

Audited Financial Statements



**United Way
of San Diego County**

*As of and for the Year Ended June 30, 2024
(With summarized comparative information
as of and for the year ended June 30, 2023)*

UNITED WAY OF SAN DIEGO COUNTY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of San Diego County

Opinion

We have audited the accompanying financial statements of United Way of San Diego County (the "Organization"), which comprise the statement of financial position as of June 30, 2024, 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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 Organization'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 Organization'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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

HASKELL & WHITE LLP

Irvine California
November 5, 2024

UNITED WAY OF SAN DIEGO COUNTY

Statement of Financial Position

As of June 30, 2024

(With summarized financial information as of June 30, 2023)

	<u>2024</u>	<u>2023</u>
ASSETS		
Assets		
Cash and cash equivalents	\$ 3,561,185	\$ 3,877,466
Restricted cash	487,812	4,563,018
Investments (Note 3)	9,787,214	9,199,921
Pledges receivable, net (Note 4)	614,877	797,340
Grants and accounts receivable	271,922	255,509
Prepaid expenses and other assets	93,518	89,790
Property and equipment, net (Note 5)	1,433,728	1,521,637
Right-of-use assets, operating leases (Note 6)	46,770	-
Right-of-use assets, finance lease (Note 6)	179,034	-
	<u>179,034</u>	<u>-</u>
Total assets	<u><u>\$ 16,476,060</u></u>	<u><u>\$ 20,304,681</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 418,415	\$ 527,451
Designations payable	362,193	526,653
Grants payable	1,348,214	5,032,319
Loan payable (Note 7)	164,847	173,383
Operating lease liabilities (Note 6)	46,770	-
	<u>46,770</u>	<u>-</u>
Total liabilities	<u>2,340,439</u>	<u>6,259,806</u>
Commitments and contingencies (Notes 6 and 7)		
Net assets (Note 8)		
Net assets without donor restriction	13,941,114	13,617,375
Net assets with donor restriction	194,507	427,500
	<u>194,507</u>	<u>427,500</u>
Total net assets	<u>14,135,621</u>	<u>14,044,875</u>
Total liabilities and net assets	<u><u>\$ 16,476,060</u></u>	<u><u>\$ 20,304,681</u></u>

See accompanying notes to the financial statements and independent auditors' report.

UNITED WAY OF SAN DIEGO COUNTY

Statement of Activities For the Year Ended June 30, 2024

(With summarized financial information for the year ended June 30, 2023)

	Without Donor Restriction	With Donor Restriction	Total 2024	Total 2023
Revenue, gains, and other support				
Campaign results:				
Current campaign year	\$ 2,946,149	\$ -	\$ 2,946,149	\$ 3,502,867
Prior campaign year	11,349	-	11,349	32,166
Gross campaign results	2,957,498	-	2,957,498	3,535,033
Less: Designated campaign results	(1,177,582)	-	(1,177,582)	(1,411,682)
Campaign revenue	1,779,916	-	1,779,916	2,123,351
Less: Provision for uncollectible pledges	(100,724)	-	(100,724)	(66,372)
Net campaign results	1,679,192	-	1,679,192	2,056,979
Contributions	726,329	1,364,548	2,090,877	2,130,491
Contract and grant revenue	-	-	-	11,666
Investment gains, net	1,022,057	-	1,022,057	818,316
Rent and miscellaneous income	248,751	-	248,751	206,228
Service fees	381,032	-	381,032	153,069
Designations from other United Way organizations	106,046	-	106,046	111,588
In-kind contributions	83,810	-	83,810	18,469
Net assets released from restrictions	1,597,541	(1,597,541)	-	-
Total other	4,165,566	(232,993)	3,932,573	3,449,827
Total revenue, gains, and other support	5,844,758	(232,993)	5,611,765	5,506,806
Expenses				
Program services	3,185,590	-	3,185,590	2,622,459
Supporting activities:				
Fundraising	982,379	-	982,379	1,022,157
Management and general	1,353,050	-	1,353,050	1,345,948
Total supporting activities	2,335,429	-	2,335,429	2,368,105
Total expenses	5,521,019	-	5,521,019	4,990,564
Change in net assets	323,739	(232,993)	90,746	516,242
Net assets				
Net assets, beginning of year	13,617,375	427,500	14,044,875	13,528,633
Net assets, end of year	\$ 13,941,114	\$ 194,507	\$ 14,135,621	\$ 14,044,875

See accompanying notes to the financial statements and independent auditors' report.

