# United Way of San Diego County

## Financial Statements
As of and for the Year Ended June 30, 2021
(With Comparative Summarized Financial
Information for the Year Ended June 30, 2020)

The report accompanying these financial statements was issued by BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of BDO International Limited, a UK company limited by guarantee.

# United Way of San Diego County

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As of and for the Year Ended June 30, 2021
(With Comparative Summarized Financial Information for the
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# United Way of San Diego County

## Contents

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**Independent Auditor's Report**

The Board of Directors and Audit Committee
United Way of San Diego County
San Diego, California

### *Opinion*

We have audited the financial statements United Way of San Diego County ("the Organization"), which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of June 30, 2021, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but

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is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***Other Matter***

*Report on Summarized Comparative Information*

We have previously audited the 2020 financial statements of United Way of San Diego County, and we expressed an unmodified opinion on those audited financial statements in our report dated November 3, 2020. The summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

San Diego, California
October 27, 2021

# Financial Statements

# United Way of San Diego County

## Statements of Financial Position
## (Comparative Totals as of June 30, 2020)

| *June 30,* | | 2021 | | 2020 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | $ | **4,169,147** | $ | 4,473,107 |
| Restricted cash | | **327,779** | | 173,252 |
| Investments, at fair value | | **8,518,892** | | 6,758,986 |
| Pledges receivable, net | | **1,180,665** | | 1,640,805 |
| Accounts receivable | | **2,033** | | 4,271 |
| Grants receivable | | **276,682** | | 351,352 |
| Prepaid expenses and other assets | | **97,546** | | 89,074 |
| Land, building and equipment, net | | **1,145,850** | | 1,120,824 |
| **Total assets** | $ | **15,718,594** | $ | 14,611,671 |
| **Liabilities and Net Assets** | | | | |
| **Liabilities** | | | | |
| Accounts payable and accrued expenses | $ | **534,491** | $ | 530,923 |
| Paycheck Protection Plan loan | | **379,408** | | 375,000 |
| Designations payable | | **552,405** | | 713,139 |
| Grants payable | | **475,807** | | 287,529 |
| Contract liabilities | | **-** | | 734,168 |
| **Total liabilities** | | **1,942,111** | | 2,640,759 |
| **Net assets** | | | | |
| Without donor restrictions | | **13,633,886** | | 11,626,881 |
| With donor restrictions | | **142,597** | | 344,031 |
| **Total net assets** | | **13,776,483** | | 11,970,912 |
| Total liabilities and net assets | $ | **15,718,594** | $ | 14,611,671 |

*See accompanying notes to financial statements.*

# United Way of San Diego County

## Statement of Activities and Changes in Net Assets
### (With Comparative Totals for the Year Ended June 30, 2020)

| *Year ended June 30,* | Without Donor Restrictions | With Donor Restrictions | **Total 2021** | Total 2020 |
|---|---|---|---|---|
| **Revenue, Gains, and Other Support** | | | | |
| Campaign results | | | | |
| Current campaign year | $ 5,468,923 | $ 23,550 | **$ 5,492,473** | $ 6,362,254 |
| Prior campaign year | 263,956 | - | **263,956** | 262,016 |
| Gross campaign results | 5,732,879 | 23,550 | **5,756,429** | 6,624,270 |
| Less designated campaign results | (2,408,165) | - | **(2,408,165)** | (3,114,160) |
| Campaign revenue | 3,324,714 | 23,550 | **3,348,264** | 3,510,110 |
| Less provision for uncollectible pledges | (220,127) | - | **(220,127)** | (67,978) |
| Net campaign results | 3,104,587 | 23,550 | **3,128,137** | 3,442,132 |
| **Other** | | | | |
| Contributions | 369,540 | 524,974 | **894,514** | 2,136,044 |
| Contract and grant revenue | 1,235,404 | - | **1,235,404** | 2,375,261 |
| Investment return, net | 1,990,042 | - | **1,990,042** | 207,970 |
| Rent and miscellaneous income | 184,246 | - | **184,246** | 165,106 |
| Service fees | 104,649 | - | **104,649** | 140,009 |
| Designations from other United Way organizations | 132,240 | - | **132,240** | 97,194 |
| In-kind contributions | 102,006 | - | **102,006** | 49,946 |
| Assets released from restrictions | 749,958 | (749,958) | **-** | - |
| Total other | 4,868,085 | (224,984) | **4,643,101** | 5,171,530 |
| Total revenue, gains, and other support | 7,972,672 | (201,434) | **7,771,238** | 8,613,662 |
| **Expenses** | | | | |
| Program services | 3,705,989 | - | **3,705,989** | 5,858,525 |
| Supporting services | | | | |
| Fundraising | 954,597 | - | **954,597** | 1,437,879 |
| Organizational administration | 1,305,081 | - | **1,305,081** | 1,206,889 |
| Total supporting services | 2,259,678 | - | **2,259,678** | 2,644,768 |
| Total expenses | 5,965,667 | - | **5,965,667** | 8,503,293 |
| Change in net assets | 2,007,005 | (201,434) | **1,805,571** | 110,369 |
| **Net assets**, beginning of year | 11,626,881 | 344,031 | **11,970,912** | 11,860,543 |
| **Net assets**, end of year | $ 13,633,886 | $ 142,597 | **$ 13,776,483** | $ 11,970,912 |

