Orange County United Way

Financial Statements

As of and For the Years Ended
June 30, 2020 and 2019

Orange County's United Way

Contents

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Independent Auditor's Report

The Board of Directors
Orange County's United Way
Irvine, California

We have audited the accompanying financial statements of Orange County's United Way (the "Organization"), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's 2019 financial statements and, in our report dated October 16, 2019, we expressed an unmodified opinion on those financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Orange County's United Way as of June 30, 2020, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – COVID-19

As more fully described in Note 1 to the financial statements, the Organization may be materially impacted by the outbreak of the novel coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization in March 2020. Also, on March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act to provide certain relief as a result of the COVID-19 outbreak. Our opinion is not modified with respect to these matters.

BDO USA, LLP

October 26, 2020

Financial Statements

Orange County's United Way

Statements of Financial Position
June 30, 2020 (with comparative totals for 2019)

	June 30, 2020			June 30, 2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 7,510,719	$ -	$ 7,510,719	$ 2,130,593
Pledges receivable, net of allowance for uncollectible pledges of $664,669 and $758,251, respectively	3,493,977	66,651	3,560,628	6,653,590
Other current assets	24,633	-	24,633	23,402
Total current assets	11,029,329	66,651	11,095,980	8,807,585
Pledges receivable, net of current	-	-	-	63,719
Receivables under trust agreements	-	-	-	65,563
Investments	11,010,170	4,605,845	15,616,015	17,139,648
Property and equipment, net	1,302,937	-	1,302,937	1,366,296
Total assets	$ 23,342,436	$ 4,672,496	$ 28,014,932	$ 27,442,811
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued expenses	$ 295,728	$ -	$ 295,728	$ 212,403
Program grants payable to community organizations	1,579,309	-	1,579,309	744,076
Designations payable	2,268,747	-	2,268,747	2,255,485
Notes payable, current portion	332,329	-	332,329	-
Total current liabilities	4,476,113	-	4,476,113	3,211,964
Designations payable, non-current	-	-	-	238,882
Notes payable, net of current portion	415,411	-	415,411	-
Total liabilities	4,891,524	-	4,891,524	3,450,846
Net assets:				
Without Donor Restrictions	18,450,912	-	18,450,912	19,322,402
With Donor Restrictions	-	4,672,496	4,672,496	4,669,563
Total net assets	18,450,912	4,672,496	23,123,408	23,991,965
Total liabilities and net assets	$ 23,342,436	$ 4,672,496	$ 28,014,932	$ 27,442,811

See independent auditor's report and accompanying notes to financial statements.

Orange County's United Way

Statements of Activities and Changes in Net Assets
For the year ended June 30, 2020 (with comparative totals for 2019)

	Year Ended June 30, 2020			Year Ended June 30, 2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues and other support				
Campaign revenue				
Annual campaign	$ 19,045,001	$ -	$ 19,045,001	$ 18,083,468
Endowment	9,033	-	9,033	93,227
Less: provision for uncollectible pledges	(274,008)	-	(274,008)	(604,510)
Discount for multi-year pledges, net	-	2,933	2,933	5,737
Less: donor designations	(5,564,543)	-	(5,564,543)	(6,270,785)
Net campaign revenue	13,215,483	2,933	13,218,416	11,307,137
Interest, other income, realized and unrealized gains on investments and receivables under trust agreements, net	518,264	-	518,264	483,223
Other contributions and designation adjustments	(92,825)	-	(92,825)	134,019
Donor designation fees	17,345	-	17,345	20,362
License revenues	87,756	-	87,756	-
Total net revenues and other support	13,746,023	2,933	13,748,956	11,944,741
Program services and support services				
Program services:				
Community allocations, net	1,272,335	-	1,272,335	582,856
Community service expenses	2,573,092	-	2,573,092	2,557,142
Grants and initiatives	7,045,073	-	7,045,073	2,976,107
Total program services	10,890,500	-	10,890,500	6,116,105
Support services:				
Fundraising	1,943,347	-	1,943,347	1,806,751
Organizational administration	1,114,306	-	1,114,306	978,667
Marketing	669,360	-	669,360	602,240
Total support services	3,727,013	-	3,272,013	3,387,658
Total program services and support services	14,617,513	-	14,617,513	9,503,763
Change in net assets	(871,490)	2,933	(868,557)	2,440,978
Net assets, beginning of year	19,322,402	4,669,563	23,991,965	21,550,987
Net assets, end of year	$ 18,450,912	$ 4,672,496	$ 23,123,408	$ 23,991,965

See independent auditor's report and accompanying notes to financial statements.

