



Orange County United Way

Financial Statements

As of and For the Years Ended
June 30, 2016 and 2015

Orange County's United Way

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Independent Auditor's Report

The Board of Directors
Orange County's United Way
Irvine, California

We have audited the accompanying financial statements of Orange County's United Way (the "Organization"), which comprise the statement of financial position as of June 30, 2016, 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. The prior year summarized comparative information has been derived from the Organization's 2015 financial statements and, in our report dated October 13, 2015, we expressed an unmodified opinion on those 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. 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 Orange County's United Way as of June 30, 2016, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BDO USA, LLP

October 19, 2016

Financial Statements

Orange County's United Way
Statements of Financial Position
June 30, 2016 (with comparative totals for 2015)

	June 30, 2016			June 30, 2015
	Unrestricted	Permanently Restricted	Total	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 4,009,500	\$ -	\$ 4,009,500	\$ 9,845,509
Pledges receivable, net of allowance for uncollectible pledges of \$718,716 and \$748,406, respectively	5,510,088	295,157	5,805,245	6,608,042
Other current assets	50,323	-	50,323	80,676
Total current assets	9,569,911	295,157	9,865,068	16,534,227
Restricted cash	-	95,399	95,399	167,667
Pledges receivable	299,480	171,923	471,403	1,469,829
Investments	11,700,309	4,075,074	15,775,383	10,756,831
Property and equipment, net	1,293,880	-	1,293,880	1,227,117
Total assets	\$ 22,863,580	\$ 4,637,553	\$ 27,501,133	\$ 30,155,671
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	\$ 226,441	\$ -	\$ 226,441	\$ 543,494
Capital lease	7,558	-	7,558	7,451
Program grants payable to community organizations	3,092,950	-	3,092,950	2,755,800
Designations payable	3,010,520	-	3,010,520	4,110,390
Total current liabilities	6,337,469	-	6,337,469	7,417,135
Capital lease, non-current	18,159	-	18,159	26,372
Designations payable, non-current	443,939	-	443,939	1,315,906
Other long term liabilities	6,155	-	6,155	8,938
Total liabilities	6,805,722	-	6,805,722	8,768,351
Net assets:				
Unrestricted	16,057,858	-	16,057,858	15,215,601
Temporarily restricted	-	-	-	-
Permanently restricted	-	4,637,553	4,637,553	6,171,719
Total net assets	16,057,858	4,637,553	20,695,411	21,387,320
Total liabilities and net assets	\$ 22,863,580	\$ 4,637,553	\$ 27,501,133	\$ 30,155,671

See independent auditor's report and accompanying notes to financial statements.

Orange County's United Way

Statements of Activities and Changes in Net Assets For the year ended June 30, 2016 (with comparative totals for 2015)

	Year Ended June 30, 2016			Year Ended June 30, 2015
	Unrestricted	Permanently Restricted	Total	Total
Revenues and other support				
Campaign revenue				
Annual campaign	\$ 18,083,803	\$ -	\$ 18,083,803	\$ 19,216,564
Endowment	422,245	24,636	446,881	4,171,495
In-kind contributions	4,526	-	4,526	95,570
Less: provision for uncollectible pledges	(365,550)	-	(365,550)	(377,589)
Discount for multi-year pledges, net	3,260	13,429	16,689	26,361
Less: donor designations	(9,098,149)	-	(9,098,149)	(9,732,731)
Net campaign revenue	9,050,135	38,065	9,088,200	13,399,670
Interest, other income, realized and unrealized (losses) gains on investments, net	(115,921)	-	(115,921)	110,271
Other contributions and designation adjustments	59,239	-	59,239	206,801
Donor designation fees	40,362	-	40,362	64,475
Total net revenues and other support	9,033,815	38,065	9,071,880	13,781,217
Program services and support services				
Program services:				
Community allocations, net	3,459,820	-	3,459,820	3,390,468
Community services expenses	1,529,491	-	1,529,491	1,367,863
Grants and initiatives	1,231,140	-	1,231,140	1,511,651
Total program services	6,220,451	-	6,220,451	6,269,982
Support services:				
Fundraising	1,461,723	-	1,461,723	1,447,142
Organizational administration	1,478,621	-	1,478,621	1,326,293
Marketing	602,994	-	602,994	606,230
Total support services	3,543,338	-	3,543,338	3,379,665
Total program services and support services	9,763,789	-	9,763,789	9,649,647
Transfers (See Note 4)	1,572,231	(1,572,231)	-	-
Change in net assets	842,257	(1,534,166)	(691,909)	4,131,570
Net assets, beginning of year	15,215,601	6,171,719	21,387,320	17,255,750
Net assets, end of year	\$ 16,057,858	\$ 4,637,553	\$ 20,695,411	\$ 21,387,320

