improvements held-for-sale (Note 7)	-	3,887,289
Other assets	22,781	27,421
Total assets	$ 10,942,808	$ 13,209,482
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 359,378	$ 551,675
Deferred revenue	-	7,144
Pledges due to agencies and other United Ways	1,308,304	1,355,352
Strategic grants payable	1,829,127	1,930,099
Capital lease obligations - current portion (Note 8)	9,849	9,531
Loan payable - current portion (Note 9)	-	72,607
Total current liabilities	3,506,658	3,926,408
Capital lease obligations - less current portion (Note 8)	19,813	29,662
Loan payable - less current portion (Note 9)	-	1,331,129
Other liabilities	-	44,595
Total liabilities	3,526,471	5,331,794
Contingency		
Net assets:		
Unrestricted		
Undesignated	2,028,264	4,664,716
Board-designated quasi-endowment (Note 11)	2,791,868	50,584
Total unrestricted	4,820,132	4,715,300
Temporarily restricted (Note 10)	2,596,205	3,162,388
Total net assets	7,416,337	7,877,688
Total liabilities and net assets	$ 10,942,808	$ 13,209,482

The accompanying notes are an integral part of these financial statements

UNITED WAY SILICON VALLEY

Statement of Activities and Changes in Net Assets

For the Fiscal Year Ended June 30, 2013 (with comparative totals for the fiscal year ended June 30, 2012)

	2013			2012
	Unrestricted	Temporarily Restricted	Total	Total
Revenues:				
Pledges revenue				
Annual campaign	$ 13,701,137	$ 115,436	$ 13,816,573	$ 12,056,605
Less donor designations to other organizations	(8,989,936)	-	(8,989,936)	(6,314,597)
Estimated uncollectible pledges	(243,675)	(18,608)	(262,283)	(267,953)
Total pledges revenue	4,467,526	96,828	4,564,354	5,474,055
Grants	686,009	203,586	889,595	984,619
Gifts in-kind and other support (Note 14)	387,181	-	387,181	381,286
Investment income, net	(25,579)	-	(25,579)	26,649
Miscellaneous income (Note 7)	1,047,278	108,335	1,155,613	861,172
Net assets released from restrictions (Note 10)	974,932	(974,932)	-	-
Total revenues	7,537,347	(566,183)	6,971,164	7,727,782
Expenses:				
Program services:				
Gross funds awarded/distributed	11,031,114	-	11,031,114	8,465,852
Less donor designations	(8,989,936)	-	(8,989,936)	(6,314,597)
Net funds awarded/distributed	2,041,178	-	2,041,178	2,151,255
Community and program support	2,838,982	-	2,838,982	3,474,956
Total program services	4,880,160	-	4,880,160	5,626,211
Support services:				
Management and general	871,934	-	871,934	759,816
Fundraising	1,680,421	-	1,680,421	1,748,085
Total support services	2,552,355	-	2,552,355	2,507,901
Total expenses	7,432,515	-	7,432,515	8,134,112
Changes in net assets	104,832	(566,183)	(461,351)	(406,330)
Net assets at beginning of year	4,715,300	3,162,388	7,877,688	8,284,018
Net assets at end of year	$ 4,820,132	$ 2,596,205	$ 7,416,337	$ 7,877,688

