UNITED WAY OF
CENTRAL INDIANA, INC.

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2014 and 2013

UNITED WAY OF CENTRAL INDIANA, INC.
Indianapolis, Indiana

FINANCIAL STATEMENTS
June 30, 2014 and 2013

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Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
United Way of Central Indiana, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of United Way of Central Indiana, Inc. ("United Way"), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Continued)

Opinions

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way of Central Indiana, Inc. as of June 30, 2014 and 2013, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards,* we have also issued our report dated October 20, 2014 on our consideration of United Way's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way's internal control over financial reporting and compliance.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
October 20, 2014

UNITED WAY OF CENTRAL INDIANA, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	2014	2013
ASSETS:		
Cash and cash equivalents	$ 21,948,989	$ 32,062,067
Investments (Note 3)	119,827,102	88,445,619
Pledge receivable		
Current year campaign, less allowance of $2,071,359 and $2,263,548 for uncollectible accounts for 2014 and 2013, respectively	14,202,090	15,845,933
Future years campaign, less allowance and discounts of $59,707 and $38,625 for 2014 and 2013, respectively	2,554,845	297,345
	16,756,935	16,143,278
Other receivables	684,080	1,017,151
Prepaid expenses and other assets	338,882	258,713
Pension asset (Note 6)	1,308,004	854,628
Land, building and equipment:		
Land and land improvements	193,984	193,984
Building	7,504,899	7,454,692
Furniture and equipment	4,852,671	4,664,654
Less - accumulated depreciation	(10,919,588)	(10,415,602)
	1,631,966	1,897,728
Total assets	$ 162,495,958	$ 140,679,184
LIABILITIES:		
Accounts payable and accrued expenses	$ 1,131,380	$ 1,074,392
Funds distribution payable	1,572,424	1,688,672
Donor designations payable	5,632,595	6,628,166
Funds held for others	269,673	255,967
Total liabilities	8,606,072	9,647,197
NET ASSETS:		
Unrestricted:		
Undesignated	4,069,178	3,177,860
Board designated	22,408,545	21,780,254
Funds needed to restore endowed funds to historic principal	(1,079,578)	(8,974,671)
Total unrestricted	25,398,145	15,983,443
Temporarily restricted (Note 7)	47,781,246	35,726,029
Permanently restricted (Note 7)	80,710,495	79,322,515
Total net assets	153,889,886	131,031,987
Total liabilities and net assets	$ 162,495,958	$ 140,679,184

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL INDIANA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2014 with combined totals for 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2014	Total 2013
CAMPAIGN RESULTS SUMMARY					
CAMPAIGN RESULTS	$ 40,404,363	$ 1,088,336	$ 250,000	$ 41,742,699	$ 41,095,955
LESS: Pledges designated to other agencies	(6,896,030)	-	-	(6,896,030)	(8,709,795)
Amounts recorded as other contributions in prior period	-	-	(250,000)	(250,000)	-
CONTRIBUTIONS TO THE UNITED WAY	$ 33,508,333	$ 1,088,336	$ -	$ 34,596,669	$ 32,386,160
CONTRIBUTIONS AND OTHER REVENUE					
Campaign contributions applicable to current period					
Contributions received - current period	$ 28,368,306	$ 1,088,336	$ -	$ 29,456,642	$ 27,905,709
Contributions received in prior periods and now released from restriction (Note 8)	5,140,027	(5,140,027)	-	-	-
Campaign contributions	33,508,333	(4,051,691)	-	29,456,642	27,905,709
Contributions received and released for restricted purpose in current period	512,079	(512,079)	-	-	-
Less - provision for uncollectible pledges	(2,071,359)	35,325	-	(2,036,034)	(1,639,508)
Net current campaign revenue	31,949,053	(4,528,445)	-	27,420,608	26,266,201
Change in estimated prior years campaign revenue	260,940	-	-	260,940	841,564
Campaign contributions received for future allocation periods				-	
(Net of allowance for uncollectible pledges and discounts of $59,707 and $39,375 at June 30, 2014 and 2013)	-	8,939,958	-	8,939,958	5,129,152
Total campaign	32,209,993	4,411,513	-	36,621,506	32,236,917
Grants and other contributions	241,452	17,473,951	133,220	17,848,623	18,213,128
Investment income - endowment funds	9,288,091	139,083	1,254,760	10,681,934	6,422,944
Investment income - other funds	352,469	322,914	-	675,383	17,093
Grants and other contributions released from restrictions (Note 8)	10,292,244	(10,292,244)	-	-	-
Program and service fees	1,190,124	-	-	1,190,124	1,089,728
Net rental loss	(172,109)	-	-	(172,109)	(126,145)
Other income	21,025	-	-	21,025	22,161
Total contributions and other revenue	53,423,289	12,055,217	1,387,980	66,866,486	57,875,826
FUNDS ALLOCATED FOR SERVICES AND OTHER FUNCTIONAL EXPENSES					
Agencies and other direct program services	28,477,890	-	-	28,477,890	28,303,719
Funds distributed to individuals for direct assistance programs	759,675	-	-	759,675	1,753,763
Community & agency services provided by United Way	6,817,766	-	-	6,817,766	5,965,873
Total program services	36,055,331	-	-	36,055,331	36,023,355
Fund raising	5,104,221	-	-	5,104,221	4,623,534
Management and general	2,985,418	-	-	2,985,418	2,965,263
Total funds allocated for services and other functional expenses	44,144,970	-	-	44,144,970	43,612,152
NET OPERATING RESULTS	9,278,319	12,055,217	1,387,980	22,721,516	14,263,674
Actuarial gain not yet recognized in net periodic pension cost	136,383	-	-	136,383	762,136
CHANGE IN NET ASSETS	9,414,702	12,055,217	1,387,980	22,857,899	15,025,810
NET ASSETS AT BEGINNING OF YEAR	15,983,443	35,726,029	79,322,515	131,031,987	116,006,177
NET ASSETS AT END OF YEAR	$ 25,398,145	$ 47,781,246	$ 80,710,495	$ 153,889,886	$ 131,031,987

