UNITED WAY OF STANISLAUS COUNTY

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2020 AND 2019

CROCE, SANGUINETTI, & VANDER VEEN INC.

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

Board of Directors
United Way of Stanislaus County
Modesto, California

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

Management's Responsibility for the Financial Statements

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

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 Stanislaus County** as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of activities - Tuolumne County on page 22 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited **United Way of Stanislaus County's** June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 1, 2019. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Croce, Sanguinetti, & Vander Veen, Inc.

CROCE, SANGUINETTI, & VANDER VEEN, INC.
Certified Public Accountants
Stockton, California
November 18, 2020

UNITED WAY OF STANISLAUS COUNTY

Statements of Financial Position

June 30, 2020
(with summarized comparative information as of June 30, 2019)

Assets

	2020	2019
Current assets		
Cash and cash equivalents	$ 1,394,911	$ 1,005,698
Cash and cash equivalents - restricted	49,869	186,963
Cash held for others - in agency capacity	-	7,425
Pledges receivable, net of allowance for uncollectible pledges	352,995	489,761
Pledges receivable - in agency capacity	242,852	270,893
Grants receivable	54,164	18,986
Investments	334,622	320,061
Prepaid expenses and other assets	35,118	14,653
Total current assets	2,464,531	2,314,440
Property and equipment, at cost	1,938,585	1,930,377
Less accumulated depreciation	(829,569)	(784,408)
	1,109,016	1,145,969
Other assets		
Loan fees, net of accumulated amortization of $32 and $1,680, respectively	3,797	1,120
Total assets	$ 3,577,344	$ 3,461,529

Liabilities and Net Assets

	2020	2019
Current liabilities		
Accounts payable	$ 32,296	$ 19,060
Donor designations payable	59,649	82,523
Allocations payable	30,806	100,160
Due to other organizations - in agency capacity	278,233	267,710
Accrued expenses	81,449	413,140
Accrued expenses - in agency capacity	49,869	186,963
Current maturities of long-term debt	159,268	31,533
Total current liabilities	691,570	1,101,089
Noncurrent liabilities		
Long-term debt	272,645	352,080
Total noncurrent liabilities	272,645	352,080
Total liabilities	964,215	1,453,169
Net assets		
Without donor restrictions	2,086,678	1,904,960
With donor restrictions	526,451	103,400
Total net assets	2,613,129	2,008,360
Total liabilities and net assets	$ 3,577,344	$ 3,461,529

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

UNITED WAY OF STANISLAUS COUNTY

Statements of Activities

Year ended June 30, 2020
(with summarized comparative information for the year ended June 30, 2019)

	Without donor restrictions	With donor restrictions	Total 2020	Total 2019
Operating activities				
Revenues and other support				
Campaign support:				
Stanislaus County	$ 1,169,124	$ -	$ 1,169,124	$ 1,265,625
Tuolumne County	8,115	-	8,115	5,907
Less donor designations	(182,370)	-	(182,370)	(193,090)
Less provision for uncollectible pledges	(174,501)	-	(174,501)	(121,795)
Net campaign support	820,368	-	820,368	956,647
Grants	605,140	1,197,727	1,802,867	400,981
Special events - net of expenses of $44,226 and $59,146, respectively	64,798	-	64,798	74,957
In-kind contributions	-	-	-	3,594
Interest income	8,219	-	8,219	9,550
Administrative fees	9,713	-	9,713	9,206
Miscellaneous income	16,576	-	16,576	13,347
Net assets released from restrictions	774,676	(774,676)	-	-
Total revenues and other support	2,299,490	423,051	2,722,541	1,468,282
Expenses				
Program services				
Gross funds awarded/allocated to agencies	1,207,155	-	1,207,155	578,179
Less donor designations	(182,370)	-	(182,370)	(193,090)
Net funds awarded/allocated to agencies	1,024,785	-	1,024,785	385,089
Volunteer Center	-	-	-	62,503
Community Impact - Stanislaus County	254,266	-	254,266	301,835
2-1-1 Services	220,620	-	220,620	247,378
Total program services	1,499,671	-	1,499,671	996,805
Supporting services				
Management and general	137,773	-	137,773	179,637
Resource development - Stanislaus	482,536	-	482,536	369,795
United Way Worldwide and California dues	22,315	-	22,315	21,121
Total supporting services	642,624	-	642,624	570,553
Total expenses	2,142,295	-	2,142,295	1,567,358
Changes in net assets from operations	157,195	423,051	580,246	(99,076)
Nonoperating activities				
Rental income	15,550	-	15,550	15,608
Unrealized and realized gain on investment	9,981	-	9,981	13,425
Loss on disposal of assets	(1,008)	-	(1,008)	(4,210)
Total nonoperating activities	24,523	-	24,523	24,823
Changes in net assets	181,718	423,051	604,769	(74,253)
Net assets, beginning of year	1,904,960	103,400	2,008,360	2,082,613
Net assets, end of year	$ 2,086,678	$ 526,451	$ 2,613,129	$ 2,008,360

