

Report of Independent Auditors and Financial Statements with OMB Circular A-133 Audit Reports and Supplementary Information



United Way of the Bay Area June 30, 2013 and 2012



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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors United Way of the Bay Area

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of the Bay Area ("UWBA") which comprise the statements of financial position as of June 30, 2013 and 2012 and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 UWBA'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 UWBA'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 the Bay Area as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2013, on our consideration of UWBA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UWBA's internal control over financial reporting and compliance.

Moss adams LLP

San Francisco, California November 7, 2013

FINANCIAL STATEMENTS

UNITED WAY OF THE BAY AREA STATEMENTS OF FINANCIAL POSITION June 30, 2013 and 2012

	2013		 2012
ASSETS			
Cash and cash equivalents Pledges receivable, net of provision for uncollectible pledges of \$631,000 and \$558,000, at June 30, 2013 and 2012, respectively Grants receivable, net of discount Investments Prepaids and other receivables Furniture, equipment, and leasehold improvements, net Total assets	\$	2,298,055 5,564,037 4,074,756 11,630,889 657,107 1,108,675 25,333,519	\$ 1,528,299 6,918,831 2,092,510 11,594,329 313,063 241,864 22,688,896
LIABILITIES AND NET ASSETS			
LIABILITIES Donor designations payable Allocations payable Operating payables and accruals Accrued vacation and related costs Deferred rent Accrued pension costs	\$	3,121,545 - 3,995,412 378,862 398,927 3,158,730	\$ 2,908,065 152,500 1,587,392 477,019 76,914 7,058,415
Total liabilities		11,053,476	 12,260,305
NET ASSETS Unrestricted Undesignated Board designated Pension liability in excess of intangible pension assets		9,072,183 3,861,279 (4,635,018)	9,385,233 3,809,890 (7,945,650)
Total unrestricted net assets		8,298,444	5,249,473
Temporarily restricted Permanently restricted		2,091,624 3,889,975	 1,290,143 3,888,975
Total net assets		14,280,043	 10,428,591
Total liabilities and net assets	\$	25,333,519	\$ 22,688,896

UNITED WAY OF THE BAY AREA STATEMENT OF ACTIVITIES For the Year Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Public Support: Gross campaign results Less donor designations	\$ 29,645,436 (21,894,270)	\$	\$ 1,000	\$ 30,965,054 (21,894,270)
Campaign revenue	7,751,166	1,318,618	1,000	9,070,784
Less provision for uncollectible pledges	(631,000)			(631,000)
Net campaign revenue	7,120,166	1,318,618	1,000	8,439,784
Grants Miscellaneous contributions Planned giving Net assets released from restrictions and reclassifications	72,039 823,027 63,784 8,596,769	6,055,332 1,450,433 25,411 (8,596,769)	- - - -	6,127,371 2,273,460 89,195 -
Total public support	16,675,785	253,025	1,000	16,929,810
Service fees Investment income, net Net realized and unrealized gains on investments Other income	391,819 190,852 348,484 5,271	- 96,559 423,397 28,500	- - - -	391,819 287,411 771,881 33,771
Total public support and revenue	17,612,211	801,481	1,000	18,414,692
ALLOCATIONS AND EXPENSES Program services: Gross funds awarded/allocated to agencies 2-1-1 initiative SparkPoint initiative Other community services Community capacity building Labor community services Donor designations	19,567,525 1,092,042 4,408,641 6,649,269 1,044,677 457,128 (21,894,270)	- - - - - - - -	- - - - - -	19,567,525 1,092,042 4,408,641 6,649,269 1,044,677 457,128 (21,894,270)
Total program services	11,325,012			11,325,012
Support services: Management and general Fundraising	3,595,876 2,952,984		-	3,595,876 2,952,984
Total support services	6,548,860			6,548,860
Total allocations and expenses	17,873,872			17,873,872
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	(261,661)	801,481	1,000	540,820
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	3,310,632			3,310,632
CHANGE IN NET ASSETS	3,048,971	801,481	1,000	3,851,452
NET ASSETS, beginning of year	5,249,473	1,290,143	3,888,975	10,428,591
NET ASSETS, end of year	\$ 8,298,444	\$ 2,091,624	\$ 3,889,975	\$ 14,280,043

UNITED WAY OF THE BAY AREA STATEMENT OF ACTIVITIES For the Year Ended June 30, 2012

	t	Inrestricted	emporarily Restricted	rmanently Restricted	 Total
PUBLIC SUPPORT AND REVENUE					
Public Support: Gross campaign results Less donor designations	\$	28,044,781 (18,793,932)	\$ 1,196,360	\$ -	\$ 29,241,141 (18,793,932)
Campaign revenue		9,250,849	1,196,360	-	10,447,209
Less provision for uncollectible pledges (net)		(235,388)	 -	-	 (235,388)
Net campaign revenue		9,015,461	1,196,360	-	10,211,821
Grants Miscellaneous contributions Planned giving Net assets released from restrictions		913,000 388,578 84,115 3,964,528	 2,086,084 923,557 - (3,964,528)	 - - -	 2,999,084 1,312,135 84,115 -
Total public support		14,365,682	241,473	-	14,607,155
Service fees Investment income, net Net realized and unrealized losses on investments Other income Total public support and revenue		370,653 277,929 (173,777) 41,807 14,882,294	131,390 (238,365) 81,400 215,898	 	 370,653 409,319 (412,142) 123,207 15,098,192
ALLOCATIONS AND EXPENSES					
Program services: Gross funds awarded/allocated to agencies 2-1-1 initiative SparkPoint initiative Other community services Community capacity building Labor community services Donor designations		17,254,836 2,045,799 4,836,220 3,015,010 955,273 450,877 (18,793,932)	- - - - - -	- - - - - -	 17,254,836 2,045,799 4,836,220 3,015,010 955,273 450,877 (18,793,932)
Total program services		9,764,083	 	 	 9,764,083
Support services: Management and general Fundraising Total support services		2,787,291 3,119,779 5,907,070	 	 - - -	 2,787,291 3,119,779 5,907,070
Total allocations and expenses		15,671,153	-	-	 15,671,153
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES		(788,859)	 215,898	 -	 (572,961)
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST		(4,064,182)	 -	 	 (4,064,182)
CHANGE IN NET ASSETS		(4,853,041)	215,898	-	(4,637,143)
NET ASSETS, beginning of year		10,102,514	 1,074,245	 3,888,975	 15,065,734
NET ASSETS, end of year	\$	5,249,473	\$ 1,290,143	\$ 3,888,975	\$ 10,428,591

