

**UNITED WAY OF SANTA CRUZ COUNTY**

**AUDITED FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2020**

**(with summarized comparative totals as  
of and for the year ended June 30, 2019)**

**HARSHWAL**   
& COMPANY LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**UNITED WAY OF SANTA CRUZ COUNTY**  
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**JUNE 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of United Way of Santa Cruz County (the "Organization", a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Santa Cruz County as of June 30, 2020, 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.

**Other Matters**

*Report on Summarized Comparative Information*

We have previously audited United Way of Santa Cruz County's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 Supplementary Information is fairly stated in all material respects, in relation to the financial statements as a whole.

*Harshmal & Company LLP*

Oakland, California  
July 06, 2021

## **FINANCIAL STATEMENTS**

**UNITED WAY OF SANTA CRUZ COUNTY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020**  
**(Summarized Totals for 2019)**

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents (Note 3)	\$ 357,764	\$ 187,718
Grants and other receivables	850,836	760,875
Pledges receivable (net of allowance for doubtful accounts of \$96,788 and \$96,787)	199,196	179,748
Prepaid expenses (Note 4)	5,369	7,779
Property and equipment, Net (Note 5)	28	1,576
Beneficial interest with donor restriction net assets held by others	69,603	41,503
Deposits	<u>5,280</u>	<u>5,280</u>
Total assets	<u>1,488,076</u>	<u>1,184,479</u>
<b>LIABILITIES</b>		
Accounts payable	480,521	393,885
Accrued expenses	106,221	85,484
Allocations payable	74,425	110,551
Designations payable - member and non-member	176,101	178,266
Deferred rent liability	2,955	20,308
PPP loan	<u>186,278</u>	<u>-</u>
Total liabilities	<u>1,026,501</u>	<u>788,494</u>
<b>NET ASSETS</b>		
Without donor restrictions	355,783	220,203
With donor restrictions (Note 6)	<u>105,792</u>	<u>175,782</u>
Total net assets	<u>461,575</u>	<u>395,985</u>
Total liabilities and net assets	<u>\$ 1,488,076</u>	<u>\$ 1,184,479</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, 2020**  
**(Summarized Totals for 2019)**

	Without Donor Restrictions	With Donor Restrictions	Total 2020	Total 2019
<b><i>SUPPORT AND REVENUES:</i></b>				
Campaign support, net (Note 7)	\$ 430,627	\$ -	\$ 430,627	\$ 402,913
Legacies & Bequests	69,189	-	69,189	-
Grants and contracts	3,023,720	60,400	3,084,120	2,993,672
Community projects and miscellaneous support	103,123	-	103,123	72,616
Foundation grants	42,500	-	42,500	90,000
Special fund raising events	57,826	-	57,826	109,200
Fees for service	375	-	375	75
Investment income	1,290	-	1,290	2,574
Other income	30,855	-	30,855	28,380
Net assets released from restrictions	<u>130,390</u>	<u>(130,390)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>3,889,895</u>	<u>(69,990)</u>	<u>3,819,905</u>	<u>3,699,430</u>
<b><i>EXPENSES:</i></b>				
Program services	2,972,189	-	2,972,189	3,132,371
Supporting services	<u>782,126</u>	<u>-</u>	<u>782,126</u>	<u>518,418</u>
Total expenses	<u>3,754,315</u>	<u>-</u>	<u>3,754,315</u>	<u>3,650,789</u>
Change in net assets	135,580	(69,990)	65,590	48,641
Net assets, beginning of year	<u>220,203</u>	<u>175,782</u>	<u>395,985</u>	<u>347,344</u>
Net assets, end of year	<u>\$ 355,783</u>	<u>\$ 105,792</u>	<u>\$ 461,575</u>	<u>\$ 395,985</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, 2020**  
**(Summarized Totals for 2019)**

