Financial Statements

United Way, Inc.
Year Ended June 30, 2014, With Summarized Financial Information for the Year Ended June 30, 2013
With Report of Independent Auditors

Ernst & Young LLP

Building a better working world

United Way, Inc.

Financial Statements

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for the Year Ended June 30, 2013

Contents

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Building a better working world

Report of Independent Auditors

The Board of Directors
United Way, Inc.

We have audited the accompanying financial statements of United Way, Inc., which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Building a better working world

Opinion

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

Report on Summarized Comparative Information

We have previously audited United Way, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 16, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Ernst + Young LLP

December 9, 2014

United Way, Inc.

Statements of Financial Position
(In Thousands)

	June 30 2014		June 30 2013	
Assets				
Current assets:				
Cash and cash equivalents	**$**	**17,671**	$	16,816
Marketable securities, at fair value		**8,300**		7,531
Receivables:				
Current portion of pledges, less allowance for uncollectible accounts of $1,677 and $1,865 as of June 30, 2014 and 2013, respectively		**14,081**		12,992
Other		**1,858**		1,992
Prepaid expenses		**234**		338
Total current assets		**42,144**		39,669
Long-term pledges receivable		**40**		60
Long-term other receivable		**79**		79
Prepaid pension asset		**2,539**		2,528
Equipment and leasehold improvements, at cost, less accumulated depreciation		**1,475**		1,809
Total assets	**$**	**46,277**	$	44,145
Liabilities and net assets				
Current liabilities:				
Accounts payable and accrued expenses	**$**	**4,818**	$	3,846
Current portion of capitalized lease obligation		**48**		59
Current portion of designations and liabilities to other charities		**8,982**		9,417
Total current liabilities		**13,848**		13,322
Long-term portion of capitalized lease obligation		**–**		48
Deferred rent and lease incentives		**2,257**		2,375
Other postretirement plan obligations		**707**		414
Total liabilities		**16,812**		16,159
Net assets:				
Unrestricted:				
Board-designated endowment fund		**2,954**		2,500
Undesignated		**19,801**		19,327
Total unrestricted		**22,755**		21,827
Temporarily restricted		**6,710**		6,159
Total net assets		**29,465**		27,986
Total liabilities and net assets	**$**	**46,277**	$	44,145

See accompanying notes.

United Way, Inc.

Statement of Activities and Changes in Net Assets

(In Thousands)

Year Ended June 30, 2014, With Summarized Financial Information
for the Year Ended June 30, 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
Public support and revenue:				
Public support:				
Gross campaign results	**$ 57,058**	**$ 9,994**	**$ 67,052**	$ 69,847
Less designations to nonprofit organizations and other charitable organizations	**(37,304)**	**–**	**(37,304)**	(39,874)
Campaign revenue	**19,754**	**9,994**	**29,748**	29,973
Less provision for uncollectible pledges	**(1,346)**	**–**	**(1,346)**	(1,623)
Net campaign revenue	**18,408**	**9,994**	**28,402**	28,350
Other support	**888**	**–**	**888**	1,013
Total public support	**19,296**	**9,994**	**29,290**	29,363
Administrative fee and expense recovery	**1,274**	**–**	**1,274**	1,270
Investment gains	**540**	**–**	**540**	341
Miscellaneous income	**117**	**–**	**117**	141
Net assets released from restrictions	**9,443**	**(9,443)**	**–**	–
Total public support and revenue	**30,670**	**551**	**31,221**	31,115
Distributions, program services, and expenses:				
Program services:				
Gross funds awarded/distributed	**51,866**	**–**	**51,866**	55,079
Less donor designations	**(37,304)**	**–**	**(37,304)**	(39,874)
Net funds awarded/distributed	**14,562**	**–**	**14,562**	15,205
Community impact program services	**3,194**	**–**	**3,194**	2,873
Other program services	**2,370**	**–**	**2,370**	2,428
Total program services	**20,126**	**–**	**20,126**	20,506
Support services expenses:				
Fund-raising	**7,614**	**–**	**7,614**	7,297
Organizational administration	**1,922**	**–**	**1,922**	2,042
Total support services	**9,536**	**–**	**9,536**	9,339
Total distributions, program services, and expenses	**29,662**	**–**	**29,662**	29,845
Changes in net assets before additional pension liability	**1,008**	**551**	**1,559**	1,270
Change in additional pension liability	**(80)**	**–**	**(80)**	2,015
Changes in net assets	**928**	**551**	**1,479**	3,285
Net assets at beginning of year	**21,827**	**6,159**	**27,986**	24,701
Net assets at end of year	**$ 22,755**	**$ 6,710**	**$ 29,465**	$ 27,986