*See accompanying notes to financial statements*

# United Way of San Diego County

## Statement of Functional Expenses

### (With Comparative Totals for the Year Ended June 30, 2020)

| Year ended June 30, | Program Services | Supporting Services: Fundraising | Supporting Services: Management and General | **Total 2021** | Total 2020 |
|---|---|---|---|---|---|
| Salaries and related expenses | $ 1,646,814 | $ 542,679 | $ 984,377 | **$ 3,173,870** | $ 3,434,963 |
| Professional fees | 46,318 | 215,427 | 131,270 | **393,015** | 657,375 |
| Grants | 60,206 | - | - | **60,206** | 1,169,255 |
| Subcontractors | 1,303,242 | - | - | **1,303,242** | 2,161,517 |
| Occupancy | 203,986 | 19,503 | 32,000 | **255,489** | 268,020 |
| Dues and subscriptions | 64,352 | 41,966 | 30,204 | **136,522** | 123,967 |
| Supplies, meetings, and miscellaneous | 77,648 | 2,240 | 14,072 | **93,960** | 179,392 |
| Printing, publications and postage | 45,590 | 8,255 | 2,132 | **55,977** | 71,032 |
| Equipment and technology | 52,957 | 26,633 | 43,704 | **123,294** | 115,781 |
| Public relations, marketing and communication | 69,112 | 35,386 | 375 | **104,873** | 110,412 |
| In-kind goods and services | 102,006 | - | - | **102,006** | 49,946 |
| Insurance | 15,968 | 2,429 | 34,130 | **52,527** | 46,235 |
| Banking and other fees | 17,790 | 22,346 | 32,817 | **72,953** | 95,676 |
| Events | - | 37,733 | - | **37,733** | 19,722 |
| **Total expenses** | $ 3,705,989 | $ 954,597 | $ 1,305,081 | **$ 5,965,667** | $ 8,503,293 |

*See accompanying notes to financial statements*

# United Way of San Diego County

## Statement of Cash Flows

| *Year ended June 30,* | | **2021** | | 2020 |
|---|---|---|---|---|
| **Cash flows from operating activities:** | | | | |
| Change in net assets | $ | **1,805,571** | $ | 110,369 |
| Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities: | | | | |
| Depreciation | | **80,847** | | 93,151 |
| Loss on disposal of assets | | **6,459** | | - |
| Net realized and unrealized gains on investments | | **(1,861,017)** | | (90,359) |
| Provision for uncollectible pledges receivable | | **220,127** | | 67,978 |
| (Increase) decrease in operating assets: | | | | |
| Pledges receivable | | **240,013** | | 217,249 |
| Accounts receivable | | **2,237** | | (1,636) |
| Grants receivable | | **74,670** | | (48,374) |
| Prepaid expenses and other assets | | **(8,472)** | | (32,917) |
| (Decrease) increase in operating liabilities: | | | | |
| Accounts payable and accrued expenses | | **7,973** | | 67,826 |
| Amounts due to others, designations, and other payables | | **27,544** | | (239,466) |
| Contract liabilities | | **(734,168)** | | 734,168 |
| Net cash (used in) provided by operating activities | | **(138,214)** | | 877,989 |
| **Cash flows from investing activities:** | | | | |
| Purchases of investments | | **(1,199,851)** | | (1,438,353) |
| Proceeds from sales and maturities of investments | | **1,300,963** | | 1,595,245 |
| Purchases of fixed assets | | **(112,331)** | | (170,007) |
| Net cash used in investing activities | | **(11,219)** | | (13,115) |
| **Cash flows from financing activities:** | | | | |
| Net proceeds of Paycheck Protection Program loan | | **-** | | 375,000 |
| Net cash provided by financing activities | | **-** | | 375,000 |
| **Net change in cash, cash equivalents and restricted cash** | | **(149,433)** | | 1,239,874 |
| **Cash, cash equivalents and restricted cash, beginning of year** | | **4,646,359** | | 3,406,485 |
| **Cash, cash equivalents and restricted cash, end of year** | $ | **4,496,926** | $ | 4,646,359 |
| **Cash, cash equivalents and restricted cash consists of the following:** | | | | |
| Cash and cash equivalents | $ | **4,169,147** | $ | 4,473,107 |
| Restricted cash | | **327,779** | | 173,252 |
| | $ | **4,496,926** | $ | 4,646,359 |
| **Supplemental cash flow information** | | | | |
| Cash payments for interest | $ | **-** | $ | - |

