

**UNITED WAY CALIFORNIA
CAPITAL REGION AND
AFFILIATE**

**CONSOLIDATED FINANCIAL
STATEMENTS WITH INDEPENDENT
AUDITOR'S REPORT**

**YEARS ENDED
JUNE 30, 2022 AND 2021**

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
United Way California Capital Region
Sacramento, California**

Opinion

We have audited the accompanying consolidated financial statements of United Way California Capital Region and Affiliate (collectively the Organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental financial statements on pages 17 through 20 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.


GILBERT CPAs
Sacramento, California

January 13, 2023

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2022 & 2021

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 1,000,000 | \$ 11,263,317 |
| Campaign pledges receivable, net of allowance for uncollectible pledges of \$510,298 for 2022 and \$534,421 for 2021 | 3,320,252 | 3,493,988 |
| Grants receivable | 566,450 | 423,313 |
| Prepaid expenses and other assets | <u>49,473</u> | <u>86,047</u> |
| Total current assets | 4,936,175 | 15,266,665 |
| NONCURRENT ASSETS: | | |
| Investments | 20,259,874 | 14,117,993 |
| Property and equipment, net | <u>1,455,275</u> | <u>1,421,560</u> |
| TOTAL ASSETS | <u>\$ 26,651,324</u> | <u>\$ 30,806,218</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES: | | |
| Designation distributions payable to agencies | \$ 3,951,041 | \$ 3,962,320 |
| Accounts payable | 476,155 | 286,447 |
| Accrued expenses | <u>192,043</u> | <u>139,358</u> |
| TOTAL LIABILITIES | <u>4,619,239</u> | <u>4,388,125</u> |
| NET ASSETS: | | |
| Without donor restrictions | 10,373,533 | 13,257,947 |
| With donor restrictions | <u>11,658,552</u> | <u>13,160,146</u> |
| Total net assets | <u>22,032,085</u> | <u>26,418,093</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 26,651,324</u> | <u>\$ 30,806,218</u> |

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|--|---|----------------------|
| REVENUES: | | | |
| Campaign results | \$ 6,796,575 | \$ 567,910 | \$ 7,364,485 |
| Third party processors | 835,731 | | 835,731 |
| Campaign fees and expense reimbursement | <u>701,773</u> | <u></u> | <u>701,773</u> |
| Total campaign results | 8,334,079 | 567,910 | 8,901,989 |
| Less provision for uncollectible pledges | (757,844) | | (757,844) |
| Less funds designated to agencies by donors | <u>(5,961,623)</u> | <u></u> | <u>(5,961,623)</u> |
| Net campaign contributions designated to | | | |
| Community Impact Fund | 1,614,612 | 567,910 | 2,182,522 |
| Grants and contributions | 775,836 | 1,111,578 | 1,887,414 |
| Federal grants | 192,323 | | 192,323 |
| Investment loss | (546,846) | (1,444,049) | (1,990,895) |
| Other revenue | 28,409 | | 28,409 |
| Net assets released from restrictions | <u>1,737,033</u> | <u>(1,737,033)</u> | <u></u> |
| Total revenues | <u>3,801,367</u> | <u>(1,501,594)</u> | <u>2,299,773</u> |
| EXPENSES: | | | |
| Agency and community support: | | | |
| Cash contributions and other community support | 3,122,019 | | 3,122,019 |
| Federally funded programs | 192,323 | | 192,323 |
| Supporting services: | | | |
| Campaign | 1,917,524 | | 1,917,524 |
| Marketing and communications | 829,089 | | 829,089 |
| Management and general | <u>624,826</u> | <u></u> | <u>624,826</u> |
| Total expenses | <u>6,685,781</u> | <u></u> | <u>6,685,781</u> |
| CHANGE IN NET ASSETS | (2,884,414) | (1,501,594) | (4,386,008) |
| NET ASSETS, Beginning of year | <u>13,257,947</u> | <u>13,160,146</u> | <u>26,418,093</u> |
| NET ASSETS, End of year | <u>\$ 10,373,533</u> | <u>\$ 11,658,552</u> | <u>\$ 22,032,085</u> |

