UNITED WAY CALIFORNIA CAPITAL REGION

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

YEAR ENDED JUNE 30, 2019

UNITED WAY CALIFORNIA CAPITAL REGION

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Way California Capital Region
Sacramento, California

We have audited the accompanying financial statements of United Way California Capital Region (Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related financial statement notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way California Capital Region as of June 30, 2019, 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.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

December 13, 2019

UNITED WAY CALIFORNIA CAPITAL REGION

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS	
CURRENT ASSETS:	
Cash and cash equivalents	$ 1,528,317
Campaign pledges receivable, net of allowance for uncollectible pledges of $546,053	3,994,669
Grants receivable	819,232
Accounts receivable	100,815
Prepaid expenses and other assets	48,421
Total current assets	6,491,454
NONCURRENT ASSETS:	
Property and equipment, net	81,474
Leasehold interest in property, net	1,746,004
TOTAL ASSETS	$ 8,318,932
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Designation distributions payable to agencies	$ 4,225,112
Grant distributions payable to agencies	31,491
Accounts payable	167,453
Accrued expenses	117,581
Total current liabilities	4,541,637
NET ASSETS:	
Net assets without donor restrictions	521,301
Net assets with donor restrictions	3,255,994
Total net assets	3,777,295
TOTAL LIABILITIES AND NET ASSETS	$ 8,318,932

UNITED WAY CALIFORNIA CAPITAL REGION

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES:			
Campaign results	$ 8,253,494	$ 362,165	$ 8,615,659
Third party processors	1,716,279		1,716,279
Campaign fees and expense reimbursement	670,659		670,659
Total campaign results	10,640,432	362,165	11,002,597
Less provision for uncollectible pledges	(632,515)		(632,515)
Less funds designated to agencies by donors	(7,443,630)		(7,443,630)
Net campaign contributions designated to Community Impact Fund	2,564,287	362,165	2,926,452
Federal grants	712,309		712,309
Grants and contributions		1,314,048	1,314,048
Other grants	421,140		421,140
Other revenue	71,074		71,074
Net assets released from restrictions	1,375,300	(1,375,300)	
Total revenues	5,144,110	300,913	5,445,023
EXPENSES:			
Agency and community support:			
Cash contributions and other community support	1,888,879		1,888,879
Federally funded programs	708,249		708,249
Supporting services:			
Campaign	1,593,979		1,593,979
Marketing and communications	501,156		501,156
Management and general	347,095		347,095
United Way Worldwide dues	96,638		96,638
Total expenses	5,135,996		5,135,996
CHANGE IN NET ASSETS	8,114	300,913	309,027
NET ASSETS, Beginning of year	513,187	2,955,081	3,468,268
NET ASSETS, End of year	$ 521,301	$ 3,255,994	$ 3,777,295

UNITED WAY CALIFORNIA CAPITAL REGION

STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services		Supporting Services				
	Agency & Community Support	Federally Funded Programs	Campaign	Mktg. & Comm.	Mgmt. & General	United Way Worldwide Dues	Total
Salaries, benefits, and payroll taxes	$ 1,028,514	$ 191,960	$ 1,089,720	$ 304,066	$ 100,034		$ 2,714,294
Program materials and administration	545,843	488,907	44,814	22,626			1,102,190
Professional services	127,107	5,821	149,177	35,690	148,213		466,008
Printing and other materials	62,751	7,047	138,573	105,008			313,379
United Way Worldwide dues						$ 96,638	96,638
Facilities and rent	31,223		37,651	8,266	19,049		96,189
Technology and equipment rental and maintenance	25,761	34	33,953	9,252	10,787		79,787
Telecommunications	18,280		22,044	4,839	10,381		55,544
Travel, transportation, and training	16,084	7,830	16,592	2,680	6,177		49,363
Meetings and events	9,722	6,650	8,922	2,945	15,939		44,178
Depreciation	9,908		22,626	2,623	4,663		39,820
Other supplies	6,689		12,755	1,736	4,098		25,278
Business insurance	4,519		5,449	1,196	2,127		13,291
Postage and shipping	39		6,463		3,210		9,712
Dues and subscriptions	605		2,020		4,350		6,975
Miscellaneous	1,834		3,220	229	18,067		23,350
Total expenses	$ 1,888,879	$ 708,249	$ 1,593,979	$ 501,156	$ 347,095	$ 96,638	$ 5,135,996

UNITED WAY CALIFORNIA CAPITAL REGION

STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	$ 309,027
Reconciliation to net cash used by operating activities:	
Depreciation	39,820
Amortization of leasehold interest in property	19,187
Changes in:	
Campaign pledges receivable, net	(1,045,751)
Grants receivable	(455,883)
Accounts receivable	4,009
Prepaid expenses and other assets	68,064
Campaign distributions payable to agencies	1,068,874
Accounts payable	(33,433)
Accrued expenses	2,331
Net cash used by operating activities	(23,755)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property and equipment	(40,690)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(64,445)
CASH AND CASH EQUIVALENTS, Beginning of year	1,592,762
CASH AND CASH EQUIVALENTS, End of year	$ 1,528,317

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

For more than 90 years, United Way California Capital Region (Organization) 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. The Organization 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. The Organization 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.

The Organization has multiple programs which are funded by grants from the United States Department of Agriculture (Healthy Meals), Corporation for National Community Service (AmeriCorps), Corporation for National and Community Service (AARP), and the Department of Treasury (VITA).

