

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, 2014 and 2013

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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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, 2014 and 2013 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, 2014 and 2013, 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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by 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 or to 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 5, 2014, 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.

A handwritten signature in dark ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California
November 5, 2014

FINANCIAL STATEMENTS

UNITED WAY OF THE BAY AREA
STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	2014	2013
ASSETS		
Cash and cash equivalents	\$ 842,095	\$ 2,298,055
Pledges receivable, net of provision for uncollectible pledges of \$ 616,000 and \$631,000, at June 30, 2014 and 2013, respectively	6,940,911	5,564,037
Grants receivable, net of discount	3,161,476	4,074,756
Investments	12,390,099	11,630,889
Prepays and other receivables	229,563	657,107
Furniture, equipment, and leasehold improvements, net	965,470	1,108,675
Total assets	<u>\$ 24,529,614</u>	<u>\$ 25,333,519</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Donor designations payable	\$ 3,404,251	\$ 3,121,545
Operating payables and accruals	1,575,281	3,995,412
Line of credit	1,000,000	-
Accrued vacation and related costs	472,243	378,862
Deferred rent	710,545	398,927
Accrued pension costs	2,204,618	3,158,730
Total liabilities	<u>9,366,938</u>	<u>11,053,476</u>
NET ASSETS		
Unrestricted		
Undesignated	8,191,378	9,072,183
Board designated	3,956,426	3,861,279
Pension liability in excess of intangible pension assets	<u>(4,488,110)</u>	<u>(4,635,018)</u>
Total unrestricted net assets	7,659,694	8,298,444
Temporarily restricted	3,612,007	2,091,624
Permanently restricted	3,890,975	3,889,975
Total net assets	<u>15,162,676</u>	<u>14,280,043</u>
Total liabilities and net assets	<u>\$ 24,529,614</u>	<u>\$ 25,333,519</u>

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
PUBLIC SUPPORT AND REVENUE				
Public Support:				
Gross campaign results	\$ 28,259,107	\$ 3,191,985	\$ 1,000	\$ 31,452,092
Less donor designations	(21,884,446)	-	-	(21,884,446)
Campaign revenue	6,374,661	3,191,985	1,000	9,567,646
Less provision for uncollectible pledges	(616,000)	-	-	(616,000)
Net campaign revenue	5,758,661	3,191,985	1,000	8,951,646
Grants	493,509	3,834,664	-	4,328,173
Miscellaneous contributions	725,096	1,142,301	-	1,867,397
Planned giving	133,768	1,588	-	135,356
Net assets released from restrictions and reclassifications	7,500,223	(7,500,223)	-	-
Total public support	14,611,257	670,315	1,000	15,282,572
Service fees & Earned Income	261,846	29,900	-	291,746
Investment income, net	132,051	78,677	-	210,728
Net realized and unrealized gains on investments	637,102	740,718	-	1,377,820
Other (expense) income	(1,492)	773	-	(719)
Total public support and revenue	15,640,764	1,520,383	1,000	17,162,147
ALLOCATIONS AND EXPENSES				
Program services:				
Gross funds awarded/allocated to agencies	20,641,478	-	-	20,641,478
2-1-1 initiative	821,677	-	-	821,677
Economic Success	5,013,858	-	-	5,013,858
Other community services	3,386,772	-	-	3,386,772
Education	667,523	-	-	667,523
Jobs+	1,764,386	-	-	1,764,386
Donor designations	(21,884,446)	-	-	(21,884,446)
Total program services	10,411,248	-	-	10,411,248
Support services:				
Management and general	3,348,800	-	-	3,348,800
Fundraising	2,666,374	-	-	2,666,374
Total support services	6,015,174	-	-	6,015,174
Total allocations and expenses	16,426,422	-	-	16,426,422
CHANGE IN NET ASSETS BEFORE PENSION RELATED CHANGES	(785,658)	1,520,383	1,000	735,725
PENSION RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	146,908	-	-	146,908
CHANGE IN NET ASSETS	(638,750)	1,520,383	1,000	882,633
NET ASSETS, beginning of year	8,298,444	2,091,624	3,889,975	14,280,043
NET ASSETS, end of year	<u>\$ 7,659,694</u>	<u>\$ 3,612,007</u>	<u>\$ 3,890,975</u>	<u>\$ 15,162,676</u>

See accompanying notes.

