

**UNITED WAY CALIFORNIA
CAPITAL REGION AND
AFFILIATE**

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

**YEARS ENDED
JUNE 30, 2021 AND 2020**

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**

We have audited the accompanying consolidated financial statements of United Way California Capital Region and Affiliate (the Organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, 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.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way California Capital Region and Affiliate as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental financial statements are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purposes of additional analysis and is not a required part of the basic 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 audits 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2022, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

March 16, 2022

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION JUNE 30, 2021 & 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 11,263,317	\$ 1,589,809
Campaign pledges receivable, net of allowance for uncollectible pledges of \$534,421 for 2021 and \$590,329 for 2020	3,493,988	3,925,250
Grants receivable	423,313	402,442
Prepaid expenses and other assets	<u>86,047</u>	<u>81,931</u>
Total current assets	15,266,665	5,999,432
NONCURRENT ASSETS:		
Investments	14,117,993	11,684,654
Property and equipment, net	<u>1,421,560</u>	<u>1,503,336</u>
TOTAL ASSETS	<u>\$ 30,806,218</u>	<u>\$ 19,187,422</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Designation distributions payable to agencies	\$ 3,962,320	\$ 4,084,282
Grant distributions payable to agencies		31,461
Accounts payable	286,447	104,239
Accrued expenses	<u>139,358</u>	<u>143,873</u>
Total current liabilities	4,388,125	4,363,855
NONCURRENT LIABILITIES:		
Payroll Protection Program loan	<u> </u>	<u>552,398</u>
TOTAL LIABILITIES	<u>4,388,125</u>	<u>4,916,253</u>
NET ASSETS:		
Without donor restrictions	13,257,947	2,980,064
With donor restrictions	<u>13,160,146</u>	<u>11,291,105</u>
Total net assets	<u>26,418,093</u>	<u>14,271,169</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 30,806,218</u>	<u>\$ 19,187,422</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
Federal grants	1,110,540		1,110,540
Grants and contributions	4,547,184	629,190	5,176,374
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 ACTIVITIES YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES:			
Campaign results	\$ 8,230,684	\$ 395,837	\$ 8,626,521
Third party processors	1,527,394		1,527,394
Campaign fees and expense reimbursement	654,871		654,871
Total campaign results	10,412,949	395,837	10,808,786
Less provision for uncollectible pledges	(858,360)		(858,360)
Less funds designated to agencies by donors	(7,410,910)		(7,410,910)
Net campaign contributions designated to			
Community Impact Fund	2,143,679	395,837	2,539,516
Federal grants	433,550		433,550
Grants and contributions	463,448	738,795	1,202,243
Investment income	91,080	231,386	322,466
Other revenue	138,998		138,998
Net assets released from restrictions	2,536,001	(2,536,001)	
Total revenues	<u>5,806,756</u>	<u>(1,169,983)</u>	<u>4,636,773</u>
EXPENSES:			
Agency and community support:			
Cash contributions and other community support	2,805,197		2,805,197
Federally funded programs	433,550		433,550
Supporting services:			
Campaign	1,381,699		1,381,699
Marketing and communications	484,514		484,514
Management and general	439,241		439,241
Total expenses	<u>5,544,201</u>		<u>5,544,201</u>
CHANGE IN NET ASSETS	262,555	(1,169,983)	(907,428)
NET ASSETS, Beginning of year	<u>2,717,509</u>	<u>12,461,088</u>	<u>15,178,597</u>
NET ASSETS, End of year	<u>\$ 2,980,064</u>	<u>\$ 11,291,105</u>	<u>\$ 14,271,169</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>Total</u>
	<u>Agency & Community Support</u>	<u>Federally Funded Programs</u>	<u>Campaign</u>	<u>Mktg. & Comm.</u>	<u>Mgmt. & General</u>	
Program distributions, materials, and administration	\$ 4,573,260	\$ 921,539	\$ 378			\$ 5,495,177
Salaries, benefits, and payroll taxes	1,315,607	128,426	913,035	\$ 364,215	\$ 133,449	2,854,732
Professional services	250	55,287	219,505	45,836	95,627	416,505
Technology and equipment rental and maintenance	54,348		65,538	14,386	25,576	159,848
Dues and subscriptions	49,942		60,224	13,220	23,502	146,888
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
Business insurance	9,312		11,229	2,465	19,483	42,489
Meetings and events	4,266	238	6,490	3,555	6,308	20,857
Other supplies	3,127		3,770	828	1,471	9,196
Postage and shipping			2,043	220	2,149	4,412
Travel, transportation, and training	265	317	2,858		316	3,756
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 STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2020

