

UNITED WAY OF MONTEREY COUNTY

Financial Report

June 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of Monterey County
Monterey, California

We have audited the accompanying financial statements of United Way of Monterey County (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Monterey County as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited United Way of Monterey County's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Hutchinson and Bloodgood LLP

October 26, 2017

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FINANCIAL POSITION

June 30, 2017

With Comparative Totals For June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
ASSETS					
CURRENT ASSETS					
Cash and cash equivalents	\$ 2,565,986	\$ 15,811	\$ --	\$ 2,581,797	\$ 2,139,056
Pledges receivable, less allowance of \$174,000 in 2017 and \$216,000 in 2016	556,502	--	--	556,502	587,888
Other receivables	90,938	125,000	--	215,938	56,674
Prepaid expenses	37,564	--	--	37,564	37,242
Total current assets	3,250,990	140,811	--	3,391,801	2,820,860
PROPERTY AND EQUIPMENT, at cost					
Furniture and equipment	146,211	--	--	146,211	144,479
Less accumulated depreciation	132,492	--	--	132,492	136,644
	13,719	--	--	13,719	7,835
OTHER ASSETS					
Beneficial interest in assets held by others	294,433	--	199,733	494,166	267,642
Permanently restricted cash	--	--	--	--	166,558
Security deposits	4,709	--	--	4,709	4,709
	299,142	--	199,733	498,875	438,909
	\$ 3,563,851	\$ 140,811	\$ 199,733	\$ 3,904,395	\$ 3,267,604

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FINANCIAL POSITION

June 30, 2017

With Comparative Totals For June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES					
Accounts payable	\$ 60,542	\$ --	\$ --	\$ 60,542	\$ 74,335
Accrued expenses	52,659	--	--	52,659	47,127
Designated pledges payable	171,109	--	--	171,109	201,084
Total current liabilities	284,310	--	--	284,310	322,546
COMMITMENTS (NOTE 15)					
NET ASSETS					
Unrestricted	3,279,541	--	--	3,279,541	2,745,325
Temporarily restricted	--	140,811	--	140,811	--
Permanently restricted	--	--	199,733	199,733	199,733
Total net assets	3,279,541	140,811	199,733	3,620,085	2,945,058
	\$ 3,563,851	\$ 140,811	\$ 199,733	\$ 3,904,395	\$ 3,267,604

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

With Comparative Totals For Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
SUPPORT AND REVENUE					
Support:					
Pledges, current campaign year	\$ 1,825,232	\$ 18,279	\$ --	\$ 1,843,511	\$ 2,008,157
Donor designations to other organizations	(330,737)	--	--	(330,737)	(460,586)
Provision for uncollectible pledges	(93,776)	--	--	(93,776)	(94,919)
Program grants and contractual agreements	602,000	150,000	--	752,000	557,529
Non-campaign bequests and gifts	650,898	--	--	650,898	682,831
Other support	1,212,635	36,962	--	1,249,597	1,171,640
Total support	3,866,252	205,241	--	4,071,493	3,864,652
Revenue:					
Investment income	41,059	--	--	41,059	1,569
Administrative fees	6,158	--	--	6,158	3,929
Miscellaneous income	2,084	--	--	2,084	2,758
Net assets released from restrictions	64,430	(64,430)	--	--	--
Total revenue	113,731	(64,430)	--	49,301	8,256
Total support and revenue	3,979,983	140,811	--	4,120,794	3,872,908
EXPENSES					
Program services:					
Community investments and designations	768,348	--	--	768,348	713,680
Amounts designated by donors	(330,737)	--	--	(330,737)	(460,586)
Community services	2,039,500	--	--	2,039,500	1,940,164
Support services:					
Management and general	367,521	--	--	367,521	403,067
Fundraising	571,598	--	--	571,598	475,698
Total program and support services	3,416,230	--	--	3,416,230	3,072,023
Unallocated payments to affiliated organizations:					
United Way Worldwide	29,537	--	--	29,537	27,052
Total expenses	3,445,767	--	--	3,445,767	3,099,075
Increase in net assets	534,216	140,811	--	675,027	773,833
Net Assets, beginning	2,745,325	--	199,733	2,945,058	2,171,225
Net Assets, ending	\$ 3,279,541	\$ 140,811	\$ 199,733	\$ 3,620,085	\$ 2,945,058