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	\$ 29,645,436	\$ 1,318,618	\$ 1,000	\$ 30,965,054
Less donor designations	(21,894,270)	-	-	(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	72,039	6,055,332	-	6,127,371
Miscellaneous contributions	823,027	1,450,433	-	2,273,460
Planned giving	63,784	25,411	-	89,195
Net assets released from restrictions and reclassifications	8,596,769	(8,596,769)	-	-
Total public support	16,675,785	253,025	1,000	16,929,810
Service fees	391,819	-	-	391,819
Investment income, net	190,852	96,559	-	287,411
Net realized and unrealized gains on investments	348,484	423,397	-	771,881
Other income	5,271	28,500	-	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	19,567,525	-	-	19,567,525
2-1-1 initiative	1,089,620	-	-	1,089,620
Economic Success	4,195,083	-	-	4,195,083
Other community services	7,144,701	-	-	7,144,701
Education	281,726	-	-	281,726
Jobs+	939,060	-	-	939,060
Donor designations	(21,894,270)	-	-	(21,894,270)
Total program services	11,323,445	-	-	11,323,445
Support services:				
Management and general	3,609,535	-	-	3,609,535
Fundraising	2,940,892	-	-	2,940,892
Total support services	6,550,427	-	-	6,550,427
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

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2014

	Program Services								Support Services			
	Funds Awarded/ Allocated to Agencies	2-1-1 Initiative	Economic Success	Education	Jobs+	Other Community Services	Donor Designations	Total Program Services	Management and General	Fundraising	Total Support Services	Total
ALLOCATIONS AND EXPENSES												
Salaries	\$ -	\$ 211,031	\$ 966,383	\$ 23,350	\$ 484,481	\$ 1,879,391	\$ -	\$ 3,564,636	\$ 1,732,197	\$ 1,344,097	\$ 3,076,294	\$ 6,640,930
Payroll taxes and employee benefits	-	55,994	334,765	7,954	135,902	576,940	-	1,111,555	542,076	338,732	880,808	1,992,363
Subtotal	-	267,025	1,301,148	31,304	620,383	2,456,331	-	4,676,191	2,274,273	1,682,829	3,957,102	8,633,293
Professional services	-	335,285	264,312	7,391	459,399	305,884	-	1,372,271	284,520	177,824	462,344	1,834,615
Supplies	-	2,462	32,161	1,759	6,504	23,585	-	66,471	25,449	23,769	49,218	115,689
Telephone	-	4,534	28,628	1,943	11,755	27,814	-	74,674	31,045	31,297	62,342	137,016
Postage, warehouse, and delivery	-	543	5,007	233	1,076	3,465	-	10,324	6,866	8,912	15,778	26,102
Occupancy	-	41,341	188,641	26,339	79,451	165,910	-	501,682	351,097	351,929	703,026	1,204,708
Furniture, equipment, and leasehold improvements	-	3,816	53,145	2,798	10,987	21,463	-	92,209	36,087	32,005	68,092	160,301
Media and printing	-	25,054	149,675	3,181	74,503	50,398	-	302,811	56,434	59,105	115,539	418,350
Travel	-	4,842	33,826	1,015	9,301	54,807	-	103,791	32,821	31,812	64,633	168,424
Conference, training, and meetings	-	17,132	60,333	1,671	64,929	112,855	-	256,920	41,700	115,187	156,887	413,807
Bank, interest, merchant, and other fees	-	956	4,349	238	2,531	2,883	-	10,957	64,894	5,474	70,368	81,325
Miscellaneous	-	291	1,150	56	436	1,345	-	3,278	2,691	4,166	6,857	10,135
United Way Worldwide dues	-	9,949	44,319	6,331	18,994	53,062	-	132,655	84,417	84,417	168,834	301,489
Moving costs	-	31	136	19	58	163	-	407	260	260	520	927
Uncollectible pledge expense	-	-	-	-	40,000	-	-	40,000	5,341	-	5,341	45,341
Depreciation and amortization expense, loss on sale/abandonment of furniture, equipment, and leasehold improvements, net	-	8,416	78,234	5,845	16,179	46,674	-	155,348	71,088	71,088	142,176	297,524
Cost recovery reimbursements	-	-	-	-	-	-	-	-	(20,183)	(13,700)	(33,883)	(33,883)
Total	-	721,677	2,245,064	90,123	1,416,486	3,326,639	-	7,799,989	3,348,800	2,666,374	6,015,174	13,815,163
Allocations/awards/designations	20,641,478	100,000	2,768,794	577,400	347,900	60,133	(21,884,446)	2,611,259	-	-	-	2,611,259
TOTAL ALLOCATIONS AND EXPENSES	\$ 20,641,478	\$ 821,677	\$ 5,013,858	\$ 667,523	\$ 1,764,386	\$ 3,386,772	\$ (21,884,446)	\$ 10,411,248	\$ 3,348,800	\$ 2,666,374	\$ 6,015,174	\$ 16,426,422

See accompanying notes.