The accompanying notes are an integral part of these financial statements

UNITED WAY SILICON VALLEY

Statement of Functional Expenses

For the Year Ended June 30, 2013

	Program Services			Support Services			
	Net Funds Awarded/ Distributed	**Community and Program Support**	**Total**	**Management and General**	**Fundraising**	**Total**	**Total Expenses**
Funds awarded/distributed	$ 11,031,114	$ -	$ 11,031,114	$ -	$ -	$ -	$ 11,031,114
Less donor designations	(8,989,936)	-	(8,989,936)	-	-	-	(8,989,936)
Sub-total	2,041,178	-	2,041,178	-	-	-	2,041,178
Salaries and wages	-	1,067,523	1,067,523	421,554	948,328	1,369,882	2,437,405
Occupancy expense	-	439,075	439,075	104,627	217,691	322,318	761,393
Fringe benefits	-	293,474	293,474	116,146	261,293	377,439	670,913
Professional fees/technical services	-	211,074	211,074	144,259	87,797	232,056	443,130
Depreciation and amortization	-	209,269	209,269	16,822	35,002	51,824	261,093
Contract services	-	258,837	258,837	-	-	-	258,837
United Way of America dues	-	57,665	57,665	-	57,665	57,665	115,330
Publicity materials, services and supplies	-	58,549	58,549	-	54,785	54,785	113,334
Interest and bank charges	-	26,443	26,443	73,176	492	73,668	100,111
Special events	-	87,832	87,832	600	9,505	10,105	97,937
Office operating expenses	-	40,772	40,772	12,327	10,847	23,174	63,946
Miscellaneous (income) expense	-	69,145	69,145	(20,982)	(10,622)	(31,604)	37,541
Conferences, travel and training	-	19,324	19,324	3,405	7,638	11,043	30,367
Total expenses	$ 2,041,178	$ 2,838,982	$ 4,880,160	$ 871,934	$ 1,680,421	$ 2,552,355	$ 7,432,515

The accompanying notes are an integral part of these financial statements

UNITED WAY SILICON VALLEY

Statement of Functional Expenses

For the Year Ended June 30, 2012

	Program Services			Support Services			
	Net Funds Awarded/ Distributed	**Community and Program Support**	**Total**	**Management and General**	**Fundraising**	**Total**	**Total Expenses**
Funds awarded/distributed	$ 8,465,852	$ -	$ 8,465,852	$ -	$ -	$ -	$ 8,465,852
Less donor designations	(6,314,597)	-	(6,314,597)	-	-	-	(6,314,597)
Sub-total	2,151,255	-	2,151,255	-	-	-	2,151,255
Salaries and wages	-	1,201,984	1,201,984	396,060	1,024,806	1,420,866	2,622,850
Occupancy expense	-	625,924	625,924	92,731	200,419	293,150	919,074
Fringe benefits	-	323,825	323,825	106,076	277,612	383,688	707,513
Depreciation and amortization	-	420,413	420,413	18,264	39,473	57,737	478,150
Professional fees/technical services	-	243,120	243,120	82,681	56,846	139,527	382,647
Contract services	-	341,477	341,477	-	-	-	341,477
United Way of America dues	-	57,715	57,715	-	57,715	57,715	115,430
Interest and bank charges	-	62,030	62,030	48,914	1,257	50,171	112,201
Publicity materials, services and supplies	-	24,913	24,913	82	66,554	66,636	91,549
Office operating expenses	-	38,983	38,983	9,739	11,825	21,564	60,547
Special events	-	53,489	53,489	532	2,774	3,306	56,795
Conferences, travel and training	-	30,233	30,233	6,486	15,552	22,038	52,271
Miscellaneous (income) expense	-	50,850	50,850	(1,749)	(6,748)	(8,497)	42,353
Total expenses	$ 2,151,255	$ 3,474,956	$ 5,626,211	$ 759,816	$ 1,748,085	$ 2,507,901	$ 8,134,112

