

**UNITED WAY OF SAN JOAQUIN COUNTY**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

**JUNE 30, 2020 AND 2019**



---

**CROCE, SANGUINETTI, & VANDER VEEN**

CERTIFIED PUBLIC ACCOUNTANTS

## CONTENTS

<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses - 2020	6
Statements of Functional Expenses - 2019	7
Statements of Cash Flows	8
Notes to Financial Statements	9



CROCE, SANGUINETTI, & VANDER VEEN<sup>INC.</sup>

CERTIFIED PUBLIC ACCOUNTANTS

## Independent Auditors' Report

Board of Directors  
**United Way of San Joaquin County**  
Stockton, California

We have audited the accompanying financial statements of **United Way of San Joaquin County** (a California Nonprofit Corporation), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibilities 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 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 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 San Joaquin County** 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.

*Croce, Sanguinetti, & Vander Veen, Inc.*

CROCE, SANGUINETTI, & VANDER VEEN, INC.

Certified Public Accountants

Stockton, California

December 7, 2020

**UNITED WAY OF SAN JOAQUIN COUNTY**

**Statements of Financial Position**

June 30,

	<b>Assets</b>	
	<u>2020</u>	<u>2019</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,327,568	\$ 1,289,580
Cash held for others - fiscal sponsor funds	229,920	182,026
Certificate of deposit	100,000	100,000
Accounts receivable	30,492	9,135
Pledges receivable, net of allowance for uncollectible pledges	458,781	490,901
Prepaid expenses	<u>4,267</u>	<u>2,250</u>
Total current assets	<u>2,151,028</u>	<u>2,073,892</u>
<b>Property and equipment, at cost</b>	296,685	303,025
Less accumulated depreciation	<u>(150,552)</u>	<u>(154,067)</u>
	<u>146,133</u>	<u>148,958</u>
<b>Other assets</b>		
Deposit	<u>3,250</u>	<u>3,250</u>
Total assets	<u>\$ 2,300,411</u>	<u>\$ 2,226,100</u>
	<b>Liabilities and Net Assets</b>	
<b>Current liabilities</b>		
Accounts payable	\$ 83,677	\$ 29,241
Accounts payable - related party	12,198	8,638
Accrued liabilities	30,871	19,462
Fiscal sponsor liability	229,850	162,811
Allocations payable	128,641	44,125
Designations payable	<u>364,362</u>	<u>643,355</u>
Total current liabilities	<u>849,599</u>	<u>907,632</u>
<b>Net assets</b>		
Without donor restrictions	1,422,620	1,318,468
With donor restrictions	<u>28,192</u>	<u>-</u>
Total net assets	<u>1,450,812</u>	<u>1,318,468</u>
Total liabilities and net assets	<u>\$ 2,300,411</u>	<u>\$ 2,226,100</u>

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

**UNITED WAY OF SAN JOAQUIN COUNTY**

**Statements of Activities**

Years ended June 30,

	<u>2020</u>	<u>2019</u>
<b>Changes in net assets without donor restrictions</b>		
<b>Operating activities</b>		
<b>Public support</b>		
Campaign results		
Employee	\$ 1,127,318	\$ 1,126,883
Alexis de Tocqueville Society	220,000	280,000
Corporate	84,765	106,090
Corporate care	<u>18,500</u>	<u>10,000</u>
Gross campaign revenue	1,450,583	1,522,973
Donor designations	(686,165)	(737,517)
Provisions for uncollectible pledges	<u>(81,723)</u>	<u>(67,961)</u>
Net campaign revenue	682,695	717,495
Other support		
Special events - net of expenses of \$139,211 and \$88,514	27,017	26,436
Contributions	41,032	-
In-kind contributions	9,144	7,550
Net assets released from donor restrictions	<u>1,054,748</u>	<u>-</u>
Total public support	<u>1,814,636</u>	<u>751,481</u>
<b>Other revenue</b>		
Grant income	7,285	105,236
Grant income - PPP	96,697	-
Service fees	58,965	31,240
Administrative fees	158,685	19,958
Interest income	<u>12,276</u>	<u>13,563</u>
Total other revenue	<u>333,908</u>	<u>169,997</u>
Total revenues and other support	<u>\$ 2,148,544</u>	<u>\$ 921,478</u>