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

	Program Services								Support Services			
	Funds Awarded/ Allocated to Agencies	2-1-1 Initiative	Economic Success	Education	Jobs+	Other Community Services	Donor Designations	Total Program Services	Management and General	Fundraising	Total Support Services	Total
ALLOCATIONS AND EXPENSES												
Salaries	\$ -	\$ 342,618	\$ 634,338	\$ 3,823	\$ 272,331	\$ 2,054,008	\$ -	\$ 3,307,118	\$ 1,756,487	\$ 1,283,023	\$ 3,039,510	\$ 6,346,628
Payroll taxes and employee benefits	-	120,376	249,241	3,970	95,371	690,097	-	1,159,055	690,518	459,566	1,150,084	2,309,139
Subtotal	-	462,994	883,579	7,793	367,702	2,744,105	-	4,466,173	2,447,005	1,742,589	4,189,594	8,655,767
Professional services	-	233,487	293,066	14,076	273,213	371,293	-	1,185,135	316,078	317,069	633,147	1,818,282
Supplies	-	2,718	20,532	1,230	5,754	41,388	-	71,622	17,492	18,542	36,034	107,656
Telephone	-	35,597	26,863	1,877	4,676	37,868	-	106,881	40,085	39,624	79,709	186,590
Postage, warehouse, and delivery	-	1,771	2,943	133	964	6,141	-	11,952	10,642	12,330	22,972	34,924
Occupancy	-	70,468	136,413	-	46,633	158,928	-	412,442	316,068	337,830	653,898	1,066,340
Furniture, equipment, and leasehold improvements	-	11,226	35,266	1,016	6,154	31,047	-	84,709	37,680	36,040	73,720	158,429
Media and printing	-	107,619	143,230	98	74,158	123,630	-	448,735	41,297	122,147	163,444	612,179
Travel	-	2,981	26,067	3,069	2,938	55,197	-	90,252	28,729	31,138	59,867	150,119
Conference, training, and meetings	-	17,480	51,574	13,072	14,381	104,541	-	201,048	30,028	139,990	170,018	371,066
Bank, interest, merchant, and other fees	-	949	2,500	-	700	2,576	-	6,725	63,042	2,833	65,875	72,600
Miscellaneous	-	189	618	30	334	1,856	-	3,027	3,963	1,454	5,417	8,444
United Way Worldwide dues	-	17,906	34,392	2,558	11,938	50,877	-	117,671	80,437	86,121	166,558	284,229
Moving costs	-	3,591	8,079	513	2,394	10,714	-	25,291	16,165	17,305	33,470	58,761
Uncollectible pledge expense	-	-	-	-	-	-	-	-	134,520	-	134,520	134,520
Depreciation and amortization expense, loss on sale/abandonment of furniture, equipment, and leasehold improvements, net	-	20,644	35,077	1,661	6,721	35,445	-	99,548	45,754	48,955	94,709	194,257
Cost recovery reimbursements	-	-	-	-	-	-	-	-	(19,450)	(13,075)	(32,525)	(32,525)
Total	-	989,620	1,700,199	47,126	818,660	3,775,606	-	7,331,211	3,609,535	2,940,892	6,550,427	13,881,638
Allocations/awards/designations	19,567,525	100,000	2,494,884	234,600	120,400	3,369,095	(21,894,270)	3,992,234	-	-	-	3,992,234
TOTAL ALLOCATIONS AND EXPENSES	<u>\$ 19,567,525</u>	<u>\$ 1,089,620</u>	<u>\$ 4,195,083</u>	<u>\$ 281,726</u>	<u>\$ 939,060</u>	<u>\$ 7,144,701</u>	<u>\$ (21,894,270)</u>	<u>\$ 11,323,445</u>	<u>\$ 3,609,535</u>	<u>\$ 2,940,892</u>	<u>\$ 6,550,427</u>	<u>\$ 17,873,872</u>

See accompanying notes.

