



UNITED WAY OF SAN DIEGO COUNTY

Financial Statements and Schedules

June 30, 2002 and 2001

(With Independent Auditors' Report Thereon)



355 South Grand Avenue
Suite 2000
Los Angeles, CA 90071-1568

Independent Auditors' Report

The Board of Directors
United Way of San Diego County:

We have audited the accompanying statements of financial position of United Way of San Diego County as of June 30, 2002 and 2001, and the related statements of activities, functional expenses – supporting services, and cash flows for the years then ended. These financial statements are the responsibility of United Way of San Diego County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of San Diego County as of June 30, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the accompanying schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

September 12, 2002



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UNITED WAY OF SAN DIEGO COUNTY

Statements of Financial Position

June 30, 2002 and 2001

Assets	2002	2001
Cash	\$ 3,226,470	1,537,893
Short-term investments (note 2)	1,466,353	1,356,138
Net pledges receivable (note 3)	9,996,902	8,909,472
Prepaid expenses and other assets	395,361	518,293
Long-term investments (note 2)	839,256	932,850
Prepaid pension asset (note 10)	665,548	631,900
Land, building, and equipment, less accumulated depreciation (notes 4, 5, and 8)	<u>2,106,068</u>	<u>2,270,463</u>
Total assets	\$ <u><u>18,695,958</u></u>	<u><u>16,157,009</u></u>
Liabilities and Net Assets		
Amount due to Combined Health Agencies (note 6)	\$ 455,920	466,806
Amount due to Combined Federal Campaign (CFC), partners, and agencies	3,426,593	2,564,499
Other distributions payable (note 7)	5,396,381	4,493,594
Accounts payable and accrued expenses	443,170	463,506
Line of credit payable (note 8)	182,414	76,590
First trust deed note payable (note 8)	<u>938,601</u>	<u>1,018,468</u>
Total liabilities	<u>10,843,079</u>	<u>9,083,463</u>
Net assets (note 9):		
Unrestricted:		
Designated – endowment	2,656,190	2,693,046
Designated – programs	449,863	171,111
Undesignated	2,073,327	2,697,964
Land, building, and equipment fund	<u>1,161,804</u>	<u>1,237,690</u>
Total unrestricted	6,341,184	6,799,811
Temporarily restricted	1,468,584	230,624
Permanently restricted	<u>43,111</u>	<u>43,111</u>
Total net assets	7,852,879	7,073,546
Commitments and contingencies (note 5)		
Total liabilities and net assets	\$ <u><u>18,695,958</u></u>	<u><u>16,157,009</u></u>

See accompanying notes to financial statements.

UNITED WAY OF SAN DIEGO COUNTY

Statements of Activities

Years ended June 30, 2002 and 2001

	2002				2001			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Revenue, gains, and other support:								
Campaign results:								
Future campaign years	\$ —	1,095,901	—	1,095,901	—	2,080	—	2,080
Current campaign year	24,822,875	—	—	24,822,875	22,301,022	—	—	22,301,022
Prior campaign years	767,746	—	—	767,746	817,101	—	—	817,101
Gross campaign results	25,590,621	1,095,901	—	26,686,522	23,118,123	2,080	—	23,120,203
Less provision for uncollectible pledges	(2,493,896)	—	—	(2,493,896)	(2,023,903)	—	—	(2,023,903)
Less designations to others (note 11)	(15,188,563)	—	—	(15,188,563)	(12,496,473)	—	—	(12,496,473)
Campaign revenue available for allocations and expenses	7,908,162	1,095,901	—	9,004,063	8,597,747	2,080	—	8,599,827
Other revenue:								
Bequests and donations	115,121	—	—	115,121	23,385	—	—	23,385
Investment income (loss) (note 2)	(92,968)	1,980	—	(90,988)	(1,120)	2,857	—	1,737
Service fees (note 12)	574,678	—	—	574,678	584,977	—	—	584,977
Information and referral	794,473	—	—	794,473	941,972	—	—	941,972
Pension benefit (note 10)	31,672	—	—	31,672	98,808	—	—	98,808
Other revenue (note 13)	252,989	194,972	—	447,961	456,986	132,872	—	589,858
Net assets released from restriction	54,893	(54,893)	—	—	75,907	(62,085)	(13,822)	—
Total other revenue	1,730,858	142,059	—	1,872,917	2,180,915	73,644	(13,822)	2,240,737
Total revenue, gains, and other support	9,639,020	1,237,960	—	10,876,980	10,778,662	75,724	(13,822)	10,840,564

UNITED WAY OF SAN DIEGO COUNTY

Statements of Activities, (continued)