See independent auditor's report and accompanying notes to financial statements.

Orange County's United Way

Statements of Functional Expenses For the year ended June 30, 2016 (with comparative totals for 2015)

	Program Services				Support Services				
	Community Allocations and Services Expenses	Grants and Initiatives	2016 Total Program Services	2015 Total Program Services	Fundraising	Organizational Administration	Marketing	2016 Total Support Services	2015 Total Support Services
Community allocations	\$ 3,459,820	\$ -	\$ 3,459,820	\$ 3,390,468	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and initiatives	-	1,144,878	1,144,878	1,370,300	-	-	-	-	-
Salaries, benefits and related expenses	1,258,874	86,262	1,345,136	1,290,680	1,060,508	991,262	196,581	2,248,351	2,190,133
Printing, supplies and publications	50	-	50	3,254	13,248	2,020	302,187	317,455	242,631
Professional services	33,228	-	33,228	11,735	125,224	221,775	101,041	448,040	304,449
Office supplies and recognition	8,987	-	8,987	11,405	14,347	13,524	949	28,820	33,408
Conferences, training and travel	12,881	-	12,881	11,421	29,269	13,549	2,167	44,985	39,065
Equipment rental and maintenance	15,761	-	15,761	11,351	22,065	25,217	-	47,282	45,402
Telephone	4,312	-	4,312	4,656	6,302	5,970	-	12,272	12,805
Postage	1,264	-	1,264	1,669	4,069	3,750	69	7,888	10,848
Utilities and building maintenance	39,851	-	39,851	32,830	56,692	61,136	-	117,828	131,320
Other	4,596	-	4,596	6,448	842	21,463	-	22,305	24,449
UWA National and State dues	95,886	-	95,886	81,825	57,532	38,354	-	95,886	81,825
Depreciation	50,375	-	50,375	41,940	70,525	80,601	-	151,126	167,760
In-Kind	3,426	-	3,426	-	1,100	-	-	1,100	95,570
Total	\$ 4,989,311	\$ 1,231,140	\$ 6,220,451	\$ 6,269,982	\$ 1,461,723	\$ 1,478,621	\$ 602,994	\$ 3,543,338	\$ 3,379,665

See independent auditor's report and accompanying notes to financial statements.

Orange County's United Way

Statements of Cash Flows

<i>Years ended June 30,</i>	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (691,909)	\$ 4,131,570
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	201,501	209,700
Unrealized loss on investments	754,428	282,461
Provision for uncollectible pledges	365,550	377,589
Amortization of discounts for multi-year pledges	(16,689)	(26,361)
Changes in assets and liabilities:		
Pledges receivable	1,096,486	1,246,305
Other current assets	30,353	14,336
Pledges receivable, restricted	355,876	446,155
Accounts payable, accrued expenses, and other liabilities	(319,836)	104,064
Program grants payable to community organizations	337,150	1,014,942
Designations payable	(1,971,837)	(1,150,608)
Net cash and cash equivalents provided by operating activities	141,073	6,650,153
Cash flows from investing activities		
Purchase of investments, net	(5,772,980)	(3,817,559)
Purchase of property and equipment	(268,264)	(108,210)
Change in restricted cash	72,268	317,559
Net cash and cash equivalents used in investing activities	(5,968,976)	(3,608,210)
Cash flows from financing activities		
Repayments of capital leases	(8,106)	(6,760)
Net cash and cash equivalents used in financing activities	(8,106)	(6,760)
Net (decrease) increase in cash and cash equivalents	(5,836,009)	3,035,183
Cash and cash equivalents, beginning of year	9,845,509	6,810,326
Cash and cash equivalents, end of year	\$ 4,009,500	\$ 9,845,509
Supplemental disclosures of cash flow information		
Interest paid	\$ 3,470	\$ 3,666

See independent auditor's report and accompanying notes to financial statements.