(Continued)

**UNITED WAY OF SAN JOAQUIN COUNTY**

**Statements of Activities (Continued)**

Years ended June 30,

	<u>2020</u>	<u>2019</u>
<b>Expenses</b>		
<b>Program services</b>		
Allocations and designations		
Allocations and designations	\$ 1,801,979	\$ 858,392
Less donor designations	<u>(686,165)</u>	<u>(737,517)</u>
Net allocations and designations	1,115,814	120,875
Resource distributions	<u>128,179</u>	<u>100,141</u>
Total program services	<u>1,243,993</u>	<u>221,016</u>
<b>Supporting services</b>		
Resource development	509,014	409,887
Operating	272,347	260,166
United Way Worldwide dues	<u>19,038</u>	<u>16,998</u>
Total support services	<u>800,399</u>	<u>687,051</u>
Total expenses	<u>2,044,392</u>	<u>908,067</u>
<b>Change in net assets without donor restrictions from operations</b>	<u>104,152</u>	<u>13,411</u>
<b>Nonoperating activities</b>		
Loss on asset disposition	-	(14,521)
Loss on sale of investment	<u>-</u>	<u>(84)</u>
Total nonoperating activities	<u>-</u>	<u>(14,605)</u>
<b>Changes in net assets without donor restrictions</b>	<u>104,152</u>	<u>(1,194)</u>
<b>Change in net assets with donor restrictions</b>		
Donations and support received	1,082,940	-
Net assets released from restrictions		
Allocations and designations	<u>(1,054,748)</u>	<u>-</u>
Change in net assets with donor restrictions	<u>28,192</u>	<u>-</u>
<b>Changes in net assets</b>	132,344	(1,194)
<b>Net assets, beginning of year</b>	<u>1,318,468</u>	<u>1,319,662</u>
<b>Net assets, end of year</b>	<u>\$ 1,450,812</u>	<u>\$ 1,318,468</u>

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

**UNITED WAY OF SAN JOAQUIN COUNTY**

**Statements of Functional Expenses**

Year ended June 30, 2020

	Program services			Supporting services			Total	
	Allocation and designation	Resource distribution	Total program services	Resource development	Operating	United Way Worldwide dues		Total supporting services
Salaries	\$ -	\$ 82,198	\$ 82,198	\$ 280,440	\$ 120,879	\$ -	\$ 401,319	\$ 483,517
Employee benefits	-	10,871	10,871	37,090	15,987	-	53,077	63,948
Payroll taxes	-	5,524	5,524	18,848	8,124	-	26,972	32,496
Other employee expenses	-	2,858	2,858	9,752	4,204	-	13,956	16,814
Total salaries and related expenses	-	101,451	101,451	346,130	149,194	-	495,324	596,775
Advertising	-	-	-	18,317	-	-	18,317	18,317
Allocation and designation	1,115,814	-	1,115,814	-	-	-	-	1,115,814
Bank charges	-	-	-	-	6,407	-	6,407	6,407
Community events	-	-	-	16,276	-	-	16,276	16,276
Equipment rental and maintenance	-	5,295	5,295	18,064	7,786	-	25,850	31,145
Insurance	-	1,983	1,983	6,764	2,916	-	9,680	11,663
Membership dues	-	-	-	7,528	-	-	7,528	7,528
Miscellaneous	-	1,563	1,563	5,333	2,299	-	7,632	9,195
Occupancy	-	8,687	8,687	29,638	12,775	-	42,413	51,100
Postage and shipping	-	551	551	1,880	810	-	2,690	3,241
Professional service	-	-	-	-	77,441	-	77,441	77,441
Sponsorship fees	-	-	-	16,800	-	-	16,800	16,800
Supplies	-	3,554	3,554	24,900	5,226	-	30,126	33,680
Telephone	-	1,682	1,682	5,739	2,474	-	8,213	9,895
Training expense	-	233	233	795	343	-	1,138	1,371
Travel expense	-	1,665	1,665	5,680	2,448	-	8,128	9,793
United Way Worldwide dues	-	-	-	-	-	19,038	19,038	19,038
Total functional expenses before depreciation	1,115,814	126,664	1,242,478	503,844	270,119	19,038	793,001	2,035,479
Depreciation	-	1,515	1,515	5,170	2,228	-	7,398	8,913
Total functional expenses	<u>\$ 1,115,814</u>	<u>\$ 128,179</u>	<u>\$ 1,243,993</u>	<u>\$ 509,014</u>	<u>\$ 272,347</u>	<u>\$ 19,038</u>	<u>\$ 800,399</u>	<u>\$ 2,044,392</u>