UNITED WAY OF THE BAY AREA STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended June 30, 2013

				Progran	Services					Support Services		
	Funds Awarded/ Allocated to Agencies	2-1-1 Initiative	SparkPoint Initiative	Other Community Services	Community Capacity Building	Labor Community Services	Donor Designations	Total Program Services	Management and General	Fundraising	Total Support Services	Total
ALLOCATIONS AND EXPENSES												
Salaries	\$-	\$ 342,719	\$ 809,764	\$ 1,373,616	\$ 486,451	\$ 291,017	s -	\$ 3,303,567	\$ 1,752,409	\$ 1,290,653	\$ 3,043,062	\$ 6,346,629
Payroll taxes and employee benefits		121,040	292,711	447,416	179,701	117,888	-	1,158,756	688,148	462,235	1,150,383	2,309,139
Subtotal		463,759	1,102,475	1,821,032	666,152	408,905	-	4,462,323	2,440,557	1,752,888	4,193,445	8,655,768
Professional services		233,552	276,143	605,750	69,349	2,275		1,187,069	314,060	317,147	631,207	1,818,276
Supplies	-	2,800	18,486	40,308	8,262	2,065		71,921	17,095	18,641	35,736	107,657
Telephone		35,795	27,858	19,159	16,737	7,411		106,960	39,758	39,871	79,629	186,589
Postage, warehouse, and delivery	-	1,799	2,899	4,300	2,267	706		11,971	10,595	12,359	22,954	34,925
Occupancy	-	70,474	136,424	67,365	136,803	2,448		413,514	314,962	337,863	652,825	1,066,339
Furniture, equipment, and leasehold improvements	-	11,452	35,153	15,051	17,520	5,646		84,822	37,342	36,266	73,608	158,430
Media and printing	-	107,629	141,074	172,667	27,271	384		449,025	40,974	122,180	163,154	612,179
Travel	-	3,008	28,500	40,805	16,125	1,853		90,291	28,524	31,304	59,828	150,119
Conference, training, and meetings	-	17,487	56,816	104,405	22,231	238		201,177	29,556	140,333	169,889	371,066
Bank, interest, merchant, and other fees		949	2,500	2,412	864	-	-	6,725	63,049	2,833	65,882	72,607
Miscellaneous	-	194	643	1,291	769	135		3,032	3,953	1,459	5,412	8,444
United Way Worldwide dues		18,475	34,107	17,054	34,107	14,211	-	117,954	79,583	86,690	166,273	284,227
Moving costs		3,705	8,023	3,755	7,016	2,850	-	25,349	15,994	17,419	33,413	58,762
Uncollectible pledge expense		-			-	-		-	134,520		134,520	134,520
Depreciation and amortization expense, loss												
on sale/abandonment of furniture, equipment, and leasehold improvements, net	-	20,964	42,656	9,820	19,204	8,001		100,645	44,805	48,806	93,611	194,256
Cost recovery reimbursements	-		<u> </u>	<u> </u>	-	<u> </u>		-	(19,451)	(13,075)	(32,526)	(32,526)
Total	-	992,042	1,913,757	2,925,174	1,044,677	457,128	-	7,332,778	3,595,876	2,952,984	6,548,860	13,881,638
Allocations/awards/designations	19,567,525	100,000	2,494,884	3,724,095	-	-	(21,894,270)	3,992,234	-	-	-	3,992,234
TOTAL ALLOCATIONS AND EXPENSES	\$ 19,567,525	\$ 1,092,042	\$ 4,408,641	\$ 6,649,269	\$ 1,044,677	\$ 457,128	\$ (21,894,270)	\$ 11,325,012	\$ 3,595,876	\$ 2,952,984	\$ 6,548,860	\$ 17,873,872

UNITED WAY OF THE BAY AREA STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended June 30, 2012

				Program	n Services					Support Services		
	Funds Awarded/ Allocated to Agencies	2-1-1 Initiative	SparkPoint Initiative	Other Community Services	Community Capacity Building	Labor Community Services	Donor Designations	Total Program Services	Management and General	Fundraising	Total Support Services	Total
ALLOCATIONS AND EXPENSES												
Salaries	\$-	\$ 912,505	\$ 867,329	\$ 1,205,696	\$ 445,679	\$ 304,048	\$-	\$ 3,735,257	\$ 1,358,480	\$ 1,586,136	\$ 2,944,616	\$ 6,679,873
Payroll taxes and employee benefits		320,597	276,685	365,207	151,721	111,248		1,225,458	514,642	511,357	1,025,999	2,251,457
Subtotal	-	1,233,102	1,144,014	1,570,903	597,400	415,296	-	4,960,715	1,873,122	2,097,493	3,970,615	8,931,330
Professional services		208.987	271.261	714.804	131.357	6,144	-	1.332.553	227.230	400,716	627.946	1.960.499
Supplies		2,709	25,440	29,837	8,681	129		66,796	25,239	32,319	57,558	124,354
Telephone		39,214	12,411	49,500	5,988	3,925		111,038	50,016	21,091	71,107	182,145
Postage, warehouse, and delivery		2,163	2,082	8,934	1,335	198	-	14,712	8,893	11,113	20,006	34,718
Occupancy		142,685	96,411	57,074	104,636	7,198	-	408,004	269,632	294,882	564,514	972,518
Furniture, equipment, and leasehold improvements	-	11,485	3,591	48,543	2,328	106	-	66,053	46,119	10,719	56,838	122,891
Media and printing	-	38,392	108,436	75,444	37,512	1,587	-	261,371	30,061	77,596	107,657	369,028
Travel	-	8,224	27,595	25,957	10,738	2,152	-	74,666	33,742	35,043	68,785	143,451
Conference, training, and meetings	-	11,866	44,431	74,296	22,052	1,290	-	153,935	14,952	59,392	74,344	228,279
Bank, interest, merchant, and other fees	-	2,247	2,261	1,507	1,507	15	-	7,537	68,589	754	69,343	76,880
Miscellaneous	-	504	1,631	2,970	1,132	49	-	6,286	1,431	1,583	3,014	9,300
United Way Worldwide dues	-	39,668	31,168	14,167	28,334	12,750	-	126,087	75,086	82,170	157,256	283,343
Depreciation and amortization expense, loss							-					
on sale/abandonment of furniture, equipment, and leasehold improvements, net	-	4,553	4,751	1,826	2,273	38	-	13,441	79,162	958	80,120	93,561
Cost recovery reimbursements						<u> </u>	<u> </u>		(15,983)	(6,050)	(22,033)	(22,033)
Total	-	1,745,799	1,775,483	2,675,762	955,273	450,877	-	7,603,194	2,787,291	3,119,779	5,907,070	13,510,264
Allocations/awards/designations	17,254,836	300,000	3,060,737	339,248	-	-	(18,793,932)	2,160,889	-	-	-	2,160,889
TOTAL ALLOCATIONS AND EXPENSES	\$ 17,254,836	\$ 2,045,799	\$ 4,836,220	\$ 3,015,010	\$ 955,273	\$ 450,877	\$ (18,793,932)	\$ 9,764,083	\$ 2,787,291	\$ 3,119,779	\$ 5,907,070	\$ 15,671,153