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL INDIANA, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
Year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
CAMPAIGN RESULTS SUMMARY				
CAMPAIGN RESULTS	$ 40,795,955	$ 300,000	$ -	$ 41,095,955
LESS: Designated pledges	(8,709,795)	-	-	(8,709,795)
CONTRIBUTIONS TO THE UNITED WAY	$ 32,086,160	$ 300,000	$ -	$ 32,386,160
CONTRIBUTIONS AND OTHER REVENUE				
Campaign contributions applicable to current period				
Contributions received - current period	$ 27,605,709	$ 300,000	$ -	$ 27,905,709
Contributions received in prior periods and now released from restriction (Note 8)	4,480,451	(4,480,451)	-	-
Campaign contributions	32,086,160	(4,180,451)	-	27,905,709
Less - provision for uncollectible pledges	(1,657,008)	17,500	-	(1,639,508)
Net campaign revenue	30,429,152	(4,162,951)	-	26,266,201
Change in estimated prior year uncollectible pledges	841,564	-	-	841,564
Campaign contributions received for future allocation periods (Net of provision for uncollectible pledges and discounts of $39,375)	-	5,129,152	-	5,129,152
Total campaign	31,270,716	966,201	-	32,236,917
Grants and other contributions	239,318	16,443,055	1,530,755	18,213,128
Investment income - endowment funds	4,064,127	70,156	2,288,661	6,422,944
Investment income (loss) - other funds	(17,596)	34,689	-	17,093
Grants and other contributions released from restrictions (Note 8)	9,408,580	(9,408,580)	-	-
Program and service fees	1,089,728	-	-	1,089,728
Net rental loss	(126,145)	-	-	(126,145)
Other income	22,161	-	-	22,161
Total contributions and other revenue	45,950,889	8,105,521	3,819,416	57,875,826
FUNDS ALLOCATED FOR SERVICES AND OTHER FUNCTIONAL EXPENSES				
Agencies and other direct program services	28,303,719	-	-	28,303,719
Funds distributed to individuals for Connected by 25, Disaster Relief United Christmas Service and the Winter Assistance Fund programs	1,753,763	-	-	1,753,763
Community & agency services provided by United Way	5,965,873	-	-	5,965,873
Total services	36,023,355		-	36,023,355
Fund raising	4,623,534	-	-	4,623,534
Management and general	2,965,263	-	-	2,965,263
Total funds allocated for services and other functional expenses	43,612,152	-	-	43,612,152
NET OPERATING RESULTS	2,338,737	8,105,521	3,819,416	14,263,674
Actuarial gain not yet recognized in net periodic pension cost	762,136	-		762,136
CHANGE IN NET ASSETS	3,100,873	8,105,521	3,819,416	15,025,810
NET ASSETS AT BEGINNING OF YEAR	12,882,570	27,620,508	75,503,099	116,006,177
NET ASSETS AT END OF YEAR	$ 15,983,443	$ 35,726,029	$ 79,322,515	$ 131,031,987

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL INDIANA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities		
Change in net assets	$ 22,857,899	$ 15,025,810
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Contributions payments restricted for endowments	(133,220)	(1,530,755)
Realized and unrealized gain on investments	(9,725,868)	(5,178,247)
Depreciation related to net rental expenses	125,752	137,430
Depreciation related to operating expenses	378,235	378,508
Actuarial gain not yet recognized in net periodic pension cost	(136,383)	(762,136)
Change in other assets and liabilities:		
Net pledge and other receivables	(280,586)	(307,783)
Supplies and prepaid expenses	(80,169)	(33,226)
Pension asset	(316,993)	226,786
Accounts payable	56,988	(821,489)
Accrued expenses	-	(161,904)
Fund distribution payable	(116,248)	(1,976,526)
Donor designation payable	(995,571)	416,611
Funds held for others	13,706	65,143
Grant advances	-	(50,000)
Net cash from operating activities	11,647,542	5,428,222
Cash flows from investing activities		
Proceeds from sale of investments	55,803,215	42,030,486
Purchases of investments	(77,458,830)	(36,651,074)
Purchases of furniture and equipment and building improvements	(238,225)	(230,410)
Net cash from (used in) investing activities	(21,893,840)	5,149,002
Cash flows from financing activities		
Proceeds from contributions restricted for endowments	133,220	1,530,755
Net cash from financing activities	133,220	1,530,755
Net change in cash and cash equivalents	(10,113,078)	12,107,979
Cash and cash equivalents at beginning of the year	32,062,067	19,954,088
Cash and cash equivalents at the end of the year	$ 21,948,989	$ 32,062,067

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL INDIANA, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Years ended June 30, 2014 with combined totals for 2013