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

**UNITED WAY OF SAN JOAQUIN COUNTY**

**Statements of Functional Expenses**

Year ended June 30, 2019

	Program services			Supporting services			Total	
	Allocation and designation	Resource distribution	Total program services	Resource development	Operating	United Way Worldwide dues		Total supporting services
Salaries	\$ -	\$ 58,748	\$ 58,748	\$ 200,433	\$ 86,394	\$ -	\$ 286,827	\$ 345,575
Employee benefits	-	9,487	9,487	32,369	13,952	-	46,321	55,808
Payroll taxes	-	4,715	4,715	16,087	6,934	-	23,021	27,736
Other employee expenses	-	1,796	1,796	6,128	2,642	-	8,770	10,566
Total salaries and related expenses	-	74,746	74,746	255,017	109,922	-	364,939	439,685
Advertising	-	-	-	6,367	-	-	6,367	6,367
Allocation and designation	120,875	-	120,875	-	-	-	-	120,875
Bank charges	-	-	-	-	3,622	-	3,622	3,622
Community events	-	-	-	14,167	-	-	14,167	14,167
Consulting	-	-	-	-	40,250	-	40,250	40,250
Equipment rental and maintenance	-	4,067	4,067	13,876	5,981	-	19,857	23,924
Insurance	-	2,389	2,389	8,150	3,513	-	11,663	14,052
Membership dues	-	-	-	5,984	-	-	5,984	5,984
Miscellaneous	-	3,725	3,725	12,706	5,477	-	18,183	21,908
Occupancy	-	7,944	7,944	27,102	11,682	-	38,784	46,728
Postage and shipping	-	399	399	1,362	587	-	1,949	2,348
Professional service	-	-	-	-	69,027	-	69,027	69,027
Sponsorship fees	-	-	-	26,195	-	-	26,195	26,195
Supplies	-	3,176	3,176	26,353	4,671	-	31,024	34,200
Telephone	-	1,388	1,388	4,737	2,042	-	6,779	8,167
Training expense	-	406	406	1,385	597	-	1,982	2,388
Travel expense	-	635	635	2,167	934	-	3,101	3,736
United Way Worldwide dues	-	-	-	-	-	16,998	16,998	16,998
Total functional expenses before depreciation	120,875	98,875	219,750	405,568	258,305	16,998	680,871	900,621
Depreciation	-	1,266	1,266	4,319	1,861	-	6,180	7,446
Total functional expenses	<u>\$ 120,875</u>	<u>\$ 100,141</u>	<u>\$ 221,016</u>	<u>\$ 409,887</u>	<u>\$ 260,166</u>	<u>\$ 16,998</u>	<u>\$ 687,051</u>	<u>\$ 908,067</u>

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

**UNITED WAY OF SAN JOAQUIN COUNTY**

**Statements of Cash Flows**

Years ended June 30,

	<u>2020</u>	<u>2019</u>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 132,344	\$ (1,194)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,913	7,446
Loss on disposal of assets	-	14,521
(Increase) decrease in operating assets:		
Cash held for others - fiscal sponsor funds	(47,894)	(182,026)
Accounts receivable	(21,357)	(4,551)
Pledges receivable, net	32,120	34,942
Prepaid expenses	(2,017)	7,875
Deposit	-	(3,250)
Increase (decrease) in operating liabilities:		
Accounts payable	57,996	7,797
Accrued liabilities	11,409	(6,007)
Custodian liability	67,039	162,811
Allocations payable	84,516	44,125
Designations payable	<u>(278,993)</u>	<u>60,572</u>
Net cash provided by operating activities	<u>44,076</u>	<u>143,061</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	<u>(6,088)</u>	<u>(5,372)</u>
Net cash used in investing activities	<u>(6,088)</u>	<u>(5,372)</u>
<b>Net increase in cash and cash equivalents</b>	37,988	137,689
<b>Cash and cash equivalents, beginning of year</b>	<u>1,289,580</u>	<u>1,151,891</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 1,327,568</u>	<u>\$ 1,289,580</u>