UNITED WAY OF SAN DIEGO COUNTY

Statement of Functional Expenses For the Year Ended June 30, 2024

(With summarized financial information for the year ended June 30, 2023)

		Supporting Activities			
	Program Services	Fundraising	Management and General	Total 2024	Total 2023
Salaries and related expenses	\$ 1,514,781	\$ 706,612	\$ 1,008,655	\$ 3,230,048	\$ 2,955,129
Subcontractors	819,175	-	-	819,175	640,076
Professional fees	140,141	98,800	123,559	362,500	317,555
Supplies, meetings, and miscellaneous	189,824	5,921	26,736	222,481	211,552
Occupancy	150,526	24,049	41,749	216,324	259,346
Public relations, marketing and communication	141,014	32,205	8,601	181,820	162,955
Equipment and technology	77,593	30,640	39,372	147,605	140,934
Dues and subscriptions	34,574	40,718	14,117	89,409	100,541
Banking and other fees	14,652	23,634	41,738	80,024	70,589
Grants	66,600	-	-	66,600	25,000
Printing, publications and postage	10,398	5,485	46,292	62,175	36,084
Insurance	18,976	3,236	2,231	24,443	57,552
Events	7,336	11,079	-	18,415	13,251
Total expenses	<u>\$ 3,185,590</u>	<u>\$ 982,379</u>	<u>\$ 1,353,050</u>	<u>\$ 5,521,019</u>	<u>\$ 4,990,564</u>

See accompanying notes to the financial statements and independent auditors' report.

UNITED WAY OF SAN DIEGO COUNTY

Statement of Cash Flows For The Year Ended June 30, 2024

(With summarized financial information for the year ended June 30, 2023)

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ 90,746	\$ 516,242
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	81,089	77,954
Amortization of right-of-use assets (operating leases)	16,793	-
Amortization of right-of-use asset (finance lease)	6,169	-
Loss on disposal of property and equipment	-	13,510
Net realized and unrealized gains on investments	(661,720)	(564,567)
Provision for uncollectible pledges receivable	100,724	66,372
Change in operating assets and liabilities:		
Pledges receivable	81,738	215,925
Grants and accounts receivable	(16,414)	252,378
Prepaid expenses and other assets	(3,727)	(4,517)
Account payable and accrued liabilities	(109,036)	60,186
Designations payable	(164,459)	(44,812)
Grants payable	(3,684,104)	4,025,088
Operating lease liabilities	(16,793)	-
Net cash (used in) provided by operating activities	<u>(4,278,994)</u>	<u>4,613,759</u>
Cash flows from investing activities		
Purchases of investments	(991,902)	(2,843,528)
Proceeds from sales and maturities of investments	1,066,329	1,498,774
Purchase of property and equipment	(178,384)	(149,773)
Net cash used in investing activities	<u>(103,957)</u>	<u>(1,494,527)</u>
Cash flows from financing activities		
Repayments of loan payable	(8,536)	-
Net cash used in financing activities	<u>(8,536)</u>	<u>-</u>
Net change in cash, cash equivalents, and restricted cash	<u>(4,391,487)</u>	<u>3,119,232</u>
Cash, cash equivalents, and restricted cash - beginning of year	<u>8,440,484</u>	<u>5,321,252</u>
Cash, cash equivalents, and restricted cash - end of year	<u><u>\$ 4,048,997</u></u>	<u><u>\$ 8,440,484</u></u>
Supplemental disclosures:		
Disposal of fully depreciated property and equipment	<u>\$ 23,076</u>	<u>\$ -</u>
Capitalization of right-of-use assets and operating lease liabilities	<u>\$ 63,563</u>	<u>\$ -</u>
Purchase of equipment with loan payable	<u>\$ -</u>	<u>\$ 161,342</u>
Interest paid	<u><u>\$ 3,466</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the financial statements and independent auditors' report.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements For The Year Ended June 30, 2024