*See accompanying notes to financial statements*

## 1. Description of Organization and Summary of Significant Accounting Policies

For over 100 years, United Way of San Diego County ("United Way" or "the Organization") has played a unique role, convening people, organizations, and resources together to spark breakthrough community action that elevates every child and family toward a brighter future.

We work in partnership to align goals, leverage resources and expertise to resolve inequities and transform the lives of children, young adults and families.

From cradle to career, United Way works to close the achievement gap so kids can succeed in school and in life. We partner with schools, businesses and community agencies to support children outside the classroom so they can be successful inside the classroom. The specific milestones, identified by the community that we support, are: early childhood success, youth success and family stability.

As we look at the key benchmarks of early childhood success and youth success, we know that we must also provide support so that families are financially stable, emotionally healthy and engaged. We are all connected and interdependent; our community now and into the future thrives when a child succeeds in school and finds a college or career pathway and when neighbors are financially stable. Our goal is to create long-lasting changes in our region's most pressing problems by addressing the underlying causes.

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

United Way provides monetary and non-monetary support in the following areas:

***Convening and Facilitation:***

In partnership with others, United Way's role is the convener of our collaborative efforts with the following success metrics:

- Convene collaborations to align goals and leverage resources
- Provide facilitation services for the collaborations, including data and evaluation, communication and continuous improvement
- Provide support to jointly fund and sustain the collaborative efforts

***Cradle to Career education:***

Early Childhood Success – Kindergarten Readiness: We, in partnership with others, measure kindergarten readiness across our portfolio along six metrics:

- Increased participation in quality preschool programs
- Increased developmental readiness for kindergarten
- Increased social-emotional readiness for kindergarten
- Improved parenting skills
- Increased family engagement
- Increased family stability and self-sufficiency

Early Childhood Success - Early Grade Literacy – Ending Chronic Absenteeism/Ending Summer Slide: We, in partnership with others, measure early grade literacy along three metrics:

- Increased reading proficiency by third grade
- Increased early grade attendance
- Increased family engagement

Youth Success - College or Career Readiness - We, partnership with others, measure college or career readiness along four metrics:

- Increased number of students graduating with A-G requirements
- Increased number of work-based learning opportunities for students
- Increase number of corporate partners engaged in youth career development
- Number of students hired as interns in critical need areas for business

***Family Stability:***

Earned Income Tax Credit (EITC) – We, partnership with others, measure family stability across several metrics:

- Increased percentage of families demonstrating increased stability and self-sufficiency
- Increased use of free tax preparation services and increased returns of the Earned Income Tax Credit
- Increased ability of families to understand and access resources and services in their community
- Increased system level alignment between providers and across sectors

Census 2020 (2019-2020 only) – We, in partnership with others, measured success using the following metric:

- Achieved a higher percentage of the hard to count populations who complete the U.S. Census in 2020 as compared to 2010.

Workers Assistance Initiative (2020 only) – We measured impact across several metrics:

- Number of people helped, and dollars distributed to assist those impacted by layoffs and reduced work hours from the COVID-19 pandemic through food distribution, rent/mortgage assistance, payment of utility bills such as gas and electric.

## 2. Summary of Significant Accounting Policies

***Method of Accounting***

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

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

### *Income Taxes*

United Way is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. United Way currently has no unrelated business income and is not a private foundation; therefore, no provision for income taxes has been made.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all the positions taken by the Organization in their federal and state exempt organization tax returns are more likely than not to be sustained upon examination. The Organization's returns for fiscal years 2017 and later are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

### *Financial Statement Presentations*

United Way follows the accounting provisions prescribed by Accounting Standards Codification ("ASC") Topic 958, *Not-for-Profit Entities (*"ASC 958). ASC 958 requires, among other things, the recognition of contributions received at fair value, including unconditional promises to give, in the period received. ASC 958 establishes standards for general purpose external financial statements. Focusing on the entity as a whole, ASC 958 requires that all not-for-profit organizations provide a statement of financial position, a statement of activities and changes in net assets and a statement of cash flows and that net assets and changes in net assets be classified as without donor restrictions and with donor restrictions.

