

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

JUNE 30, 2014

BOARD OFFICERS

President

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Vice President

Dan Stevens

Treasurer

Angela Hubler

Executive Director

Ken Wilhelm

Office

1130 NW Harriman Street, Suite A

Bend, OR 97701

(541) 389-6507

**UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon**

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To the Board of Directors of
United Way of Deschutes County

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of United Way of Deschutes County (a nonprofit organization) as of June 30, 2014, and the related statement of activities, other 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.

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 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 Deschutes County as of June 30, 2014, 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 the Organization's 2013 financial statements and, we expressed an unmodified opinion on those financial statements in our report dated November 27, 2013. 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.

SGA CPAs & Consultants, LLP

SGA CPAs & Consultants, LLP

Bend, OR

December 10, 2014

FINANCIAL STATEMENTS

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

STATEMENT OF FINANCIAL POSITION,
INCLUDING SUMMARIZED INFORMATION FOR 2013

	June 30,	
	2014	2013
ASSETS		
Cash (Note 2)	\$ 211,024	\$ 240,909
Accounts receivable		600
Investments (Note 4)	154,738	137,847
Beneficial interest in assets held by others (Note 5)	182,640	163,803
Pledges receivable (Note 6)	347,431	351,995
(Less allowance for uncollectible)	(51,000)	(52,000)
Other assets	1,467	3,902
Equipment, net of depreciation (Note 7)	6,350	6,006
TOTAL ASSETS	\$ 852,650	\$ 853,062
LIABILITIES		
Designations payable (Note 8)	\$ 175,732	\$ 183,549
Accounts payables	7,324	9,499
Accrued expenses	11,888	20,334
TOTAL LIABILITIES	194,944	213,382
NET ASSETS		
Unrestricted		
Undesignated	32,359	72,971
Board designated (Note 9)	404,511	320,048
Total unrestricted	436,870	393,019
Temporarily restricted (Note 11)	199,969	228,043
Permanently restricted (Note 12)	20,867	18,618
TOTAL NET ASSETS	657,706	639,680
TOTAL LIABILITIES AND NET ASSETS	\$ 852,650	\$ 853,062

See accompanying notes and independent auditors' report

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

STATEMENT OF ACTIVITIES,
INCLUDING SUMMARIZED INFORMATION FOR 2013

	Years Ended June 30,				2013
	2014			Totals	
	Unrestricted	Temporarily Restricted	Permanently Restricted		
				Totals	
PUBLIC SUPPORT & REVENUE					
Gross campaign results	\$ 1,096,043	\$ 287,925	\$	\$ 1,383,968	\$ 1,391,883
(Less donor designations)	(479,938)			(479,938)	(447,232)
Campaign revenue	616,105	287,925		904,030	944,651
(Less provision for uncollectible)	(21,373)			(21,373)	(26,885)
Net campaign revenue	594,732	287,925		882,657	917,766
Contributed services and facilities	176,403			176,403	253,213
Service fees	1,620			1,620	1,800
Central Oregon 211 revenue	15,000			15,000	25,000
VITA grants	118,500			118,500	62,800
Deschutes County grants	75,000			75,000	
Bequest					25,652
Investment income (loss)	48,122			48,122	26,401
TOTAL REVENUE	1,029,377	287,925		1,317,302	1,312,632
EXPENSES					
Program services					
Gross funds awarded/distributed	1,067,128			1,067,128	917,232
(Less donor designations)	(479,938)			(479,938)	(447,232)
Net funds awarded/distributed	587,190			587,190	470,000
Central Oregon 211	96,336			96,336	100,443
Days of caring	13,012			13,012	6,813
VITA	69,658			69,658	41,756
Community building	12,391			12,391	11,622
Fund distribution	18,619			18,619	17,460
Contributed services	28,047			28,047	59,747
TOTAL PROGRAM SERVICES	825,253			825,253	707,841
Supporting services					
Organizational administration	224,126			224,126	225,344
Fundraising	88,566			88,566	82,091
Contributed services	148,356			148,356	193,465
United Way of America dues	12,975			12,975	12,182
TOTAL SUPPORT SERVICES	474,023			474,023	513,082
TOTAL EXPENSES	1,299,276			1,299,276	1,220,923
Net assets released from restrictions	313,750	(315,999)	2,249		
Change in net assets	43,851	(28,074)	2,249	18,026	91,709
NET ASSETS BEGINNING OF PERIOD	393,019	228,043	18,618	639,680	547,971
NET ASSETS END OF PERIOD	\$ 436,870	\$ 199,969	\$ 20,867	\$ 657,706	\$ 639,680

