

United Way of the Wine Country
(a California Not-for-Profit Corporation)

Financial Statements
For the Years Ended June 30, 2020 and 2019

Together with Independent Auditors' Report

United Way of the Wine Country

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Independent Auditors' Report

To the Board of Directors of
United Way of the Wine Country
Santa Rosa, California

We have audited the accompanying financial statements of United Way of the Wine Country, which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 the Wine Country as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dillwood Burkel & Millar, LLP

Santa Rosa, California
March 3, 2021

United Way of the Wine Country

Statements of Financial Position

As of June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|----------------------------|----------------------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 693,949 | \$ 310,546 |
| Restricted cash and cash equivalents | 293,902 | 2,138,629 |
| Short-term investments | 117,649 | 116,009 |
| Campaign pledges receivable, net | 168,664 | 382,515 |
| Grants receivable | 278,121 | 491,114 |
| Prepaid expenses and other current assets | <u>35,633</u> | <u>44,157</u> |
| Total current assets | 1,587,918 | 3,482,970 |
| Property and equipment, net | 99,015 | 6,931 |
| Investments | 870,423 | 1,135,446 |
| Deposits | <u>4,000</u> | <u>4,000</u> |
| Total assets | <u><u>\$ 2,561,356</u></u> | <u><u>\$ 4,629,347</u></u> |
| Liabilities and net assets | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 403,495 | \$ 310,797 |
| Due to designated agencies, net | <u>250,957</u> | <u>288,058</u> |
| Total current liabilities | 654,452 | 598,855 |
| Net assets | | |
| Without donor restrictions | | |
| Board designated | 1,184,531 | 1,184,531 |
| Undesignated | <u>150,275</u> | <u>457,694</u> |
| | 1,334,806 | 1,642,225 |
| With donor restrictions | <u>572,098</u> | <u>2,388,267</u> |
| Total net assets | <u>1,906,904</u> | <u>4,030,492</u> |
| Total liabilities and net assets | <u><u>\$ 2,561,356</u></u> | <u><u>\$ 4,629,347</u></u> |

See accompanying Notes to Financial Statements

United Way of the Wine Country

Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2020

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|---------------------|
| Revenue and support | | | |
| Campaign pledges | \$ 1,439,246 | \$ - | \$ 1,439,246 |
| Donor designations | <u>(312,889)</u> | <u>-</u> | <u>(312,889)</u> |
| | 1,126,357 | - | 1,126,357 |
| Provision for uncollectible pledges | <u>(140,650)</u> | <u>-</u> | <u>(140,650)</u> |
| Net campaign revenue | 985,707 | - | 985,707 |
| Disaster relief contribution revenue | - | 705,902 | 705,902 |
| Grant revenue | 255,000 | 1,988,179 | 2,243,179 |
| Donor designation fees | 92,903 | - | 92,903 |
| Interest and dividend income | 28,428 | - | 28,428 |
| In-kind contributions | 389,052 | - | 389,052 |
| Other income | 650 | - | 650 |
| Net assets released from restrictions | <u>4,510,250</u> | <u>(4,510,250)</u> | <u>-</u> |
| Total revenue and support | <u>6,261,990</u> | <u>(1,816,169)</u> | <u>4,445,821</u> |
| Expenses | | | |
| Program services | 5,542,701 | - | 5,542,701 |
| Fundraising | 616,024 | - | 616,024 |
| Management and general | <u>410,684</u> | <u>-</u> | <u>410,684</u> |
| Total expenses | <u>6,569,409</u> | <u>-</u> | <u>6,569,409</u> |
| Changes in net assets | (307,419) | (1,816,169) | (2,123,588) |
| Net assets, beginning of year | <u>1,642,225</u> | <u>2,388,267</u> | <u>4,030,492</u> |
| Net assets, end of year | <u>\$ 1,334,806</u> | <u>\$ 572,098</u> | <u>\$ 1,906,904</u> |

