



United Way Silicon Valley

**Financial Statements
June 30, 2014 and 2013**

**Together with Independent
Auditors' Report**

UNITED WAY SILICON VALLEY

Table of Contents

June 30, 2014

	PAGE
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-22



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 statement of financial position as of June 30, 2014, 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.

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 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 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way as of June 30, 2014, and the changes in its net assets, its functional expenses and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Way's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2013. 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.



San Jose, California
October 2, 2014

UNITED WAY SILICON VALLEY
Statements of Financial Position

	June 30,	
	2014	2013
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 537,940	\$ 243,175
Investments (Note 3)	853,459	1,236,104
Pledges receivable, net	3,294,392	3,346,137
Prepaid expenses	37,191	45,343
Grants and other receivables	621,939	637,683
Total current assets	5,344,921	5,508,442
Long-term investments (Note 3)	3,455,558	3,755,455
Long-term receivable (Note 12)	1,031,922	1,356,500
Property and equipment, net (Note 5)	226,616	299,630
Other assets	27,041	22,781
Total assets	\$ 10,086,058	\$ 10,942,808
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 524,739	\$ 359,378
Pledges due to agencies and other United Ways	1,501,019	1,308,304
Strategic grants payable	1,850,000	1,829,127
Capital lease obligations - current portion (Note 7)	10,182	9,849
Total current liabilities	3,885,940	3,506,658
Capital lease obligations - non-current portion (Note 7)	9,631	19,813
Total liabilities	3,895,571	3,526,471
Contingency		
Net assets:		
Unrestricted		
Undesignated	873,980	2,028,264
Board-designated quasi-endowment (Note 8)	3,356,929	2,791,868
Total unrestricted	4,230,909	4,820,132
Temporarily restricted (Note 9)	1,959,578	2,596,205
Total net assets	6,190,487	7,416,337
Total liabilities and net assets	\$ 10,086,058	\$ 10,942,808

The accompanying notes are an integral part of these financial statements

UNITED WAY SILICON VALLEY
Statements of Activities and Changes in Net Assets
For the fiscal year ended June 30, 2014
(with comparative totals for the fiscal year ended June 30, 2013)

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
Revenues:				
Pledges revenue				
Annual campaign	\$ 12,885,264	\$ 102,142	\$ 12,987,406	\$ 13,816,573
Less donor designations to other organizations	(8,440,409)	-	(8,440,409)	(8,989,936)
Estimated uncollectible pledges	(453,640)	(26,713)	(480,353)	(262,283)
Total pledges revenue	3,991,215	75,429	4,066,644	4,564,354
Grants	680,004	253,907	933,911	889,595
Gifts in-kind and other support (Note 12)	337,199	61,042	398,241	387,181
Investment income, net	305,203	-	305,203	(25,579)
Rental income	-	-	-	240,040
Miscellaneous income	167,252	13,363	180,615	915,573
Net assets released from restrictions (Note 9)	1,040,368	(1,040,368)	-	-
Total revenues	6,521,241	(636,627)	5,884,614	6,971,164
Expenses:				
Program services:				
Gross funds awarded/distributed	10,464,976	-	10,464,976	11,031,114
Less donor designations	(8,440,409)	-	(8,440,409)	(8,989,936)
Net funds awarded/distributed	2,024,567	-	2,024,567	2,041,178
Community and program support	2,644,699	-	2,644,699	2,838,982
Total program services	4,669,266	-	4,669,266	4,880,160
Support services:				
Management and general	700,130	-	700,130	871,934
Fundraising	1,741,068	-	1,741,068	1,680,421
Total support services	2,441,198	-	2,441,198	2,552,355
Total expenses	7,110,464	-	7,110,464	7,432,515
Changes in net assets	(589,223)	(636,627)	(1,225,850)	(461,351)
Net assets at beginning of year	4,820,132	2,596,205	7,416,337	7,877,688
Net assets at end of year	\$ 4,230,909	\$ 1,959,578	\$ 6,190,487	\$ 7,416,337