See accompanying notes and independent accountants' report

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

STATEMENT OF CASH FLOWS
INCLUDING SUMMARIZED INFORMATION FOR 2013

	Years Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 18,026	\$ 91,709
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
(Increase) decrease in accounts receivable	600	(600)
Stock contributions	(27,369)	(25,183)
Depreciation	2,034	2,415
Unrealized/realized gains	(40,949)	(19,520)
(Increase) decrease in pledges receivable	3,564	(65,272)
(Increase) decrease in other assets	2,435	(2,463)
Increase (decrease) in designations payable and accounts payable	(9,992)	54,780
Increase (decrease) in accrued expenses	(8,446)	833
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	(60,097)	36,699
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,857)	(37,496)
Proceeds from sale of investments	30,779	33,095
Net change in value of endowment funds	8,668	7,196
Acquisition of capital assets	(2,378)	(1,239)
NET CASH PROVIDED BY INVESTING ACTIVITIES	30,212	1,556
NET INCREASE (DECREASE) IN CASH	(29,885)	38,255
CASH - BEGINNING BALANCE	240,909	202,654
CASH - ENDING BALANCE	\$ 211,024	\$ 240,909

See accompanying notes and independent auditors' report

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

STATEMENT OF FUNCTIONAL EXPENSES,
INCLUDING SUMMARIZED INFORMATION FOR 2013

EXPENSES	Program Expenses					
	Allocation Services	Central Oregon 211	Days of Caring	VITA	Community Building	Fund Distribution
Allocation/Awards (Less Donor Designations)	\$ 1,067,128 (479,938)	\$	\$	\$	\$	\$
Sub-Total	587,190					
Salaries		13,127	6,758	56,857	6,823	10,250
Employee benefits and taxes		5,952	351	6,107	3,094	4,647
Sub-Total		19,079	7,109	62,964	9,917	14,897
Contract services		73,300		2,000		
Contributed professional services		678			458	688
Professional fees		669			453	680
Supplies		743	2,143	678	304	457
Telephone and communications		129			87	131
Postage		294			199	299
Occupancy		408			276	414
Equipment rent and maintenance		51			34	52
Contributed printing and advertising		20,425	2,150	3,648		
Printing and advertising		24	3,760		16	25
Staff training		103		916	70	105
Travel		276		1,110	186	280
Meetings and events		113			76	114
Insurance		158			106	160
Fees and dues		484			327	491
Other administrative expense		371		1,990	250	377
Depreciation		134			90	137
Sub-Total		98,360	8,053	10,342	2,932	4,410
United Way of America dues						
Total Functional Expenses	\$ 587,190	\$ 117,439	\$ 15,162	\$ 73,306	\$ 12,849	\$ 19,307
Percentage as of total expenses	45.2%	9.0%	1.2%	5.6%	1.0%	1.5%

Total Program	Support Services			Total Support	2014 Total	2013 Total
	Organizational Administration	Fund- raising	United Way Dues			
\$ 1,067,128 (479,938)	\$	\$	\$	\$	\$ 1,067,128 (479,938)	\$ 917,232 (447,232)
587,190					587,190	470,000
93,815	122,789	42,674		165,463	259,278	214,818
20,151	55,674	23,838		79,512	99,663	89,349
113,966	178,463	66,512		244,975	358,941	304,167
75,300					75,300	89,382
1,824	8,447			8,447	10,271	7,778
1,802	8,344			8,344	10,146	15,539
4,325	5,606	8,609		14,215	18,540	27,726
347	1,609			1,609	1,956	1,418
792	3,667			3,667	4,459	3,627
1,098	5,082			5,082	6,180	6,024
137	640			640	777	1,089
26,223		139,909		139,909	166,132	245,434
3,825	301	5,248		5,549	9,374	10,860
1,194	1,290			1,290	2,484	996
1,852	3,434			3,434	5,286	5,803
303	1,401	4,326		5,727	6,030	6,182
424	1,964			1,964	2,388	2,684
1,302	6,028	3,871		9,899	11,201	7,075
2,988	4,624			4,624	7,612	542
361	1,673			1,673	2,034	2,415
124,097	54,110	161,963		216,073	340,170	434,574
			12,975	12,975	12,975	12,182
<u>\$ 825,253</u>	<u>\$ 232,573</u>	<u>\$ 228,475</u>	<u>\$ 12,975</u>	<u>\$ 474,023</u>	<u>\$ 1,299,276</u>	<u>\$ 1,220,923</u>
<u>63.5%</u>	<u>17.9%</u>	<u>17.6%</u>	<u>1.0%</u>	<u>36.5%</u>		