UNITED WAY OF THE BAY AREA STATEMENTS OF CASH FLOWS For the Years Ended June 30, 2013 and 2012

	 2013	 2012
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ 3,851,452	\$ (4,637,143)
Adjustments to reconcile change in net assets to net cash		
from (used in) operating activities		
Provision for uncollectible pledges (net)	631,000	235,388
Change in discount on grants receivable	(304)	(3,337)
Depreciation and amortization	177,391	93,561
Loss on abandonment/sale of property and equipment, net	16,866	-
Net realized and unrealized (gains) losses on investments	(771,881)	412,142
Pension related changes other than net periodic pension costs	(3,310,632)	4,064,182
Changes in assets and liabilities		
Pledges receivable	723,794	(2,055,604)
Grants receivable	(1,981,942)	(1,167,116)
Prepaids and other receivables	(344,044)	(126,613)
Donor designations and allocations payable	60,980	(5,924)
Operating payables and accruals	2,408,020	799,127
Accrued vacation and related costs	(98,157)	(35,274)
Deferred rent	322,013	(102,552)
Accrued pension costs	 (589,053)	 (688,450)
Net cash from (used in) operating activities	 1,095,503	 (3,217,613)
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Purchases of investments	(1,893,946)	(1,941,025)
Proceeds from sale of investments	2,629,267	4,760,000
Purchases of furniture, equipment, and leasehold improvements	 (1,061,068)	 (178,278)
Net cash (used in) from investing activities	 (325,747)	 2,640,697
CHANGE IN CASH AND CASH EQUIVALENTS	769,756	(576,916)
CASH AND CASH EQUIVALENTS, beginning of year	 1,528,299	 2,105,215
CASH AND CASH EQUIVALENTS, end of year	\$ 2,298,055	\$ 1,528,299

NOTE 1 - ORGANIZATION AND PURPOSE

United Way of the Bay Area ("UWBA"), incorporated in California in 1955, is an independent, locally managed nonprofit organization. It has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. UWBA has also made the 501(h) election under the IRS code. Accordingly, no provision for income taxes is included in the financial statements.

As UWBA approaches its centennial, it is proud to be continuing a long tradition of leadership in the local nonprofit community by encouraging philanthropy and investing those dollars in programs to serve the health and human services needs of Bay Area residents. UWBA currently serves Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, and Solano Counties.

The Bay Area Community Fund ("BACF") is comprised of the unrestricted funds donated to UWBA to support the achievement of its Community Impact goals. UWBA is committed to creating community change by positioning itself as an inclusive community leader in the seven Bay Area counties served, while honoring donors' philanthropic interests. UWBA's five-year Community Impact goals were identified in 2008 through a process of staff and partner research, community input sessions, and board and constituent discussion.

In response to the needs of the community, UWBA focuses its goals and its use of resources. In doing so, it may, from time to time, discontinue the management of specific programs. Discontinuance may include closing, merging, or establishing the independence of programs. When such transitions take place, the purpose has been and will continue to be enhancing the ability of the UWBA to concentrate its efforts on helping to cut the number of families living in poverty. The organization pursues a selected, targeted set of programs that help people survive the struggles of poverty and move toward economic success. Each of these programs also has a role in helping to evolve the public and private systems around them to better serve people in poverty. UWBA's programs may take the form of providing direct service to clients, issuing grants to organizations to provide services, and/or engaging in collaborative partnerships. Grant proposals are evaluated on the basis of their alignment with UWBA's strategic plan as well as the agency's ability to demonstrate high standards in fiscal and programmatic operations, and overall organizational strength. Grants and the focus of grant-making activities are reported to and approved by UWBA's Board of Directors.

The following are specific programs and strategies managed by United Way of the Bay Area:

211 – As an easy-to-remember phone number that can be dialed from land or cell phones, 211 provides callers with information about and referrals to essential services. 211 is also accessible on the Internet. 211 strengthens the community by addressing the challenges people face obtaining needed health and human services in everyday life and in times of personal crisis. In times of disaster, 211 becomes an essential part of our response and recovery. Trained staff maintain an up-to-date database of public and private nonprofit resources to meet a wide range of needs. 211 also answers calls twenty-four hours a day, seven days a week, with the ability to respond in the caller's language through bilingual staff and tele-interpreting services. UWBA receives phone calls for five of the counties we serve – Marin, Napa, San Francisco, San Mateo, and Solano – and funds the local 211 service provider in Alameda and Contra Costa counties. In fiscal year 2013, the Bay Area-wide system took nearly 200,000 calls, with almost half of those for which we have demographic data coming from people in poverty. The main needs people called about included food, shelter, employment, and other services related to surviving and moving out of poverty.

UNITED WAY OF THE BAY AREA NOTES TO FINANCIAL STATEMENTS

SparkPoint – United Way of the Bay Area has opened ten SparkPoint Centers, with at least one in each of the seven counties it serves. The SparkPoint Center offers multiple services in one location for a person or family trying to move out of poverty. Examples of services include job placement, workforce development, credit repair, financial education and counseling, and access to public benefits like health coverage or child care. During the fiscal years 2013 and 2012, the SparkPoint Centers served more than 5,000 people, and 70% of clients for whom we have evaluation data increased their income, savings, and/or credit scores; and/or reduced their household debt. Each SparkPoint Center is developed organically accordingly to local needs and assets. Partner organizations at each SparkPoint Center provide services and share a commitment to seven central concepts: (1) to offer an array of services in three areas – credit, income, and assets; (2) to seamlessly integrate service delivery, appropriately "bundled" and sequenced; (3) to provide financial counseling for all clients and motivate and support them with culturally competent staff; (4) to promote and provide access to public and private benefits and mainstream financial services; (5) to commit to continued engagement with clients over two-three years; (6) to evaluate, learn from, and share data, supported by a user-friendly IT system that demonstrates results; and (7) to promote SparkPoint through the power of a common brand and marketing. The partners have also committed to pursue common goals and develop new indicators to measure success.