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, 2014

	<u>Program Services</u>			<u>Support Services</u>			<u>Total Expenses</u>
	<u>Net Funds Awarded/ Distributed</u>	<u>Community and Program Support</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Funds awarded/distributed	\$ 10,464,976	\$ -	\$ 10,464,976	\$ -	\$ -	\$ -	\$ 10,464,976
Less donor designations	(8,440,409)	-	(8,440,409)	-	-	-	(8,440,409)
Sub-total	2,024,567	-	2,024,567	-	-	-	2,024,567
Salaries and wages	-	1,137,153	1,137,153	260,611	932,754	1,193,365	2,330,518
Fringe benefits	-	319,252	319,252	77,967	265,264	343,231	662,483
Occupancy expense	-	266,627	266,627	100,049	208,645	308,694	575,321
Professional fees/technical services	-	266,740	266,740	154,708	108,416	263,124	529,864
Contract services	-	241,365	241,365	-	-	-	241,365
Publicity materials, services and supplies	-	77,287	77,287	361	117,237	117,598	194,885
United Way of America dues	-	62,610	62,610	-	62,610	62,610	125,220
Special events	-	88,056	88,056	558	8,029	8,587	96,643
Depreciation and amortization	-	39,132	39,132	15,390	32,095	47,485	86,617
Office operating expenses	-	55,798	55,798	7,826	7,471	15,297	71,095
Interest and bank charges	-	353	353	65,951	289	66,240	66,593
Conferences, travel and training	-	29,271	29,271	3,641	10,994	14,635	43,906
Endowment expenses	-	-	-	35,051	-	35,051	35,051
Miscellaneous (income) expense	-	61,055	61,055	(21,983)	(12,736)	(34,719)	26,336
Total expenses	<u>\$ 2,024,567</u>	<u>\$ 2,644,699</u>	<u>\$ 4,669,266</u>	<u>\$ 700,130</u>	<u>\$ 1,741,068</u>	<u>\$ 2,441,198</u>	<u>\$ 7,110,464</u>

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

	<u>Program Services</u>			<u>Support Services</u>			<u>Total Expenses</u>
	<u>Net Funds Awarded/ Distributed</u>	<u>Community and Program Support</u>	<u>Total</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
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	<u>\$ 2,041,178</u>	<u>\$ 2,838,982</u>	<u>\$ 4,880,160</u>	<u>\$ 871,934</u>	<u>\$ 1,680,421</u>	<u>\$ 2,552,355</u>	<u>\$ 7,432,515</u>

The accompanying notes are an integral part of these financial statements

UNITED WAY SILICON VALLEY
Statements of Cash Flows

	For the Fiscal Years Ended	
	June 30,	
	2014	2013
Cash flows from operating activities:		
Changes in net assets	\$ (1,225,850)	\$ (461,351)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Loss (gain) on disposal of property and equipment	1,312	(796,959)
Depreciation and amortization	86,617	261,093
Unrealized (gains) losses	(120,559)	126,216
Changes in operating assets and liabilities:		
Pledges receivables, net	51,745	95,754
Prepaid expenses	8,152	45,946
Grants and other receivables	15,744	194,418
Long-term in-kind receivable	324,578	310,601
Other assets	(4,260)	4,640
Accounts payable and accrued expenses	165,361	(199,441)
Pledges due to agencies and other United Ways	192,715	(47,048)
Strategic grants payable	20,873	(100,972)
Other liabilities	-	(44,595)
Net cash used by operating activities	(483,572)	(611,698)
Cash flows used by investing activities:		
Acquisition of investments for quasi-endowment	(315,000)	(2,800,000)
Investment in certificates of deposit and corporate bonds	-	(556,116)
Proceeds from maturity of investments	1,118,101	270,000
Proceeds from sale of property and equipment	-	4,530,339
Purchase of property and equipment	(14,915)	(21,973)
Net cash provided by investing activities	788,186	1,422,250
Cash flows used by financing activities:		
Payment on capital lease obligations	(9,849)	(9,531)
Repayment of loan	-	(1,403,736)
Net cash used by financing activities	(9,849)	(1,413,267)
Net increase (decrease) in cash and cash equivalents	294,765	(602,715)
Cash and cash equivalents at beginning of year	243,175	845,890
Cash and cash equivalents at end of year	\$ 537,940	\$ 243,175
	<u>Supplemental disclosure of cash flow information:</u>	
Interest paid during the year	\$ 781	\$ 27,172
	<u>Supplemental disclosure of non-cash investing and financing activities:</u>	
Transfer of property and equipment from construction-in-progress to in-service	\$ 7,754	\$ -

The accompanying notes are an integral part of these financial statements

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2014

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, 2014 and 2013.

Use of estimates - The preparation of financial statements, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2014

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

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, 2014 and 2013. 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.

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, 2014 and 2013, strategic investments committed to be paid to agencies were recorded as liabilities.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2014

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

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.

Rental income - United Way owned a building in San Jose, CA and rented office spaces to other non-profit organizations. From time to time, United Way may enter into contracts greater than one year, however generally all are under one year. Rental income is recorded in the same month that the payment is made.

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.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2014

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, allowance for doubtful accounts and provision for designated pledges - 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, management's evaluation of significant outstanding receivables including a review of the aging and credit history of debtors and expectations relative to current economic conditions at the end of the year. Bad debt recoveries are included in miscellaneous income as realized. The allowance for doubtful accounts was approximately \$374,000 and \$298,000 as of June 30, 2014 and 2013, respectively.

