

UNITED WAY OF SANTA CRUZ COUNTY

AUDITED FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
JUNE 30, 2023

(With summarized comparative totals as of and for the year
ended June 30, 2022)



UNITED WAY OF SANTA CRUZ COUNTY
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of Santa Cruz County
Capitola, CA

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of United Way of Santa Cruz County (the "Organization"), a nonprofit organization, which comprise the statement of financial position as of June 30, 2023, 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, 2023, 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. 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 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.

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 is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 02, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Harshmal & Company LLP

San Diego, California
September 22, 2025

FINANCIAL STATEMENTS

UNITED WAY OF SANTA CRUZ COUNTY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023
(With summarized comparative totals as of June 30, 2022)

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,481,016	\$ 581,967
Accounts receivable	631,240	687,574
Pledges receivable	60,206	87,954
Allowance for doubtful accounts	(60,206)	(87,954)
Prepaid expenses	<u>-</u>	<u>11,040</u>
Total current assets	<u>2,112,256</u>	<u>1,280,581</u>
Noncurrent assets:		
Operating lease right-of-use assets, net	14,142	-
Beneficial interest with donor restriction net assets held by others	22,958	64,274
Deposits	<u>5,764</u>	<u>5,280</u>
Total noncurrent assets	<u>42,864</u>	<u>69,554</u>
Total assets	<u>2,155,120</u>	<u>1,350,135</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current liabilities:		
Accounts payable	404,710	221,281
Accrued vacation	119,339	85,778
Allocations payable	51,826	72,733
Designations payable - member and non-member	40,911	133,522
Operating lease liabilities	14,201	-
PPP allocation (related to First 5)	-	52,921
Funds held for others	<u>252,863</u>	<u>-</u>
Total current liabilities	<u>883,850</u>	<u>566,235</u>
Total liabilities	<u>883,850</u>	<u>566,235</u>
NET ASSETS		
Without donor restrictions	341,905	274,136
With donor restrictions	<u>929,365</u>	<u>509,764</u>
Total net assets	<u>1,271,270</u>	<u>783,900</u>
Total liabilities and net assets	<u>\$ 2,155,120</u>	<u>\$ 1,350,135</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF SANTA CRUZ COUNTY
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(With summarized comparative totals for the year ended June 30, 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
REVENUES AND SUPPORTS:				
Campaign support	\$ 487,517	\$ -	\$ 487,517	\$ 406,775
Legacies and bequests	8,048	-	8,048	994
Grants and contracts	2,362,359	2,389,795	4,752,154	2,966,591
Community projects and miscellaneous support	-	-	-	52,750
Foundation grants	-	-	-	50,000
Special fund raising events	6,734	-	6,734	105,745
Donor designations to other organization	3,250	-	3,250	-
Investment income	(37,247)	-	(37,247)	(11,911)
Other income	2,500	-	2,500	44,011
Net assets released from restrictions	<u>1,970,194</u>	<u>(1,970,194)</u>	<u>-</u>	<u>-</u>
Total revenues and supports	<u>4,803,355</u>	<u>419,601</u>	<u>5,222,956</u>	<u>3,614,955</u>
EXPENSES:				
Program services	2,991,673	-	2,991,673	2,879,421
Supporting services	<u>1,743,913</u>	<u>-</u>	<u>1,743,913</u>	<u>545,875</u>
Total expenses	<u>4,735,586</u>	<u>-</u>	<u>4,735,586</u>	<u>3,425,296</u>
Change in net assets	67,769	419,601	487,370	189,659
Net assets, beginning of year	<u>274,136</u>	<u>509,764</u>	<u>783,900</u>	<u>594,241</u>
Net assets, end of year	<u>\$ 341,905</u>	<u>\$ 929,365</u>	<u>\$ 1,271,270</u>	<u>\$ 783,900</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF SANTA CRUZ COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(With summarized comparative totals for the year ended June 30, 2022)