Orange County's United Way

Statements of Functional Expenses
For the year ended June 30, 2020 (with comparative totals for 2019)

	Program Services				Support Services				
	Community Allocations and Services Expenses	**Grants and Initiatives**	**2020 Total Program Services**	2019 Total Program Services	**Fundraising**	**Organizational Administration**	**Marketing**	**2020 Total Support Services**	2019 Total Support Services
Community allocations	$ 1,272,335	$ -	$ 1,272,335	$ 582,856	$ -	$ -	$ -	$ -	$ -
Grants and initiatives	-	6,116,272	6,116,272	2,398,495	-	-	-	-	-
Salaries, benefits and related expenses	2,012,978	928,801	2,941,779	2,511,701	1,496,800	532,749	429,491	2,459,040	2,235,265
Printing, supplies and publications	127,956	-	127,956	191,023	11,503	2,403	131,293	145,199	209,881
Professional services	200,260	-	200,260	203,241	190,120	317,996	105,747	613,863	432,060
Office supplies and recognition	10,525	-	10,525	13,276	11,906	11,779	852	24,537	29,371
Conferences, training and travel	5,236	-	5,236	15,746	17,799	19,585	570	37,954	67,481
Equipment rental and maintenance	39,839	-	39,839	27,130	39,839	41,078	-	80,917	55,082
Telephone	8,600	-	8,600	6,413	8,600	8,860	-	17,460	13,020
Postage	1,857	-	1,857	1,944	2,022	1,938	-	3,960	5,993
Utilities and building maintenance	51,574	-	51,574	49,932	51,574	53,137	-	104,711	103,078
Other	7,984	-	7,984	9,491	6,901	15,277	1,407	23,585	23,537
UWW National and State dues	55,765	-	55,765	52,882	55,765	57,455	-	113,220	107,367
Depreciation	50,518	-	50,518	51,975	50,518	52,049	-	102,567	105,523
Total	$ 3,845,427	$ 7,045,073	$ 10,890,500	$ 6,116,105	$ 1,943,347	$ 1,114,306	$ 669,360	$ 3,727,013	$ 3,387,658

See independent auditor's report and accompanying notes to financial statements.

Orange County's United Way

Statements of Cash Flows
For the year ended June 30, 2020 (with comparative totals for 2019)

Years ended June 30,	**2020**	2019
Cash flows from operating activities		
Change in net assets	**$ (868,557)**	$ 2,440,978
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation	**153,085**	157,498
Unrealized gain on investments	**(250,569)**	(210,900)
Contributions from charitable remainder trust	**-**	(80,089)
Unrealized loss on receivable under trust agreements	**65,563**	14,526
Provision for uncollectible pledges	**274,008**	604,510
Amortization of discounts for multi-year pledges	**(2,933)**	(5,737)
Changes in assets and liabilities:		
Pledges receivable	**2,885,606**	(2,005,814)
Other current assets	**(1,231)**	20,914
Accounts payable, accrued expenses, and other liabilities	**83,325**	(4,792)
Program grants payable to community organizations	**835,233**	(2,393,741)
Designations payable	**(225,620)**	(444,487)
Net cash and cash equivalents provided by (used in) operating activities	**2,947,910**	(1,907,134)
Cash flows from investing activities		
Purchase of investments	**(7,766,133)**	(27,912,265)
Sale of investments	**9,540,335**	29,172,887
Purchase of property and equipment	**(89,726)**	(184,048)
Change in restricted cash	**-**	33,720
Net cash and cash equivalents provided by investing activities	**1,684,476**	1,110,294
Cash flows from financing activities		
Repayments of capital leases	**-**	(9,107)
Proceeds from notes payable	**747,740**	-
Net cash and cash equivalents provided by (used in) financing activities	**747,740**	(9,107)
Net increase (decrease) in cash and cash equivalents	**5,380,126**	(805,947)
Cash and cash equivalents, beginning of year	**2,130,593**	2,936,540
Cash and cash equivalents, end of year	**$ 7,510,719**	$ 2,130,593

See independent auditor's report and accompanying notes to financial statements.