Basis of accounting and financial statement presentation – The 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 accounting standards. If a contribution is restricted by the donor for use in a future period or for a specific purpose, the amount is initially reported as an increase in net assets with donor restrictions. When the restriction is satisfied, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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.

Federal grant revenue is recognized when corresponding expenses are incurred.

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

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 year ended June 30, 2019, the balance held in excess of federally insured limits totatled $1,654,534. 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.

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 estimated the uncollectible amount as of June 30, 2019. 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 – The Organization rents its office space from its affiliate, the Sacramento Foundation (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.

Income taxes – The Organization is exempt from income taxes under Section 501(c)(3) 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 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 2015.

Functional allocation of expenses – The costs of providing the Organization's activities have been summarized on a functional basis in the 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 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 financial statements are management's estimate of the collectability of pledges receivable and useful lives of assets.

Recent accounting pronouncements – In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958), *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, information about liquidity and availability of resources, and consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606). The new accounting standard develops a common standard that will remove inconsistencies in revenue requirements, improve comparability of revenue recognition practices, provide more useful information to users of financial statements and simplify the preparation of financial statements. Application of this statement is effective for the year ending June 30, 2020. The Organization is currently evaluating the impact this pronouncement will have on the financial statements.

In June 2018, the FASB issued ASU 2018-08, Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new accounting standard clarifies and improves the guidance for (1) evaluating whether transactions should be accounted for as contributions within the scope of Topic 958 or as exchange transactions subject to other guidance and (2) determining whether a contribution is conditional. Application of this statement is effective for transactions in which the entity serves as the resource recipient for the year ending June 30, 2020. For transactions in which the entity serves as the resource provider, the statement is effective for the year ending June 30, 2021. The Organization is currently evaluating the impact this pronouncement will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending June 30, 2022. The Organization is currently evaluating the impact this pronouncement will have on the financial statements.

Subsequent events have been evaluated for recognition and disclosure through December 13, 2019, the date which these financial statements were available to be issued.

2. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash and cash equivalents	$ 1,528,317
Pledges receivable, net of 546,053 allowance	3,994,669
Grants receivable	819,232
Accounts receivable	100,815
Total financial assets	6,443,033
Less amounts unavailable for general expenditures within one year, due to:	
Designation distributions payable to agencies	(4,225,112)
Financial assets subject to donor restrictions (see Note 4)	(1,509,990)
Total financial assets available for general expenditure within one year	$ 707,931

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. In the event of an unanticipated liquidity need, the Organization may request a disbursement from the Sacramento Foundation.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Equipment, furniture, and fixtures	$ 536,614
Software under license	177,531
Total	714,145
Less accumulated depreciation	(632,671)
Property and equipment, net	$ 81,474

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following:

Leasehold interest in property	$ 1,746,004
Building a financially capable Sacramento region	807,659
Healthy meals program	198,250
Women in Philanthropy	125,130
Literacy Program	101,390
Young Leaders Society	75,028
Other	202,533
Total	$ 3,255,994

5. EMPLOYEE BENEFIT PLANS

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 $70,444 for the year ended June 30, 2019.

The Organization also sponsors a defined benefit post-retirement plan that provides medical, dental, vision, and life insurance benefits to qualifying retired employees. The plan is no longer open to new participants. To qualify, employees must be of age 55 or more and retire as an employee of the Organization with ten years of credited service. Medical benefits cover the period from retirement until qualified retirees reach age 65, the age of eligibility for Medicare. Life insurance will remain in effect until time of death. The cost of such benefits is estimated as a level percentage of their payroll costs, discounted to present value, and recognized after employees accumulate ten years of service and reach age 55. The postretirement plan is funded as benefits are paid. As of June 30, 2019, the plan covered only 1 employee.

6. RELATED PARTIES

The Organization is affiliated with the Sacramento Foundation, sharing one common member of the Board of Directors and providing management services to the Foundation under a contractual arrangement. The Foundation has been established for the purpose of developing resources, funding and community support for the benefit of the Organization or its successor and related charitable purposes.

The Organization leases its office space from the Foundation under a 99 year lease at $1 per year expiring in 2110. The leasehold interest is recognized as an asset in the Organization's statement of financial position.

For services provided in accordance with the management service agreement between the Organization and Foundation, the Foundation paid (or accrued) $60,000 in 2019. The agreement was automatically renewed in May 2018 and automatically renews for a three-year term every third year thereafter, unless terminated by either party in accordance with the agreement. Future service fees will remain at $60,000 per year unless modified at renewal.

The Organization has accounts receivable from the Foundation totaling $100,466 as of June 30, 2019.

In the routine course of business, the Organization sometimes purchases goods and services from companies that have officers serving on the Organization's Board of Directors. Significant related party balances and transactions are as follows:

Total cash balance held at Bank of America	$	25,307
Total cash balance held at First Northern Bank	$	1,904,534

7. MERGER WITH WOODLAND UNITED WAY

In July 2019, the Organization and Woodland United Way executed a merger agreement to combine the operations of the two organizations. Under the merger agreement, Woodland United Way will disappear as a legal entity and the Organization will assume the operations as well as the assets and liabilities of Woodland United Way.

The two organizations believe the merger will provide an increased investment in community needs, yield greater impact and outcomes, increase brand recognition and comprehension, attract new donors, and make United Way more operationally efficient.

As of December 13, 2019, the date of the independent auditor's report, the initial accounting for the impact of the merger has not been completed.