	Programs Services				Supporting Services	
	Programs/ Grants	First 5 of Santa Cruz County	Candle 2 Careers	Total Program Services	Administration	First 5 of Santa Cruz County
Salaries	\$ 437,687	\$ 473,274	\$ 278,039	\$ 1,189,000	\$ 101,145	\$ 401,577
Benefits/payroll taxes	117,254	244,524	60,389	422,167	33,150	182,993
Professional fees	75,988	279,714	24,074	379,776	11,563	11,997
Grant making	227,650	5,000	-	232,650	-	-
Disaster assistance	28,318	-	-	28,318	-	-
Travel, conference, and meetings	9,221	7,878	1,180	18,279	6,598	87
Community engagements and stipends	19,171	382,354	-	401,525	-	320
Program supplies	79,630	19,516	4,871	104,017	5,011	12,561
Occupancy	5,186	6,517	2,067	13,770	908	3,412
Printing/publications/ marketing	31,977	5,117	-	37,094	75	360
Equipment rental and maintenance	4,256	4,208	1,668	10,132	944	1,428
Membership dues	21,979	15,680	5,899	43,558	7,613	11,084
Telephone	5,274	4,824	3,741	13,839	617	2,297
Postage and shipping	1,290	4,225	98	5,613	193	496
Depreciation expenses	-	-	-	-	-	-
Amortization expenses	19,395	27,037	7,729	54,161	3,396	10,095
Operating lease expenses	342	477	137	956	60	178
Advertising cost	-	-	-	-	-	-
Miscellaneous & bad debts	26,846	-	-	26,846	-	(11,531)
Insurance	6,138	1,074	2,760	9,972	1,246	4,546
Total 2023	\$ 1,117,602	\$ 1,481,419	\$ 392,652	\$ 2,991,673	\$ 172,519	\$ 631,900
Total 2022	\$ 1,182,686	\$ 1,696,735	\$ -	\$ 2,879,421	\$ 42,131	\$ 271,314

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF SANTA CRUZ COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(With summarized comparative totals for the year ended June 30, 2022)

	Supporting Services			Total	Total
	Candle 2 Careers	Fundraising Marketing	Total Supporting Services	2023	2022
Salaries	\$ 85,168	\$ 159,096	\$ 746,986	\$ 1,935,986	\$ 1,514,886
Benefits/payroll taxes	41,171	59,501	316,815	738,982	553,599
Professional fees	360,068	7,087	390,715	770,491	258,073
Grant making	8,900	16,500	25,400	258,050	273,169
Disaster assistance	-	-	-	28,318	16,250
Travel, conference, and meetings	9,328	2,979	18,992	37,271	11,174
Community engagements and stipends	30,797	16,460	47,577	449,102	351,184
Program supplies	24,454	11,534	53,560	157,577	152,150
Occupancy	2,288	1,945	8,553	22,323	110,663
Printing/publications/ marketing	21,159	57,310	78,904	115,998	71,117
Equipment rental and maintenance	2,080	1,664	6,116	16,248	11,376
Membership dues	3,964	4,577	27,238	70,796	38,988
Telephone	1,974	1,399	6,287	20,126	28,162
Postage and shipping	46	290	1,025	6,638	4,679
Depreciation expenses	-	-	-	-	28
Amortization expenses	8,555	7,272	29,318	83,479	-
Operating lease expenses	151	129	518	1,474	-
Advertising cost	-	-	-	-	5,008
Miscellaneous & bad debts	-	(11,214)	(22,745)	4,101	16,027
Insurance	330	2,532	8,654	18,626	8,763
Total 2023	<u>\$ 600,433</u>	<u>\$ 339,061</u>	<u>\$ 1,743,913</u>	<u>\$ 4,735,586</u>	
Total 2022	<u>\$ -</u>	<u>\$ 232,430</u>	<u>\$ 545,875</u>		<u>\$ 3,425,296</u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF SANTA CRUZ COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023
(With summarized comparative totals for the year ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 487,370	\$ 189,659
Adjustments to reconcile change in net assets to net cash (used in)/provided by operating activities:		
Changes in beneficial interest in assets held by others	41,316	11,911
Depreciation	-	28
Amortization of right-of-use asset	83,479	-
Bad debt/pledge loss expense	(27,748)	(8,834)
Changes in assets and liabilities:		
Pledges receivable	27,748	93,696
Accounts receivable	56,334	(112,181)
Prepaid expenses	11,040	3,827
Deposits	(484)	-
Accounts payable and accrued vacation	216,990	8,158
Allocations payable	(20,907)	(29,512)
Designations payable - member and non-members	(92,611)	(2,571)
Operating lease liabilities	(83,420)	-
PPP allocation	(52,921)	-
Funds held for others	<u>252,863</u>	<u>-</u>
Net cash provided by operating activities	<u>899,049</u>	<u>154,181</u>
Net change in cash and cash equivalents	899,049	154,181
Cash and cash equivalents, beginning of year	<u>581,967</u>	<u>427,786</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,481,016</u></u>	<u><u>\$ 581,967</u></u>