See accompanying notes.

United Way, Inc.

Statement of Functional Expenses
(In Thousands)

Year Ended June 30, 2014, With Summarized Financial Information
for the Year Ended June 30, 2013

	2014					
	Program Services		Support Services			
	Community Impact	Other Programs	Fund-Raising	Organizational Administration	2014 Total	2013 Total
Salaries	$ 1,362	818	$ 3,723	$ 797	$ 6,700	$ 6,101
Employee benefits	132	97	391	95	715	610
Retirement expense	95	–	173	59	327	517
Payroll taxes	97	75	291	63	526	526
Total salaries and related expenses	1,686	990	4,578	1,014	8,268	7,754
Other expenses:						
Printing supplies and publications	160	69	316	64	609	686
Occupancy	262	31	456	149	898	885
Depreciation and amortization	104	–	189	64	357	355
Professional fees	407	1,089	589	325	2,410	2,372
Travel	60	23	144	25	252	245
Postage	9	1	388	7	405	413
Telephone	54	12	98	24	188	190
Rental and maintenance of equipment	50	37	85	26	198	217
Conferences, conventions, and meetings	76	106	141	37	360	349
Miscellaneous	180	12	360	96	648	629
United Way Worldwide dues	146	–	270	91	507	545
Total other expenses	1,508	1,380	3,036	908	6,832	6,886
	3,194	2,370	7,614	1,922	15,100	14,640
Net funds awarded/distributed	14,562	–	–	–	14,562	15,205
Total distributions, program services and expenses	$ 17,756	$ 2,370	$ 7,614	$ 1,922	$ 29,662	$ 29,845

See accompanying notes.

United Way, Inc.

Statements of Cash Flows
(In Thousands)

	Year Ended June 30	
	2014	**2013**
Operating activities		
Net cash received from donors by campaign year:		
2014–2013 campaign year	**$ 51,837**	$ 54,978
2013–2012 campaign year	**12,310**	13,878
2012–2011 and prior campaign years	**576**	239
Cash received from bequests	**527**	444
Cash paid to member agencies and projects	**(14,158)**	(14,802)
Cash paid to agencies/other charitable organizations for designations and area wide pledges	**(37,554)**	(40,560)
Cash paid to employees and suppliers	**(13,544)**	(13,282)
Cash received from investment and miscellaneous income	**235**	300
Cash paid for interest expense	**(7)**	(12)
Other cash received net of other cash paid	**1,063**	1,277
Net cash provided by operating activities	**1,285**	2,460
Investing activities		
Purchase of equipment and leasehold improvements	**(23)**	(37)
Purchase of marketable securities	**(1,066)**	(628)
Proceeds from sale and maturities of marketable securities	**718**	511
Net cash used in investing activities	**(371)**	(154)
Financing activities		
Principal payments under capital lease obligations	**(59)**	(55)
Net cash used in financing activities	**(59)**	(55)
Net increase in cash and cash equivalents	**855**	2,251
Cash and cash equivalents at beginning of year	**16,816**	14,565
Cash and cash equivalents at end of year	**$ 17,671**	$ 16,816

United Way, Inc.

