UNITED WAY OF SALT LAKE

FINANCIAL STATEMENTS

Year Ended June 30, 2014
With Summarized Comparative Information
for the Year Ended June 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of United Way of Salt Lake

We have audited the accompanying financial statements of United Way of Salt Lake (a Utah nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 Salt Lake 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 United Way of Salt Lake's 2013 financial statements, and our report dated October 10, 2013, expressed an unmodified opinion on those audited financial statements. 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.

Mayer Hoffman McCann P.C.

Salt Lake City, Utah
October 21, 2014

UNITED WAY OF SALT LAKE

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

	2014	2013
A S S E T S		
Cash and cash equivalents	$ 3,014,214	$ 3,754,462
Contributions receivable, net	11,126,636	13,783,853
Prepaid expenses	-	20,661
Property and equipment, net	298,025	149,210
Investments	11,917,395	10,567,774
Restricted cash	1,263,683	-
Other assets	122,976	120,899
Beneficial interests in charitable trusts	31,121	71,385
TOTAL ASSETS	$ 27,774,050	$ 28,468,244
L I A B I L I T I E S A N D N E T A S S E T S		
LIABILITIES		
Accounts payable and accrued expenses	$ 401,118	$ 276,130
Due to partners	2,004,953	1,304,297
Due to other United Ways	352,401	374,173
Long-term debt	1,110,000	-
Other liabilities	234,369	218,752
TOTAL LIABILITIES	4,102,841	2,173,352
NET ASSETS		
Unrestricted		
Undesignated	9,433,502	8,899,492
Board designated	903,854	776,262
Temporarily restricted	13,217,425	16,497,706
Permanently restricted	116,428	121,432
TOTAL NET ASSETS	23,671,209	26,294,892
TOTAL LIABILITIES AND NET ASSETS	$ 27,774,050	$ 28,468,244

See Notes to Financial Statements

UNITED WAY OF SALT LAKE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014 with Summarized Comparative Totals for 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2014	Summarized Comparative Totals 2013
SUPPORT, REVENUE, AND GAINS					
Campaign contributions for 2014 and 2013:					
Contributions made in 2014 and 2013	$ 7,235,751	$ 2,315,194	$ -	$ 9,550,945	$ 7,804,391
Cornerstone Partners contributions	-	-	-	-	2,073,595
Less donor designations	(2,469,212)	-	-	(2,469,212)	(2,123,149)
Campaign 2014 and 2013 results	4,766,539	2,315,194	-	7,081,733	7,754,837
Campaign 2015 contributions:					
Contributions made in 2014	-	289,181	-	289,181	-
Less donor designations	-	(250,000)	-	(250,000)	-
Campaign 2015 results	-	39,181	-	39,181	-
Campaign 2014 contributions:					
Contributions made in 2013	-	-	-	-	876
Less donor designations	-	-	-	-	-
Campaign 2014 results	-	-	-	-	876
Changing the Odds contributions	350,000	16,750	-	366,750	10,579,271
Community impact initiative contributions	594,050	218,073	-	812,123	900,942
Sponsorships	158,525	305,750	-	464,275	462,662
Other contributions	21,985	-	-	21,985	21,565
In-kind contributions	762,085	-	-	762,085	589,591
Return on investments	686,512	62,348	-	748,860	215,142
Increase (decrease) in interests in charitable trusts	-	-	(5,004)	(5,004)	5,573
Miscellaneous income	70,364	-	-	70,364	63,997
	2,643,521	602,921	(5,004)	3,241,438	12,838,743
TOTAL SUPPORT, REVENUE, AND GAINS	7,410,060	2,957,296	(5,004)	10,362,352	20,594,456
NET ASSETS RELEASED FROM RESTRICTIONS	6,237,577	(6,237,577)	-	-	-
TOTAL SUPPORT, REVENUE, GAINS, AND NET ASSETS RELEASED FROM RESTRICTIONS	$ 13,647,637	$ (3,280,281)	$ (5,004)	$ 10,362,352	$ 20,594,456

See Notes to Financial Statements

UNITED WAY OF SALT LAKE

STATEMENT OF ACTIVITIES – CONTINUED

Year Ended June 30, 2014 with Summarized Comparative Totals for 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Totals 2014	Summarized Comparative Totals 2013
EXPENSES					
Program Services					
Program expense	$ 11,269,929	$ -	$ -	$ 11,269,929	$ 5,712,784
Less donor designations	(2,469,212)	-	-	(2,469,212)	(2,123,149)
Total Program Services	8,800,717	-	-	8,800,717	3,589,635
Supporting Services	3,845,318	-	-	3,845,318	2,501,741
TOTAL EXPENSES	12,646,035	-	-	12,646,035	6,091,376
LOSS ON UNCOLLECTIBLE CONTRIBUTIONS	(340,000)	-	-	(340,000)	(445,000)
CHANGE IN NET ASSETS	661,602	(3,280,281)	(5,004)	(2,623,683)	14,058,080
NET ASSETS, BEGINNING OF YEAR	9,675,754	16,497,706	121,432	26,294,892	12,236,812
NET ASSETS, END OF YEAR	$ 10,337,356	$ 13,217,425	$ 116,428	$ 23,671,209	$ 26,294,892

See Notes to Financial Statements

UNITED WAY OF SALT LAKE

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2014 with Summarized Comparative Totals for 2013