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

With Comparative Totals For Year Ended June 30, 2016

	Program Services			Support Services			2017 Total	2016 Total
	Community Investments and Designations	Community Services	Total Program Services	Management and General	Fundraising	Total Support Services		
EXPENSES								
Community investments and designations	\$ 768,348	\$ --	\$ 768,348	\$ --	\$ --	\$ --	\$ 768,348	\$ 713,680
Amounts designated by donors	(330,737)	--	(330,737)	--	--	--	(330,737)	(460,586)
Net community investments	437,611	--	437,611	--	--	--	437,611	253,094
Advertising and in-kind media donations	--	872,000	872,000	6,614	289,347	295,961	1,167,961	1,037,348
Salaries and wages	--	546,983	546,983	221,599	160,555	382,154	929,137	867,260
Payroll taxes and benefits	--	152,712	152,712	61,869	44,826	106,695	259,407	233,232
Professional and other fees	--	265,910	265,910	11,656	29,193	40,849	306,759	281,920
Occupancy expenses	--	59,820	59,820	33,134	13,082	46,216	106,036	103,609
Office expense	--	47,456	47,456	16,137	9,414	25,551	73,007	77,728
Conferences, travel and training	--	33,370	33,370	10,553	4,425	14,978	48,348	50,235
Program and campaign materials, services and supplies	--	52,225	52,225	2,554	16,291	18,845	71,070	142,214
Special events	--	3,621	3,621	1,217	2,880	4,097	7,718	9,544
Insurance	--	3,497	3,497	1,416	1,026	2,442	5,939	5,419
Depreciation	--	1,906	1,906	772	559	1,331	3,237	1,392
Miscellaneous	--	--	--	--	--	--	--	9,028
	<u>\$ 437,611</u>	<u>\$ 2,039,500</u>	<u>\$ 2,477,111</u>	<u>\$ 367,521</u>	<u>\$ 571,598</u>	<u>\$ 939,119</u>	<u>\$ 3,416,230</u>	<u>\$ 3,072,023</u>

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2017 and 2016

	2017	2016
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 675,027	\$ 773,833
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	3,237	1,392
Change in beneficial interest in assets held by others	(26,524)	9,075
Change in allowance for doubtful accounts	(42,000)	(13,000)
(Increase) decrease in:		
Pledges receivable	73,386	122,801
Other receivables	(159,264)	26,906
Prepaid expenses	(322)	(53)
Increase (decrease) in:		
Accounts payable	(13,793)	(51,928)
Accrued expenses	5,532	(852)
Designated pledges payable	(29,975)	(79,727)
Net cash provided by operating activities	<u>485,304</u>	<u>788,447</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid to purchase property and equipment	(9,121)	(7,357)
Purchase of beneficial interest in assets held by others	(200,000)	--
Net cash used by investing activities	<u>(209,121)</u>	<u>(7,357)</u>
Net increase in cash and cash equivalents	276,183	781,090
Cash and Cash Equivalents, beginning	<u>2,305,614</u>	<u>1,524,524</u>
Cash and Cash Equivalents, ending	<u>\$ 2,581,797</u>	<u>\$ 2,305,614</u>
AS PRESENTED ON THE STATEMENT OF FINANCIAL POSITION		
Cash and cash equivalents	\$ 2,581,797	\$ 2,139,056
Permanently restricted cash	--	166,558
	<u>\$ 2,581,797</u>	<u>\$ 2,305,614</u>

The notes to financial statements are an integral part of these statements.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: United Way of Monterey County (the Organization) is an independent, locally managed nonprofit organization incorporated under the laws of the State of California. As a voluntary health and welfare organization, the Organization develops and allocates resources, conducts an assessment of health and human care needs of Monterey County, allocates funds to agencies to meet those needs, and facilitates the distribution of donor directed contributions. The Organization also brings experts together to develop collaborative approaches in addressing human care issues.