UNITED WAY OF THE BAY AREA
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS (USED IN) FROM OPERATING ACTIVITIES		
Change in net assets	\$ 882,633	\$ 3,851,452
Adjustments to reconcile change in net assets to net cash (used in) from operating activities		
Provision for uncollectible pledges	616,000	631,000
Change in discount on grants receivable	(1,862)	(304)
Depreciation and amortization	297,524	177,391
Loss on abandonment/sale of property and equipment, net	-	16,866
Net realized and unrealized gains on investments	(1,377,820)	(771,881)
Pension related changes other than net periodic pension costs	(146,908)	(3,310,632)
Changes in assets and liabilities		
Pledges receivable	(1,992,874)	723,794
Grants receivable	915,142	(1,981,942)
Prepays and other receivables	427,544	(344,044)
Donor designations and allocations payable	282,706	60,980
Operating payables and accruals	(2,420,131)	2,408,020
Accrued vacation and related costs	93,381	(98,157)
Deferred rent	311,618	322,013
Accrued pension costs	(807,204)	(589,053)
Contributions restricted for investment in endowment	(1,000)	(1,000)
Net cash (used in) from operating activities	<u>(2,921,251)</u>	<u>1,094,503</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchases of investments	(1,259,927)	(1,893,946)
Proceeds from sale of investments	1,878,537	2,629,267
Purchases of furniture, equipment, and leasehold improvements	<u>(154,319)</u>	<u>(1,061,068)</u>
Net cash from (used in) investing activities	<u>464,291</u>	<u>(325,747)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowing on the line of credit	1,500,000	-
Repayment of the line of credit	(500,000)	-
Contributions restricted for investment in endowment	<u>1,000</u>	<u>1,000</u>
Net cash from financing activities	<u>1,001,000</u>	<u>1,000</u>
CHANGE IN CASH AND CASH EQUIVALENTS	(1,455,960)	769,756
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,298,055</u>	<u>1,528,299</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 842,095</u></u>	<u><u>\$ 2,298,055</u></u>

See accompanying notes.

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 – 211 is a free, easy-to-remember phone number and web resource that anyone can call for information and referral to resources. Last year, UWBA and its partner call centers in ten Bay Area counties responded to over 225,000 calls. More than half of the requests come from people who are requesting help with poverty/basic needs issues such as food, jobs and shelter. The UWBA 211 resource database now includes over 2,556 agency listings and is updated on a regular basis. In addition to daily information and referral, 211 is a critical resource for disasters. In recent years 211 has been available for responses to an earthquake, a tsunami, and major fires. Looking ahead UWBA plans to update 211’s technology platform to make sure it is accessible to as many people in need as possible. For example, we are exploring development of a “just-in-time” application for service providers to inform the public about open child-care slots, open beds at shelters, etc.

Economic Success: SparkPoint – During fiscal year 2014, SparkPoint Centers served more than 6,000 people across the Bay Area. In total they have served more than 16,000 people since the first SparkPoint Center opened in 2009. In fiscal year 2014, 80% of clients for whom we have evaluation data increased their income, savings, and credit scores; and/or reduced their debt. More than 900 got jobs, at an average wage of more than \$16.00/hour. SparkPoint Centers offer an array of services in one convenient location for a person or family trying to move out of poverty, including financial coaching on budgeting and savings, credit and debt management, career or education counseling, screening for public benefits, and others. SparkPoint’s desired outcomes are for clients to move out of poverty to economic success by (1) increasing income; (2) reducing debt; (3) increasing credit scores; and (4) increasing savings. The SparkPoint regional network includes over 75 outstanding partner organizations across the Bay Area. In 2013 SparkPoint also began opening up satellite locations at public schools and community colleges. See more on this strategy under “Education.”

Economic Success: Earn It! Keep It! Save It! – Earn It! Keep It! Save It! (EKS) is a UWBA-led coalition of partners that prepares tax returns for free, ensuring low to moderate income families get refunds and credits for which they are eligible. During the 2014 tax season, over 3,000 volunteers prepared 71,000 returns and brought back over \$78 million in refunds. \$26 million of those refunds were in Earned Income Tax Credit (EITC). EITC goes to the poorest, most vulnerable Bay Area households and has been identified by poverty-fighting experts as one of the most effective programs nationally, lifting millions of people above the federal poverty level every year. Families use their refunds primarily to pay bills, rent and buy food or clothes. EKS provides resources to meet basic needs, which is critical on the roadmap out of poverty. EKS has 200 locations in 7 counties. 10 of those locations are at SparkPoint Centers. In addition to preparing tax returns, EKS uses the program visit as a moment to offer low-income families the opportunity increase their savings, complete the federal college financial aid application (FAFSA), and enroll in health coverage.

