



## Orange County United Way

### Financial Statements

As of and For the Years Ended  
June 30, 2021 and 2020

# Orange County's United Way

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## Independent Auditor's Report

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

### *Opinion*

We have audited the financial statements of Orange County's United Way (the "Organization"), which comprise the statement of financial position and changes in net assets as of June 30, 2021, and the related statements of activities, 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 2020 financial statements and, in our report dated October 26, 2020, we expressed an unmodified opinion on those financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Orange County's United Way as of June 30, 2021, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the 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 Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 financial statements are issued or available to be issued.



### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.

*BDO USA, LLP*

March 23, 2022

## Financial Statements

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**Orange County's United Way**  
**Statements of Financial Position**  
**June 30, 2021 (with comparative totals for 2020)**

	June 30, 2021			June 30, 2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 11,735,149	\$ -	\$ 11,735,149	\$ 7,510,719
Pledges receivable, net of allowance for uncollectible pledges of \$829,605 and \$664,669, respectively	2,852,245	-	2,852,245	3,560,628
Other current assets	36,226	-	36,226	24,633
<b>Total current assets</b>	<b>14,623,620</b>	<b>-</b>	<b>14,623,620</b>	<b>11,095,980</b>
Pledges receivable, net of current	126,315	-	126,315	-
Receivables under trust agreements	100,496	-	100,496	-
Investments	14,994,597	4,672,509	19,667,106	15,616,015
Property and equipment, net	1,291,491	-	1,291,491	1,302,937
<b>Total assets</b>	<b>\$ 31,136,519</b>	<b>\$ 4,672,509</b>	<b>\$ 35,809,028</b>	<b>\$ 28,014,932</b>
<b>Liabilities and Net Assets</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	\$ 1,728,399	\$ -	\$ 1,728,399	\$ 295,728
Program grants payable to community organizations	1,299,929	-	1,299,929	1,579,309
Designations payable	6,489,601	-	6,489,601	2,268,747
Notes payable, current portion	-	-	-	332,329
<b>Total current liabilities</b>	<b>9,517,929</b>	<b>-</b>	<b>9,517,929</b>	<b>4,476,113</b>
Designations payable, non-current	121,315	-	121,315	-
Notes payable, net of current portion	-	-	-	415,411
<b>Total liabilities</b>	<b>9,639,244</b>	<b>-</b>	<b>9,639,244</b>	<b>4,891,524</b>
<b>Net assets:</b>				
Without Donor Restrictions	21,497,275	-	21,497,275	18,450,912
With Donor Restrictions	-	4,672,509	4,672,509	4,672,496
<b>Total net assets</b>	<b>21,497,275</b>	<b>4,672,509</b>	<b>26,169,784</b>	<b>23,123,408</b>
<b>Total liabilities and net assets</b>	<b>\$ 31,136,519</b>	<b>\$ 4,672,509</b>	<b>\$ 35,809,028</b>	<b>\$ 28,014,932</b>

*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, 2021 (with comparative totals for 2020)

	Year Ended June 30, 2021			Year Ended June 30, 2020
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues and other support</b>				
<b>Campaign revenue</b>				
Annual campaign	\$ 17,995,967	\$ -	\$ 17,995,967	\$ 19,045,001
Emergency rental assistance grants	29,439,690	-	29,439,690	-
Endowment	34,478	-	34,478	9,033
Less: provision for uncollectible pledges	(667,120)	-	(667,120)	(274,008)
Discount for multi-year pledges, net	-	-	-	2,933
Less: donor designations	(4,740,625)	-	(4,740,625)	(5,564,543)
<b>Net campaign revenue</b>	<b>42,062,390</b>	<b>-</b>	<b>42,062,390</b>	<b>13,218,416</b>
Interest, other income, realized and unrealized gains on investments and receivables under trust agreements, net	4,249,179	13	4,249,192	518,264
Gain on debt extinguishment	747,740	-	747,740	-
Other contributions and designation adjustments	148,198	-	148,198	(92,825)
Donor designation fees	13,313	-	13,313	17,345
License revenues	89,040	-	89,040	87,756
<b>Total net revenues and other support</b>	<b>47,309,860</b>	<b>13</b>	<b>47,309,873</b>	<b>13,748,956</b>
<b>Program services and support services</b>				
Program services:				
Community allocations, net	753,518	-	753,518	1,272,335
Community service expenses	3,005,320	-	3,005,320	2,573,092
Grants and initiatives	36,660,457	-	36,660,457	7,045,073
<b>Total program services</b>	<b>40,419,295</b>	<b>-</b>	<b>40,419,295</b>	<b>10,890,500</b>
Support services:				
Fundraising	1,877,161	-	1,877,161	1,943,347
Organizational administration	1,248,180	-	1,248,180	1,114,306
Marketing	718,861	-	718,861	669,360
<b>Total support services</b>	<b>3,844,202</b>	<b>-</b>	<b>3,844,202</b>	<b>3,727,013</b>
<b>Total program services and support services</b>	<b>44,263,497</b>	<b>-</b>	<b>44,263,497</b>	<b>14,617,513</b>
<b>Change in net assets</b>	<b>3,046,363</b>	<b>13</b>	<b>3,046,376</b>	<b>(868,557)</b>
<b>Net assets, beginning of year</b>	<b>18,450,912</b>	<b>4,672,496</b>	<b>23,123,408</b>	<b>23,991,965</b>
<b>Net assets, end of year</b>	<b>\$ 21,497,275</b>	<b>\$ 4,672,509</b>	<b>\$ 26,169,784</b>	<b>\$ 23,123,408</b>