The accompanying notes are an integral part of these financial statements.

UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 - NAME OF ORGANIZATION

United Way of Santa Cruz County (the "Organization") is a nonprofit charitable relief organization that raises funds primarily from local individuals and businesses and distributes those funds to various social service agencies in Santa Cruz County. The Organization also convenes organizations and individuals to solve community problems and improve the quality of life for the residents of Santa Cruz County. The Organization also includes the operations of the United Way of San Benito County.

The Organization collaborates with First 5 Santa Cruz County under two separate service agreements. Under the direction and supervision of the First 5 Santa Cruz County Commission ("First 5"), the Organization will hire staff or consultants to perform all necessary administrative duties to fulfill the responsibilities of First 5 as outlined in the service agreements.

Community engagement, education, and advocacy are the cornerstones of United Way's work. United Way engages with the community through in house programs that are funded through county contracts, private foundations, and grants. These include critical areas of concern: homelessness, obesity, poverty, youth violence prevention, healthy eating, children's network and others. As the lead organization for these initiatives, United Way plays a critical role in the community, promoting change at all levels of the community.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis 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 (GAAP) as applicable to not-for-profit organizations. Under this method, revenues are recorded when the rights to receive are earned or when services have been provided, and expenditures are recorded when the obligation to pay is incurred.

B. Financial Statement Presentation

The accompanying financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities.

Under the provisions of the Guide, net assets, revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net Assets Without Donor Restrictions: Net assets include those assets over which the Board of Directors (the "Board") has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund plus any net assets designated by the Board for specific purposes. Net assets without donor restrictions currently include the operating fund.

Net assets with Donor Restrictions: Net assets include those assets which are subject to donor restrictions and for which the applicable restriction was not met as of the year end of the current reporting period. Donor restrictions expire when stipulated time restriction ends or purpose restriction is accomplished. With donor restriction net assets are reclassified to without donor net assets and reported in the statement of activities as net assets released from restrictions when the restrictions expire.

UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, cash equivalents include time deposits, certificates of deposit, money market funds, and all highly liquid debt instruments with original maturities of three months or less.

D. Annual Campaign, Pledges Receivable, Designations, and Allowance for Doubtful Accounts

The Organization conducts an annual campaign to raise funds to support various social service agencies in Santa Cruz and San Benito Counties. Pledges received from local individuals and businesses are recorded as revenue and a receivable upon receipt of the pledge, and an allowance is provided for amounts estimated as uncollectible. Included in these pledges are contributions designated by donors for other nonprofit organizations, for which the Organization serves as the primary fiscal agent in the solicitation and distribution of such pledges, net of related administrative fees. These pledges are included in campaign support and are deducted as donor designations to other organizations in the statement of activities to arrive at net campaign support.

Also included in these pledges raised by the Organization are contributions designated for other nonprofit organizations by employee donors of certain companies. These companies distribute the designated funds directly to the other nonprofit organizations, net of related administrative fees. These pledges are also included in campaign support, and are deducted as donor designations paid by others in the Organization's statement of activities to arrive at net campaign support.

The allowance for doubtful accounts for pledges receivable were \$60,206 and \$87,954 as of June 30, 2023, and June 30, 2022, respectively.