	Total Program Services	SUPPORTING SERVICES: Management and General	SUPPORTING SERVICES: Resource Development	SUPPORTING SERVICES: Total Supporting Services	Totals 2014	Summarized Comparative Totals 2013
Salaries and related expenses	$ 1,938,852	$ 602,956	$ 1,604,341	$ 2,207,297	$ 4,146,149	$ 2,965,504
Advertising	118,502	-	104,214	104,214	222,716	202,263
Occupancy and parking	112,325	33,739	86,091	119,830	232,155	201,388
Events	85,022	653	220,565	221,218	306,240	345,509
United Way Worldwide dues	16,582	-	80,640	80,640	97,222	98,398
Depreciation	30,426	23,815	22,763	46,578	77,004	78,925
Postage	3,597	1,364	34,348	35,712	39,309	13,477
Direct and digital marketing	-	-	-	-	-	37,825
Research	83,840	-	-	-	83,840	65,538
Printing and visual media	80,218	12,110	74,338	86,448	166,666	163,810
IT outsourcing	27,594	14,413	26,458	40,871	68,465	54,822
Telephone	21,432	68,423	17,905	86,328	107,760	81,592
Professional services	29,174	1,140	48,900	50,040	79,214	47,263
Consultant fees	185,873	13,699	96,154	109,853	295,726	186,963
Bank fees	-	-	7,982	7,982	7,982	8,021
Trainings and conferences	63,692	14,797	45,473	60,270	123,962	77,300
Local meetings	18,826	4,611	18,072	22,683	41,509	31,584
Memberships and subscriptions	3,719	1,209	4,999	6,208	9,927	11,189
Awards and gifts	1,336	561	9,505	10,066	11,402	17,929
Repairs and maintenance	546	275	363	638	1,184	490
Electronic pledge fees	-	-	4,868	4,868	4,868	6,288
Miscellaneous expenses	113	46	676	722	835	8,129
Insurance	14,938	6,437	11,541	17,978	32,916	39,511
Software support	78,960	13,249	33,355	46,604	125,564	88,464
Local transportation	14,555	2,255	9,803	12,058	26,613	21,689
Supplies	18,671	9,715	21,087	30,802	49,473	35,016
Interest expense	25,820	-	-	-	25,820	-
Grants to community partners	5,499,429	-	-	-	5,499,429	612,899
In-kind goods and services	326,675	-	435,410	435,410	762,085	589,590
Totals	$ 8,800,717	$ 825,467	$ 3,019,851	$ 3,845,318	$ 12,646,035	$ 6,091,376

See Notes to Financial Statements

UNITED WAY OF SALT LAKE

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (2,623,683)	$ 14,058,080
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Change in fair value of beneficial interests in charitable trusts	5,004	(5,573)
Depreciation	77,004	78,925
Loss on uncollectible contributions	340,000	445,000
Change in discount on contributions receivable	(34,984)	298,580
Unrealized gain on investments	(602,513)	(137,014)
Realized (gain) loss on sale of investments	(14,316)	8,496
Decrease (increase) in operating assets:		
Contributions receivable	2,352,201	(8,539,380)
Prepaid expenses	20,661	(7,307)
Other assets	(2,077)	56,081
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	124,988	82,042
Due to partners	700,656	(3,748,334)
Due to other United Ways	(21,772)	(182,709)
Other liabilities	15,617	1,522
NET CASH FLOWS FROM OPERATING ACTIVITIES	336,786	2,408,409
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(6,518,824)	(4,298,641)
Proceeds from sale of investments	5,786,032	438,563
Proceeds from beneficial interest in charitable trust	35,260	-
Increase in restricted cash	(1,263,683)	-
Purchase of property and equipment	(225,819)	(68,668)
NET CASH FLOWS FROM INVESTING ACTIVITIES	(2,187,034)	(3,928,746)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	1,110,000	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	1,110,000	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(740,248)	(1,520,337)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,754,462	5,274,799
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 3,014,214	$ 3,754,462
SUPPLEMENTAL NONCASH INFORMATION		
Cash paid for interest	$ -	$ -

(1) Summary of significant accounting policies

Nature of operations – United Way of Salt Lake ("UWSL") is a nonprofit organization, incorporated in the state of Utah, governed by a volunteer Board of Directors that is comprised of business and community leaders. Board members are nominated from the community by a Nominating Committee comprised of at least five members of the Board of Directors. The stated mission of UWSL is "to improve lives and build strong communities by uniting individuals and organizations with the will, passion, expertise, and resources needed to solve problems". UWSL promises to create opportunities in the community so that all children and families, regardless of their circumstances, have the same chances to succeed in school and in life. UWSL envisions a community where all individuals and families achieve their potential through education, income stability and healthy lives; where all children receive a quality education that offers a pathway to a brighter tomorrow; where the cycle of poverty and financial dependence ends and more productive lives begin and where everyone receives effective health care that improves their quality of life.

Comprehensive research is conducted regularly on behalf of UWSL by independent researchers. For the past ten years, this research has identified issues related to education, income and health as the primary challenges which people face that are barriers to their success. As a result, UWSL focuses its work in these areas. The research has also identified people's most basic needs to be food, shelter, health and safety.

To most effectively address these complex issues, UWSL focuses its work in 19 Neighborhood Centers, located in six different neighborhoods within its service area where challenges are the greatest. These Neighborhood Centers are hubs of the communities they serve. Working with dozens of community partners, programs and services are focused primarily on education but also work with families to improve their income stability and their health. In addition, UWSL provides grants to community partners that provide basic needs services of food, shelter, health and safety. UWSL advocates at all levels of government on a public policy agenda that is tied to its areas of focus, which are education, income, health, and basic needs.

UWSL also raises and distributes resources to more than 200 additional nonprofit organizations at the specific request of its donors.

In January 2012, UWSL launched a significant major gifts campaign, Changing the Odds, with the goal of strengthening UWSL's cradle-to-career pipeline in the neighborhoods where its work is focused. These resources will ensure partnerships with businesses, schools, cities, and the community's most visionary philanthropists and will change the odds for children, their families, and entire communities both today, and for generations to come. Investors in the Changing the Odds campaign participate as members of UWSL's Changing the Odds Founding Council (the "Council"). The Council ensures investors stay informed and engaged in the progress of this transformative collective impact approach to solving our communities' most serious social problems.