The Organization serves as the Principal Combined Fundraising Organization (PCFO) for the Monterey Bay Combined Federal Campaign. The Combined Federal Campaign (CFC) is a campaign in which federal employees within Monterey County can make donations to numerous nonprofit organizations throughout the world (designations). For the years ended June 30, 2017 and 2016, \$219,188 and \$269,342, respectively, was raised for this campaign and is included in current campaign year pledges. As of June 30, 2017 and 2016, \$148,742 and \$208,486, respectively, of donor designated pledge receipts were proportionately distributed to each member agency.

Accounting Policies: The accounting policy relative to the carrying value of property and equipment is indicated in a caption on the statement of financial position. Other significant accounting policies are:

Basis of Presentation: The financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Unrestricted net assets represent the portion of expendable funds that are available for support of the Organization's operations. Temporarily restricted net assets include those assets which are subject to a donor restriction and for which the applicable restriction was not met as of the end of the current reporting period. Donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. Permanently restricted net assets are the portion of net assets for which use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can otherwise be removed by action of the Organization. Generally, the donors of such assets permit the Organization to use all or part of the income earned on the assets.

Use of Estimates: Preparing the Organization's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of the statements of cash flows, the Organization considers as cash equivalents all highly liquid investments, which include certificates of deposit with maturities ranging from three to twelve months and penalties for early withdrawal. Penalties for early withdrawal would not have a material effect on the financial statements.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation: Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services on the basis of management estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Community Investments: Community investments represent funds disbursed to community impact partners to carry out the Organization's mission of financial stability for families in Monterey County. Awards to community impact partners are recognized in the period the award is unconditionally committed.

Income taxes: The Organization is a nonprofit corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue code and from state franchise tax under Revenue and Taxation Code Section 23701(d).

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's tax years 2013 through 2016 remain open and could be subject to examination by the federal tax jurisdiction. For the state tax jurisdiction, the tax years 2012 through 2016 remain open and could be subject to examination.

Property and Equipment: The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. All property and equipment is stated at cost, or if donated, at estimated fair value on the date of donation. Major improvements are charged to the property accounts, while maintenance and repairs, which do not extend the life of the respective assets, are expensed. When property is retired or otherwise disposed, the cost of the property and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

Depreciation: Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally 3 to 7 years.

Recognition of pledges from fundraising campaign, designations and allocations: The Organization conducts fundraising campaigns in Monterey County for program support and for participating health and human care agencies. For the year ended June 30, 2017, the campaign year ran from June 1, 2016, to May 31, 2017. For the year ended June 30, 2016, the campaign year ran from June 1, 2015 to May 31, 2016. Public support, including unconditional promises to give, is recorded at the fair value of the pledge in the year it is received or pledged.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of pledges from fundraising campaign, designations and allocations (continued):

Contributions designated by the donor to nonprofit organizations other than the Organization are included in current year campaign pledges. The Organization serves as the primary fiscal agent with the solicitation and distribution of such pledges. Donor designations and the provision for uncollectible pledges are deducted from the total campaign results to arrive at net campaign support.

Expiration of donor-imposed restrictions: Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Other Support: The Organization receives other public support outside the conduct of the annual fundraising campaigns. Certain ceremonial, celebratory and special recognition events at the Organization are underwritten by sponsorship or the costs are offset by contributions for the specific event. Generally, the donating companies agree their contributions may also be used for other costs related to the operation of the Organization.

Volunteer Services: A substantial number of volunteers donate significant amounts of time to the Organization's fundraising campaign and administrative oversight. Such services are not reflected in the financial statements since they do not create or enhance non-financial assets or require specialized skills that would typically be purchased.