The accompanying notes are an integral part of these financial statements

UNITED WAY SILICON VALLEY

Statement of Cash Flows

	For the Fiscal Years Ended June 30, 2013	2012
Cash flows from operating activities:		
Changes in net assets	$ (461,351)	$ (406,330)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Loss (gain) on disposal of property and equipment (Note 7)	(796,959)	36,132
Depreciation and amortization	261,093	478,150
Receipt of in-kind equipment	-	(15,950)
Unrealized losses	126,216	9,743
Changes in operating assets and liabilities:		
Pledges receivables, net	95,754	(151,406)
Prepaid expenses	45,946	40,215
Grants and other receivables	194,418	(113,831)
Long term in-kind receivable	310,601	297,226
Other assets	4,640	(6,758)
Accounts payable and accrued expenses	(192,297)	(311,142)
Deferred revenue	(7,144)	4,144
Pledges due to agencies and other United Ways	(47,048)	(320,121)
Strategic grants payable	(100,972)	(100,953)
Other liabilities	(44,595)	(110)
Net cash used by operating activities	(611,698)	(560,991)
Cash flows used by investing activities:		
Acquisition of investments for quasi-endowment	(2,856,116)	-
Investment in certificates of deposit and corporate bonds	(500,000)	900,120
Proceeds from maturity of investments	270,000	-
Proceeds from sale of property and equipment	4,530,339	-
Purchase of property and equipment	(21,973)	(86,626)
Net cash provided by investing activities	1,422,250	813,494
Cash flows used by financing activities:		
Payment on capital lease obligations	(9,531)	(48,397)
Repayment of loan	(1,403,736)	(42,354)
Net cash used by financing activities	(1,413,267)	(90,751)
Net increase (decrease) in cash and cash equivalents	(602,715)	161,751
Cash and cash equivalents at beginning of year	845,890	684,139
Cash and cash equivalents at end of year	$ 243,175	$ 845,890
Supplemental disclosure of cash flow information:		
Interest paid during the year	$ 27,172	$ 56,813
Supplemental disclosure of non-cash investing and financing activities:		
In-kind donations - computer equipment and software	$ -	$ 15,950
Transfer of building and improvements from in-service to held-for-sale	-	3,887,289

The accompanying notes are an integral part of these financial statements

UNITED WAY SILICON VALLEY
Notes to Financial Statements
June 30, 2013

Note 1 - Organization and operations:

United Way Silicon Valley ("United Way") is an independent, locally-managed nonprofit organization founded in 1922. United Way is leading a movement to improve community conditions in Santa Clara County by helping local people become financially stable and independent. To drive positive change, United Way helps people help themselves by identifying critical needs, mobilizing the caring power of the community, and aligning resources to achieve the best solutions. United Way is focused on the building blocks for a good life: income, education and health.

Note 2 - Summary of significant accounting policies:

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and accordingly reflect all significant receivables, payables and other liabilities.

Basis of presentation - United Way reports information regarding its financial position and activities according to three classes of net assets:

- *Unrestricted net assets* - the portion of net assets that is neither temporarily nor permanently restricted by donor-imposed stipulations. These net assets are intended for use of management and the Board of Directors for facility maintenance and general operations. Unrestricted net assets also include those expendable resources that have been designated for special use by the Board of Directors.
- *Temporarily restricted net assets* - the portion of net assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of United Way.
- *Permanently restricted net assets* - the portion of net assets whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be removed by actions of United Way. There were no permanently restricted net assets as of June 30, 2013 and 2012.

Use of estimates - The preparation of financial statements, requires management to make estimates and assumptions that affect the reported amounts of 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 these estimates.

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

Note 2 - Summary of significant accounting policies (continued):

Use of estimates (continued) - Another significant estimate related to uncollectible pledges is an account that has been established as a provision for designations that will not be paid due to the uncollectibility of the related donor pledge. The balance for designations that will not be paid is estimated based on historical experience, the level of anticipated uncollectible pledges and the rate at which donors have designated their pledges to other not-for-profit organizations. This account balance is netted against the liability for pledges due to agencies and other United Ways.

Revenue recognition - Contributed support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other contributed support is recognized as revenue when received or unconditionally promised. United Way reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When such restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Contributed support that is expected to be collected in future years, is recorded at the present value of its estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts, if any, is included in contribution revenue.

Recognition of pledges from fundraising campaign and designations - Each year, from July to June, United Way conducts annual fundraising campaigns in Santa Clara County to raise funds to support strategic and targeted investments in its community impact focus areas. Such public support is recorded at the fair value of the pledge in the year it is received. Pledges and promises to give are accounted for as either unconditional or conditional. Unconditional promises to give are promises that depend only on the passage of time or the demand by the donor for performance. Conditional promises to give, if any, are not included as support until the conditions are substantially met. There were no conditional promises to give at June 30, 2013 and 2012. Included in these pledges are contributions designated for other non-profit organizations throughout the United States, and for other United Ways in California and other states, for which United Way serves as the primary fiscal agent in the solicitation and distribution of such pledges. These pledges are included in campaign support and are deducted as donor designations to other organizations in arriving at net campaign support. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted contributions. As a result, all pledges receivable at the end of the fiscal year are for the year in which they were pledged and are recorded in unrestricted net assets.