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

# UNITED WAY OF SAN JOAQUIN COUNTY

## Notes to Financial Statements

June 30, 2020 and 2019

### Note A - Summary of Significant Accounting Policies

This summary of significant accounting policies of United Way of San Joaquin County is presented to assist in understanding the Organization's financial statements.

#### Operations

The United Way of San Joaquin County (the Organization), is a California non-profit corporation, founded in 1926 and governed by a volunteer Board of Directors. The Organization's main purpose includes assessing on a continual basis, the community's need for human services, developing financial resources to meet human service needs of the community, maximizing resources available to agencies for services aimed at the most urgent current needs of the community, developing community support for the entire Organization through a systematic communications program which both speaks and listens to the community, managing the Organization's operations effectively, and offering assistance to agencies wishing to improve their management skills, and financially managing and disbursing resources in accordance with the directions and intent of donors, or, in the absence of directions, as the Organization may deem best for the promotion of any or all of the foregoing purposes.

#### Organizational mission statement

The mission of United Way of San Joaquin County is to improve the lives of people by mobilizing the caring power of communities.

United Way of San Joaquin County envisions a community where the generosity of individuals and business is coupled with the services provided by community organizations to improve people's lives.

#### Basis of accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) and with the financial statement standards of United Way Worldwide. United Way Worldwide standards are required for membership and comply with Financial Accounting Standards Board (FASB) Accounting Standard Codification for not-for-profit organizations.

(Continued)

# UNITED WAY OF SAN JOAQUIN COUNTY

## Notes to Financial Statements

June 30, 2020 and 2019

### Note A - Summary of Significant Accounting Policies (Continued)

#### Basis of presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in Accounting Standards Codification (“FASB ASC”) 958, *Not-For-Profit Entities*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the board of directors.

*Net assets with donor restrictions* - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. As of June 30, 2020 and 2019, the Organization had \$28,192 and \$0, respectively, of assets that are subject to donor-restrictions that require the assets to be restricted.

#### Measure of operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization’s ongoing activities and interest and dividends earned on investments. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

#### Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization does not consider cash held for others to be cash and cash equivalents. The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

(Continued)

# UNITED WAY OF SAN JOAQUIN COUNTY

## Notes to Financial Statements

June 30, 2020 and 2019

### Note A - Summary of Significant Accounting Policies (Continued)

Restricted cash and cash equivalents includes cash held for Health Force Partners (HF), The Eleanor Project (TEP), and United Veterans Council (VC). United Way of San Joaquin County has contracted with HF, TEP, and VC to provide fiscal management of community contributions to the Organizations from both the public and private sector.

#### Campaign pledges

An annual fundraising campaign is conducted each fall to obtain donations and pledges to fund the subsequent year's operations. Accordingly, a receivable is recorded at year-end for outstanding campaign pledges with an allowance for amounts estimated to be uncollectible. Substantially all of the pledges receivable at June 30, 2020 and 2019 are from corporations and individuals.

Donor designated pledges are accounted for as a liability until dispensed to the designated agency. Those amounts are not accounted for as revenue by United Way of San Joaquin County but are reported as part of campaign revenue from which the amounts are then deducted to arrive at total contributions.

#### Property and equipment

Purchases of property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. It is the Organization's policy to capitalize expenditures for these items in excess of \$1,000 for computers and \$2,500 for all other expenditures. Lesser amounts are expensed. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets ranging from 5 to 39 years.

Repairs and maintenance items are expensed during the current year unless they significantly increase the life of the asset.

#### Fair value of financial instruments

The carrying amounts of financial instruments, including cash and cash equivalents, certificate of deposits, accounts receivable, pledges receivable, accounts payable, designations payable, allocations payable and accrued liabilities approximate their fair value due to the short-term maturities of these instruments.