Statements of Cash Flows (continued)

(In Thousands)

	Year Ended June 30	
	2014	**2013**
Changes in net assets	**$ 1,479**	$ 3,285
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	**357**	355
Net unrealized gain on investments	**(421)**	(224)
Changes in assets and liabilities:		
Pledges and other receivables	**(935)**	1,095
Prepaid expenses	**104**	(54)
Prepaid pension asset	**(11)**	(1,450)
Accounts payable and accrued expenses	**972**	190
Designation liabilities	**(435)**	(441)
Deferred rent and lease incentives	**(118)**	(119)
Other postretirement plan obligations	**293**	(177)
Net cash provided by operating activities	**$ 1,285**	$ 2,460

See accompanying notes.

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Organization

United Way, Inc., dba United Way of Greater Los Angeles (United Way or Organization), is a tax-exempt, nonprofit organization under the Internal Revenue Code Section 501(c)(3) that administers an annual fund-raising campaign in Los Angeles County, California, and uses those funds to support a variety of human services programs in the Greater Los Angeles area.

United Way is committed to Creating Pathways Out of Poverty so that everyone who lives in our communities can have a better quality of life. The Organization is focused on providing long-term solutions in the three interconnected areas that are the root causes of poverty:

- Helping people have access to permanent housing with supportive services,
- Helping students graduate from high school prepared for college and the workplace,
- Helping people become financially stable.

United Way's mission is to permanently break the cycle of poverty for most vulnerable neighbors: families, children, veterans, and the homeless.

Basis of Presentation

The financial statements of United Way have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States for not-for-profit organizations. Among its principles, the guidance states that the net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of United Way and changes therein are classified and reported as follows:

> Unrestricted net assets include all support unless donor stipulations specify how the donated assets must be used.
>
> Temporarily restricted net assets include gifts of cash and other assets if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

As of June 30, 2014 and 2013, total temporarily restricted net assets of $6,710,000 and $6,159,000, respectively, represent unspent grants and donations made by donors that are specifically intended for United Way's programs that benefit the Creating Pathways Out of Poverty plan and multi-year pledges for which time restrictions have not expired.

Permanently restricted net assets include gifts that require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. United Way does not have any permanently restricted net assets as of June 30, 2014 and 2013.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Campaign Contributions

Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Campaign contributions arise from a fund-raising campaign conducted by United Way and are included in campaign revenue. Contributions for which United Way has little or no discretion in determining how the funds will be used (e.g., designations and distributions to other United Ways) are excluded from net campaign revenues. The regular annual fund-raising campaign generally commences in the fall and concludes at June 30 each year.

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Contributions that have donor-imposed or time restrictions are recorded as temporarily restricted net assets until the restrictions have been met or the time has lapsed. Contributions generally include:

1. Cash contributions

2. Pledges (promises to give) received represented by signed pledges or written commitments

3. Employer reports of pledges (promises to give) by employees under payroll deduction plans.

Program Services

Net funds awarded/distributed represent the total amount awarded to other not-for-profit organizations at United Way's discretion. It also includes payments to eligible participants or organizations that enrolled in utility assistance programs.

Community impact program services consist of the total expenses allocated to United Way's internal operating program activities. Most of these programs are funded through unrestricted contributions.

Other program services are activities that are covered through grants and contracts funded by corporations, private foundations, and government agencies. Most of these programs fall under one of the three interconnected areas that directly support achievement of the Creating Pathways Out of Poverty goals.

Equipment and Leasehold Improvements

Fixed assets are recorded at cost, if purchased. Donated fixed assets are reported at estimated fair value at the date of contribution. Gifts of long-lived assets received without donor-imposed restrictions are reported as unrestricted support. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method.

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Leasehold improvements and equipment under capital lease obligations are amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the assets. Such amortization is included in depreciation and amortization in the financial statements. Estimated useful lives are as follows:

Leasehold improvements	Shorter of the estimated useful lives or the remaining term of the lease
Furniture and equipment	5 years
Vehicles	4 years
Software	3 years

Routine maintenance and repairs are charged to expense as incurred.

United Way reviews the recoverability of its long-lived assets as required by Accounting Standards Codification (ASC) Topic 360, *Property, Plant, and Equipment*, whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows. If the sum of the projected undiscounted cash flows is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. As of and for the year ended June 30, 2014, no indicators of impairment were identified and no impairment was recorded.