Years ended June 30, 2002 and 2001

	2002				2001			
	Unrestricted	Temporarily restricted	Permanently restricted	Total	Unrestricted	Temporarily restricted	Permanently restricted	Total
Program expenses:								
Allocations and distributions	\$ 4,317,611	—	—	4,317,611	3,760,683	—	—	3,760,683
Special allocations	73,333	—	—	73,333	68,333	—	—	68,333
Distribution of Focused and Emergency grants	92,415	—	—	92,415	39,916	—	—	39,916
Community building and public policy	100,893	—	—	100,893	90,630	—	—	90,630
Fund Distribution	155,478	—	—	155,478	132,827	—	—	132,827
Information and Referral	1,084,124	—	—	1,084,124	1,088,154	—	—	1,088,154
Labor Community Services	396,050	—	—	396,050	355,412	—	—	355,412
Outcomes Measurement	45,864	—	—	45,864	148,704	—	—	148,704
Other supplemental programs (note 14)	120,710	—	—	120,710	377,604	—	—	377,604
Total program expenses	6,386,478	—	—	6,386,478	6,062,263	—	—	6,062,263
Supporting services expenses:								
Fund-raising campaigns (note 15)	2,318,908	—	—	2,318,908	2,201,541	—	—	2,201,541
Marketing and communications	707,068	—	—	707,068	774,887	—	—	774,887
Administration	685,193	—	—	685,193	665,544	—	—	665,544
Total supporting services expenses	3,711,169	—	—	3,711,169	3,641,972	—	—	3,641,972
Total expenses	10,097,647	—	—	10,097,647	9,704,235	—	—	9,704,235
Change in net assets	(458,627)	1,237,960	—	779,333	1,074,427	75,724	(13,822)	1,136,329
Net assets, beginning of year	6,799,811	230,624	43,111	7,073,546	5,725,384	154,900	56,933	5,937,217
Net assets, end of year	\$ 6,341,184	1,468,584	43,111	7,852,879	6,799,811	230,624	43,111	7,073,546

See accompanying notes to financial statements.

UNITED WAY OF SAN DIEGO COUNTY
Statement of Functional Expenses – Supporting Services
Year ended June 30, 2002

	Supporting services			Total supporting services
	Fund-raising campaigns	Marketing and communications	Administration	
Salaries and related expenses:				
Professional salaries	\$ 729,602	19,690	288,773	1,038,065
Support salaries	230,822	49,095	144,725	424,642
Temporary salaries	188,426	1,301	8,529	198,256
Payroll taxes and benefits	178,161	12,397	66,822	257,380
Contract staff salaries	1,355	409,394	18,429	429,178
Recruitment	4,794	578	9,156	14,528
In-kind staff services	(61,913)	(7,926)	(50,565)	(120,404)
Total salaries and related expenses	<u>1,271,247</u>	<u>484,529</u>	<u>485,869</u>	<u>2,241,645</u>
Other expenses:				
Audit/legal fees	12,823	3,120	12,171	28,114
Occupancy and mortgage interest	44,174	6,331	42,348	92,853
Line of credit	4,889	701	4,688	10,278
Other interest	—	—	—	—
Insurance	8,595	1,233	8,242	18,070
Telephone	12,229	1,312	8,325	21,866
Postage	25,865	18,943	2,162	46,970
Payroll service fees	5,767	770	5,145	11,682
Printing and awards	38,040	81,891	4,789	124,720
Advertisement	1,524	112	749	2,385
Contributed goods and services	354	43	286	683
Films and audio visual	1,194	18,737	671	20,602
Staff development	15,499	1,789	10,024	27,312
Local expenses	743	56	2,197	2,996
Investment management fee	8,348	—	—	8,348
Transportation	35,381	1,738	10,383	47,502
Meetings	5,596	114	1,160	6,870
Minor equipment	3,875	421	2,598	6,894
Equipment maintenance	6,767	817	5,005	12,589
Equipment rentals and leases	6,170	730	4,271	11,171
Supplies	10,857	940	3,078	14,875
Dues/subscriptions	2,664	431	3,848	6,943
Duplicating	16,737	750	4,918	22,405
Technical assistance	8,167	1,533	6,896	16,596
United Way of America dues	47,801	26,335	23,588	97,724
Fund-raising support paid to other campaigns (note 15)	643,590	—	—	643,590
Miscellaneous	1,281	485	1,254	3,020
Loss on removal of fixed assets	9,126	5,028	4,503	18,657
In-kind operating services	(25,152)	(4,025)	(20,734)	(49,911)
In-kind nonoperating services	22,161	12,209	10,936	45,306
Total other expenses	<u>975,065</u>	<u>182,544</u>	<u>163,501</u>	<u>1,321,110</u>
Total functional expenses before depreciation	2,246,312	667,073	649,370	3,562,755
Depreciation	72,596	39,995	35,823	148,414
Total functional expenses	<u>\$ 2,318,908</u>	<u>707,068</u>	<u>685,193</u>	<u>3,711,169</u>

See accompanying notes to financial statements.

UNITED WAY OF SAN DIEGO COUNTY
Statement of Functional Expenses – Supporting Services
Year ended June 30, 2001