Note 2 - Summary of significant accounting policies (continued):

Recognition of pledges from fundraising campaign and designations (continued) - The use of funds to achieve community impact outcomes is approved by the Board of Directors prior to year end. A portion of these funds are distributed to agencies in the succeeding twelve-month fiscal year provided agencies are in compliance with the agency agreements. By June 30, 2013 and 2012, strategic investments committed to be paid to agencies were recorded as liabilities.

Gifts in-kind - Significant donated property and equipment is recorded at estimated fair value at the date of receipt. Contributed services, which require a specialized skill and which United Way would have paid for if not contributed, have been recorded at their estimated fair market value. In addition, a substantial number of volunteers have donated significant amounts of time in promoting United Way's programs. The value of donated volunteer services has not been recognized in the accompanying financial statements because such volunteer services do not require specialized skills.

Other contributions and support - United Way receives other public support outside the conduct of the annual fundraising campaign. This other support includes both public and private grants, gifts in-kind of goods and services, donor designated funds received in the course of other appeals or another United Way annual campaign outside of Santa Clara County and sponsorship revenue. Certain ceremonial, celebratory and special recognition events at United Way are underwritten by sponsorship, or the costs are offset by contributions for the specific event. Generally, the donating companies agree that their contributions may also be used for other costs related to the operation of United Way.

Functional expense allocations - The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated, based on estimates of time, space, and other factors, among the classifications.

Concentration of credit risk - Financial instruments that potentially subject United Way to credit risk consist primarily of cash and cash equivalents, investments, and pledges receivable. United Way maintains cash and cash equivalents with domestic institutions that are federally insured, up to the limits of the Federal Deposit Insurance Corporation ("FDIC") deposit insurance. Cash equivalents may include U.S. treasury and agency securities, certificates of deposits, savings accounts, money market funds or depository receipts of highly rated domestic financial institutions, and corporate commercial paper and notes. The obligor of all investments must meet certain credit requirements as indicated by at least two NRSRO (Nationally Recognized Statistical Rating Organizations). Pledges receivable are unsecured and are due from various individuals and corporations primarily located in Santa Clara County. The carrying amount is net of uncollectible amounts and is a reasonable estimate of the fair value. Additionally, any pledges that are expected to be collected after one year have been discounted and are reflected in the financial statements at their net present value. It is United Way's opinion that it is not exposed to any significant credit risks.

Note 2 - Summary of significant accounting policies (continued):

Cash and cash equivalents - Cash and cash equivalents consist of cash and money market funds. United Way considers all short-term, highly liquid investments, and investments with original maturity dates of three months or less at the date of purchase to be cash equivalents.

Pledges receivable and allowance for doubtful accounts - Pledges receivable consist of funds received from annual fundraising campaigns in Santa Clara County to raise funds to support strategic and targeted investments in its community impact focus areas. United Way uses the allowance method to account for doubtful accounts. The allowance for doubtful accounts is based on historical experience and management's evaluation of outstanding receivables at the end of the year including a review of the aging and credit history of debtors. Bad debt recoveries are included in miscellaneous income as realized. The allowance for doubtful accounts was approximately $298,000 and $346,000 as of June 30, 2013 and 2012, respectively.