(1) Summary of significant accounting policies (continued)

Basis of presentation – The financial statements are presented in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under FASB ASC 958-205, UWSL is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Unrestricted net assets are those whose use by UWSL can be for any purpose to support UWSL. Temporarily restricted net assets are those whose use by UWSL has been limited by donors to a specific time period, purpose, or both. Although temporarily restricted net assets are typically reported as support that increases restricted net assets, they are reported as unrestricted net assets if the restrictions are met in the same reporting period. Permanently restricted net assets have been restricted by donors to be maintained by UWSL in perpetuity.

Prior year summarized comparative information – The financial statements and certain notes include certain prior year summarized comparative information in total. Such information does not always include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Accordingly, such information should be read in conjunction with UWSL's financial statements for the year ended June 30, 2013, from which the summarized comparative information was derived.

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

Cash and cash equivalents – UWSL considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents.

Contributions receivable – Contributions receivable that are to be collected within one year are recorded at net realizable value. Contributions receivable that are expected to be collected in future years are initially recorded at the fair value of their estimated future cash flows as of the date of the promise to give through the use of a present value discount technique. In periods subsequent to initial recognition, contributions receivable are reported at the amount management expects to collect and are discounted over the collection period using the same discount rate as determined at the time of initial recognition. The discount rate determined at the initial recognition of the contribution receivable is based upon management's assessment of many factors, including when the receivable is expected to be collected, the creditworthiness of the other parties, UWSL's past collection experience and its policies concerning the enforcement of contributions receivable, expectations about possible variations in the amount or timing, or both, of the cash flows, and other factors concerning the receivable's collectability. Amortization of the discount is recorded as temporarily restricted contributions in the statement of activities.

UWSL uses the allowance method to determine uncollectible contributions. The allowance is based on historical experience and management's analysis of specific balances.

(1) Summary of significant accounting policies (continued)

Property and equipment – Property and equipment are recorded on the basis of cost for items purchased or estimated fair market value at the date of gift for donated items. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. UWSL capitalizes property and equipment with a cost over $500 and an estimated useful life of two years or more. Depreciation of property and equipment and amortization of leasehold improvements are computed using the straight-line method based on the shorter of the estimated useful lives or lease terms of the assets as follows:

Assets	Estimated Useful Lives
Furniture, fixtures, and equipment	3 - 10 years
Leasehold improvements	5 - 15 years
Computer equipment	2 - 7 years
Software	2 - 7 years
Vehicle	3 - 7 years
2-1-1 call center equipment	3 - 7 years

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 net future undiscounted cash flows 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. No impairment charges were recorded during the years ended June 30, 2014 and 2013.

Investments – UWSL reports investments in equity securities that have readily determinable fair values, and all investments in debt securities at fair value. The fair values of investments are based on quoted market prices. Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term could materially affect account balances and the amounts reported in the accompanying financial statements.

Agency transactions – UWSL, acting as an agent, receives cash contributions from individuals, small businesses, large corporations and other United Ways. These donations are transferred to the designated recipients based on the wishes of the donor.

Contributions – Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

(1) Summary of significant accounting policies (continued)

Amounts that are restricted for future periods or restricted for specific purposes are reported as temporarily restricted or permanently restricted support. When a donor-stipulated time restriction ends or a purpose restriction is accomplished, the restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

The temporary restrictions on assets as of June 30, 2014 and 2013, relate to the collections and pledges which are designated for allocation during future years, including Cornerstone Partners contributions, and other contributions which, at the direction of the donor, are to be used in specific programs and have not been expended at year end.

The permanent restrictions on assets as of June 30, 2014 and 2013, relate to UWSL's beneficial interests in charitable trusts and endowments.

Cornerstone Partners contributions – Contributions for UWSL's Cornerstone Partners program consist of agreements with various corporations and foundations that specifically designate their contributions to be utilized for supporting service expenses of UWSL in order for UWSL to ensure that almost all of each individual contribution received can go toward supporting programs and initiatives that benefit the community. The Cornerstone Partners support also allows UWSL to direct individual designations received to any qualified nonprofit organization, other local United Ways and UWSL initiatives, while deducting very little for administrative costs or processing fees. Additionally, unrestricted revenue from other sources, including administrative fees on non-Cornerstone Partners' corporate gifts, sponsorships, investment revenue and other miscellaneous revenues are utilized for supporting service expenses.

In-kind contributions – Donated property, marketable securities and other noncash donations are recorded as contributions at their estimated fair value as of the date of donation.

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by UWSL.

UWSL receives donated specialized consulting services, printing, radio, newspaper, and television advertising, prizes for special events, catering and other goods and services. In addition, many individuals have donated significant amounts of their time in organizational governance, program services and resource development efforts. No amounts have been reflected in the financial statements for these volunteer services since they did not meet the criteria for recognition.

(1) Summary of significant accounting policies (continued)

Functional expenses – UWSL follows guidelines established by United Way Worldwide's "Functional Expenses and Overhead Reporting Standards" for allocating costs among functional expense categories. In general, where a specific cost can be identified with a particular function, the cost is charged directly to that function. If costs cannot be identified directly with specific functional categories, those costs are allocated among functional categories based upon project codes, the "full-time equivalent" and other accepted methods of cost allocation. The categories for reporting functional expenses are as follows:

Program services

Community/Collective impact – UWSL has adopted an innovative approach to community problem-solving called Collective Impact. Collective Impact requires that everyone works together, including foundations, businesses, cities, schools, state government, churches, nonprofits and individuals. UWSL's focus is on advancing the education, income and health of its neighborhoods and communities to ensure every child succeeds every step of the way, from cradle to career. Together with its many partners, UWSL works to create a vision and set goals, align programs, activities and strategies, measure success by tracking and sharing data, and create continuous communication and continuous improvement.

