

**UNITED WAY CALIFORNIA
CAPITAL REGION AND
AFFILIATE**

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

**YEAR ENDED
JUNE 30, 2024**

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**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of United Way California Capital Region and Affiliate (collectively the Organization), which comprise the consolidated statement of financial position as of June 30, 2024, 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.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, 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.

Basis for Opinion

We conducted our audit in accordance with 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. 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 and *Government 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 and *Government 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 15 through 18 and 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* 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 24, 2025, 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

February 24, 2025

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 903,255
Campaign pledges receivable, net of allowance for uncollectible pledges of \$511,901	2,584,212
Accounts receivable	211,992
Grants receivable	1,770,702
Employee Retention Tax Credit receivable	221,030
Prepaid expenses	<u>44,062</u>
Total current assets	5,735,253

NONCURRENT ASSETS:

Investments	19,396,460
Property and equipment, net	<u>1,731,971</u>

TOTAL ASSETS \$ 26,863,684

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Designation distributions payable to agencies	\$ 2,404,572
Accounts payable	515,245
Accrued expenses	<u>197,017</u>

TOTAL LIABILITIES 3,116,834

NET ASSETS:

Without donor restrictions	10,860,866
With donor restrictions	<u>12,885,984</u>
Total net assets	<u>23,746,850</u>

TOTAL LIABILITIES AND NET ASSETS \$ 26,863,684

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES:			
Campaign results	\$ 5,843,583	\$ 385,083	\$ 6,228,666
Campaign fees and expense reimbursement	590,369		590,369
Third party processors	395,017		395,017
Total campaign results	6,828,969	385,083	7,214,052
Less provision for uncollectible pledges	(124,218)		(124,218)
Less funds designated to agencies by donors	(4,899,110)		(4,899,110)
Net campaign contributions designated to			
Community Impact Fund	1,805,641	385,083	2,190,724
Grants and contributions	1,622,236	1,086,500	2,708,736
Federal grants	2,321,517		2,321,517
Investment income	775,613	1,196,406	1,972,019
Program fee revenue	839,831		839,831
Other revenue	27,024		27,024
Net assets released from restrictions	1,613,216	(1,613,216)	
Total revenues	<u>9,005,078</u>	<u>1,054,773</u>	<u>10,059,851</u>
EXPENSES:			
Agency and community support:			
Cash contributions and other community support	3,325,746		3,325,746
Federally funded programs	2,321,517		2,321,517
Supporting services:			
Campaign	1,672,504		1,672,504
Marketing and communications	962,106		962,106
Management and general	891,011		891,011
Total expenses	<u>9,172,884</u>		<u>9,172,884</u>
CHANGE IN NET ASSETS	(167,806)	1,054,773	886,967
NET ASSETS, Beginning of Year, as restated	<u>11,028,672</u>	<u>11,831,211</u>	<u>22,859,883</u>
NET ASSETS, End of Year	<u>\$ 10,860,866</u>	<u>\$ 12,885,984</u>	<u>\$ 23,746,850</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, 2024

	Program Services		Supporting Services			Total
	Agency & Community Support	Federally Funded Programs	Campaign	Mktg. & Comm.	Mgmt. & General	
Salaries, benefits, and payroll taxes	\$ 2,072,456	\$ 891,222	\$ 1,180,972	\$ 871,268	\$ 346,320	\$ 5,362,238
Program distribution, materials, and administration	916,919	1,400,493	22		564	2,317,998
Professional services	2,170	29,802	74,409	20,200	208,758	335,339
Technology and equipment rental and maintenance	84,330		137,122	13,305	31,267	266,024
Travel, transportation, and training	21,720		196,715	171	16,508	235,114
Facilities and rent	69,190		28,029	15,375	928	113,522
Depreciation	22,501		14,999	5,000	70,190	112,690
Dues and subscriptions	65,411		724	408	21,803	88,346
Telecommunications	45,154		4,880	4,084	10,833	64,951
Meetings and events	14,008		3,499	3,058	44,176	64,741
Printing and other materials	2,932		21,975	25,414	11,978	62,299
Business insurance	8,437		5,625	1,875	21,896	37,833
Other supplies	115		658	1,948	13,124	15,845
Miscellaneous	403		2,875		92,666	95,944
Total expenses	<u>\$ 3,325,746</u>	<u>\$ 2,321,517</u>	<u>\$ 1,672,504</u>	<u>\$ 962,106</u>	<u>\$ 891,011</u>	<u>\$ 9,172,884</u>