Investments - United Way's investments are valued in accordance with generally accepted accounting principles in the United States, including Fair Value Measurements. United Way's investment policy authorizes investments in U.S. treasury and agency securities, certificates of deposits, savings accounts, money market funds or depository receipts of highly rated domestic financial institutions, corporate commercial paper, notes bonds and SVCF investment pool. Public stocks, subject to considerable price fluctuations, are valued at the closing market price on the last day of the fiscal year and must be readily convertible into cash and diversified by security type with maturities ranging from 3 months to 2 years as specified by the purpose for which the funds are held. Contributions of investments ("donated in-kind gifts") are recorded at quoted market prices at the date of donation. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur as part of unrestricted net assets. Realized gains or losses resulting from sales or maturities are the differences between the investment's cost basis and the sale or maturity settlement of the investment. Dividend and interest income are accrued when earned. Interest accrued on investments through the date of the financial statements is accrued as interest receivable.

Fair value of financial instruments - Financial instruments included in United Way's Statement of Financial Position as of June 30, 2013 and 2012 include cash and cash equivalents, investments, receivables, and accounts payable and accrued expenses. Cash equivalents include overnight investments, certificates of deposits and money market funds. For cash and cash equivalents, receivables, and accounts payable and accrued expenses, the carrying amounts represent a reasonable estimate of the corresponding fair values. Investments are reflected in the accompanying Statement of Financial Position at their estimated fair values using methodologies described above.

Note 2 - Summary of significant accounting policies (continued):

Prepaid expenses - Prepaid expenses consist of expenditures and assets that are expected to be realized in the future. Prepaid expenses occur when expenditures are made for goods and services which are expected to be received in the near future. Insurance premiums and payments made for maintenance services paid in advance of receiving the services are classified as prepaid expenses.

Grants and other receivables - Grants receivable consist of amounts that have been granted to United Way from other organizations and have not been collected at year-end. There were no conditional grants at June 30, 2013 and 2012. All grants are expected to be received within the next 12 months. Other receivables include the value of future receipts (other than campaign pledges and grants) that are expected to be received within the next 12 months. Outstanding rent and miscellaneous fees are classified as other receivables.

Long-term in-kind receivables - The portion of receivables expected to be collected during a period extending beyond one year is classified as a long-term receivable and is discounted to reflect the current value of the amount to be received. United Way received an in-kind donation of office rent for the period extending from June 2008 to May 2018. The estimated fair rental value of in-kind office rent, which will be realized beyond June 30, 2013 has been classified as a long-term in-kind receivable (see Note 13).

Property, equipment, depreciation and amortization - Purchased property and equipment are stated at cost. Acquisitions of property and equipment in excess of $1,000 are capitalized. Significant donated property and equipment is recorded at estimated fair value at the date of receipt. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	27.5
Building improvements	3 - 27.5
Furniture and equipment	3 - 7

Leasehold improvements are amortized using the straight-line method over the lesser of the assets' estimated useful lives or the term of the applicable lease.

Long-lived assets - United Way reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any assets may not be recoverable. No such impairments have been identified to date.

UNITED WAY SILICON VALLEY
Notes to Financial Statements
June 30, 2013

Note 2 - Summary of significant accounting policies (continued):

Advertising - Advertising costs are expensed as incurred. Advertising, promotion, and marketing expense for the years ended June 30, 2013 and 2012 were approximately $113,000 and $92,000, respectively.

Tax-exempt status - Income taxes are not provided for in the financial statements since United Way is an exempt organization for Federal and state income tax purposes under Section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the California Revenue and Taxation Code. The United Way is not classified as a private foundation.

Accounting for uncertainty in income taxes - United Way evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2013 management did not identify any uncertain tax positions.

United Way is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is June 30, 2009 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2008 and forward.

Recent accounting pronouncements - In October 2012, the Financial Accounting Standards Board ("FASB") issued FASB Accounting Standards Update ("ASU") 2012-05, "*Not-for-Profit Entities: Classification of the Sale Proceeds of Donated Financial Assets in the Statement of Cash Flows*." This ASU requires a not-for-profit entity to classify cash receipts from the sale of donated financial assets consistently with cash donations received in the statement of cash flows if those cash receipts were from the sale of donated financial assets that upon receipt were directed without any not-for-profit imposed limitations for sale and were converted nearly immediately into cash. Accordingly, the cash receipts from the sale of those financial assets should be classified as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which cash those cash receipts should be classified as cash flows from financing activities. Otherwise, cash receipts from the sale of donated financial assets should be classified as cash flows from investing activities by the not-for-profit entity. ASU 2012-05 is effective prospectively for fiscal years, and interim periods within those years, beginning after June 15, 2013. Retrospective application to all periods presented upon the date of adoption is permitted. The Organization does not expect the adoption of this ASU to have a material impact on the financial statements.