Orange County's United Way

Notes to Financial Statements

1. Summary of Accounting Policies

Organization

Orange County's United Way (the "United Way" or "Organization") is an incorporated not-for-profit organization that administers an annual fund raising campaign in Orange County, California and uses those funds to support a variety of human services programs in Orange County. Orange County's United Way focuses on the building blocks for a self-sufficient life (education, income, health, and housing), by investing in Orange County children, families and individuals, helping them meet their most basic human needs (food, shelter and medical care), while creating pathways to self-sufficient futures through education and training. Orange County's United Way helps people help themselves.

Tax Status

The Organization is exempt from income taxes to the extent provided under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Organization follows the provisions of Accounting Standards Codification ("ASC") No. 740, Income Taxes, surrounding accounting for uncertain income tax positions. ASC 740 prescribes a recognition threshold and measurement of tax positions taken or expected to be taken in income tax returns. ASC 740 also provides guidance on accounting for interest and penalties associated with tax positions. The Organization will report interest and penalties, if any, related to income tax matters as administration support services.

Basis of Accounting

The United Way follows the accounting provisions prescribed by ASC 958, Not-for-Profit Entities. ASC 958 requires, among other things, the recognition of contributions received at fair value, including unconditional promises to give, in the period received. ASC 958 establishes standards for general purpose external financial statements. Focusing on the entity as a whole, ASC 958 requires that all not-for-profit organizations provide a statement of financial position, a statement of activities and changes in net assets and a statement of cash flows and that net assets and changes in net assets be classified as unrestricted, temporarily restricted, or permanently restricted.

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations. These assets are available to support United Way's activities and operations at the discretion of the Organization with oversight by the Board of Directors.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that will be met either by actions of the donor, the Organization and/or the passage of time.

Permanently restricted net assets - Net assets subject to donor imposed stipulations that require the principal be maintained in perpetuity and only the income from the investment be expended for purposes specified by the donor, if applicable.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets are reported as increases or decreases in

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unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Expirations of temporary restrictions on net assets are reported as being released between the applicable classes of net assets.

The financial statements include prior year summarized comparative information in total, but not by the classifications required by ASC 958. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("GAAP"). Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended June 30, 2015, from which the summarized information was derived.

Subclassifications of Revenues and Support

Donor-Imposed Restrictions - All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted support.

Donors may designate their contribution to specific United Way affiliated and nonaffiliated agencies. Nonaffiliated agencies are required to provide United Way with documentation of tax-exempt status. Donor designations to specific agencies are reduced from revenue to arrive at total net revenues and other support in the accompanying statements of activities. Changes in donor designations to specific agencies made subsequent to the close of the fiscal year are reflected as part of net campaign contributions in the following year. Donor advised contributions are recorded as revenue when contributions are pledged, and designation of such contributions to other organizations are recorded as donor designations.

Promises to Give - Donors typically pay total promises to give within a 12 month period. The commencement date of payments will vary among donors. Unconditional promises to give are recorded at their net realizable value. Long-term promises to give are recorded at the present value of estimated future cash flows using an appropriate discount rate. Conditional promises to give are not included as support until such time as the conditions are substantially met and both the timing and the value of the promise are known with reasonable certainty. The United Way provides an allowance for estimated uncollectible pledges at the end of each campaign year based upon historical collection experience and current conditions.

Contributed Property and Equipment - Contributed property and equipment are recorded at estimated fair value at the date of donation. If donors stipulate a time or use restriction, the contributions are recorded as temporarily restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Donated Services and Materials - Donated services are recorded at estimated fair value at the date of donation only if the services: (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. Donated materials meeting such criteria are recorded at estimated fair value as revenue on the date of donation and as an increase to assets, decrease to liabilities, or expense, depending on the benefit received. In the absence of donor-imposed restrictions, contributed materials are recorded as unrestricted revenue.