See accompanying notes and independent auditors' report

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Deschutes United Way, doing business as United Way of Deschutes County (the Organization), was founded in 1952 and is organized to raise funds for member not-for-profit agencies. The mission statement of the Organization is “Connecting caring people to improve lives and shape a better community”. The Organization is governed by a volunteer board of directors. A general campaign to raise pledges commences in the fall of each year. The Organization also accepts pledges for designated non-member, not-for-profit agencies. The donor designated amounts to both member and non-member agencies are recorded as designations payable on the financial statements.

Basis of Accounting

These financial statements have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, “Not for Profit Entities”. Under ASC 958, the Organization is required to report 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 expendable funds that are available in support of the Organization’s operations. Certain of these amounts have been designated by the Board of Directors for various purposes, as explained in Note 9.
- *Temporarily restricted net assets* – consist of contributions that have been restricted by the donor for specific purposes or are not available for use until a specific time.
- *Permanently restricted net assets* – consist of contributions with donor restrictions that stipulate the resources be maintained permanently, but permit the Organization to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes.

The Organization had temporarily restricted net assets of \$199,969 and permanently restricted net assets of \$20,867 at June 30, 2014.

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Equipment

Acquisitions of equipment in excess of \$1,000 are capitalized. Equipment is carried at cost, or if donated, at the approximated fair value at the date of the donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Revenue Recognition

The Organization reports donations as unrestricted public support unless they are received with donor restrictions. If the donation is made in the same reporting period that the donor imposed restriction is met, the donation is reported in both temporarily restricted revenue and net assets released from restrictions.

When the restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished) in a different reporting period from which the donation is recorded, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributed Services

The Organization receives a substantial amount of services donated by its supporters in carrying out the Organization's activities. These amounts have been reflected in the financial statements in accordance with FASB ASC 958, "Not for Profit Entities". The majority of contributed services is comprised of free advertising and discounted professional fees. Contributed services of \$139,909 are recorded in fundraising expense, \$8,447 in organizational administration expense, \$21,103 in Central Oregon 211, \$2,150 in Days of Caring, \$3,648 in VITA, \$458 in community building, and \$688 in fund distribution.

Income Taxes

The financial statements do not reflect the effects of income taxes. United Way of Deschutes County has been classified as an organization other than a private foundation, which is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

For the purpose of the statement of cash flows, the Organization considers all cash investments with maturity at the time of purchase of three months or less to be cash.

Investments

Investments are reported at fair market value as of June 30, 2014. Unrealized appreciation or depreciation of the investments is recognized currently in income.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense classification. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Advertising

The Organization uses advertising to promote its fundraising efforts and programs among the audiences it services. Advertising costs are expensed when incurred. Advertising costs for the year ended June 30, 2014 were \$175,506. Of this amount, \$166,132 was for contributed services.

Cost Deductions Standards

The Organization is in compliance with United Way Worldwide cost deduction standards, which state that United Way organizations may charge fees that are based on actual expenses and will not deduct fund raising or processing fees from designated gifts originating by or from any other United Way organization. United Way of Deschutes County does not charge any fees for designated gifts.

Fair Value of Financial Instruments

The fair value of the Organization's financial instruments, which includes items such as certificates of deposit; investments; beneficial interest in assets held by others; pledges receivable, net of the allowance for uncollectible pledges; designations payable; response grants payable and accounts payable, approximate their carrying amounts at June 30, 2014.

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

NOTE 2 – CASH

The carrying amount of the Organization's cash balance was \$211,024 at June 30, 2014. The bank balance was \$231,332 at June 30, 2014. Balances in bank accounts did not exceed the coverage of federal depository insurance at June 30, 2014. The Organization uses a rating system to rate the banks used for deposits, and feels the risk of loss due to any excess deposits is low. There was no restricted cash at June 30, 2014.

NOTE 3 – FAIR VALUE MEASUREMENT

FASB ASC 820, "Fair Value Measurements and Disclosures", establishes a three-level hierarchy for disclosure of assets and liabilities recorded at fair value. The classification of assets and liabilities within the hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement.