1. Summary of Accounting Policies

Organization

Orange County's United Way (the "United Way" or "Organization") is an incorporated not-for-profit organization that administers an annual fund-raising campaign in Orange County, California and uses those funds to support a variety of human services programs in Orange County. It is the Organization's goal to create a stronger community where every person receives a quality education, is financially stable, is healthy and thriving, and has a place to call home.

Tax Status

The Organization is exempt from income taxes to the extent provided under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

The Organization follows the provisions of Accounting Standards Codification ("ASC") No. 740, Income Taxes ("ASC 740"), surrounding accounting for uncertain income tax positions. ASC 740 prescribes a recognition threshold and measurement of tax positions taken or expected to be taken in income tax returns. ASC 740 also provides guidance on accounting for interest and penalties associated with tax positions. The Organization reports interest and penalties, if any, related to income tax matters within organization administration support services in the statements of activities and changes in net assets.

Basis of Accounting

The United Way follows the accounting provisions prescribed by ASC No. 958, Not-for-Profit Entities ("ASC 958"). ASC 958 requires, among other things, the recognition of contributions received at fair value, including unconditional promises to give, in the period received. ASC 958 establishes standards for general purpose external financial statements. Focusing on the entity as a whole, ASC 958 requires that all not-for-profit organizations provide a statement of financial position, a statement of activities, statement of functional expenses, statement of cashflows, and that net assets and changes in net assets be classified and reported Net Assets Without Donor Restrictions and Net Assets With Donor Restrictions.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. These assets are available to support United Way's activities and operations at the discretion of the Organization with oversight by the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASC 606") that superseded the most current revenue recognition guidance and modifies the accounting for certain costs associated with revenue generation. Under the new standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity is entitled to receive in exchange for those goods or services. The standard provides a number of steps to follow to achieve that principle and requires additional financial statement disclosures related to the nature, timing, amount and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new revenue standard on the first day of fiscal year 2020, using the modified retrospective method, with no adjustments required to be recorded. Revenue for the Organization that pertains to ASC 606 relates to license revenues.

Revenues from Contributions

Revenues from contributions are not within the scope of ASC 606 as they represent nonreciprocal transfers and do not represent the sale of goods or services. Revenues from contributions continue to be accounted for under ASC 958-605.

Revenue from contributions is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Subclassifications of Contribution Revenues and Support

Donor-Imposed Restrictions – All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or are restricted by the donor for specific purposes are reported as donor restricted support.

Donors may designate their contribution to specific United Way affiliated and nonaffiliated agencies. Nonaffiliated agencies are required to provide United Way with documentation of tax-exempt status. Donor designations to specific agencies are reduced from revenue to arrive at total net revenues and other support in the accompanying statements of activities. Changes in donor designations to specific agencies made subsequent to the close of the fiscal year are reflected as part of net campaign contributions in the following year. Donor advised contributions are recorded as revenue when contributions are pledged, and designation of such contributions to other organizations are recorded as donor designations.

Promises to Give – Donors typically pay total promises to give within a 12-month period. The commencement date of payments will vary among donors. Unconditional promises to give are recorded at their net realizable value. Long-term promises to give are recorded at the present value of estimated future cash flows using an appropriate discount rate. Conditional promises to give are not included as support until such time as the conditions are substantially met and both the timing and the value of the promise are known with reasonable certainty. The United Way provides an allowance for estimated uncollectible pledges at the end of each fiscal year based upon historical collection experience and current conditions.

Contributed Property and Equipment – Contributed property and equipment are recorded at estimated fair value at the date of donation. If donors stipulate a time or use restriction, the contributions are recorded as contributions with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded without donor restrictions.

Donated Services and Materials – Donated services are recorded at estimated fair value at the date of donation only if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated materials meeting such criteria are recorded at estimated fair value as revenue on the date of donation and as an increase to assets, decrease to liabilities, or expense, depending on the benefit received. In the absence of donor-imposed restrictions, contributed materials are recorded as contributions without donor restrictions.

The Organization did not record any donated property and materials ("in-kind contributions") in the statements of activities and changes in net assets as revenues without donor restrictions for the years ended June 30, 2020 and 2019. In-kind contributions without donor restrictions primarily represent advertising, supplies, office equipment, computer equipment and other miscellaneous donated goods.