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Jobs+ – Jobs+ helps prepare low-income youth and young adults to become the 21st century workforce for employers in San Francisco and across the Bay Area. Connecting business, government, schools, non-profits and youth, Jobs+ helps young people get work experience and pay, plan career paths, and become motivated to finish high-school and go to college or post-secondary training. Since it began as San Francisco Summer Jobs+ in 2012, the initiative has served over 19,000 youth in San Francisco and last year expanded to include services in Oakland. Within the next several years, Jobs+ expects to expand into all seven counties served by United Way of the Bay Area. In San Francisco Jobs+ partners include 50 city departments, 120 employers, 60 non-profit organizations, and the San Francisco Unified School District. In 2014 the program expanded from summer to offer year-round job opportunities and services.

Education - As its primary Education strategy, United Way promotes the education model, which places services for children and families at the public schools they attend. Education is proven to increase attendance, academic achievement, parent engagement, and health. Our goal is to have 200 high-performing schools in the Bay Area by 2020. In the last three years the number has grown from 43 to 92, with more than 3,000 children and adults served. UWBA offers planning and operational grants and technical assistance to school districts interested in adopting the education model. Since 2013 we have also begun testing a “two generation” approach, which couples the community school’s social and academic supports for children with services for parents to help them achieve academic success. This innovative approach includes the same services as United Way’s SparkPoints and also refers families to their local SparkPoint center.

Other community programs – Like United Ways around the country, UWBA manages the local activities of the federal Emergency Food and Shelter Program (EFSP), which distributes federal funds to local programs that feed and provide shelter to people in need. Last year we distributed a total allocation of \$2.2 million in 7 counties. The EFSP-funded food and shelter providers served more than 279,000 unduplicated individuals, providing to them 2.6 million meals, 187,000 bed nights, and 192 rent bills paid.

UWBA operates the Labor Community Services program in partnership with the labor councils in the counties of Alameda, Contra Costa, San Mateo and San Francisco. Staff called labor liaisons improve the lives of struggling union workers and their families, as well as other community members in need, through direct services and information/referral. In FY14 the program helped more than 600 families a month, typically with food, cash assistance, job search for displaced workers, and/or individual case management for other needs. Where possible the liaisons refer people in need to other UWBA programs like 211, EKS, and SparkPoint.

In addition to the services it provides, UWBA advocates for public policy changes that will help people in poverty survive and move to economic success. Our agenda includes issues like health coverage and care, access to the safety net and public benefits, education, jobs and wages, funding for key services, and others. This work is primarily focused at the local level with cities, counties, school districts, etc. UWBA’s policy advocacy is overseen by the board of directors and complies in all respects with all legal requirements governing policy activity by non-profit organizations.

Finally, UWBA has formed a coalition called Rise Together, comprising more than 150 leading institutions that have come together to cut poverty in half in the Bay Area by 2020. Launched by UWBA in 2012, Rise Together continues to stand out as a pivotal regional strategy through a collective impact approach. In the last two years Rise Together has given grants to local leaders and partnerships who are fighting poverty; selectively engaged on key policy issues; hosted major events to showcase the issues and solutions of poverty; and won an award from the National Association of Counties. UWBA staffs the coalition and helps the partners decide and implement key initiatives. Partners include political and faith leaders, businesses, non-profits, government, academia, media, and others.

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.

UNITED WAY OF THE BAY AREA
NOTES TO 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:

	2014	2013
Future grants and programs	\$ 3,295,000	\$ 3,295,000
General use	661,426	566,279
	<u>\$ 3,956,426</u>	<u>\$ 3,861,279</u>

As of June 30, 2014, 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.

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, 2014 and 2013, 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, 2014 and 2013, was determined to be 6% and 6% of gross campaign pledges, respectively. For years ended June 30, 2014, and June 30, 2013 there was no bad debt recovery.

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 .11% to .41%. Grants receivable are net of discounts of \$ 758 and \$2,620 at June 30, 2014 and 2013, respectively.

Investments – UWBA's investments are stated at fair value based on quoted market prices at the 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.

UNITED WAY OF THE BAY AREA

NOTES TO FINANCIAL STATEMENTS

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 \$ 297,524 and \$177,391 for the years ended June 30, 2014 and 2013, 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, 2014, deferred rent related to three UWBA locations: 550 Kearny St., San Francisco; 1970 Broadway, Suite 400, Oakland; and 8200 Bancroft, Oakland.

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 statements 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, 2014 and 2013, UWBA has only one type of planned gift – pooled income funds. Assets associated with these gifts totaled \$ 162,476 and \$161,595 as of June 30, 2014 and 2013, respectively, at fair value and are included in investments in the accompanying statements of financial position. Liabilities associated with these gifts totaled \$ 26,975 and \$28,198 as of June 30, 2014 and 2013, 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, 2014 and 2013, of \$ 312,007 and \$448,380, respectively, were reflected in miscellaneous contributions 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 during the years ended June 30, 2014 and 2013, 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 44% 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.