	Agencies and Other Direct Services	Services Provided by United Way	Total Program Services	Fund Raising	Management & General	Internal Services	Total 2014	Total 2013
Allocation to agencies	$ 26,657,086	$ 2,016,321	$ 28,673,407	$ -	$ -	$ -	$ 28,673,407	$ 28,128,332
Other expenses								
Salaries and wages	297,770	2,044,983	2,342,753	2,607,026	1,467,913	100,548	6,518,240	5,748,930
Employee benefits	58,531	303,485	362,016	407,659	160,991	19,356	950,022	1,379,460
Payroll taxes	21,317	150,686	172,003	189,743	150,738	7,769	520,253	571,059
Total salaries and related expenses	377,618	2,499,154	2,876,772	3,204,428	1,779,642	127,673	7,988,515	7,699,449
Shared staff	-	371,991	371,991	(446,429)	74,438	-	-	-
Professional fees and contract services	1,403,042	467,924	1,870,966	75,691	366,451	140,123	2,453,231	2,222,296
Office supplies	4,065	319,082	323,147	72,684	30,770	1,041	427,642	344,740
Program supplies	-	221,424	221,424	-	-	-	221,424	213,674
Uw PIC Licensing Fee	-	-	-	-	19,064	564,813	583,877	553,795
Telephone	2,273	30,792	33,065	74,936	20,090	9,812	137,903	114,486
Postage and shipping	387	21,595	21,982	24,994	21,301	3,727	72,004	141,741
Occupancy	8,688	133,116	141,804	333,615	142,825	10,999	629,243	599,399
Rental and maintenance of equipment	-	-	-	15,348	8,878	37,791	62,017	95,658
Printing and publications	6,239	145,181	151,420	536,054	19,242	-	706,716	401,738
Local staff transportation	799	37,241	38,040	37,926	5,705	120	81,791	101,048
Local meetings	6,537	67,406	73,943	107,063	73,286	2,710	257,002	257,757
Conferences	5,093	75,715	80,808	38,600	62,818	-	182,226	52,483
Membership dues	640	194,589	195,229	223,753	74,289	-	493,271	457,639
Affiliation dues	-	4,700	4,700	6,725	13,574	79	25,078	12,695
Miscellaneous	-	2,356	2,356	493	8,864	-	11,713	82,951
Expenses before internal allocations	1,815,381	4,592,266	6,407,647	4,305,881	2,721,237	898,888	14,333,653	13,351,549
Internal allocations								
Depreciation of building and equipment	-	73,771	73,771	226,757	77,707	-	378,235	378,508
Allocation of internal services	5,423	135,408	140,831	571,583	186,474	(898,888)	-	-
Expenses after internal allocations	1,820,804	4,801,445	6,622,249	5,104,221	2,985,418	-	14,711,888	13,730,057
Subtotal	28,477,890	6,817,766	35,295,656	5,104,221	2,985,418	-	43,385,295	41,858,389
Funds distributed to individuals for Connect by 25, Disaster Relief, United Christmas Service and the Winter Assistance Fund programs	759,675	-	759,675	-	-	-	759,675	1,753,763
Total	$ 29,237,565	$ 6,817,766	$ 36,055,331	$ 5,104,221	$ 2,985,418	$ -	$ 44,144,970	$ 43,612,152

See accompanying notes to financial statements.

UNITED WAY OF CENTRAL INDIANA, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2013

	Agencies and Other Direct Services	Services Provided by United Way	Total Program Services	Fund Raising	Management & General	Internal Services	Total
Allocation to agencies	$ 26,386,072	$ 1,742,260	$ 28,128,332	$ -	$ -	$ -	$ 28,128,332
Other expenses							
Salaries and wages	335,604	1,704,281	2,039,885	2,453,630	1,255,415	-	5,748,930
Employee benefits	76,732	410,792	487,524	620,391	271,545	-	1,379,460
Payroll taxes	27,275	150,093	177,368	229,310	164,381	-	571,059
Total salaries and related expenses	439,611	2,265,166	2,704,777	3,303,331	1,691,341	-	7,699,449
Shared staff	-	367,527	367,527	(441,033)	73,506	-	-
Professional fees and contract services	1,264,787	368,667	1,633,454	61,797	380,045	147,000	2,222,296
Office supplies	10,898	178,916	189,814	52,888	37,933	64,105	344,740
Program supplies	-	213,674	213,674	-	-	-	213,674
Uw PIC Licensing Fee	-	-	-	-	71,270	482,525	553,795
Telephone	4,007	21,956	25,963	68,013	12,819	7,691	114,486
Postage and shipping	921	69,534	70,455	41,142	25,817	4,327	141,741
Occupancy	8,756	150,116	158,872	299,828	127,633	13,066	599,399
Rental and maintenance of equipment	187	-	187	16,202	56,316	22,953	95,658
Printing and publications	3,898	139,254	143,152	235,250	23,336	-	401,738
Local staff transportation	10,418	40,955	51,373	41,053	8,622	-	101,048
Local meetings	51,566	62,503	114,069	101,825	41,863	-	257,757
Conferences	4,819	12,489	17,308	11,725	23,450	-	52,483
Affiliation dues	106,099	74,668	180,767	207,860	69,012	-	457,639
Membership dues	510	3,904	4,414	4,627	3,654	-	12,695
Miscellaneous	984	363	1,347	547	81,057	-	82,951
Expenses before internal allocations	1,907,461	3,969,692	5,877,153	4,005,055	2,727,674	741,667	13,351,549
Internal allocations							
Depreciation of building and equipment	-	108,663	108,663	196,102	73,743	-	378,508
Allocation of internal services	10,186	145,258	155,444	422,377	163,846	(741,667)	-
Expenses after internal allocations	1,917,647	4,223,613	6,141,260	4,623,534	2,965,263	-	13,730,057
Subtotal	28,303,719	5,965,873	34,269,592	4,623,534	2,965,263	-	41,858,389
Funds distributed to individuals for Connected by 25, Disaster Relief, United Christmas Service and the Winter Assistance Fund programs	1,753,763	-	1,753,763	-	-	-	1,753,763
Total	$ 30,057,482	$ 5,965,873	$ 36,023,355	$ 4,623,534	$ 2,965,263	$ -	$ 43,612,152

See accompanying notes to financial statements.

1. SUMMARY OF SIGNIFICANT OPERATING POLICIES

a. Annual Campaign Contributions and Designated Pledges: The United Way of Central Indiana, Inc. ("United Way") conducts annual campaigns to support local health and human service programs. The annual campaign is generally recorded as unrestricted unless a pledge is specifically restricted due to timing (a future year pledge). Agency allocations and other campaign related expense commitments are made in six-month increments. Campaign expense commitments to be made in the first six months of the next fiscal period are appropriated by the United Way Board of Directors.