Earn It! Keep It! Save It! – The Earn it! Keep It! Save it! ("EKS") program is available at each SparkPoint Center and approximately 200 other free tax sites across the counties we serve. EKS provides low to moderate income households with free, quality tax return preparation and access to asset building or income support resources such as public benefits, low or no cost bank accounts, or financial education. IRS-certified, volunteer tax preparers help individuals and families claim their maximum benefit and refund. EKS partnered with hundreds of community organizations and other free tax preparation providers such as Tax-Aid and AARP Tax-Aide to process over 70,000 tax returns in fiscal year 2013. EKS also ensures eligible taxpayers claim the Earned Income Tax Credit ("EITC") and other credits or refunds, which on average amount to more than \$1,000 per household.

Other community programs – Contained in this category are the costs of nine UWBA community programs. These programs target and support Bay Area communities to meet their needs across the stated issue area. Expenses include the costs of program-dedicated staff, consultants, and grants to nonprofit organizations that provide services to the community pursuant to the programs' criteria and objectives. Examples of Other Community Service programs are MatchBridge/Summer Jobs+, Community Schools, and conducting appropriate and legal public policy advocacy.

MatchBridge/Summer Jobs+ – MatchBridge contributes to the development of San Francisco's workforce by connecting qualified young people aged 16 to 24 to entry level jobs and internships in business. MatchBridge focuses on employment opportunities in the private/public sector and partners with employers, schools, and local youth-serving, community-based organizations to help achieve the goal of creating a workforce that is prepared, educated, and ready to work in 21st century jobs. United Way has been named the City of San Francisco's lead partner in the Summer Jobs+ program that seeks to provide jobs and other opportunities to young people during the summer and year round. During the summer of 2013, the partners – United Way, the mayor, city departments, the school district, private employers, and community organizations – successfully served more than 6,000 youth and young adults.

Community schools – United Way promotes and supports the 'community schools' strategy, which places services for low-income children and families at the public schools they attend. Community schools are proven by research to increase attendance and academic achievement, and to improve families' health and well-being. United Way gives grants to effective community schools across the counties we serve. We also work closely with selected schools and districts to plan and launch new community schools programs, and provide technical assistance to people in the field. In the fiscal year 2013, United Way connected our Community Schools and SparkPoint programs by pioneering an innovative version of a community school that includes the economic services offered at a SparkPoint, and that refers families to their local SparkPoint Center. In fiscal year 2013, the community schools that United Way funds and partners with served more than 3,000 individuals.

Community capacity building – Community capacity building represents UWBA staff and other operating costs in developing and managing UWBA programs, and engaging in other community activities in partnership with nonprofit and public sector organizations and labor councils.

Labor community services – Labor community services primarily represent the cost of UWBA staff – labor community services liaisons – who are placed at labor council offices in the counties of Alameda, Contra Costa, Marin, and San Francisco. The liaisons are responsible for providing information and referral to union members and others in need in their local communities; offering case management support for individuals with intensive needs; and helping to promote and support the United Way programs listed above that operate in their counties. Much of the work of the liaisons either directly benefits people in poverty or helps prevent working families from falling into poverty.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and with the financial statement standards of United Way Worldwide. United Way Worldwide standards are required for membership and fully comply with U.S. Statements of Financial Accounting Standards applicable for not-for-profit organizations.

Use of estimates – Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates. Significant estimates include the provision for uncollectible pledges, useful lives of furniture, equipment, and leasehold improvements, fair value of investment, allocation of functional expenses, and the unfunded pension liabilities. The fair value of investments and pension assets are subject to material volatility based on market conditions. This could have a significant effect on these financial statements.

Classes of net assets – The accompanying financial statements are presented on the basis of unrestricted, temporarily restricted, and permanently restricted net assets.

Unrestricted net assets – Unrestricted net assets include resources available to support UWBA operations and temporarily restricted resources which become available for use by UWBA in accordance with the intentions of the donors. Unrestricted net assets are designated by UWBA's Board of Directors for specified purposes as follows:

	 2013	 2012
Future grants and programs General use	\$ 3,295,000 566,279	\$ 3,295,000 514,890
	\$ 3,861,279	\$ 3,809,890

As of June 30, 2013, the Board of Directors approved a full year's grants allocation as had been the practice in years prior.

Temporarily restricted net assets – Temporarily restricted net assets include resources with donor-imposed restrictions that will be fulfilled by actions of UWBA and/or become unrestricted by the passage of time. UWBA's temporarily restricted net assets include multi-year pledges as well as grants restricted for specific UWBA community projects. When the donor or time restriction is fulfilled, temporarily restricted net assets are released to unrestricted net assets and are reported in the accompanying statements of activities as net assets released from restrictions. Temporarily restricted contributions received in the same period as the restrictions are met are reported as temporarily restricted support and net assets released from restrictions in that period.

Permanently restricted net assets – Permanently restricted net assets are comprised of the historical dollar value of contributions that were received with donor restrictions requiring the assets be maintained in perpetuity and that only the income generated from these assets is made available for grants, programs, or support services in accordance with the donor restrictions.

Cash and cash equivalents – All highly liquid investments, with an original maturity of three months or less when purchased and not held through the investment account, are considered to be cash equivalents. Substantially all of the cash equivalent balances held in financial institutions at June 30, 2013 and 2012, exceeded federal depository insurance coverage. UWBA has not experienced any losses in such accounts.

Pledges receivable – Pledges receivable consist of unconditional promises to give by donors and are recorded at fair value. Pledges receivable are net of provisions for uncollectible pledges.

Provisions for uncollectible pledges – 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 this criteria, the provision as of June 30, 2013 and 2012, was determined to be 6% and 5% of gross campaign pledges, respectively. For year ended June 30, 2013, there was no bad debt recovery. For year ended June 30, 2012, there was a bad debt recovery of \$322,612, as a result of closing out the prior year campaign. This recovery is netted against the gross provision for uncollectible pledges on the statements of activities.