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Notes to Financial Statements

The Organization recorded \$4,526 and \$95,570 of donated property and materials ("in-kind contributions"), which are reflected in the statements of activities and changes in net assets as unrestricted revenues for the years ended June 30, 2016 and 2015, respectively. Unrestricted, in-kind contributions primarily represent advertising, supplies, office equipment, computer equipment and other miscellaneous donated goods.

A substantial number of volunteers and corporations have donated their time and services to the United Way. No amounts have been reflected in the financial statements for donated services, as no objective basis is available to measure the fair value of these services.

Concentration of Risk

Financial instruments which potentially subject the Organization to concentration of credit risk consist primarily of pledges receivable, substantially all of which are from individuals, businesses, or nonprofit organizations in Orange County, California and surrounding areas.

The Organization had no significant concentrations, except relating to the Organization's Endowment Fund and the Organization's multi-year pledge receivable balances. Concentration of the Endowment Fund pledges receivable and multi-year pledges receivable at June 30, 2016 was as follows:

	Endowment Pledge Receivable Balance		Multi-year Pledge Receivable Balance			
Donor 1	\$	266,657	54%	\$	50,000	3%
Donor 2		228,490	46%		342,735	18%
Donor 3		-	0%		1,120,450	59%
Donor 4		-	0%		271,015	14%
Other Donors		-	0%		116,644	6%
Total	\$	495,147	100%	\$	1,900,844	*100%

* Approximately 100% of the multi-year pledges receivable balance at June 30, 2016 has been designated by the donors, which is included in designations payable on the accompanying statement of financial position.

As of June 30, 2016, only \$250,000 per depositor per institution of non-interest bearing cash balances was fully insured under the FDIC Deposit Insurance Coverage.

Pledges Receivable

Pledges receivable are typically due within 12 months from the date of pledge. Multi-year pledges received by the Organization are discounted based on the terms of the pledge and an appropriate discount rate (see Note 5, if applicable). The Organization has recorded an allowance for uncollectible pledges based on historic experience and current conditions. The Organization recorded \$365,550 and \$377,589 in provisions for uncollectible pledges for the years ended June 30, 2016 and 2015, respectively.

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Notes to Financial Statements

Community Allocations

Allocations of expenses by the Organization for community investments, grants and initiatives and community services are recorded as an accrual and expense when the Organization has committed to an obligation.

Designations Payable

Designations payable are recorded at the time the related pledge is received and consist of pledges by donors that are designated to specific agencies at the time of pledge. Amounts are remitted to the beneficiary agencies as the related pledges are received from the donors.

Investments

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statements of activities and changes in net assets. Fair value is determined based on quoted market prices. Net unrealized losses on investments of \$754,428 and \$282,461 are included in interest, other income, realized and unrealized gains (losses) on investments, net in the statements of activities and changes in net assets for the years ended June 30, 2016 and 2015, respectively.

The United Way's investments consist of equity, fixed-income and other investment securities (see Note 2). Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that the changes in risks in the near term could materially affect the investment amounts reported in the financial statements.

Property and Equipment, net

Equipment and furniture and fixtures are stated at cost (or estimated fair value if donated) and depreciated using the straight-line method over the estimated useful lives of the related assets, ranging from 3 to 10 years. Building and improvements are stated at cost and depreciated using the straight-line method over their estimated useful lives, generally ranging from 10 to 25 years.

Long-Lived Assets

Long lived assets consist of property and equipment, investments, multi-year pledges receivable and restricted cash. Long-lived assets to be held and used are reviewed for events or changes in circumstances which indicate that their carrying value may not be recoverable. The Organization regularly reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset, the Organization recognizes an impairment loss equal to the difference between the carrying amount and the fair value of the asset. As of June 30, 2016 and 2015, management determined that no impairment of long-lived assets existed.