Marketable Securities

Marketable securities received as payments on pledges are sold and the net proceeds recorded as payments on those pledges. Marketable securities purchased by United Way are reported at fair value provided by the custodians using market quoted prices. Realized gains and losses and net investment income are recognized as earned and are reported in the statement of activities and changes in net assets as changes in unrestricted or temporarily restricted net assets, depending on the donor stipulations on the use of the income. Unrealized gains and losses are reported in the statement of activities and changes in net assets as changes in unrestricted net assets unless their use is temporarily or permanently restricted by donors to a specified purpose or future period.

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Fair Value Measurements

The carrying amount of cash and cash equivalents, pledges and other receivables, and accounts payable and accrued expenses approximates fair value due to short-term maturities of these instruments.

ASC Topic 820, *Fair Value Measurements and Disclosures* (ASC 820), defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 — Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 — Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 — Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Cash and Cash Equivalents

United Way considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. United Way maintains its cash balances at several financial institutions located in Southern California. Cash balances held may have at times exceeded the federally insured limits. United Way has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Donated Services

The contribution of services is recognized at fair value if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

During the years ended June 30, 2014 and 2013, United Way received donated consulting services that met the recognition criteria described above. Management has estimated that professional services of $184,000 was received related to social media consulting during the year ended June 30, 2014, and $400,000 was received for strategic planning for the year ended June 30, 2013. Both amounts are included in the statement of activities and changes in net assets, as unrestricted campaign revenue and allocated across program and support services expense.

United Way also receives services from a large number of volunteers who have donated their time in United Way's program services and its fund-raising campaign. No amounts have been reflected for these types of donated services in the financial statements, as they do not meet the criteria outlined above.

Income Taxes

United Way is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and California Code Section 23701(d). As a result, no provision for income taxes has been recorded in the accompanying financial statements.

Functional Allocation of Expenses

Expenses are classified on a functional basis in the statement of activities and changes in net assets. Program services are those related to community impact program services and other program services and include the cost of certain community programs and the expenses associated with the administration and management of these activities. Supporting services are those expenses associated with fundraising and organizational administration.

For purposes of the statements of functional expenses, a portion of organizational administration expenses is allocated to all program and supporting services on the basis of full-time employee equivalents.

1. Nature of Activities and Summary of Significant Accounting Policies (continued)

Summarized Financial Information for Fiscal 2013

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the June 30, 2013, financial statements of United Way, from which the summarized information was derived.

Reclassifications

Certain amounts in the accompanying 2013 summarized comparative information were reclassified to conform to the 2014 financial statement presentation. The Organization previously reported investment and other income as one line item in the statement of activities and change in net assets, but this year it reported as two separate items: investment gains and miscellaneous income. Additionally, a change in presentation was made to the statement of functional expenses by including other program services and net funds awarded/distributed in the statement. Management believes the current presentation is more meaningful to the users of the financial statements.

2. Pledges Receivable

Pledges receivable and the allowance for uncollectible accounts on net campaign revenue during the fiscal years ended June 30 are summarized as follows (in thousands):

	2014	2013
Pledges receivable arising from undesignated campaign contributions	**$ 10,755**	$ 10,735
Pledges receivable arising from designated campaign contributions	**5,045**	4,204
Total gross pledges receivable	**15,800**	14,939
Less unamortized discount	**(2)**	(22)
Subtotal	**15,798**	14,917
Less allowance for uncollectible accounts	**(1,677)**	(1,865)
Total net pledges receivable	**$ 14,121**	$ 13,052

2. Pledges Receivable (continued)

Amounts included in the statements of financial position at June 30 consist of the following (in thousands):

	2014	2013
Current portion of pledges receivable	**$ 14,081**	$ 12,992
Long-term pledges receivable	**40**	60
Total net pledges receivable	**$ 14,121**	$ 13,052

The provision for uncollectible pledges is made on net campaign contributions (undesignated contributions) and is based primarily on recent historical experience as well as other factors anticipated to affect collections.