Reclassifications—Certain amounts reflected in UWBA's prior year financial statements have been reclassified in these financial statements to reflect current year presentation. These reclassifications have no effect on net assets or changes in net assets.

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, 2014. 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 2009.

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 November 5, 2014, which is the date the financial statements were available to be issued.

NOTE 3 – GRANTS RECEIVABLE

UWBA expected to receive grants receivable at June 30, 2014 and 2013, respectively, are as follows:

	2014	2013
Amount due:		
In the next year	\$ 2,767,234	\$ 3,537,376
Between two and five years	395,000	540,000
	3,162,234	4,077,376
Discount	(758)	(2,620)
Grants receivable, net	<u>\$ 3,161,476</u>	<u>\$ 4,074,756</u>

UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS

NOTE 4 – INVESTMENTS

The following tables present the investments carried at fair value on the accompanying statements of financial position as of June 30, 2014 and 2013, by valuation hierarchy:

Fair Value Measurement Inputs	2014		
	Level 1	Level 2	Total
Balanced fund	\$ 421,903	\$ -	\$ 421,903
Domestic equities	2,990,329	-	2,990,329
Small cap funds	787,896	-	787,896
Commodities/natural resources fund	443,852	-	443,852
International equity	2,432,187	-	2,432,187
Low duration and intermediate bonds	4,231,428	-	4,231,428
International global bonds	852,692	-	852,692
Cash and cash equivalents (held for investment)	67,336	-	67,336
Pooled income funds	-	162,476	162,476
Total	<u>\$ 12,227,623</u>	<u>\$ 162,476</u>	<u>\$ 12,390,099</u>

Fair Value Measurement Inputs	2013		
	Level 1	Level 2	Total
Balanced fund	\$ 780,342	\$ -	\$ 780,342
Domestic equities	1,910,800	-	1,910,800
Small cap funds	925,379	-	925,379
Commodities/natural resources fund	408,103	-	408,103
International equity	1,842,979	-	1,842,979
Low duration and intermediate bonds	4,146,011	-	4,146,011
International global bonds	900,596	-	900,596
Cash and cash equivalents (held for investment)	555,084	-	555,084
Pooled income funds	-	161,595	161,595
Total	<u>\$ 11,469,294</u>	<u>\$ 161,595</u>	<u>\$ 11,630,889</u>

Net unrealized and realized gains are as follows for the years ended June 30:

	2014	2013
Unrealized gains	\$ 798,644	\$ 410,062
Realized gains	579,176	361,819
Net realized and unrealized gains on investments	<u>\$ 1,377,820</u>	<u>\$ 771,881</u>

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

	2014	2013
Interest and dividend income	\$ 266,236	\$ 330,032
Less investment management fees	(55,508)	(42,621)
Total investment income, net	<u>\$ 210,728</u>	<u>\$ 287,411</u>

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.

NOTE 5 – FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

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

	2014	2013
Computer software and equipment	\$ 880,835	\$ 800,703
Office furniture	489,197	490,022
Equipment	205,537	208,667
Leasehold improvements	434,995	396,095
Vehicles	24,240	24,240
	<u>2,034,804</u>	<u>1,919,727</u>
Total	2,034,804	1,919,727
Less accumulated depreciation and amortization	<u>(1,069,334)</u>	<u>(811,052)</u>
Total furniture, equipment, and leasehold improvements, net	<u>\$ 965,470</u>	<u>\$ 1,108,675</u>

NOTE 6 – MISCELLANEOUS CONTRIBUTIONS

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

	2014	2013
Unrestricted		
Donated goods and services	\$ 138,777	\$ 195,272
Non-campaign donations	218,659	281,210
Prior year campaign revenue	15,882	19,694
Revenue - other United Ways	91,817	94,393
Special events income	15,711	8,578
Sponsorship fees	244,250	223,880
	<u>725,096</u>	<u>823,027</u>
Temporarily restricted		
Donated goods and services	173,230	253,108
Non-campaign donations and miscellaneous income	805,000	533,010
Special events income	24,371	-
Sponsorship fees	139,700	664,315
	<u>1,142,301</u>	<u>1,450,433</u>
Total miscellaneous contributions	<u>\$ 1,867,397</u>	<u>\$ 2,273,460</u>

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. UWBA is also committed under noncancelable operating leases for various office equipment.