See accompanying Notes to Financial Statements

United Way of the Wine Country

Statements of Activities and Changes in Net Assets

For the Year Ended June 30, 2019

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|---------------------------------------|------------------------------------|---------------------|
| Revenue and support | | | |
| Campaign pledges | \$ 1,599,892 | \$ - | \$ 1,599,892 |
| Donor designations | <u>(455,876)</u> | <u>-</u> | <u>(455,876)</u> |
| | 1,144,016 | - | 1,144,016 |
| Provision for uncollectible pledges | <u>(122,886)</u> | <u>-</u> | <u>(122,886)</u> |
| Net campaign revenue | 1,021,130 | - | 1,021,130 |
| Disaster relief contribution revenue | - | 828,915 | 828,915 |
| Underwriting and event revenue | 20,680 | - | 20,680 |
| Grant revenue | - | 1,185,308 | 1,185,308 |
| Donor designation fees | 106,868 | - | 106,868 |
| Administrative fees | - | - | - |
| Interest and dividend income | 25,372 | - | 25,372 |
| Loss on investments | (195) | - | (195) |
| In-kind contributions | 663,852 | - | 663,852 |
| Other income | 6,838 | - | 6,838 |
| Net assets released from restrictions | <u>1,441,379</u> | <u>(1,441,379)</u> | <u>-</u> |
| Total revenue and support | <u>3,285,924</u> | <u>572,844</u> | <u>3,858,768</u> |
| Expenses | | | |
| Program services | 3,035,248 | - | 3,035,248 |
| Fundraising | 441,961 | - | 441,961 |
| Management and general | <u>363,967</u> | <u>-</u> | <u>363,967</u> |
| Total expenses | <u>3,841,176</u> | <u>-</u> | <u>3,841,176</u> |
| Changes in net assets | (555,252) | 572,844 | 17,592 |
| Net assets, beginning of year | <u>2,197,477</u> | <u>1,815,423</u> | <u>4,012,900</u> |
| Net assets, end of year | <u>\$ 1,642,225</u> | <u>\$ 2,388,267</u> | <u>\$ 4,030,492</u> |

See accompanying Notes to Financial Statements

United Way of the Wine Country

Statement of Functional Expenses For the Year Ended June 30, 2020

| | Program Services | Fundraising | Management and General | Total |
|--------------------------------|---------------------|-------------------|---------------------------|---------------------|
| Personnel: | | | | |
| Salaries and related costs | \$ 891,500 | \$ 288,023 | \$ 192,015 | \$ 1,371,538 |
| Employee benefits | 120,708 | 38,998 | 25,999 | 185,705 |
| Total personnel | 1,012,208 | 327,021 | 218,014 | 1,557,243 |
| Allocations to agencies | 3,487,396 | - | - | 3,487,396 |
| In kind expenses | 252,883 | 81,702 | 54,467 | 389,052 |
| Professional contract services | 157,240 | 50,801 | 33,867 | 241,908 |
| # | 133,655 | 43,182 | 28,787 | 205,624 |
| Office expense | 175,752 | 8,780 | 5,853 | 190,385 |
| Occupancy | 75,429 | 24,369 | 16,247 | 116,045 |
| Information technology | 68,060 | 21,989 | 14,659 | 104,708 |
| Communications | 42,913 | 13,864 | 9,243 | 66,020 |
| Postage and shipping | 23,501 | 7,593 | 5,062 | 36,156 |
| Affiliation dues | 19,646 | 6,347 | 4,232 | 30,225 |
| Accounting and legal | 16,448 | 5,314 | 3,543 | 25,305 |
| Travel | 16,305 | 5,268 | 3,512 | 25,085 |
| Awards and sponsorships | 16,062 | 5,189 | 3,460 | 24,711 |
| Insurance | 13,728 | 4,435 | 2,958 | 21,121 |
| Other | 13,067 | 4,222 | 2,815 | 20,104 |
| Conferences and meetings | 4,636 | 1,498 | 999 | 7,133 |
| Bank fees | 4,008 | 1,295 | 863 | 6,166 |
| | 5,532,937 | 612,869 | 408,581 | 6,554,387 |
| Depreciation | 9,764 | 3,155 | 2,103 | 15,022 |
| Total expenses | \$ 5,542,701 | \$ 616,024 | \$ 410,684 | \$ 6,569,409 |