- Net assets without donor restrictions represent expendable funds available for operations of United Way, which are not otherwise limited by donor-imposed restrictions. From time to time the Board designates a portion of these net assets for a specific purpose which makes them unavailable for use at management's discretion. See Note 8 for more information on the composition of net assets without donor restrictions.

- Net assets with donor restrictions consist of contributed funds that are subject to specific donor-imposed restrictions contingent upon a specific performance of a future event or a specific passage of time before United Way can spend the funds or are subject to irrevocable donor restrictions, requiring that the assets be maintained in perpetuity, usually for generating investment income to fund current operations. See Note 8 for more information on the composition of net assets with donor restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets are limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction unless use of the related assets are limited by donor-imposed restrictions. Gains and losses on investments and other assets are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Expirations of net assets are reported as being released between the applicable classes of net assets.

### *Fair Value Measurements*

ASC Topic 820, *Fair Value Measurements*, establishes a 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 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC Topic 820 are described as follows:

| *Level Input* | *Input Definition* |
|---|---|
| Level 1 | Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access. |
| Level 2 | Inputs to the valuation methodology include:<br>• Quoted process for similar assets or liabilities in active markets;<br>• Quoted prices for identical or similar assets or liabilities in inactive markets;<br>• Inputs or other than quoted prices that are observable for the asset or liability;<br>• Inputs that are derived principally from or corroborated by observable market data by correlation or other means.<br><br>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.

### *Revenue Recognition*

The Organization follows current US GAAP guidance for revenue recognition, predominantly guidance related to ASC 958, and other applicable provisions for revenue recognition. During the years ended June 30, 2021 and 2020 there was one contract that was within the scope of ASC 606, *Revenue From Contracts With Customers* ("ASC 606" which was adopted on July 1, 2018. The details of transactions are reviewed for appropriate application of the guidance. The Organization evaluates each source of revenue to determine whether the parties to the agreement have exchanged commensurate value for the transfer of resources, in which case, revenue is recognized in accordance with ASC 606. If commensurate value has not been exchanged for resources between the parties to the agreement, the transaction is determined to be a contribution and revenue is recognized in accordance with guidance related to ASC 958. For transactions determined to be contracts with customers, review includes identifying the contract and performance obligations, determining the transaction price and allocating the price to each performance obligation, and recognizing revenue as the performance obligations are met. For transactions determined to be contributions, the transaction review includes determining whether conditions exist that create a barrier that must be fulfilled for revenue to be recognized and whether there are donor restrictions placed on the contribution related to the purpose for which the funds may be used.

**Campaign Results and Contributions** – Contributions received, including unconditional promises to give, are recognized as revenue in the period received or pledged. When the donor specifies the agency that is to receive the donated funds, contributions are recorded as designated campaign results in the statement of activities. Contributions with specific donor-imposed restrictions are reported as revenue with donor restrictions, depending on the nature of the restriction.

**Contributed Goods and Personal Services** – Contributed goods are reflected as contributions in the accompanying financial statements at their estimated fair value. Contributed goods and services in the amount of $102,006 and $49,946 are reflected in the statement of activities for the years ended June 30, 2021 and 2020, respectively.

No amounts have been included in the accompanying financial statements for services contributed by campaign volunteers since such services do not require specialized skills that are provided by individuals possessing those skills and would otherwise need to be purchased. Nevertheless, a substantial number of volunteers from the San Diego area donated their time to United Way.

**Service Fees** – United Way recognizes service fee revenue when designated pledges are received.

**Contract and Grant Revenue -** United Way derives its contract revenues from providing services to other organizations and government agencies which, depending on the unique nature of the contract, may fall within the scope of ASC 958 or ASC 606.

The following table disaggregates United Way's contract revenue based on the timing of satisfaction of performance obligations for the years ended June 30:

| | | **2021** | | 2020 |
|---|---|---|---|---|
| Performance obligations satisfied at a point in time | **$** | **35,971** | $ | 154,197 |
| Performance obligations satisfied over time | | **1,047,841** | | 2,110,470 |
| Total contract revenue within the scope of ASC 606 | **$** | **1,083,812** | $ | 2,264,667 |

The timing of revenue recognition, invoicing and cash collections results in billed accounts receivable and unbilled receivables (contract assets), which are classified as grants receivable in the accompanying statement of financial position, and contract liabilities (deferred revenue). Customers are invoiced in accordance with agreed-upon contractual terms, typically at periodic intervals or upon achievement of contract milestones.