(Continued)

# UNITED WAY OF SAN JOAQUIN COUNTY

## Notes to Financial Statements

June 30, 2020 and 2019

### Note A - Summary of Significant Accounting Policies (Continued)

#### Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions. Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

#### In-Kind Contributions

In-kind contributions are reflected at their estimated value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used.

#### Functional 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 classifications on the basis of cost allocations using actual time worked in each program and on estimates made by the Organization's management. This is consistent with the standards for allocation of functional expenses in accordance with GAAP and United Way Worldwide.

#### Donated goods and services

Donated materials and equipment are reflected as contributions in the financial statements at their estimated fair value at date of receipt. The Organization will recognize the fair value of donated services if the services meet the recognition criteria which include: a) requiring specialized skills; b) provided by someone with those skills; and c) would have to be purchased if they were not donated. Although the Organization receives a significant amount of contributed time from volunteers, this time does not meet the recognition criteria. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements since no objective basis is available to measure the value of such services.

(Continued)

# UNITED WAY OF SAN JOAQUIN COUNTY

## Notes to Financial Statements

June 30, 2020 and 2019

### Note A - Summary of Significant Accounting Policies (Continued)

#### Concentrations of credit risk

During the years ended June 30, 2020 and 2019, the Organization maintained cash deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insured amounts in certain financial institutions. Cash deposits in excess of the FDIC insured amounts in separate named accounts within one institution may represent a credit risk. As of June 30, 2020 and 2019, total deposits in excess of the FDIC limits were \$1,738,854 and \$897,550, respectively.

United Way of San Joaquin County is dependent upon contributions from corporate and individual donors to support its program services. The level of such contributions can be affected by economic conditions. In addition, the choice on the part of some donors to designate their gifts to specific agencies can result in reduced funding available for distributions and allocations. A decrease in undesignated contributions could adversely affect the United Way's ability to provide services and to allocate funds to its designated agencies.

#### Long-lived assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

#### Tax-exempt status

The Organization is classified as a Section 501(c)(3) organization under the Federal Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code in accordance with its determination letter dated October 13, 1971. Accordingly, the Organization has been determined to be exempt from federal income and state franchise taxes.

#### Accounting for uncertainty in income taxes

The Organization evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2020 and 2019, management did not identify any uncertain tax positions.

(Continued)

# UNITED WAY OF SAN JOAQUIN COUNTY

## Notes to Financial Statements

June 30, 2020 and 2019

### Note A - Summary of Significant Accounting Policies (Continued)

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is 2016 and forward. The State of California tax jurisdiction is subject to potential examination for 2015 and forward.

#### 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 that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Subsequent events

Management has evaluated subsequent events through December 7, 2020, the date on which the financial statements were available to be issued.

#### New accounting pronouncements

##### Standards adopted

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The primary purpose of the ASU is to address eight specific cash flow issues with the objective of reducing the existing diversity in practice. For this Organization, the ASU was effective for reporting periods beginning after December 15, 2018. The Organization implemented the provisions of this ASU for the year ended June 30, 2020. There was no impact to beginning net assets as part of implementation of this accounting standard.

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the guidance in Topic 230 on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of the ASU is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. For this Organization, the ASU was effective for reporting periods beginning after December 15, 2018. The Organization implemented the provisions of this ASU for the year ended June 30, 2020. There was no impact to beginning net assets as part of implementation of this accounting standard.

(Continued)

# UNITED WAY OF SAN JOAQUIN COUNTY

## Notes to Financial Statements

June 30, 2020 and 2019

### Note A - Summary of Significant Accounting Policies (Continued)

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, *Not-for-Profit Entities*, or as an exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. This ASU was effective for fiscal years beginning after December 15, 2018. The Organization implemented the provisions of this ASU for the year ended June 30, 2020.

Under this new accounting policy, the Organization has applied this update on a modified prospective basis. Accounting principles generally accepted in the United States of America require an entity to determine whether a transaction is conditional, which affects the timing of the revenue recognized. Contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions received are accounted for as a liability or are unrecognized initially, that is, until the barriers to entitlement are overcome, at which point the transaction is recognized as unconditional and classified as either net assets with restrictions or net assets without restrictions. During the year ended June 30, 2020, management had determined that certain contributions should be characterized as unconditional when applying the guidance. For the year ended June 30, 2020, the effect of adopting this new accounting pronouncement was a decrease in deferred revenues of \$28,192 and a corresponding increase in contributions with donor restrictions of \$28,192. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions.