*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, 2021 (with comparative totals for 2020)

	Program Services				Support Services				
	Community Allocations and Services Expenses	Grants and Initiatives	2021 Total Program Services	2020 Total Program Services	Fundraising	Organizational Administration	Marketing	2021 Total Support Services	2020 Total Support Services
Community allocations	\$ 753,518	\$ -	\$ 753,518	\$ 1,272,335	\$ -	\$ -	\$ -	\$ -	\$ -
Grants and initiatives	-	35,511,925	35,511,925	6,116,272	-	-	-	-	-
Salaries, benefits, and related expenses	2,434,913	1,148,532	3,583,445	2,941,779	1,487,291	599,339	450,927	2,537,557	2,459,040
Printing, supplies, and publications	126,994	-	126,994	127,956	5,278	2,199	144,949	152,426	145,199
Professional services	207,611	-	207,611	200,260	151,150	400,434	116,511	668,095	613,863
Office supplies and recognition	9,969	-	9,969	10,525	11,314	13,139	420	24,873	24,537
Conferences, training, and travel	11,954	-	11,954	5,236	19,689	9,219	3,954	32,862	37,954
Equipment rental and maintenance	20,491	-	20,491	39,839	20,491	26,015	-	46,506	80,917
Telephone	12,573	-	12,573	8,600	12,573	12,954	-	25,527	17,460
Postage	2,324	-	2,324	1,857	3,801	2,395	1,100	7,296	3,960
Utilities and building maintenance	53,214	-	53,214	51,574	53,214	54,827	-	108,041	104,711
Other	17,322	-	17,322	7,984	4,405	16,433	1,000	21,838	23,585
UWW National and State dues	67,565	-	67,565	55,765	67,565	69,612	-	137,177	113,220
Depreciation	40,390	-	40,390	50,518	40,390	41,614	-	82,004	102,567
<b>Total</b>	<b>\$ 3,758,838</b>	<b>\$ 36,660,457</b>	<b>\$ 40,419,295</b>	<b>\$ 10,890,500</b>	<b>\$ 1,877,161</b>	<b>\$ 1,248,180</b>	<b>\$ 718,861</b>	<b>\$ 3,844,202</b>	<b>\$ 3,727,013</b>

*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, 2021 (with comparative totals for 2020)

Years ended June 30,	2021	2020
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 3,046,376	\$ (868,557)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation	122,394	153,085
Unrealized gain on investments	(4,041,760)	(250,569)
Unrealized gain on receivable under trust agreements	(100,496)	65,563
Provision for uncollectible pledges	667,120	274,008
Amortization of discounts for multi-year pledges	-	(2,933)
Gain on debt extinguishment	(747,740)	-
Changes in assets and liabilities:		
Pledges receivable	(85,052)	2,885,606
Other current assets	(11,593)	(1,231)
Accounts payable, accrued expenses, and other liabilities	1,432,671	83,325
Program grants payable to community organizations	(279,380)	835,233
Designations payable	4,342,169	(225,620)
Net cash and cash equivalents provided by operating activities	4,344,709	2,947,910
<b>Cash flows from investing activities</b>		
Purchase of investments	(8,744,298)	(7,766,133)
Sale of investments	8,734,969	9,540,335
Purchase of property and equipment	(110,950)	(89,726)
Net cash and cash equivalents (used in) provided by investing activities	(120,279)	1,684,476
<b>Cash flows from financing activities</b>		
Proceeds from notes payable	-	747,740
Net cash and cash equivalents provided by financing activities	-	747,740
Net increase in cash and cash equivalents	4,224,430	5,380,126
Cash and cash equivalents, beginning of year	7,510,719	2,130,593
Cash and cash equivalents, end of year	\$ 11,735,149	\$ 7,510,719

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

# Orange County's United Way

## Notes to Financial Statements

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### 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.