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

UNITED WAY OF STANISLAUS COUNTY

Statements of Functional Expenses

Year ended June 30, 2020
(with summarized comparative information for the year ended June 30, 2019)

	Program services					Supporting services				Grand Total	
	Net Funds Awarded/ Allocated to Agencies	Volunteer Center	Community Impact Stanislaus	2-1-1	Total Program Services	Management and General	Resource Development-Stanislaus	United Way Worldwide and California Dues	Total Supporting Services	2020	2019
Expenses											
Salaries	$ -	$ -	$ 164,835	$ 72,290	$ 237,125	$ 54,711	$ 266,391	$ -	$ 321,102	$ 558,227	$ 583,981
Employee benefits	-	-	18,567	12,033	30,600	17,529	34,268	-	51,797	82,397	75,711
Payroll taxes	-	-	13,361	6,058	19,419	4,998	22,271	-	27,269	46,688	50,732
Total salaries and related expenses	-	-	196,763	90,381	287,144	77,238	322,930	-	400,168	687,312	710,424
Professional fees	-	-	14,821	84,804	99,625	13,252	23,969	-	37,221	136,846	148,199
Office supplies	-	-	32	-	32	1,343	216	-	1,559	1,591	2,138
Campaign supplies	-	-	-	-	-	-	9,176	-	9,176	9,176	6,624
Telephone	-	-	-	5,455	5,455	-	-	-	-	5,455	5,442
Postage	-	-	-	-	-	-	1,826	-	1,826	1,826	-
Occupancy	-	-	-	-	-	-	7,423	-	7,423	7,423	4,257
Subscriptions	-	-	98	-	98	-	10,719	-	10,719	10,817	12,528
Printing	-	-	38	206	244	-	1,409	-	1,409	1,653	2,687
Travel	-	-	553	150	703	343	853	-	1,196	1,899	8,683
Meetings	-	-	-	-	-	-	16,063	-	16,063	16,063	8,563
Dues	-	-	225	1,873	2,098	475	799	22,315	23,589	25,687	23,272
Advertising	-	-	20	14,780	14,800	354	518	-	872	15,672	15,093
Interest expense	-	-	5,901	3,278	9,179	1,553	13,239	-	14,792	23,971	24,743
Miscellaneous	-	-	96	91	187	24,969	2,789	-	27,758	27,945	21,506
Depreciation and amortization	-	-	10,517	5,708	16,225	5,112	23,968	-	29,080	45,305	49,708
Staff development	-	-	620	-	620	1,377	681	-	2,058	2,678	5,431
Operation expense pool	-	-	24,582	13,894	38,476	11,757	45,958	-	57,715	96,191	132,971
Total operations	-	-	254,266	220,620	474,886	137,773	482,536	22,315	642,624	1,117,510	1,182,269
Allocations/awards	1,207,155	-	-	-	1,207,155	-	-	-	-	1,207,155	578,179
Less donor designations	(182,370)	-	-	-	(182,370)	-	-	-	-	(182,370)	(193,090)
Total expenses	$ 1,024,785	$ -	$ 254,266	$ 220,620	$ 1,499,671	$ 137,773	$ 482,536	$ 22,315	$ 642,624	$ 2,142,295	$ 1,567,358