UWSL serves in the unique and critical role of bringing people and organizations together to "connect the dots". UWSL is the "backbone", ensuring that there is a pipeline of support for children and their families from birth to career. The services are all integrated, creating a web of support for the entire family.

Through collaboration with many community partners, UWSL is focusing on a comprehensive set of strategies within its 19 Neighborhood Centers ("Centers") to achieve six main goals: *Cradle to Kindergarten*: infants and toddlers demonstrate age-appropriate development and children enter kindergarten ready to learn; *Kids on Track*: students achieve on grade level in reading, math and science; *Destination Graduation and Beyond*: students graduate from high school, enroll in post-secondary education, and graduate or complete their program; *Earn It. Keep It. Save It*.: families gain the income and financial tools to thrive; *Healthy for Life*: children and families develop healthy behaviors and improve their overall health; *Basic Needs*: people's most basic needs of food, shelter, health and safety are met.

Through UWSL's Centers, which are located in some of the community's most economically-challenged neighborhoods in Clearfield, Salt Lake City, South Salt Lake, Kearns, West Valley City and Park City, parents receive adult education courses including employment readiness, financial management, language, and computer classes. Kids can get involved in academic and youth development activities, including after-school and tutoring, mentoring and reading programs, physical activities, art and other enrichment opportunities. Centers also offer families on-site basic health screenings and preventative care.

(1) Summary of significant accounting policies (continued)

The model that UWSL has adopted has created Centers that are located within already existing facilities in schools, apartment complexes, and community centers, so that valuable and scarce resources go directly to programs and services, rather than to constructing buildings.

UWSL's work includes comprehensive research, which identifies problems that impact the quality of life in the communities it serves. It works as an integral partner with schools, cities, state government, businesses, churches and nonprofits to guide the vision and strategies, build public will, support aligned activities, establish shared measurement systems, mobilize funding, advance public policies and engage volunteers.

United Way 2-1-1 – UWSL has responsibility for the state's 2-1-1 Information and Referral System ("2-1-1"). It is a statewide service that is an easy-to-remember information and referral telephone number that people dial to get connected and get answers. 2-1-1 connects people to important health, human and community service programs, including: emergency food pantries, rental assistance, public health clinics, legal aid, and a variety of nonprofit and government agencies. Individuals, families and corporate and religious groups can dial 2-1-1 to get connected to meaningful volunteer opportunities. People can also access 2-1-1 services by going to the 2-1-1 website.

Supporting services

Management and general – Includes overall direction and administration of UWSL and ensures that UWSL is well-managed; is responsible for strategic planning and overall development of organization; develops and strengthens community relationships, including maintaining a strong and effective Board of Directors, has responsibility for all staff functions, including hiring, training, human resource management, and benefits administration; properly and accurately maintains general records; is responsible for fiscal management, including financial statements, audits, contributions and accounts receivable, accounts payable and in-kind contributions.

Resource development – Develops, implements and refines overarching resource development plan to secure resources necessary to support the organizational mission and business model. Researches, develops and implements new strategies and best practices to strengthen current resource development efforts. Increases revenue by broadening the base of support through innovation and development of new revenue streams. Cultivates and stewards relationships with current and prospective donors through personal contact, including phone calls, email, written correspondence and visits. Engages staff and the Board of Directors in the process to cultivate donors and secure revenue. Develops, implements and manages current and prospective donor cultivation and stewardship practices. Works with the Marketing Department to develop and produce all of the organizational materials such as brochures, pledge forms, posters, banners and other collateral materials including advertising, media coverage, special events, audio/visual materials, and all forms of social media. In cooperation with the Collective Impact Department, researches and writes foundation and government grants to secure restricted revenue for specific projects to advance UWSL's work.

(1) Summary of significant accounting policies (continued)

Advertising costs – Advertising costs are expensed when incurred. Advertising expense was $764,766 and $678,152 for the years ended June 30, 2014 and 2013, respectively, out of which approximately $542,000 and $474,000 was donated advertising for the years ended June 30, 2014 and 2013, respectively.

Income taxes – UWSL is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. Accordingly, no provision for income taxes has been reflected in UWSL's financial statements. UWSL evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts. UWSL management does not believe there are any material uncertain tax positions and, accordingly, UWSL has not recognized any liability for unrecognized tax benefits.

UWSL's policy is to record income tax penalties and interest expense in its financial statements. During the years ended June 30, 2014 and 2013, UWSL incurred no penalties and interest. UWSL's Federal Return of Organizations Exempt from Income Tax (Form 990) for 2011, 2012, and 2013 are subject to examination by the Internal Revenue Service ("IRS"), generally for three years after they were filed. As of the date of this report, UWSL's 2014 return had not yet been filed.

Fair value measurements – FASB ASC 820*, Fair Value Measurements,* provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that UWSL has the ability to access.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in inactive markets; inputs other than quoted market prices that are observable for the asset or liability; and 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 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

(1) Summary of significant accounting policies (continued)

Recently adopted accounting pronouncement – The following accounting pronouncements were recently adopted by UWSL.

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820) Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and International Financial Reporting Standards.* ASU No. 2011-04 provides a consistent definition of fair value to ensure that the fair value measurement and disclosure requirements are similar between U.S. GAAP and International Financial Reporting Standards. ASU No. 2011-04 does not extend the use of fair value, but rather provides additional disclosure guidance about the application of fair value in those areas where fair value is already required or permitted, especially for Level 3 fair value measurements. ASU No. 2011-04 is effective for the first reporting period beginning after December 15, 2011. UWSL adopted ASU No. 2011-04 during the year ended June 30, 2013. There was no significant impact on the financial statements upon adoption of this standard.