	Supporting services			Total supporting services
	Fund-raising campaigns	Marketing and communications	Administration	
Salaries and related expenses:				
Professional salaries	\$ 773,222	109,748	329,741	1,212,711
Support salaries	133,835	30,377	110,644	274,856
Temporary salaries	140,582	3,185	20,146	163,913
Payroll taxes and benefits	147,957	22,312	64,597	234,866
Contract staff salaries	41,749	88,728	20,182	150,659
Recruitment	169	19	118	306
In-kind staff services	(60,576)	(7,635)	(48,290)	(116,501)
Total salaries and related expenses	<u>1,176,938</u>	<u>246,734</u>	<u>497,138</u>	<u>1,920,810</u>
Other expenses:				
Audit/legal fees	16,084	2,238	14,967	33,289
Occupancy and mortgage interest	46,992	6,735	45,057	98,784
Line of credit	4,644	666	4,452	9,762
Other interest	989	119	678	1,786
Insurance	8,481	1,216	8,131	17,828
Telephone	9,821	927	6,166	16,914
Postage	24,515	1,038	2,825	28,378
Payroll service fees	2,952	365	2,440	5,757
Printing and awards	75,522	166,169	5,166	246,857
Advertisement	2,420	121,010	995	124,425
Contributed goods and services	898	109	726	1,733
Films and audio visual	653	89,940	254	90,847
Staff development	17,736	2,656	11,238	31,630
Local expenses	958	295	1,091	2,344
Investment management fee	8,250	—	—	8,250
Transportation	38,972	2,670	12,366	54,008
Meetings	6,305	3,126	307	9,738
Minor equipment	648	72	473	1,193
Equipment maintenance	9,828	1,154	6,890	17,872
Equipment rentals and leases	7,237	867	5,054	13,158
Supplies	10,406	2,496	2,952	15,854
Dues/subscriptions	23,142	653	2,979	26,774
Duplicating	14,639	1,072	4,912	20,623
Technical assistance	18,991	25,603	3,426	48,020
United Way of America dues	11,583	11,793	4,690	28,066
Fund-raising support paid to other campaigns (note 15)	587,947	—	—	587,947
Miscellaneous	8,030	343	2,288	10,661
In-kind operating services	(19,935)	(2,628)	(16,899)	(39,462)
In-kind nonoperating services	26,939	27,426	10,909	65,274
Total other expenses	<u>965,647</u>	<u>468,130</u>	<u>144,533</u>	<u>1,578,310</u>
Total functional expenses before depreciation	2,142,585	714,864	641,671	3,499,120
Depreciation	58,956	60,023	23,873	142,852
Total functional expenses	<u>\$ 2,201,541</u>	<u>774,887</u>	<u>665,544</u>	<u>3,641,972</u>

See accompanying notes to financial statements.

UNITED WAY OF SAN DIEGO COUNTY

Statements of Cash Flows

Years ended June 30, 2002 and 2001

	<u>2002</u>	<u>2001</u>
Cash flows from operating activities:		
Change in net assets	\$ 779,333	1,136,329
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	194,439	176,362
Realized loss on sale of investments	96,392	25,538
Unrealized loss on investments	171,817	126,352
Loss on disposal of fixed assets	22,130	30,095
Donated equipment	(9,897)	(9,234)
Provision for doubtful pledges receivable	2,493,896	2,023,903
Increase in pledges receivable	(3,581,326)	(2,681,520)
Decrease in prepaid expenses and other assets	120,956	109,171
Decrease in accounts payable and accrued expenses	(6,032)	(184,858)
Increase in amounts due to agencies	1,753,995	1,014,833
Increase in accrued pension benefit	(31,672)	(98,808)
Net cash provided by operating activities	<u>2,004,031</u>	<u>1,668,163</u>
Cash flows from investing activities:		
Purchase of investments	(353,572)	(177,370)
Proceeds from sale of investments	7,289	58,601
Purchase of property and equipment	(42,277)	(126,104)
Net cash used in investing activities	<u>(388,560)</u>	<u>(244,873)</u>
Cash flows from financing activities:		
Increase (Decrease) in line of credit payable	105,824	(87,847)
Principal payments on first trust deed note payable	(79,867)	(186,003)
Principal payments on capital lease obligation	(14,304)	(55,611)
Net cash provided by (used in) financing activities	<u>11,653</u>	<u>(329,461)</u>
Net increase in cash and cash equivalents	1,627,124	1,093,829
Cash and cash equivalents at beginning of year	<u>1,631,539</u>	<u>537,710</u>
Cash and cash equivalents at end of year	\$ <u><u>3,258,663</u></u>	<u><u>1,631,539</u></u>

Supplemental disclosure of noncash financing activities:

During the year ended June 30, 2002, furniture and equipment with a cost of \$80,027 and accumulated depreciation of \$57,897 was either donated or written off.

During the year ended June 30, 2001, furniture and equipment with a cost of \$65,425 and accumulated depreciation of \$35,330 was either donated or written off. Additionally, the acquisition of furniture and equipment in the amount of \$26,804 was financed through a capital lease.

See accompanying notes to financial statements.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements

June 30, 2002 and 2001

(1) Organization and Summary of Significant Accounting Policies and Practices

(a) General

United Way of San Diego County (United Way) is an organization formed to raise money in San Diego County from people in the workplace, from businesses, and from individuals to help support agencies that serve the community. Through the constituent agencies, United Way helps to support a wide range of services such as family and individual counseling, care for senior citizens, child protection, emergency and disaster assistance, health education and rehabilitation, and special programs for youth and military personnel.

The activities and operations included in the accompanying financial statements of United Way include those activities and operations over which United Way has oversight responsibility or for which United Way directly provides public services.