See accompanying Notes to Financial Statements

United Way of the Wine Country

Statement of Functional Expenses For the Year Ended June 30, 2019

| | Program Services | Fundraising | Management and General | Total |
|--------------------------------|---------------------|-------------------|---------------------------|---------------------|
| Personnel: | | | | |
| Salaries and related costs | \$ 673,504 | \$ 165,936 | \$ 136,653 | \$ 976,093 |
| Employee benefits | 95,386 | 23,501 | 19,354 | 138,241 |
| Total personnel | 768,890 | 189,437 | 156,007 | 1,114,334 |
| Allocations to agencies | 1,228,943 | - | - | 1,228,943 |
| In kind expenses | 458,058 | 112,855 | 92,939 | 663,852 |
| Professional contract services | 142,250 | 35,047 | 28,862 | 206,159 |
| Advertising and promotion | 120,449 | 29,676 | 24,439 | 174,564 |
| Occupancy | 64,668 | 15,933 | 13,121 | 93,722 |
| Travel | 43,539 | 10,727 | 8,834 | 63,100 |
| Office expense | 42,591 | 7,422 | 6,112 | 56,125 |
| Information technology | 38,628 | 9,517 | 7,838 | 55,983 |
| Accounting and legal | 32,818 | 8,085 | 6,659 | 47,562 |
| Communications | 23,431 | 5,773 | 4,754 | 33,958 |
| Awards and sponsorships | 20,179 | 4,972 | 4,094 | 29,245 |
| Affiliation dues | 17,181 | 4,233 | 3,486 | 24,900 |
| Conferences and meetings | 10,849 | 2,673 | 2,201 | 15,723 |
| Insurance | 10,071 | 2,481 | 2,043 | 14,595 |
| Other | 3,796 | 935 | 771 | 5,502 |
| Bank fees | 3,027 | 746 | 614 | 4,387 |
| Postage and shipping | 1,967 | 485 | 399 | 2,851 |
| | 3,031,335 | 440,997 | 363,173 | 3,835,505 |
| Depreciation | 3,913 | 964 | 794 | 5,671 |
| Total expenses | \$ 3,035,248 | \$ 441,961 | \$ 363,967 | \$ 3,841,176 |

See accompanying Notes to Financial Statements

United Way of the Wine Country

Statements of Cash Flows

For the Years Ended June 30, 2020 and 2019

| | <u>2020</u> | <u>2019</u> |
|---|---|---------------------|
| | <i>Increase (decrease) in Cash and Cash Equivalents</i> | |
| Cash flows from operating activities | | |
| Change in net assets | \$ (2,123,588) | \$ 17,592 |
| Adjustments to reconcile changes in net assets to cash flows from operations: | | |
| Provisions for uncollectable pledges | (18,420) | (18,420) |
| Depreciation | 15,022 | 5,671 |
| Interest and realized gains reinvested | (28,428) | (24,455) |
| Unrealized losses | - | 722 |
| Stock contributions received | - | (587) |
| Decrease (increase) in assets: | | |
| Campaign pledges receivable | 232,271 | 41,389 |
| Grant receivables | 212,993 | (421,114) |
| Prepaid expenses and other current assets | 8,524 | (10,637) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued expenses | 92,698 | 181,725 |
| Due to designatated agencies, net | (37,101) | (75,274) |
| Net cash used in operating activities | <u>(1,646,029)</u> | <u>(303,388)</u> |
| Cash flows from investing activities | | |
| Proceeds from sale of securities | 291,811 | 100,751 |
| Purchases of equipment | (107,106) | (4,264) |
| Net cash provided by investing activities | <u>184,705</u> | <u>96,487</u> |
| Net decrease in cash and cash equivalents | (1,461,324) | (206,901) |
| Cash and cash equivalents, beginning of year | <u>2,449,175</u> | <u>2,656,076</u> |
| Cash and cash equivalents, end of year | <u>\$ 987,851</u> | <u>\$ 2,449,175</u> |
| Unrestricted cash and cash equivalents | \$ 693,949 | \$ 310,546 |
| Restricted cash and cash equivalents | <u>293,902</u> | <u>2,138,629</u> |
| | <u>\$ 987,851</u> | <u>\$ 2,449,175</u> |