Advertising: Advertising costs are expensed as incurred, and totaled \$1,167,961 (\$1,157,390 in-kind) and \$1,037,348 (\$1,023,915 in-kind) for the years ended June 30, 2017 and 2016, respectively.

Comparative Financial Information: The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Reclassification: Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation with respect to the Statement of Activities.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2017

NOTE 2. CONCENTRATION OF REVENUE

For the year ended June 30, 2017, approximately 33% of the Organization's pledge revenue came from three corporations. For the year ended June 30, 2016, approximately 40% of the Organization's pledge revenue came from those same three corporations.

NOTE 3. CONCENTRATION OF CREDIT RISK

The Organization maintains balances in cash and interest-bearing deposit accounts at various financial institutions and, from time to time during the year, the cash balances may be in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). In the event of insolvency by the financial institution, deposits in excess of insured amounts are potentially subject to unrecoverable loss.

NOTE 4. PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
Pledges receivable, due within one year	\$ 730,502	\$ 803,888
Allowance for uncollectible accounts	<u>(174,000)</u>	<u>(216,000)</u>
Net pledges receivable	<u>\$ 556,502</u>	<u>\$ 587,888</u>

The provision for uncollectible pledges is made on campaign contributions (total amount raised) and is based primarily on recent historical experience as well as other factors anticipated by management to affect collections.

NOTE 5. OTHER RECEIVABLES

Other receivables include County and Foundation grants and miscellaneous receivables. County grants receivable arise from grant contracts entered into with the County of Monterey. Grant income is billed to the County in relation to services performed by the Organization.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2017

NOTE 5. OTHER RECEIVABLES (Continued)

Other receivables consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
County grants receivable	\$ 82,047	\$ 45,794
Monterey Peninsula Foundation grant receivable	125,000	--
Miscellaneous receivables	<u>8,891</u>	<u>10,880</u>
	<u>\$ 215,938</u>	<u>\$ 56,674</u>

Due to the collection history and the Organization's experience with various County grants and miscellaneous receivables, no allowance for doubtful accounts was considered necessary for other receivables as management believes all amounts receivable are fully collectible.

NOTE 6. DESIGNATED PLEDGES PAYABLE

Designated pledges payable consisted of the following as of June 30:

	<u>2017</u>	<u>2016</u>
From the Combined Federal Campaign:		
Gross designations payable	\$ 163,742	\$ 198,620
Allowance for uncollectible designations	<u>(15,000)</u>	<u>(15,000)</u>
	148,742	183,620
From other designated gifts received:		
Gross designations payable	<u>22,367</u>	<u>17,464</u>
	<u>\$ 171,109</u>	<u>\$ 201,084</u>

NOTE 7. FAIR VALUE MEASUREMENTS

The Fair Value Measurements Topic of the FASB Accounting Standards Codification 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).

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2017

NOTE 7. FAIR VALUE MEASUREMENTS (Continued)

The three levels of the fair value hierarchy are briefly described below:

- Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodology used for assets measured at fair value:

- Interest in assets held at Community Foundation: Funds are invested for long-term growth, both in equities and fixed income investments, which are valued at the net asset value ("NAV") of shares held by the Foundation at year end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by others	<u>\$ --</u>	<u>\$ 494,166</u>	<u>\$ --</u>	<u>\$ 494,166</u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by others	<u>\$ --</u>	<u>\$ 267,642</u>	<u>\$ --</u>	<u>\$ 267,642</u>

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2017

NOTE 8. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Community Foundation for Monterey County (Foundation) holds funds for the Organization. Funds are composed of the following as of June 30:

	2017	2016
General Endowment	\$ 83,186	\$ 78,239
Stewardship Fund	210,639	189,403
Stewardship Fund II	200,341	--
	<u>\$ 494,166</u>	<u>\$ 267,642</u>

General Endowment: In 1987, the Organization established a "Restricted and Organized Purpose Fund" (Agreement) at the Foundation with an initial contribution of \$33,175. All contributions made to the fund are irrevocable. Under the terms of the Agreement, the Foundation may substitute another beneficiary in place of the Organization at the discretion of the Foundation's Board of Directors. Earnings, net of administrative fees, are distributed to the Organization on an annual basis and in accordance with the Foundation's policy on the distribution of earnings.