1. Organization and Mission

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.

At United Way of San Diego County, we are your partner to ensure children, young adults and families have the resources they need to achieve educational success and financial stability.

From cradle to career, United Way works to close the achievement gap so kids can succeed in school and in life. We work in partnership with schools, businesses, parents, students, 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 education and economic mobility.

As we look at the key benchmarks of educational 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 in education and economic mobility 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 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

Education:

Early Childhood Success - Early Grade Literacy. We, in partnership with others, measure early grade literacy along four metrics:

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

1. Organization and Mission (continued)

Education (continued):

- Increased reading proficiency by third grade
- Increased early grade attendance
- Increased family engagement
- Increased family stability and self-sufficiency (economic mobility)

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

- Increased number of work-based learning opportunities for students, especially around STEAM careers
- Increased number of corporate partners engaged in youth career development

Economic Mobility:

Earned Income Tax Credit (EITC) - We, in partnership with others, measure family economic mobility across several metrics:

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

SparkPoint – We, in partnership with others, provide financial literacy and coaching programs between 6 and 12 months to assist individuals and families in their ability to:

- Increase income
- Increase savings
- Increase credit score
- Decrease debt

BankOn – We lead the coalition in partnership with community providers and financial institutions to ensure individuals and families understand the benefits of and the services provided by financial institutions. We endeavor to reach those who are unbanked and underbanked to improve their effective use of financial institutions. Our objective is to improve availability of appropriate low-cost, low-fee transactional bank accounts without overdraft fees that meet the BankOn National Account Standards.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

2. Summary of Significant Accounting Policies

Basis of Accounting

The Organization's 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), which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

United Way also 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*.

Basis of Presentation

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 and requires that net assets and changes in net assets be classified as without donor restrictions or 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.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

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

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 in the accompanying financial statements.

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

Fair Value

GAAP defines fair value as the price that an entity would receive to sell an asset, or pay to transfer a liability, in an orderly transaction between market participants at the measurement date. GAAP also establishes a framework for measuring fair value and a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. Inputs may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset or liability.

Observable inputs reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances.

The three-tier hierarchy of inputs is summarized below. Fair value levels are based upon the observability of the inputs which are significant to the overall valuation.

Level 1 - inputs are quoted prices in active markets.

Level 2 - inputs are observable, directly or indirectly.

Level 3 - inputs are unobservable and reflect assumptions of the reporting entity.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

2. Summary of Significant Accounting Policies (continued)

Fair Value (continued)

The Organization invests in various securities (Note 3) that are exposed to various risks, such as interest rate, market, and credit risks. Because of the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Revenue Recognition

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, *Revenue from Contracts with Customers*. 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, *Not-for-Profit Entities*. For transactions determined to be contracts with customers and within the scope of ASC 606, management's evaluation 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 and within the scope of ASC 958, management determines 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 or the timing for which the funds may be used.

Campaign Results and Contributions – Contributions received, including unconditional promises to give, are recognized in the period received or pledged. When the donor specifies another 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. Contributions with donor restrictions that are received and whose restrictions are satisfied in the same year as related funds are expended are reported as contributions without donor restrictions in the accompanying financial statements. Conditional promises to give are not recognized until related conditions have been substantially met.

