

UNITED WAY OF SAN DIEGO COUNTY

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
WITH ADDITIONAL INFORMATION
JUNE 30, 2004**

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Directors
United Way of San Diego County

We have audited the accompanying statement of financial position of United Way of San Diego County (United Way) as of June 30, 2004, and the related statements of activities, functional expenses – supporting services, and cash flows for the year then ended. These financial statements are the responsibility of United Way's management. 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 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 audit provides 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, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Moss Adams LLP

San Diego, California
August 27, 2004

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF FINANCIAL POSITION JUNE 30, 2004

ASSETS

Cash and cash equivalents	\$	3,254,880
Short-term investments		2,016,147
Pledges receivable		8,033,215
Prepaid expenses and other assets		311,003
Long-term investments		919,562
Prepaid pension asset		483,775
Land, building, and equipment		1,726,799
Total assets	\$	<u>16,745,381</u>

LIABILITIES AND NET ASSETS

Liabilities

Amount due to Combined Health Agencies	\$	305,856
Amount due to Combined Federal Campaign agencies		2,965,578
Designations payable		2,806,603
Allocations payable 2004/2005		3,415,727
Accounts payable and accrued expenses		314,167
Line of credit		221,459
First trust deed note payable		740,764
Total liabilities		<u>10,770,154</u>

Commitments (Notes 7 and 11)

Net Assets

Unrestricted		
Designated - endowment		3,085,928
Designated - programs		184,240
Undesignated		1,067,608
Land, building, and equipment		986,035
Total unrestricted		<u>5,323,811</u>
Temporarily restricted		608,752
Permanently restricted		42,664
Total net assets		<u>5,975,227</u>
Total liabilities and net assets	\$	<u>16,745,381</u>

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2004

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE, GAINS, AND OTHER SUPPORT				
Campaign results				
Current campaign year	\$ 22,731,387	\$ -	\$ -	\$ 22,731,387
Future campaign years	-	382,777	-	382,777
Prior campaign years	<u>787,148</u>	<u>-</u>	<u>-</u>	<u>787,148</u>
Gross campaign results	23,518,535	382,777	-	23,901,312
Less provision for uncollectible pledges	(1,934,828)	-	-	(1,934,828)
Less designations to others	<u>(13,581,050)</u>	<u>-</u>	<u>-</u>	<u>(13,581,050)</u>
Campaign revenue available for allocations and expenses	<u>8,002,657</u>	<u>382,777</u>	<u>-</u>	<u>8,385,434</u>
Other				
Contributions	308,708	102,119	-	410,827
Investment income	472,728	213	-	472,941
Service fees	731,316	-	-	731,316
Net assets released from restriction	<u>765,849</u>	<u>(765,849)</u>	<u>-</u>	<u>-</u>
Total other	<u>2,278,601</u>	<u>(663,517)</u>	<u>-</u>	<u>1,615,084</u>
Total revenue, gains, and other support	<u>10,281,258</u>	<u>(280,740)</u>	<u>-</u>	<u>10,000,518</u>
PROGRAM EXPENSES				
Allocations 2004/2005	3,415,204	-	-	3,415,204
Allocations to Combined Health Agencies	542,700	-	-	542,700
Labor community services	462,263	-	-	462,263
Fund distribution	371,162	-	-	371,162
San Diego Neighborhood Funders	344,189	-	-	344,189
Outcomes measurement	105,379	-	-	105,379
Other supplemental programs	82,972	-	-	82,972
Special allocations	58,000	-	-	58,000
Distribution of Focused and Emergency grants	<u>40,227</u>	<u>-</u>	<u>-</u>	<u>40,227</u>
Total program expenses	<u>5,422,096</u>	<u>-</u>	<u>-</u>	<u>5,422,096</u>
SUPPORTING SERVICES EXPENSES				
Fundraising campaigns	2,273,135	-	-	2,273,135
Administration	1,040,014	-	-	1,040,014
Marketing and communications	<u>343,163</u>	<u>-</u>	<u>-</u>	<u>343,163</u>
Total supporting services expenses	<u>3,656,312</u>	<u>-</u>	<u>-</u>	<u>3,656,312</u>
Total expenses	<u>9,078,408</u>	<u>-</u>	<u>-</u>	<u>9,078,408</u>
CHANGE IN NET ASSETS	1,202,850	(280,740)	-	922,110
NET ASSETS				
Beginning of year	<u>4,120,961</u>	<u>889,492</u>	<u>42,664</u>	<u>5,053,117</u>
End of year	<u>\$ 5,323,811</u>	<u>\$ 608,752</u>	<u>\$ 42,664</u>	<u>\$ 5,975,227</u>