A substantial number of volunteers and corporations have donated their time and services to the United Way. No amounts have been reflected in the financial statements for donated services, as no objective basis is available to measure the fair value of these services.

License Revenues

During the year ended June 30, 2020, the Organization implemented a digital giving platform that generates revenue from selling licenses to use the digital platform. As this is a reciprocal transfer, the revenue stream follows revenue recognition under ASC 606.

The Organization determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer.
- Identification of the performance obligations in the contract.
- Determination of the transaction price.
- Allocation of the transaction price to the performance obligations in the contract.
- Recognition of revenue when, or as, the Organization satisfies a performance obligation.

The Organization accounts for a contract when both parties have approved the contract and are committed to perform its obligations, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectability of consideration is probable.

The contracts are billed annually in advance and the performance obligation to the customer is a right to access the platform for the period. The Organization recognized $87,756 and $0 in license revenue during the years ended June 30, 2020 and 2019. The Organization recognizes license revenue upon execution of the contracts as contract liabilities related to the contracts have been deemed immaterial.

Concentration of Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of pledges receivable, substantially all of which are from individuals, businesses, or nonprofit organizations in Orange County, California and the surrounding areas.

The Organization had no significant concentrations, except relating to the Organization's Endowment Fund (see Note 4) and the Organization's multi-year pledge receivable balances, which are included in pledges receivable on the accompanying statement of financial position. Concentration of the Endowment Fund pledges receivable and multi-year pledges receivable at June 30, 2020, was as follows:

	Endowment Pledge Receivable Balance			Multi-year Pledge Receivable Balance		
Donor 1	$	66,651	100%	$	-	0%
Donor 2		-	0%		174,315	100%
Total	$	66,651	100%	$	174,315	*100%

* Approximately 100% of the multi-year pledges receivable balance at June 30, 2020, has been designated by the donors and is included in designations payable on the accompanying statement of financial position.

As of June 30, 2020, only $250,000 per depositor per institution of non-interest-bearing cash balances was fully insured under the FDIC Deposit Insurance Coverage.

Pledges Receivable

Pledges receivable are typically due within 12 months from the date of pledge. Multi-year pledges received by the Organization are discounted based on the terms of the pledge and an appropriate discount rate, if applicable (see Note 5). The Organization has recorded an allowance for uncollectible pledges based on historic experience and current conditions. The Organization recorded $274,008 and $604,510 in provisions for uncollectible pledges for the years ended June 30, 2020 and 2019, respectively.

Program Services

Allocations of funds by the Organization for program services relate to community investments, grants and initiatives and community services and are recorded as program grants payable and program services expense when the Organization has committed to an obligation.

Designations Payable

Designations consist of pledges by donors that are designated to specific agencies at the time of pledge. Designations payable are recorded at the time the related pledge is received and reflected in net campaign revenue. Amounts are remitted to the beneficiary agencies as the related pledges are received from the donors.

Investments

Investments in equity securities with readily determinable fair values, and all investments in debt securities are reported at fair value on the statements of financial position, with gains and losses included in the statements of activities and changes in net assets. Fair value is determined based on quoted market prices. Net unrealized gains on investments of $250,569 and $210,900 are included in interest, other income, realized and unrealized gains on investments, net in the statements of activities and changes in net assets for the years ended June 30, 2020 and 2019, respectively.

The Organization's investments consist of equity, fixed income and other investment securities (see Note 2). Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that the changes in risks in the near term could materially affect the investment amounts reported in the financial statements.

Property and Equipment, net

Equipment and furniture and fixtures are stated at cost (or, if donated, estimated fair value on the date of donation) and depreciated using the straight-line method over the estimated useful lives of the related assets, ranging from 3 to 10 years. Building and improvements are stated at cost and depreciated using the straight-line method over their estimated useful lives, generally ranging from 10 to 25 years.

Long-Lived Assets and Non-Current Financial Instruments

Long lived assets and non-current financial instruments consist of property and equipment, investments, multi-year pledges receivable and restricted cash. Long-lived assets to be held and used are reviewed for events or changes in circumstances which indicate that their carrying value may not be recoverable. The Organization regularly reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset, the Organization recognizes an impairment loss equal to the difference between the carrying amount and the fair value of the asset. As of June 30, 2020 and 2019, management determined that no impairment of long-lived assets existed.