Contributed Goods and Services – Contributed goods and services are reflected as contributions in the accompanying financial statements at their estimated fair value. Contributed goods and services in the amount of \$83,810 are reflected in the statement of activities for the year ended June 30, 2024 (\$18,469 for the year ended June 30, 2023).

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

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 or when designations payable are distributed depending on the terms of the agreement. Other service fees are recognized as revenue upon completion of the contracted service.

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

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. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

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. No estimated allowance for uncollectible designated receivables or corresponding reduction in designated expense has been recorded. At June 30, 2024 and 2023, the allowance for uncollectible pledges receivable was \$158,244 and \$142,743, respectively.

At June 30, 2024 and 2023, no allowance for uncollectible grants receivable was established, as management believes all amounts are collectible.

Cash and Cash Equivalents

The Organization considers cash equivalents to be highly liquid investments with maturities of three months or less when acquired.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

2. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued)

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. As the Organization's usage of these amounts has been restricted by the resource provider, these amounts are reflected as restricted cash in the accompanying statement of financial position.

Investments

United Way presents its investments at fair value. For investments with readily determinable fair values, fair value is determined using the closing prices of securities traded on any global stock exchange. For investments that do not have readily determinable fair values, including the Organization's investment in pooled funds managed by the San Diego Foundation ("SDF"), the Organization utilizes a practical expedient to estimate fair value as the net asset value ("NAV") per share, or its equivalent. The NAV provided by SDF is determined by the related fund manager using valuation policies and techniques applied to the underlying investments. Interest, dividends, realized and unrealized gains and losses are reflected in the accompanying statement of activities net of investment fees.

Property and Equipment, net

Property and equipment that exceed \$5,000 are carried at cost. Donated assets are recorded at estimated fair value at the date of donation. Depreciation is calculated on the straight-line basis over an estimated useful life of 31.5 years for building and improvements, 10 years for furniture and equipment, and three 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. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized during the years ended June 30, 2024 and 2023.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

2. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expenses

The cost of providing various programs and supporting activities has been summarized on a functional basis in the accompanying statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions, including payroll costs, have been allocated among the various functions benefited using a consistently applied reasonable allocation method that rely on estimates made by management. The basis on which costs are allocated are evaluated by management annually.

Advertising Expenses

Advertising costs are expensed as incurred. During the years ended June 30, 2024 and 2023, advertising costs were \$58,573 and \$64,759, respectively, and are reported as public relations, marketing and communication expenses in the accompanying statement of functional expenses.

Loss Contingencies

In the normal course of business, the Organization is occasionally named as a defendant in various claims. If the potential loss from any dispute or legal claim is considered probable and the amount can be estimated, the Organization accrues a liability for the estimated loss. It is the opinion of management that the outcome of any pending claims will not materially affect the operations or the financial position of the Organization.

Concentration of Credit Risk

United Way maintains cash and cash equivalents in bank deposit and other financial institution accounts which may 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 rate, 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.

During the years ended June 30, 2024 and 2023, 11.6% and 10.3%, respectively, of the Organization's contributions were made by one donor. Receivables from this party represented 17.2% and 18.5%, respectively, of net receivables as of June 30, 2024 and 2023.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

2. Summary of Significant Accounting Policies (continued)

Recent Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*, with subsequent improvements issued in ASU 2018-19, that requires credit losses on most financial assets be measured at amortized cost and certain other instruments, including trade receivables, be measured using an expected credit loss model. Further, the ASU makes certain targeted amendments to the existing impairment model for available-for-sale debt securities. For nonpublic entities, including not-for-profit entities, the amendments are effective for fiscal years beginning after December 15, 2022. The Organization adopted this ASU for fiscal year ended June 30, 2024 with no significant impact.

Reclassifications

Certain reclassifications have been made to the 2023 financial statement presentation to correspond to the current year's presentation. Net assets and changes in net assets are unchanged due to these reclassifications.