The program and support activities of United Way are as follows:

- United Way programs:
 - Allocations and distributions to participating agencies
 - Community building and public policy
 - Fund Distribution
 - Information and Referral
 - Labor Community Services
 - Outcome Measurement
 - Other supplemental programs
- Supporting functions:
 - Fund-raising campaigns
 - United Way/Combined Health Agencies combined campaign
 - San Diego Combined Federal Campaign (CFC)
 - United California State Employees Campaign (UCSEC)
 - Marketing and communications
 - Administration.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements

June 30, 2002 and 2001

(b) Accounting and Reporting

United Way follows the accounting and reporting standards included in the Accounting and Audit Guide, *Not-for-Profit Organizations*, issued by the American Institute of Certified Public Accountants and *Accounting and Financial Reporting – A Guide for United Ways and Not-for-Profit Human Service Organizations*.

Contributions received, including unconditional promises to give, are recognized as revenue or gains in the period received, and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Contributions received, whereby the donor specifies the agency that is to receive the donated funds (known as designations), are treated as agency transactions.

Donations with donor-imposed restrictions are reported as temporarily or permanently restricted revenue. Donations with donor-imposed restrictions that are met in the same year as received are reported as unrestricted revenue. Donations with donor-imposed restrictions that are not met in the same year as received or earned are reported as temporarily restricted net assets and are reclassified to unrestricted net assets when an event occurs that satisfies the donor-imposed restriction.

Net assets and revenue, gains, expenses, and losses are classified as unrestricted, temporarily restricted, and permanently restricted, as follows:

- Unrestricted net assets represent the portion of expendable funds that is available for support of the operations of United Way.
- Temporarily restricted net assets consist of contributions that are subject to specific donor-imposed stipulations that can be fulfilled by actions of United Way pursuant to those stipulations or that expire by the passage of time.
- Permanently restricted net assets consist of contributions subject to donor-imposed stipulations that they be maintained permanently by United Way. Generally, the donors permit United Way to use all or part of the income earned on these assets.

(c) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, and certificates of deposit with an original maturity of three months or less. At June 30, 2002 and 2001, \$32,193 and \$93,646, respectively, of United Way's short-term investments are considered to be cash equivalents.

(d) Investments

Investments in equity securities with readily determinable fair values and all debt securities are reported at fair value with gains and losses included in the statements of activities.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements

June 30, 2002 and 2001

(e) Land, Building, and Equipment

Land, building, and equipment is recorded at cost. Donated assets are recorded at estimated fair value. Equipment acquired under capital leases is stated at the present value of future minimum lease payments. Depreciation is calculated on the straight-line basis using lives of 31.5 years for building and improvements, 10 years for furniture and equipment, and 5 years for computer equipment. Effective December 2000 any additions of computer equipment will have depreciation calculated using a life of 3 years rather than 5 years.

Salvage value is generally estimated as 10% for equipment, furniture, and computer equipment. Equipment held under capital leases is amortized over 5 years, with an estimated salvage value of 10%. Amortization of leasehold improvements is included with depreciation expense.

(f) Contributed Goods and Personal Services

Contributed goods are reflected as contributions in the accompanying financial statements at their estimated fair value. Contributed goods in the amount of \$12,043 and \$11,475 are reflected in the statements of activities for 2002 and 2001, respectively. Of this amount, \$877 and \$0 were donated to United Way's participating agencies in 2002 and 2001, respectively.

Contributed services are reflected in the accompanying financial statements at the fair value of the services received, if the services create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased if not provided by donation.

No amounts have been included in the accompanying financial statements for services contributed by campaign volunteers since such services generally do not require specialized skills. Nevertheless, a substantial number of volunteers from the San Diego area donated their time to United Way.

(g) Allocations and Contracts

Allocations to agencies are distributed over the year from July 1 through June 30, based on the preceding year's campaign. Amounts ultimately allocated to agencies for the year are subject to the results attained in the campaign. As provided in the contractual agreement with the associate, Combined Health Agencies (note 6), and the CFC agencies, distributions to the associate and to the CFC agencies are paid monthly based upon the previous month's campaign receipts.

(h) Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows (undiscounted and without interest) expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairments of long-lived assets as of June 30, 2002 or 2001.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements

June 30, 2002 and 2001

(i) ***Income Taxes***

United Way qualifies as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code and similar California law and is not subject to income taxes.

(j) ***Use of Estimates***

Management of United Way has made a number of estimates and assumptions relating to the reporting of assets, liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of support and revenue and expenses to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

(2) **Investments**

Investments consist of amounts that are permanently restricted, temporarily restricted, and unrestricted. Unrestricted amounts have been designated by the board of directors for various uses. Restrictions and designations are discussed in note 9.

Investment income (loss) reflected in the statements of activities is comprised of the following:

	<u>2002</u>	<u>2001</u>
Interest income	\$ 177,221	153,626
Realized losses	(96,392)	(25,537)
Unrealized losses	<u>(171,817)</u>	<u>(126,352)</u>
	<u>\$ (90,988)</u>	<u>1,737</u>

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements

June 30, 2002 and 2001

The following is a summary of investments at June 30, 2002 and 2001 based on market values provided by third-party sources:

	2002		
	Short-term investments	Long-term investments	Total
Endowment Fund:			
Money market funds	\$ 30,149	—	30,149
Mutual funds	1,432,882	—	1,432,882
Pooled investments held by San Diego Foundation	—	839,256	839,256
Note receivable – borrowing against endowment	—	397,014	397,014
	<u>1,463,031</u>	<u>1,236,270</u>	<u>2,699,301</u>
Other:			
Money market funds	2,044	—	2,044
Mutual funds	1,278	—	1,278
	<u>3,322</u>	<u>—</u>	<u>3,322</u>
Elimination of interfund investment	<u>—</u>	<u>(397,014)</u>	<u>(397,014)</u>
Total investments	\$ <u>1,466,353</u>	<u>839,256</u>	<u>2,305,609</u>
	2001		
	Short-term investments	Long-term investments	Total
Endowment Fund:			
Money market funds	\$ 88,444	—	88,444
Mutual funds	1,261,340	—	1,261,340
Pooled investments held by San Diego Foundation	—	932,850	932,850
Note receivable – borrowing against endowment	—	513,097	513,097
	<u>1,349,784</u>	<u>1,445,947</u>	<u>2,795,731</u>
Other:			
Money market funds	5,200	—	5,200
Mutual funds	1,154	—	1,154
	<u>6,354</u>	<u>—</u>	<u>6,354</u>
Elimination of interfund investment	<u>—</u>	<u>(513,097)</u>	<u>(513,097)</u>
Total investments	\$ <u>1,356,138</u>	<u>932,850</u>	<u>2,288,988</u>

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements

June 30, 2002 and 2001

At June 30, 2002 and 2001, United Way had outstanding borrowings of \$397,014 and \$513,097, respectively, from its Board-designated endowment to fund the refinancing of its first trust deed note payable (note 8(a)).

(3) Net Pledges Receivable

Pledges receivable, all of which are expected to be collected within one year, and the related allowance for uncollectible pledges at June 30, 2002 and 2001 consist of the following:

	<u>2002</u>	<u>2001</u>
Pledges receivable:		
United Way	\$ 7,925,345	7,151,640
Combined Federal Campaign	4,327,209	3,833,103
	<u>12,252,554</u>	<u>10,984,743</u>
Allowance for uncollectible pledges:		
United Way	1,570,479	1,382,732
Combined Federal Campaign	685,173	692,539
	<u>2,255,652</u>	<u>2,075,271</u>
Net pledges receivable	\$ <u>9,996,902</u>	<u>8,909,472</u>

(4) Land, Building, and Equipment

Land, building, and equipment, including assets acquired under capital lease agreements, at June 30, 2002 and 2001 consist of the following:

	<u>2002</u>	<u>2001</u>
Land	\$ 718,121	718,121
Building and improvements	2,130,295	2,118,809
Furniture and equipment	511,852	549,551
Computer equipment	1,155,420	1,157,060
	4,515,688	4,543,541
Less accumulated depreciation and amortization	<u>(2,409,620)</u>	<u>(2,273,078)</u>
	\$ <u>2,106,068</u>	<u>2,270,463</u>

At June 30, 2002 and 2001, the book value of computer equipment recorded under capital leases is \$5,663 and \$22,783, respectively.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements

June 30, 2002 and 2001

(5) Leases

Certain noncancelable leases for offices, automobiles, and equipment are accounted for as operating leases. Rental expense for operating leases (except those with lease terms of a month or less that were not renewed) during 2002 and 2001 consisted \$72,405 and \$31,252 in minimum rental payments for the years ended June 30, 2002 and 2001, respectively. There were no contingent rental payments in either year.

Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2002 are as follows:

	<u>Operating leases</u>
Year ending June 30:	
2003	\$ 72,405
2004	<u>47,489</u>
Total minimum lease payments	<u>\$ 119,894</u>

(6) Amount Due to Combined Health Agencies

In 1998, United Way entered into a ten-year combined campaign agreement with Combined Health Agencies. The agreement calls for a stipulated percentage of United Way campaign pledge revenue, subject to certain adjustments, to be remitted on a monthly basis and designations from the Business and Industry campaign to be remitted on a quarterly basis. Amounts due to Combined Health Agencies at June 30, 2002 and 2001 are based on estimated campaign pledge receipts from the 2001/02 and the 2000/01 campaigns, respectively.

(7) Other Distributions Payable

Other distributions payable for the years ended June 30, 2002 and 2001 consist of the following:

	<u>2002</u>	<u>2001</u>
Designations payable	\$ 4,601,451	3,503,163
CFC designations payable	<u>794,930</u>	<u>990,431</u>
	<u>\$ 5,396,381</u>	<u>4,493,594</u>

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements

June 30, 2002 and 2001

(8) Notes Payable to Bank

(a) First Trust Deed Note Payable

On March 3, 1997, United Way executed a first trust deed note payable in the amount of \$1,573,456 secured by its headquarters building. The note bore interest at 8.38% and required monthly principal and interest payments of \$13,617 through February 1, 2004, the maturity date. On May 15, 2002, a new first trust deed note payable was executed in the amount of \$950,764 secured by its headquarters building. The note bears interest at 7.25% and requires monthly principal and interest payments of \$13,097 through May 1, 2004, the maturity date. Additionally, a balloon payment of \$773,576, or the remaining balance, if less, is due at maturity. The note payable contains several restrictive covenants. At June 30, 2002, United Way was in compliance with those restrictive covenants.