United Way allows donors the choice to designate all or part of their contributions. Designations to specific not-for-profit organizations other than United Way are excluded from contribution revenue and funds allocated by United Way expenses. Designations are included within unrestricted pledge receivable totals with a related unrestricted liability. The costs to generate and distribute designated pledges are recorded as fundraising expense. The costs are deducted from designated contributions as they are disbursed. This cost reimbursement is recorded as service fee income.

Contributions to United Way for specific programs, population groups, and/or geographic areas, are defined as purpose restrictions and are initially recorded as temporarily restricted contributions.

Restricted contributions received and released from restriction within the same fiscal period are recorded as temporarily restricted and released from restriction.

b. Fund Raising Agreements: United Way has an agreement to act as the principal fund raising organization for the Combined Marion County/City of Indianapolis and Indianapolis Public Schools campaigns. Under the terms of this agreement, United Way solicits contributions from a specific group of people for specific not-for-profit organizations. United Way accounts for those contributions and collects and distributes the funds. Amounts related to other not-for-profit organizations are recorded as designations.

Fund raising costs are shared proportionately by all recipient organizations and United Way records these reimbursed expenses as service fee revenue.

c. Direct Assistance Programs: United Way operations also include United Christmas Service, Winter Assistance Fund, Disaster Relief, and Connected by 25 programs. These programs provide direct assistance to individuals. Contributions received on behalf of these programs are classified as temporarily restricted. Connected by 25 became a United Way affiliated agency during fiscal year 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting: The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

b. Basis of Consolidation: The financial statements include the accounts of United Way and UWCI, LLC, a limited liability company of which United Way is the sole member. There are no material intercompany transactions that are required to be eliminated in the consolidation.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Cash and Cash Equivalents: Cash equivalents consist of overnight commitments in commercial paper. United Way maintains cash balances at financial institutions in excess of the insurance limits provided by the Federal Deposit Insurance Corporation.

d. Investments: Investments are recorded at fair value based on estimates made by the investment trust administrators using current quoted market prices or the market prices of similar securities. The various investments in stocks, securities, mutual funds and other investments are exposed to a variety of uncertainties, including interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is possible that changes in the values of these investments could occur in the near term. Such changes could materially affect the amounts reported in the financial statements.

The investment in real estate investment trust is valued based upon appraisals or the audited financial reporting of the entity as independent market valuations are not readily available. United Way believes the carrying amount of this financial instrument is a reasonable estimate of fair value. Alternative investments are not readily marketable and their estimated values are subject to uncertainty. Therefore, there may be a material difference between the estimated value and the value that would have been used had a readily determinable fair value for such investment existed. The trust was liquidated subsequent to June 30, 2014 and United Way received payment equal to the market value as of June 30, 2014.

Investment income includes realized and unrealized gains and losses on investment transactions and interest and dividend income, net of fees.

e. Pledges Receivable, Discounts, and Allowance: Pledges expected to be collected within one year are recorded net of any allowance for uncollectible pledges. At June 30, 2014 and 2013, there are pledges receivable extending beyond one year which are recorded at their net present value.

f. Land, Building, Furniture and Equipment and Depreciation: United Way capitalizes all expenditures for land, building improvements, and furniture and equipment in excess of $500. The fair value of donated fixed assets is similarly capitalized. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. No temporary or permanent restriction exists on any land, building, furniture, or equipment assets.

g. Impairment of Long-Lived Assets: In accordance with GAAP, United Way reviews its land, building improvements, and furniture and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the year ended June 30, 2014 or 2013.

(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Unrestricted Net Assets: The unrestricted net asset class includes undesignated and Board-designated assets and liabilities of United Way. The Board of Directors designates a portion of the unrestricted net assets for specific purposes. These funds may only be used based on Board directives. The undesignated portion of the unrestricted net asset class may be used at the discretion of management to support United Way's purpose and operations.

i. Temporarily Restricted Net Assets: Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose.

j. Permanently Restricted Net Assets: Permanently restricted net assets have been restricted by donors to be maintained by United Way in perpetuity.

k. Donated Services: No amounts have been reflected in the financial statements for qualified donated services. However, a substantial number of volunteers have donated significant amounts of their time in the organization's governance, fund raising, fund distribution, and direct assistance program activities.

l. Private and Government Grants: United Way receives private and government grants for various projects and programs. Grants are recorded as contributions and are administered through United Way as part of the normal course of business.

m. Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported period.

Areas where significant estimates are used in the accompanying financial statements include the allowance for pledges receivable, prepaid pension cost, and the valuation of alternative investments. Actual results could differ from those estimates.

n. Functional Allocation of Expenses: Expenses have been allocated among program, management and general, and fundraising categories based upon estimates of the benefits received by the various programs and supporting services.

o. Reclassifications: Certain amounts in the 2013 financial statements have been reclassified to conform to the 2014 presentation. These reclassifications had no impact on net assets or change in net assets.

p. Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to June 30, 2014 to determine the need for any adjustments or disclosures within the audited financial statements for the year ended June 30, 2014. Management has performed their analysis through October 20, 2014, the date the report was available to be issued.