See accompanying Notes to Financial Statements

United Way of the Wine Country

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 1. Nature of Activities

United Way of the Wine Country (the "Organization") is a California not-for-profit corporation founded in 1967 operating under the provisions of Section 501(c)(3) of the Internal Revenue Code. Since its inception the Organization has encouraged local philanthropy and advanced the common good by creating opportunities for a better life for all individuals and families in Sonoma, Mendocino and Lake Counties. In 2009, the Organization expanded its service area to include Humboldt and Del Norte Counties.

The Organization ensures that donor investments produce measurable changes in people's lives and the community by focusing on underlying causes and commitment to improving the way community services are delivered. The Organization uses volunteers to stay on top of cutting edge philanthropic solutions through ongoing research of community needs, identifying, programmatic best practices, and making investments in organizations that demonstrate results. All program applications are reviewed for their articulation of the importance of the challenge they are targeting in the community, the appropriateness and credibility of the proposed strategy to address the challenge, the capability and capacity of their agency to carry out the program strategy, and the measurable benefit per dollar invested. As a leader, the Organization plays a significant role in engaging the community at-large as an advocate and change-agent for health and human service issues.

Note 2. Summary of Significant Accounting Policies

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.

Financial Statement Presentation

The Organization follows standards of accounting and financial reporting for voluntary health and welfare organizations. 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. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions – This is the portion of net assets that is not subject to donor-imposed stipulations. Net assets without donor restrictions include net assets designated by the Board of Directors for specific purposes.

Net assets with donor restrictions – This is the portion of net assets subject to donor-imposed stipulations that will be met by the actions of the Organization or the passage of time. When a restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

United Way of the Wine Country

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 2. Summary of Significant Accounting Policies, *continued*

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions based on management's knowledge and experience. Those estimates affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenue, support and expenses. The use of management's estimates primarily relate to the collectability of campaign pledges receivable, depreciable lives of property and equipment, and functional expense allocation. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except when a restriction is imposed, which limits the investment's use to long-term. Cash is held in demand accounts at banks, and cash balances may exceed the federally insured amounts during the year.

As of June 30, 2020 and 2019, the Organization held restricted cash and cash equivalents due to donor restrictions placed on the assets.

Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general use because of contractual, donor imposed or board designated restrictions within one year from financial statement date.

| | <u>2020</u> | <u>2019</u> |
|--|-------------------|---------------------|
| Cash | \$ 987,851 | \$ 2,449,175 |
| Short-term investments | 117,649 | 116,009 |
| Campaign pledges receivable | 168,664 | 382,515 |
| Grants receivable | <u>278,121</u> | <u>491,114</u> |
| Total financial assets at year-end | 1,552,285 | 3,438,813 |
| Less those unavailable for general expenditures within one year due to: | | |
| Funds restricted by donor stipulations | <u>(572,098)</u> | <u>(2,138,629)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 980,187</u> | <u>\$ 1,300,184</u> |

United Way of the Wine Country

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 2. Summary of Significant Accounting Policies, *continued*

Liquidity and Availability of Financial Assets, *continued*

As an effort to manage liquidity, the Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. To help manage unanticipated liquidity needs, the Organization maintains a board designated operational reserve invested in certificates of deposit that can be liquidated if necessary. As of June 30, 2020 and 2019, the board designated operational reserve totaled \$1,184,531. See Note 7 for further information about the board designated reserve.

Investments

Investments, which include certificates of deposit are carried at fair value. Unrealized gains and losses are included in the statement of activities and changes in net assets.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed principally on the straight-line method over useful lives ranging from three to ten years. Donated property is recorded at the estimated fair value at the date of receipt. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted. It is the Organization's policy to capitalize property and equipment over \$2,000.