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

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|--|---|----------------------|
| REVENUES: | | | |
| Campaign results | \$ 17,071,417 | \$ 571,383 | \$ 17,642,800 |
| Third party processors | 942,483 | | 942,483 |
| Campaign fees and expense reimbursement | 629,766 | | 629,766 |
| Total campaign results | 18,643,666 | 571,383 | 19,215,049 |
| Less provision for uncollectible pledges | (902,257) | | (902,257) |
| Less funds designated to agencies by donors | (6,284,458) | | (6,284,458) |
| Net campaign contributions designated to | | | |
| Community Impact Fund | 11,456,951 | 571,383 | 12,028,334 |
| Grants and contributions | 4,547,184 | 629,190 | 5,176,374 |
| Federal grants | 1,110,540 | | 1,110,540 |
| Gain on forgiveness of Paycheck Protection | | | |
| Program loan | 552,398 | | 552,398 |
| Investment income | 703,277 | 2,109,645 | 2,812,922 |
| Other revenue | 84,404 | | 84,404 |
| Net assets released from restrictions | 1,441,177 | (1,441,177) | |
| Total revenues | <u>19,895,931</u> | <u>1,869,041</u> | <u>21,764,972</u> |
| EXPENSES: | | | |
| Agency and community support: | | | |
| Cash contributions and other community support | 6,098,027 | | 6,098,027 |
| Federally funded programs | 1,110,540 | | 1,110,540 |
| Supporting services: | | | |
| Campaign | 1,490,425 | | 1,490,425 |
| Marketing and communications | 505,604 | | 505,604 |
| Management and general | 413,452 | | 413,452 |
| Total expenses | <u>9,618,048</u> | | <u>9,618,048</u> |
| CHANGE IN NET ASSETS | 10,277,883 | 1,869,041 | 12,146,924 |
| NET ASSETS, Beginning of year | <u>2,980,064</u> | <u>11,291,105</u> | <u>14,271,169</u> |
| NET ASSETS, End of year | <u>\$ 13,257,947</u> | <u>\$ 13,160,146</u> | <u>\$ 26,418,093</u> |

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

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2022

| | <u>Program Services</u> | | <u>Supporting Services</u> | | | |
|---|---|--|----------------------------|----------------------------------|--------------------------------|---------------------|
| | <u>Agency & Community Support</u> | <u>Federally Funded Programs</u> | <u>Campaign</u> | <u>Mktg. & Comm.</u> | <u>Mgmt. & General</u> | <u>Total</u> |
| Salaries, benefits, and payroll taxes | \$ 1,108,469 | \$ 164,337 | \$ 1,336,764 | \$ 699,967 | \$ 210,152 | \$ 3,519,689 |
| Program distributions, materials, and administration | 1,697,687 | 27,587 | | | | 1,725,274 |
| Technology and equipment rental and maintenance | 81,354 | | 98,103 | 21,535 | 38,285 | 239,277 |
| Dues and subscriptions | 77,364 | | 93,291 | 20,479 | 36,406 | 227,540 |
| Professional services | 32,500 | | 24,500 | 18,000 | 145,959 | 220,959 |
| Travel, transportation, and training | 1,554 | 239 | 133,401 | 601 | 8,491 | 144,286 |
| Printing and other materials | 2,988 | | 73,454 | 35,864 | 11,288 | 123,594 |
| Facilities and rent | 42,198 | | 50,886 | 11,170 | 1,471 | 105,725 |
| Depreciation | 11,823 | | 14,257 | 3,130 | 66,455 | 95,665 |
| Telecommunications | 22,597 | 160 | 27,250 | 5,982 | 10,634 | 66,623 |
| Meetings and events | 6,320 | | 7,264 | 2,514 | 38,588 | 54,686 |
| Business insurance | 10,687 | | 12,887 | 2,829 | 21,489 | 47,892 |
| Other supplies | 8,018 | | 9,669 | 2,122 | 3,774 | 23,583 |
| Postage and shipping | | | 13,536 | 9 | 2,785 | 16,330 |
| Miscellaneous | 18,460 | | 22,262 | 4,887 | 29,049 | 74,658 |
| Total expenses | <u>\$ 3,122,019</u> | <u>\$ 192,323</u> | <u>\$ 1,917,524</u> | <u>\$ 829,089</u> | <u>\$ 624,826</u> | <u>\$ 6,685,781</u> |