Total gross pledges receivable at June 30, 2014, are due to be collected in the following fiscal years (in thousands):

Amounts due in:	
Less than one year	$ 15,760
One to five years	40
Total gross pledges receivable	$ 15,800

Included in pledges receivable at June 30, 2014 and 2013, are multi-year pledges of approximately $60,000 and $250,000, respectively. The multi-year pledges are discounted using an effective rate range from 0.78% to 5.54%.

United Way received a conditional promise to give in the amount of $7,775,000 over three years beginning in September 2012, to support the Organization's programs under permanent housing. For the year ended June 30, 2014, $2,350,000 of revenue was recognized from this conditional grant when payment conditions were met, including raising matching gifts. The remaining conditional promise to give was $4,325,000 at June 30, 2014.

United Way also received another conditional promise to give in the amount of $1,000,000 over two years beginning in November 2013 for the Organization's education programs. For the year ended June 30, 2014, $200,000 of revenue was recognized from this conditional grant when payment conditions were met, including raising matching gifts, and the remaining conditional promise amount was $800,000 at June 30, 2014.

3. Marketable Securities and Fair Value

The schedules below classify United Way's investments carried at fair value based upon the three-tier hierarchy required by ASC 820 (in thousands):

		Fair Value Measurements at June 30, 2014		
	June 30, 2014	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money market funds	**$ 543**	**$ 543**	**$ –**	**$ –**
Mutual funds – fixed income	**5,641**	**5,641**	**–**	**–**
Mutual funds – equity	**2,116**	**2,116**	**–**	**–**
Total investment assets at fair value	**$ 8,300**	**$ 8,300**	**$ –**	**$ –**

		Fair Value Measurements at June 30, 2013		
	June 30, 2013	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Money market funds	$ 518	$ 518	$ –	$ –
Mutual funds – fixed income	5,355	5,355	–	–
Mutual funds – equity	1,658	1,658	–	–
Total investment assets at fair value	$ 7,531	$ 7,531	$ –	$ –

3. Marketable Securities and Fair Value (continued)

Investment gains included in the following components for the year ended June 30 (in thousands):

	2014	2013
Interest and dividends	**$ 119**	$ 117
Net realized and unrealized gains	**421**	224
Total investment gains	**$ 540**	$ 341

4. Equipment and Leasehold Improvements

Equipment and leasehold improvement at June 30 consists of the following (in thousands):

	2014	2013
Vehicles	**$ 79**	$ 79
Leasehold improvements	**1,728**	1,756
Furniture, equipment, and software	**1,165**	1,197
Capital leases – equipment	**448**	448
	3,420	3,480
Less accumulated depreciation	**(1,945)**	(1,671)
Equipment and leasehold improvements, net	**$ 1,475**	$ 1,809

Depreciation and amortization expense of equipment and leasehold improvements in total was approximately $357,000 and $355,000 for the years ended June 30, 2014 and 2013, respectively. Included in the amount is amortization expense on the capital lease equipment of approximately $54,000 for the years ended June 30, 2014 and 2013. Accumulated amortization on the capital lease equipment is approximately $408,000 and $355,000 as of June 30, 2014 and 2013, respectively.

5. Administrative Fee and Expense Recovery

United Way performs fund-raising and processing services for certain agencies, nonprofit organizations, and a Combined Federal Campaign for which it is reimbursed. Such amounts are reflected as administrative fee and expense recovery and totaled $1,274,000 in 2014 and $1,270,000 in 2013.

6. Retirement Plans

United Way has a defined benefit, noncontributory pension plan (the Plan) covering substantially all of its regular employees. The Plan is accounted for in accordance with the provisions of ASC Topic 715, *Compensation – Retirement Benefits* (ASC 715). The benefits are based on years of service and the employee's compensation during the last three years of employment. United Way's funding policy is to contribute annually the minimum amount required by the Employee Retirement Income Security Act of 1974.