Cash and Cash Equivalents

The Organization considers all highly liquid investments that are readily convertible to known amounts of cash and that have an original maturity of three months or less when purchased, to be cash equivalents. As of June 30, 2020 and 2019, cash and cash equivalents consisted primarily of money market funds and deposits with three financial institutions. Cash and cash equivalents are held at a limited number of financial institutions, and may, at times, exceed insurable amounts. The Organization believes it mitigates its risks by maintaining cash in or through financial institutions with high credit ratings. Recoverability is dependent upon the performances of the financial institutions. Nonperformance by these institutions could expose the Organization to losses for amounts in excess of insured balances. The Organization has not experienced, nor does it anticipate, nonperformance by these institutions.

Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, establishes a hierarchal disclosure framework which prioritizes and ranks the level of market price observability used in measuring investments at fair value. Market price observability is affected by a number of factors, including the type of investment, the characteristics specific to the investment and the state of the marketplace including the existence and transparency of transactions between market participants.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 - Quoted prices are available in active markets for identical investments as of the reporting date.
- Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

The Organization determines the fair value of financial assets and liabilities based on the fair value hierarchy described above, which prioritizes the inputs to valuation techniques used to measure fair value into the three levels. The Organization's financial instruments consist of cash, restricted cash, pledges receivable, discounted long-term pledges receivable, and payables. These instruments are reflected in the statements of financial position at carrying value. The Organization's financial instruments also consist of investments which are recorded at fair value based upon Level I inputs.

The following table reflects the Organization's assets required to be measured at fair value on a recurring basis on the statements of financial position:

	June 30, 2020		
	Fair Value Measurement Using		
	Level 1	**Level 2**	**Level 3**
Investments – without donor restrictions (see Note 2)	**$ 11,010,170**	**$ -**	**$ -**
Investments – with donor restrictions (see Note 2)	**4,605,845**	**-**	**-**
	$ 15,616,015	**$ -**	**$ -**

	June 30, 2019		
	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Investments – without donor restrictions (see Note 2)	$ 12,600,470	$ -	$ -
Investments – with donor restrictions (see Note 2)	4,539,178	-	-
	$ 17,139,648	$ -	$ -

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could materially differ from those estimates.

COVID-19 and CARES Act

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Organization's operations are heavily dependent on private and public donations from individuals, foundations and corporations. In response to the pandemic, the Organization created a Pandemic Relief Fund to support low-income individuals and families at imminent risk of homelessness, the current Orange County population experiencing homelessness, low-income students, and partner nonprofits. As a result of the campaign, the Organization received contributions exceeding $4 million from March through June 2020.

Due to the rapid development and fluidity of this situation, the Organization cannot determine the ultimate impact that the COVID-19 pandemic will have on the Organization's financial condition, liquidity, and future results of operations, and therefore any prediction as to the ultimate materiality of the adverse impact on the Organization's financial condition, liquidity, and future results of operations is uncertain.

In April 2020, due to the economic uncertainty resulting from the impact of the COVID-19 pandemic on operations and to support ongoing operations and retention of employees, the Organization applied for a loan under the Paycheck Protection Program ("PPP") of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). The Organization received a loan totaling $747,740. Subject to specified limitations, the loan may be forgiven if the proceeds are used in accordance with the CARES Act.

The application for these funds required the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support ongoing operations. This certification further required the Organization to take into account its current business activity and ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the potential forgiveness of the PPP loan is dependent on the Organization having initially qualified for the loan, and qualifying for the forgiveness of such loan is based on its future adherence to the forgiveness criteria. If, despite the good-faith belief that given the Organization's circumstances all eligibility requirements for the PPP loan were satisfied, it is later determined that the Organization was ineligible to receive the PPP loan, it may be required to repay the PPP loan in its entirety and/or be subject to additional penalties.

The Organization intends to apply for forgiveness of the entire amount of the loan; however, no assurance is provided that the Organization will obtain forgiveness of the loan in whole or in part. Any unforgiven portion of the loan is payable over two years at an interest rate of 1.00%, with a deferral of principal and interest payments until the Organization's loan forgiveness amounts are approved by the Small Business Administration.

Recent Accounting Standards

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard addresses presentation and disclosure of contributed non-financial assets and is effective for annual periods beginning after June 15, 2021 using a retrospective approach. The Organization is currently evaluating this standard and the impact on its financial statements and disclosures.