3. INVESTMENTS

Investments at fair value are composed of the following:

	2014	2013
Money market funds	$ 12,043,325	$ 11,200,422
Certificates of deposit	1,061,365	2,422,516
U.S. government obligations	8,606,404	4,363,284
U.S. treasury bills	7,430,712	1,232,594
Municipal bonds	1,759,238	1,640,874
Corporate bonds	14,767,859	7,929,577
Mutual funds	59,185,556	48,021,467
Domestic stock	6,020,375	5,001,827
International equities	8,866,935	6,578,459
Real estate investment trust	85,333	54,599
	$ 119,827,102	$ 88,445,619

Investment income is comprised of the following for the years ending June 30, 2014 and 2013:

	2014	2013
Interest and dividends (net of fees of $307,058 and $302,975 for 2014 and 2013, respectively)	$ 1,652,287	$ 1,263,790
Realized gain on sale of investments	3,040,726	1,560,534
Unrealized gain on investments	6,685,142	3,617,713
Change in split value of assets	(20,838)	(2,000)
Total investment income	$ 11,357,317	$ 6,440,037

4. FACILITY OPERATIONS

United Way incurred the following facilities operating costs:

	2014	2013
General operating expenses	$ 704,640	$ 675,777
Depreciation	502,900	515,938
	$ 1,207,540	$ 1,191,715

Facility expenses are allocated between United Way and tenants as follows:

	2014	2013
United Way	$ 728,487	$ 703,617
Tenants	479,053	488,098
	$ 1,207,540	$ 1,191,715

The tenants' share, which includes depreciation and property taxes, is shown as a reduction of rental income. Tenant rental income before reduction was $306,944 and $361,954 for 2014 and 2013.

(Continued)

4. FACILITY OPERATIONS (Continued)

United Way has non-cancelable tenant operating leases which expire on various dates through fiscal year 2019. Future minimum annual rentals are as follows:

2015	$ 223,340
2016	215,738
2017	188,899
2018	122,289
2019	54,875
	$ 805,141

United Way has established county offices in its service area, which include Boone, Hamilton, Hancock, Hendricks and Morgan counties. The offices are under non-cancelable operating leases which expire on various dates through 2018. Future minimum payments due under the lease agreements are as follows:

2015	$ 54,495
2016	55,471
2017	43,640
2018	4,458
	$ 158,064

Rent expense charged to county offices was $79,724 and $43,432 for the years ended June 30, 2014 and 2013.

5. TAX STATUS

United Way is a nonprofit organization exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code (IRC). UWCI, LLC is a single member LLC whose single member is exempt from federal income taxes under Section 501(c)(3) of the IRC.

GAAP requires United Way and UWCI, LLC to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of uncertain tax position that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. United Way and UWCI, LLC have examined this issue and have determined there are no material uncertain tax positions.

United Way and UWCI, LLC are no longer subject to examination by taxing authorities for years before 2011. United Way and UWCI, LLC do not expect the total amount of uncertain tax positions to significantly change in the next 12 months. United Way and UWCI, LLC recognize interest and/or penalties related to income tax matters in income tax expense. United Way and UWCI, LLC did not have any amounts accrued for interest and penalties at June 30, 2014 or 2013.

6. RETIREMENT PLANS

United Way has a noncontributory defined benefit pension plan (DB plan) and a contributory defined contribution plan (DC plan) covering all eligible employees. DB plan benefits are determined by a formula that considers length of service, salary, and the individual's Social Security benefit.

(Continued)

6. RETIREMENT PLANS (Continued)

It is United Way's funding policy to maintain the DB plan on an actuarially sound basis. Under this policy, United Way contributed $236,944 and $240,769 for the years ended June 30, 2014 and 2013. The DB plan's assets consist of investments in equity and fixed income fund of funds and funds held in the general assets of Mutual of America (General Account). The underlying assets of the equity and fixed income fund of funds are all publicly traded Level 1 investments held by Mutual of America. However, the DB plan invests at the fund of funds level rather than the individual underlying investments (Level 2 input). The assets invested in the General Account are invested in the pool of assets held by Mutual of America, which is valued at net asset value (Level 3 input) and United Way receives a guaranteed interest rate on these investments. In fiscal year 2013, the United Way paid $2,300,937 of benefits out of the plan to individuals and as a result, recognized $533,483 of previously unrecognized losses.

The following table sets forth the DB plan's funded status and the amount recognized in United Way's statement of financial position.

	2014	2013
Fair value of plan assets	$ 6,618,705	$ 5,828,543
Projected benefit obligation	(5,310,701)	(4,973,915)
Funded status	$ 1,308,004	$ 854,628

The fair value of United Way's defined benefit plan assets at June 30, 2014 and 2013, are as follows:

2014	Level 1	Level 2	Level 3	Total
Equity and fixed income fund of funds	$ -	$ 6,025,673	$ -	$ 6,025,673
General account	-	-	593,032	593,032
Total	$ -	$ 6,025,673	$ 593,032	$ 6,618,705

2013	Level 1	Level 2	Level 3	Total
Equity and fixed income fund of funds	$ -	$ 5,556,436	$ -	$ 5,556,436
General account	-	-	272,107	272,107
Total	$ -	$ 5,556,436	$ 272,107	$ 5,828,543

The following table presents a reconciliation of plan assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30, 2014 and 2013:

	2014	2013
Beginning balance, July 1	$ 272,107	$ 1,103,729
Investment income, net	394,648	1,264,627
Contributions to the account	236,944	240,769
Benefit purchases	(278,326)	(2,300,937)
Plan administrative expenses	(32,341)	(36,081)
Ending balance, June 30	$ 593,032	$ 272,107

(Continued)

6. RETIREMENT PLANS (Continued)

	2014	2013
Composition of plan assets:		
Equity	$ 3,461,022	$ 3,117,730
Fixed income	2,564,651	2,438,706
General account	593,032	272,107
	$ 6,618,705	$ 5,828,543
Accumulated benefit obligation	$ 5,217,002	$ 4,915,920
Accrued pension cost recognized in the statement of financial position	(1,308,004)	(854,628)
Employer contribution	236,944	240,769
Service cost	126,163	118,215
Interest cost	228,661	226,238
Expected return on assets	(449,615)	(490,968)
Recognized actuarial loss	70,779	136,624
Prior service credit	(56,037)	(56,037)
Loss recognized due to settlement	-	533,483
Benefit cost	$ (80,049)	$ 467,555
Unrecognized actuarial loss	$ 960,733	$ 1,153,153
Unrecognized prior service credit	(252,163)	(308,200)
Benefits paid	278,326	2,300,937
Measurement date	June 30, 2014	June 30, 2013
Assumptions used:		
Discount rate	4.15%	4.60%
Rate of compensation levels	3.00%	3.00%
Expected return on plan assets	8.00%	8.00%

In fiscal year 2015, the DB plan is expected to recognize $56,037 of the prior service credit and $36,447 of the actuarial loss.