	PROGRAMS SERVICES			SUPPORTING SERVICES			Total	Total	
	Programs/ Grants	First 5 of Santa Cruz County	Total Program Services	Administration	First 5 of Santa Cruz County	Fundraising marketing	Total Supporting Services	2020	2019
Salaries	\$ 428,555	\$ 675,890	\$ 1,104,445	\$ 114,209	\$ 152,764	\$ 100,614	\$ 367,587	\$ 1,472,032	\$ 1,388,618
Benefits/Payroll Taxes	114,866	306,349	421,215	44,163	61,481	46,625	152,269	573,484	506,419
Professional fees	103,707	275,107	378,814	8,990	13,385	11,670	34,045	412,859	889,716
Grant Making	147,110	-	147,110	186,278	-	76,500	262,778	409,888	137,651
Travel, conference and meetings	12,496	20,423	32,919	2,479	735	2,038	5,252	38,171	56,524
Community Engagements and Stipends	2,023	491,674	493,697	-	359	-	359	494,056	333,509
Program Supplies	47,757	51,290	99,047	5,908	7,445	2,366	15,719	114,766	93,546
Occupancy	27,298	35,633	62,931	5,598	502	5,300	11,400	74,331	82,526
Printing/Publications/Marketing	45,567	7,254	52,821	-	55	24,260	24,315	77,136	89,063
Equipment rental and maintenance	2,209	7,541	9,750	603	2,271	769	3,643	13,393	15,646
Membership dues	12,025	5,508	17,533	5,221	5,727	4,213	15,161	32,694	25,417
Telephone	8,381	9,654	18,035	1,284	1,772	2,641	5,697	23,732	16,659
Postage and shipping	582	3,076	3,658	474	559	576	1,609	5,267	4,503
Property Fund: Depreciation	851	-	851	325	-	372	697	1,548	1,548
Administrative Offset	126,159	-	126,159	(126,159)	-	-	(126,159)	-	-
Miscellaneous	-	-	-	1,447	1,156	-	2,603	2,603	1,642
Insurance	1,954	1,250	3,204	679	3,442	1,030	5,151	8,355	7,802
<b>Total functional expenses</b>	<b>\$ 1,081,540</b>	<b>\$ 1,890,649</b>	<b>\$ 2,972,189</b>	<b>\$ 251,499</b>	<b>\$ 251,653</b>	<b>\$ 278,974</b>	<b>\$ 782,126</b>	<b>\$ 3,754,315</b>	<b>\$ 3,650,789</b>

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, 2020**  
**(Summarized Totals for 2019)**

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 65,590	\$ 48,641
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	(28,100)	(2,757)
Depreciation	1,548	1,548
Bad debt/ pledge loss expense	11,057	69,652
Changes in assets and liabilities:		
Pledges receivable	(30,505)	28,110
Grants and other receivables	(89,961)	(360,070)
Prepaid expenses	2,410	(3,380)
Accounts payable and accrued expenses	107,373	204,416
Allocations payable	(36,126)	(5,899)
Designations payable - member and non-members	(2,165)	1,758
Deferred rent liability	(17,353)	(15,094)
Deferred exchange transactions	<u>186,278</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>170,046</u>	<u>(33,075)</u>
Net change in cash and cash equivalents	170,046	(33,075)
Cash and cash equivalents, beginning of year	<u>187,718</u>	<u>220,793</u>
Cash and cash equivalents, end of year	<u>\$ 357,764</u>	<u>\$ 187,718</u>

The accompanying notes are an integral part of these financial statements

**UNITED WAY OF SANTA CRUZ COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - NAME OF ORGANIZATION**

The 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 generally accepted accounting principles of the United States ("U.S. GAAP").

***B. Financial Statement Presentation***

The financial statements of the Organization have been presented in accordance with U.S. generally accepted accounting principles ("US GAAP"). The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the "Guide"). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and 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 and Board designated funds.

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 THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

***C. 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.

In December 2019, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets.

As a result of a downturn in the economy, the Organization changed to estimating the allowance based on an analysis of specific donors, taking into consideration the age of past due amounts and an assessment of the donor's ability to pay. This change resulted in a \$96,788 decrease in the change in net assets for the year ended June 30, 2020. The allowance for doubtful accounts for pledge receivable was \$96,788 and \$96,787 at June 30, 2020 and June 30, 2019, respectively.

***E. Beneficial Interest***

In connection with the 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, 2020, no equipment was donated to the Organization. Major improvements are charged to the property accounts, while repairs and maintenance, which do not extend the life of the asset, are expensed in the current year.

UNITED WAY OF SANTA CRUZ COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2020

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

***F. Property and Equipment - Cont'd***

Estimated useful lives are as follows:

Computer and office equipment	5-7 years
Leasehold improvements	5-10 years

Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets.

***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 fund-raising campaigns.

***I. 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.

***J. Fair Value Measurements***

The carrying amount of cash and cash equivalents, pledges, grants and other receivables, and accounts payable 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.

**UNITED WAY OF SANTA CRUZ COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

***J. Fair Value Measurements - Cont'd***

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, 2020:

	<u>Assets at Fair Value as of June 30, 2020</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 86	\$ -	\$ -	\$ 86
Beneficial interest in assets held by others	<u>-</u>	<u>-</u>	<u>69,603</u>	<u>69,603</u>
Total	<u>\$ 86</u>	<u>\$ -</u>	<u>\$ 69,603</u>	<u>\$ 69,689</u>

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

Balance at June 30, 2019	\$ 41,503
Addition	25,000
Change in value	<u>3,100</u>
Balance at June 30, 2020	<u>\$ 69,603</u>

***K. Deferred Rent Liability***

The Organization's lease of their main office space in Capitola, California, provides for a 3% increase in monthly lease payments and triple net charges. The Organization recognizes the related rent expense on a straight-line basis over the life of the lease and records the difference between the expense included in the accompanying statement of activities and the amount recorded as deferred rent liability.