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

UNITED WAY OF STANISLAUS COUNTY

Statements of Cash Flows

Year ended June 30, 2020
(with summarized comparative information for the year ended June 30, 2019)

	2020	2019
Cash flows from operating activities		
Change in net assets	$ 604,769	$ (74,253)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	45,161	49,596
Amortization	144	112
Loss on asset disposal	1,008	616
Provision for uncollectible pledges	174,501	121,795
Unrealized/realized gain on investments	(9,981)	(13,425)
Other	6,468	6,507
(Increase) decrease in operating assets:		
Cash held for others - in agency capacity	7,425	8,610
Pledges receivable	(37,735)	(8,045)
Pledges receivable - in agency capacity	28,041	39,556
Grants receivable	(35,178)	120,426
Prepaid expenses and other assets	(20,465)	2,682
Increase (decrease) in operating liabilities:		
Accounts payable	13,236	8,975
Grant payable	-	(19,985)
Donor designations payable	(22,874)	(12,264)
Allocations payable	(69,354)	100,160
Due to other organizations - in agency capacity	10,523	(93,683)
Accrued expenses	(331,691)	361,635
Accrued expenses - in agency capacity	(137,094)	(35,322)
Net cash provided by operating activities	226,904	563,693
Cash flows from investing activities		
Proceeds from sale of investments	1,488	-
Purchases of investments	(12,536)	(13,741)
Payments for property and equipment	(8,208)	(14,453)
Net cash used in investing activities	(19,256)	(28,194)
Cash flows from financing activities		
Borrowings on long-term debt	431,913	-
Payments on long-term debt	(383,613)	(27,480)
Loan fees paid	(3,829)	-
Net cash provided by (used in) financing activities	44,471	(27,480)
Net increase in cash, cash equivalents, and restricted cash	252,119	508,019
Cash, cash equivalents, and restricted cash, beginning of year	1,192,661	684,642
Cash, cash equivalents, and restricted cash, end of year (including $49,869 and $186,963 for Focus on Prevention, reported as restricted cash and cash equivalents as of June 30, 2020 and 2019, respectively)	$ 1,444,780	$ 1,192,661
Supplemental disclosures of cash flow information		
Interest paid	$ 23,971	$ 24,743

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

Note A - Summary of Significant Accounting Policies

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

Operations

The United Way of Stanislaus County (the Organization), is a California nonprofit corporation founded in 1953 and governed by a volunteer Board of Directors. The Organization's main purpose is to facilitate and support a community-wide network of programs that builds, sustains, and improves the quality of life for individuals and families in Stanislaus and Tuolumne Counties. The Organization's contribution base is primarily located in Stanislaus and Tuolumne Counties.

Organizational mission, vision, and values

The mission of The United Way of Stanislaus County is to inspire unity and empower our community. Our work is to strengthen and connect organizations and individuals so that all of our communities thrive. And it begins with all of us.

The Organization's vision is together, we will create a thriving and vibrant Stanislaus County, where every individual, family, organization, and neighborhood Live United.

United Way of Stanislaus County values are compassion, integrity, transparency, collaboration, innovation, and driving action.

Basis of accounting

The financial statements of United Way of Stanislaus County have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

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.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

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, where by 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 $526,451 and $103,400, 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.

Restricted cash and cash equivalents includes cash held for the Focus on Prevention Initiative (FPI). United Way of Stanislaus County has contracted with the County of Stanislaus to support the Focus on Prevention Initiative by providing fiscal management of community contributions to the FPI from both the public and private sector.