In October 2012, the FASB issued ASU No. 2012-05, *Statement of Cash Flows (Topic 230): Not-for-Profit Entities: Classification of the Sale of Proceeds of Donated Financial Assets in the Statement of Cash Flows*, which requires not-for-profit entities to classify cash receipts from the sale of donated financial assets as cash inflows from operating activities, unless the donor restricted the use of the contributed resources to long-term purposes, in which case those cash receipts should be classified as cash flows from financing activities. ASU No. 2012-05 is effective for fiscal years beginning after June 15, 2013, with early adoption permitted. UWSL adopted ASU No. 2012-05 during the year ended June 30, 2014. The adoption of this provision resulted in an increase in net cash flows from operating activities of $36,035 and $55,391 with corresponding reductions to net cash flows from investing activities for fiscal year 2014 and 2013, respectively, in the accompanying statement of cash flows.

In April 2013, the FASB issued ASU No. 2013-06, *Not-for-Profit Entities (Topic 958): Services Received from Personnel of an Affiliate*, which requires not-for-profit entities to recognize all services received from personnel of an affiliate that directly benefit the recipient not-for-profit entity. Those services should be measured at the cost recognized by the affiliate for the personnel providing those services unless this amount would significantly overstate or understate the value of the service received, in which case the recipient not-for-profit entity may elect to recognize that service received at either the cost recognized by the affiliate or the fair value of the service. ASU No. 2013-06 is effective for fiscal years beginning after June 15, 2014. A recipient not-for-profit entity may apply the amendments using a modified retrospective approach under which all prior periods presented upon the date of adoption should be adjusted, but no adjustment should be made to the beginning balance of net assets to the earliest period presented. Early adoption is permitted. UWSL adopted ASU No. 2013-06 during the year ended June 30, 2014. There was no impact on the financial statements upon adoption of this standard.

(2) Contributions receivable

Contributions receivable include campaign, community impact initiative, and Changing the Odds contributions. Contributions receivable consisted of the following as of June 30, 2014 and 2013:

	2014	2013
Amounts due in:		
Less than one year	$ 5,971,334	$ 8,632,535
One to five years	6,331,366	6,347,366
Totals	12,302,700	14,979,901
Less allowance for uncollectible contributions	(855,000)	(840,000)
Less unamortized discount	(321,064)	(356,048)
Contributions receivable, net	$ 11,126,636	$ 13,783,853

Contributions receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates ranging from 1.15% to 2.41%.

(3) Property and equipment

The cost and related accumulated depreciation and amortization of property and equipment as of June 30, 2014 and 2013 consisted of the following:

	2014	2013
Cost		
Furniture, fixtures, and equipment	$ 95,469	$ 231,321
Leasehold improvements	110,779	35,340
Computer equipment	109,250	86,753
Software	132,277	119,304
Vehicle	25,304	25,304
2-1-1 call center equipment	109,742	76,071
Total cost	582,821	574,093
Less accumulated depreciation and amortization	(284,796)	(424,883)
Property and equipment, net	$ 298,025	$ 149,210

Depreciation and amortization expense charged to operations was $77,004 and $78,925 for the years ended June 30, 2014 and 2013, respectively.

(4) Investments

Investments by major type as of June 30, 2014 and 2013 consisted of the following:

	2014	2013
Certificates of deposit	$ 6,175,174	$ 6,524,846
Exchange traded funds	3,629,712	3,374,944
Preferred stock	230,100	231,900
Mutual funds - bonds	1,104,966	239,904
Mutual funds - equities	777,443	196,180
Total investments	$ 11,917,395	$ 10,567,774

Investment returns for the year ended June 30, 2014, are summarized by net asset class as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 156,910	$ 18,988	$ -	$ 175,898
Realized gains on sale of investments	14,316	-	-	14,316
Unrealized gains on investments	559,153	43,360	-	602,513
Investment advisor fees	(43,867)	-	-	(43,867)
Totals	$ 686,512	$ 62,348	$ -	$ 748,860

Investment returns for the year ended June 30, 2013, are summarized by net asset class as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Interest and dividends	$ 109,260	$ 14,184	$ -	$ 123,444
Realized losses on sale of investments	(8,496)	-	-	(8,496)
Unrealized gains on investments	113,685	23,329	-	137,014
Investment advisor fees	(34,363)	(2,457)	-	(36,820)
Totals	$ 180,086	$ 35,056	$ -	$ 215,142

(5) Split-interest agreements

UWSL was a co-beneficiary of a charitable remainder unitrust (“CRUT”). UWSL’s pro-rata interest in the CRUT was recorded at the fair value of the assets contributed to the CRUT and was temporarily restricted. The CRUT terminated in June 2013, and UWSL received payment of $35,260 in August 2013 for its interest in the CRUT.

(5) Split-interest agreements (continued)

UWSL is a co-beneficiary of a second CRUT that terminates after the death of the primary beneficiary. UWSL will receive 33% of the remaining principal and income, if any, upon termination of the trust. UWSL's pro-rata interest in the trust is recorded at the fair value of the assets contributed to the trust and is permanently restricted.

UWSL is also the beneficiary of a charitable support trust ("CST") which will be funded by a CRUT upon the death of the original donors. UWSL will be the beneficiary of and participate in the earnings and/or principal distributions of the CST after the death of the donors. The future interest in the CST is not included in the financial statements of UWSL since the original donors reserve the right to change the beneficiary of the CRUT.

(6) Due to partners

Payments due to partners consisted of donor contributions designated for partners of $2,004,953, net of an allowance for uncollectible designated contributions of $0, as of June 30, 2014. Payments due to partners consisted of donor contributions designated for partners of $1,304,297, net of an allowance for uncollectible designated contributions of $90,729, as of June 30, 2013.

Payments due to other United Ways were $352,401 and $374,173 as of June 30, 2014 and 2013, respectively.