Grants receivable – Grants receivable consist of unconditional promises to give by granting organizations. Unconditional promises to give that are expected to be collected during the following fiscal year are recorded at the amount contributed. Unconditional promises to give that are expected to be collected in future years are recorded at the fair value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable in the years in which those promises are received. The discount rates range from 0.22% to .41%. Grants receivable are net of discounts of \$2,620 and \$2,924 at June 30, 2013 and 2012, respectively.

Investments – UWBA's investments are stated at fair value based on quoted market prices at fiscal year end. Investments include money market funds and marketable securities held principally for investment purposes. Unrealized gains and losses that result from market fluctuations are recognized in the period such fluctuations occur in the accompanying statements of activities. Realized gains and losses that result from sales or maturities of securities during the year are calculated on an adjusted cost basis and are reflected in the accompanying statements of activities. Marketable securities received as donations are recorded at fair value at the date of the donation, and are generally sold as soon as practical after receipt.

Fair value of assets and liabilities – Fair Value Measurements define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of input that may be used to measure fair value:

- *Level 1:* Quoted prices in active markets for identical assets or liabilities.
- *Level 2:* Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- *Level 3:* Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents, fixed income securities, and exchange traded equities. Level 2 securities include investments held in pooled income funds and are valued at market price as provided by the custodian of the funds.

Furniture, equipment, and leasehold improvements – Furniture, equipment, and leasehold improvements are stated at cost, if purchased, or if donated, at fair value at the date of the donation for items exceeding \$5,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, ranging from three to ten years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the term of the lease. Total depreciation and amortization expense amounted to \$ 177,391 and \$ 93,561 for the years ended June 30, 2013 and 2012, respectively.

Deferred rent – Certain leases of UWBA contain lease incentives and fixed escalations. UWBA 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 statements of activities and the amount recorded as deferred rent. For the year ended June 30, 2013, deferred rent related to three UWBA locations: 550 Kearny St., San Francisco; 1970 Broadway, Suite 400, Oakland; and 8200 Bancroft, Oakland. For the year ended June 30, 2012 deferred rent related only to the 221 Main St., San Francisco office lease.

Gross campaign results – Gross campaign results consist of cash and unconditional promises to give to UWBA during the annual fundraising campaigns and include contributions processed by third-party processors. Donor designations and the provision for uncollectible pledges are deducted from gross campaign results to arrive at campaign revenue.

Donor designations and service fee revenue – Donor designations, contributions that are designated by the donor to nonprofit organizations other than UWBA including contributions processed by third-party processors, are deducted from gross campaign results to arrive at net campaign revenue. Donor designations are paid to the designated organizations on a monthly basis, by electronic funds transfer ("EFT") as information allows and on a quarterly basis by check for all others, as pledges are collected. Proportionate shares of the receipts are distributed out to the agencies net of service fees. Service fee revenue is reported in the accompanying statement of activities. This designation processing is inclusive of pledges and payments processed as part of UWBA's role as a federation for the Combined Federal Campaign as well as other state and local government-sponsored fundraising campaigns.

Planned gifts – Planned gifts that are irrevocable are recognized as a receivable when amounts due to UWBA can be reasonably estimated. As of June 30, 2013 and 2012, UWBA has only one type of planned gift – pooled income funds. Assets associated with these gifts totaled \$161,595 and \$160,665 as of June 30, 2013 and 2012, respectively, at fair value and are included in investments in the accompanying statements of financial position. Liabilities associated with these gifts totaled \$28,198 and \$29,477 as of June 30, 2013 and 2012, respectively, at fair value and are included in operating payables and accruals in the accompanying statements of financial position.

Donated goods and services – UWBA recognizes the value of donated equipment and/or supplies at the fair value for similar items. Donated goods and services for the years ended June 30, 2013 and 2012, of \$448,380 and \$756,514, respectively, were reflected in miscellaneous income in the accompanying statements of activities. UWBA will recognize the fair value of donated services if the services meet the recognition criteria which include: a) requiring specialized skills; b) provided by someone with those skills; and c) would have to be purchased if they were not donated. Although UWBA receives a significant amount of contributed time from volunteers, this time does not meet the recognition criteria. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

Gross funds awarded/allocated to agencies – The amount shown on the accompanying statements of activities includes grants to fund local community partners, UWBA initiatives and programs which amounted to \$3,000,000 and \$4,205,000 during the years ended June 30, 2013 and 2012, respectively. These grants have been recommended by staff working with a sub-committee of the Board of Directors and have been approved by the Board. However, to comply with financial statement presentation requirements, these grants are shown net of an offset amount to prevent revenue duplication between unrestricted and temporarily restricted accounts.

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 cost basis. This is consistent with the standards for allocation of functional expenses in accordance with GAAP and United Way Worldwide.

Concentrations of risk – UWBA receives approximately 48% of its gross campaign revenue from five employers. All five of these employers are nationally aligned through United Way Worldwide; therefore, the risk of loss of these employers by UWBA is remote.

UNITED WAY OF THE BAY AREA NOTES TO FINANCIAL STATEMENTS

Income taxes – UWBA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701d of the Revenue and Taxation Code except to the extent of unrelated business taxable income as defined under IRC sections 511 through 515. Since UWBA has no unrelated business taxable income, no provision for income taxes has been provided in these financial statements. UWBA has no unrecognized tax benefits or uncertain tax positions as of June 30, 2013. With few exceptions, UWBA is no longer subject to United States federal or state/local income tax examinations by tax authorities for fiscal years before 2008.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. UWBA recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statements of financial position, including the estimates inherent in the process of preparing the financial statements. UWBA's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statements of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

UWBA has evaluated subsequent events through _____, which is the date the financial statements are available to be issued.