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF FUNCTIONAL EXPENSES – SUPPORTING SERVICES YEAR ENDED JUNE 30, 2004

	SUPPORTING SERVICES			Total
	Fundraising Campaigns	Administration	Marketing and Communications	
Salaries and related expenses				
Professional salaries	\$ 678,198	\$ 349,979	\$ 9,441	\$ 1,037,618
Support salaries	239,560	251,753	48,738	540,051
Payroll taxes and benefits	224,603	150,844	14,260	389,707
Temporary salaries	170,947	21,862	845	193,654
Contract staff salaries	17,674	24,842	112,060	154,576
In-kind staff services	(50,974)	(71,647)	(2,768)	(125,389)
Total salaries and related expenses	<u>1,280,008</u>	<u>727,633</u>	<u>182,576</u>	<u>2,190,217</u>
Other expenses				
CFC and other campaigns	619,404	-	-	619,404
United Way of America dues	44,748	40,066	19,233	104,047
Occupancy and mortgage interest	29,964	55,616	2,132	87,712
Loss on removal of fixed assets	26,362	23,603	11,331	61,296
Printing and awards	16,234	4,477	33,317	54,028
Audit/legal fees	17,141	23,719	1,273	42,133
Transportation	23,830	13,042	1,017	37,889
Postage	34,685	2,969	146	37,800
Research	-	-	31,900	31,900
Technical assistance	15,510	14,905	842	31,257
In-kind non-operating services	13,321	11,926	5,725	30,972
Insurance	10,108	14,207	549	24,864
Staff development	13,265	9,617	664	23,546
Telephone	13,224	8,262	718	22,204
Films and audio visual	308	194	20,425	20,927
Equipment rentals and leases	8,561	11,703	461	20,725
Line of credit interest	6,984	9,817	379	17,180
Payroll service fees	7,584	8,965	412	16,961
Duplicating	9,188	5,131	323	14,642
Miscellaneous	11,604	880	748	13,232
Investment management fee	11,367	-	-	11,367
Minor equipment	4,384	6,219	345	10,948
Supplies	6,241	2,603	619	9,463
Advertisements	1,773	2,492	4,666	8,931
Equipment maintenance	4,310	2,721	552	7,583
Dues/subscriptions	569	5,841	59	6,469
Meetings	1,929	1,945	30	3,904
Local expenses	507	2,885	177	3,569
In-kind operating services	(14,225)	(19,995)	(772)	(34,992)
Total other expenses	<u>938,880</u>	<u>263,810</u>	<u>137,271</u>	<u>1,339,961</u>
Total functional expenses before depreciation	2,218,888	991,443	319,847	3,530,178
Depreciation	54,247	48,571	23,316	126,134
Total functional expenses	<u>\$ 2,273,135</u>	<u>\$ 1,040,014</u>	<u>\$ 343,163</u>	<u>\$ 3,656,312</u>

UNITED WAY OF SAN DIEGO COUNTY

STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2004

OPERATING ACTIVITIES

Change in net assets	\$ 922,110
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	144,875
Realized gain on sale of investments	(8,615)
Unrealized gain on investments	(356,213)
Loss on disposal of fixed assets	69,300
Donated equipment	(4,548)
Provision for doubtful pledges receivable	1,934,828
(Increase) decrease in operating assets	
Pledges receivable	(871,876)
Prepaid expenses and other assets	197,877
Prepaid pension asset	122,613
(Decrease) in operating liabilities	
Accounts payable and accrued expenses	(32,730)
Amounts due to others and distributions and allocations payable	(1,323,911)
Net cash provided by operating activities	<u>793,710</u>

INVESTING ACTIVITIES

Purchase of investments	(215,878)
Proceeds from sale of investments	80,074
Purchase of property and equipment	<u>(17,101)</u>
Net cash (used in) investing activities	<u>(152,905)</u>

FINANCING ACTIVITIES

Net payments on line of credit	(189,092)
Principal payments on first trust deed note payable	<u>(103,617)</u>
Net cash (used in) financing activities	<u>(292,709)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 348,096

CASH AND CASH EQUIVALENTS

Beginning of year	<u>2,906,784</u>
End of year	<u>\$ 3,254,880</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash payments for interest	<u>\$ 68,598</u>
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UNITED WAY OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 1 – Description of Organization and Summary of Significant Accounting Policies

General - United Way of San Diego County (United Way) raises money in San Diego County from people in the workplace, businesses, and 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 include those activities and operations over which United Way has oversight responsibility or for which United Way directly provides public services.