The maturities of the mortgage note payable for each of the two years subsequent to June 30, 2002 are as follows:

Year ending June 30:	
2003	\$ 91,016
2004	<u>847,585</u>
	<u>\$ 938,601</u>

(b) Line of Credit Payable

United Way has entered into an unsecured financing agreement with a commercial bank that permits United Way to borrow up to \$1,000,000 at a variable rate of interest. Effective March 1, 2002, United Way renewed this agreement at a variable rate of interest, currently 8.25%, through March 1, 2003. United Way has designated \$500,000 of the financing agreement for the Combined Federal Campaign, for which United Way acts as fiscal agent. Each year, United Way must maintain a zero balance for a period of not less than 30 consecutive days. On the \$500,000 not designated for the Combined Federal Campaign, United Way maintained a zero balance for 365 days during the fiscal year. At June 30, 2002 and 2001, the balance was \$182,414 and \$76,590, respectively, which was entirely related to the Combined Federal Campaign.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements

June 30, 2002 and 2001

(9) Net Assets

(a) Unrestricted

Unrestricted net assets at June 30, 2002 and 2001 consist of the following:

	<u>2002</u>	<u>2001</u>
Designated for endowment	\$ 2,656,190	2,693,046
Designated for program support:		
Information and Referral	(9,138)	(61,332)
Board discretionary grants	12,888	13,320
Research and development	23,626	23,626
Emergency Assistance Program	—	6,098
Labor Community Services	136,912	68,904
Emergency grants and Administrative Assistance	21,108	19,756
Computer and equipment fund	40,336	17,676
Outcomes Measurement	65,506	11,528
Other	158,625	71,535
Total program support	<u>449,863</u>	<u>171,111</u>
Undesignated	<u>2,073,327</u>	2,697,964
Land, building, and equipment fund	<u>1,161,804</u>	<u>1,237,690</u>
Total	\$ <u><u>6,341,184</u></u>	<u><u>6,799,811</u></u>

Board-designated endowments are invested through Halbert, Hargrove/Russell, LLC and the San Diego Foundation. Through action of the board of directors of United Way, the Board-designated funds cannot be used for any purpose other than endowment without prior Board approval. Interest earned on Board-designated endowments is recorded as unrestricted revenue.

(b) Temporarily Restricted

Temporarily restricted net assets at June 30, 2002 and 2001 consist of the following:

	<u>2002</u>	<u>2001</u>
Future campaigns	\$ 1,095,901	2,080
Emergency loan fund	92,761	92,761
Emergency Assistance Program	43,843	21,481
Tijuana Border Initiative	—	23
San Diego Neighborhood Funders	228,177	107,435
California Success by Six	—	(58)
Keel Programs	7,902	6,902
	\$ <u><u>1,468,584</u></u>	<u><u>230,624</u></u>

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements

June 30, 2002 and 2001

(c) Permanently Restricted

Certain net assets represent restricted bequests and donations that are invested through the San Diego Foundation and Halbert, Hargrove/Russell, LLC. This principal is to remain in perpetuity and only investment income may be utilized for unrestricted purposes.

(10) Pension Plan

United Way sponsors a noncontributory defined benefit pension plan that provides for retirement and death benefits for eligible employees. Employees may become eligible to participate in the plan on the first day of the month coinciding with or following the completion of one year of service and attaining age 21.

The following table sets forth the plan's funded status and amounts recognized in the accompanying statements of financial position and activities based upon actuarial valuations as of January 1, 2002 and 2001:

	<u>2002</u>	<u>2001</u>
Actuarial present value of vested benefit obligation	\$ 3,231,064	3,043,301
Accumulated benefit obligation	3,292,980	3,087,945
Plan assets at fair value	3,885,343	4,458,134
Projected benefit obligation	<u>(3,787,439)</u>	<u>(3,729,408)</u>
Plan assets in excess of projected benefit obligation	97,904	728,726
Unrecognized net asset existing at January 1, 2001	(198,116)	(240,540)
Unrecognized prior service cost	351,358	359,898
Unrecognized net gain (loss)	<u>414,402</u>	<u>(216,184)</u>
Prepaid pension asset	<u>\$ 665,548</u>	<u>631,900</u>

Net pension benefit includes the following:

	<u>2002</u>	<u>2001</u>
Service cost	\$ 170,943	227,588
Interest cost on projected benefit obligation	189,173	191,273
Actual return on plan assets	319,356	225,048
Net amortization and deferral	<u>(711,144)</u>	<u>(742,717)</u>
Net periodic pension benefit	<u>\$ (31,672)</u>	<u>(98,808)</u>

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation and net periodic pension cost was 5.25% in 2002 and 2001. The rate of increase in future compensation levels used was 4.0% in 2002 and 2001. The expected long-term rate of return on assets was 8.5% in 2002 and 9.0% in 2001.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements

June 30, 2002 and 2001

(11) Designations to Others

For the years ended June 30, 2002 and 2001, campaign contributions were designated by the donor as follows:

	<u>2002</u>	<u>2001</u>
Designations to Certified Funded Agencies:		
Designation distribution paid in 2002	\$ 810,807	867,679
Future designation distributions	1,672,906	1,483,227
Designations to Combined Health Agencies	730,673	792,758
Direct payments to agencies and associations	2,501,979	1,916,178
Designations by donors to noncertified and certified nonfunded agencies	3,152,892	2,537,496
Designations by donors to other United Ways	310,359	24,516
Designations by donors to state agencies	33,394	50,122
Designations by donors to Earth Share of California, Educate America, and for minority college funds	495,021	514,947
Designations by donors to portfolio of services	3,766	22,001
CFC designations to certified nonfunded agencies	236,354	267,505
Distributions to CFC, partners, and agencies	5,221,996	3,910,305
Other miscellaneous distributions	18,416	109,739
	<u> </u>	<u> </u>
Total	\$ <u>15,188,563</u>	<u>12,496,473</u>

(12) Service Fees

Service fees earned for the years ended June 30, 2002 and 2001 consist of the following:

	<u>2002</u>	<u>2001</u>
Designation fees	\$ 487,394	506,174
Combined Health Agencies administrative fees	82,854	78,665
Fees from system-wide accounts	4,394	—
COBRA and health subscriber fees	36	138
	<u> </u>	<u> </u>
	\$ <u>574,678</u>	<u>584,977</u>

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements

June 30, 2002 and 2001

(13) Other Revenue

Other revenue for the years ended June 30, 2002 and 2001 consists of the following:

	<u>2002</u>	<u>2001</u>
In-kind contributions	\$ 11,792	11,475
San Diego Neighborhood Funders	133,000	109,539
Corporate sponsorship of events	25,000	—
Insurance refunds	—	15,681
Labor Participation	52,655	11,371
Emergency Assistance Program	60,973	4,696
Emergency grants and loans	1,352	1,676
Discretionary grant	10,000	10,000
KGTV Ad Sponsorship	—	71,090
Pac Bell-Support in a Box	—	28,250
Williams Company Grant	—	100,000
Loaned Executive Sponsorship	72,500	76,400
California Success by Six	—	13,637
Outcomes Measurement	59,843	110,500
Cox Kids Foundation	—	5,335
Miscellaneous	20,846	20,208
	<u>\$ 447,961</u>	<u>589,858</u>

(14) Other Supplemental Programs Expense

Other supplemental programs expense for the years ended June 30, 2002 and 2001 consists of the following:

	<u>2002</u>	<u>2001</u>
San Diego-Tijuana Border Initiative	\$ 30	9,460
Keel Programs	—	3,501
HIV Program	—	2,814
Emergency Resource Group	68	248
Cox Kids Foundation	—	112,976
Combined Federal Campaign	(1,962)	1,810
Special Campaign Sponsored Events	(255)	34,029
Volunteer Services Support	110,726	107,821
California Success by Six	(58)	13,694
Loaned Executive Sponsorship Program	—	89,000
Employee Recognition Program	(97)	147
San Diego Neighborhood Funders	12,258	2,104
	<u>\$ 120,710</u>	<u>377,604</u>

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements

June 30, 2002 and 2001

(15) Fund-Raising For Other Campaigns

Included in fund-raising expenses are fund-raising expenses for other campaigns for the years ended June 30, 2002 and 2001 that consist of the following:

	<u>2002</u>	<u>2001</u>
CFC – Partners and agencies share	\$ 501,980	471,441
CFC – United Way share	73,020	78,059
Labor Community Services	26,250	26,250
Other campaigns	42,340	12,197
	<u>\$ 643,590</u>	<u>587,947</u>

UNITED WAY OF SAN DIEGO COUNTY

Allocations and Designations to Associate and Certified Funded and
Collaborative Agencies

Year ended June 30, 2002

	Basic allocations	Designations paid in 01/02
Associate – Combined Health Agencies	\$ 578,292	685,290
Certified Funded and Collaborative Agencies:		
Access Center of San Diego	66,589	3,079
Alzheimer’s Family Centers, Inc. (George C. Glenner)	22,196	41,679
Southern Caregivers Resource Center	15,208	1,663
UCSD Seniors Only Care	822	—
Area Agency on Aging	2,877	—
American Cancer Society	400,000	166,827
American Red Cross	274,788	107,674
Armed Services YMCA, San Diego	39,456	15,569
Barrio Station	59,192	12,672
Bayside Community Center	52,181	19,368
ACCESS Opportunity Center	5,243	—
Friends Outside – National Organization	2,386	—
Big Sister League, Inc.	46,811	8,317
Boy Scouts of America, Desert Pacific Council	68,494	137,156
Boys & Girls Club of Chula Vista	13,545	17,833
Boys & Girls Clubs United	16,526	53,365
Boys & Girls Club of North County (Fallbrook)	12,386	22,293
Boys & Girls Club of Imperial Beach	13,545	28,222
Boys & Girls Club of Oceanside	8,241	12,210
Boys & Girls Club of San Dieguito	16,528	31,026
Boys & Girls Club of San Marcos	4,143	16,070
Boys & Girls Club of Vista	4,143	9,374
Boys & Girls Club of Carlsbad	8,241	33,041
Boys & Girls Clubs of East County	8,241	15,851
Boys & Girls Club of National City	18,060	30,907
Boys & Girls Clubs of San Diego, Inc.	20,627	16,692
Palomar Family Counseling	2,247	1,601
Subtotals, carried forward	<u>1,781,008</u>	<u>1,487,779</u>

UNITED WAY OF SAN DIEGO COUNTY

Allocations and Designations to Associate and Certified Funded and
Collaborative Agencies