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

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2021

| | <u>Program Services</u> | | <u>Supporting Services</u> | | | |
|---|---|--|----------------------------|----------------------------------|--------------------------------|---------------------|
| | <u>Agency & Community Support</u> | <u>Federally Funded Programs</u> | <u>Campaign</u> | <u>Mktg. & Comm.</u> | <u>Mgmt. & General</u> | <u>Total</u> |
| Salaries, benefits, and payroll taxes | \$ 1,315,607 | \$ 128,426 | \$ 913,035 | \$ 364,215 | \$ 133,449 | \$ 2,854,732 |
| Program distributions, materials, and administration | 4,573,260 | 921,539 | 378 | | | 5,495,177 |
| Technology and equipment rental and maintenance | 54,348 | | 189,738 | 14,386 | 25,576 | 284,048 |
| Dues and subscriptions | 49,942 | | 60,224 | 13,220 | 23,502 | 146,888 |
| Professional services | 250 | 55,287 | 95,305 | 45,836 | 95,627 | 292,305 |
| Travel, transportation, and training | 265 | 317 | 2,858 | | 316 | 3,756 |
| Printing and other materials | 1,926 | 2,998 | 100,112 | 38,188 | 1,379 | 144,603 |
| Facilities and rent | 31,045 | | 37,437 | 8,218 | 16,598 | 93,298 |
| Depreciation | 12,079 | | 14,566 | 3,197 | 61,167 | 91,009 |
| Telecommunications | 21,523 | 1,735 | 25,955 | 5,697 | 10,129 | 65,039 |
| Meetings and events | 4,266 | 238 | 6,490 | 3,555 | 6,308 | 20,857 |
| Business insurance | 9,312 | | 11,229 | 2,465 | 19,483 | 42,489 |
| Other supplies | 3,127 | | 3,770 | 828 | 1,471 | 9,196 |
| Postage and shipping | | | 2,043 | 220 | 2,149 | 4,412 |
| Miscellaneous | 21,077 | | 27,285 | 5,579 | 16,298 | 70,239 |
| Total expenses | <u>\$ 6,098,027</u> | <u>\$ 1,110,540</u> | <u>\$ 1,490,425</u> | <u>\$ 505,604</u> | <u>\$ 413,452</u> | <u>\$ 9,618,048</u> |

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

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS YEAR ENDED JUNE 30, 2022 & 2021

| | <u>2022</u> | <u>2021</u> |
|---|----------------------------|-----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (4,386,008) | \$ 12,146,924 |
| Reconciliation to net cash provided (used) by operating activities: | | |
| Net (gain) loss on investments | 2,177,790 | (2,721,822) |
| Depreciation | 95,665 | 91,009 |
| Gain on forgiveness of Paycheck Protection Program loan | | (552,398) |
| Changes in: | | |
| Campaign pledges receivable, net | 173,736 | 431,262 |
| Grants receivable | (143,137) | (20,871) |
| Prepaid expenses and other assets | 36,574 | (4,116) |
| Designation distributions payable to agencies | (11,279) | (121,962) |
| Grant distributions payable to agencies | | (31,461) |
| Accounts payable | 189,708 | 182,208 |
| Accrued expenses | 52,685 | (4,515) |
| Net cash provided (used) by operating activities | <u>(1,814,266)</u> | <u>9,394,258</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of investments | (14,285,135) | (912,038) |
| Proceeds from sale of investments | 5,965,464 | 1,200,521 |
| Purchases of property and equipment | <u>(129,380)</u> | <u>(9,233)</u> |
| Net cash provided (used) by investing activities | <u>(8,449,051)</u> | <u>279,250</u> |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (10,263,317) | 9,673,508 |
| CASH AND CASH EQUIVALENTS, Beginning of year | <u>11,263,317</u> | <u>1,589,809</u> |
| CASH AND CASH EQUIVALENTS, End of year | <u>\$ 1,000,000</u> | <u>\$ 11,263,317</u> |