United Way serves as the principal fundraising organization for the San Diego Combined Federal Campaign (CFC) (federal employees). For the year ended June 30, 2004, approximately \$6,329,000 was raised for this campaign and is included in campaign results.

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.

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

- United Way programs:
 - Labor Community Services
 - Fund Distribution
 - San Diego Neighborhood Funders
 - Outcomes Measurement
 - Other supplemental programs
- Supporting functions:
 - Fundraising campaigns
 - United Way/Combined Health Agencies combined campaign
 - San Diego Combined Federal Campaign (CFC)
 - United California State Employees Campaign (UCSEC)
 - Marketing and communications
 - Administration

Method of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting. 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*.

UNITED WAY OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 1 – Description of Organization and Summary of Significant Accounting Policies (Continued)

Income Taxes - United Way is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code.

Financial Statement Presentation – The financial statements of United Way are presented utilizing the concept of net assets as described below:

- Unrestricted net assets represent expendable funds available for operations of United Way which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds that are subject to specific donor restrictions contingent upon a specific performance of a future event or a specific passage of time before United Way can spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions, requiring that the assets be maintained in perpetuity, usually for generating investment income to fund current operations.

Revenue Recognition

Campaign Results - Contributions received, including unconditional promises to give, are recognized as revenue or gains in the period received or unconditionally pledged. Contributions received, whereby the donor specifies the agency that is to receive the donated funds, are treated as agency transactions and recorded as designations to others in the statement of activities. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted revenue.

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 approximately \$8,000 is reflected in the statement of activities. Of this amount, approximately \$3,000 was donated to United Way's participating agencies during the year.

Contributed services are reflected in the accompanying financial statements at fair value of the services received, if the services create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased. 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.

Service Fees – United Way recognizes service fee revenue as designations and Combined Health Agencies allocations are paid.

Cash and Cash Equivalents - Cash and cash equivalents include cash in bank deposit accounts and highly liquid investments with an original maturity of three months or less.

UNITED WAY OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 1 – Description of Organization and Summary of Significant Accounting Policies (Continued)

Investments - In accordance with SFAS No. 124, “Accounting for Certain Investments Held by Not-For-Profit Organizations”, United Way carries investments in equity securities with readily determinable fair values and all investments are carried in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Pledges Receivable - Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts to present value are computed using risk-free rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions.

An allowance for estimated uncollectible receivables is based on past experience and on an analysis of current receivable balances. Receivables deemed uncollectible are recorded against the allowance in the year deemed uncollectible. An allowance of approximately \$2,018,000 was recorded by management as of June 30, 2004.

Land, Building, and Equipment - Land, building, and equipment are recorded at cost. Donated assets are recorded at estimated fair value at the date of donation. 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 3 years for computer equipment. Salvage value is generally estimated as 10 percent for equipment, furniture, and computer equipment.

Impairment of Long-lived Assets – United Way evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down would be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

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

Functional Allocation of Expenses – The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses – supporting services. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 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 differ from those estimates.

UNITED WAY OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 2 – Concentration of Credit Risk

Cash and Cash Equivalents - United Way maintains cash and cash equivalents in bank deposit and other financial institution accounts which, at times, exceed federally insured deposit limits. United Way has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalents.

Investments - Investments are exposed to various risks, such as interest rates, market, and credit risk. It is at least reasonably possible given the level of risk associated with investments that change in the near term could materially affect the amounts reported in the financial statements.

Note 3 – 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 (Note 9). Investments with maturities greater than one year are classified as long-term.