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Notes to Financial Statements

Cash and Cash Equivalents

The United Way considers all highly liquid investments, which are readily convertible to known amounts of cash and which have an original maturity of three months or less when purchased, to be cash equivalents. As of June 30, 2016 and 2015, cash and cash equivalents consisted primarily of money market funds and deposits with three financial institutions. Cash and cash equivalents are held at a limited number of financial institutions, and may, at times, exceed insurable amounts. The Organization believes it mitigates its risks by maintaining cash in or through financial institutions with high credit ratings. Recoverability is dependent upon the performances of the financial institutions. Nonperformance by these institutions could expose the Organization to losses for amounts in excess of insured balances. The Organization has not experienced, nor does it anticipate, nonperformance by these institutions.

Fair Value Measurements

ASC 820, Fair Value Measurements and Disclosures, establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment, the characteristics specific to the investment and the state of the marketplace including the existence and transparency of transactions between market participants.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.
- Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The Organization determines the fair value of financial assets and liabilities based on the fair value hierarchy described above, which prioritizes the inputs to valuation techniques used to measure fair value into the three levels. The Organization's financial instruments consist of cash, restricted cash, pledges receivable, discounted long-term pledges receivable, and payables. These instruments are reflected in the consolidated balance sheet at carrying value. The Organization's financial instruments also consist of investments which are recorded at fair value based upon Level I inputs.

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Notes to Financial Statements

The following table reflects the Organization's assets required to be measured at fair value on a recurring basis on the statements of financial position:

	June 30, 2016		
	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Investments - unrestricted (see Note 2)	\$ 11,700,309	\$ -	\$ -
Investments - restricted (see Note 2)	4,075,074	-	-
	\$ 15,775,383	\$ -	\$ -

	June 30, 2015		
	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Investments - unrestricted (see Note 2)	\$ 5,562,306	\$ -	\$ -
Investments - restricted (see Note 2)	5,194,525	-	-
	\$ 10,756,831	\$ -	\$ -

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

Recent Accounting Standards

In August 2014, the Financial Accounting Standards Board ("FASB") issued Accounting standards Update ("ASU") No. 2014-15, *Presentation of Financial Statements - Going Concern: Disclosures of Uncertainties about an Entity's Ability to Continue as a Going Concern*. This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Specifically, this ASU provides a definition of the term substantial doubt and requires an assessment for a period of one year after the date that the financial statements are issued (or available to be issued). It also requires certain disclosures when substantial doubt is alleviated as a result of consideration of management's plans and requires an express statement and other disclosures when substantial doubt is not alleviated. The new standard will be effective for reporting periods beginning after December 15, 2016, with early adoption permitted. Upon adoption, the Organization will follow this guidance when assessing its going concern.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities*. This ASU is aimed to improve the presentation of financial statements of not-for-profit entities. ASU 2016-14 replaces the current presentation of three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) with two classes of net assets - net assets with donor restrictions and net assets without donor restrictions. In addition, the ASU requires investment return to be presented net of all related external and direct internal expenses and introduces a requirement to present expenses by nature and function, as well as an analysis of these expenses

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in a single location. ASU 2016-14 also requires additional disclosures regarding qualitative information on how a nonprofit entity manages its liquid available resources to meet cash needs for general expenditures within one year of the balance sheet date and quantitative information that communicates the availability of a nonprofit's financial assets to meet cash needs for general expenditures within one year of the balance sheet date. ASU 2016-14 is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating this standard and the impact on its financial statements and footnote disclosures.

Subsequent Events

The Organization has evaluated all subsequent events that occurred after the statement of financial position date through October 19, 2016, which represents the date the financial statements were available to be issued.

2. Investments

The following information is presented by class of investments based on nature and risk of the underlying investments.

Unrestricted investments consist of the following at June 30:

	2016	2015
Fixed income securities - Bond funds	\$ 7,625,223	\$ 2,665,527
Equity securities - Large cap mutual funds	4,075,086	2,896,779
Total	\$ 11,700,309	\$ 5,562,306

Permanently restricted investments consist of the following at June 30:

	2016	2015
Fixed income securities - Bond funds	\$ 1,181,771	\$ 1,576,705
Equity securities - Corporate stocks	2,893,303	3,617,820
Total	\$ 4,075,074	\$ 5,194,525

3. Property and Equipment

Property and equipment consist of the following at June 30:

	2016	2015
Land	\$ 722,039	\$ 722,039
Building	2,089,639	2,089,639
Building improvements	1,357,323	1,336,792
Furniture and equipment	1,507,342	1,259,609
	5,676,343	5,408,079
Less: accumulated depreciation	(4,382,463)	(4,180,962)
Property and equipment, net	\$ 1,293,880	\$ 1,227,117

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Notes to Financial Statements

Depreciation expense, including assets under capital lease, totaled \$201,501 and \$209,700 for the years ended June 30, 2016 and 2015, respectively.