	<u>Program Services</u>		<u>Supporting Services</u>			<u>Total</u>
	<u>Agency & Community Support</u>	<u>Federally Funded Programs</u>	<u>Campaign</u>	<u>Mktg. & Comm.</u>	<u>Mgmt. & General</u>	
Program distributions, materials, and administration	\$ 1,101,876	\$ 242,681	\$ 29,289	\$ 67	\$ 116	\$ 1,374,029
Salaries, benefits, and payroll taxes	1,417,469	179,778	888,381	361,714	116,369	2,963,711
Professional services	79,183	2,508	145,419	24,564	165,199	416,873
Technology and equipment rental and maintenance	31,593	51	30,487	15,903	9,508	87,542
Dues and subscriptions	22,982		25,803	5,538	9,845	64,168
Printing and other materials	56,561	2,842	129,302	52,261		240,966
Facilities and rent	22,299		26,890	5,903	11,921	67,013
Depreciation	7,946		20,259	2,103	59,222	89,530
Telecommunications	20,494	605	24,713	5,425	9,644	60,881
Business insurance	4,499		5,425	1,191	17,623	28,738
Meetings and events	9,601	1,753	14,305	3,381	6,567	35,607
Other supplies	7,541	26	8,132	1,658	2,930	20,287
Postage and shipping			1,648		4,060	5,708
Travel, transportation, and training	4,986	3,306	9,367	257	6,434	24,350
Miscellaneous	18,167		22,279	4,549	19,803	64,798
Total expenses	<u>\$ 2,805,197</u>	<u>\$ 433,550</u>	<u>\$ 1,381,699</u>	<u>\$ 484,514</u>	<u>\$ 439,241</u>	<u>\$ 5,544,201</u>

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

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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 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).

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 – Effective, October 25, 2019, the Foundation amended its bylaws granting United Way 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) effective July 1, 2019 in accordance with the applicable accounting standards. 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. 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.

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. At June 30, 2021, the Organization had one outstanding conditional promise to give for \$200,000 subject to matching requirements. The conditional promise to give will be recognized as revenue in future years as the conditions are met.

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

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.

The Organization's government grant revenue is derived from cost-reimbursable contracts and grants, which 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 prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

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, 2021 and 2020, the balance held in excess of federally insured limits totaled \$11,181,153 and \$1,759,317, 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 leasehold interest in property asset and liability for United Way and the Foundation, respectively, had

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

a balance of \$1,707,630 and \$1,726,817 as of June 30, 2021 and 2020, 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, 2021 and 2020, 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 2017.

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 March 16, 2022, the date which these consolidated financial statements were available to be issued. Management concluded that no material subsequent events have occurred since June 30, 2021 that require recognition or disclosure in the financial statements.

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

Reclassification – Certain 2020 amounts have been reclassified to conform to the 2021 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	\$ 11,263,317	\$ 1,589,809
Pledges receivable, net	3,493,988	3,925,250
Grants receivable	423,313	402,442
Investments	<u>14,117,993</u>	<u>11,684,654</u>
Total financial assets	29,298,611	17,602,155
Less amounts unavailable for general expenditures within one year, due to:		
Designation distributions payable to agencies	(3,962,320)	(4,084,282)
Restricted by donor for purpose (see Note 6)	(7,049,067)	(5,180,026)
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>\$ 12,176,145</u>	<u>\$ 2,226,768</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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

3. INVESTMENTS

Investments consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Cash equivalents	\$ 416,427	\$ 439,660
Fixed income funds:		
Investment grade	3,155,514	3,248,68
High yield	487,739	476,389
Treasury inflation protected securities	197,032	83,968
Developed international	118,808	117,879
Equity funds:		
Large cap	5,088,893	4,274,817
Mid cap	1,604,309	1,072,216
Developed international	1,368,469	1,026,444
Emerging markets	821,935	617,514
Small cap	438,326	
Real estate:		
US REITs	<u>420,541</u>	<u>327,084</u>
Total	<u>\$ 14,117,993</u>	<u>\$ 11,684,654</u>

4. PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land	\$ 235,000	\$ 235,000
Buildings	1,664,500	1,664,500
Equipment, furniture, and fixtures	588,325	579,092
Software under license	<u>190,811</u>	<u>190,811</u>
Total	2,678,636	2,669,403
Less accumulated depreciation	<u>(1,257,076)</u>	<u>(1,166,067)</u>
Property and equipment, net	<u>\$ 1,421,560</u>	<u>\$ 1,503,336</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 (PPFPA) signed into law in June 2020. Under the CARES Act, as modified by PPFPA, a portion or all of the loan and accrued interest may be forgiven provided the funds are