E. Beneficial Interest

In connection with an establishment of the endowment fund at The Community Foundation for San Benito County ("CFSBC"), the Organization transferred the endowment fund assets to CFSBC to manage as investments and specified itself as the beneficiary. Thus, the Organization has a beneficial interest in such endowment fund assets. A beneficial interest is defined as a future economic benefit of anticipated further cash flows. The Organization has a beneficial interest in the endowment fund assets of CFSBC.

The CFSBC measures its beneficial interest at fair value on a recurring basis at each financial statement date; accordingly, the Organization reports its beneficial interest in the CFSBC endowment fund assets in the statement of financial position and reports a change in its beneficial interest in the statement of activities.

F. Property and Equipment

All purchased equipment is stated at cost and donated equipment is stated at fair value at the date of the donation for items exceeding \$1,000. During the year ended June 30, 2023, no equipment was donated to the Organization. Major improvements are capitalized and added to property accounts, whereas repairs and maintenance that do not extend the asset's life are expensed as incurred. Depreciation expense is computed on the straight-line method, based on the estimated useful lives of the assets as follows:

<u>Asset class</u>	<u>Estimated useful life</u>
Computer and office equipment	5-7 years
Leasehold improvements	5-10 years

UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

G. Allocations Expenses and Allocations Payable

Allocations are contributions from the Organization to member agencies. Allocations are made from unrestricted support raised by the annual campaign. Member agencies are selected every three years by the governing board, with annual updated financial reports and annual site visits. Unconditional promises to give are reported as an expense upon notification of the promise.

The Organization mails out allocation letters prior to the close of its fiscal year. Accordingly, those allocations are reported as an expense and as allocations payable. The allocations are paid out over the following fiscal year.

H. Donated Services

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Additionally, a substantial number of volunteers donated significant amounts of their time in the Organization's fundraising campaigns.

I. Leases

Effective July 1, 2022, the Organization adopted Accounting Standards Codification 842, Leases ("ASC 842"). We determine if an arrangement contains a lease at inception based on whether or not the Organization has the right to control the asset during the contract period and other facts and circumstances. The Organization leases equipment, which are accounted for as operating leases. These leases have remaining lease terms of up to 0.17 years, inclusive of renewal or termination options that the Organization is reasonably certain to exercise. The Organization determines if an arrangement is a lease at inception and evaluates the lease classification (i.e., operating lease or financing lease) at that time. Lease arrangements with an initial term of 12 months or less are considered short-term leases and are not recorded on the statement of financial position.

Operating leases are included in operating lease right-of-use assets, operating lease liabilities, current portion of operating lease liabilities, and operating lease liabilities, net of current portion on the Organization's statements of financial position. Operating lease right-of-use assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Operating lease right-of-use assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term.

The Organization has no financing leases. The Organization uses risk-free rate on the commencement date for determining the present value of lease payments. The Organization considers the likelihood of exercising options to extend or terminate the lease when determining the lease term.

J. Funds held for others

The Organization has been designated as fiscal agent for Cradle-to-Carrier (C2C). Accordingly, \$252,863 transferred from C2C's County Office of Education account is reported in the statements of financial position as both assets and offsetting current liabilities as of June 30, 2023. These funds are custodial in nature and do not affect the Organization's statements of activities.

K. Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and from California franchise tax under Section 23701d of the Revenue and Taxation Code.

UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

L. Fair Value Measurements

The carrying amount of cash and cash equivalents, pledges receivable approximate fair market value due to short-term maturities of these instruments.

The Organization defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Organization uses a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1: quoted prices in active markets for identical investments.

Level 2: pricing inputs, including broker quotes, are those other than exchange quoted prices inactive markets and are either directly or indirectly observable as of the reporting date in which the fair value is determined through the use of models or other valuation methodologies.

Level 3: pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investments and may require a high level of judgment to determine fair value.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Level 1 assets are based on quoted market prices. Level 2 assets are based on estimated current market inputs for similar financial instruments with comparable terms and credit quality.