(7) Board designated net assets

Board designated net assets consisted of board designated endowment funds of $903,854 and $776,262 as of June 30, 2014 and 2013, respectively.

(8) Long-term debt

In August and October 2013, UWSL ("Borrower") entered into loan agreements known as Social Impact Loans. The Social Impact Loans are being used to fund a high-quality preschool program, the objective of which is to decrease the number of children who use special education and remedial services in kindergarten through 12th grade. The goal of the program is to improve school readiness for low-income children and to create cost savings for school districts, the State of Utah, and other government entities.

UWSL entered into a senior loan agreement (the "Senior Loan") with a financial institution and a subordinate loan agreement (the "Subordinate Loan") with a private investor. The maximum principal amount available under the Senior Loan is $4.6 million and $2.4 million is available under the Subordinate Loan. Both loans bear interest at 5.00% per year calculated on a simple interest basis. Both the Senior Loan and Subordinate Loan mature eight years after the initial advance date. Advances will be available in multiple tranches, pending future decisions by the State of Utah to continue with UWSL as the borrower. The principal amount of the first tranche was approximately $1.1 million.

(8) Long-term debt (continued)

Advances under the first tranche were not made to UWSL until UWSL transferred funds into a performance account. At June 30, 2014, the performance account balance was \$1,263,683, which included UWSL transfers totaling \$1,262,500 and earned interest of \$1,183. Any disbursements from the performance account must first be approved by the financial institution. The financial institution and private foundation have been granted a security interest in the performance account, which is included in restricted cash in the accompanying statement of financial position.

Advances of \$1,110,000 under the first tranche were made to UWSL in early fiscal year 2014. Advances under subsequent tranches will not be made to UWSL unless the State of Utah or other third-parties agree to become sources of repayment under the Senior and Subordinate Loans. Principal and interest payments are due under both the Senior and Subordinate Loans on the anniversary date of the initial advance, beginning on the third anniversary of the initial advance. As of June 30, 2014, the outstanding balance on the Senior Loan and the Subordinate Loan was \$740,001 and \$369,999, respectively. As of June 30, 2014, accrued interest on the Senior Loan and the Subordinate Loan was \$16,248 and \$9,572, respectively, and is included in accounts payable and accrued expenses in the accompanying statement of financial position.

After payment in full of interest and principal of the first tranche of the Senior and Subordinate Loans, certain “Success Fees” will be owed to the Lenders based upon cost savings that are generated from the decrease in the number of children who use special education and remedial services as a result of the high-quality preschool program. Both the Senior and Subordinate Loans contain certain restrictive non-financial covenants. The Senior and Subordinate Loans are non-recourse to UWSL except as provided in a limited recourse carve out agreement.

To induce the Senior and Subordinate Lenders to make the loans, the Borrower agreed to cause Success Fees to be paid to the Lenders beginning with the third project year after payment in full of interest and principal on both the Senior and Subordinate Loans. Success Fees, as defined in the loan agreements, are an amount equal to a percentage of the Per Child Success Amount, which is equal to \$2,607 (or such higher amount equal to the weighted per pupil unit for resource special education as determined by the legislature of the State of Utah). Prior to the repayment of principal and interest, the payments to investors are based on an amount which is 95% of the Per Child Success Amount. Subsequent to the payment of principal and interest, Success Fees are based on a reduced percentage of the Per Child Success Amount, which is 40%. For the first tranche, all payments to investors are limited to the total amount held in the Performance Account. For subsequent tranches, total payments are limited based on State statute and the amount designated for repayment by the Utah School Readiness Board. Any Success Fee payments are to be divided 67% to the Senior Lender and 33% to the Subordinate Lender. At June 30, 2014, no amounts have been accrued for any potential success fees.

(8) Long-term debt (continued)

Upon maturity of the Senior Loan and Subordinate Loan and after application in full of all Success Payments, and subject to any liability that Borrower may have under a limited resource carve-out agreement, Senior Lender and Subordinate Lender shall forgive any unpaid obligations of the Borrower with respect to any unpaid principal balance and any accrued and unpaid interest of the Senior Loan and Subordinate Loan, respectively. All funds remaining in the performance account shall be returned to the Borrower.

(9) Temporarily restricted net assets

Temporarily restricted net assets are available for the following purposes as of June 30, 2014 and 2013:

	2014	2013
Changing the Odds	$ 9,170,796	$ 12,558,823
Cornerstone Partners	2,039,848	2,021,872
Other restricted grants	517,500	700,082
Women's Leadership Council	849,338	660,568
Sponsorships	285,750	292,000
Endowment	315,012	263,485
Community fund	39,181	876
Total temporarily restricted net assets	$ 13,217,425	$ 16,497,706

Temporarily restricted net assets released from restrictions totaled $6,237,557 and $4,655,033 for the years ended June 30, 2014 and 2013, respectively. Net assets released from restrictions relate to collections on contributions receivable and the satisfaction of time and purpose restrictions on funds as specified by donors.

(10) Permanently restricted net assets

Permanently restricted net assets consisted of the following as of June 30, 2014 and 2013:

	2014	2013
Beneficial interests in charitable trusts	$ 31,121	$ 36,125
Children's Initiative Endowment Investment	50,000	50,000
Davis County Endowment Investment	35,307	35,307
Total permanently restricted net assets	$ 116,428	$ 121,432

(11) Endowment

UWSL's endowment includes both donor-restricted endowments and funds designated by the Board of Directors to function as endowments.

As required by U.S. GAAP, 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.