In June 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*. The amendments in this ASU provide a limited deferral of the effective dates of the following Updates to provide immediate, near-term relief for certain entities for whom these Updates are either currently effective or imminently effective:

1. Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606) (Revenue)*
2. Accounting Standards Update No. 2016-02, *Leases (Topic 842) (Leases)*.

The amendments in the Revenue Update defer, for one year, the required effective date of Revenue for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of Revenue. Those entities

(Continued)

# UNITED WAY OF SAN JOAQUIN COUNTY

## Notes to Financial Statements

June 30, 2020 and 2019

### Note A - Summary of Significant Accounting Policies (Continued)

may elect to adopt the guidance for annual reporting periods beginning after December 15, 2019. The amendments in this Update defer the effective date for one year for entities in the “all other” category and Not-for-Profit entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of Leases. Therefore, under the amendments, Leases is effective for fiscal years beginning after December 15, 2021.

#### Standards not yet adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is a comprehensive new revenue recognition model that requires an Organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, FASB issued ASU 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 to reporting periods beginning after December 15, 2018 for this Organization. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of ASU 2014-09 to reporting periods beginning after December 15, 2019. The Organization is currently assessing the financial impact of this guidance and does not expect the adoption of this ASU to have a material impact on its financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* in order 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 new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. For this Organization, the ASU will be effective for reporting periods beginning after December 15, 2018. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of ASU 2016-02 to reporting periods beginning after December 15, 2021. The Organization is currently assessing the financial impact of this guidance and does not expect the adoption of this ASU to have a material impact on its financial statements.

(Continued)

# UNITED WAY OF SAN JOAQUIN COUNTY

## Notes to Financial Statements

June 30, 2020 and 2019

### Note A - Summary of Significant Accounting Policies (Continued)

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-08, *Revenues from Contracts with Customers (Topic 606): Principal versus Agent Considerations*. ASU 2016-08 amends the principal-versus-agent implementation guidance set forth in ASU 2014-09. Among other things, ASU 2016-08 clarifies that an entity should evaluate whether it is the principal or the agent for each specified good or service promised in a contract with a customer. For this Organization, the ASU was effective for reporting periods beginning after December 15, 2018. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of ASU 2016-08 to reporting periods beginning after December 15, 2019. The Organization is currently assessing the financial impact of this guidance and does not expect the adoption of this ASU to have a material impact on its financial statements.

In April 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*. This ASU amends certain aspects of ASU 2014-09 related to identifying performance obligations and licensing implementation, while retaining the related principles for those areas. For this Organization, the ASU was effective for reporting periods beginning after December 15, 2018. In June 2020, FASB issued ASU 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842): Effective Dates for Certain Entities*, which deferred the effective date of ASU 2016-10 to reporting periods beginning after December 15, 2019. The Organization is currently assessing the financial impact of this guidance and does not expect the adoption of this ASU to have a material impact on its financial statements.

In August 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. The amendments in this ASU modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement, based on the concepts in the Concepts Statement, including the consideration of costs and benefits. This ASU will be effective for fiscal years beginning after December 15, 2019. The Organization is currently assessing the financial impact of this guidance on its financial statements.

**UNITED WAY OF SAN JOAQUIN COUNTY**

**Notes to Financial Statements**

June 30, 2020 and 2019

**Note B - Availability and Liquidity**

The Organization's financial assets available for general expenditures, that is without donor or other restrictions limiting their use, within one year of the statement of financial position date, are as follows at June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,327,568	\$ 1,289,580
Certificate of Deposit	100,000	100,000
Accounts receivable	30,492	9,135
Pledges receivable	<u>458,781</u>	<u>490,901</u>
Total financial assets	1,916,841	1,889,616
Net assets with donor restrictions	<u>(28,192)</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,888,649</u>	<u>\$ 1,889,616</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**Note C - Fair Value of Financial Instruments**

The following methods and assumptions were used by the Organization in estimating the fair value of its financial instruments:

Cash and cash equivalents - The carrying amount reported in the statement of financial position approximates fair value because of the short maturity of those instruments.