ASC 715 requires employers to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position, recognize changes in that funded status in the year in which the changes occur through changes in net assets, and measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year.

The following tables set forth the funded status of the Plan as provided by United Way's consulting actuaries at June 30 (in thousands):

	2014	2013
Change in projected benefit obligation:		
Benefit obligation at beginning of year	**$ 17,730**	$ 17,387
Service cost	**457**	559
Interest cost	**779**	672
Actuarial loss (gain)	**2,097**	(420)
Benefits paid	**(918)**	(468)
Projected benefit obligation at end of year	**$ 20,145**	$ 17,730

6. Retirement Plans (continued)

	2014	2013
Change in plan assets:		
Fair value of assets at beginning of year	**$ 20,258**	$ 18,465
Actual return on plan assets	**3,344**	2,261
Benefits paid	**(918)**	(468)
Fair value of assets at end of year	**$ 22,684**	$ 20,258
Fair value of assets of the Plan	**$ 22,684**	$ 20,258
Projected benefit obligation	**(20,145)**	(17,730)
Funded status	**$ 2,539**	$ 2,528

Amounts included in the statements of financial position at June 30 consist of (in thousands):

	2014	2013
Prior service cost	**$ (83)**	$ (92)
Net loss	**(5,431)**	(5,624)
Additional pension liability	**(5,514)**	(5,716)
Prepaid pension expense	**8,053**	8,244
Net asset recognized in the statements of financial position	**$ 2,539**	$ 2,528

Net periodic pension cost includes the following components for the year ended June 30 (in thousands):

	2014	2013
Service cost	**$ 457**	$ 559
Interest cost	**779**	672
Expected return on plan assets	**(1,428)**	(1,347)
Amortization of prior service costs	**9**	9
Amortization of actuarial loss	**374**	596
Net periodic pension cost	**$ 191**	$ 489

6. Retirement Plans (continued)

The net asset reflected in the accompanying statements of financial position is the excess of the fair value of plan assets over the projected benefit obligation, or the "funded status" of the Plan at June 30, 2014 and 2013.

Estimated amounts that will be amortized from additional pension liability over the next fiscal year are as follows (in thousands):

	2014	**2013**
Prior service cost	**$ 9**	$ 9
Net loss	**(310)**	(374)

Assumptions used to determine benefit obligations at June 30 are as follows:

	2014	**2013**
Discount rate	**4.02%**	4.54%
Rate of compensation increases	**3.00%**	3.00%
Measurement date	**6/30/2014**	6/30/2013

Assumptions used to determine the net pension cost at June 30 are as follows:

	2014	**2013**
Discount rate	**4.54%**	3.98%
Rate of compensation increases	**3.00%**	3.00%
Long-term rate of return on assets	**7.25%**	7.50%
Measurement date	**6/30/2013**	6/30/2012

Additional year-end information at June 30 is as follows (in thousands):

	2014	**2013**
Projected benefit obligation	**$ 20,145**	$ 17,730
Accumulated benefit obligation	**18,450**	16,310
Fair value of plan assets	**22,684**	20,258

6. Retirement Plans (continued)

The following tables set forth by level, within the fair value hierarchy, United Way's plan assets at fair value as of June 30 (in thousands).

		Fair Value Measurements at June 30, 2014		
	June 30, 2014	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and cash equivalents	**$ 345**	**$ 345**	**$ –**	**$ –**
Common stock	**2,222**	**2,222**	**–**	**–**
Mutual funds – fixed income	**7,392**	**7,392**	**–**	**–**
Mutual funds – equity	**12,725**	**12,725**	**–**	**–**
Total investment assets at fair value	**$ 22,684**	**$ 22,684**	**$ –**	**$ –**

		Fair Value Measurements at June 30, 2013		
	June 30, 2013	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Cash and cash equivalents	$ 197	$ 197	$ –	$ –
Common stock	2,203	2,203	–	–
Mutual funds – fixed income	6,697	6,697	–	–
Mutual funds – equity	11,161	11,161	–	–
Total investment assets at fair value	$ 20,258	$ 20,258	$ –	$ –