Year ended June 30, 2002

	<u>Basic allocations</u>	<u>Designations paid in 01/02</u>
Subtotals, brought forward	\$ 1,781,008	1,487,779
Catholic Charities	86,135	144,751
Center, The (Lesbian & Gay Men's Community Center)	46,807	62,071
Chicano Federation of San Diego County, Inc.	94,285	14,750
Children's Hospital & Health Center	76,377	120,536
Community Interface Services	39,323	1,701
Consumer Credit Counseling Services	39,323	11,401
Crisis House	25,886	28,599
Somali Society	2,481	—
East County Community Health Services	44,441	10,783
ElderHelp of San Diego	52,802	13,587
Family Service Association of San Diego County	12,999	127
EYE Counseling & Crisis Services	82,823	20,852
North S.D. County Sponsoring Committee	44,470	—
Girl Scouts, San Diego – Imperial Council, Inc.	45,149	35,336
Home Start, Inc.	86,134	8,152
Imperial Beach Health Center	39,323	6,449
Indian Child & Family Services	39,323	3,934
Indian Human Resource Center, Inc.	43,737	2,779
Jewish Family Service of San Diego	49,324	38,209
Alliance for African Assistance	14,465	22,535
Lifeline Community Services	84,228	23,344
Deaf Community Services of San Diego, Inc.	14,625	9,653
North County Community Services	5,711	1,511
Brother Bennos	5,711	2,342
North County Transit District	1,826	—
MAAC Project	46,811	4,828
Neighborhood House Association	83,907	24,095
North County Council on Aging, Inc.	39,323	1,744
Salvation Army, The	74,896	76,858
San Diego Center for the Blind & Vision Impaired	13,960	9,909
San Diego Chinese Center	2,681	4,301
Teatro Mascara Magica	1,340	—
Subtotals, carried forward	<u>3,121,634</u>	<u>2,192,916</u>

UNITED WAY OF SAN DIEGO COUNTY

Allocations and Designations to Associate and Certified Funded and
Collaborative Agencies

Year ended June 30, 2002

	Basic allocations	Designations paid in 01/02
	<u> </u>	<u> </u>
Subtotals, brought forward	\$ 3,121,634	2,192,916
Asian Story Theater	1,340	—
San Diego Council on Literacy	46,926	21,166
San Diego Mediation Center	27,526	1,407
San Diego Urban League	127,234	15,736
San Diego Youth & Community Services, Inc.	85,160	10,775
Senior Community Centers of San Diego	50,636	27,176
Social Advocates for Youth	44,685	2,512
South Bay Community Services	105,980	6,689
St. Clare's Home, Inc.	35,228	33,069
Interfaith Community Services	12,939	33,972
Fellowship Center Alcohol Services	17,599	—
North County Serenity House	17,599	—
St. Vincent de Paul Village	78,646	185,815
Union of Pan Asian Communities of San Diego County	98,414	19,790
United Cerebral Palsy Association of San Diego County	41,327	17,957
Volunteer Center of San Diego County	80,586	82,962
YMCA of San Diego County	215,733	200,740
YWCA of San Diego County	104,159	83,323
UCSD Medical School	4,260	—
	<u> </u>	<u> </u>
Total	\$ <u>4,317,611</u>	<u>2,936,006</u>

See accompanying independent auditors' report.

UNITED WAY OF SAN DIEGO COUNTY

Overhead Calculation

Year ended June 30, 2002

	Combined total	
	Amount	%
Gross campaign results	\$ 26,686,522	99.25%
Program grants and other contributions	794,473	2.96%
Investment income (loss)	(90,988)	-0.34%
Other income	563,082	2.09%
	<u>27,953,089</u>	<u>103.96%</u>
Adjustment for Future Year Campaign (see below)	(1,095,901)	-4.08%
Pension benefit	31,672	0.12%
Total revenue and other support	<u>26,888,860</u>	<u>100.00%</u>
Allocations and distributions:		
Funds allocated through donor designations	15,188,563	56.49%
Less donor service fees	(574,678)	-2.14%
Net funds allocated through donor designations	<u>14,613,885</u>	<u>54.35%</u>
Funds allocated to affiliated agencies and services	4,317,611	16.06%
Special allocation	73,333	0.27%
Distribution of Focused and Emergency grants	92,415	0.34%
Distribution of program grants and contributions	1,581,067	5.88%
Other supplemental program distributions	120,710	0.45%
Fund Distribution	155,478	0.58%
Outcomes Measurement	45,864	0.17%
Total allocations and distributions	<u>6,386,478</u>	<u>23.75%</u>
Functional expenses:		
Fund-raising campaigns	2,318,908	8.62%
Marketing and communications	707,068	2.63%
Administration	685,193	2.55%
Total functional expenses and overhead percentage	<u>3,711,169</u>	<u>13.80%</u>
Total allocations, distributions, and functional expenses	<u>24,711,532</u>	<u>91.90%</u>
Provision for uncollectible pledges	(2,493,896)	
Adjustment for Future Year Campaign (see below)	1,095,901	
Change in net assets	<u>\$ 779,333</u>	

Amount represents pledges received for future campaign years.

If no adjustment had been made for Future Year Campaign revenue, the overhead rate would have been 13.26%

See accompanying independent auditors' report.