Subsequent Events

The Organization has evaluated all subsequent events that occurred after the statement of financial position date through October 26, 2020, which represents the date the financial statements were available to be issued.

2. Investments

The following information is presented by class of investments based on nature and risk of the underlying investments.

Investments without donor restrictions consist of the following at June 30:

	2020	2019
Fixed income securities – Bond funds	**$ 1,426,842**	$ 1,698,857
Equity securities – Large cap mutual funds	**9,583,328**	10,901,614
Total	**$ 11,010,170**	$ 12,600,470

Investments with donor restrictions consist of the following at June 30:

	2020	2019
Fixed income securities – Bond funds	**$ 766,741**	$ 809,907
Equity securities – Corporate stocks	**3,839,104**	3,729,271
Total	**$ 4,605,845**	$ 4,539,178

3. Property and Equipment

Property and equipment consist of the following at June 30:

	2020	2019
Land	$ 722,039	$ 722,039
Building	2,089,639	2,089,639
Building improvements	1,711,872	1,695,840
Furniture and equipment	1,783,155	1,709,463
	6,306,705	6,216,981
Less: accumulated depreciation	(5,003,768)	(4,850,685)
Property and equipment, net	$ 1,302,937	$ 1,366,296

Depreciation expense totaled $153,085 and $157,498 for the years ended June 30, 2020 and 2019, respectively.

4. Endowment Fund

The Organization has established an Endowment Fund which operates under the Endowment Guidelines established and approved by the Board of Directors ("Board"). The principle objective of the Endowment Fund is to provide a source of income to help fund the Organization's operational costs, thereby providing some protection against fluctuations in annual campaign revenue and maximizing the amount of resources focused on the community's most critical issues. The Endowment Fund consists of three components: the General Endowment Fund (for endowed contributions without a specific purpose restriction), the Donor-Restricted Endowment (for endowed contributions with a donor imposed purpose restriction), and the Board Investment Endowment Fund (for Board-designated or quasi-endowments).

The balance in the Endowment Fund as of June 30, 2020 and 2019, totaled $15,050,240 and $15,234,807, respectively, which is comprised of the following:

June 30,	2020	2019
General Endowment Fund - restricted	$ 4,605,845	$ 4,539,178
Board Investment Endowment Fund - unrestricted	10,444,395	10,695,629
Total Endowment Fund	$ 15,050,240	$ 15,234,807

For the years ended June 30, 2020 and 2019, the Organization received $9,033 and $93,227, respectively, in pledges representing unconditional promises to its Endowment Fund, of which $9,033 and $93,227, respectively, was appropriated to the Board Investment Endowment Fund. Endowment Fund contributions subject to donor-imposed stipulations that require the principal be maintained in perpetuity are considered permanently restricted net assets of the Organization and only the income from the investment is unrestricted. Board designated Endowment Fund appropriations are considered unrestricted net assets of the Organization. The Board had previously determined that it would not appropriate for expenditure of any amount from the Endowment Fund until the Endowment Fund reached $10 million, which occurred in 2017. In February 2017, the Board adopted a revised

Endowment Fund Policy Statement which now requires the earnings of the Endowment Fund to be allocated to the Board Investment Endowment Fund – unrestricted rather than to the General Endowment Fund – restricted.

Some of the previous pledges received are multi-year pledges containing original payment terms ranging over a period of four to ten years (see Note 5). The multi-year pledges were discounted at the date of pledge, using rates averaging 4.6%. Amortization, net of additional discounts recorded, totaled $2,933 and $5,737 for the years ending June 30, 2020 and 2019, respectively.

5. Pledges Receivable

As of June 30, 2020 and 2019, the Organization has multi-year pledges receivable without donor restrictions outstanding totaling $174,315 and $391,765, respectively, which contain original payment terms ranging over a period of three to ten years.