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

For more than 90 years, United Way California Capital Region (United Way) has brought together nonprofits, businesses, donors, volunteers, community leaders, and more to meet the community's greatest needs, give immediate aid and find lasting solutions for future generations. United Way mobilizes members of the community to be first responders in repairing the education level, financial stability and health of everyone in Amador, El Dorado, Placer, Sacramento and Yolo counties through donation and volunteer opportunities. United Way raises funds throughout the year in workplace campaigns and also receives support from individual donors. Most contributions are received in the form of pledges scheduled to be fulfilled through payroll deductions over the subsequent calendar year.

United Way also has programs funded by grants from the United States Corporation for National Community Service (AmeriCorps), Corporation for National and Community Service (AARP), and the Department of Treasury (VITA).

Sacramento Foundation, d.b.a. Capital Region Foundation, (Foundation) is a California nonprofit public benefit corporation engaged in the business of developing resources, funding and community support for the benefit of United Way or its successor and related charitable purposes. The Foundation has been established with a principal purpose to receive and administer funds as endowments for various charitable purposes.

Principles of consolidation –United Way holds a majority voting interest in the Board of Directors of the Foundation. Accordingly, the accompanying financial statements reflect the consolidation of United Way and the Foundation, (collectively, the Organization). Material intercompany transactions have been eliminated.

Basis of accounting and financial statement presentation – The consolidated financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entities. The Organization reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

Revenue recognition – Contributions, pledges and bequests are recognized in full when received or unconditionally promised, in accordance with professional standards. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Contributions received with donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions. All contributions are considered available for unrestricted use unless specifically restricted by donors for future periods or specific purposes. Donor-restricted amounts are reported as increases in net assets with donor restrictions. Net assets with donor restrictions become unrestricted and are reported in the statements of activities as net assets released from restrictions when the time restrictions expire or the contributions are used for the restricted purpose.

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

The Organization receives certain government and foundation grant revenue which is derived from cost-reimbursable contracts and grants, and are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received in advance of incurrence of qualifying expenditures are recorded as refundable advances. Outstanding conditional grants subject to such requirements were \$982,257 and \$200,000 as of June 30, 2022 and 2021, respectively, and recognized as the conditions are met.

In-kind donations are recognized as revenue when received and are likewise included as an offsetting expense or asset.

The Organization reports those contributions restricted by the donor for use in the broad service areas that are pervasive to the Organization's beneficiary agencies as increases in net assets without donor restrictions. Such contributions are distributed to agencies based on the Organization's assessment of their qualifications to achieve the goals of those service areas. Contributions designated by donors for specific agencies are reported as a deduction from gross campaign results in calculating net contribution revenue. Designations not yet distributed are recorded as a current liability.

Campaign fees and expense reimbursement revenue are recognized as the related campaign contributions and pledges are recognized.

Cash and cash equivalents – For financial statement purposes, the Organization considers all investments with a maturity at purchase of three months or less to be cash equivalents, unless held for long-term purposes.

The Organization minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. For the years ended June 30, 2022 and 2021, the balance held in excess of federally insured limits totaled \$873,639 and \$11,181,153, respectively. The Organization has not experienced any losses in such accounts and management believes the Organization is not exposed to any significant credit risk related to cash.

Investments are stated at fair value and are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Campaign pledges receivable is stated at the amount management expects to collect from outstanding pledges. Collection of these amounts is not assured, and management has recorded an allowance for uncollectible pledges based on its estimate. A reasonable possibility exists that amounts ultimately uncollectible may differ materially from the amounts estimated. However, the difference cannot be reasonably determined.

Property and equipment are stated at cost or, if donated, at estimated fair value on the date of donation. Assets are depreciated using the straight-line method over estimated useful lives of 2 to 7 years.