***L. 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.

***M. 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 THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

***N. Summarized Financial Information for Fiscal Year 2019***

The accompanying financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the June 30, 2019 financial statements of United Way of Santa Cruz County, from which the summarized information was derived.

***O. New Accounting Pronouncement***

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal 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. In June 2020, the FASB issued ASU 2020-05, which defers the effective date of ASU 2016-02 one year, making it effective for annual reporting periods beginning after December 15, 2021. The Organization is currently evaluating the impact of its pending adoption of the new standard on its financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which provides that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services by identifying the contract(s) with a customer, identifying the performance obligations in the contract, determining the transaction price, allocating the transaction price to the performance obligations in the contract, and recognizing revenue when (or as) the entity satisfies a performance obligation.

**UNITED WAY OF SANTA CRUZ COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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.

At year-end, the carrying amount of the Organization cash deposits was \$357,764 and the bank balance was \$598,745. The difference between the bank balance and the carrying amount represents reconciling items of \$241,089 and petty cash of \$108.

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. At June 30, 2020 the Organization was secured and unsecured by FDIC as shown below.

	<u>Comerica Bank</u>	<u>Rabo Bank</u>	<u>Santa Cruz County Bank</u>	<u>Community Foundation for San Benito County</u>	<u>Total</u>
Total amounts of deposits	\$ 156,901	\$ 93,846	\$ 347,998	\$ 69,603	\$ 668,348
FDIC coverage	<u>156,901</u>	<u>93,846</u>	<u>250,000</u>	<u>69,603</u>	<u>570,350</u>
Total uninsured balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 97,998</u>	<u>\$ -</u>	<u>\$ 97,998</u>

**NOTE 4 - PREPAID EXPENSES**

Prepaid expenses consisted at June 30, were as follows:

	<u>2020</u>	<u>2019</u>
Employee benefits	\$ 5,042	\$ 7,470
Other	<u>327</u>	<u>309</u>
Total	<u>\$ 5,369</u>	<u>\$ 7,779</u>

**NOTE 5 - PROPERTY AND EQUIPMENT, NET**

Property and equipment consisted at June 30, were as follows:

	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 83,953	\$ 75,903
Office equipment	40,641	40,641
Leasehold improvements	<u>16,773</u>	<u>16,773</u>
	141,367	133,317
Accumulated depreciation	<u>(141,339)</u>	<u>(131,741)</u>
Property and equipment, net	<u>\$ 28</u>	<u>\$ 1,576</u>

Depreciation expense was \$1,548 and \$1,548 for the year ended June 30, 2020 and 2019, respectively.

**UNITED WAY OF SANTA CRUZ COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS**

Donor restricted net assets are available for the following purposes as of June 30, 2020:

	<u>June 30,</u> <u>2019</u>	<u>Additions</u>	<u>Releases</u>	<u>June 30,</u> <u>2020</u>
United Way of San Benito County	\$ 75,446	\$ 40,400	\$ 46,406	\$ 69,440
Immunization Coalition	2,503	-	-	2,503
Smart Path	-	-	-	-
Santa Cruz County	2,100	-	-	2,100
Community Organizing	90,733	-	83,984	6,749
Endowment	<u>5,000</u>	<u>20,000</u>	<u>-</u>	<u>25,000</u>
Total	<u>\$ 175,782</u>	<u>\$ 60,400</u>	<u>\$ 130,390</u>	<u>\$ 105,792</u>

The donor restricted net assets shown above include an amount of \$28,100 which has been invested as part of endowment funds. The board of Organization decided to invest them as part of Board designated endowment funds.

**NOTE 7 - NET CAMPAIGN SUPPORT**

A summary of net campaign support following as of June 30:

	<u>2020</u>	<u>2019</u>
Annual campaign	\$ 630,804	\$ 650,831
Less:	-	-
Donor designation to other organizations	(187,248)	(174,688)
Donor designations paid by others	(1,872)	(3,578)
Provision for uncollectible pledges	<u>(11,057)</u>	<u>(69,652)</u>
Net campaign support	<u>\$ 430,627</u>	<u>\$ 402,913</u>

**NOTE 8 - 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, to the Plan. 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%. Contributions totaling \$84,431 and \$79,856 for the year ended June 30, 2020 and 2019, respectively were made by the Organization, in addition to elective deferrals made by employees.