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

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

CONSOLIDATED STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 886,967
Reconciliation to net cash used by operating activities:	
Net gain on investments	(1,440,264)
Depreciation	112,690
Changes in:	
Campaign pledges receivable, net	335,905
Accounts receivable	(172,905)
Grants receivable	(990,209)
Prepaid expenses	9,978
Designation distributions payable to agencies	(145,463)
Accounts payable	48,083
Accrued expenses	49,729
Refundable advance	(120,000)
Net cash used by operating activities	<u>(1,425,489)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of investments	(12,868,957)
Proceeds from sale of investments	14,305,683
Purchases of property and equipment	<u>(469,701)</u>
Net cash provided by investing activities	<u>967,025</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS (458,464)

CASH AND CASH EQUIVALENTS, Beginning of Year, as restated 1,361,719

CASH AND CASH EQUIVALENTS, End of Year \$ 903,255

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

For more than 100 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.

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

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

provisions. Amounts received in advance of incurrence of qualifying expenditures are recorded as refundable advances. Outstanding conditional grants subject to such requirements were \$1,529,111 as of June 30, 2024, and will be recognized as revenue 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.

Revenue from contracts with customers consist of campaign fees, expense reimbursement revenue and program fees. Campaign fees and expense reimbursement revenue are recognized as the related campaign contributions and pledges are recognized. Program fees are recognized as services are provided. At June 30, 2024, accounts receivable from contracts with customers totaled \$211,992. There were no accounts receivable from contracts with customers at June 30, 2023.

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. As of June 30, 2024, the balance held in excess of federally insured limits totaled \$703,602. 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.

Accounts receivable are reported at the amount that the Organization expects to collect on balances outstanding at year-end. Based on management's assessment of receivables having outstanding balances and past history, it has concluded that losses on balances outstanding are unlikely; therefore, no allowance for credit losses is deemed necessary at June 30, 2024.

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.

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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 a balance of \$1,650,069 as of June 30, 2024, which is eliminated upon consolidation. The amortization of the leasehold interest in property was \$19,187 for the year ended June 30, 2024, 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 2020.

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.

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.

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

Subsequent events – have been evaluated for recognition and disclosure through February 24, 2025, the date which these consolidated financial statements were available to be issued.

At its July 24, 2024 Board of Directors meeting, United Way’s Board of Directors approved to recommend dissolution of the Foundation. Through the planned dissolution, the assets and liabilities of the Foundation will transfer to United Way. The dissolution is expected to be completed in the year ending June 30, 2025.

Management concluded that no additional material subsequent events have occurred since June 30, 2024 that require recognition or disclosure in the consolidated financial statements.

2. PRIOR PERIOD RESTATEMENT OF NET ASSETS

Net assets as of July 1, 2023 have been adjusted to correct the previously reported cash and designation distributions payable to agencies balances. The impact to the previously reported change in net assets is not considered material. The changes to the previously reported net assets are as follows:

	Net assets without donor restrictions	Net assets with donor restrictions	Total net assets
Net assets as of June 30, 2023, as previously stated	\$ 9,093,481	\$ 11,831,211	\$ 20,924,692
Increase to correct cash and cash equivalents	107,928		107,928
Increase to correct designation distributions payable	<u>1,827,263</u>		<u>1,827,263</u>
Net assets as of June 30, 2023, as restated	<u>\$ 11,028,672</u>	<u>\$ 11,831,211</u>	<u>\$ 22,859,883</u>

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

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

Cash and cash equivalents	\$ 903,255
Pledges receivable, net	2,584,212
Accounts receivable	211,992
Grants and ERTC receivable	1,991,732
Investments	<u>19,396,460</u>
Total financial assets	25,087,651
Less amounts unavailable for general expenditures within one year, due to:	
Designation distributions payable to agencies	(2,404,572)
Restricted by donor for purpose (see Note 6)	(6,774,905)
Perpetually restricted endowment investments (see Note 6)	<u>(6,111,079)</u>
Total financial assets available for general expenditure within one year	<u>\$ 9,797,095</u>

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

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.