Contract assets and contract liabilities were as follows for the year ended June 30:

| | | **2021** | | 2020 |
|---|---|---|---|---|
| Receivable | **$** | **-** | $ | 22,399 |
| Contract assets | **$** | **-** | $ | 105,890 |
| Contract liabilities | **$** | **-** | $ | 734,168 |

### *Receivables*

Pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Discounts to present value are computed using risk adjusted rates applicable in the years in which those promises are made.

An allowance for estimated uncollectible receivables is based on experience and an analysis of current receivable balances. Receivables deemed uncollectible are recorded against the allowance in the year deemed uncollectible. The Organization estimated the allowance for uncollectible receivables based on undesignated receivables only. No estimated allowance for uncollectible receivables for designated receivables or corresponding reduction in designated expense has been recorded. At June 30, 2021 and 2020, the allowance for uncollectible pledges receivable was $248,726 and $242,800, respectively. At June 30, 2021 and 2020, no allowance for uncollectible accounts for grants receivable was established as United Way believes all amounts are collectible.

### *Cash and Cash Equivalents*

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

United Way is required to maintain a separate bank account for contributions related to the San Diego Gas and Electric Neighbor to Neighbor Fund to comply with monthly reporting requirements. These amounts are reflected as restricted cash in the accompanying statement of financial position.

### *Investments*

United Way values its investments at fair value. Realized and unrealized gains and losses are reflected in the accompanying statement of activities net of investment fees.

### *Land, Building, and Equipment*

Land, building, and equipment which exceed $5,000 are recorded at cost. Donated assets are recorded at estimated fair value at the date of donation. Depreciation is calculated on the straight-line basis using lives of 31.5 years for building and improvements, 10 years for furniture and equipment, and 3 years for computer equipment. Maintenance and repair costs are charged to expense as incurred.

### *Impairment of Long-Lived Assets*

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

### *Functional Allocation of Expenses*

The costs of providing the various programs and other activities have been summarized by functional and natural classification in the statement of functional expenses. Expenses directly attributable to a specific functional area of United Way are reported as expenses of those functional areas. A portion of these expenses that benefit multiple functional areas (indirect costs) have been allocated across Programs and Supporting Services based on estimates of full-time employees and square footage equivalents versus the total organization equivalents.

### *Use of Estimates*

The preparation of financial statements in conformity with US 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.

### *Advertising Expenses*

Advertising costs are expensed as incurred. During the years ended June 30, 2021 and 2020 advertising costs were approximately $75,701 and $66,864, respectively, and are reported as public relations, marketing and communication expenses in the accompanying statement of functional expenses.

### *Litigation*

In the normal course of business, the Organization is occasionally named as a defendant in various claims. It is the opinion of management that the outcome of any pending claims will not materially affect the operation or the financial position of the Organization.

### *Reclassification*

Certain reclassifications have been made to the 2020 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

### *Concentration of Credit Risk*

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

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

### *Comparative Totals*

The June 30, 2020 financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with United Way's financial statements for the year ended June 30, 2020, from which the summarized information was derived.

### *Recent Accounting Pronouncements*

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Organization is in the process of evaluating the impact of adoption on its financial statements.

In September 2020, the FASB issued ASU no. 2020-07, *Update*. The new standard was issued to provide transparency on how contributed nonfinancial assets (also referred to as gifts-in-kind) received by nonprofits are to be used and how they are valued. The AU states that contributed nonfinancial assets be presented as a separate item in the statement of activities apart from contributions of cash and other financial assets. The ASU also outlines specific disclosures that must be made regarding the contributed nonfinancial assets. The new standard is effective for fiscal years beginning after June 15, 2021, early adoption is permitted. The organization is in the process of evaluating the impact of adoption on its financial statements.

### *COVID-19*

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Impacts to the Organization include a decrease in restricted contribution revenue and operating expenses related to pandemic relief programs. Management is actively monitoring the global situation and its impact on its financial condition, liquidity, general operations, programs, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of general operations, financial condition, or liquidity for fiscal year 2022.

Although the Organization cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on the Organization's results of future operations, financial position, and liquidity in fiscal year 2022 and beyond.

### *CARES Act*

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property.

The CARES Act also appropriated funds for the U.S. Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. The Organization has applied for and received funding in the amount of $375,000 under this program during the fiscal year. The application for these funds required the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Organization. This certification further required the Organization to take into account its current operational activity and its ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the Organization. The receipt of these funds, and the forgiveness of the loan attendant to these funds, is dependent on the Organization having initially qualified for the loan and qualifying for the forgiveness of such loan based on its future adherence to the forgiveness criteria. In July 2021, the Organization received forgiveness of the PPP loan of $375,000 plus accrued interest of $4,408. The Organization will recognize the $379,408 as other income in fiscal year 2022.