Fair Value Measurements

Fair value of an investment is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date. Market price observability is impacted by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1: Valuation based on quoted market prices in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2: Valuations based on pricing inputs that are other than quoted prices in active markets which are either directly or indirectly observable.
- Level 3: Valuations are derived from other valuation methodologies, including pricing models, discounted cash flow models, and similar techniques.

United Way of the Wine Country

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 2. Summary of Significant Accounting Policies, *continued*

Fair Value Measurements, *continued*

The categorization of an investment within the hierarchy is based on the pricing transparency of the investment and does not necessarily correspond to the Organization's perceived risk of that investment. All certificates of deposit held by the Organization were Level 1 investments. Short-term and long-term certificates of deposit totaled \$988,072 and \$1,213,277 at June 30, 2020 and 2019, respectively.

Revenue Recognition

Donor Designation Fees and Grants

The Organization receives donor designation fees for administering and distributing donations received to donor-designated not-for-profit agencies. The Organization recognizes revenue at the time payment is made to the designated not-for-profit-agency.

Contributions

All unconditional contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as increases in net assets with donor restrictions.

Annual Campaign

The Organization conducts an annual campaign to raise funds to support various social service agencies in Sonoma, Mendocino Lake, Humboldt and Del Norte 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 uncollectable. Included in these pledges are contributions designated by donors for other not-for-profit 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.

The provision for uncollectable pledges is made on campaign contributions (total amount raised) and is based primarily on recent historical experience as well as other factors anticipated by management to affect collections.

United Way of the Wine Country

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 2. Summary of Significant Accounting Policies, *continued*

Revenue Recognition, *continued*

In-kind Contributions

Donated materials and equipment are reflected as contributions in the accompanying statements at their estimated fair value at date of receipt. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the year received.

Advertising Expense

Advertising costs associated with direct mail fundraising and national advertising excerpts are expensed as incurred. The Organization incurred advertising expenses in the amount of \$205,624 and \$174,564 for the years ended June 30, 2020 and 2019.

Functional Expense Allocation

The cost of providing various programs and activities has been summarized on a functional basis in the Statements of Activities and Changes in Net Assets and the Statements of Functional Expenses. Directly identifiable expenses are charged to programs and support services. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

The Organization is a not-for-profit organization and is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and California Revenue and Taxation Code Section 23701(d).

The Organization determines whether its tax positions are "more-likely-than-not" to be sustained upon examination by the applicable taxing authority based on the technical merits of the positions. As of June 30, 2020, the Organization has reviewed its tax positions and has concluded no reserve for uncertain tax positions is required. The Organization's exempt organization information returns are subject to review through three years after the date of filing for federal and four years after the date of filing for California.

United Way of the Wine Country

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 2. Summary of Significant Accounting Policies, *continued*

Accounting Pronouncements Adopted

In December 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*, which provides guidance for recognizing revenue from contracts with customers. The core principle of Topic 606 is that revenue will be recognized when promised goods or services are transferred to customers in an amount that reflects consideration for which entitlement is expected in exchange for those goods or services. The adoption of ASU 2016-10 is effective for the Organization beginning July 1, 2019. There was no material impact on the Organization's previously reported changes in net assets or net assets balances upon adoption of the new standard.

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves current guidance about whether a transfer of assets, or a reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the Organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU was adopted as of July 1, 2019. There was no material impact on the Organization's previously reported changes in net assets or net assets balances upon adoption of the new standard.

Accounting Pronouncements Effective in the Future

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842) ("ASU 2016-02")*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of ASU 2016-02 is effective for annual reporting periods that begin after December 15, 2021. Management is currently evaluating the impact of the provisions of ASU 2016-02 on the financial statements.