Leasehold interest in property – United Way rents from the Foundation under a 99 year lease at \$1 per year, expiring in 2110. The terms of the lease represent a contribution from the Foundation, which was recognized as a leasehold interest in property at fair value at the lease inception in 2012. The leasehold interest is being amortized on a straight-line basis over the 99 year life of the lease. The

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

leasehold interest in property asset and liability for United Way and the Foundation, respectively, had a balance of \$1,688,443 and \$1,707,630 as of June 30, 2022 and 2021, respectively, which is eliminated upon consolidation. The amortization of the leasehold interest in property was \$19,187 for each of the years ended June 30, 2022 and 2021, which is eliminated upon consolidation.

Income taxes – United Way and the Foundation are exempt from income taxes under Section 501(c)(3) and Section 23701(d) of the Internal Revenue Code. The Organization has applied the accounting principles related to accounting for uncertainty in income taxes and has determined that there is no material impact on the consolidated financial statements. With some exceptions, the Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years prior to 2018.

Functional allocation of expenses – The costs of providing the Organization’s activities have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include occupancy, depreciation, salaries, and other administrative costs. These costs are allocated based on weighted averages of the proportions of employees’ time incurred.

Use of estimates – The preparation of consolidated 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. Significant estimates included in these consolidated financial statements are management’s estimate of the collectability of pledges receivable and useful lives of assets.

Fair value measurements – Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available. For other assets and liabilities, observable market transactions and market information might not be available. However, the objective of a fair value measurement in both cases is the same – to estimate the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions (that is, an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability). In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, as follows:

| | |
|----------------|---|
| Level 1 Inputs | Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities. |
| Level 2 Inputs | Inputs other than quoted prices in active markets that are observable either directly or indirectly. |
| Level 3 Inputs | Unobservable inputs for the asset or liability. |

Subsequent events have been evaluated for recognition and disclosure through January 13, 2023, the date which these consolidated financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2022 that require recognition or disclosure in the financial statements.

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

Reclassification – Certain 2021 amounts have been reclassified to conform with 2022 financial statement presentation.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization's financial assets available for general expenditure within one year of the consolidated statements of financial position, are as follows:

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|----------------------|
| Cash and cash equivalents | \$ 1,000,000 | \$ 11,263,317 |
| Pledges receivable, net | 3,320,252 | 3,493,988 |
| Grants receivable | 566,450 | 423,313 |
| Investments | <u>20,259,874</u> | <u>14,117,993</u> |
| Total financial assets | 25,146,576 | 29,298,611 |
| Less amounts unavailable for general expenditures within one year, due to: | | |
| Designation distributions payable to agencies | (3,951,041) | (3,962,320) |
| Restricted by donor for purpose (see Note 6) | (5,547,473) | (7,049,067) |
| Perpetually restricted endowment investments (see Note 6) | <u>(6,111,079)</u> | <u>(6,111,079)</u> |
| Total financial assets available for general expenditure within one year | <u>\$ 9,536,983</u> | <u>\$ 12,176,145</u> |

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. Occasionally, the Board may designate a portion of any operating surplus to its liquidity reserve. Although the Organization's intent is to hold investments for long-term purposes, the investments could be made available to meet current cash flow needs if necessary.

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

3. INVESTMENTS

Investments consist of the following as of June 30:

| | <u>2022</u> | <u>2021</u> |
|---|----------------------|----------------------|
| Cash equivalents | \$ 579,468 | \$ 416,427 |
| Fixed income funds: | | |
| Investment grade | 11,859,720 | 3,155,514 |
| High yield | 476,652 | 487,739 |
| Treasury inflation protected securities | 175,882 | 197,032 |
| Developed international | 94,847 | 118,808 |
| Equity funds: | | |
| Large cap | 2,920,059 | 5,088,893 |
| Mid cap | 1,277,487 | 1,604,309 |
| Developed international | 1,230,361 | 1,368,469 |
| Emerging markets | 603,781 | 821,935 |
| Small cap | 312,469 | 438,326 |
| Real estate: | | |
| Commodities | 391,039 | |
| US REITs | 338,109 | 420,541 |
| Total | <u>\$ 20,259,874</u> | <u>\$ 14,117,993</u> |