Campaign Pledges and Allowance for Uncollectible Accounts

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. The allowance for uncollectible pledges is computed based upon historical averages and management's consideration of current economic factors that could affect pledge collections.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Pledges Designated to Other Organizations

Donor organizations and individuals participating in the United Way Campaign may choose to designate all or part of their contributions to be distributed to specific charitable organizations. These transactions are reported in the statement of activities as current year Campaign Supports and are then deducted as Donor Designations to arrive at net campaign support. Amounts so deducted are carried as liabilities until paid to the designated charitable organizations. Administration fees of up to 10% of amounts designated, subject to certain limitations, are recorded as administrative revenue in the statement of activities and are collected through payment of a net amount to the designated charities.

Grants receivable

Grants receivable consist of unconditional promises to give by granting organizations. Unconditional promises to give that are expected to be collected during the following fiscal year are recorded at the amount contributed. Unconditional promises to give that are expected to be collected in future years are recorded at the fair value of their estimated future cash flows.

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. 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 3 to 40 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, pledges receivable, accounts receivable, grants receivable, accounts payable, donor designations payable, due to other organizations and accrued expenses approximate their fair value due to the short-term maturities of these instruments.

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

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

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.

Description of programs

In order to accomplish the Organization's mission, various programs have been put in place, as follows:

Volunteer Center of United Way

The Volunteer Center is a program that helps people to find the best way to be involved by matching their skills and interest with the needs of community organizations and educates the community about non-profit services. The Volunteer Center program was discontinued in 2019. At that time, the Volunteer Center scope of work was transferred to a local nonprofit - Love Modesto/Love Our Neighbors.

Community Impact

The process of reviewing the funding requests from agencies and making recommendations to the Board of Directors, reviewing requests for new programs, and disbursing monies to approved programs and agencies.

2-1-1

2-1-1 is a phone number for free access to confidential social service information and referral. This service helps people connect with the appropriate social service agency that can meet their needs. This service can help callers with senior issues, alcohol and drug abuse problems, childcare referrals, mental illness, physical disabilities and almost any other non-emergency need.

Campaign support

Campaign support consists of cash and unconditional promises to give to United Way of Stanislaus County during the annual fundraising campaigns and include contributions processed by third-party processors. Donor designations and the provision for uncollectible pledges are deducted from campaign support to arrive at net campaign revenue.

In-Kind Contributions

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

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Functional expenses

The costs of programs and supporting services have been reported on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated by function between 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.

Donated services

A substantial number of unpaid volunteers contributed significant amounts of their time to further the objectives of the Organization, principally in the annual fund-raising campaign and fund allocations process. The value of this contributed time is not reflected in the statements since no objective basis is available to measure the value of such services.

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 $1,122,765 and $825,986, respectively.

United Way of Stanislaus 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.

Investments

As required by the *Accounting for Certain Investments Held by Not-for-Profit Organizations* topic of the FASB Accounting Standards Codification, the United Way of Stanislaus County carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair market value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Realized gains and losses that result from sales or maturities of securities during the year are calculated on an adjusted cost basis and are reflected in the accompanying statements of activities and changes in net assets. Marketable securities received as donations are recorded at fair value at the date of the donation, and are generally sold as soon as practical after receipt.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

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.

Loan fees

Costs incurred in connection with obtaining financing have been capitalized over the term of the respective debt using the straight-line method. The amount amortized for the years ended June 30, 2020 and 2019 was $144 and $112, respectively.

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 August 25, 1953. 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.

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.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

Comparative financial information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Subsequent events

Management has evaluated subsequent events through November 18, 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. 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 will be 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 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.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

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 $526,451 and a corresponding increase in contributions with donor restrictions of $526,451. 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 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.

<u>Standards not yet adopted</u>

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

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

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.

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 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 2016-08 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 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 2016-10 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.

(Continued)

Note A - Summary of Significant Accounting Policies (Continued)

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.