Note 3. Campaign Pledges Receivable

Campaign pledges receivable at June 30 consist of the following:

| | <u>2020</u> | <u>2019</u> |
|-------------------------------------|-------------------|-------------------|
| Campaign pledges | \$ 395,748 | \$ 544,197 |
| Allowance for uncollectable pledges | (227,084) | (161,682) |
| | <u>\$ 168,664</u> | <u>\$ 382,515</u> |

United Way of the Wine Country

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 4. Investments

Investments at June 30 consist of the following valued at fair market value:

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|-------------------|---------------------|
| Short-term certificate of deposit | \$ 117,649 | \$ 116,009 |
| Long-term certificate of deposit | 870,423 | 1,097,268 |
| Community Foundation Fund | - | 38,178 |
| | <u>\$ 988,072</u> | <u>\$ 1,251,455</u> |

Investment returns are comprised of the following for the years ended June 30:

| | <u>2020</u> | <u>2019</u> |
|------------------------|------------------|------------------|
| Dividends and interest | \$ 28,428 | \$ 25,372 |
| Net realized gains | - | 527 |
| Net unrealized losses | - | (722) |
| | <u>\$ 28,428</u> | <u>\$ 25,177</u> |

As described above, the Organization invests in various investment securities. Investment securities are exposed to interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the fair value of the investment balance.

Note 5. Unemployment Self-insurance Reserve

The Organization maintains a reserve balance with a trust company to cover any unemployment claims filed by employees. The reserve balance for the years ended June 30, 2020 and 2019 was \$15,835 and \$18,650, respectively.

Note 6. Concentration Risk

At various times during the year ended June 30, 2020, the Organization had deposit amounts with a financial institution in excess of the \$250,000 Federal Deposit Insurance Corporation ("FDIC") insurance limit. At June 30, 2020, the Organization had approximately \$648,000 cash on deposit in excess of the FDIC insured amount. At June 30, 2019, the Organization had no cash on deposit in excess of the FDIC insured amount.

United Way of the Wine Country

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 7. Net Assets

Net Assets Without Donor Restrictions

Certain net assets without donor restrictions have been designated by the Board of Directors. As of June 30, 2020 and 2019, the Board designated \$1,184,531 as operating reserves. The operating reserves were established to ensure the financial stability of the Organization in the event of significant loss of revenue or other unforeseen circumstances and is designed to fund six or more months of operating expenses. The board designated reserves are to be spent as deemed appropriate by the Board of Directors with the intent to enhance or expand programs, establish and implement new programs, or to meet other community or operational needs.

Net Assets With Donor Restrictions

Net assets that were released from donor restrictions by incurring expenses satisfying the purpose specified by the donors for the years ended June 30 are as follows:

| | <u>2020</u> | % | <u>2019</u> | % |
|------------------------------|---------------------|--------|---------------------|--------|
| Fire relief fund | \$ 2,371,102 | 53.0% | \$ 649,617 | 45.0% |
| Health 211 | 937,607 | 21.0% | 26,667 | 2.0% |
| Census 2020 | 455,870 | 10.0% | - | |
| Earn it! Keep it! Save it! | 368,176 | 8.0% | 323,218 | 22.0% |
| Schools of Hope | 254,357 | 6.0 % | 251,643 | 17.0% |
| Map One | 68,112 | 2.0% | 56,842 | 4.0% |
| Flood Relief Fund | 24,204 | <1.0% | 105,892 | 7.0% |
| General Disaster Relief Fund | 22,072 | <1.0% | - | |
| School Readiness Backpacks | 5,000 | <1.0% | 7,500 | 1.0% |
| Equity in Education | 3,750 | <1.0% | - | |
| Organization Resiliency | - | | 15,000 | 1.5% |
| Community Impact Fund | - | | 5,000 | <1.0% |
| | <u>\$ 4,510,250</u> | 100.0% | <u>\$ 1,441,379</u> | 100.0% |

The entirety of the net assets with donor restrictions as of June 30, 2020 and 2019 respectively, consist of program restricted funds and are included on the statement of financial position at June 30 as follows:

| | <u>2020</u> | <u>2019</u> |
|--------------------------|-------------------|---------------------|
| Restricted cash | \$ 293,902 | \$ 1,932,454 |
| Contributions receivable | 278,196 | 455,813 |
| | <u>\$ 572,098</u> | <u>\$ 2,388,267</u> |