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

NOTE 3 – FAIR VALUE MEASUREMENT (continued)

The Oregon Community Foundation’s (the Foundation) management represents that investments held at the Foundation consist of level 1, level 2, and level 3 investments. The Foundation does not provide the Organization with information regarding what investments make up the Organization’s assets held at the Foundation. As such, the Organization considers all investments held at the Foundation to be level 3 investments. Gains and losses in such investments are disclosed in Note 5. All other investments are derived from the level 1 pricing inputs.

The following table presents the Organization’s fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2014:

	Assets at Fair Value as of June 30, 2014		
	Level 1	Level 3	Total
Index funds	\$ 154,738	\$	\$ 154,738
Beneficial interest in OCF		182,640	182,640
	<u>\$ 154,738</u>	<u>\$ 182,640</u>	<u>\$ 337,378</u>

NOTE 4 - INVESTMENTS

Investments are held at Morgan Stanley. Unrealized and realized gains and losses on investments are recorded as investment income in the financial statements. Purchases and sales of investments during the year ended June 30, 2014 are displayed in the Statement of Cash Flows.

Investment earnings consist of the following for the year ended June 30, 2014:

Interest and dividends	\$ 6,840
Unrealized gain on investments	11,490
Total investment earnings	18,330
Investment fees	(1,439)
Total change in investments	\$ 16,891

The investments at June 30, 2014 are as follows:

Index funds	\$ 154,738
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UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

**NOTE 5 – CONTRIBUTIONS TO THE OREGON COMMUNITY
FOUNDATION ENDOWMENT FUND**

The Organization follows FASB ASC 958, “Not for Profit Entities”, for amounts contributed to the Foundation by either the Organization or other donors on behalf of the Organization. FASB ASC 958 specifically requires that if a non-profit organization establishes a fund at a community foundation with its own funds and specifies itself as the beneficiary of that fund, the community foundation must account for the transfer of such assets as a liability. The Foundation refers to such funds as endowment partner funds.

The Foundation maintains variance power and legal ownership of all funds, including endowment partner funds, and as such continues to report the funds as assets of the Foundation. The Organization maintains two funds with the Foundation.

The first fund, The United Way of Deschutes County Community Endowment, is a combination of amounts that the Organization has transferred to the Foundation for its own benefit and of donors’ contributions to the Foundation on behalf of the Organization. The fair market value of the fund at June 30, 2014 was \$55,745. Of this amount, the portion that is recorded as a beneficial interest in assets held by others at June 30, 2014 was \$42,803, of which \$20,867 has been permanently restricted by the donor and \$21,936 consists of amounts transferred by the Organization for its own benefit. The Organization does not record assets for the amounts contributed by donors directly to the Foundation or the investment earnings allocated to those contributions.

The second fund is the United Way of Deschutes County Endowment Fund. This fund contains amounts transferred by the Organization for its own benefit. The fair market value of the Fund at June 30, 2014 was \$139,837, and in accordance with ASC 958, “Not for Profit Entities”, the entire amount has been recorded as a beneficial interest in assets held by others.

The Organization’s two funds at the Foundation were established to account for permanently restricted donor contributions and to support the general purposes of the Organization by attracting and growing planned gifts that generate income beyond the annual campaign. The endowment, which is comprised of these two accounts, includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

**UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

**NOTE 5 – CONTRIBUTIONS TO THE OREGON COMMUNITY
FOUNDATION ENDOWMENT FUND (continued)**

Endowment net asset composition by type of fund as of June 30, 2014:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$	\$ 20,867	\$ 20,867
Board-designated endowment funds	<u>161,773</u>		<u>161,773</u>
Total funds	<u>\$ 161,773</u>	<u>\$ 20,867</u>	<u>\$ 182,640</u>

Changes in endowment net assets for the fiscal year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 145,185</u>	<u>\$ 18,618</u>	<u>\$ 163,803</u>
Investment return:			
Investment income	1,752	226	1,978
Realized gains	5,182	669	5,851
Unrealized gains	<u>17,057</u>	<u>2,206</u>	<u>19,263</u>
Total investment return	<u>23,991</u>	<u>3,101</u>	<u>27,092</u>
Appropriation of endowment			
Disbursements	(6,164)	(676)	(6,840)
Investment fees	<u>(1,239)</u>	<u>(176)</u>	<u>(1,415)</u>
Endowment net assets, end of year	<u>\$ 161,773</u>	<u>\$ 20,867</u>	<u>\$ 182,640</u>

