

**UNITED WAY OF SANTA CRUZ COUNTY**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**(With summarized comparative totals as of and for the year  
ended June 30, 2020)**



**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 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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **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, 2021, 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.

### **Report on Summarized Comparative Information**

We have previously audited United Way of Santa Cruz County's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 6, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Report on Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Statement of Activities Detail on page 19 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.

Harshwal & Company LLP  
Certified Public Accountants

*Harshwal & Company LLP*

Oakland, California  
June 09, 2023

## **FINANCIAL STATEMENTS**

**UNITED WAY OF SANTA CRUZ COUNTY**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2021**  
**(Summarized Totals for 2020)**

	2021	2020
<b>ASSETS</b>		
Cash and cash equivalents	\$ 427,786	\$ 357,764
Grants and other receivables	575,393	850,836
Pledges receivable	181,650	295,984
Allowance for doubtful accounts	(96,788)	(96,788)
Prepaid expenses	14,867	5,369
Property and equipment, Net	28	28
Beneficial interest with donor restriction net assets held by others	76,185	69,603
Deposits	5,280	5,280
Total assets	1,184,401	1,488,076
<b>LIABILITIES</b>		
Accounts payable	206,318	480,521
Accrued expenses	92,583	106,221
Allocations payable	102,245	74,425
Designations payable - member and non-member	136,093	176,101
Deferred rent liability	-	2,955
PPP allocation (related to First 5)	52,921	186,278
Total liabilities	590,160	1,026,501
<b>NET ASSETS</b>		
Without donor restrictions	444,530	355,783
With donor restrictions (Note 6)	149,711	105,792
Total net assets	594,241	461,575
Total liabilities and net assets	\$ 1,184,401	\$ 1,488,076

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, 2021**  
**(Summarized Totals for 2020)**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>	<u>Total 2020</u>
<b><i>SUPPORT AND REVENUES:</i></b>				
Campaign support, net	\$ 364,263	\$ -	\$ 364,263	\$ 430,627
Legacies and bequests	1,500	-	1,500	69,189
Grants and contracts	2,117,073	1,203,857	3,320,930	3,084,120
Community projects and miscellaneous support	59,000	-	59,000	103,123
Foundation grants	1,000	-	1,000	42,500
Special fund raising events	37,410	-	37,410	57,826
Fees for service	-	-	-	375
Investment income	12,166	-	12,166	1,290
Other income	20,672	-	20,672	30,855
Net assets released from restrictions	<u>1,194,069</u>	<u>(1,194,069)</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>3,807,153</u>	<u>9,788</u>	<u>3,816,941</u>	<u>3,819,905</u>
<b><i>EXPENSES:</i></b>				
Program services	3,122,356	-	3,122,356	2,972,189
Supporting services	<u>561,919</u>	<u>-</u>	<u>561,919</u>	<u>782,126</u>
Total expenses	<u>3,684,275</u>	<u>-</u>	<u>3,684,275</u>	<u>3,754,315</u>
Change in net assets	122,878	9,788	132,666	65,590
Net assets, beginning of year	355,783	105,792	461,575	395,985
<i>Restatement</i>	<u>(34,131)</u>	<u>34,131</u>	<u>-</u>	<u>-</u>
Net assets, end of year	<u>\$ 444,530</u>	<u>\$ 149,711</u>	<u>\$ 594,241</u>	<u>\$ 461,575</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, 2021**  
**(Summarized Totals for 2020)**

	PROGRAMS SERVICES			SUPPORTING SERVICES				Total 2021	Total 2020
	Programs/ Grants	First 5 of Santa Cruz County	Total Program Services	Administration	First 5 of Santa Cruz County	Fundraising marketing	Total Supporting Services		
Salaries	\$ 375,570	\$ 694,297	\$ 1,069,867	\$ 114,480	\$ 153,369	\$ 84,943	\$ 352,792	\$ 1,422,659	\$ 1,472,032
Benefits/payroll taxes	85,753	305,066	390,819	32,194	59,759	21,100	113,053	503,872	573,484
Professional fees	82,455	267,350	349,805	8,094	15,646	18,598	42,338	392,143	412,859
Grant making	402,124	-	402,124	-	-	60,000	60,000	462,124	409,888
Disaster assistance	177,474	-	177,474	-	-	-	-	177,474	-
Travel, conference and meetings	1,209	19,111	20,320	154	57	208	419	20,739	38,171
Community engagements and stipends	4,079	329,847	333,926	-	(245)	-	(245)	333,681	494,056
Program supplies	112,055	9,421	121,476	842	2,977	683	4,502	125,978	114,766
Occupancy	26,038	47,707	73,745	8,320	9,843	7,812	25,975	99,720	74,331
Printing/publications/marketing	31,223	6,319	37,542	50	-	32,658	32,708	70,250	77,136
Equipment rental and maintenance	(13)	3,148	3,135	657	1,068	2,101	3,826	6,961	13,393
Membership dues	11,657	1,409	13,066	4,282	8,728	4,186	17,196	30,262	32,694
Telephone	6,696	10,048	16,744	1,570	1,600	1,706	4,876	21,620	23,732
Postage and shipping	569	3,539	4,108	247	1,176	461	1,884	5,992	5,267
Property fund: depreciation	-	-	-	-	-	-	-	-	1,548
Administrative offset	104,914	-	104,914	(104,914)	-	-	(104,914)	-	-
Miscellaneous	-	-	-	1,054	1,032	-	2,086	2,086	2,603
Insurance	1,998	1,293	3,291	706	4,100	617	5,423	8,714	8,355
<b>Total functional expenses</b>	<b>\$ 1,423,801</b>	<b>\$ 1,698,555</b>	<b>\$ 3,122,356</b>	<b>\$ 67,736</b>	<b>\$ 259,110</b>	<b>\$ 235,073</b>	<b>\$ 561,919</b>	<b>\$ 3,684,275</b>	<b>\$ 3,754,315</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, 2021**  
**(Summarized Totals for 2020)**