## 3. Investments

Investments consist of amounts that are without donor restrictions and with donor restrictions. Investments are maintained at Charles Schwab and San Diego Foundation ("SDF"). Amounts without donor restrictions have been designated by the Board of Directors for various uses.

The following tables present investments categorized according to the fair value hierarchy as of June 30:

| | 2021 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Short-term investments:** | | | | |
| Large cap equities | $ 3,073,682 | $ - | $ - | $3,073,682 |
| Small/mid cap equities | 318,825 | - | - | 318,825 |
| International securities | 1,738,686 | - | - | 1,738,686 |
| Emerging markets equity | 23,049 | - | - | 23,049 |
| Alternative investments | 98,934 | - | - | 98,934 |
| Fixed income | 1,757,368 | - | - | 1,757,368 |
| Real Estate | 283,012 | - | - | 283,012 |
| **Long-term investments:** | | | | |
| Pooled fund held by San Diego Foundation | - | - | 1,225,336 | 1,225,336 |
| | $ 7,293,556 | $ - | $ 1,225,336 | $8,518,892 |

| | 2020 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| **Short-term investments:** | | | | |
| Large cap equities | $ 2,428,858 | $ - | $ - | $2,428,858 |
| Small/mid cap equities | 305,188 | - | - | 305,188 |
| International securities | 1,496,151 | - | - | 1,496,151 |
| Emerging markets equity | 17,158 | - | - | 17,158 |
| Fixed income | 1,271,172 | - | - | 1,271,172 |
| Real estate | 252,407 | - | - | 252,407 |
| **Long-term investments:** | | | | |
| Pooled fund held by San Diego Foundation | - | | 988,052 | 988,052 |
| | $ 5,770,934 | $ - | $ 988,052 | $6,758,986 |

Investment return for the years ended June 30, consist of:

| | **2021** | 2020 |
|---|---|---|
| Unrealized gain on investments | **$ 1,617,706** | $ 75,625 |
| Dividends and interest | **165,739** | 151,374 |
| Realized gains losses on investments | **243,311** | 14,732 |
| Investment fees | **(36,714)** | (33,761) |
| Total investment return, net | **$ 1,990,042** | $ 207,970 |

The approximate allocation of the pooled funds held by San Diego Foundation as of June 30, were:

| | **2021** | 2020 |
|---|---|---|
| Alternative investments | 32% | 24% |
| Domestic fixed income | 14% | 17% |
| Real estate | 6% | 6% |
| International fixed income | 0% | 2% |
| Global equity | 48% | 49% |
| Commodities | 0 | 2% |
| Total pooled fund allocation | **100%** | 100% |

The following table presents changes in the fair value of level 3 investments for the years ended June 30:

| | **2021** | 2020 |
|---|---|---|
| Beginning balance | **$ 988,052** | $ 1,023,843 |
| Net realized and unrealized gains | **287,335** | 13,747 |
| Appropriation for endowment assets for expenditure (including fees) | **(50,051)** | (49,538) |
| Ending balance | **$ 1,225,336** | $ 988,052 |

United Way has Board of Directors designated and donor designated endowment funds with San Diego Foundation established for its benefit that has irrevocable designations of the income. United Way does not have access to the principal. SDF has variance power over the funds. SDF makes distributions from the endowment funds in accordance with agreements, less administrative fees, with any excess amounts remaining at SDF. Additionally, United Way has a board designated endowment fund with Charles Schwab. See Note 9 for further information relating to endowment funds.

## 4. Pledges Receivable

Pledges receivable at June 30:

| | 2021 | 2020 |
|---|---|---|
| Due in less than one year | $ 1,429,391 | $ 1,883,605 |
| Less: allowance for uncollectible pledges | (248,726) | (242,800) |
| Total pledges receivable, net | $ 1,180,665 | $ 1,640,805 |

## 5. Land, Building, and Equipment

Land, building, and equipment at June 30:

| | 2021 | 2020 |
|---|---|---|
| Building and improvements | $ 2,737,612 | $ 2,663,519 |
| Land | 718,121 | 718,121 |
| Computer equipment | 60,563 | 246,646 |
| Work in progress | 43,003 | 36,367 |
| | 3,559,299 | 3,664,653 |
| Less: accumulated depreciation | (2,413,449) | (2,543,829) |
| Land, building, and equipment, net | $ 1,145,850 | $ 1,120,824 |

Depreciation expense for the years ended June 30, 2021 and 2020 was $80,847 and $93,151, respectively.