4. INVESTMENTS

Investments consist of the following as of June 30, 2024:

Cash equivalents	\$ 290,319
Money market mutual funds	2,090,629
US Treasury bills	513,827
Fixed income funds:	
Investment grade	2,875,052
High yield	477,820
Treasury inflation protected securities	163,934
Taxable – other	275,581
Developed international	68,282
Intermediate core	944,516
Multisector	151,959
Short government	296,683
Long government	104,349
Equity funds:	
Large cap	6,250,999
Developed international	1,628,869
Mid cap	1,184,942
Emerging markets	724,260
Small cap	650,900
Natural resources	87,528
Technology	65,833
Real estate:	
Commodities	241,101
US REITs	309,077
Total	<u>\$ 19,396,460</u>

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2024 AND 2023

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 2024:

Land	\$ 235,000
Buildings	1,714,947
Leasehold improvements	433,301
Equipment, furniture, and fixtures	235,160
Software under license	<u>68,344</u>
Total	2,686,752
Less accumulated depreciation	<u>(954,781)</u>
Property and equipment, net	<u>\$ 1,731,971</u>

6. NET ASSETS WITH DONOR RESTRICTIONS

United Way's net assets with donor restrictions consist of the following as of June 30, 2024:

Leasehold interest in property	\$ 1,650,069
Helping kids excel in school	919,096
Community Resiliency	447,657
Financial Security	172,808
Investing in families	145,078
Youth Opportunity	114,716
Healthy Community	29,183
Women in Philanthropy	<u>25,976</u>
	3,504,583
Less amounts eliminated in consolidation	<u>(2,150,069)</u>
Total United Way	<u>\$ 1,354,514</u>

The Foundation's net assets with donor restrictions consist of the following as of June 30, 2024:

Purpose restrictions:

Operations of United Way and the Foundation	\$ 894,625
Accumulated realized and unrealized gain on endowment net assets:	
Operations endowment	3,460,167
Community endowment	1,065,599

Perpetual restrictions:

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

Total Foundation \$ 11,531,470

Total consolidated net assets with donor restrictions \$ 12,885,984

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

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.

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).

Changes in perpetually restricted endowment net assets are as follows for the year ended June 30, 2024:

Endowment net assets, beginning of year	\$ 6,111,079
Investment gain	1,196,406
Allocation of investment gain to net assets with donor restrictions (purpose restricted)	<u>(1,196,406)</u>
Endowment net assets, end of year	<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 \$99,486 for the year ended June 30, 2024.

8. EMPLOYEE RETENTION TAX CREDIT

During the year ended June 30, 2023, the Organization filed for the Employee Retention Tax Credit (ERC) and recognized revenue totaling \$899,207. The amount not yet received as of June 30, 2024 totaled \$221,030 and is included as a receivable on the consolidated statement of financial position. Laws and regulations concerning government programs, including the ERC established by the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the Organization's claim to the Employee Retention Tax Credit, and it is not possible to determine the impact (if any) this would have upon the Organization.

SUPPLEMENTARY INFORMATION

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION FOR UNITED WAY CALIFORNIA CAPITAL REGION JUNE 30, 2024

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 903,255
Campaign pledges receivable, net of allowance for uncollectible pledges of \$511,901	2,584,212
Accounts receivable	211,992
Grants receivable	1,770,702
Employee Retention Tax Credit receivable	221,030
Prepaid expenses	39,684
Due from Sacramento Foundation	<u>165,901</u>
Total current assets	5,896,776

NONCURRENT ASSETS:

Investments	6,459,688
Property and equipment, net	523,125
Leasehold interest in property, net	<u>1,650,069</u>

TOTAL ASSETS \$ 14,529,658

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Designation distributions payable to agencies	\$ 2,404,572
Accounts payable	515,245
Accrued expenses	<u>197,017</u>

TOTAL LIABILITIES 3,116,834

NET ASSETS:

Without donor restrictions	7,908,241
With donor restrictions	<u>3,504,583</u>
Total net assets	<u>11,412,824</u>

TOTAL LIABILITIES AND NET ASSETS \$ 14,529,658

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

SUPPLEMENTAL STATEMENT OF ACTIVITIES FOR UNITED WAY CALIFORNIA CAPITAL REGION YEAR ENDED JUNE 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES:			
Campaign results	\$ 5,843,583	\$ 385,083	\$ 6,228,666
Campaign fees and expense reimbursement	590,369		590,369
Third party processors	395,017		395,017
Total campaign results	6,828,969	385,083	7,214,052
Less provision for uncollectible pledges	(124,218)		(124,218)
Less funds designated to agencies by donors	(4,899,110)		(4,899,110)
Net campaign contributions designated to			
Community Impact Fund	1,805,641	385,083	2,190,724
Grants and contributions	1,934,236	1,342,677	3,276,913
Federal grants	2,321,517		2,321,517
Investment income	574,319		574,319
Program fee revenue	839,831		839,831
Other revenue	37,024		37,024
Net assets released from restrictions	1,108,289	(1,108,289)	
Total revenues	8,620,857	619,471	9,240,328
EXPENSES:			
Agency and community support:			
Cash contributions and other community support	3,325,746		3,325,746
Federally funded programs	2,321,517		2,321,517
Supporting services:			
Campaign	1,672,504		1,672,504
Marketing and communications	962,106		962,106
Management and general	812,394		812,394
Total expenses	9,094,267		9,094,267
CHANGE IN NET ASSETS	(473,410)	619,471	146,061
NET ASSETS, Beginning of Year, as restated	8,381,651	2,885,112	11,266,763
NET ASSETS, End of Year	\$ 7,908,241	\$ 3,504,583	\$ 11,412,824