4. PROPERTY AND EQUIPMENT

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

| | <u>2022</u> | <u>2021</u> |
|------------------------------------|---------------------|---------------------|
| Land | \$ 235,000 | \$ 235,000 |
| Buildings | 1,714,947 | 1,664,500 |
| Equipment, furniture, and fixtures | 667,258 | 588,325 |
| Software under license | 190,811 | 190,811 |
| Total | 2,808,016 | 2,678,636 |
| Less accumulated depreciation | <u>(1,352,741)</u> | <u>(1,257,076)</u> |
| Property and equipment, net | <u>\$ 1,455,275</u> | <u>\$ 1,421,560</u> |

5. PAYROLL PROGRAM PROTECTION LOAN

In April 2020, the Organization received a Paycheck Protection Program (PPP) loan under the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act totaling \$552,398. The terms and repayment conditions of PPP loans were modified through the subsequent Paycheck Protection Program Flexibility Act (PPFSA) signed into law in June 2020. Under the CARES Act, as modified by PPFSA, a portion or all of the loan and accrued interest may be forgiven provided the funds are

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

spent on qualifying payroll and other expenditures in the 24-week period following the loan and provided certain other criteria regarding full-time equivalent employee and payroll levels are maintained.

The Organization received notification that its loan was forgiven on January 5, 2021 and the loan amount was therefore recognized as income in the year ended June 30, 2021.

6. NET ASSETS WITH DONOR RESTRICTIONS

United Way's net assets with donor restrictions consist of the following as of June 30:

| | <u>2022</u> | <u>2021</u> |
|--|--------------------|--------------------|
| Leasehold interest in property | \$ 1,688,443 | \$ 1,707,630 |
| Investing in families | 624,436 | 471,146 |
| Helping kids excel in school | 181,933 | 67,558 |
| Women in Philanthropy | 74,921 | 31,127 |
| COVID-19 relief | | 28,582 |
| Young Leaders Society | 32,069 | 15,603 |
| Other | 60,457 | 16,747 |
| | <u>2,662,259</u> | <u>2,338,393</u> |
| Less amounts eliminated in consolidation | <u>(1,688,443)</u> | <u>(1,707,630)</u> |
| Total United Way | <u>\$ 973,816</u> | <u>\$ 630,763</u> |

The Foundation's net assets with donor restrictions consist of the following as of June 30:

| | <u>2022</u> | <u>2021</u> |
|--|----------------------|----------------------|
| Purpose restrictions: | | |
| Operations of United Way and the Foundation | \$ 2,965,542 | \$ 2,965,542 |
| Accumulated realized and unrealized gain/(loss) on endowment net assets: | | |
| Operations endowment | 1,968,609 | 3,063,610 |
| Community endowment | (360,494) | 389,152 |
| Perpetual restrictions: | | |
| Operations endowment | 4,486,079 | 4,486,079 |
| Community endowment | <u>1,625,000</u> | <u>1,625,000</u> |
| Total Foundation | <u>\$ 10,684,736</u> | <u>\$ 12,529,383</u> |
| Total consolidated net assets with donor restrictions | <u>\$ 11,658,552</u> | <u>\$ 13,160,146</u> |

The Foundation's perpetually restricted net assets include two donor-restricted endowment funds received from the United Way. The operations endowment was received for the purpose of providing support for current and future operations of the Foundation and United Way. The community endowment was received for the purpose of providing support for the charitable mission and purpose of United Way. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2022 AND 2021

The Foundation classifies as perpetually restricted net assets (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowments, and (c) appropriations of endowment assets to fund donor-approved expenditures.

Under the endowments' investment policies, the primary investment objectives are optimizing yield and maintaining spending power of the endowment assets. The principal of the endowment funds are to be invested in perpetuity and investment returns are to be used per donor intent. Accumulated unrealized gains and losses of the endowment investments are recorded to net assets with donor restrictions (purpose restricted).