## 6. Leases

Certain non-cancelable leases for equipment are accounted for as operating leases. Rental expense for operating leases (except those with lease terms of a month or less that were not renewed) was $31,692 and $17,592 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of June 30, 2021 are as follows:

| *Years ending* | |
|---|---|
| 2022 | $ 36,593 |
| 2023 | 21,734 |
| 2024 | 5,357 |
| Total | $ 63,684 |

## 7. Debt

***Line of Credit***

During the year ended June 30, 2021, United Way held an unsecured financing agreement with a commercial bank that expires April 15, 2022 and permits borrowings up to $1,000,000 at a variable rate of interest equal to the prime rate, which was 3.25% as of June 30, 2021, with a floor of 3 percent, collateralized by substantially all assets, excluding real property. At June 30, 2021 and 2020, the balance was $0. United Way maintained a zero balance for 365 consecutive days during the fiscal year.

***Paycheck Protection Plan Loan***

As discussed in detail in Note 2 United Way secured a $375,000 loan under the Paycheck Protection Plan ("PPP") authorized by the CARES Act, on May 2, 2020. The loan was originally scheduled to mature in May 2025 and bore interest at 1% per annum. Under the terms of the CARES Act, recipients of loans under the PPP can apply for and be granted forgiveness for all or a portion of such loan granted under the PPP. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payment of payroll costs and certain other eligible costs. In December 2020, the Organization applied for forgiveness of the PPP loan for the entire principal balance and accrued interest and received notice that the documentation has been reviewed by the lending institution and is pending approval by the SBA. No payments of principal or interest were required or made prior to forgiveness. Mentioned in footnote 12, Subsequent Events, the Organization received forgiveness in July 2021 of the PPP loan of $375,000 plus accrued interest of $4,408. The Organization will recognize the $379,408 as other income in fiscal year 2022.

## 8. Net Assets

Net assets without donor restrictions at June 30, consist of:

| | **2021** | 2020 |
|---|---|---|
| Board designated for endowment | **$ 8,482,558** | $ 6,753,635 |
| Undesignated | **3,968,479** | 3,690,793 |
| Designated for program support | **36,999** | 61,629 |
| Land, building, and equipment | **1,145,850** | 1,120,824 |
| Total without donor restrictions | **$ 13,633,886** | $ 11,626,881 |

***Board Designated for Endowment***

United Way's Board has designated funds to be set aside to establish and maintain a quasi-endowment for the purpose of securing United Way's long-term financial viability and continuing to meet the needs of the Organization.

Net assets with donor restrictions at June 30, consist of:

| | | 2021 | | 2020 |
|---|---|---|---|---|
| Grants | $ | **48,771** | $ | 91,031 |
| Emergency Assistance Program | | **-** | | 89,960 |
| Workers Assistance Initiative | | **47,162** | | 116,376 |
| Endowment – Charles Schwab | | **4,580** | | 4,580 |
| Endowment – San Diego Foundation | | **42,084** | | 42,084 |
| Total with donor restrictions | $ | **142,597** | $ | 344,031 |

## 9. Endowments

The United Way endowment consists of two individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence of donor-imposed restrictions.

The Board of Directors of United Way acknowledge the board-designated endowment or quasi-endowment funds invested to provide income for a long but unspecified period are not donor restricted and are classified as net assets without donor restrictions.

The Board of Directors of United Way has interpreted the enacted version of 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 net assets with donor restrictions (1) the original value of gifts donated to the permanent endowment (2) the original value of subsequent gifts donated to the permanent endowment (3) 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. 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 United Way 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 the organization
7. The investment policies of United Way

United Way has adopted investment and spending policies for endowment funds that:

1. Protect the invested assets
2. Preserve spending capacity of the fund income
3. Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
4. Comply with applicable laws

United Way's board-designated endowment funds are invested in debt and other securities that are structured 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's spending policy for board-designated endowments is to disburse funds available to meet the current program needs of the organization. The annual distribution shall be an amount equal to 4% of the average quarterly fair market value of the Endowment as valued on the last business day of each of the preceding twelve (12) quarters. These calculations are made on a monthly basis. If the market value of the endowment principal of any fund, at the end of each month, is less than the initial value of all contributions made to the endowment principal, then distributions will be limited to interest and dividends received. No distributions may be made that would invade the initial value of the Endowment, indexed for inflation from the date of inception. The initial value of the Endowment was $577,716 on March 31, 1998. At its discretion, the Board may elect to distribute an amount different from the spending policy, from $0 to the entire unrestricted balance.