The following table presents the assets that are measured at fair value on a recurring basis as of June 30, 2023:

	<u>Assets at Fair Value as of June 30, 2023</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ -	\$ -	\$ -	\$ -
Beneficial interest in assets held by others	-	-	<u>22,958</u>	<u>22,958</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,958</u>	<u>\$ 22,958</u>

Assets measured on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

Balance as of July 01, 2022	\$ 64,274
Addition	3,432
Change in value	(42,592)
Interest and dividend	976
Bank and other charges	(732)
Grant	(2,500)
Interfund gift	<u>100</u>
Balance as of June 30, 2023	<u>\$ 22,958</u>

UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

L. Fair Value Measurements (cont'd)

The following table presents the assets that are measured at fair value on a recurring basis as of June 30, 2022:

	<u>Assets at Fair Value as of June 30, 2022</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ -	\$ -	\$ -	\$ -
Beneficial interest in assets held by others	<u>-</u>	<u>-</u>	<u>64,274</u>	<u>64,274</u>
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,274</u>	<u>\$ 64,274</u>

Assets measured on a recurring basis using significant unobservable inputs (Level 3 inputs) are as follows:

Balance as of July 01, 2021	\$ 76,185
Addition	1,064
Change in value	(13,181)
Interest and dividend	1,063
Bank and other charges	<u>(857)</u>
Balance as of June 30, 2022	<u>\$ 64,274</u>

M. Functional Allocation of Expenses

The majority of expenses can be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among program and supporting services classification based on the average number of full-time employees, the time study allocation method, and on a direct costs basis. This is consistent with the standards for allocation of functional expenses in accordance with United Way Worldwide.

N. Comparative Financial Information

Prior year data has been included where practical for comparison purposes only. The prior year's data does not represent a complete presentation in accordance with generally accepted accounting principles. Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation and to enhance the comparability with the current year's figures.

O. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

P. Accounting Pronouncement

The Financial Accounting Standards Board (FASB) has issued various Accounting Standards Updates (ASU) as Amendments to the FASB Accounting Standards Codification. The summary of the updates is set out below:

In November 2019, the FASB issued ASU 2019-10, Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815): Effective Dates, which delays the effective date of ASU 2016-13 for certain entities.

The new standard is effective for years beginning after December 15, 2022, including interim periods within those years. 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 currently evaluating the impact on its financial statements.

NOTE 3 - CASH AND CASH EQUIVALENTS

Credit Risk: Certain financial deposits potentially subject the Organization to concentrations of credit risk in that these deposits exceed federal deposit insurance limits. These financial deposits consist primarily of cash and cash equivalents. The Organization places its cash and cash equivalents with high-credit, quality financial institutions.

As of June 30, 2023, and 2022, the carrying amount of the Organization's cash deposits were \$1,481,016 and \$581,967 and the bank balances were \$1,812,545 and \$653,369, respectively. The difference between the bank balances and the carrying amounts represents outstanding checks, deposits in transit, and petty cash.

Cash balances held in banks are insured up to \$250,000 by Federal Deposit Insurance Corporation (FDIC). The Organization maintains its cash in bank deposit accounts that at times may exceed insured limits. As of June 30, 2023 and 2022, the Organization was secured and unsecured by FDIC as shown below:

	<u>2023</u>	<u>2022</u>
Deposit with banks	\$ 1,812,545	\$ 653,369
Less: FDIC coverage	<u>(619,693)</u>	<u>(569,694)</u>
Total uninsured balance	<u>\$ 1,192,852</u>	<u>\$ 83,675</u>

NOTE 4 - PREPAID EXPENSES

The Organization's prepaid expenses as of June 30, 2023, and June 30, 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Employee benefits	\$ -	\$ 10,097
Other	<u>-</u>	<u>943</u>
Total	<u>\$ -</u>	<u>\$ 11,040</u>

UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 - PROPERTY AND EQUIPMENT

The Organization's property and equipment and related accumulated depreciation as of June 30, 2023, and June 30, 2022, were as follows:

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 72,355	\$ 72,355
Office equipment	40,641	40,641
Leasehold improvements	<u>16,773</u>	<u>16,773</u>
	129,769	129,769
Less: accumulated depreciation	<u>(129,769)</u>	<u>(129,769)</u>
Property and equipment, net	\$ <u>-</u>	\$ <u>-</u>

Depreciation expenses recognized for the year ended June 30, 2023, and 2022, were \$0 and \$28, respectively.