From time to time, the fair value associated with individual donor restricted endowment funds may fall below the amount required to be maintained by donors or by law. At June 30, 2022 funds with original gift values of \$1,625,000, fair values of \$1,264,506, and deficiencies of \$360,494 were reported in net assets with donor restrictions. The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to permit spending from underwater endowments in accordance with prudent measures required under law. As required by the Organization's endowment policies, spending from underwater endowments will be restricted until the original gift value is restored through subsequent increases in fair value.

Changes in perpetually restricted endowment net assets are as follows for the year ended June 30:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Endowment net assets, beginning of year | \$ 6,111,079 | \$ 6,111,079 |
| Investment gain: | | |
| Investment income | 189,072 | 130,518 |
| Realized/unrealized gain | <u>(1,633,121)</u> | <u>1,979,127</u> |
| Total investment gain (loss) | (1,444,049) | 2,109,645 |
| Allocation of investment (gain)/loss to net assets with donor restrictions (purpose restricted) | <u>1,444,049</u> | <u>(2,109,645)</u> |
| Endowment net assets, end of year | <u>\$ 6,111,079</u> | <u>\$ 6,111,079</u> |

7. EMPLOYEE BENEFIT PLAN

The Organization sponsors a defined contribution pension plan, under Internal Revenue Code Section 403(b), covering substantially all employees age 21 and over who have completed at least one year of service. The Organization makes monthly contributions equal to 5% of each employee's compensation. Such contributions vest over a five-year period and totaled \$96,027 and \$93,799 for the years ended June 30, 2022 and 2021.

8. CONCENTRATION

The Organization received one donation for \$10,000,000 during the year ended June 30, 2021, representing approximately 46% of revenue.

SUPPLEMENTARY INFORMATION

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION FOR UNITED WAY CALIFORNIA CAPITAL REGION JUNE 30, 2022

ASSETS

CURRENT ASSETS:

| | |
|---|---------------|
| Cash and cash equivalents | \$ 1,000,000 |
| Campaign pledges receivable, net of allowance for uncollectible pledges of \$510,298 | 3,320,252 |
| Grants receivable | 566,450 |
| Due from Sacramento Foundation | 24,279 |
| Prepaid expenses and other assets | <u>47,889</u> |
| Total current assets | 4,958,870 |

NONCURRENT ASSETS:

| | |
|---|------------------|
| Investments held by the Sacramento Foundation | 8,561,504 |
| Property and equipment, net | 121,049 |
| Leasehold interest in property, net | <u>1,688,443</u> |

TOTAL ASSETS \$ 15,329,866

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

| | |
|---|----------------|
| Designation distributions payable to agencies | \$ 3,951,041 |
| Accounts payable | 476,155 |
| Accrued expenses | <u>192,043</u> |

TOTAL LIABILITIES 4,619,239

NET ASSETS:

| | |
|----------------------------|-------------------|
| Without donor restrictions | 8,048,368 |
| With donor restrictions | <u>2,662,259</u> |
| Total net assets | <u>10,710,627</u> |