Investments consist of the following at June 30, 2004:

	Short-term Investments	Long-term Investments	Total
Mutual funds	\$ 1,835,790	\$ -	\$ 1,835,790
Stocks	180,357	-	180,357
Pooled investments held by San Diego Foundation	-	919,562	919,562
	<u>\$ 2,016,147</u>	<u>\$ 919,562</u>	<u>\$ 2,935,709</u>

Investment income for the year ended June 30, 2004 consists of:

Interest income	\$ 108,112
Realized gain	8,615
Unrealized gain	356,213
	<u>\$ 472,940</u>

UNITED WAY OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 4 – Pledges Receivable

Pledges receivable at June 30, 2004 consist of:

Pledges receivable	
Due in less than one year	
United Way	\$ 5,779,554
Combined Federal Campaign	4,076,248
Due in one to five years	
United Way	200,000
Less discount to net present value	(5,000)
	<u>10,050,802</u>
Less allowance for uncollectible pledges	
United Way	(1,447,933)
Combined Federal Campaign	(569,654)
	<u>(2,017,587)</u>
	<u>\$ 8,033,215</u>

Note 5 – Land, Building, and Equipment

Land, building, and equipment at June 30, 2004 consist of:

Building and improvements	\$ 2,136,788
Land	718,121
Computer equipment	704,442
Furniture and equipment	457,576
	<u>4,016,927</u>
Less accumulated depreciation and amortization	(2,290,128)
	<u>\$ 1,726,799</u>

Note 6 – Amount Due to Combined Health Agencies and Combined Federal Campaign and Designations Payable

Combined Health Agencies - The amount due to Combined Health Agencies at June 30, 2004 is based on a stipulated percentage of estimated campaign pledge receipts from the 2003/2004 campaign.

Combined Federal Campaign - The amount due to Combined Federal Campaign agencies is the outstanding liability from the workplace campaign conducted with the federal employees at June 30, 2004.

Designations Payable - Designations payable to non-CFC agencies at June 30, 2004 represent donor-designated pledges related to the 2003/2004 campaign.

UNITED WAY OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 7 – Leases

Certain non-cancelable leases for offices, automobiles, and equipment are accounted for as operating leases. During 2004, rental expense for operating leases (except those with lease terms of a month or less that were not renewed) consisted of approximately \$48,000 in minimum rental payments for the year ended June 30, 2004. There were no contingent rental payments in 2004.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2004 are as follows:

Years ending June 30,	
2005	\$ 44,118
2006	13,644
2007	13,129
2008	13,129
2009	13,129
	<u>\$ 97,149</u>

Note 8 – Notes Payable to Bank

First Trust Deed – United Way has an outstanding note payable to a bank that was amended on September 1, 2003, reducing the interest rate from 7.25 percent to 6.00 percent with a new monthly payment of \$13,098, including interest and a maturity date of March 1, 2010. The note is secured by the headquarters building. United Way must also maintain a compensating balance with its lender in an amount equal to 3 percent of the outstanding balance of the first trust deed note payable. Management represents that United Way was in compliance with this and other restrictive covenants as of June 30, 2004.

Maturities on the note payable are as follows:

Years ending June 30,	
2005	\$ 105,379
2006	121,762
2007	129,379
2008	137,421
2009	146,070
Thereafter	100,753
	<u>\$ 740,764</u>

Line of Credit - United Way has an unsecured financing agreement with a commercial bank that permits borrowings up to \$1,000,000 at a variable rate of interest. Effective March 1, 2004, United Way renewed this agreement at a variable rate of interest of 5.5 percent through March 1, 2005 (4.5 percent up to March 1, 2004). United Way has designated \$500,000 of the financing agreement for CFC, 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 CFC. United Way maintained a zero balance for 365 days during the fiscal year on the \$500,000 not designated for CFC. At June 30, 2004, the balance was approximately \$221,000, which was entirely related to CFC.

UNITED WAY OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 9 - Net Assets

Unrestricted - Unrestricted net assets at June 30, 2004 consists of:

Designated for endowment	\$ 3,085,928
Designated for program support	
Other	59,407
Outcomes measurement	47,143
Computer and equipment fund	44,971
Board discretionary grants	26,517
Labor Community Services	6,202
Total program support	184,240
Undesignated	1,067,608
Land, building, and equipment fund	986,035
Total	<u>\$ 5,323,811</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 endowment 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.