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 132,666	\$ 65,590
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	(6,582)	(28,100)
Depreciation	-	1,548
Bad debt/ pledge loss expense	63,061	11,057
Changes in assets and liabilities:		
Pledges receivable	51,273	(30,505)
Grants and other receivables	275,443	(89,961)
Prepaid expenses	(9,498)	2,410
Accounts payable and accrued expenses	(287,841)	107,373
Allocations payable	27,820	(36,126)
Designations payable - member and non-members	(40,008)	(2,165)
Deferred rent liability	(2,955)	(17,353)
PPP allocation (related to First 5)	<u>(133,357)</u>	<u>186,278</u>
Net cash provided by (used in) operating activities	<u>70,022</u>	<u>170,046</u>
Net change in cash and cash equivalents	70,022	170,046
Cash and cash equivalents, beginning of year	<u>357,764</u>	<u>187,718</u>
Cash and cash equivalents, end of year	<u>\$ 427,786</u>	<u>\$ 357,764</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, 2021**

**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 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, 2021**

**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, 2021. The allowance for doubtful accounts for pledge receivable was \$96,788 and \$96,788 at June 30, 2021 and June 30, 2020, 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.

**UNITED WAY OF SANTA CRUZ COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

***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, 2021, 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.

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. Revenue Recognition***

Effective January 1, 2020, Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers. Under the new revenue recognition standard, Revenue is recognized when obligations under the terms of a contract with the customer are satisfied; generally, this occurs with the transfer of control of goods at a point in time based on shipping terms and transfer of title. Revenue is measured as the amount of consideration expect to be received in exchange for transferring goods. Sales, value add, and other taxes collected concurrent with revenue-producing activities are excluded from revenue.

Organization does not expect a material impact on its statements of financial position and statements of Activities on an ongoing basis from the adoption of the new standard.

***H. 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.

***I. 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.

***J. Income Taxes***

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

**UNITED WAY OF SANTA CRUZ COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

***K. 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 in active 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, 2021:

	<u>Assets at Fair Value as of June 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by others	-	-	76,185	76,185
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,185</u>	<u>\$ 76,185</u>

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

Balance at June 30, 2020	\$ 74,603
Addition	-
Change in value	<u>(6,582)</u>
Balance at June 30, 2021	<u>\$ 76,185</u>

***L. 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.

**UNITED WAY OF SANTA CRUZ COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

***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. 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.

***O. Measure of Operation***

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

***P. Summarized Financial Information for Fiscal Year 2020***

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, 2020 financial statements of United Way of Santa Cruz County, from which the summarized information was derived.

***Q. 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 November 2019, the FASB issued ASU 2019-10, Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): 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.

**UNITED WAY OF SANTA CRUZ COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**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 \$427,786 and the bank balance was \$686,537. The difference between the bank balance and the carrying amount represents reconciling items of \$258,859 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, 2021, 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	\$ 282,295	\$ 248,752	\$ 155,490	\$ 76,185	\$ 762,722
FDIC coverage	<u>250,000</u>	<u>248,752</u>	<u>155,490</u>	<u>76,185</u>	<u>730,427</u>
Total uninsured balance	<u>\$ 32,295</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 32,295</u>

**NOTE 4 - PREPAID EXPENSES**

Prepaid expenses consisted at June 30, were as follows:

	<u>2021</u>	<u>2020</u>
Employee benefits	\$ 4,568	\$ 5,042
Other	<u>10,299</u>	<u>327</u>
Total	<u>\$ 14,867</u>	<u>\$ 5,369</u>

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

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

	<u>2021</u>	<u>2020</u>
Computer equipment	\$ 83,953	\$ 83,953
Office equipment	40,641	40,641
Leasehold improvements	<u>16,773</u>	<u>16,773</u>
	141,367	141,367
Accumulated depreciation	<u>(141,339)</u>	<u>(141,339)</u>
Property and equipment, net	<u>\$ 28</u>	<u>\$ 28</u>

**UNITED WAY OF SANTA CRUZ COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

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

Donor restricted net assets are available for the following purposes as of June 30, 2021:

	June 30, 2020	Adjustment	Additions	Releases	June 30, 2021
United Way of San Benito County	\$ 69,440	\$ (45,576)	\$ 317,097	\$ 301,935	\$ 39,026
Immunization Coalition	2,503	-	-	-	2,503
Santa Cruz County	2,100	-	-	-	2,100
Community Organizing	6,749	(6,749)	-	-	-
Kaiser	-	14,203	777,025	777,025	14,203
Graniterock	-	2,650	27,385	27,430	2,605
Pajaro Valley Community Health Trust	-	15,000	23,350	23,350	15,000
Sutter	-	10,000	59,000	59,000	10,000
Endowment					
UWSC Endowment	25,000	-	-	3,751	21,249
UWSB Endowment	-	44,603	-	1,578	43,025
Total	<u>\$ 105,792</u>	<u>\$ 34,131</u>	<u>\$ 1,203,857</u>	<u>\$ 1,194,069</u>	<u>\$ 149,711</u>

The donor restricted net assets shown above include an amount of \$1,582 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:

	2021	2020
Annual campaign	\$ 427,324	\$ 630,804
Less:		
Donor designation to other organizations	-	(187,248)
Donor designations paid by others	-	(1,872)
Provision for uncollectible pledges	(63,061)	(11,057)
Net campaign support	<u>\$ 364,263</u>	<u>\$ 430,627</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 \$85,025 and \$84,431 for the year ended June 30, 2021 and 2020, 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, 2021**

**NOTE 9 - CONCENTRATIONS**

***Concentration of Grants***

The Organization collaborates with First 5 Santa Cruz County, who provides approximately 59% of the Organization's total support and revenue and represents approximately 78% of total grants receivable as of June 30, 2021. 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, 2021. 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. Later on the Organization has extended the term of lease agreement of one additional 36-month period commencing on September 1, 2020. 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, 2021, was \$86,564, including triple net charges.

As of June 30, 2021, the Organization is committed to the following annual minimum lease payments, including triple net charges:

Year ending June 30:	Minimum Payment	Amortization of Straight-Line Deferred Rent (Deferred Liability)	Straight-Line Expense
2022	\$ 82,412	\$ (2,030)	\$ 80,382
	<u>\$ 82,412</u>	<u>\$ (2,030)</u>	<u>\$ 80,382</u>

**NOTE 11 - ADVERTISING COSTS**

Advertising costs are expensed as incurred. Advertising expenses were \$7,924 and \$11,456 for the year ended June 30, 2021, and 2020, respectively.

**UNITED WAY OF SANTA CRUZ COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**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, 2021.

**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, 2021 and 2020 consisted of the following:

	<u>With Donor Restrictions</u>
Endowment net assets, July 01, 2019	\$ 46,503
Addition	25,000
Investment income	<u>3,100</u>
Endowment net assets, June 30, 2020	74,603
Prior period adjustment	(5,000)
Investment income	<u>6,582</u>
Endowment net assets, June 30, 2021	<u>\$ 76,185</u>

From the above ending balance of endowment, \$76,185 is included in the investment (Note 2 (K)).

**UNITED WAY OF SANTA CRUZ COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2021**

**NOTE 13 - LIQUIDITY**

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

	2021	2020
Cash and cash equivalents	\$ 427,786	\$ 357,764
Grants and other receivables	575,393	850,836
Pledges receivable	84,862	199,196
Total financial assets	1,088,041	1,407,796
Less: amounts not available to be used within one year Net assets with donor restrictions	(149,711)	105,792
Financial assets available to meet general expenses within one year	\$ 938,330	\$ 1,513,588

The Organization's goal is to generally maintain financial assets to meet 90 days of operating expenses (approx. \$908,451). 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 - RESTATEMENT**

The Organization reclassified fund balance from net assets without donor restrictions to net assets with donor restrictions of \$34,131 during the year ended June 30, 2021. As a result, a reclassification was made to the net assets without donor restrictions and net assets with donor restrictions. The following table summarizes the reclassification effect to net assets:

	Without Donor Restrictions	With Donor Restrictions
Net assets as previously reported at June 30, 2020	\$ 355,783	\$ 105,792
Reclassification	(34,131)	34,131
Net assets as restated, June 30, 2021	\$ 321,652	\$ 139,923

**NOTE 15 - SUBSEQUENT EVENTS**

The Organization has reviewed the results of operations for the period of time from its year ended June 30, 2021, through June 09, 2023, the date at which the financial statements were available to be issued and have determined that no adjustments are necessary to the amounts reported in the accompanying financial statements.

## **SUPPLEMENTARY INFORMATION**

**UNITED WAY OF SANTA CRUZ COUNTY**  
**STATEMENT OF ACTIVITIES DETAIL**  
**FOR THE YEAR ENDED JUNE 30, 2021**

<u>Allocations to partner programs</u>	<u>Approved Allocations</u>
Women in Philanthropy	\$ 17,400
SB Member Agencies	<u>80,000</u>
	<u>\$ 97,400</u>