NOTE 6 - OPERATING LEASE RIGHT-OF-USE ASSETS

The Organization's operating lease right-of-use assets are being amortized over their estimated useful lives as follows:

	<u>2023</u>
Operating lease right-of-use assets	\$ 97,621
Less: accumulated amortization	<u>(83,479)</u>
Total operating lease right-of-use assets, net	\$ <u>14,142</u>

Amortization expense for the year ended June 30, 2023, was \$83,479.

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, 2023, are summarized as follows:

	<u>July 01, 2022</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30, 2023</u>
United Way of San Benito County	\$ 175,802	\$ 223,557	\$ (198,699)	\$ 200,660
C2C	-	1,227,532	(993,551)	233,981
Immunization Coalition	2,503	-	-	2,503
Santa Cruz County	2,100	-	-	2,100
Elevated Youth Balance	-	272,610	(108,640)	163,970
YAN Balance	-	146,560	(145,093)	1,467
211 Balance	228,516	469,890	(417,918)	280,488
STB Balance	22,068	-	(22,068)	-
Cap Balance	14,501	47,125	(40,388)	21,238
Endowment				
UWSC Endowment	21,249	1,709	-	22,958
UWSB Endowment	<u>43,025</u>	<u>812</u>	<u>(43,837)</u>	<u>-</u>
Total	\$ <u>509,764</u>	\$ <u>2,389,795</u>	\$ <u>(1,970,194)</u>	\$ <u>929,365</u>

UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS (CONT'D)

Net assets with donor restrictions as of June 30, 2022, are summarized as follows:

	July 01, 2021	Additions	Releases	June 30, 2022
United Way of San Benito County	\$ 39,026	\$ 136,776	\$ -	\$ 175,802
Immunization Coalition	2,503	-	-	2,503
Santa Cruz County	2,100	-	-	2,100
Kaiser	14,203	-	(14,203)	-
Graniterock	2,605	-	(2,605)	-
Pajaro Valley Community Health Trust	15,000	59,250	(74,250)	-
Sutter	10,000	-	(10,000)	-
211 Balance	-	664,853	(436,337)	228,516
STB Balance	-	36,895	(14,827)	22,068
Cap Balance	-	52,750	(38,249)	14,501
Endowment				
USWC Endowment	21,249	-	-	21,249
UWSB Endowment	43,025	-	-	43,025
Total	<u>\$ 149,711</u>	<u>\$ 950,524</u>	<u>\$ (590,471)</u>	<u>\$ 509,764</u>

NOTE 8 - NET CAMPAIGN SUPPORT

A summary of net campaign support for the years ended June 30 are as follows:

	2023	2022
Annual campaign	\$ 487,517	\$ 406,775
Less: Provision for uncollectible pledges	<u>(15,632)</u>	<u>(3,821)</u>
Net campaign support	<u>\$ 471,885</u>	<u>\$ 402,954</u>

NOTE 9 - DEFERRED COMPENSATION PLAN

United Way sponsors a salary reduction contribution plan (the "Plan") pursuant to Section 403(b) of the Internal Revenue Code, covering substantially all employees. Under the Plan, employees contribute a specified percentage of their salary or a fixed dollar amount. Participants are immediately vested in all contributions to the Plan.

The Organization contributes a percentage of each participant's salary, as approved by the Board. The percentage has historically been 3% to 8%. The Organization also contributes to the 401 (A) plan only for the First 5 staff. Contributions totaling \$97,850 and \$94,266 for the years ended June 30, 2023, and 2022, respectively, were made by the Organization, in addition to elective deferrals made by employees.

UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 - CONCENTRATIONS

Concentration of Grants

The Organization collaborates with First 5 Santa Cruz County, which provides approximately 32% of the Organization's total support and revenue and receives approximately 48% of total support and revenue as grants revenue for the year ended June 30, 2023. The contract with First 5 Santa Cruz County is renewable annually. Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist of checking accounts, money market funds accounts, and accounts and pledges receivable. Credit risk with respect to grants revenue is considered low because a substantial portion is from government agencies. Pledges receivable, which have been shown net of an allowance for uncollectible amounts, are due from corporations, foundations, and individuals located primarily in Santa Cruz County.