Pledges receivable - The fair value of pledges receivable is estimated by discounting the future cash flows by the amount of the provision for uncollectible pledges.

The estimated fair value of the Organization's financial instruments is as follows at June 30:

	2020		2019	
	<u>Carrying Value</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Cash and cash equivalents	\$1,327,568	\$1,327,568	\$1,289,580	\$1,289,580
Certificate of deposit	100,000	100,000	100,000	100,000
Pledges receivable	458,781	458,781	490,901	490,901

# UNITED WAY OF SAN JOAQUIN COUNTY

## Notes to Financial Statements

June 30, 2020 and 2019

### Note D - Pledges Receivable and Allowance for Uncollectible Pledges

Pledges receivable consist of unconditional promises to give by donors and are recorded at net realizable value. Pledges receivable are net of provisions for uncollectible pledges. The provision for uncollectible pledges is computed based on a percentage of the total campaign year pledges. For the years ended June 30, 2020 and 2019, all pledges receivable were due within one year.

The pledges per campaign year are shown in the following table at June 30:

	<u>2020</u>	<u>2019</u>
Pledges receivable	\$ 539,317	\$ 558,862
Allowance for uncollectible pledges	<u>(80,536)</u>	<u>(67,961)</u>
Net pledges receivable	<u>\$ 458,781</u>	<u>\$ 490,901</u>

### Note E - Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land	\$ 27,500	\$ 27,500
Building	206,418	206,418
Furniture and equipment	<u>62,767</u>	<u>69,107</u>
	296,685	303,025
Less accumulated depreciation	<u>(150,552)</u>	<u>(154,067)</u>
Total	<u>\$ 146,133</u>	<u>\$ 148,958</u>

### Note F - Designations Payable

Designations payable are pledges which are pledged to specific agencies. The income and expense related to the designations are not recognized by the Organization. For the year ended June 30, 2020 and 2019, all designations payable were due within one year.

### Note G - Allocations Payable

Annual campaigns are conducted to raise support for allocation to participating agencies. Based upon the results of the annual fund-raising campaign, allocation committees make recommendations to the Board of Directors as to the amount of allocations each agency should receive from undesignated pledges. Allocations approved by the Board to agencies for the years ended June 30, 2020 and 2019 were \$128,641 and \$44,125, respectively.

(Continued)

# UNITED WAY OF SAN JOAQUIN COUNTY

## Notes to Financial Statements

June 30, 2020 and 2019

### Note G - Allocations Payable (Continued)

Allocations payable are promises to give to local nonprofit agencies, which will be given to the agency upon compliance with certain provisions in the applications. The allocations are recognized as an expense in the period the allocations are made. For the years ended June 30, 2020 and 2019, all allocations payable were due within one year.

### Note H - Retirement Plan

The Organization implemented a Simple IRA Plan on June 19, 2015. Effective June 1, 2015, the Organization will make an employer-based matching contribution equal to the eligible participant's salary reduction not to exceed 3% of the participant's salary. The Organization's contribution for the year ended June 30, 2020 and 2019 was \$3,945 and \$6,926, respectively.

### Note I - Advertising

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expenses for the years ended June 30, 2020 and 2019 were \$18,317 and \$6,367, respectively.

### Note J - Emergency Food and Shelter Program

The Organization cooperates with the United Way Worldwide and Emergency Food and Shelter Program (EFSP), by the allocation of certain funds provided by EFSP for food and shelter for the homeless. The Organization receives a fee for their advisory role in administering this program. For the years ended June 30, 2020 and 2019, the Organization received \$6,444 and \$9,135, respectively.

### Note K - Operating Leases

The Organization leases a copy machine under a five-year operating lease expiring in 2023. The following is a schedule of future minimum rental payments required under the above noncancelable operating lease:

<u>Year ending June 30,</u>	
2021	\$ 11,007
2022	11,007
2023	<u>10,090</u>
	<u>\$ 32,104</u>

Rental expense for the years ended June 30, 2020 and 2019 was \$11,182 and \$10,563, respectively.