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

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>2021</u>	<u>2020</u>
Leasehold interest in property	\$ 1,707,630	\$ 1,726,817
Social Justice Investing	371,146	457,398
Digital Equity	100,000	
Education	67,558	
Women in Philanthropy	31,127	10,759
COVID-19 relief	28,582	23,582
Young Leaders Society	15,603	371
Other	16,747	23,230
	<u>2,338,393</u>	<u>2,242,157</u>
Less amounts eliminated in consolidation	<u>(1,707,630)</u>	<u>(1,726,817)</u>
Total United Way	<u>\$ 630,763</u>	<u>\$ 515,340</u>

The Foundation's net assets with donor restrictions consist of:

Purpose restrictions:

Operations of United Way and the Foundation	\$ 2,965,542	\$ 2,965,542
Unrealized gain on endowment net assets:		
Operations endowment	3,063,610	1,599,796
Community endowment	389,152	99,348

Perpetual restrictions:

Operations endowment	4,486,079	4,486,079
Community endowment	<u>1,625,000</u>	<u>1,625,000</u>

Total Foundation \$ 12,529,383 \$ 10,775,765

Total consolidated net assets with donor restrictions \$ 13,160,146 \$ 11,291,105

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, 2021 AND 2020

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 losses of the endowment investments are recorded to net assets with donor restrictions (purpose restricted) to the extent that the original value of the donated principal has not decreased in which case, accumulated unrealized losses are recorded to net assets without donor restrictions. Accumulated unrealized gains of the endowment investments are recorded as an increase in net assets without donor restrictions to the extent previous unrealized losses have been recognized in net assets without donor restrictions and any excess unrealized gains are recorded to net assets with donor restrictions (purpose restricted).

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

	<u>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 6,111,079	\$ 6,111,079
Investment gain:		
Investment income	130,518	147,898
Realized/unrealized gain	<u>1,979,127</u>	<u>83,488</u>
Total investment gain	2,109,645	231,386
Allocation of investment gain to net assets with donor restrictions (purpose restricted)	<u>(2,109,645)</u>	<u>(231,386)</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 \$93,799 and \$87,237 for the years ended June 30, 2021 and 2020.

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2021 AND 2020

8. MERGER WITH WOODLAND UNITED WAY

In July 2019, the United Way California Capital Region entered into a merger agreement with Woodland United Way whereby United Way California Capital Region was the surviving entity.

The merger, which was accounted for as an acquisition, will provide an increased investment in community needs, yield greater impact and outcomes, increased brand recognition and comprehension, attract new donors, and make United Way more operationally efficient.

The amounts recognized as of July 10, 2019 (the acquisition date) for each major class of assets, liabilities and net assets are as follows:

Cash	\$ 32,842
Accounts and campaign pledges receivable, net	77,987
Prepaid expenses	1,989
Total assets	<u>112,818</u>
Accounts payable and accrued expenses	3,800
Unearned revenue	13,750
Total liabilities	<u>17,550</u>
Net assets without donor restrictions	47,561
Net assets with donor restrictions	47,707
Total net assets contributed to United Way	<u>\$ 95,268</u>

The net assets received by Woodland United Way are included in grants and contributions in the consolidated statement of activities for the year ended June 30, 2020.

9. RISKS AND UNCERTAINTIES

In mid-March 2020, the COVID-19 virus was declared a global pandemic and as a result, economic uncertainties have arisen which could have a negative impact on contribution revenue. Although the disruption is expected to be temporary, the financial impact and duration cannot be reasonably estimated at this time.

10. 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, 2021

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 11,263,317
Campaign pledges receivable, net of allowance for uncollectible pledges of \$534,421	3,493,988
Grants receivable	423,313
Due from Sacramento Foundation	35,773
Prepaid expenses and other assets	<u>84,674</u>
Total current assets	15,301,065

NONCURRENT ASSETS:

Property and equipment, net	76,892
Leasehold interest in property, net	<u>1,707,630</u>

TOTAL ASSETS \$ 17,085,587

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Designation distributions payable to agencies	\$ 3,962,320
Accounts payable	286,447
Accrued expenses	<u>139,358</u>

TOTAL LIABILITIES 4,388,125

NET ASSETS:

Without donor restrictions	10,359,069
With donor restrictions	<u>2,338,393</u>
Total net assets	<u>12,697,462</u>