Note 2 - Summary of significant accounting policies (continued):

Subsequent events - Subsequent events have been evaluated through September 30, 2013, which is the date the financial statements were available to be issued and it has been determined that no material subsequent events require an estimate to be recorded or disclosed as of June 30, 2013.

Note 3 - Investments:

United Way follows the provisions of the Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of significant unobservable inputs and have the lowest priority. United Way uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, United Way measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available. United Way's investments consisted of the following at June 30:

	2013	2012
Certificates of deposit	$ 600,000	$ 100,000
US corporate bonds	1,599,691	1,881,075
SVCF inv. pool – gov't bonds (Note11)	2,791,868	50,584
Total investments	4,991,559	2,031,659
Less portion maturing within one year	(1,236,104)	(1,014,110)
Portion maturing after one year	$ 3,755,455	$ 1,017,549

An investment's classification within a level in the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. United Way's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The categorization of the investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to United Way's perceived risk of that investment. The following are major categories of investments measured at fair value on a recurring basis:

- Level 1: Quoted prices in active markets for identical assets
- Level 2: Significant other observable inputs
- Level 3: Significant unobservable inputs

UNITED WAY SILICON VALLEY
Notes to Financial Statements
June 30, 2013

Note 3 - Investments (continued):

At June 30, 2013, United Way's investments were recorded as follows:

	Level 1	Level 2	Total
Certificates of deposit	$ 600,000	$ -	$ 600,000
US corporate bonds	1,599,691	-	1,599,691
SVCF inv. pool – gov't bonds (Note 11)	-	2,791,868	2,791,868
Total investments	$ 2,199,691	$ 2,791,868	$ 4,991,559

At June 30, 2012, United Way's investments were recorded as follows:

	Level 1	Level 2	Total
Certificates of deposit	$ 100,000	$ -	$ 100,000
US corporate bonds	1,881,075	-	1,881,075
SVCF inv. pool – gov't bonds (Note 11)	-	50,584	50,584
Total investments	$ 1,981,075	$ 50,584	$ 2,031,659

The following schedule summarizes the investment returns for the year ended June 30:

	2013	2012
Interest income	$ 32,016	$ 36,643
Net realized and unrealized losses	(57,595)	(9,992)
Total investment returns (losses)	$ (25,579)	$ 26,651

The following is a reconciliation of the beginning and ending balances for investments measured at fair value on a recurring basis using significant other observable inputs (Level 2) for the years ended:

	2013	2012
Beginning balance, board-designated quasi endowment	$ 50,584	$ -
Purchase of SVCF investment pool - government bonds [a]	2,800,000	50,000
Net realized and unrealized gains (losses)	(62,073)	584
Interest income	13,713	-
Management fees	(10,356)	-
Ending balance, board-designated quasi endowment	$ 2,791,868	$ 2,788,511

Note 3 - Investments (continued):

[a] This category includes investments in the Silicon Valley Community Foundation ("SVCF") Short-Term Investment Pool. The objective of this pool is current income and investment returns that exceed money market returns. The pool seeks to achieve its objective by investing in a diversified portfolio of U.S. and non-U.S. fixed income funds with a dollar-weighted average portfolio maturity of one to three years. The pool intends to maintain an asset allocation of 55% short-term bond funds, 35% intermediate-term bond funds and 10% global bond funds. Each month, cumulative, net amount of investment earnings or loss and investment related expenses, are allocated to each fund pro-rata based on each fund's average daily balance of that pool.