TOTAL LIABILITIES AND NET ASSETS \$ 15,329,866

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

SUPPLEMENTAL STATEMENT OF ACTIVITIES FOR UNITED WAY CALIFORNIA CAPITAL REGION YEAR ENDED JUNE 30, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|--|---|----------------------|
| REVENUES: | | | |
| Campaign results | \$ 6,796,575 | \$ 567,910 | \$ 7,364,485 |
| Third party processors | 835,731 | | 835,731 |
| Campaign fees and expense reimbursement | <u>701,773</u> | <u></u> | <u>701,773</u> |
| Total campaign results | 8,334,079 | 567,910 | 8,901,989 |
| Less provision for uncollectible pledges | (757,844) | | (757,844) |
| Less funds designated to agencies by donors | <u>(5,961,623)</u> | <u></u> | <u>(5,961,623)</u> |
| Net campaign contributions designated to | | | |
| Community Impact Fund | 1,614,612 | 567,910 | 2,182,522 |
| Grants and contributions | 1,138,692 | 1,111,578 | 2,250,270 |
| Federal grants | 192,323 | | 192,323 |
| Investment loss | (40,848) | | (40,848) |
| Other revenue | 28,409 | | 28,409 |
| Net assets released from restrictions | <u>1,355,622</u> | <u>(1,355,622)</u> | <u></u> |
| Total revenues | <u>4,288,810</u> | <u>323,866</u> | <u>4,612,676</u> |
| EXPENSES: | | | |
| Agency and community support: | | | |
| Cash contributions and other community support | 3,122,019 | | 3,122,019 |
| Federally funded programs | 192,323 | | 192,323 |
| Supporting services: | | | |
| Campaign | 1,917,524 | | 1,917,524 |
| Marketing and communications | 829,089 | | 829,089 |
| Management and general | <u>538,556</u> | <u></u> | <u>538,556</u> |
| Total expenses | <u>6,599,511</u> | <u></u> | <u>6,599,511</u> |
| CHANGE IN NET ASSETS | (2,310,701) | 323,866 | (1,986,835) |
| NET ASSETS, Beginning of year | <u>10,359,069</u> | <u>2,338,393</u> | <u>12,697,462</u> |
| NET ASSETS, End of year | <u>\$ 8,048,368</u> | <u>\$ 2,662,259</u> | <u>\$ 10,710,627</u> |

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION FOR SACRAMENTO FOUNDATION (D.B.A CAPITAL REGION FOUNDATION) JUNE 30, 2022

ASSETS

CURRENT ASSETS:

| | |
|-----------------------------------|----------|
| Prepaid expenses and other assets | \$ 1,584 |
|-----------------------------------|----------|

NONCURRENT ASSETS:

| | |
|---------------------------------|------------------|
| Investments | 11,698,370 |
| Investments held for United Way | 8,561,504 |
| Land and building, net | <u>1,334,226</u> |

| | |
|---------------------|-----------------------------|
| TOTAL ASSETS | <u>\$ 21,595,684</u> |
|---------------------|-----------------------------|

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

| | |
|-------------------|-----------|
| Due to United Way | \$ 24,279 |
|-------------------|-----------|

NONCURRENT LIABILITIES:

| | |
|-------------------------------------|------------------|
| Investments held for United Way | 8,561,504 |
| Leasehold interest in property, net | <u>1,688,443</u> |

| | |
|--------------------------|--------------------------|
| TOTAL LIABILITIES | <u>10,274,226</u> |
|--------------------------|--------------------------|

NET ASSETS:

| | |
|----------------------------|-------------------|
| Without donor restrictions | 636,722 |
| With donor restrictions | <u>10,684,736</u> |
| Total net assets | <u>11,321,458</u> |

| | |
|---|-----------------------------|
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 21,595,684</u> |
|---|-----------------------------|

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

SUPPLEMENTAL STATEMENT OF ACTIVITIES FOR SACRAMENTO FOUNDATION (D.B.A CAPITAL REGION FOUNDATION) YEAR ENDED JUNE 30, 2022

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|---------------------------------------|--|---|----------------------|
| REVENUES: | | | |
| Investment loss | \$ (505,998) | \$ (1,444,049) | \$ (1,950,047) |
| In-kind rental income | 19,187 | | 19,187 |
| Net assets released from restrictions | 400,598 | (400,598) | |
| Total revenues | <u>(86,213)</u> | <u>(1,844,647)</u> | <u>(1,930,860)</u> |
| EXPENSES: | | | |
| Program services: | | | |
| Community support | 352,856 | | 352,856 |
| Supporting services: | | | |
| Management and general | <u>115,457</u> | <u></u> | <u>115,457</u> |
| Total expenses | <u>468,313</u> | <u></u> | <u>468,313</u> |
| CHANGE IN NET ASSETS | (554,526) | (1,844,647) | (2,399,173) |
| NET ASSETS, Beginning of year | <u>1,191,248</u> | <u>12,529,383</u> | <u>13,720,631</u> |
| NET ASSETS, End of year | <u>\$ 636,722</u> | <u>\$ 10,684,736</u> | <u>\$ 11,321,458</u> |