NOTE 3 - GRANTS RECEIVABLE

UWBA expected to receive grants receivable at June 30, 2013 and 2012, respectively, are as follows:

	 2013	 2012
Amount due: In the next year Between two and five years	\$ 3,537,376 540,000	\$ 1,449,600 645,834
Discount	 4,077,376 (2,620)	 2,095,434 (2,924)
Grants receivable, net	\$ 4,074,756	\$ 2,092,510

NOTE 4 – INVESTMENTS

Investments consisted of the following at June 30:

investments consisted of the following at june 50.	 2013	 2012
Balanced fund	\$ 780,342	\$ 758,501
Domestic equities	1,910,800	2,634,165
Small cap funds	925,379	-
Commodities/natural resources fund	408,103	435,672
International equity	1,842,979	1,915,994
Low duration and intermediate bonds	4,146,011	4,566,417
International global bonds	900,596	883,015
Cash and cash equivalents	555,084	239,900
Pooled income funds	 161,595	 160,665
Total	\$ 11,630,889	\$ 11,594,329
Net unrealized and realized gains are as follows for the years ended June 30:		
	2013	 2012
Unrealized gains (losses)	\$ 410,062	\$ (541,334)
Realized gains	 361,819	 129,192
Net realized and unrealized gains (losses) on investments	\$ 771,881	\$ (412,142)

Investment income is as follows for the years ended June 30:

	2013			2012
Interest and dividend income Less investment management fees	\$	330,032 (42,621)	\$	454,635 (45,316)
Total investment income, net	\$	287,411	\$	409,319

UWBA's long term asset allocation policy was developed by staff and approved by the Board to manage market fluctuations over time. UWBA is aware there are challenges in the current financial markets and continues to monitor related volatility.

The following tables present the investments carried at fair value on the accompanying statements of financial position as of June 30, 2013 and 2012, by valuation hierarchy:

			Jun	e 30, 2013			
Fair Value Measurement Inputs		Level 1		Level 2	Total		
Equities	\$	5,867,603	\$	-	\$	5,867,603	
Fixed income securities		5,046,607		-		5,046,607	
Cash and cash equivalents (held for investment)		555,084		-		555,084	
Pooled income funds		-		161,595		161,595	
Total	\$	11,469,294	\$	161,595	\$	11,630,889	
	_		Jun	e 30, 2012			
Fair Value Measurement Inputs		Level 1		Level 2		Total	
Equities	\$	5,744,332	\$	-	\$	5,744,332	
Fixed income securities		5,449,432		-		5,449,432	
Cash and cash equivalents (held for investment)		239,900		-		239,900	
Pooled income funds				160,665		160,665	

NOTE 5 - FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, and leasehold improvements consisted of the following at June 30:

	2013			2012		
Computer software and equipment	\$	800,701	\$	788,986		
Office furniture		490,022		475,049		
Equipment		208,667		167,940		
Leasehold improvements		396,095		48,736		
Vehicles		24,240		24,240		
Total		1,919,725		1,504,951		
Less accumulated depreciation and amortization		(811,050)		(1,263,087)		
Total furniture, equipment, and leasehold improvements, net	\$	1,108,675	\$	241,864		

NOTE 6 - MISCELLANEOUS CONTRIBUTIONS

Miscellaneous contributions are comprised of the following as of June 30:

inscenancous contributions are comprised of the following as of june 50.	2013		2012	
Unrestricted				
Donated goods and services	\$	195,272	\$	84,756
Non-campaign donations		281,210		163,088
Prior year campaign revenue		19,694		42,527
Revenue - other United Ways		94,393		93,671
Special events income		8,578		2,036
Sponsorship fees		223,880		2,500
		823,027		388,578
Temporarily restricted				
Donated goods and services		253,108		671,758
Non-campaign donations and miscellaneous income		533,010		181,796
Special events income		-		8,003
Sponsorship fees		664,315		62,000
		1,450,433		923,557
Total miscellaneous contributions	\$	2,273,460	\$	1,312,135

NOTE 7 – COMMITMENTS

UWBA leases office space under noncancelable operating leases expiring at various dates through March 31, 2023. Lease agreements generally provide for both renewal options and escalation clauses for increased operating expenses and real estate taxes. On October 15, 2012, UWBA signed a 10 year lease for a new San Francisco office located at 550 Kearny St. Suite 1000, San Francisco. On January 13, 2013, UWBA signed an eight year lease for a new Oakland office located at 1970 Broadway, Suite 400, Oakland. UWBA subleases a portion of its San Francisco and Oakland office space to other nonprofit organizations on a month-to-month basis. Sublease income for the years ended June 30, 2013 and 2012, was \$9,600 and \$20,100, respectively. UWBA is also committed under noncancelable operating leases for various office equipment. On July 30, 2012, UWBA signed an amendment to its existing lease with Eastmont Towne Center, Oakland, that extended the term to 7 years and reduced both the square footage and the rent for its Oakland SparkPoint Center.

Future minimum commitments under noncancelable operating leases having lease terms in excess of one year as of June 30, 2013, are as follows:

<u>Years Ending June 30.</u>	
2014	\$ 927,147
2015	1,246,658
2016	1,255,055
2017	1,224,700
2018	1,169,882
Thereafter	 5,483,857
Total	\$ 11,307,299

Rent expense for the years ended June 30, 2013 and 2012, was \$ 1,057,904 and \$987,059, respectively.

NOTE 8 – PENSION PLAN

The Pension Plan of United Way of the Bay Area (the "Plan") is a single employer defined benefit pension plan with UWBA as plan sponsor.

The Plan was amended to freeze participation and benefit accruals under the Plan effective December 31, 2006. Accordingly, no employees will become participants after the December 1, 2006 entry date, and participants' Plan benefits will not increase after December 31, 2006. In no event will the accrued benefit of any participant be less than that calculated as of December 31, 2006.

Accrued pension costs consist of the following at June 30:

rect ded pension costs consist of the following at june 50.	 2013	2012		
Defined benefit pension plan liabilities Defined early retirement medical and long term care benefit plans	\$ 3,014,123 144,607	\$	6,961,736 96,679	
Total accrued pension costs	\$ 3,158,730	\$	7,058,415	

The following information sets forth the Plan's projected benefit obligation, fair value of plan assets, unfunded status, and accumulated benefit obligation as of June 30:

	2013		2012		
Projected benefit obligation					
Beginning of year	\$	18,465,482	\$	14,470,264	
Service cost		168,237		180,234	
Interest costs		697,845		785,797	
Actuarial (gain) loss		(2,390,448)		3,595,836	
Benefits paid		(1,323,553)		(439,575)	
Administrative expenses paid		(201,007)		(127,074)	
End of year	\$	15,416,556	\$	18,465,482	
Fair value of plan assets					
Beginning of year	\$	11,503,746	\$	10,903,595	
Actual return on plan assets		1,458,834		234,133	
Employer contributions		964,414		932,667	
Benefits paid		(1,323,553)		(439,575)	
Administrative expenses paid		(201,007)		(127,074)	
End of year	\$	12,402,434	\$	11,503,746	
Funded status of the Plan at year-end (underfunded)	\$	(3,014,122)	\$	(6,961,736)	