In addition to the allowance for uncollectible pledges, United Way has 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. The provision for designated pledges was approximately \$176,000 and \$164,000 as of June 30, 2014 and 2013, 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.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2014

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

Fair value of financial instruments - Financial instruments included in United Way's Statement of Financial Position as of June 30, 2014 and 2013 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.

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, 2014 and 2013. 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, 2014 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 of five years. The Association's depreciable assets include furniture and fixtures and are amortized over an estimated 3 - 7 years. 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.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2014

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

Construction-in-progress - Construction-in-progress represents assets acquired and not yet placed into service. The Organization capitalizes the respective interest during this time. At June 30, 2014 and 2013 capitalized interest related to the construction-in-process was calculated and determined to be immaterial to the financial statements.

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.

Advertising - Advertising costs are expensed as incurred. Advertising, promotion, and marketing expense for the years ended June 30, 2014 and 2013 were approximately \$195,000 and \$113,000, respectively.

Post-employment compensation - United Way employees who lose their jobs through no fault of their own may receive unemployment compensation benefits under the unemployment insurance program administered by outside unemployment insurance company. United Way makes a deposit each year to the unemployment insurance company and claims are paid through these funds. Therefore, as of June 30, 2014 and 2013, United Way did not record a liability for estimated claims paid by the insurance company on behalf of United Way.

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, 2014 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, 2011 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years June 30, 2010 and forward.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2014

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

Recent accounting pronouncements - In June 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2013-06, "Services Received from Personnel of an Affiliate." This ASU is to specify the guidance that non-for-profit entities apply for recognizing and measuring services received from personnel of an affiliate. An affiliate is defined in the Master Glossary as a party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with an entity. FASB ASU No. 2013-06 is effective prospectively for fiscal years beginning after June 15, 2014 and interim and annual periods thereafter. The adoption of this guidance is not expected to have a material impact on United Way's financial statements.

Subsequent events - Subsequent events have been evaluated through the date of the independent auditors' report, 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, 2014.

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 SILICON VALLEY

Notes to Financial Statements

June 30, 2014

Note 3 - Investments (continued):

United Way's investments consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Certificates of deposit	\$ 600,000	\$ 600,000
US corporate bonds	352,088	1,599,691
SVCF inv. pool - long-term growth pool (Note 8)	<u>3,356,929</u>	<u>2,791,868</u>
Total investments	4,309,017	4,991,559
Less portion maturing within one year	<u>(853,459)</u>	<u>(1,236,104)</u>
Portion maturing after one year	<u>\$ 3,455,558</u>	<u>\$ 3,755,455</u>

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

At June 30, 2014, United Way's investments were recorded as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Certificates of deposit	\$ 600,000	\$ -	\$ 600,000
US corporate bonds	352,088	-	352,088
SVCF inv. pool - long-term growth pool (Note 8)	<u>-</u>	<u>3,356,929</u>	<u>3,356,929</u>
Total investments	<u>\$ 952,088</u>	<u>\$ 3,356,929</u>	<u>\$ 4,309,017</u>

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2014

Note 3 - Investments (continued):

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

	<u>Level 1</u>		<u>Level 2</u>		<u>Total</u>
Certificates of deposit	\$ 600,000	\$	-	\$	600,000
US corporate bonds	1,599,691		-		1,599,691
SVCF inv. pool - long-term growth pool (Note 8)	-		2,791,868		2,791,868
Total investments	<u>\$ 2,199,691</u>	\$	<u>2,791,868</u>	\$	<u>4,991,559</u>

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

	<u>2014</u>		<u>2013</u>
Interest income	\$ 44,947	\$	32,016
Net realized and unrealized gains (losses)	260,256		(57,595)
Total investment returns (losses)	<u>\$ 305,203</u>	\$	<u>(25,579)</u>

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:

	<u>2014</u>		<u>2013</u>
Beginning balance, board-designated quasi-endowment	\$ 2,791,868	\$	50,584
Purchase of SVCF investment pool - long-term growth pool (a)	315,000		2,800,000
Realized gains	139,696		68,621
Unrealized gains (losses)	111,682		(130,694)
Interest income	33,735		13,713
Management fees	(35,052)		(10,356)
Ending balance, board-designated quasi-endowment	<u>\$ 3,356,929</u>	\$	<u>2,791,868</u>

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2014

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:

	<u>2014</u>	<u>2013</u>
Total pledges receivable	\$ <u>3,668,574</u>	\$ <u>3,644,406</u>
Allowance for uncollectible amounts:		
Balance, beginning of year	298,269	346,262
Add provision for uncollectible	450,551	243,675
Less write-off of uncollectible pledges	<u>(374,638)</u>	<u>(291,668)</u>
Balance, end of year	<u>374,182</u>	<u>298,269</u>
Net pledges receivable	\$ <u><u>3,294,392</u></u>	\$ <u><u>3,346,137</u></u>

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2014

Note 5 - Property and equipment, net:

Property and equipment consisted of the following at June 30:

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 409,413	\$ 407,462
Leasehold improvements	294,656	280,131
Construction-in-progress	-	7,754
	<u>704,069</u>	<u>695,347</u>
Less: accumulated depreciation and amortization	<u>(477,453)</u>	<u>(395,717)</u>
Total property and equipment, net	<u>\$ 226,616</u>	<u>\$ 299,630</u>

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 were approximately \$87,000 and \$261,000, respectively.