Temporarily Restricted - Temporarily restricted net assets at June 30, 2004 consists of:

Future campaigns	\$ 382,777
Emergency loan fund	92,761
San Diego Neighborhood Funders	79,396
Emergency Assistance Program	45,916
Keel programs	7,902
	<u>\$ 608,752</u>

Permanently Restricted - These net assets represent restricted bequests and contributions 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.

Note 10 - Net Assets Released from Restrictions

During the year ended June 30, 2004, net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes as follows:

Future campaigns	\$ 460,760
San Diego Neighborhood Funders	283,102
Emergency Assistance Program	21,987
	<u>\$ 765,849</u>

UNITED WAY OF SAN DIEGO COUNTY

NOTES TO FINANCIAL STATEMENTS

Note 11 – Pension Plan

United Way sponsors a non-contributory 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 statement of financial position and activities based upon actuarial valuations as of January 1, 2004:

Actuarial present value of vested benefit obligation	\$ 2,821,745
Accumulated benefit obligation	2,851,065
Plan assets at fair value	3,134,833
Projected benefit obligation	<u>(3,291,052)</u>
Plan assets in excess of projected benefit obligation	(156,219)
Unrecognized net assets existing at January 1, 2003	(82,662)
Unrecognized prior service cost	334,278
Unrecognized net loss	<u>388,378</u>
Prepaid pension asset	<u>\$ 483,775</u>

Net pension cost includes the following:

Service cost	\$ 133,150
Interest cost on projected benefit obligation	208,958
Actual (loss) on plan assets	(395,291)
Net amortization and deferral	<u>136,775</u>
Net periodic pension cost	<u>\$ 83,592</u>

The weighted average discount rate used in determining the actuarial present value of the projected benefit obligation and net periodic pension cost was 6.5 percent in 2004. The rate of increase in future compensation levels used was 5.0 percent in 2004. The expected long-term rate of return on assets was 8.5 percent in 2004.

ADDITIONAL INFORMATION

**INDEPENDENT AUDITOR'S REPORT
ON THE ADDITIONAL INFORMATION**

Board of Directors
United Way of San Diego County

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information that follows on pages 15 to 19 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 audit 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.

Moss Adams LLP

San Diego, California
August 27, 2004

UNITED WAY OF SAN DIEGO COUNTY

ALLOCATIONS AND DESIGNATIONS TO ASSOCIATE AND CERTIFIED AGENCIES YEAR ENDED JUNE 30, 2004

	2004-2005 Combined Health Agencies and Allocations	Designations paid in 03/04
Associate - Combined Health Agencies	\$ 542,700	\$ 605,411
Certified Agencies		
Access Center of San Diego, The	30,253	2,115
Alliance for African Assistance	30,251	2,930
Alpha of San Diego, Inc.	30,253	3,601
Alpha Project for the Homeless	30,253	14,579
Alzheimer's Family Centers, Inc.	47,088	45,598
American Cancer Society, Border Region	63,915	161,522
American Red Cross San Diego/Imperial Counties	67,981	126,963
Armed Services YMCA, Camp Pendleton	30,253	8,462
Armed Services YMCA, San Diego	30,252	13,895
Barrio Station	47,088	7,030
Bayside Community Center	38,671	2,778
Big Brothers & Sisters of San Diego County	30,253	30,897
Big Sister League, Inc.	17,626	6,730
Boy Scouts of America, Desert Pacific Council	30,093	109,378
Boys & Girls Club of Carlsbad	30,253	18,896
Boys & Girls Club of Imperial Beach	30,253	22,484
Boys & Girls Clubs of East County	30,253	10,868
Boys & Girls Clubs United	59,714	26,044
Boys & Girls Clubs of National City	30,253	61,172
Boys & Girls Clubs of North County	30,252	35,988
Casa de Amparo: House of Refuge	30,253	47,648
Casa Familiar	30,253	12,832
Catholic Charities	55,481	143,901
Center for Community Solutions	38,671	2,789
Center, The	38,601	21,790
Chicano Federation of San Diego County, Inc.	59,713	19,822
Children's Dental Health Center	21,835	2,816
Children's Hospital and Health Center	38,662	135,952
Community Resource Center	30,253	10,208
Consumer Credit Counseling Service	30,253	779
Crisis House	38,671	9,224
Educational Enrichment Systems	30,253	1,146
Elderhelp of San Diego	30,252	23,107
Family Health Centers of San Diego, Inc.	38,671	3,020
Fraternity House, Inc.	30,253	4,758
Girl Scouts San Diego-Imperial Council, Inc.	38,670	44,250