United Way of the Wine Country

Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 8. Property and Equipment

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

| | <u>2020</u> | <u>2019</u> |
|--------------------------|------------------|------------------|
| Computer equipment | \$ 64,424 | \$ 147,230 |
| Office equipment | <u>122,605</u> | <u>57,995</u> |
| | 187,029 | 205,225 |
| Accumulated depreciation | <u>(88,014)</u> | <u>(198,294)</u> |
| | <u>\$ 99,015</u> | <u>\$ 6,931</u> |

Depreciation expense for the years ended June 30, 2020 and 2019 was \$15,022 and \$5,671 respectively.

Note 9. Retirement Plan

The Organization has a 401(k) plan which covers all employees. Employees are eligible to begin participating in the plan on the first calendar quarter after the completion of three months of employment. Employees may make contributions in the form of payroll deductions up to the maximum annual amount set periodically by the Internal Revenue Service. The Organization made employer contributions to the plan of \$43,828 and \$37,005 during the years ended June 30, 2020 and 2019, respectively.

Note 10. Related Party Transactions

Members of the Board of Directors made campaign contributions totaling \$10,626, for the years ended June 30, 2019. No related party campaign contributions were made to the Organization as of June 30, 2020.

During the years ended June 30, 2020 and 2019, the Organization paid \$10,770 and \$30,225, respectively, in national and state affiliation dues. No amount were owed to the affiliations at June 30, 2020 and 2019.

During the years ended June 30, 2020 and 2019, the Organization was awarded and received amounts of \$497,558 and \$269,493, respectively, in grants from organizations affiliated with members of the Board of Directors. No amount were outstanding as of June 30, 2020 and 2019.

United Way of the Wine Country

Notes to Financial Statements For the Years Ended June 30, 2020 and 2019

Note 11. Operating Lease Commitments

The Organization leases equipment under an operating lease agreement that expires in September 2026. The Organization also leases a storage facility on a month-to-month commitment.

Future minimum lease payments are as follows for the years ending June 30,

| | | |
|------------|----|----------------|
| 2021 | \$ | 97,687 |
| 2022 | | 100,510 |
| 2023 | | 103,417 |
| 2024 | | 106,411 |
| 2025 | | 106,791 |
| Thereafter | | <u>109,067</u> |
| | \$ | <u>623,883</u> |

Rent expense was \$97,437 and \$71,750 for the years ended June 30, 2020 and 2019, respectively.

Note 12. Paycheck Protection Program Government Grant Revenue

In April 2020, the Organization applied for a Paycheck Protection Program (“PPP”) loan through the Small Business Administration in relation to the coronavirus pandemic (See Note 13) and received \$255,000 in loan proceeds. The proceeds from the PPP loan were used in full to cover eligible expenses in the year ending June 30, 2020. As of June 30, 2020, the Organization is reasonably assured that it meets the criteria for the loan to be fully forgiven. As such, the proceeds from the PPP loan has been recorded as grant contribution for the year ended June 30, 2020 in the Statement of Activities and Changes in Net Assets. Subsequent to the year end, the loan has been forgiven in full, as expected.

Subsequent to year-end in February 2021, the Organization applied and received the second round of PPP loan in the amount of \$255,000. The terms of the loan is the same as the first round.

Note 13. Contingencies

On March 11, 2020, The World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closing and shelter in place orders. It is at least reasonably possible that this matter will negatively impact the Organization. However, the financial impact and duration cannot be reasonably estimated at this time.

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Notes to Financial Statements

For the Years Ended June 30, 2020 and 2019

Note 14. Subsequent Events

The Organization evaluated subsequent events from July 1, 2020 through March 3, 2021, the date the financial statements were available to be issued, and determined that other than the forgiveness of the PPP loan and the receipt of the second round of the PPP loan as discussed in Note 12, there are no subsequent events that required recognition or additional disclosure in these financial statements.