Disposals totaled \$0 and \$7,494 for the years ended June 30, 2016 and 2015, respectively. Disposals were related to fully depreciated assets and there were no gains or losses recorded upon disposal of these assets.

4. Endowment Fund

The Organization has established an Endowment Fund which operates under the Endowment Guidelines established and approved by the Board of Directors. The principle objective of the Endowment Fund is to provide a source of income to help fund the Organization's operational costs, thereby providing some protection against fluctuations in annual campaign revenue and maximizing the amount of resources focused on the community's most critical issues. The Endowment Fund consists of three components: the General Endowment Fund (for endowed contributions without a specific purpose restriction), the Donor-Restricted Endowment (for endowed contributions with a donor imposed purpose restriction), and the Board Investment Endowment Fund (for Board-designated or quasi-endowments).

The balance in the Endowment Fund as of June 30, 2016 and 2015, totaled \$12,700,956 and \$9,477,693, respectively, which is comprised of the following:

<i>June 30,</i>	2016	2015
General Endowment Fund - restricted	\$ 4,170,473	\$ 5,362,192
Board Investment Endowment Fund - unrestricted	8,530,483	4,115,501
Total Endowment Fund	\$ 12,700,956	\$ 9,477,693

In fiscal 2016 and 2015, the Organization received \$446,881 and \$4,171,495, respectively, in pledges representing unconditional promises to its Endowment Fund, of which \$422,245 and \$4,115,501, respectively, was appropriated to the Board Investment Endowment Fund. Endowment Fund contributions subject to donor imposed stipulations that require the principal be maintained in perpetuity are considered permanently restricted net assets of the Organization and only the income from the investment is unrestricted. Board designated Endowment Fund appropriations are considered unrestricted net assets of the Organization. The Board of Directors of Orange County's United Way (the "Board") had previously determined that it would not appropriate for expenditure of any amount from the Endowment Fund until the Endowment Fund reached \$10 million, which occurred in 2016. In February 2016, the Board adopted a revised Endowment Fund Policy Statement which now requires the earnings of the Endowment Fund to be allocated to the Board Investment Endowment Fund - unrestricted rather than to the General Endowment Fund - restricted. As a result of the adoption of this policy, the cumulative change in market value totaling \$1,572,231 was re-allocated from the General Endowment Fund - restricted to the Board Investment Endowment Fund - unrestricted.

Some of the previous pledges received are multi-year pledges containing original payment terms ranging over a period of four to ten years (see Note 5). The multi-year pledges were discounted at the date of pledge, using rates averaging 4.6%. Amortization, net of additional discounts recorded, totaled \$13,429 and \$20,316 for the years ending June 30, 2016 and 2015, respectively.

Orange County's United Way

Notes to Financial Statements

5. Pledges Receivable

As of June 30, 2016 and 2015, the Organization has unrestricted multi-year pledges receivable outstanding totaling \$1,900,844 and \$2,705,508, respectively, which contain original payment terms ranging over a period of three to ten years.

Unrestricted multi-year pledges consist of the following unconditional promises to give at June 30, 2016 and 2015:

	2016	2015
Unconditional promises to give	\$ 1,900,844	\$ 2,705,508
Less: unamortized discount	(520)	(3,780)
Net unconditional promises to give	1,900,324	2,701,728
Less: current portion	(1,600,844)	(1,682,773)
	\$ 299,480	\$ 1,018,955

Unrestricted multi-year pledges receivable as of June 30, 2016 are committed to be due as follows:

Years ending June 30,

2017	\$ 1,600,844
2018	300,000
Total	\$ 1,900,844

Permanently restricted multi-year pledges are restricted to the Endowment Fund (see Note 4) and consist of the following unconditional promises to give at June 30, 2016 and 2015:

	2016	2015
Unconditional promises to give	\$ 495,147	\$ 851,023
Less: unamortized discount	(28,067)	(41,496)
Net unconditional promises to give	467,080	809,527
Less: current portion	(295,157)	(358,653)
	\$ 171,923	\$ 450,874

Endowment Fund multi-year pledges receivable as of June 30, 2016 are committed to be due as follows:

Years ending June 30,

2017	\$ 295,157
2018	66,664
2019	66,663
2020	66,663
Total	\$ 495,147

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Interest in Promissory Note

On June 1, 2010, a trust irrevocably assigned and transferred as a pledge to the Organization all its interests in a promissory note due from a limited partnership with an outstanding balance of \$5,196,560 as of that date. The outstanding balance of the promissory note at June 30, 2016 and 2015 was \$571,224 and \$1,294,248, respectively. The promissory note accrues interest at 6% per annum and is scheduled to mature on December 31, 2016. The terms of the promissory note provide for \$196,153 quarterly principal and interest payments. Based on the terms of the pledge, \$2,078,616 or 40% was originally recorded as permanently restricted for the Organization's Endowment Fund. The remaining \$3,117,944 or 60% is unrestricted but fully designated to other organizations. The promissory note is collateralized by a first priority security interest in the limited partnership's ownership interests in various investment partnerships that own various real estate properties. The promissory note is also personally guaranteed by the trustee to the trust.

6. Net Assets

Net assets consist of the following at June 30:

	2016	2015
Unrestricted		
Appropriated - stabilization	\$ -	\$ 3,679,524
Appropriated - initiatives	1,057,652	1,466,783
Appropriated - general	462,603	553,726
Appropriated - property and equipment	1,293,880	1,227,117
Appropriated - Board Investment Endowment Fund	8,530,483	4,115,501
Unappropriated	4,713,240	4,172,950
Total unrestricted	16,057,858	15,215,601
Temporarily restricted	-	-
Permanently restricted	4,637,553	6,171,719
Total	\$ 20,695,411	\$ 21,387,320

The Board has appropriated a portion of the current unrestricted net assets as a stabilization reserve to ensure that program services and operations can be maintained for a period of time in the event of emergencies or economic downturns. In September 2015, the Board approved combining the stabilization fund with the Board Investment Endowment Fund. As of June 30, 2016, the targeted stabilization reserve level is an amount equal to three months of estimated community allocations plus three months of estimated operating costs. The stabilization reserve that is combined in the Board Investment Endowment Fund amounts to \$2,790,924.

7. Retirement Plan

The Organization sponsors a defined-contribution 403(b) retirement plan, which covers substantially all employees. There is an employer matching contribution equal to 50% of the first 6% of the employee contribution, up to the Internal Revenue Service legal limits. The Organization's contributions to the defined-contribution retirement plan were \$41,457 and \$39,524 for the fiscal years ended June 30, 2016 and 2015, respectively.

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8. Commitments and Contingencies

The Organization is obligated under noncancelable capital and operating leases for various types of equipment. Future minimum annual lease payments at June 30, 2016, are as follows:

<i>Years ending June 30,</i>	Capital Lease	Operating Leases
2017	\$ 9,558	\$ 4,200
2018	10,427	4,200
2019	9,558	3,500
Total minimum lease payments	29,543	<u>\$ 11,900</u>
Less: amounts representing interest	(3,826)	
	25,717	
Less: current portion	<u>(7,558)</u>	
	<u>\$ 18,159</u>	

Rental expense of approximately \$10,000 and \$18,000 was incurred for the years ended June 30, 2016 and 2015, respectively.

As of June 30, 2016 and 2015, the cost of equipment financed under capital leases amounted to \$41,118 and \$41,118, respectively, and related accumulated amortization amounted to \$17,125 and \$8,905, respectively. The capital lease has an interest rate of 9.8%.

Legal Proceedings

The Organization currently has no lawsuits, actions, or other legal proceedings pending claims against them that would have a material impact on the statement of financial condition. However, the Organization could, from time to time, be involved in litigation proceedings arising out of its normal course of business.