(Continued)

## UNITED WAY OF SAN JOAQUIN COUNTY

### Notes to Financial Statements

June 30, 2020 and 2019

#### **Note K - Operating Leases (Continued)**

On July 30, 2018, the Organization entered into a new office lease agreement. The new lease commencement date was December 1, 2018, following the completion of tenant improvements, with the exception of the elevator installation. The Organization leases approximately 2,500 square feet of office space at a monthly rent of \$2,250, until the elevator installation is complete. Upon the completion of the elevator installation, monthly rent shall commence for a ten-year term starting at a monthly rent of \$3,000 and escalating to \$3,500 per month by the end of the lease term. As of June 30, 2020, the elevator installation had not been completed. Rental expense for the years ended June 30, 2020 and 2019 was \$27,000 and \$20,250, respectively.

#### **Note L - Related Party Transactions**

Annually, the United Way of San Joaquin County renews membership with an affiliate. As part of the membership renewal, a membership investment must be made. The amount is calculated as a percentage of the prior year's campaign revenue. During the years ended June 30, 2020 and 2019, the Organization incurred and paid a membership investment of \$19,038 and \$16,998, respectively.

#### **Note M - Fiscal Sponsor Funds**

Fiscal Sponsor funds are held by the Organization on behalf of other entities and are disbursed only upon instructions from such entities.

The amounts of fiscal sponsor funds held for other parties and not commingled by the United Way of San Joaquin totaled \$229,920 and \$182,026 as of June 30, 2020 and 2019, respectively, and are reflected in both current assets and current liabilities in the statement of financial position.

#### **Note N - Paycheck Protection Program**

In April 2020, the Organization received loan proceeds in the amount of \$96,697 under the Paycheck Protection Program (PPP), established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The loan is uncollateralized and is fully guaranteed by the Federal government. The loan and accrued interest are forgivable if the proceeds are used for eligible purposes. Eligible purposes include payroll costs, group health care benefits cost, mortgage payments, rent, utilities, and interest on other debt obligations. As of June 30, 2020, the Organization had used the entire loan proceeds for qualifying expenses, and therefore, expects the entire loan to be forgiven. The Organization initially recorded the loan as a

(Continued)

**UNITED WAY OF SAN JOAQUIN COUNTY**

**Notes to Financial Statements**

June 30, 2020 and 2019

**Note N - Paycheck Protection Program (Continued)**

refundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions, that is, once the measurable performance or other barrier and right of return of the PPP Loan no longer existed. Any unforgiven portion of the PPP loan would be payable over two years, with an interest rate of 1%. Payments would be deferred for the first six months. During the year ended June 30, 2020, the Organization recognized \$96,697 as grant income on the Statement of Activities. Subsequent to year end, the entire balance of \$96,697 had been forgiven.

**Note O - Net Assets with Donor Restrictions**

Net assets with donor restrictions are as follows at June 30,

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose:		
COVID-19 relief	\$ 21,195	\$ -
Connected Community Network (CCN)	<u>6,997</u>	<u>-</u>
	<u>\$ 28,192</u>	<u>\$ -</u>

Net assets with donor restrictions were released from restriction for the following purposes for the years ended June 30,

	<u>2020</u>	<u>2019</u>
COVID-19 relief	\$ 993,994	\$ -
CCN	<u>60,754</u>	<u>-</u>
	<u>\$ 1,054,748</u>	<u>\$ -</u>

**Note P - Contingencies**

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Subsequent to the declaration of a pandemic, a variety of federal, state, and local governments have taken actions in response to the pandemic, which have ranged in jurisdiction, but are generally expected to result in a variety of negative economic consequences, the scope of which are not currently known or quantifiable. The duration and intensity of the impact of the coronavirus and resulting impact to the Organization is unknown.

**UNITED WAY OF SAN JOAQUIN COUNTY**

**Notes to Financial Statements**

June 30, 2020 and 2019

**Note Q - Subsequent Events**

In July 2020, the Organization closed on the sale of real property comprised of a building located in Stockton, California. There was no mortgage on the property and net proceeds, after transaction-related expenses and fees, totaled \$344,128.