UNITED WAY OF THE BAY AREA
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Future minimum commitments under noncancelable operating leases having lease terms in excess of one year as of June 30, 2014, are as follows:

<u>Years Ending June 30,</u>		
2015	\$	1,230,305
2016		1,237,585
2017		1,223,679
2018		1,168,862
2019		1,167,300
Thereafter		4,318,133
Total	\$	<u>10,345,864</u>

Rent expense for the years ended June 30, 2014 and 2013, was \$ 1,204,708 and \$1,066,340, 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:

	<u>2014</u>	<u>2013</u>
Defined benefit pension plan liabilities	\$ 2,062,606	\$ 3,014,123
Defined early retirement medical and long term care benefit plans	142,012	144,607
Total accrued pension costs	<u>\$ 2,204,618</u>	<u>\$ 3,158,730</u>

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:

	<u>2014</u>	<u>2013</u>
Projected benefit obligation		
Beginning of year	\$ 15,416,556	\$ 18,465,482
Service cost	165,110	168,237
Interest costs	676,584	697,845
Actuarial (gain) loss	1,060,874	(2,390,448)
Benefits paid	(707,402)	(1,323,553)
Administrative expenses paid	(171,520)	(201,007)
End of year	<u>\$ 16,440,202</u>	<u>\$ 15,416,556</u>
Fair value of plan assets		
Beginning of year	\$ 12,402,434	\$ 11,503,746
Actual return on plan assets	2,006,211	1,458,834
Employer contributions	900,000	964,414
Benefits paid	(707,402)	(1,323,553)
Administrative expenses paid	(171,520)	(201,007)
End of year	<u>\$ 14,429,723</u>	<u>\$ 12,402,434</u>
Funded status of the Plan at year-end (underfunded)	<u>\$ (2,010,479)</u>	<u>\$ (3,014,122)</u>

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

	2014	2013
Prepaid benefit cost	\$ 2,477,630	\$ 1,620,895
Additional accrued pension liability for pension plans with a benefit obligation in excess of plan assets	(4,488,110)	(4,635,018)
Defined benefit pension liabilities	<u>\$ (2,010,480)</u>	<u>\$ (3,014,123)</u>
Unrestricted net assets, pension liability in excess of intangible pension assets	<u>\$ 4,488,110</u>	<u>\$ 4,635,018</u>

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

	2014	2013
Service cost	\$ 165,110	\$ 168,237
Interest cost	676,584	697,845
Expected return on assets	(1,000,751)	(921,638)
Amortization loss	202,322	382,989
Net periodic pension cost	<u>\$ 43,265</u>	<u>\$ 327,433</u>

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:

	2014	2013
Assumptions used in computing benefit obligation		
Discount rate	4.00%	4.50%
Rate of compensation increase	N/A	N/A
Assumptions used in computing the net periodic pension costs		
Discount rate	4.50%	3.85%
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 weighted-average asset allocations are as follows as of June 30:

	2014	2013
Asset category		
Common and collective trusts		
Equity	60.6%	60.3%
Debt	36.8%	37.6%
Cash and cash equivalents	2.6%	2.1%
Total	<u>100.0%</u>	<u>100.0%</u>

UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS

The fair values of the UWBA's defined benefit plan assets at June 30, 2014, by asset category, are as follows:

Fair Value Measurement Inputs	Level 1	Level 2	Total
Cash and cash equivalents	\$ 373,142	\$ -	\$ 373,142
Large cap equities fund	4,637,672	-	4,637,672
Small cap equities fund	697,236	-	697,236
Mid cap fund	1,240,896	-	1,240,896
International equities fund	2,165,105	-	2,165,105
Fixed income securities	5,315,672	-	5,315,672
Total	<u>\$ 14,429,723</u>	<u>\$ -</u>	<u>\$ 14,429,723</u>

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

Fair Value Measurement Inputs	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	603,054	-	603,054
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	<u>\$ 12,402,434</u>	<u>\$ -</u>	<u>\$ 12,402,434</u>

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

Estimated minimum benefit payments

Year Ending June 30,

2015	\$ 761,014
2016	768,777
2017	789,897
2018	814,031
2019 - 2020	<u>5,701,164</u>
	<u>\$ 8,834,883</u>

UWBA contributed \$ 900,000 and \$964,414 to the Plan during the years ended June 30, 2014 and 2013, 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). Effective January 1, 2014, employees hired after January 1, 2010 will be 25% vested after 1 year of service, 50% after 2 years of service, 75% vested after 3 years of service and 100% vested after 4 years of service.