(Continued)

UNITED WAY OF SAN DIEGO COUNTY

ALLOCATIONS AND DESIGNATIONS TO ASSOCIATE AND CERTIFIED AGENCIES (CONTINUED) YEAR ENDED JUNE 30, 2004

	2004-2005 Combined Health Agencies and Allocations	Designations paid in 03/04
Harmonium, Inc.	\$ 34,462	\$ 2,319
Home of Guiding Hands	30,253	8,807
Home Start, Inc.	55,506	3,390
Imperial Beach Health Center	30,252	7,512
Indian Human Resource Center, Inc.	30,251	1,831
INFO LINE	101,000	3,061
Interfaith Community Service	47,062	20,154
Jewish Family Service of San Diego	30,252	12,777
Legal Aid Society of San Diego, Inc.	47,088	2,179
Lifeline Community Services	63,924	3,044
Lutheran Social Services	30,253	16,876
MAAC Project	38,671	9,468
Meals-on-Wheels Greater San Diego, Inc.	38,671	60,829
MITE (McAlister Institute for Treatment & Ed.)	30,253	3,085
National Conference for Community & Justice, The	30,253	481
Neighborhood Healthcare	34,462	2,962
Neighborhood House Association	68,130	45,562
Operation Samahan, Inc.	30,253	1,950
Palomar Family Counseling Service, Inc.	30,253	1,931
Partners Mentorship Program, Inc.	13,418	2,023
Salvation Army, The	38,624	82,985
San Diego Center for the Blind & Vision Impaired	30,253	10,485
San Diego Council on Literacy	30,253	6,146
San Diego Rescue Mission	30,252	34,779
San Diego Urban League	47,087	22,657
San Diego Volunteer Lawyer Program	30,253	946
San Diego Youth & Community Services, Inc.	51,297	9,190
Senior Community Center	47,088	15,736
Social Advocates for Youth (SAY)	38,671	2,520
South Bay Community Services	68,131	4,988
St. Clare's Home, Inc.	59,714	29,151
St. Vincent de Paul Village	63,918	193,103
STAR/PAL	30,253	4,650
Union of Pan Asian Communities of San Diego County	59,715	25,456
United Cerebral Palsy Association of San Diego County	47,088	11,974
Vietnam Veterans of San Diego, Inc.	30,252	41,054
Vista Community Clinic	30,253	4,780

(Continued)

UNITED WAY OF SAN DIEGO COUNTY

ALLOCATIONS AND DESIGNATIONS TO ASSOCIATE AND CERTIFIED AGENCIES (CONTINUED) YEAR ENDED JUNE 30, 2004

	2004/2005 Combined Health Agencies and Allocations	Designations paid in 03/04
Vista Hill Foundation	\$ 30,253	\$ 818
Voices for Children	38,671	31,561
Volunteer San Diego	30,253	32,340
Women's Resource Center	30,253	169
YMCA of San Diego County	68,129	116,040
YWCA of San Diego County	63,923	20,167
Adult Protective Services, Inc.	5,000	2,939
Advanced Cancer Research Center	5,000	14,259
ARC of San Diego, The	5,000	18,553
Boys & Girls Club of Chula Vista, Inc.	5,000	42,042
Boys & Girls Club of Oceanside, Inc.	5,000	11,000
Boys & Girls Club of San Dieguito, Inc.	5,000	4,222
Boys & Girls Club of San Marcos, Inc.	5,000	11,016
Boys & Girls Club of Vista, Inc.	5,000	19,547
Canine Companions for Indep., SW Trng Ctr.	5,000	43,804
Clairemont Friendship Senior Center, Inc.	5,000	3,086
Communities Against Substance Abuse	5,000	1,321
Community Campership Council of San Diego	5,000	1,117
Community Interface Services	5,000	1,783
Comprehensive Health Center	5,000	213
CRASH, Inc.	5,000	11,571
Deaf Community Services of San Diego, Inc.	5,000	11,159
Elementary Institute of Science	5,000	7,940
Elizabeth Hospice, The	5,000	16,791
Episcopal Community Services	5,000	29,480
Escondido Community Child Development Center	5,000	3,712
Fallbrook Child Development Center, Inc.	5,000	707
Girls Club of San Diego, Inc.	5,000	906
Girls Incorporated of North San Diego County	5,000	5,508
Hospice of the North Coast	5,000	13,638
Hostelling International-American Youth Hostels	5,000	2,361
Jewish Community Center of San Diego County	5,000	2,267
Kids Korps USA	5,000	164
La Maestra Family Clinic	5,000	662
Make-A-Wish Foundation	5,000	41,810
Mountain Health & Community Services	5,000	3,663
NAMI San Diego	5,000	3,688