Comparative Information

The accompanying 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 GAAP. Accordingly, such information should be read in conjunction with United Way's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

3. Investments

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

The following table presents investments categorized according to the fair value hierarchy or the NAV practical expedient as of June 30, 2024:

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

3. Investments (continued)

	Level 1	Level 2	Level 3	NAV	Total
Short-term investments:					
Large cap equities	\$ 2,350,551	\$ -	\$ -	\$ -	\$ 2,350,551
Small/mid cap equities	418,255	-	-	-	418,255
International securities	1,768,776	-	-	-	1,768,776
Fixed income	1,499,427	-	-	-	1,499,427
Financial interval funds	-	-	-	510,472	510,472
Real estate interval fund	-	-	-	338,344	338,344
Hedged equity fund	-	-	-	211,745	211,745
Treasury bills	-	1,488,022	-	-	1,488,022
Long-term investments:					
Pooled fund held by SDF	-	-	-	1,201,622	1,201,622
	<u>\$ 6,037,009</u>	<u>\$ 1,488,022</u>	<u>\$ -</u>	<u>\$ 2,262,183</u>	<u>\$ 9,787,214</u>

The following table presents investments categorized according to the fair value hierarchy or the NAV practical expedient as of June 30, 2023:

	Level 1	Level 2	Level 3	NAV	Total
Short-term investments:					
Large cap equities	\$2,094,983	\$ -	\$ -	\$ -	\$2,094,983
Small/mid cap equities	307,343	-	-	-	307,343
International securities	1,885,558	-	-	-	1,885,558
Fixed income	1,321,017	-	-	-	1,321,017
Natural resources ETFs	-	-	-	123,297	123,297
Financial interval funds	-	-	-	325,407	325,407
Real estate interval fund	-	-	-	316,280	316,280
Hedged equity fund	-	-	-	198,613	198,613
Treasury bills	-	1,469,490	-	-	1,469,490
Long-term investments:					
Pooled fund held by SDF	-	-	-	1,157,933	1,157,933
	<u>\$ 5,608,901</u>	<u>\$ 1,469,490</u>	<u>\$ -</u>	<u>\$ 2,121,530</u>	<u>\$ 9,199,921</u>

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

3. Investments (continued)

Investment returns consist of the following for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Unrealized gain on investments, net	\$ 606,097	\$ 645,766
Dividends and interest	399,205	289,526
Realized gain (loss) on investments, net	55,623	(81,199)
Investment fees	<u>(38,868)</u>	<u>(35,777)</u>
Total investment returns, net	<u>\$ 1,022,057</u>	<u>\$ 818,316</u>

The approximate allocation of the pooled funds held by SDF as of June 30, were:

	<u>2024</u>	<u>2023</u>
Alternative investments	37%	37%
Domestic fixed income	10%	10%
Real estate	8%	8%
Global equity	<u>45%</u>	<u>45%</u>
Total pooled fund allocation	<u>100%</u>	<u>100%</u>

United Way has Board of Directors-designated and donor-designated endowment funds with SDF established for its benefit that have irrevocable designations of the related 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, net

Pledges receivable, net, consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Due in less than one year	\$ 773,121	\$ 940,083
Less: allowance for uncollectible pledges	<u>(158,244)</u>	<u>(142,743)</u>
Total pledges receivable, net	<u>\$ 614,877</u>	<u>\$ 797,340</u>

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

5. Property and Equipment, net

Property and equipment, net consist of the following as of June 30:

	<u>2024</u>	<u>2023</u>
Furniture and equipment	\$ 119,494	\$ 111,499
Land	718,121	718,121
Building and tenant improvements	<u>3,089,234</u>	<u>2,949,540</u>
	3,926,849	3,779,160
Less: accumulated depreciation	<u>(2,544,023)</u>	<u>(2,486,012)</u>
Work in progress	<u>50,902</u>	<u>228,489</u>
	<u>\$ 1,433,728</u>	<u>\$ 1,521,637</u>

Depreciation expense for the years ended June 30, 2024 and 2023, was \$81,089 and \$77,954, respectively. During the year ended June 30, 2024, the Organization disposed of property and equipment with a gross carrying value of \$23,076 and related accumulated depreciation of \$23,076. For year ended June 30, 2023, work in progress was mainly comprised of a solar panel project (Note 7).