Stewardship Funds: In 2012 and 2016, the Organization established a Stewardship Fund and Stewardship Fund II, respectively, with the Foundation, for the benefit of the Organization. The Organization granted variance power to the Foundation; thus, the Foundation has full authority and discretion as to the investment and reinvestment of the assets.

In the event of the dissolution of the Organization or in the event it shall no longer be an organization described in Section 170 (c) of the Internal Revenue Code of 1954, as amended, the Foundation shall continue to hold the funds and shall distribute the income to organizations as in the opinion of the Foundation most nearly serve the purposes and objectives of the Organization. All monies held in the funds are subject to the power of the Foundation to modify any restrictions or conditions on the distribution of monies for any specified charitable purposes or to specified organizations, if in their sole judgment such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

The earnings payout of the funds is evaluated at least annually by the Foundation, in light of total return from investments, fees, expenses, and the effects of inflation, and for the General Endowment, the annual payout is typically 5% of the fair market value of the fund at December 31 of the preceding calendar year. For the years ended June 30, 2017 and 2016, there were no earnings payouts from the Stewardship Funds.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2017

NOTE 9. TEMPORARILY RESTRICTED NET ASSETS

For the year ended June 30, 2017, activity in temporarily restricted net assets was as follows:

	Beginning 6/30/2016	Additions	Satisfied	Ending 6/30/2017
211	\$ --	\$ 58,700	\$ --	\$ 58,700
Impact Monterey County	--	53,000	25,971	27,029
Volunteer Center	--	20,000	--	20,000
VITA	--	21,300	--	21,300
Stuff the Bus	--	52,241	38,459	13,782
	<u>\$ --</u>	<u>\$ 205,241</u>	<u>\$ 64,430</u>	<u>\$ 140,811</u>

For the year ended June 30, 2016, activity in temporarily restricted net assets was as follows:

	Beginning 6/30/2015	Additions	Satisfied	Ending 6/30/2016
211	\$ 25,000	\$ --	\$ 25,000	\$ --
Community Assessment	2,838	--	2,838	--
Community Impact	60,216	--	60,216	--
VITA	6,537	--	6,537	--
	<u>\$ 94,591</u>	<u>\$ --</u>	<u>\$ 94,591</u>	<u>\$ --</u>

NOTE 10. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets represent two restricted endowments in which the principal is invested in perpetuity and the income is available to support and provide community resources. Total permanently restricted net assets was \$199,733 for each of the years ended June 30, 2017 and 2016.

In 1987, the Organization established a "Restricted and Organized Purpose Fund" (Agreement) at the Community Foundation for Monterey County with an initial contribution of \$33,175. Additionally, in 1990, the General Endowment Fund was established at Morgan Stanley Dean Witter with an initial contribution of \$166,558. Since that time, these endowment funds have been transferred to the Community Foundation Stewardship Fund.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2017

NOTE 10. PERMANENTLY RESTRICTED NET ASSETS (Continued)

Interpretation of Relevant Law: The Board of Directors of the Organization 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 gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Organization 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 organization in a manner consistent with the standard of prudence prescribed by CPMIFA.

In accordance with CPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the Organization

Spending Policy: Each year, the entire earnings of each fund shall be distributed according to written criteria and no earnings are provided to increase principal. The Board of Directors periodically reviews this policy for changes.