# Orange County's United Way

## Notes to Financial Statements

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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***

The Organization follows the provisions of ASC No. 606, Revenue from Contracts with Customers, ("ASC 606"). Under ASC 606, 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. 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.

# Orange County's United Way

## Notes to Financial Statements

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*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, 2021 and 2020. 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.

# Orange County's United Way

## Notes to Financial Statements

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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 \$89,040 and \$87,756 in license revenue during the years ended June 30, 2021 and 2020. 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 multi-year pledge receivable balances, which are included in pledges receivable on the accompanying statement of financial position. Concentration of the multi-year pledges receivable at June 30 2021, was as follows:

	Multi-year Pledge Receivable Balance	
Donor 1	\$ 150,315	100%
Total	\$ 150,315	*100%

\* Approximately 100% of the multi-year pledges receivable balance at June 30, 2021, has been designated by the donors and is included in designations payable on the accompanying statement of financial position.

As of June 30, 2021, 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 \$667,120 and \$274,008 in provisions for uncollectible pledges for the years ended June 30, 2021 and 2020, 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.

# Orange County's United Way

## Notes to Financial Statements

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### ***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 \$4,041,760 and \$250,569 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, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, 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.

# Orange County's United Way

## Notes to Financial Statements

### *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, 2021		
	Fair Value Measurement Using		
	Level 1	Level 2	Level 3
Investments - without donor restrictions (see Note 2)	\$ 14,994,597	\$ -	\$ -
Investments - with donor restrictions (see Note 2)	4,672,509	-	-
	\$ 19,667,106	\$ -	\$ -

  

	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	\$ -	\$ -

# Orange County's United Way

## Notes to Financial Statements

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### *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 for this campaign exceeding \$4 million from March through June 2020, and contributions exceeding \$2 million from July 2020 through June 2021. On January 5, 2021 the U.S. Department of the Treasury launched the Emergency Rental Assistance Program (ERAP), established by the Consolidated Appropriations Act, 2021, to assist households that are unable to pay rent and utilities due to the COVID-19 pandemic. To assist Orange County residents whose rent are in arrears as a result of the pandemic, Orange County’s United Way began participating in the program in March 2021 and serves to coordinate and manage the tenant and landlord verification processes, payment processing and adherence to the State and Treasury guidelines. Orange County’s United Way serves as a subcontractor for various municipalities and public benefit contractors in Orange County to administer funds. As a result of the program, the Organization received grant contributions of approximately \$33.9 million, recognized approximately \$29.4 million in grant revenues and incurred approximately \$29.4 million of grants and initiatives expenses from March 2021 through June 2021. The remaining \$4.5 million received in grant contributions was accrued in designations payable as of June 30, 2021, and will be recognized as expended in 2022.

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.



# Orange County's United Way

## Notes to Financial Statements

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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 applied for forgiveness of the entire amount of the PPP loan according to the terms and conditions of the SBA's Loan Forgiveness Application. On January 12, 2021 the Organization received confirmation that the PPP Loan had been forgiven in full including all interest accrued and the gain on that amount was recorded as a gain on debt extinguishment on the statement of activities.

### ***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 March 23, 2022, 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:

	2021	2020
Fixed income securities - Bond funds	\$ 1,588,856	\$ 1,426,842
Equity securities - Large cap mutual funds	13,405,741	9,583,328
<b>Total</b>	<b>\$ 14,994,597</b>	<b>\$ 11,010,170</b>

# Orange County's United Way

## Notes to Financial Statements

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

	2021	2020
Fixed income securities - Bond funds	\$ 610,100	\$ 766,741
Equity securities - Corporate stocks	4,062,409	3,839,104
<b>Total</b>	<b>\$ 4,672,509</b>	<b>\$ 4,605,845</b>

### 3. Property and Equipment

Property and equipment consist of the following at June 30:

	2021	2020
Land	\$ 722,039	\$ 722,039
Building	2,089,639	2,089,639
Building improvements	1,715,174	1,711,872
Furniture and equipment	1,890,803	1,783,155
	6,417,655	6,306,705
Less: accumulated depreciation	(5,126,164)	(5,003,768)
<b>Property and equipment, net</b>	<b>\$ 1,291,491</b>	<b>\$ 1,302,937</b>

Depreciation expense totaled \$122,394 and \$153,085 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, totaled \$17,997,326 and \$15,050,240, respectively, which is comprised of the following:

<i>June 30,</i>	2021	2020
General Endowment Fund - restricted	\$ 4,672,509	\$ 4,605,845
Board Investment Endowment Fund - unrestricted	13,324,817	10,444,395
<b>Total Endowment Fund</b>	<b>\$ 17,997,326</b>	<b>\$ 15,050,240</b>

# Orange County's United Way

## Notes to Financial Statements

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For the years ended June 30, 2021 and 2020, the Organization received \$34,478 and \$9,033, respectively, which 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 \$0 and \$2,933 for the years ending June 30, 2021 and 2020, respectively.

### 5. Pledges Receivable

As of June 30, 2021 and 2020, the Organization has multi-year pledges receivable without donor restrictions outstanding totaling \$150,315 and \$174,315, 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:

	2021	2020
Unconditional promises to give	\$ 150,315	\$ 174,315
Less: unamortized discount	-	-
Net unconditional promises to give	150,315	174,315
Less: current portion	(24,000)	(174,315)
	\$ 126,315	\$ -

Multi-year pledges receivable without donor restrictions as of June 30, 2021, are committed to be due as follows:

#### *Years ending June 30,*

2022	\$ 24,000
2023	24,000
2024	24,000
2025	24,000
2026	24,000
Thereafter	30,315
Total	\$ 150,315

# Orange County's United Way

## Notes to Financial Statements

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:

	2021	2020
Unconditional promises to give	\$ -	\$ 66,651
Less: unamortized discount	-	-
Net unconditional promises to give	-	66,651
Less: current portion	-	(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.

For years ended June 30, 2021 and 2020, the fair value of the charitable trust was \$100,496 and \$0. Changes in fair value recognized for the year ended June 30, 2021 of \$100,496 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:

	2021	2020
Without Donor Restrictions		
Appropriated - initiatives	\$ 1,754,107	\$ 3,603,050
Appropriated - property and equipment	1,291,491	1,302,937
Appropriated - Board Investment Endowment Fund	13,324,817	10,444,395
Unappropriated	5,126,860	3,100,530
Total without donor restrictions	21,497,275	18,450,912
With Donor Restrictions	4,672,509	4,672,496
Total	\$ 26,169,784	\$ 23,123,408

# Orange County's United Way

## Notes to Financial Statements

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Beginning in financial year ended June 30, 2021, the Organization no longer maintains a separate Capital Replacement Fund, as the unappropriated funds are sufficient to maintain capital equipment. 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, 2021, 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, 2021 and 2020, the stabilization reserve that is included in the Board Investment Endowment Fund amounts to \$3,073,254 and \$2,848,030, respectively.

### 8. Liquidity and Availability of Financial Assets

As part of the Organization's liquidity management, financial assets are structured to provide availability to meet the needs of the general expenditures and liabilities as they come due. The Organization's financial assets profile is reviewed in detail during the annual budget process and financial assets are aligned to meet the operational needs of the Organization. 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.

	2021	2020
Financial assets, at year-end:		
Cash and cash equivalents	\$ 11,735,149	\$ 7,510,719
Pledges receivable	2,852,245	3,493,977
Investments	14,994,597	11,010,170
Financial assets available to meet cash needs for general expenditures within one year	\$ 29,581,991	\$ 22,014,866

### 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 \$91,899 and \$66,823 for the fiscal years ended June 30, 2021 and 2020, respectively.

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# Orange County's United Way

## Notes to Financial Statements

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### 10. Commitments and Contingencies

The Organization is obligated under one noncancelable operating lease for equipment. Future minimum annual lease payments at June 30, 2021, are as follows:

<i>Years ending June 30,</i>		Total
2022	\$	17,615
2023		17,615
2024		16,156
2025		13,200
2026		8,800
Total	\$	73,386

Rental expense of \$10,379 and \$24,006 was incurred for the years ended June 30, 2021 and 2020, 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.