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

**NOTE 5 – CONTRIBUTIONS TO THE OREGON COMMUNITY
FOUNDATION ENDOWMENT FUND (continued)**

The Foundation does not provide the Organization information on the purchases and sales of investments held at the Foundation. As such, the Organization reports as the change in value of the endowment funds the net amount for investment income, disbursements and investment fees realized in the endowment funds.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-specified funds that the organization must hold in perpetuity or for a donor-specified period(s), as well as board-designated funds. The Organization's endowment funds are held with the Foundation. It is the Organization's belief that the Foundation invests conservatively and therefore, the endowment funds may earn a rate slightly below average.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Foundation distributes, not less than annually, an appropriate percentage of the fair market value of the principal and income of the Fund to the Organization. The Foundation may make distributions from the Fund to the Organization in addition to the annual distribution upon a majority vote of the Organization's board of directors if in the sole judgment of the board of directors of the Foundation the requested distribution is consistent with the objectives and purposes of the Organization and with the charitable, educational, and scientific needs of the state of Oregon. Distributions received from the Foundation in fiscal year ended June 30, 2014 totaled \$6,840.

It is the Organization's policy that endowment generated income can be used to respond to crises, fund new or high priority projects, underwrite research, provide for expansion and for other uses consistent with the mission of the Organization. This policy provides the Organization income to respond to current priorities and to ensure funds will be available for future needs.

**UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

NOTE 6 – PLEDGES RECEIVABLE

As of June 30, 2014, \$347,431 remained uncollected from the annual campaign. The Organization has estimated an allowance considered doubtful of \$51,000. Provision for uncollectible is computed based upon a three year historical average and analysis of current conditions, applied to gross campaign, including donor designations. All pledges, net of the allowance, are expected to be received for the year ended June 30, 2014 by June 30, 2015.

NOTE 7 – EQUIPMENT

Equipment is reported at cost or fair market value if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expenses as incurred; major renewals and betterments are capitalized. Gross equipment at June 30, 2014 totaled \$49,547 and accumulated depreciation totaled \$43,197. Equipment, net of depreciation, totaled \$6,350.

Office equipment is depreciated over an estimated useful life of 5 years. Depreciation expense for the year ended June 30, 2014 was \$2,034.

NOTE 8 – DESIGNATIONS PAYABLE

Designations payable represents donor-designated contributions received that are due to member and non-member agencies.

NOTE 9 – BOARD DESIGNATED NET ASSETS

The Board of Directors of the Organization has made certain designations of unrestricted net assets. These designations are as follows:

	Operating Reserve	Endowments	Response Grants	Total Board Designated Unrestricted Net Assets
Balance June 30, 2013	\$ 162,363	\$ 145,185	\$ 12,500	\$ 320,048
Transfers	70,375	16,588	(2,500)	84,463
Balance June 30, 2014	<u>\$ 232,738</u>	<u>\$ 161,773</u>	<u>\$ 10,000</u>	<u>\$ 404,511</u>

The Operating Reserve is for cash flow deficiencies or community emergencies. The target for this reserve is one-half of the previous year's overhead expenses.

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

NOTE 9 – BOARD DESIGNATED NET ASSETS (continued)

The purpose of Endowment reserves are to support the general purposes of the Organization by attracting and growing planned gifts that generate income beyond the annual campaign.

The Response Grant reserve is for the purpose of providing funding, other than annual allocations, to agencies and programs.

NOTE 10 – PROGRAM ACTIVITIES

The Organization has five program activities as follows:

- 1) Central Oregon 211 is a program to refer people needing help to the appropriate agencies.
- 2) Days of Caring is a program to gather community volunteers to do specific tasks at local non-profit sites.
- 3) Volunteer Income Tax Assistance (VITA) is a program to assist moderate- to low-income taxpayers in completing their annual tax returns at no cost.
- 4) Community Building is a program to assess and address community needs by working in collaboration, or partnership with other organizations.
- 5) Fund Distribution is a program to determine allocations and grants to agencies and programs.

The Organization allocates costs to different programs and supporting services based on both specific identification and staff hours devoted to the various programs and supporting services.

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of assets restricted for field of service donations and designations payable. Designations payable that are temporarily restricted are associated with pledges receivable and are estimated based on the percentage of current year pledges that are designated by donors.