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2017

NOTE 11. COMMUNITY INVESTMENTS AND DESIGNATIONS

The Organization's various fundraising campaigns, contracts and activities resulted in the following distributions to community investment agencies and other benefiting organizations:

	<u>2017</u>	<u>2016</u>
Community investments and designations determined by the Board of Directors	\$ 437,611	\$ 253,094
Designations directed by donor	<u>330,737</u>	<u>460,586</u>
	<u>\$ 768,348</u>	<u>\$ 713,680</u>

NOTE 12. PENSION PLANS

The Organization maintains a Simplified Employee Pension (SEP) Plan for eligible staff members. Employees are eligible to participate in the plan on January 1st of their second calendar year of employment. The Organization has adopted a non-binding contribution range of 6-10% of employee earnings. The exact contribution percentage each year shall be the same for all covered employees.

For each of the years ended June 30, 2017 and 2016, the Organization's Board has determined a retirement contribution of 6% of earnings for covered employees. During the years ended June 30, 2017 and 2016, the Organization contributed \$43,408 and \$39,518, respectively, to the plan, and did not incur any plan expenses for the years indicated.

NOTE 13. OTHER SUPPORT AND JOINT ACTIVITIES

Other support consists of the following as of June 30:

	<u>2017</u>	<u>2016</u>
In-kind media donations	\$ 1,157,390	\$ 1,023,915
Sponsorship revenue	68,196	52,905
Other in-kind donations	10,388	59,539
Other event revenue	<u>13,623</u>	<u>35,281</u>
	<u>\$ 1,249,597</u>	<u>\$ 1,171,640</u>

UNITED WAY OF MONTEREY COUNTY

Notes to Financial Statements
June 30, 2017

NOTE 13. OTHER SUPPORT AND JOINT ACTIVITIES (Continued)

The in-kind media donations constitute a joint activity and the costs related to this activity were allocated as follows as of June 30:

	<u>2017</u>	<u>2016</u>
Community services	\$ 868,043	\$ 767,936
Fundraising	<u>289,347</u>	<u>255,979</u>
	<u>\$ 1,157,390</u>	<u>\$ 1,023,915</u>

NOTE 14. GRANTS FROM COUNTY OF MONTEREY

The Organization receives grants from the County of Monterey. For the specific grants listed below, certain procedures were applied to the expenses reported under these grants.

<u>Grant Award</u>	<u>Term of Grant</u>	<u>2017</u>	<u>2016</u>
County of Monterey DSS, CalWorks	July 1, 2016 - June 30, 2017	\$ 192,162	
	July 1, 2015 - June 30, 2016		\$ 193,095
County of Monterey DSS, 211 Referral	July 1, 2016 - June 30, 2019	\$ 30,000	
	July 1, 2013 - June 30, 2016		\$ 30,000
County of Monterey DOH, 211 Referral	July 1, 2015 - June 30, 2018	\$ 26,000	\$ 26,000
County of Monterey DSS, Homeless Census	December 1, 2016 - June 30, 2017	\$ 50,000	
County of Monterey Children's Council	July 1, 2016 - June 30, 2017	\$ 40,000	
	July 1, 2015 - June 30, 2016		\$ 37,860

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Notes to Financial Statements
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NOTE 15. LEASE COMMITMENTS

Effective May 1, 2010, the Organization entered into an agreement to lease an office facility in Monterey. The term of the lease was for five years ending April 30, 2015, and an option to renew the lease for one additional period of five years was exercised. The lease requires monthly payments of \$5,299 and provides for an annual increase in the base rent.

The Organization leases an additional office in Salinas. The term of the current lease is for two years, ending on January 31, 2018. The lease requires monthly payments of \$2,495 and provides for an annual increase in the base rent.

Total rent expense incurred under all operating leases described for the years ended June 30, 2017 and 2016 totaled \$97,863 and \$93,117, respectively.

The future minimum rental payments required under these leases as of June 30, 2017 are as follows:

2018	\$	86,734
2019		67,703
2020		<u>57,356</u>
	\$	<u>211,793</u>

NOTE 16. SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 26, 2017, the date the financial statements were available to be issued.