NOTE 11 - LEASES LIABILITIES

The tables below present information regarding the Organization's lease assets and liabilities.

Amounts reported in the statements of financial position as of June 30, 2023, were as follows:

	<u>2023</u>
<u>Assets</u>	
Operating lease right-of-use assets, net	\$ <u>14,142</u>
Total lease assets	\$ <u><u>14,142</u></u>
<u>Liabilities</u>	
<u>Short-term</u>	
Operating lease liabilities	\$ <u>14,201</u>
Total lease liabilities	\$ <u><u>14,201</u></u>

The components of lease expense for the year ended June 30, 2023 were as follows:

Operating lease costs (1)	\$ <u>84,953</u>
Total lease costs	\$ <u><u>84,953</u></u>

Other information related to leases as of June 30, 2023 was as follows:

Supplemental cash flow information:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flow from operating leases	\$ 84,894
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ROU assets obtained in exchange for lease obligations:

Operating leases	\$ 97,622
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UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 - LEASES LIABILITIES (CONT'D)

Weighted average remaining lease term:

Operating leases 0.17 years

Weighted average discount rate:

Operating leases 2.798%

(1) Included in lease expenses in the statements of activities.

Maturities of lease liabilities under noncancellable operating leases as of June 30, 2023 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2024	\$ 14,218
Total future lease payments	14,218
Less: interest	<u>(17)</u>
Present value of lease liabilities	<u>\$ 14,201</u>

NOTE 12 - ENDOWMENT FUND

The Organization has established an endowment fund with CFSCC and CFSBC. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Endowment Fund is a with donor restricted net asset for which the principal value was stipulated by donors to be invested in perpetuity, with the earnings available to the Organization's action. Investment of these assets is at the discretion of the CFSCC and CFSBC. For the year ended June 30, 2023, there were no funds held in the CFSBC endowment.

Interpretation of the Relevant Law:

The Board has interpreted the California 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, when reviewing its donor-restricted endowment funds, the Organization considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund, and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The Organization has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Underwater Endowment Funds:

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the value of the original and subsequent donor gift amounts. There were no fund deficiencies as of June 30, 2023, and 2022, respectively.

UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 12 - ENDOWMENT FUND (CONT'D)

Return Objectives and Risk Parameters:

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the Organization must hold in perpetuity. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real rate of return in excess of the spending policy.

Changes in Endowment Net Assets:

Changes in endowment net assets for the year ended June 30, 2023, and 2022 consisted of the following:

	<u>With Donor Restrictions</u>
Endowment net assets, June 30, 2021	\$ 76,185
Addition	1,064
Investment income/(loss)	<u>(12,975)</u>
Endowment net assets, June 30, 2022	64,274
Addition	3,432
Investment income/(loss)	<u>(44,748)</u>
Endowment net assets, June 30, 2023	<u>\$ 22,958</u>

From the above ending balance of endowment, \$22,958 is included in the investment (Note 2 (K)).

NOTE 13 - LIQUIDITY

The following represents the Organization's financial assets as of June, 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,481,016	\$ 581,967
Accounts receivable	631,240	687,574
Pledges receivable	60,206	87,954
Allowance for doubtful accounts	<u>(60,206)</u>	<u>(87,954)</u>
Total financial assets	2,112,256	1,269,541
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	<u>(929,365)</u>	<u>(509,764)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,182,891</u>	<u>\$ 759,777</u>

UNITED WAY OF SANTA CRUZ COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 14 - SUBSEQUENT EVENTS

The management of the Organization has reviewed the results of operations for the period of time from its year ended June 30, 2023, through September 22, 2025, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure.

SUPPLEMENTARY INFORMATION

UNITED WAY OF SANTA CRUZ COUNTY
STATEMENT OF ACTIVITIES DETAIL
FOR THE YEAR ENDED JUNE 30, 2023

<u>Allocations to Partner Programs</u>	<u>Approved Allocations</u>
Women in Philanthropy	\$ <u>21,738</u>
	\$ <u><u>21,738</u></u>