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 as of June 30, 2014, is \$ 56,958.

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, 2014 and 2013, is \$ 85,055 and \$91,751, 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.

In the fiscal year ended 2014, UWBA established an eligible deferred compensation plan for a select group of highly compensated employees under Section 457(b) of the Internal Revenue Code. The plan allows pre-tax contributions of the maximum amount allowed by law per year through payroll deduction. At June 30, 2014, three employees, respectively, had elected to participate in the plan. The investments in this plan remain as assets of the organization until the employees retire. The balance in the plan as of June 30, 2014, is \$ 25,152.

NOTE 9 – TEMPORARILY RESTRICTED NET ASSETS

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

	2014	2013
UWBA community programs	1,448,336	1,362,969
Time Restricted multi-year gifts	800,000	-
Endowment activity	1,363,671	728,655
Total	<u>\$ 3,612,007</u>	<u>\$ 2,091,624</u>

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.

UNITED WAY OF THE BAY AREA
NOTES TO FINANCIAL STATEMENTS

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, 2014 and 2013, there were no deficiencies.

The composition and changes in the endowment net assets as of June 30, 2014 and 2013, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Net Assets
Endowment net assets, June 30, 2012	\$ 261,322	\$ 195,175	\$ 3,888,975	\$ 4,345,472
Contribution	-	-	1,000	1,000
Investment income	-	164,963	-	164,963
Net appreciation	-	283,266	-	283,266
Amounts appropriated for expenditure	(85,251)	85,251	-	-
Endowment net assets, June 30, 2013	176,071	728,655	3,889,975	4,794,701
Contribution	-	-	1,000	1,000
Investment income	-	411,171	-	411,171
Net appreciation	-	408,308	-	408,308
Amounts appropriated for expenditure	(176,071)	(184,463)	-	(360,534)
Endowment net assets, June 30, 2014	\$ -	\$ 1,363,671	\$ 3,890,975	\$ 5,254,646

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.

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. As of June 30, 2014, there was a \$ 1,000,000 outstanding debt for the line of credit. We also issued a letter of credit to the landlord under the same credit limit for \$ 230,000.

SUPPLEMENTARY INFORMATION

UNITED WAY OF THE BAY AREA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

<u>Title</u>	<u>Federal CFDA Number</u>	<u>Funding Agent</u>	<u>Federal Contract/ Grant Number</u>	<u>2014 Amount</u>
<u>Department of the Treasury</u>				
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	Department of Treasury	14VITA0027	\$ 360,050
Total Department of Treasury				360,050
<u>US Department of Agriculture</u>				
State Administrative Matching Grants for Food Stamp Program	10.561	San Diego County (211 San Diego)	12-10125	72,975
Total Department of Agriculture				72,975
<u>Department of Homeland Security</u>				
Emergency Food and Shelter National Board Program	97.024	United Way Worldwide	Oakland 31-0646-00 Alameda 31-0634-00 Contra Costa 31-0660-00 San Mateo 31-0866-00 Solano 31-0902-00 Marin 31-0762-00 Napa 31-0780-00 San Francisco 31-0858-00	38,858
Total Department of Homeland Security				38,858
<u>Corporation for National and Community Service</u>				
VISTA Program	94.013	Corporation for National & Community Service	10VSPCA003	20,915
Total Corporation for National & Community Service				20,915
<u>Department of Health and Human Services</u>				
Community Services Block Grant-OCAP	93.569	Alameda County- Oakland Community Action Partnership (AC-OCAP)	Resolution # 83125 C.M.S & Resolution # 83589 C.M.S	15,000
Total Department of Health and Human Services				15,000
Total Federal Awards				\$ 507,798

The accompanying notes are an integral part of this schedule.

UNITED WAY OF THE BAY AREA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

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, 2014. 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

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, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 5, 2014.

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 UWBA'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 with 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 the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UWBA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California
November 5, 2014

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, 2014. 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 federal programs.

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, 2014.

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 the 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 that is less severe than a material weakness in internal control 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.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California
November 5, 2014

UNITED WAY OF THE BAY AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported
- Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported
in accordance with section 510(a) of Circular A-133?

☐ Yes ☒ No

Identification of Major Programs

<i>CFDA Numbers</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued</i>
21.009	Volunteer Income Tax Assistance	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type
B programs:

\$ 300,000

Auditee qualified as low-risk auditee?

☒ Yes ☐ No

Section II - Financial Statement Findings

None reported

Section III - Federal Award Findings and Questioned Costs

None reported