Amounts recognized for the defined pension plan only in the accompanying statements of financial position are as follows as of June 30:

	2013			2012		
Prepaid benefit cost	\$	1,620,895	\$	983,914		
Additional accrued pension liability for pension plans with a benefit obligation in excess of plan assets		(4,635,018)		(7,945,650)		
Defined benefit pension liabilities	\$	(3,014,123)	\$	(6,961,736)		
Unrestricted net assets, pension liability in excess of intangible pension assets	\$	4,635,018	\$	3,881,468		

UNITED WAY OF THE BAY AREA NOTES TO FINANCIAL STATEMENTS

Amounts reflected in the accompanying statements of activities are as follows for the years ended June 30:

	2013			2012		
Service cost	\$	168,237	\$	180,234		
Interest cost		697,845		785,797		
Expected return on assets		(921,638)		(876,635)		
Amortization loss		382,989		174,156		
Net periodic pension cost	\$	327,433	\$	263,552		

The projected unit credit cost method was utilized for measuring net periodic pension cost over the employee's estimated service life. The following table summarizes the assumptions used in computing the present value of projected benefit obligations and net periodic cost as of June 30:

	2013	2012
Assumptions used in computing benefit obligation		
Discount rate	4.50%	3.85%
Rate of compensation increase	N/A	N/A
Assumptions used in computing the net periodic pension costs		
Discount rate	3.85%	5.40%
Expected return on assets	8.00%	8.00%
Rate of compensation increase	N/A	N/A

The investment objective for the Plan is to maximize total return within reasonable and prudent levels of risk. The Plan's weightedaverage asset allocations are as follows as of June 30:

	2013	2012
Asset category		
Common and collective trusts		
Equity	60.3%	60.8%
Debt	37.6%	36.8%
Cash and cash equivalents	2.1%	2.4%
Total	100.0%	100.0%

The fair values of the UWBA's defined benefit plan assets at June 30, 2013, by asset category, are as follows:

Fair Value Measurement Inputs	I	Level 1	 Level 2	 Total
Cash and cash equivalents	\$	265,552	\$ -	\$ 265,552
Large cap equities fund		-	3,968,919	3,968,919
Small cap equities fund		-	603,052	603,052
Mid cap fund		-	1,054,971	1,054,971
International equities fund		-	1,842,811	1,842,811
Fixed income securities		-	4,667,127	4,667,127
Total	\$	265,552	\$ 12,136,880	\$ 12,402,432

The fair values of the UWBA's defined benefit plan assets at June 30, 2012, by asset class are as follows:

Fair Value Measurement Inputs	Level 1		Level 2		Total	
Cash and cash equivalents	\$	278,313	\$	-	\$	278,313
Large cap equities fund		-		4,187,383		4,187,383
Small cap equities fund		-		1,054,773		1,054,773
Mid cap fund		-		-		-
International equities fund		-		1,753,708		1,753,708
Fixed income securities		-		-		-
Bond fund				4,229,569		4,229,569
Total	\$	278,313	\$	11,225,433	\$	11,503,746

The estimated minimum benefit payments which reflect expected future service, as appropriate, to be paid by UWBA are as follows:

\$ 626,180
734,051
742,815
776,906
5,395,813
\$ 8,275,765

UWBA contributed \$964,414 and \$932,667 to the Plan during the years ended June 30, 2013 and 2012, respectively.

Effective January 1, 2007, UWBA established the UWBA 401(k) Plan. Eligible employees become 401(k) Plan participants on the first day of the calendar quarter following date of hire. 401(k) Plan participants may elect to reduce their compensation by a specific percentage or dollar amount and have that amount contributed to the 401(k) Plan on a pre-tax basis as a salary deferral. UWBA matches 100% of participants' salary deferral contributions, up to a maximum of 2% of compensation (temporarily suspended during the period January 1 – December 31, 2010, according to the Collective Bargaining Agreement dated April 1, 2009 to March 31, 2012). In addition, UWBA makes an employer "nonelective" contribution according to a formula that is based on a participant's age plus service. For employees hired before January 1, 2010, matching and employer nonelective contributions will be 100% vested after two years of service (or age 65, if earlier). Employees hired after January 1, 2010, will be 50% vested after two years of service and 100% vested after four years of service (or age 65, if earlier).

UWBA instituted a voluntary long term care insurance program in fiscal year 2013. As a part of that program, it made arrangements to pay 83% of the cost of the long term premiums for the CEO from March 2013 until her death. The estimated cost of future premiums is \$52,856.

UWBA had a defined benefit early retirement medical benefits plan that covered certain full-time employees who retired as of June 30, 1993. UWBA does not contribute to this plan except to reimburse certain medical and other costs submitted by the Plan's retirees as defined within the agreement. The estimated cost of future medical and other payments as of June 30, 2013 and 2012, is \$91,751 and \$96,679, respectively, and is included in accrued pension costs. In April 2012, the Board of Directors unanimously passed a resolution to freeze the 403(b) plan and accept no new contributions. In October 2013, the Board of Directors voted to unanimously terminate the plan.

UWBA also has a defined contribution retirement plan under Section 403(b) of the Internal Revenue Code, available to those employees who are not eligible to participate in the 401(k). UWBA does not provide any matching contributions to this plan.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

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

	2013		2012		
UWBA community programs					
SparkPoint	38,04	-7	481,642		
Other community programs	1,324,92	22	613,326		
Endowment activity	728,65	5	195,175		
Total	\$ 2,091,62	24 \$	1,290,143		

NOTE 10 – ENDOWMENT DISCLOSURES

Interpretation of relevant law – The Board of Directors of UWBA has interpreted the California Prudent Management of Institutional Funds Act ("CPMIFA") as requiring the preservation of the fair value of the original gift as of the date of the donor restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, UWBA classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the UWBA Board of Directors in a manner consistent with the standard prudence prescribed by CPMIFA. In accordance with CPMIFA, UWBA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund
- b. The purposes of UWBA and the donor-restricted endowment fund
- c. General economic conditions
- d. The possible effect of inflation and deflation
- e. The expected total return from income and the appreciation of investments
- f. Other resources of UWBA
- g. The investment policies of UWBA

Spending policy and how the investment objectives relate to spending policy – The endowment fund has a spending policy of appropriating all of the net income earned on the investment of these funds for distribution according to the instructions of the donor at the time the gift is made. The original value of the gifts donated to the permanent endowment is to be classified as permanently restricted and any earnings are classified as temporarily restricted until appropriated for expenditure.