Estimated future benefit payments:

2015	$ 631,000
2016	234,000
2017	381,000
2018	359,000
2019	513,000
2020-2024	1,361,000

Estimated contributions to the DB plan for the measurement year from July 1, 2014 through June 30, 2015 are approximately $0. When an individual retires, the DB plan purchases an annuity to satisfy the retirement benefit and/or provides a lump sum payment. Lump sum payments only include benefits earned through June 30, 2011.

(Continued)

6. RETIREMENT PLANS (Continued)

The DC plan is a 403(b) retirement plan in which employees of the organization that work at least 1,000 hours per year and have completed one year of service are eligible to participate. Vesting is by month. Employees are vested for a complete month for any hours worked in that month. The plan includes an employer match of employee contributions up to 2% of salary. The match is based on years of service – 50% for less than five years, 100% for less than 10 years, and 200% for ten or more years of service.

Total contributions to the DC plan were $102,066 and $99,964 for the years ended June 30, 2014 and 2013, respectively.

7. RESTRICTED AND BOARD-DESIGNATED FUNDS

A portion of unrestricted net assets has been appropriated by the Board of Directors for the following purposes:

	2014	2013
Philanthropic fund	$ 18,648	$ 372,195
Agency facility maintenance projects	78,989	47,207
Agency capacity funds	155,775	189,289
Agency contingency funds	-	207,002
Internal IT fund	75,000	75,000
Marketing/advertising	-	175,000
Current year campaign	19,312,420	17,513,574
Targeted initiatives fund	2,575,300	2,875,413
Various operating projects	192,413	325,574
	$ 22,408,545	$ 21,780,254

Temporarily restricted net assets are comprised of the following:

	2014	2013
Purpose restrictions:		
United Christmas Service	$ 195,181	$ 235,773
Agency facility maintenance fund	550,218	1,139,272
Agency capital projects	27,660,755	23,246,079
Undistributed Endowment earnings	92,200	29,267
JUMPIn initiative	1,035,024	18,493
Homelessness grants	1,680,668	1,533,880
Childcare ministries	5,327,394	2,381,292
Targeted initiatives fund	1,126,256	550,000
Various grants in progress	1,089,967	1,403,646
Timing restrictions:		
Future years campaign	9,023,583	5,188,327
	$ 47,781,246	$ 35,726,029

(Continued)

7. RESTRICTED AND BOARD-DESIGNATED FUNDS (Continued)

Lilly Endowment, Inc. awards grants to support building projects of United Way agencies. A portion of the investment revenue from these funds is restricted to support other agency projects. The unspent portion of these funds is reflected in the Agency Capital Projects category.

Permanently restricted net assets are comprised of the following:

	2014	2013
Forever Operating Fund	$ 75,064,080	$ 73,809,320
Ellen K. Annala Fund	530,210	520,060
Richard A. West Fund	200,518	200,518
Kellermeyer Fund	6,977	6,977
Jennings Fund	109,260	109,260
William H. Woost Fund	69,775	69,775
Applegate Fund	50,788	-
Memorial Fund	4,669,623	4,597,341
Youth programming	9,264	9,264
	$ 80,710,495	$ 79,322,515

8. ASSETS RELEASED FROM RESTRICTION

	2014	2013
Temporarily restricted assets released to unrestricted assets for:		
Purpose restrictions satisfied:		
Grants and other contributions	$ 10,292,244	$ 9,408,580
Campaign contributions	512,079	-
Timing restrictions satisfied:		
Campaign contributions, net	5,104,702	4,462,951

9. RELATED PARTY TRANSACTIONS

Due to the size and composition of United Way's Board of Directors, United Way inevitably uses the services or purchases products from companies from which there is a board member relationship. Most of these transactions occur in the ordinary course of business at arm's length and involve banking, investments, utilities, and similar activities.

United Way has a conflict of interest policy for decision making documentation for related party transactions. The more significant related party transactions and related amounts paid by United Way during the years ended June 30, 2014 and 2013 are as follows:

- Employee group insurance totaling $1,119,276 and $1,206,382.
- Office support services including mail, internal copying and printing, and office supply management, totaling $229,873 and $213,299.
- Database management services for United Way's Social Asset Vulnerability Indicators (SAVI) program, various research projects, and mail services totaling $489,443 and $322,475.
- Various educational program services provided through Indianapolis Public Schools totaling $435,358 and $470,980.
- Allocations to an agency for which the Director is a member of UWCI's Board of Directors, as a representative of all affiliated agencies, totaling $113,738 and $272,049.

10. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in United Way's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Accounting standards establish a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The fair value of money markets, U.S. treasury bills, mutual funds, and equities is based on quoted prices in active investment markets. (Level 1)

(Continued)

10. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The fair value of certificates of deposit is based on similar investments over the same period at specific rates. Fair values of bonds and U.S. government obligations have inputs that are observable, but not active and are determined by obtaining quoted market prices of similar securities with similar due dates. This valuation method is the market method. The valuation process is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities. (Level 2)

For real estate investment trusts (REITs), hedge funds, and limited partnerships, for which there is no active market, information such as historical and current performance of the underlying assets, cash flow projections, liquidity, credit premiums required by a market participant, and financial trend analysis with respect to the individual fund manager, are utilized in determining individual security valuations. Due to current market conditions as well as the limited trading activity of these securities, the market value of the securities is highly sensitive to assumption changes and market value volatility. For each of these types of investments, management has used the net asset value (NAV) of the fund or partnership to approximate fair value. (Level 3) However, investments with withdrawal restrictions less than 90 days are classified as Level 2. For both levels, the market method is used.