TOTAL LIABILITIES AND NET ASSETS \$ 17,085,587

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

SUPPLEMENTAL STATEMENT OF ACTIVITIES FOR UNITED WAY CALIFORNIA CAPITAL REGION YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	<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
Federal grants	1,110,540		1,110,540
Grants and contributions	4,865,527	629,190	5,494,717
Gain on forgiveness of Paycheck Protection			
Program loan	552,398		552,398
Other revenue	84,404		84,404
Net assets released from restrictions	1,104,337	(1,104,337)	
Total revenues	<u>19,174,157</u>	<u>96,236</u>	<u>19,270,393</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	339,564		339,564
Total expenses	<u>9,544,160</u>		<u>9,544,160</u>
CHANGE IN NET ASSETS	9,629,997	96,236	9,726,233
NET ASSETS, Beginning of year	<u>729,072</u>	<u>2,242,157</u>	<u>2,971,229</u>
NET ASSETS, End of year	<u>\$ 10,359,069</u>	<u>\$ 2,338,393</u>	<u>\$ 12,697,462</u>

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION FOR SACRAMENTO FOUNDATION (D.B.A CAPITAL REGION FOUNDATION) JUNE 30, 2021

ASSETS

CURRENT ASSETS:

Prepaid expenses and other assets	\$ 1,373
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NONCURRENT ASSETS:

Investments	14,117,993
Land and building, net	<u>1,344,668</u>

TOTAL ASSETS	<u>\$ 15,464,034</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Due to United Way	\$ 35,773
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NONCURRENT LIABILITIES:

Leasehold interest in property, net	<u>1,707,630</u>
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NET ASSETS:

Without donor restrictions	1,191,248
With donor restrictions	<u>12,529,383</u>
Total net assets	<u>13,720,631</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 15,464,034</u>
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UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

SUPPLEMENTAL STATEMENT OF ACTIVITIES FOR SACRAMENTO FOUNDATION (D.B.A CAPITAL REGION FOUNDATION) YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES:			
Investment income	\$ 703,277	\$ 2,109,645	\$ 2,812,922
In-kind rental income	19,187		19,187
Net assets released from restrictions	<u>356,027</u>	<u>(356,027)</u>	
Total revenues	1,078,491	1,753,618	2,832,109
EXPENSES:			
Program services:			
Community support	308,343		308,343
Supporting services:			
Management and general	<u>103,075</u>		<u>103,075</u>
Total expenses	<u>411,418</u>		<u>411,418</u>
CHANGE IN NET ASSETS	667,073	1,753,618	2,420,691
NET ASSETS, Beginning of year	<u>524,175</u>	<u>10,775,765</u>	<u>11,299,940</u>
NET ASSETS, End of year	<u>\$ 1,191,248</u>	<u>\$ 12,529,383</u>	<u>\$ 13,720,631</u>

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021**

	<u>Assistance Listing Number</u>	<u>Pass-Through Number</u>	<u>Federal Expenditures</u>
U.S. Department of Treasury:			
Coronavirus Relief Fund:			
Passed through Sierra Health Foundation:			
Center for Health Program Management	21.019	SLT0133	\$ 500,000
Passed through City of Sacramento	21.019	G02610100	<u>450,000</u>
Total U.S. Department of Treasury			<u>950,000</u>
Internal Revenue Service:			
Volunteer Income Tax Assistance	21.009	N/A	<u>140,936</u>
Corporation for National and Community Service:			
Volunteers in Service to America	94.013	N/A	<u>19,604</u>
Total Expenditures of Federal Awards			<u>\$ 1,110,540</u>

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS JUNE 30, 2021

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards of United Way California Capital Region (the Organization) is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. INDIRECT COST RATE

The Organization elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of United Way California Capital Region and Affiliate (the Organization), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 16, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert CPAs

GILBERT CPAs
Sacramento, California

March 16, 2022

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited United Way California Capital Region and Affiliate (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the United Way's major federal program for the year ended June 30, 2021. The Organization's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Organization's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the United Way's major federal program. However, our audit does not provide a legal determination of the United Way's compliance.

Opinion on Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gilbert CPAs

**GILBERT CPAs
Sacramento, California**

March 16, 2022

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes ✓ No
- Significant deficiency(ies) identified? _____ Yes ✓ None reported

Noncompliance material to financial statements noted? _____ Yes ✓ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes ✓ No
- Significant deficiency(ies) identified? _____ Yes ✓ None reported

Type of auditor's report issued: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? _____ Yes ✓ No

Identification of major program:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Coronavirus Relief Fund	21.019
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	_____ Yes <u>✓</u> No

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED JUNE 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

SECTION IV – STATUS OF PRIOR YEAR FINDINGS

None noted.