6. Commitments

Leases

The Organization leases certain office equipment under non-cancelable agreements that require monthly payments through 2027. Such contracts may be extended or replaced during the ordinary course of business. Total rent expense under all such agreements amounted to \$22,278 and \$22,953 for the years ended June 30, 2024 and 2023, respectively. The Organization is also a party to service agreements through 2026.

As of June 30, 2024, future minimum payments under non-cancelable operating lease and service agreements as well as a finance lease recorded as a loan payable are as follows:

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

6. Commitments (continued)

Leases (continued)

<u>Year Ending June 30,</u>	<u>Operating</u>	<u>Finance</u>	<u>Total</u>
2025	\$ 22,713	\$ 20,574	\$ 43,287
2026	22,713	20,574	43,287
2027	3,787	20,574	24,361
2028	-	20,574	20,574
2029	-	20,574	20,574
Thereafter	-	90,869	90,869
Total lease payments	<u>49,213</u>	<u>193,739</u>	<u>242,952</u>
Less: imputed interest	<u>(2,443)</u>	<u>(28,892)</u>	<u>(31,335)</u>
Present value of future lease payments	<u>\$ 46,770</u>	<u>\$ 164,847</u>	<u>\$ 211,617</u>
Weighted-average remaining lease term	2.17 years		
Weighted-average discount rate	4.57%		

Defined Contribution Plan

The Organization is the sponsor of the United Way of San Diego County 401(k) Plan (the “Plan”), a safe harbor plan design that requires the Organization to make a matching contribution equal to 100% of participant salary deferrals that do not exceed 3% of compensation, plus 50% of participant salary deferrals between 3% and 5% of compensation. The safe harbor matching contribution is 100% vested and totaled \$91,004 for the year ended June 30, 2024.

7. Debt

Solar Power Agreement

The Organization is a party to the Second Amendment and Restatement of Solar Power Agreement (the “SPA”) that provides the Organization host a solar system for a period of 20 years and pay a deposit of \$207,097. The Organization will receive specified energy production in exchange for annual reductions in the deposit of \$10,354. The Organization has the option to terminate the SPA at the end of the sixth year, which would require payment of a termination fee of \$144,967, which would equal the unamortized deposit balance at that time. The Organization also has an option any time after the sixth year to purchase the solar system should the Organization sell its related real estate or should the counterparty to the SPA cease operations.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

7. Debt (Continued)

Solar Power Agreement (continued)

In October 2021, the Organization entered into a loan agreement with an affiliate to the counterparty of the SPA (the “SPA Note”). Under the terms of the SPA Note, the Organization may borrow up to \$178,200 at an annual interest rate of 3.5%. The SPA Note is for a term of 10 years commencing on the commercial operations date of the solar system with payments equal to fully-amortized equal monthly payments of principal and interest. The SPA Note does not contain a prepayment penalty. Concurrently, the Organization was awarded a grant from another affiliate to the counterparty of the SPA in the amount of \$33,713. The purpose of the grant is to support the solar system previously described and unexpended funds are required to be returned. The entire grant amount was recognized as revenue during fiscal year 2023. As of June 30, 2024, the Organization has an outstanding balance of \$164,847 under the SPA Note.

Line of Credit

The Organization has a line of credit with a commercial bank that provides maximum borrowings of \$1,000,000. Interest is calculated based on the prime rate as published in the Wall Street Journal (8.50% as of June 30, 2024), subject to a floor of 3.25%. Borrowings are collateralized by substantially all assets, excluding real property. At June 30, 2024, the outstanding balance was zero. United Way maintained a zero balance throughout both fiscal year 2024 and 2023. The line of credit matures on April 15, 2025.