Note B - Availability and Liquidity

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows at June 30:

	2020	2019
Cash and cash equivalents	$ 1,394,911	$ 1,005,698
Pledges receivable	352,995	489,761
Grants receivable	54,164	18,986
Investments	334,622	320,061
	2,136,692	1,834,506
Net assets with donor restrictions	(526,451)	(103,400)
Financial assets available to meet general expenditures within one year	$ 1,610,241	$ 1,731,106

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. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

Note C - Investments

Investments are carried at fair market value and consist of the following at June 30,

	2020	2019
Fixed income securities	$ 159,505	$ 164,057
Equity securities	175,117	156,004
	$ 334,622	$ 320,061

Investment income consisted of the following for the years ended June 30,

	2020	2019
Interest and dividends	$ 8,197	$ 8,349
Unrealized/realized gain (loss)	9,981	13,425
Investment expense	(1,728)	(1,842)
Total investment income (loss)	$ 16,450	$ 19,932

Note D - Fair Value Measurements

The Organization's investments are reported at fair value in the accompanying statement of net assets at June 30,

	Fair Value 2020	Fair Value 2019	Fair Value Measurements Using: Quotes Prices in Active Markets for Identical Assets (Level 1) 2020	Fair Value Measurements Using: Quotes Prices in Active Markets for Identical Assets (Level 1) 2019
Fixed income securities	$ 159,505	$ 164,057	$ 159,505	$ 164,057
Equity securities	175,117	156,004	175,117	156,004
	$ 334,622	$ 320,061	$ 334,622	$ 320,061

FASB Accounting Standards Codification, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consists of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were available to the Organization.

Level 1 Fair Value Measurements

The fair values of fixed income securities and equity securities are based on quoted market prices.

Note E - Pledges Receivable and Allowance for Doubtful Accounts

Pledges less an allowance for uncollectible amounts and pledges for support of current operations are recorded as pledge receivables in the fiscal year made. The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As of June 30, 2020 and 2019, all pledges receivable were due within one year.

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

	2020	2019
Pledges receivable	$ 466,004	$ 602,770
Allowance for uncollectible pledges	(113,009)	(113,009)
Net pledges receivable	$ 352,995	$ 489,761

Note F - Property and Equipment

Property and equipment consist of the following at June 30,

	2020	2019
Land	$ 244,692	$ 244,692
Land improvements	41,858	41,858
Building	643,030	643,030
Building improvements	743,768	743,768
Office furniture and equipment	265,237	257,029
	1,938,585	1,930,377
Less accumulated depreciation	(829,569)	(784,408)
	$ 1,109,016	$ 1,145,969

Note G - Donor 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. As of June 30, 2020 and 2019, all designations payable were due within one year.

Note H - 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 $195,000 and $240,000, respectively, with no prior year allocations remaining to be paid.

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 year ended June 30, 2020 and 2019, allocations payable was $30,806 and $100,160, respectively, and all allocations payable were due within one year.

Note I - Retirement Plan

The Organization provides a defined contribution retirement plan covering substantially all employees. The Plan allows participants to make deferrals of their wages under the 403(b) salary reduction election. The Organization contributes 5% of gross pay of each eligible employee. Total employer contributions made during the years ended June 30, 2020 and 2019 were $17,734 and $17,326, respectively.

Note J - 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 $15,672 and $15,093, respectively.

Note K - Operating Leases

The Organization leases office equipment under operating leases that expire at various dates through April 2025. The following is a schedule of future minimum rental payments required under the above noncancelable operating leases:

Year ending June 30,		
2021	$	17,406
2022		17,406
2023		17,406
2024		17,406
2025		9,052
	$	78,676

Rental expenses for the years ended June 30, 2020 and 2019 were $17,114 and $16,118, respectively.