(11) Endowment (continued)

Interpretation of relevant law – The Board of Directors of UWSL has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), as adopted by the State of Utah, as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, UWSL classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by UWSL in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, UWSL considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds:

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

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (1,642)	$ 315,012	$ 85,307	$ 398,677
Board-designated endowment funds	903,854	-	-	903,854
Total endowment net assets	$ 902,212	$ 315,012	$ 85,307	$ 1,302,531

Endowment net asset composition by type of fund as of June 30, 2013 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ (6,395)	$ 263,485	$ 85,307	$ 342,397
Board-designated endowment funds	776,262	-	-	776,262
Total endowment net assets	$ 769,867	$ 263,485	$ 85,307	$ 1,118,659

(11) Endowment (continued)

Changes in endowment net assets for the year ended June 30, 2014 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 769,867	$ 263,485	$ 85,307	$ 1,118,659
Investment return:				
Interest and dividends	23,168	9,021	-	32,189
Net appreciation (realized and unrealized)	109,177	42,506	-	151,683
Investment advisor fees	-	-	-	-
Total investment return	132,345	51,527	-	183,872
Endowment net assets, end of year	$ 902,212	$ 315,012	$ 85,307	$ 1,302,531

Changes in endowment net assets for the year ended June 30, 2013 consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	$ 707,055	$ 239,030	$ 85,307	$ 1,031,392
Investment return:				
Interest and dividends	17,807	6,933	-	24,740
Net appreciation (realized and unrealized)	51,315	19,979	-	71,294
Investment advisor fees	(6,310)	(2,457)	-	(8,767)
Total investment return	62,812	24,455	-	87,267
Contributions	-	-	-	-
Endowment net assets, end of year	$ 769,867	$ 263,485	$ 85,307	$ 1,118,659

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or applicable state law requires UWSL to retain as a fund of perpetual duration. In accordance with U.S. GAAP, deficiencies of this nature that are reported in unrestricted net assets were $1,642 and $6,395 as of June 30, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations.

(11) Endowment (continued)

Return objectives and risk parameters – UWSL has adopted investment and spending policies for endowment assets that attempt to maximize long-term gains with an acceptable level of risk and to provide funding for special projects or initiatives, to act as an emergency funding source or to fund capital expenditures. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for donor-specified periods as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that meet or exceed appropriate nationally recognized performance indices (benchmarks) selected by the Investment Committee over a five-year rolling time period. Actual returns in any given year may vary from this amount.

Strategies employed for achieving objectives – To satisfy its long-term rate-of-return objectives, UWSL 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). UWSL targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objective relates to spending policy – Distribution of endowment funds are approved by the Board of Directors and are made when deemed appropriate. A guideline for distributions from the endowment fund earnings, on a fiscal year basis, is defined as 50% of the investment income growth (including income and capital appreciation), of the endowment funds, unless otherwise recommended by the Board of Directors.

This is consistent with UWSL's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return. There were no amounts appropriated for expenditures during the years ended June 30, 2014 and 2013.

(12) Community impact initiative contributions

Community impact initiative contributions for the years ended June 30, 2014 and 2013 consisted of the following:

	2014	2013
2-1-1 call center	$ 453,750	$ 178,300
Community learning centers	246,073	61,865
EITC/VITA	59,880	87,380
Women's Leadership Council	52,420	61,017
Community development	-	275,000
Early learning network	-	200,000
Immigrant and refugee integration	-	37,380
Total	$ 812,123	$ 900,942

(13) Grants to community partners

Grants to community partners for the years ended June 30, 2014 and 2013, consisted of the following:

	2014	2013
Grants to impact partners	$ 5,499,101	$ 318,504
Community development grants	-	226,500
Community learning center grants	-	37,595
Sub-for-Santa grants	-	20,000
Immigration integration grants	-	10,000
Utah Saves grants	500	300
Total	$ 5,499,601	$ 612,899

(14) Leases

UWSL leases office space and equipment under non-cancelable operating leases. Lease expense for these leases was approximately $241,000 and $204,000 for the years ended June 30, 2014 and 2013, respectively.

Future aggregate minimum lease payments under existing non-cancelable leases as of June 30, 2014 are as follows:

Years Ending June 30,	
2015	$ 236,285
2016	242,623
2017	241,423
2018	246,311
2019	251,914
Thereafter	749,498
Total future minimum lease payments	$ 1,968,054

(15) Concentrations of credit and market risks

Primarily all of UWSL's revenues and receivables are from businesses and individuals located in the Davis, Salt Lake, Summit, and Tooele County areas in the state of Utah.

UWSL maintains cash and investments in bank and brokerage accounts which at times may exceed their federally insured limits of $250,000 set by the Federal Deposit Insurance Corporation. UWSL has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on these balances.

(15) Concentrations of credit and market risks (continued)

UWSL also maintains accounts with stock brokerage firms and has beneficial interests in charitable trusts which maintain accounts with brokerage firms. The accounts contain cash, securities and other investments. The balances are insured by the Securities Investors Protection Corporation up to a ceiling of $500,000 with a $250,000 limit for cash claims. UWSL's investments in securities and beneficial interests in charitable trusts are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with these investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements.

(16) Related party transactions

Annual dues paid to United Way Worldwide totaled $97,222 and $98,398 for the years ended June 30, 2014 and 2013, respectively.

(17) Retirement plan

UWSL sponsors a 403(b) plan (the "Plan"), which reports on a calendar year. Benefits under the Plan are provided through a group annuity contract. For the year ended June 30, 2013, employer matching contributions to the Plan were equal to 75% of employee elective deferrals up to 6% of eligible gross wages. In July 2013, the Plan was amended and employer matching contributions were equal to 100% of employee elective deferrals up to 6% of eligible gross wages for the year ended June 30, 2014. Employer contributions made to the Plan were $123,742 and $71,997 for the years ended June 30, 2014 and 2013, respectively.