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

SUPPLEMENTAL STATEMENT OF FINANCIAL POSITION FOR SACRAMENTO FOUNDATION (D.B.A CAPITAL REGION FOUNDATION) JUNE 30, 2024

ASSETS

CURRENT ASSETS:

Prepaid expenses	\$ 4,378
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NONCURRENT ASSETS:

Investments	12,936,772
Land and building, net	<u>1,208,846</u>

TOTAL ASSETS	<u>\$ 14,149,996</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Due to United Way	\$ 165,901
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NONCURRENT LIABILITIES:

Leasehold interest in property, net	<u>1,650,069</u>
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TOTAL LIABILITIES	<u>1,815,970</u>
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NET ASSETS:

Without donor restrictions	802,556
With donor restrictions	<u>11,531,470</u>
Total net assets	<u>12,334,026</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$ 14,149,996</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, 2024

	Without Donor <u>Restrictions</u>	With Donor <u>Restrictions</u>	<u>Total</u>
REVENUES:			
Investment income	\$ 201,294	\$ 1,196,406	\$ 1,397,700
In-kind rental income	19,187		19,187
Net assets released from restrictions	524,114	(524,114)	
Total revenues	<u>744,595</u>	<u>672,292</u>	<u>1,416,887</u>
EXPENSES:			
Program services:			
Community support	568,177		568,177
Supporting services:			
Management and general	<u>107,804</u>		<u>107,804</u>
Total expenses	<u>675,981</u>		<u>675,981</u>
CHANGE IN NET ASSETS	68,614	672,292	740,906
NET ASSETS, Beginning of Year	<u>733,942</u>	<u>10,859,178</u>	<u>11,593,120</u>
NET ASSETS, End of Year	<u>\$ 802,556</u>	<u>\$ 11,531,470</u>	<u>\$ 12,334,026</u>

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2024**

	<u>Assistance Listing Number</u>	<u>Pass Through Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Treasury:			
Passed through City of Sacramento:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds:			
Guaranteed Income Program Expansion	21.027	2022-0678-1	\$ 699,944
Digital Equity Response Program	21.027	2022-1086	21,730
Passed through County of Sacramento:			
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds:			
Guaranteed Income Program Expansion	21.027	DHA-ARPA-03-24	425,012
Academic Supports and School Readiness	21.027	7805000-23/25-703	328,567
Students and Teachers Achieving Reading Success	21.027	DHA-ARPA-UW-02-24	<u>120,463</u>
 Total Coronavirus State and Local Fiscal Recovery Funds	 21.027		 1,595,716
 Volunteer Income Tax Assistance	 21.009	 N/A	 <u>249,390</u>
 Total U.S. Department of Treasury			 <u>1,845,106</u>
 U.S. Department of Education:			
Passed through Washington Unified School District:			
Full-Service Community Schools Program	84.215J	S215J220203-23	<u>440,750</u>
 Corporation for National and Community Service:			
Volunteers in Service to America	94.013	N/A	<u>35,661</u>
 Total Expenditures of Federal Awards			 <u>\$ 2,321,517</u>

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2024

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards of United Way California Capital Region and Affiliate (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 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 consolidated financial statements.

2. INDIRECT COST RATE

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

**INDEPENDENT AUDITOR’S 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***

**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 (collectively the Organization), which comprise the statement of financial position as of June 30, 2024, 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 (the financial statements), and have issued our report thereon dated February 24, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organizations 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 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 or significant deficiencies may exist that were not identified.

Report on 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gilbert CPAs
GILBERT CPAs
Sacramento, California

February 24, 2025

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the United Way California Capital Region and Affiliate’s (collectively the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization’s major federal programs for the year ended June 30, 2024. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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 each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant

deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

February 24, 2025

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS JUNE 30, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP: 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 2 CFR 200.516(a)? _____ Yes ✓ No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Coronavirus State and Local Fiscal Recovery Funds	21.027

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes ✓ No

UNITED WAY CALIFORNIA CAPITAL REGION AND AFFILIATE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

None noted.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

SECTION IV – STATUS OF PRIOR YEAR AUDIT FINDINGS

None noted.