8. Net Assets

Net assets without donor restrictions at June 30 consist of:

	2024	2023
Board-designated for endowment	\$ 8,262,767	\$ 7,691,126
Undesignated	4,094,620	4,304,795
Designated for program support	150,000	99,817
Property and equipment	1,433,727	1,521,637
Total without donor restrictions	<u>\$ 13,941,114</u>	<u>\$ 13,617,375</u>

United Way’s Board of Directors has designated funds 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.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

8. Net Assets (continued)

Net assets with donor restrictions at June 30 consist of:

	<u>2024</u>	<u>2023</u>
Grants - purpose restricted	\$ 109,942	\$ 341,249
Emergency Assistance Program	37,901	39,587
Endowment - Charles Schwab	4,580	4,580
Endowment - San Diego Foundation	<u>42,084</u>	<u>42,084</u>
Total with donor restrictions	<u>\$ 194,507</u>	<u>\$ 427,500</u>

9. Endowments

The United Way endowment consists of two separate 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 of donor-imposed restrictions.

The Board of Directors of United Way acknowledge the board-designated endowment funds, or quasi-endowment, 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, and (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:

- The duration and preservation of the fund
- The purposes of United Way and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

9. Endowments (continued)

- Other resources of the organization
- The investment policies of United Way

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

- Protect the invested assets
- Preserve spending capacity of the fund income
- 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
- Comply with applicable laws

United Way's board-designated endowment funds are invested in various 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 corpus of the endowment, indexed for inflation from the date of inception. The initial corpus 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 and 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.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

9. Endowments (continued)

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

- Protect the invested assets
- Preserve spending capacity of the fund income
- 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
- 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 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 assets at June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,691,125	\$ 46,664	\$ 7,737,789
Investment return:			
Investment income	323,658	-	323,658
Net realized and unrealized gain	661,720	-	661,720
Total investment return	985,378	-	985,378
Appropriation of endowment assets for expenditure	(413,736)	-	(413,736)
Endowment net assets, end of year	\$ 8,262,767	\$ 46,664	\$ 8,309,431

Included in investments in the Organization's statement of financial position as of June 30, 2024, are investments in United States Treasury securities of \$1,477,782.

UNITED WAY OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

9. Endowments (continued)

Changes in endowment net assets at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 7,261,909	\$ 46,664	\$ 7,308,573
Investment return:			
Investment income	249,827	-	249,827
Net realized and unrealized gain	564,567	-	564,567
Total investment return	814,394	-	814,394
Appropriation of endowment assets for expenditure	(385,178)	-	(385,178)
Endowment net assets, end of year	<u>\$ 7,691,125</u>	<u>\$ 46,664</u>	<u>\$ 7,737,789</u>

10. Liquidity and Availability of Resources

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

Cash and cash equivalents	\$ 3,561,185
Pledges receivable, net	614,877
Grants and accounts receivable	271,922
Investments	<u>9,787,214</u>
Total financial assets available within one year	14,235,198
Less:	
Due to designated agencies	(362,193)
Restricted by donors with purpose restrictions	(194,507)
Funds held by San Diego Foundation	<u>(1,201,622)</u>
Total amounts unavailable for general expenditures within one year	(1,758,322)
Amounts unavailable to management without Board's approval - Board-designated for endowment	<u>(7,097,570)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,379,306</u>

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 OF SAN DIEGO COUNTY

Notes to Financial Statements (continued) For The Year Ended June 30, 2024

10. Liquidity and Availability of Resources (continued)

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 (Note 8). Additionally, to help manage unanticipated liquidity needs, United Way has an available line of credit of \$1,000,000, which could be drawn upon if needed to fund general expenditures (Note 7).

11. Related Party Transactions

During the years ended June 30, 2024 and 2023, United Way had business transactions totaling \$363,581 and \$291,643, 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 that occurred through November 5, 2024, which is the date the financial statements were available to be issued.