Note L - Long-Term Debt

Long-term debt consists of the following at June 30:

		2020		2019
Bank of Stockton				
Term loan payable in monthly principal and interest payments of $3,572, interest at 6.25%, secured by deed of trust, due April 15, 2029. Loan paid off in June 2020.	$	-	$	312,978
Term loan payable in monthly principal and interest payments of $806, interest at 6.25%, secured by deed of trust, due April 15, 2029. Loan paid off in June 2020.		-		70,635
F&M Bank				
Term loan payable in monthly principal and interest payments of $3,001, interest at 3.99%, secured by deed of trust, due July 1, 2030.		295,000		-

(Continued)

Note L - Long-Term Debt (Continued)

	2020	2019
Term loan received under the Paycheck Protection Program established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The loan is subject to a note dated April 16, 2020 and may be forgiven to the extent proceeds of the loan are used for eligible expenditures as described in the CARES Act. The Organization intends to use the entire loan amount for qualifying expenses. The loan matures April 16, 2022 and the unforgiven portion of the loan bears interest at a rate of 1%, payable monthly, commencing on November 16, 2020. The loan may be repaid at any time prior to maturity with no prepayment penalty.	136,913	-
	431,913	383,613
Less current portion	(159,268)	(31,533)
	$ 272,645	$ 352,080

Maturities of long-term debt are as follows:

Year ending June 30,	
2021	$ 159,268
2022	25,593
2023	26,633
2024	27,715
2025	28,841
Later years	163,863
	$ 431,913

Note M - Net Assets with Donor Restrictions

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

	2020	2019
Subject to expenditure for specified purpose:		
COVID-19 relief	$ 424,257	$ -
Housing and assessment team	62,194	-
Capacity building	40,000	-
	$ 526,451	$ -

(Continued)

Note M - Net Assets with Donor Restrictions (Continued)

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

	2020	2019
COVID-19 relief	$ 583,470	$ -
Housing and assessment team	87,806	-
Disaster response funds	103,400	-
	$ 774,676	$ -

Note N - Agency Activity

In some instances, the Organization acts as an agent, whereby it receives assets from a donor and agrees to transfer those assets to a specified beneficiary. In those situations, the Organization is not a donee and does not record the assets as a contribution, but recognizes a liability to the specified beneficiary concurrent with its recognition of cash or other financial asset received from the donor.

The Organization administered campaigns on behalf of SaveMart Supermarkets, Don's Mobile Glass, Gallo, Valley First Credit Union, and Foster Poultry Farms. SaveMart Supermarkets, Don's Mobile Glass, Gallo, and Valley First Credit Union are headquartered in Modesto, California and Foster Poultry Farms is headquartered in Livingston, California.

Pledges received and designated to areas outside Stanislaus County are considered to be agency funds and, therefore, are not included as a contribution on the Organization's statement of activities. Current year activities relating to the out-of-area campaigns include $210,452 in pledges and $2,304 in fees.

Note O - Related Party Transactions

Annually, the United Way of Stanislaus County renews membership with United Way Worldwide and United Way of California. 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 $22,315 and $21,121, respectively.

Note P - Contingencies

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result of the spread of the COVID-19 Coronavirus, economic uncertainties have arisen which are likely to negatively impact operations, the scope of which are not currently known or quantifiable. The related financial impact and duration cannot be reasonably estimated at this time.

SUPPLEMENTAL INFORMATION

UNITED WAY OF STANISLAUS COUNTY

Statements of Activities - Tuolumne County

Years ended June 30,

	2020	2019
Public support and revenue		
Contributions	$ 8,115	$ 5,907
Administrative revenue	282	-
Total public support and revenue	8,397	5,907
Distributions, allocations and expenses		
Donor options to agencies	16,563	3,095
Bad debt expense	6,700	-
Salaries	1,827	1,571
Operation expense pool	-	1,444
Medical and health plan	237	222
Payroll tax expense	153	143
Professional fees	34	46
Total distributions, allocations and expenses	25,514	6,521
Change in net assets	$ (17,117)	$ (614)