Real estate investment trust: United Way is invested in one real estate investment trust that invests in mezzanine financing for commercial buildings, single family lot developments, and condominium developments. Investments are concentrated in the metropolitan areas of Indiana, Illinois, Ohio, North Carolina, South Dakota, and Florida. The trust was liquidated subsequent to June 30, 2014 and United Way received payment equal to the recorded market value as of June 30, 2014. At June 30, 2014 and 2013, the fair value of United Way's investment in this real estate trust was $85,333 and $54,599, respectively.

Limited partnerships: United Way had an investment in a limited partnership during part of 2013. The partnership engaged in speculative trading of futures and forward currency contracts. United Way liquidated their ownership in the limited partnership in 2013.

Hedge funds: In 2012, United Way held eleven different hedge funds that employed a variety of strategies which included US and global long/short, event-driven funds, non-exchange traded derivatives, corporate debt instruments, convertible bonds, distressed securities and diversified arbitrage. The funds sought to generate positive risk-adjusted returns across a range of market environments. NAV is used to determine the fair value. Managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV.

For holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values. Holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals, and/or the income approach.

Redemptions from these funds may be made monthly, quarterly, or annually with prior notice periods ranging from 45 to 95 days. Investments with withdrawal restrictions 90 days or greater are classified as Level 3.

In 2013, United Way liquidated the eleven hedge funds and invested in a suite of mutual funds. Investments include international and domestic bonds and equities, bank loans, and REITs. Each fund is actively traded.

(Continued)

10. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

Assets Measured on a Recurring Basis

Assets measured at fair value on a recurring basis as of June 30, 2014, are summarized below:

	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total 2014
Money markets	$ 12,043,325	$ -	$ -	$ 12,043,325
Certificates of deposit	-	1,061,365	-	1,061,365
U.S. gov't obligations	-	8,606,404	-	8,606,404
U.S. treasury bills	7,430,712	-	-	7,430,712
Municipal bonds	-	1,759,238	-	1,759,238
Corporate bonds	-	14,767,859	-	14,767,859
Mutual funds:				
Fixed income	6,314,950	-	-	6,314,950
Equity	42,192,516	-	-	42,192,516
International bond	3,803,338	-	-	3,803,338
International equity	4,093,013	-	-	4,093,013
REITs	1,019,249	-	-	1,019,249
Bank loans	1,762,490	-	-	1,762,490
Domestic equity:				
Industrial	953,136	-	-	953,136
Consumer goods	1,134,985	-	-	1,134,985
Financial	253,422	-	-	253,422
Technology	1,423,736	-	-	1,423,736
Telecommunications	225,078	-	-	225,078
Energy & utilities	1,027,576	-	-	1,027,576
Health care	799,668	-	-	799,668
Insurance	202,774	-	-	202,774
International equity	8,866,935	-	-	8,866,935
REIT	-	-	85,333	85,333
Total	$ 93,546,903	$ 26,194,866	$ 85,333	$ 119,827,102

10. <u>FAIR VALUE OF FINANCIAL INSTRUMENTS</u> (Continued)

Assets measured at fair value on a recurring basis as of June 30, 2013, are summarized below:

	Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total 2013
Money markets	$ 11,200,422	$ -	$ -	$ 11,200,422
Certificates of deposit	-	2,422,516	-	2,422,516
U.S. gov't obligations	-	4,363,284	-	4,363,284
U.S. treasury bills	1,232,594	-	-	1,232,594
Municipal bonds	-	1,640,874	-	1,640,874
Corporate bonds	-	7,929,577	-	7,929,577
Mutual funds:				
Fixed income	5,134,185	-	-	5,134,185
Equity	35,278,344	-	-	35,278,344
International bond	3,104,151	-	-	3,104,151
International equity	2,468,720	-	-	2,468,720
REITs	1,005,140	-	-	1,005,140
Bank loans	1,030,927	-	-	1,030,927
Domestic equity:				
Industrial	1,189,242	-	-	1,189,242
Consumer goods	1,142,583	-	-	1,142,583
Financial	401,490	-	-	401,490
Technology	798,463	-	-	798,463
Telecommunications	166,122	-	-	166,122
Energy & utilities	585,238	-	-	585,238
Health care	436,555	-	-	436,555
Insurance	282,134	-	-	282,134
International equity	6,578,459	-	-	6,578,459
REIT	-	-	54,599	54,599
Total	$ 72,034,769	$ 16,356,251	$ 54,599	$ 88,445,619

10. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following table presents a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2014:

	REIT
Beginning balance, July 1, 2013	$ 54,599
Realized loss on sale of investments	(4,583)
Unrealized gain on investments	35,317
Ending balance, June 30, 2014	$ 85,333

The following table presents a reconciliation and income statement classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2013:

	REIT	Hedge fund	Limited partnerships
Beginning balance, July 1, 2012	$ 53,500	$ 1,515,860	$ 2,532,775
Interest	7,378	-	3,279
Realized loss on sale of investments	(74,652)	(235,452)	(19,978)
Unrealized gain (loss) on investments	68,373	704	(55,720)
Withdraws of investments	-	(1,281,112)	(2,460,356)
Ending balance, June 30, 2013	$ 54,599	$ -	$ -

11. ENDOWMENT COMPOSITION

United Way's endowment consists of ten individual donor restricted funds established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law**:** The Board of Directors of United Way has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) 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, United Way 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 the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

(Continued)

11. ENDOWMENT COMPOSITION (Continued)

In accordance with UPMIFA, United Way 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 the investments
6) Other resources of the organization
7) The investment policies of the organization