6. Retirement Plans (continued)

Asset allocations are as follows at June 30:

	2014	**2013**
Actual asset allocations:		
Equity securities	**66%**	**67%**
Fixed income/debt securities	**33**	**32**
Cash	**1**	**1**
Total	**100%**	**100%**
Target asset allocations:		
Equity securities	**65%**	**65%**
Fixed income/debt securities	**35**	**35**
Total	**100%**	**100%**

The policy of the Plan is to provide for growth of principal through diversification in a portfolio of common stocks, bonds, cash equivalents, and other investments that may reflect varying rates of return. Although there is no specific allocation to cash equivalents, the percentage of total assets allocated to cash equivalents at any time should be sufficient to ensure enough liquidity to meet benefit disbursements and general operating expenses.

To develop the expected long-term rate of return on assets assumption, United Way considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This resulted in the selection of the 7.25% long-term rate of return on assets assumption for the fiscal year ended June 30, 2014.

Due to the funded status of the Plan, United Way does not intend to make additional contributions during fiscal year 2015.

6. Retirement Plans (continued)

Estimated future pension benefit payments for the following fiscal years are as follows (in thousands):

	Benefit Payments
2015	$ 1,019
2016	1,105
2017	971
2018	1,036
2019	1,986
2020 through 2024	5,693
Total	$ 11,810

In addition, United Way has a Supplemental Executive Retirement Plan, which was established in 1987. The related liability in the statements of financial position was approximately $335,000 and $346,000 as of June 30, 2014 and 2013, respectively, of which $75,000 and $82,000 are included in accounts payable and accrued expenses for the current portion of the obligation as of June 30, 2014 and 2013, respectively. The remaining portion is presented in other postretirement plan obligations in noncurrent liabilities.

In fiscal year 2009, United Way established another Supplemental Executive Retirement Plan for one of its officers. The related liability in the statements of financial position of approximately $447,000 and $143,000 as of June 30, 2014 and 2013, respectively, is presented in other postretirement plan obligations in noncurrent liabilities.

United Way also has a qualified matching employee retirement savings plan (the Savings Plan) under Internal Revenue Code Section 403(b), which was established in 1997. All employees are eligible to participate in the Savings Plan immediately upon employment and may contribute up to 25% of their compensation, subject to IRC annual limitations. After one year of service, United Way makes matching contributions equal to 50% of the first 6% of employee contributions, which contributions vest over a period of two to five years based on years of vesting service. United Way contributions under the Savings Plan totaled approximately $56,000 and $53,000 for the years ended June 30, 2014 and 2013, respectively.

7. Custodian Funds

Custodian funds are held by United Way on behalf of other entities and are disbursed only upon instructions from such entities.

The amounts of custodian funds held for other parties and not commingled by United Way totaled $622,000 and $419,000 as of June 30, 2014 and 2013, respectively, and are not reflected in the accompanying financial statements.

8. Commitments and Contingencies

Leases

During fiscal 2010, United Way entered into a capital lease for the leasing of various copiers. The lease is for a term of 60 months expiring in 2015. The lease for the copiers requires aggregate minimum future lease payments of $50,000, representing all current lease obligation (in thousands):

Year ending June 30:		
2015	$	50
Less amount representing interest		(2)
Present value of net minimum lease payments (current obligation)	$	48

United Way entered into a 15-year operating lease that commenced in April 2010 and relocated its corporate headquarters during fiscal 2010. Under the terms of the lease, United Way received approximately $2,048,000 as a tenant improvement allowance, which covered most of the relocating and renovation costs. In addition, United Way is entitled to a refurbishment allowance of approximately $79,000 that is to be used by 2017. The refurbishment amount is presented in other receivables in noncurrent assets in the statements of financial position. The deferred rent and lease incentives liability is approximately $2,257,000 as of June 30, 2014, and $2,375,000 as of June 30, 2013, and it consists of the tenant improvement allowance, refurbishment allowance, and rent abatement, which are amortized over the lease term.