(Continued)

UNITED WAY OF SAN DIEGO COUNTY

ALLOCATIONS AND DESIGNATIONS TO ASSOCIATE AND CERTIFIED AGENCIES (CONTINUED) YEAR ENDED JUNE 30, 2004

	2004/2005 Combined Health Agencies and Allocations	Designations paid in 03/04
National Conflict Resolution Center	\$ 5,000	\$ 1,688
New Haven Youth & Family Services, Inc.	5,000	297
North County Community Services	5,000	1,940
Ocean Beach Child Care Project	5,000	979
Parent Institute for Quality Education	5,000	1,322
Partnerships With Industry	5,000	1,592
Planned Parenthood of San Diego County	5,000	50,184
Poway Valley Senior Citizens Corp.	5,000	6,336
Ramona Food & Clothes Closet	5,000	4,168
Rancho Bernardo Joslyn Senior Center	5,000	1,314
Redwood Elderlink	5,000	40
San Diego American Indian Health Center, Inc.	5,000	2,172
San Diego Blood Bank	5,000	23,425
San Diego Center for Children	5,000	12,691
San Diego Family Care	5,000	2,756
San Ysidro Health Center	5,000	1,243
Senior Citizens Legal Services Program	5,000	511
SER/Jobs for Progress	5,000	354
Sherman Heights Community Center	5,000	2,021
Southern Caregiver Resource Center	5,000	1,662
St. Madeleine Sophie's Center	5,000	9,087
Teen Challenge of Southern California	5,000	20,584
Travelers Aid Society of San Diego, Inc.	5,000	305
Unyeway, Inc.	5,000	2,160
USO Council of San Diego	5,000	64,289
Volunteers of America, Southwest California, Inc.	5,000	6,534
Youth Tennis San Diego	5,000	1,467
	<hr/>	<hr/>
Total	\$ 3,957,904	\$ 3,265,369

UNITED WAY OF SAN DIEGO COUNTY

OVERHEAD CALCULATION YEAR ENDED JUNE 30, 2004

	<u>Combined Total Amount</u>	<u>Percent</u>
Gross campaign results	23,901,312	104.60%
Provision for uncollectible pledges	(1,934,828)	(8.47)%
Investment income	472,941	2.07%
Other income	<u>410,827</u>	<u>1.80%</u>
Total revenue and other support	<u>22,850,252</u>	<u>100.00%</u>
Allocations and distributions:		
Funds allocated through donor designations	13,581,050	59.44%
Less donor service fees	<u>(731,316)</u>	<u>(3.20)%</u>
Net funds allocated through donor designations	12,849,734	56.23%
Funds allocated to affiliated agencies and services	3,957,904	17.32%
Special allocation	58,000	0.25%
Distribution of Focused and Emergency grants	40,227	0.18%
Distribution of program grants and contributions	462,263	2.02%
Other supplemental program distributions	82,972	0.36%
Fund distribution	371,162	1.62%
Outcomes measurement	105,379	0.46%
San Diego Neighborhood Funders	<u>344,189</u>	<u>1.51%</u>
Total allocations and distributions	<u>18,271,830</u>	<u>79.96%</u>
Supporting services expenses:		
Fundraising campaigns	2,273,135	9.95%
Administration	1,040,014	4.55%
Marketing and communications	<u>343,163</u>	<u>1.50%</u>
Total supporting expenses and overhead percentage	<u>3,656,312</u>	<u>16.00%</u>
Total allocations, distributions, and supporting services	<u>21,928,142</u>	<u>95.96%</u>
Change in net assets	<u>\$ 922,110</u>	