During the years ended June 30, 2014 and 2013, United Way sold certain property and equipment that resulted in a gain (loss) of approximately (\$1,000) and \$716,000, respectively. These amounts are included with miscellaneous income on the statement of activities and changes in net assets.

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:

	<u>2014</u>	<u>2013</u>
Distributed funds determined by the		
Board of Directors to partner agencies	\$ 1,849,990	\$ 1,899,955
Designations directed by donors	8,440,409	8,989,936
Program grants to agencies	<u>174,577</u>	<u>138,026</u>
Total distributions	<u>\$ 10,464,976</u>	<u>\$ 11,027,917</u>

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2014

Note 7 - 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 \$28,800. The lease expires in 2016, requires aggregate monthly payments of approximately \$900 and bears interest of 3.29% per annum.

At June 30, 2014, the present value of future minimum annual obligations under the agreements was as follows:

	For the years ending June 30,	
	2015	\$ 10,677
	2016	<u>9,794</u>
Total payments		20,471
Less amounts representing interest		<u>(658)</u>
Present value of minimum lease payments		19,813
Less portion due within one year		<u>(10,182)</u>
Portion due after one year		<u><u>\$ 9,631</u></u>

Note 8 - 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.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2014

Note 9 - Temporarily restricted net assets:

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

	<u>2014</u>	<u>2013</u>
Future year donor pledges	\$ 1,417,518	\$ 1,992,099
Siemer homeless prevention	100,000	-
Advocacy	97,442	-
Emergency loan fund	92,468	92,375
CADRE	65,254	84,487
Emergency assistance network	58,107	79,431
Disruptive innovation	53,740	37,380
Financial stability partnership	48,282	139,773
Women leadership council	13,985	7,665
Earn it keep it save it	12,782	39,255
Covering california's children	-	123,740
	<u> </u>	<u> </u>
Total temporarily restricted net assets	\$ <u>1,959,578</u>	\$ <u>2,596,205</u>

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:

	<u>2014</u>	<u>2013</u>
Future year donor pledge	\$ 385,623	\$ 635,620
Multi-year pledges	250,000	-
Financial stability partnership	139,688	123,602
CADRE	84,487	63,832
Emergency assistance network	58,097	59,137
Earn it keep it save it	39,224	27,721
Advocacy	38,204	-
Disruptive innovation	37,380	-
Women leadership council	7,665	-
Non-profit effectiveness-packard fund	-	3,581
Covering california's children	-	61,439
	<u> </u>	<u> </u>
Total assets released from temporary restrictions	\$ <u>1,040,368</u>	\$ <u>974,932</u>

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2014

Note 10 - 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 \$103,000 and \$92,000 for the years ended June 30, 2014 and 2013, respectively.

Note 11 - 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 12 - Gifts in-kind:

During the year ended June 30, 2014, United Way received in-kind donations of toys from the holiday giving program. The estimated fair value of these donations totaled approximately \$86,000, which is reflected in other support in the accompanying statement of activities and changes in net assets. The toys were distributed to the community through various schools at the discretion of United Way.

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.

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 \$61,000 and \$75,000 for the years ended June 30, 2014 and 2013, respectively.

UNITED WAY SILICON VALLEY

Notes to Financial Statements

June 30, 2014

Note 13 - Gifts in-kind (continued):

Present value of future rent receivable is as follows:

For the years ending June 30,		
2015	\$	385,623
2016		369,017
2017		353,127
2018		<u>309,778</u>
Present value of future rent receivable		1,417,545
Less portion collectible within one year		<u>(385,623)</u>
Portion collectible after one year	\$	<u><u>1,031,922</u></u>

The current portion of the in-kind receivable is included in grants and other receivables at June 30, 2014 and 2013.

Note 14 - 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 \$132,000 and \$122,000 for the years ended June 30, 2014 and 2013, respectively.

Note 15 - Contingency:

Due to the nature of the United Way's operations, claims and litigation may periodically arise. As of June 30, 2014, management has evaluated the status of any potential legal matters and in its judgment believes there are no items which will have a material effect on the financial statements.