8. Commitments and Contingencies (continued)

Total rent expense relating to the corporate headquarters amounted to approximately $801,000 in 2014, and $795,000 in 2013, including operating expense and property tax pass-throughs. The lease requires aggregate minimum future rental payments of $10,473,000, including amounts due for the following fiscal years (in thousands):

Year ending June 30:		
2015	$	899
2016		948
2017		948
2018		948
2019		948
2020 and thereafter		5,782
	$	10,473

In addition, United Way has noncancelable operating lease agreements expiring through fiscal year 2018 for equipment and other office space under which the related rental expense was approximately $94,000 and $87,000 in 2014 and 2013, respectively, and whose minimum future payments as of June 30, 2014, are as follows (in thousands):

Year ending June 30:		
2015	$	21
2016		10
2017		7
2018		5
	$	43

Legal Matters

United Way may from time to time become a party to various legal proceedings, arising in the ordinary course of business. United Way investigates these claims as they arise. United Way does not believe, based on current knowledge and advice of legal counsel, that any of the current claims are likely to have a material adverse effect on its financial position, results of activities, or cash flows.

9. Line of Credit

United Way has a line of credit with a bank that allowed for borrowing of up to $2,000,000 at the bank's referenced rate (LIBOR+2%). The line of credit expires on March 31, 2015. There were no borrowings under the line of credit during fiscal 2014 and there were no fees paid for the unused line of credit. There are no financial covenants related to the line of credit.

10. Related-Party Transactions

Certain board members and their affiliated organizations provide consulting services for various projects and programs for United Way. Consulting services for the years ended June 30, 2014 and 2013, were approximately $189,000 and $5,000, respectively, and were recorded as professional fees expenses in the accompanying financial statements. Included in the $189,000 for the year ended June 30, 2014 was donated services of $184,000 received related to social media consulting. The donated services were provided by a board member's organization and United Way did not pay for the services; therefore, the amount was included in the related party transactions. All transactions were arm's-length and processed in accordance with United Way's purchasing policy. As United Way is an organization that interfaces with many businesses in Los Angeles County, the Board of Directors includes prominent leaders in the community.

11. Board-Designated Endowment Fund

The Board-Designated Endowment Fund (Endowment Fund) was set up to invest funds and provide security to the future operations of United Way. The Endowment Fund is invested to provide safety of principal through diversification in a portfolio of money market and mutual funds, which may reflect varying risks, and rates of return. The investments are diversified within asset classes (e.g., equities are diversified by economic sector, industry, quality, and size).

The long-term target asset allocation for the investment portfolio is determined by the investment committee of United Way to facilitate the achievement of the Endowment Fund's long-term investment objectives within the established risk parameters. As of June 30, 2014, the target asset allocation was 65% equities and 35% fixed income. The actual asset allocation, which will fluctuate with market conditions, will receive the ongoing scrutiny of the investment committee, which bears the responsibility for making adjustments in order to maintain target ranges.

11. Board-Designated Endowment Fund (continued)

The investments and related income generated by the Endowment Fund are considered unrestricted assets. The changes in the Endowment Fund net assets for the fiscal years ended June 30 (in thousands) are as follows:

	2014	2013
Board-Designated Endowment Fund, beginning of the year	**$ 2,500**	$ 2,210
Investment return:		
Investment income	**75**	76
Net appreciation (realized and unrealized)	**379**	214
Total investment return	**454**	290
Board-Designated Endowment Fund, end of the year	**$ 2,954**	$ 2,500

The Endowment Fund assets are included in marketable securities in the statement of financial position. The spending policy for the Endowment Fund is 4.5% per year. The spending rate is applied against the market value at fiscal year-end wherein market value is defined as a rolling three-year average. No amount was appropriated for expenditure during the fiscal years ended June 30, 2014 and 2013.

12. Subsequent Events

United Way has evaluated events subsequent to June 30, 2014, to assess the need for potential recognition or disclosures in the financial statements. Such events were evaluated through December 9, 2014, the date these financial statements were available to be issued. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.

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