Multi-year pledges without donor restrictions consist of the following unconditional promises to give at June 30:

	2020	2019
Unconditional promises to give	$ 174,315	$ 391,765
Less: unamortized discount	-	-
Net unconditional promises to give	174,315	391,765
Less: current portion	(174,315)	(391,765)
	$ -	$ -

Multi-year pledges receivable without donor restrictions as of June 30, 2020, are committed to be due as follows:

Years ending June 30,	
2021	$ 174,315
Total	$ 174,315

Multi-year pledges with donor restrictions are restricted to the Endowment Fund (see Note 4) and consist of the following unconditional promises to give at June 30:

	2020	2019
Unconditional promises to give	$ 66,651	$ 133,318
Less: unamortized discount	-	(2,933)
Net unconditional promises to give	66,651	130,385
Less: current portion	(66,651)	(66,666)
	$ -	$ 63,719

Endowment Fund multi-year pledges receivable as of June 30, 2020 are committed to be due as follows:

Years ending June 30,		
2021	$	66,651
Total	$	66,651

6. Beneficial Interests in Charitable Trusts Held by Others

The Organization has been named as an irrevocable beneficiary of a charitable trust held and administered by an independent trustee. This trust was created independently by the donor and is administered by outside agents designated by the donor. Therefore, the Organization has neither possession nor control over the assets of the trust. At the date the Organization receives notice of a beneficial interest, a contribution without donor restrictions is recorded in the statements of activities, and a beneficial interest in charitable trusts held by others is recorded in the statements of financial position at fair value using present value techniques and risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the expected distributions to be received under the agreement. Thereafter, beneficial interests in the trusts are reported at fair value in the statements of financial position, with changes in fair value recognized in the statements of activities and changes in net assets.

The fair value of the charitable trust as of June 30, 2020 was $0. Changes in fair value recognized for the year ended June 30, 2020 of $65,563 are included in other contributions and designation adjustments on the statements of activities and changes in net assets.

7. Net Assets

Net assets consist of the following at June 30:

	2020	2019
Without Donor Restrictions		
Appropriated – initiatives	**$ 3,603,050**	$ 986,902
Appropriated – capital replacement fund	**453,545**	390,186
Appropriated – property and equipment	**1,302,937**	1,366,296
Appropriated – Board Investment Endowment Fund	**10,444,395**	10,695,629
Unappropriated	**2,646,985**	5,883,389
Total without donor restrictions	**18,450,912**	19,322,402
With Donor Restrictions	**4,672,496**	4,669,563
Total	**$ 23,123,408**	$ 23,991,965

The Board has appropriated a portion of the current net assets without donor restrictions as a stabilization reserve to ensure that program services and operations can be maintained for a period of time in the event of emergencies or economic downturns. In September 2015, the Board approved combining the stabilization fund with the Board Investment Endowment Fund. As of June 30, 2020, the targeted stabilization reserve level is an amount equal to three months of estimated community allocations plus three months of estimated operating costs. As of June 30, 2020 and 2019, the stabilization reserve that is included in the Board Investment Endowment Fund amounts to $2,848,030 and $2,638,300, respectively.

8. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets, as of the statement of financial position date, reduced by amounts not available for general use because of contractual restrictions such as lock-up periods and portfolio liquidity within one year of the statement of financial position date.

	2020	2019
Financial assets, at year-end:		
Cash and cash equivalents	**$ 7,510,719**	$ 2,130,593
Pledges receivable	**3,493,977**	6,586,924
Investments	**11,010,170**	12,600,470
Financial assets available to meet cash needs for general expenditures within one year	**$ 22,014,866**	$ 21,317,987

9. Retirement Plan

The Organization sponsors a defined-contribution 403(b) retirement plan, which covers substantially all employees. There is an employer matching contribution equal to 50% of the first 6% of the employee contribution, up to the Internal Revenue Service legal limits. The Organization's contributions to the defined-contribution retirement plan were $66,823 and $49,552 for the fiscal years ended June 30, 2020 and 2019, respectively.

10. Commitments and Contingencies

The Organization is obligated under one noncancelable operating lease for equipment. Future minimum annual lease payments at June 30, 2020, are as follows:

Years ending June 30,	Total
2021	$ 4,415
2022	4,415
2023	4,415
2024	2,956
Total	$ 16,201

Rental expense of $24,006 and $19,058 was incurred for the years ended June 30, 2020 and 2019, respectively, and was included in program services and support services in the accompanying statement of activities and change in net assets.

Legal Proceedings

The Organization currently has no lawsuits, actions, or other legal proceedings pending claims that would have a material impact on the statement of financial condition. However, the Organization could, from time to time, be involved in litigation proceedings arising out of its normal course of business.