(18) Fair value measurements

Assets measured at fair value on a recurring basis as of June 30, 2014 consisted of the following:

	Level 1	Level 2	Level 3	Balance as of June 30, 2014
Certificates of deposit	$ -	$ 6,175,174	$ -	$ 6,175,174
Exchange traded funds	3,629,712	-	-	3,629,712
Preferred stock	230,100	-	-	230,100
Mutual funds - bonds	1,104,966	-	-	1,104,966
Mutual funds - equities	777,443	-	-	777,443
Beneficial interests in charitable trusts	-	-	31,121	31,121
Total	$ 5,742,221	$ 6,175,174	$ 31,121	$ 11,948,516

(18) Fair value measurements (continued)

Assets measured at fair value on a recurring basis as of June 30, 2013 consisted of the following:

Certificates of deposit	$ -	$ 6,524,846	$ -	$ 6,524,846
Exchange traded funds	3,374,944	-	-	3,374,944
Preferred stock	231,900	-	-	231,900
Mutual funds - bonds	239,904	-	-	239,904
Mutual funds - equities	196,180	-	-	196,180
Beneficial interests in charitable trusts	-	-	71,385	71,385
Total	$ 4,042,928	$ 6,524,846	$ 71,385	$ 10,639,159

The investments in certificates of deposit are valued using the estimated cash flows based on terms such as the fixed rate of return as compared to the benchmark interest rates, which are market observable.

Beneficial interests in charitable trusts are valued using estimated rates of return on the assets held by the charitable trusts, the expected cash flows to be received when the assets are distributed from the trusts and the fair value of the underlying assets held by the trusts.

For the Level 2 and Level 3 assets, there were no changes in the valuations techniques during the years ended June 30, 2014 and 2013.

The table below presents the change in fair value measurements that used Level 3 inputs during the years ended June 30, 2014 and June 30, 2013:

Balance, beginning of year	$ 71,385	$ 65,812
Settlements	(35,260)	-
Net unrealized gains (losses)	(5,004)	5,573
Balance, end of year	$ 31,121	$ 71,385

Net unrealized gains and losses on Level 3 instruments have been recorded in the statement of activities under the caption “Increase (decrease) in interests in charitable trusts.”

(19) Subsequent events

UWSL has evaluated subsequent events through October 21, 2014, which is the date these financial statements were available to be issued.

In March of 2014, the Utah State Legislature passed House Bill 96 (HB 96), the Utah School Readiness Initiative. This legislation established the School Readiness Board (the "Board"), which is comprised of appointees from the State Department of Workforce Services and Utah State Office of Education, business leaders, and other individuals committed to advancing early childhood education in Utah. The Board is responsible for utilizing funds, allocated from the State budget, to support quality grants to local education agencies and private providers to increase the quality of early childhood programming at these sites. HB96 also allows the Board to enter into results-based financing contracts with private investors, on behalf of the State. Allen Alexander, UWSL's Board Chair, serves as Chair of the School Readiness Board.

For the 2014 - 2015 school year, private capital from Stateline, LLC and Goldman Sachs will finance an expansion of the Utah High Quality Preschool Initiative to provide early education services to a second cohort of 750 children. In this approach, there is no upfront cost to the taxpayer or other funders. The State of Utah and the School Readiness Board entered into a contract with UWSL as an intermediary in the transaction and commit to repay investors through the intermediary if the program is successful.

Goldman Sachs will provide a senior loan and Stateline, LLC will provide a subordinate loan to UWSL to finance early education for 750 children in the 2014 – 2015 school year, and up to 2,250 additional children over the next three years. The subordinate loan reduces the risk to the senior lender if the preschool program proves to be less effective than expected.

As the intermediary, UWSL will oversee implementation of the project, will contract with and manage payments to and reports from the providers. Voices for Utah Children will provide research and analytic support, and Granite School District will support the training and professional development to ensure quality implementation and model fidelity across providers.

Granite School District, Park City School District, Guadalupe School, YMCA of Northern Utah, Children's Express, and Lit'l Scholars will provide the preschool program to low-income 3 and 4 year olds.

Through allocations defined in HB96, the State of Utah will provide "Success Payments" to repay the loans, based on the cost-savings associated with the reduced use of special education and ancillary services. If the preschool program does not result in increased school readiness and decreased use of special education services, then there is no obligation on the part of the State of Utah to repay the loan. After funding the 2014 – 2015 school year, subsequent investments will be made based on the availability of repayment funds from the State of Utah

(19) Subsequent events (continued)

Determining Pay-for-Success Payments:

Children participating in the high quality preschool program are given the Peabody Picture Vocabulary Test (PPVT), a predictive evaluation that serves as an indicator of their likely usage of resource special education and remedial services. Students that test two standard deviations below the mean and are therefore likely to use special education services will be tracked as they progress through 6th grade. These students will form the payment cohort.

Every year a student in the payment cohort does not use resource special education services will generate a “Success Payment”.

During the 2014 - 2015 school year, school districts in Utah will receive an annual payment from the State of Utah of approximately $2,700 per student to provide resource special education services for students in general education classrooms. The amount of the Success Payment is based on the actual avoided costs realized by the State of Utah.

“Success Payments” to the senior and subordinate lenders will be made equal to 95% of the avoided costs or approximately $2,565 per child for every year, kindergarten through sixth grade, up to a base interest rate not to exceed 5.0% more than the Municipal Market Data General Obligation Bond AAA scale for a 10 year maturity.

The State of Utah will retain 5.0% of the avoided costs or approximately $135 per child for each year for kindergarten through sixth grade or until the investors have received the maximum payment amount. From the seventh grade through twelfth grade the State of Utah retains 100% of the avoided costs or approximately $2,700 per student.

The Utah High Quality Preschool Program has the potential to generate long-term savings for taxpayers and the results-based financing structure can become a replicable model for financing early childhood services nationally. The potential savings associated with the reduction in special education and remedial service usages are significant, and in each scenario exceed the potential payments to the lenders. “Success Payments” are only made through sixth grade for each student; but all savings that are generated after that point will be captured by the school district, state and other government entities.