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or CPMIFA requires UWBA to retain as a fund of perpetual duration. As of June 30, 2013 and 2012, there were no deficiencies.

	Unrestricted		Temporarily Restricted		Permanently Restricted		Total Net Assets	
Endowment net assets, June 30, 2011	\$	-	\$	798,591	\$	3,888,975	\$	4,687,566
Investment income Net appreciation Amounts appropriated for expenditure		- - 261,322		115,298 (290,204) (428,510)		- - -		115,298 (290,204) (167,188)
Endowment net assets, June 30, 2012		261,322		195,175		3,888,975		4,345,472
Contribution Investment income Net appreciation Amounts appropriated for expenditure		- - - (85,251)		164,963 283,266 85,251		1,000 - - -		1,000 164,963 283,266 -
Endowment net assets, June 30, 2013	\$	176,071	\$	728,655	\$	3,889,975	\$	4,794,701

The composition and changes in the endowment net assets as of June 30, 2013 and 2012, are as follows:

NOTE 11 - RELATED PARTY TRANSACTIONS

UWBA's volunteer members of the Board of Directors participate in fundraising events, activities and by making private contributions. UWBA may also have Board members that have other direct transactions with the organization. All related parties of UWBA are annually required to read and sign a conflict of interest policy which covers any relationship with board members, volunteers, and staff.

In fiscal year 2013, UWBA utilized the services of the law firm of Paul Hastings, LLP. A Board member of UWBA was also a Partner of the firm. The firm was paid \$10,000 and \$0 for the years ended June 30, 2013 and 2012, respectively. The firm also provided contributed services of \$160,197 and \$ 166,665 during the years ended June 2013 and 2012, respectively, are included in miscellaneous income in the accompanying statements of activities.

In fiscal year 2013, UWBA utilized the services of law firm of Gordon & Rees, LLP. A Board member of UWBA was also a shareholder of the firm. The firm was paid \$2,000 and \$0 for the years ended June 30, 2013 and 2012 respectively. The firm did not contribute additional services to UWBA in 2013 or in 2012.

NOTE 12 – LINE OF CREDIT

UWBA entered into a line of credit agreement with a financial institution effective August 9, 2013. The terms of this agreement call for the pledging of securities and other investments maintained in the financial institution for any and all obligations taken by UWBA under this agreement. The agreement provides for a credit limit of \$3,500,000 with interest charged at a rate determined by the lender on a periodic basis.

NOTE 13 - LABOR UNION CONTRACT

UBWA's non-management employees are subject to a collective bargaining agreement. The contract is a three-year agreement that expired on March 31, 2012, and was mutually extended to March 31, 2013. Currently a new contract is being negotiated between UWBA and Office and Professional Employees International Union Local #3.

SUPPLEMENTARY INFORMATION

UNITED WAY OF THE BAY AREA SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2013

Title	Federal CFDA Number	Funding Agent	Federal Contract/ Grant Number	2013 Amount	
Department of the Treasury	21.009	Department of Treasury	V12012	\$	359,500
Total Department of Treasury	21.007	Department of freasury	V12012	<u> </u>	359,500
US Department of Agriculture					
Supplemental Nutrition Assistance Program	10.561	California Department of Social Services	12-3058		59,430
Total Department of Agriculture					59,430
Department of Homeland Security Total Department of Homeland Security	97.024	United Way Worldwide	Alameda: 30-0634-00 Oakland: 30-0646-00 Contra Costa: 30-0660-00 San Francisco: 30-0858-00 San Mateo: 30-0866-00 Solano: 30-0902-00 Napa: 30-0780-00 Marin: 30-0762-00		24,573 24,573
<u>Corporation for National and Community Service</u> VISTA Program Nonprofit Capacity Building Total Corporation for National & Community Service	94.013 94.022	Corporation for National & Community Service Corporation for National & Community Service	10VSPCA003 10CBHCA001		17,480 26,792 44,272
Department of Health and Human Services Community Services Block Grant - ACAP Total Department of Health and Human Services	93.569	City of Oakland			62,365 62,365
Total Federal Awards				\$	550,140

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the United Way of the Bay Area ("UWBA") under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget ("OMB") Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations.* Because the schedule presents only a selected portion of the operations of UWBA, it is not intended to and does not present the financial position, changes in net assets or cash flows of UWBA.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors United Way of the Bay Area

MOSS ADAMS LLP Certified Public Accountants | Business Consultants

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of the Bay Area ("UWBA"), which comprise the statements of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 7, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered UWBA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UWBA's internal control. Accordingly, we do not express an opinion on the effectiveness of UWBA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UWBA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of UWBA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Moss adams LLP

San Francisco, California November 7, 2013



REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors United Way of the Bay Area

Report on Compliance for the Major Federal Program

We have audited United Way of the Bay Area's ("UWBA") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on UWBA's major federal program for the year ended June 30, 2013. UWBA's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for UWBA's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about UWBA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on UWBA's compliance.

Opinion on the Major Federal Program

In our opinion, UWBA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of UWBA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered UWBA's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of UWBA's internal control over compliance.



A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance verted, over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Moss adams LLP

San Francisco, California November 7, 2013

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial	Statements
1 manciai	Statements

Type of auditor's report issued:	Unmodified		
Internal control over financial reporting:			
 Material weaknesses identified? Significant deficiency identified? Noncompliance material to financial statements noted? 	Yes Yes	<u> </u>	No None reported No
Federal Awards			
Internal control over major programs:			
Material weaknesses identified?Significant deficiency identified?	Yes	<u>X</u> X	No None reported
Type of auditor's report issued on compliance for major programs:	Unmodifed		
Any audit findings disclosed that are required to be reported in accordance with:			
• Section 510(a) of OMB Circular A-133?	Yes	X	No
Identification of major programs:			
<u>CFDA Number(s</u>)	<u>Name of Federal Program or Cluster</u>		
21.009	Volunteer Income Tax Assistance		
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000		
• Auditee qualified as low-risk auditee?	<u> X </u> Yes		No
PART II - FINANCIAL STATEMENT FINDING	S		

None noted.

PART III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.