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

NOTE 11 – TEMPORARILY RESTRICTED NET ASSETS (continued)

The composition of temporarily restricted net assets at June 30, 2014 is as follows:

Field of service and community impact donations	\$ 30,524
Pledges receivable, net of allowance and designations payable	<u>169,445</u>
Temporarily restricted net assets	<u><u>\$ 199,969</u></u>

NOTE 12 – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are comprised of contributions whose corpus is restricted as permanent endowments. There are no restrictions on the use of income from these permanent endowments.

NOTE 13 – PENSION PLAN

The Organization maintains a simplified employee pension plan, which is a defined contribution plan, for its employees. All employees who have attained the age of 21 and have earned at least \$450 of compensation during the year are eligible for the plan beginning January of the following year. The Organization contributes 6.0% of the employees' compensation to the plan. The contribution for the year ended June 30, 2014 was \$12,834.

NOTE 15 – DONOR DESIGNATION

Under Financial Accounting Standards Board accounting principles adopted by the Organization, gifts designated by the donor are not reported as public support. The donor designations are recorded as a liability of the Organization. The Organization distributes all donor designations, including those received through the Combined Federal Campaign, with no amount deducted for pledge loss or fees. Donor designations for the year ended June 30, 2014 were \$479,938.

NOTE 16 – RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in coverage from the prior years and settlements have not exceeded coverage in the past three years.

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

NOTE 17 – CONCENTRATIONS

The Organization’s revenue is comprised substantially of donations in Deschutes County, Oregon. The top two donors made donations in the year ended June 30, 2014 comprising of 7.1% of total donations.

NOTE 18 – CREDIT RISK

The Organization has credit risk arising from pledges receivables. The maximum potential loss at June 30, 2014 was net pledges receivable of \$296,431. The maximum risk of loss related to investments and the beneficial interest in assets held by others equals the carrying amounts presented in the financial statements.

NOTE 19 – RELATED PARTY TRANSACTIONS

The Organization received contributions from members of its Board of Directors. Contributions from members for the year ended June 30, 2014 and amounts receivable from members as of June 30, 2014 were as follows:

	Pledges Received	Receivable at June 30, 2014
Unrestricted	\$ 29,240	\$ 8,060
Temporarily restricted	4,250	
	<u>\$ 33,490</u>	<u>\$ 8,060</u>

Ken Wilhelm, the Executive Director for the Organization, was a member of the Board of Directors for Partnership to End Poverty, a non-profit organization in fiscal year ended June 30, 2014. Partnership to End Poverty dissolved on December 31, 2013. The Organization is the recipient of a \$98,500 grant from Partnership to End Poverty.

NOTE 20 – REVOCABLE SPLIT-INTEREST AGREEMENTS AND WILLS

The Organization has been named as a beneficiary in split-interest agreements and wills; however, no assets or revenue have been recognized related to these agreements or wills as the Organization had not received an irrevocable right to these benefits as of June 30, 2014.

UNITED WAY OF DESCHUTES COUNTY
Deschutes County, Oregon

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

NOTE 21 – OPERATING LEASE

The Organization's office space is leased from Deschutes County under a three year lease with a term of July 1, 2011 through June 30, 2014. A new two year lease with a term of July 1, 2014 through June 30, 2016 was entered into with Deschutes County. Payments are scheduled to escalate throughout the term of the lease. The lease has an early termination clause allowing the Organization to terminate their lease without penalty upon sixty days notice. Rental payments are \$515 per month as of June 30, 2014. Rental expense for the year ended June 30, 2014 was \$6,180.

NOTE 22 – INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(C)(3) of the Internal Revenue Code. As a result, no provision for federal or state income taxes has been made.

The Organization is required to evaluate tax positions taken and to recognize a tax liability if an uncertain tax position has been taken that more likely than not would not be sustained upon examination by taxing authorities. Areas that taxing authorities consider when examining tax returns for tax exempt entities include, but are not limited to, tax-exempt status and the existence of unrelated business income. The Organization does not believe that it has any uncertain tax positions with respect to these or other matters and has not recorded any unrecognized tax benefits or liabilities for the year ended June 30, 2014.

The Organization's federal and state tax returns are generally open for examination for three years following the date filed.

NOTE 23 - COMMITMENTS

On July 14, 2014, the Executive Committee approved the allocation of 2013-2014 campaign contributions to member agencies, resulting in a commitment of \$442,000.

NOTE 24 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 10, 2014, the date the financial statements were issued.