Note 4 - Pledges receivable, net:

Pledges receivable and changes in the allowance for uncollectible amounts are summarized as follows as of June 30:

	2013	2012
Total pledges receivable	$ 3,644,406	$ 3,788,153
Allowance for uncollectible amounts:		
Balance, beginning of year	346,262	450,367
Add provision for uncollectible	243,675	267,953
Less write-off of uncollectible pledges	(291,668)	(372,058)
Balance, end of year	298,269	346,262
Net pledges receivable	$ 3,346,137	$ 3,441,891

Note 5 - Property and equipment, net:

Property and equipment consisted of the following at June 30:

	2013	2012
Furniture and equipment	$ 407,462	$ 642,196
Building and building improvements	280,131	280,130
Construction-in-progress	7,754	-
	695,347	715,913
Less: accumulated depreciation and amortization	(395,717)	(331,072)
	$ 299,630	$ 384,841

Note 5 - Property and equipment, net (continued):

Depreciation and amortization expense for the years ended June 30, 2013 and 2012 were approximately $261,000 and $478,000, respectively.

Note 6 - Distributions to the community and benefiting organizations:

United Way's various fundraising campaigns and activities resulted in the following distributions to United Way partner agencies and other benefiting organizations for the years ended June 30:

	2013	2012
Distributed funds determined by the Board of Directors to partner agencies	$ 1,899,955	$ 2,049,990
Designations directed by donors	8,989,936	6,314,597
Program grants to agencies	138,026	101,265
Total distributions	$ 11,027,917	$ 8,465,852

Note 7 - Rental income activity and building sale:

United Way received rental income under long-term lease agreements of approximately $237,000 and $478,000 for the fiscal years ended June 30, 2013 and 2012, respectively.

On December 28, 2012, United Way sold the rental property to an unrelated third party and will no longer be receiving any further rental income. As part of this transaction, the respective term loan was paid in full and a realized gain of approximately $797,000 was recognized, which in included in miscellaneous income.

Note 8 - Capital lease obligations:

United Way has entered into a capital lease agreement for equipment with a cost of approximately $49,200 and related accumulated amortization of approximately $9,800. The lease expires in 2016, requires aggregate monthly payments of approximately $900 and bears interest of 3.29% per annum.

Note 8 - Capital lease obligations (continued):

At June 30, 2013, the present value of future minimum annual obligations under the agreements was as follows:

For the years ending June 30,		
2014	$	10,677
2015		10,677
2016		9,784
Total payments		31,138
Less amounts representing interest		(1,486)
Present value of minimum lease payments		29,662
Less portion due within one year		(9,849)
Portion due after one year	$	19,813

Note 9 - Loan payable:

United Way had a term loan to finance the rental property (Note7) in which the principal balance accrues interest at the LIBOR rate plus 3.50% or prime rate plus 1.50%. During the year, United Way sold the building and all remaining principal and interest balances on the loan were paid in full and the term loan was terminated.

Note 10 - Temporarily restricted net assets:

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

		2013		2012
Future year donor pledges	$	1,992,099	$	2,547,701
Financial Stability Partnership		139,773		202,561
Covering California's Children		123,740		106,233
Emergency loan fund		92,375		92,293
CADRE		84,487		63,832
Emergency Assistance Network		79,431		104,211
Earn it Keep it Save it		39,255		41,976
Disruptive Innovation		37,380		-
Women Leadership Council		7,665		-
Nonprofit Effectiveness-Packard Fund		-		3,581
Grand total	$	2,596,205	$	3,162,388

Note 10 - Temporarily restricted net assets (continued):

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes or by occurrences of other events specified by donors for the years ended June 30, as follows:

	2013	2012
Future year donor pledge	$ 635,620	$ 385,621
Financial Stability Partnership	123,602	78,726
CADRE	63,832	103,426
Covering California's Children	61,439	44,347
Emergency Assistance Network	59,137	12,087
Earn it Keep it Save it	27,721	45,323
Nonprofit Effectiveness-Packard Fund	3,581	-
Volunteer Assessment	-	29,882
Education / AEC	-	36,579
Grand total	$ 974,932	$ 735,991

Note 11 - Board-designated quasi-endowment - United Way's board of directors has chosen to designate certain unrestricted net assets for future operations. These funds were placed with the Silicon Valley Community Foundation's investment pool and are considered a board-designated quasi-endowment. See Note 3 for additional details of the underlying investments.