The beneficial interest endowment funds of United Way are held by SDF. SDF manages the funds in accordance with the UPMIFA. SDF has variance power over the funds. SDF's objective is to maintain the purchasing power (real value) of the endowment funds. However, from time to time, the fair value of the assets in the endowment fund may fall below the level that the donors require United Way to retain as a fund of perpetual duration.

SDF has adopted investment and spending policies for endowment funds that:

1. Protect the invested assets
2. Preserve spending capacity of the fund income
3. Maintain a diversified portfolio of assets that meet investment return objectives while keeping risk at a level commensurate with that of the median fund in comparable foundations
4. Comply with applicable laws

SDF's endowment funds are invested in a "Balanced Pool" portfolio, which is structured for long-term total return. To provide diversification and to moderate risk, the investments are divided into carefully defined asset classes. Funding available for each asset classification is invested by professional money managers hired by SDF through a competitive process. The investment performance of each money manager is monitored by an independent consultant hired by SDF.

SDF's spending policy is to disburse 5% annually, based upon the endowment principal market value over the last 36 months. These calculations are made on a monthly basis. If the market value of the endowment principal of any fund, at the end of each month, is less than the initial value of all contributions made to the endowment principal, then distributions will be limited to interest and dividends received.

Changes in endowment net asset at June 30:

| | 2021 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | $ 6,753,635 | $ 46,664 | $ 6,800,299 |
| Investment return: | | | |
| Investment income | 165,739 | - | 165,739 |
| Net realized and unrealized gain | 1,861,017 | - | 1,861,018 |
| Total investment return | 2,026,756 | - | 2,026,757 |
| Appropriation of endowment assets for expenditure | (297,833) | - | (297,833) |
| Endowment net assets, end of year | $ 8,482,558 | $ 46,664 | $ 8,529,222 |

| | 2020 | | |
|---|---|---|---|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of year | $ 6,833,033 | $ 46,664 | $ 6,879,697 |
| Investment return: | | | |
| Investment income | 151,374 | - | 151,374 |
| Net realized and unrealized gain | 90,358 | - | 90,358 |
| Total investment return | 241,732 | - | 241,732 |
| Appropriation of endowment assets for expenditure | (321,130) | - | (321,130) |
| Endowment net assets, end of year | $ 6,753,635 | $ 46,664 | $ 6,800,299 |

## 10. Liquidity and Availability of Resources

United Way's financial assets available within one year of the statements of financial position date for general expenditures are as follows:

| *June 30,* | | 2021 |
|---|---|---|
| Cash and cash equivalents | $ | 4,169,147 |
| Pledges receivable, net | | 1,180,665 |
| Accounts receivable | | 2,033 |
| Grants receivable | | 276,682 |
| Investments | | 8,518,892 |
| Total financial assets available within one year | | 14,147,419 |
| **Less:** | | |
| Due to designated agencies | | (552,405) |
| Restricted by donors with purpose restrictions | | (142,597) |
| Funds held by San Diego Foundation | | (1,225,336) |
| Total amounts unavailable for general expenditures within one year | | (1,920,338) |
| **Amounts unavailable to management without Board's approval** | | |
| Board designated for endowment | | (7,293,556) |
| Total financial assets available to management for general expenditures within one year | $ | 4,633,525 |

United Way maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due. United Way has an established reserve policy used to manage current and future liquidity needs.

United Way has a Board designated endowment that, while it does not intend to spend for general expenditures, could be made available for current operations. Additionally, to help manage unanticipated liquidity needs, United Way has a committed line of credit of $1,000,000, which could draw upon if needed, to fund general expenditures.

## 11. Related Party Transactions

During the years ended June 30, 2021 and 2020, United Way had business transactions totaling $86,216 and $80,198, respectively; with firms or agencies whose executives or family members are serving or served some portion of the year as a member of United Way's Board of Directors, sub-committee or advisory council; or with an organization for which a United Way management member is serving on a board or committee.

## 12. Subsequent Events

Management has evaluated subsequent events through October 27, 2021 which is the date the financial statements were available for issuance.

### *Paycheck Protection Plan*

In July 2021, the Organization received forgiveness of the PPP loan of $375,000 plus accrued interest of $4,408. The Organization will recognize the $379,408 as other income in fiscal year 2022.

### *Employee Retention Credit*

The Consolidated Appropriations Act 2021 enacted by the U.S. federal government during December 2020, includes a credit for employer's payroll taxes for 70% of the first $10,000 of wages for employees where there is a qualified impact on the business due to the COVID-19 pandemic. In the first quarter of fiscal year 2022, the Organization qualified for a credit in the amount of $238,434 which will be used to fund payroll expenses in the quarter received.