**UNITED WAY OF SANTA CRUZ COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - CONCENTRATIONS**

***Concentration of Grants***

The Organization collaborates with First 5 Santa Cruz County, who provides approximately 52% of the Organization's total support and revenue and represents approximately 84% of total grants receivable as of June 30, 2020. 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 receivable 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.

***Cash and Cash Equivalents***

The Organization maintains balances in cash and interest-bearing deposit accounts in financial institutions and, from time to time during the year, the cash balances may be in excess of the amount insured by the FDIC. In the event of insolvency by the financial institution, deposits in excess of insured amounts are potentially subject to unrecoverable loss.

**NOTE 10 - LEASE COMMITMENTS**

In September 2010, the Organization entered into a ten years lease for its main office space in Capitola, California, ending August 2020. Monthly lease payments, including triple net charges, were \$5,780 for the year ended June 30, 2020. The agreement provides for a 3% increase in the monthly lease payment and triple net charges beginning in year six and continuing each subsequent year. The Organization also rents one other program facilities on a month-to-month basis. Monthly rent for the facility is \$350.

Rent expense for the year ended June 30, 2020 was \$72,211, including triple net charges.

As of June 30, 2020, the Organization is committed to the following annual minimum lease payments, including triple net charges:

<u>Year ending June 30:</u>	<u>Minimum Payment</u>	<u>Amortization of Straight-Line Deferred Rent (Deferred Liability)</u>	<u>Straight- Line Expense</u>
2021	\$ 13,010	\$ (2,955)	\$ 10,055
	<u>\$ 13,010</u>	<u>\$ (2,955)</u>	<u>\$ 10,055</u>

**NOTE 11 - ADVERTISING COSTS**

Advertising costs are expensed as incurred. Advertising expenses were \$11,456 and \$10,878 for the year ended June 30, 2020 and 2019, respectively.

**UNITED WAY OF SANTA CRUZ COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 12 - ENDOWMENT FUND**

The Organization has established an endowment fund with 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 CFSBC.

**Interpretation of the relevant law:**

The Board has interpreted the California version of the Uniform Prudent Management of Institutional Funds Act 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, 2020.

**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 asset as of June 30, 2020 and 2019 consisted of the following:

	<u>With Donor Restrictions</u>
Endowment net assets, June 30, 2018	\$ 43,746
Investment income	<u>2,757</u>
Endowment net assets, June 30, 2019	46,503
Addition	25,000
Investment income	<u>3,100</u>
Endowment net assets, June 30, 2020	<u>\$ 74,603</u>

From the above ending balance of endowment, \$69,603 is included in the investment (Note 2 (J)).

**UNITED WAY OF SANTA CRUZ COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 13 - LIQUIDITY**

The following represents the Organization’s financial assets at June, 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 357,764	\$ 187,718
Grants and other receivables	850,836	760,875
Pledges receivable	<u>199,196</u>	<u>179,748</u>
Total financial assets	<u>\$ 1,407,796</u>	<u>\$ 1,128,341</u>

The Organization’s goal is to generally maintain financial assets to meet 90 days of operating expenses (approx. \$925,722). As part of its liquidity and investment plan, excess cash is invested in short-term investments - e.g. money market accounts, etc. - while longer term assets are invested in accordance with the Investment policy.

**NOTE 14 - PAYCHECK PROTECTION PROGRAM LOAN**

On April 15, 2020, the Organization received loan proceeds in the amount of \$331,565 under the Paycheck Protection Program (“PPP”), from Santa Cruz County Bank. The PPP, established as part of the Corona Virus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying the Organization for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying the Organization. The loans and accrued interest are forgivable after eight weeks as long as the Borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the Borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1% per year, with a deferral of payments for the first six months. The Organization intends to use the proceeds for purpose consistent with the PPP. While the Organization currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, the Organization has plans in place to do everything necessary to meet the conditions for forgiveness of the loan, in whole or in part.

Since the Organization's covered payroll period was not completed as of June 30, 2020; amount of loan that will be forgiven or payable is uncertain, so as of June 30, 2020, the Organization had not disclosed the future maturities.

**NOTE 15 - SUBSEQUENT EVENTS**

The COVID\_19 pandemic is complex and rapidly evolving. At this point, we cannot reasonably estimate the duration and severity of this pandemic, which could have a material adverse impact on our business, results of operations, financial position and cash flows.

## **SUPPLEMENTARY INFORMATION**

**UNITED WAY OF SANTA CRUZ COUNTY**  
**STATEMENT OF ACTIVITIES DETAIL**  
**FOR THE YEAR ENDED JUNE 30, 2020**

<u>Allocations to partner programs</u>	<u>Approved Allocations</u>
Women in Philanthropy	\$ 24,425
First 5 of Santa Cruz County (PPP)	186,277
Community Foundation	<u>50,000</u>
	<u>\$ 260,702</u>