Note 12 - United Way 401(k) defined contribution plan:

Effective August 1, 1995, United Way implemented a defined contribution retirement plan available to all employees with over one year of employment. The plan calls for employer contributions at an amount to be determined annually by United Way. Employees are not required to contribute to this plan. Participants' benefits vest ratably over five years. Contributions made under this plan totaled approximately $92,000 and $126,000 for the years ended June 30, 2013 and 2012, respectively.

Note 13 - 403(b) Tax deferred annuity for employees of United Way Silicon Valley:

United Way offered a 403(b) tax deferred annuity plan ("403(b) Plan") for all full-time eligible employees. In 2005 the 403(b) Plan was frozen and since then there have been no contributions.

Note 14 - Gifts in-kind:

During the year ended June 30, 2013, United Way received in-kind donations of social media Workshops and toys from the holiday giving program. The estimated fair value of these donations totaled approximately $32,000 and $71,000, respectively, which is reflected in other support in the accompanying statement of activities and changes in net assets. The employees of United Way were provided a workshop relating to the strategies and benefits of using social media for non-profits. The toys were distributed to the community through various schools at the discretion of United Way.

During the year ended June 30, 2012, United Way received in-kind donations of children's toys, computer equipment, books and sports equipment. The estimated fair value of these donations totaled approximately $34,000, $16,000, $9,000 and $1,500, respectively, which is reflected in other support in the accompanying statement of activities and changes in net assets. The toys, books and sports equipment were distributed to the community through nonprofit organizations at the discretion of the United Way. United Way capitalized the entire value of the computer equipment.

During the year ended June 30, 2013, United Way received in-kind legal services from a related party (see Note 14) in relation to the sale of the building owned by United Way. The estimated fair value of these donations totaled approximately $81,000, which is reflected in gifts-in-kind and other support in the accompanying statement of activities and changes in net assets.

United Way received an in-kind donation of office rent from a related party (see Note 14) beginning June 2008. The donated office rent extends over a period of ten years with an estimated net present value of $3,200,000 after applying a 4.5% discount for future rents. The portion of the discounted future rents earned totaled approximately $75,000 and $88,000 for the years ended June 30, 2013 and 2012, respectively.

Present value of future rent receivable is as follows:

For the years ending June 30,		
2014	$	385,623
2015		369,017
2016		353,127
2017		337,920
2018		296,436
Present value of future rent receivable		1,742,123
Less portion collectible within one year		(385,623)
Portion collectible after one year	$	1,356,500

The current portion of the in-kind receivable is included in grants and other receivables at June 30, 2013 and 2012.

Note 15 - Related-party transactions:

Related-party contributions - United Way Board of Directors' members are active in both the oversight of United Way and its various fund raising events. Contributions received from the Board of Directors' members were approximately $122,000 and $1,121,000 for the years ended June 30, 2013 and 2012, respectively.

Related-party in-kind rent - United Way occupies office space provided by a third party that provides free rent to United Way along with other non-profits. United Way simply pays common area charges for the office space. After the execution of the lease, United Way invited a community leader related to the landlord to join the board. He currently is on the board.

Related-party IT services - United Way purchased IT (information technology services) from an organization that was created by other United Way organizations to economize on IT services. The president and CEO of United Way was elected to serve as the chair of the IT organization in the upcoming fiscal year. There is no compensation provided.

Related-party legal services - As discussed in Note 13, in connection with the sale of the building, a board member and his firm provided significant legal services to United Way. No compensation was provided.

Note 16 - Contingency:

Due to the nature of the United Way's operations, claims and litigation may periodically arise. As of June 30, 2013, management has evaluated the status of any potential legal maters and in its judgment believes there are not items which will have a material effect on the financial statements.