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (1,079,578)	$ 490,583	$ 80,710,495	$ 80,121,500

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor restricted	$ (8,974,671)	$ 445,983	$ 79,322,515	$ 70,793,827

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	$ (8,974,671)	$ 445,983	$ 79,322,515	$ 70,793,827
Investment return:				
Interest income, net of fees	1,334,209	19,978	180,245	1,534,432
Realized gains	2,488,174	37,259	336,127	2,861,560
Unrealized gains	5,465,708	81,846	738,388	6,285,942
New gifts	-	15,646	133,220	148,866
Appropriation for expenditure	(1,392,998)	(110,129)	-	(1,503,127)
End of year	$ (1,079,578)	$ 490,583	$ 80,710,495	$ 80,121,500

(Continued)

11. ENDOWMENT COMPOSITION (Continued)

Changes in endowment net assets for year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of year	$ (11,209,310)	$ 444,159	$ 75,503,099	$ 64,737,948
Investment return:				
Interest income, net of fees	612,026	10,565	344,655	967,246
Realized gains	1,053,601	18,187	593,322	1,665,110
Unrealized gains	2,398,500	41,404	1,350,684	3,790,588
New gifts	-	2,000	1,530,755	1,532,755
Appropriation for expenditure	(1,829,488)	(70,332)	-	(1,899,820)
End of year	$ (8,974,671)	$ 445,983	$ 79,322,515	$ 70,793,827

Fund 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 UPMIFA requires United Way to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets were $1,079,578 and $8,974,671 as of June 30, 2014 and 2013, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of permanently restricted contributions and continued appropriation for certain programs deemed prudent by the Board of Directors.

Return Objectives and Risk Parameters: United Way has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity, 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 grow the real purchasing power of the principal while providing a growing stream of revenue available for spending. Additionally, there is a donor restriction on the operating fund which requires the purchasing power of the fund's principal balance be maintained by annually adjusting the principal balance for inflation or deflation.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, United Way 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). United Way 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 Objectives Relate to Spending Policy: United Way has a policy of appropriating for distribution each year up to 5% of its endowment fund's average fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, United Way considered the long-term expected return on its endowment. Accordingly, over the long term, United Way expects the current spending policy to allow its endowment to grow over the annual inflation rate to provide additional real growth through investment return in addition to new gifts.

(Continued)

11. ENDOWMENT COMPOSITION (Continued)

The spending policy is used as a guideline and actual allocation amounts are annual decisions that consider current principal balances, undistributed earnings, and current market and economic conditions. Allocations from the operating fund must meet donor imposed restrictions. Those restrictions require the purchasing power of the fund's principal balance be maintained by annually adjusting the principal balance for inflation or deflation. Should the actual principal balance be less than the required amount, the annual allocation amount cannot exceed 2% of the actual principal. If actual principal is less than 80% of the required principal, annual allocations must be reduced to $0 (within three years) until principal is restored.

SUPPLEMENTARY INFORMATION

UNITED WAY OF CENTRAL INDIANA, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended June 30, 2014

Federal Grantor/ Program Title	Federal CFDA Number	Expenditures	Amounts awarded to subrecipients
U.S. Department of Treasury			
Pass-through program: Office of Faith-Based and Community Initiatives			
Indiana's Hardest Hit Fund	21.unk	$ 271,904	$ -
Total U.S. Department of Treasury		271,904	-
U.S. Department of Veteran Affairs			
VA Supportive Services for Veteran Families Program	64.033	1,096,685	1,020,203
Total U.S. Veteran Affairs		1,096,685	1,020,203
U.S. Department of Health and Human Services			
Pass-through program:			
Chafee Foster Care Independence Program	93.674	96,483	67,426
Total U.S. Department of Health and Human Services		96,483	67,426
Corporation for National and Community Service			
Pass-through program: Office of Faith-Based and Community Initiatives:			
Americorps	94.006	190,710	-
Total Corporation for National and Community Service		190,710	-
Grand Total		$ 1,655,782	$ 1,087,629

See accompanying notes to schedule of expenditures of federal awards.

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of United Way of Central Indiana, Inc., for the year ended June 30, 2014, and is presented on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
United Way of Central Indiana, Inc.
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of United Way of Central Indiana, Inc. (United Way), which comprise the consolidated statement of financial position as of June 30, 2014, and the related consolidated statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 20, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered United Way's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the United Way's internal control. Accordingly, we do not express an opinion on the effectiveness of the United Way's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Way's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
October 20, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The Board of Directors
United Way of Central Indiana, Inc.
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program

We have audited United Way of Central Indiana, Inc.'s (United Way) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the United Way's major federal programs for the year ended June 30, 2014. United Way's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of United Way's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about United Way's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of United Way's compliance.

Opinion on Each Major Federal Program

In our opinion, United Way complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

(Continued)

Report on Internal Control over Compliance

Management of United Way is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered United Way's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of United Way's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Crowe Horwath LLP

Crowe Horwath LLP

Indianapolis, Indiana
October 20, 2014

SECTION 1 – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiencies identified not considered to be material weaknesses?	______ Yes	__X__ None reported
Noncompliance material to financial statements noted?	______ Yes	__X__ No

Federal Awards

Internal Control over major programs:		
Material weakness(es) identified?	______ Yes	__X__ No
Significant deficiencies identified not considered to be material weaknesses?	______ Yes	__X__ None reported
Type of auditor's report issued on compliance for major programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	______ Yes	__X__ No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
64.033	VA Supportive Services for Veteran Families Program

Dollar threshold used to distinguish between Type A and Type B programs: $ 300,000

Auditee qualified as low-risk auditee? __X__ Yes ______ No

SECTION 2 - FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS.

None

SECTION 3 – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS INCLUDING AUDIT FINDINGS AS DEFINED IN OMB CIRCULAR A-133 SECTION 510(a).

None

None