United Way

# Orange County United Way

## Financial Statements

As of and For the Years Ended
June 30, 2022 and 2021

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S.
member of BDO International Limited, a UK company limited by guarantee.

BDO

# 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

### *Opinion*

We have audited the financial statements of Orange County's United Way (the "Organization"), which comprise the statement of financial position and as of June 30, 2022, 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 2021 financial statements and, in our report dated March 23, 2022, 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, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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.

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*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

November 16, 2022

# Financial Statements

# Orange County's United Way

## Statements of Financial Position
## June 30, 2022 (with comparative totals for 2021)

| | June 30, 2022 | | | June 30, 2021 |
|---|---|---|---|---|
| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** | Total |
| **Assets** | | | | |
| **Current assets:** | | | | |
| Cash and cash equivalents | **$ 6,352,430** | **$ -** | **$ 6,352,430** | $ 11,735,149 |
| Pledges receivable, net of allowance for uncollectible pledges of $827,599 and $829,605, respectively | **3,126,810** | **-** | **3,126,810** | 2,852,245 |
| Grants receivable | **3,815,704** | **-** | **3,815,704** | - |
| Other current assets | **69,668** | **-** | **69,668** | 36,226 |
| Total current assets | **13,364,612** | | **13,364,612** | 14,623,620 |
| Pledges receivable, net of current | **102,315** | **-** | **102,315** | 126,315 |
| Receivables under trust agreements | **34,179** | **-** | **34,179** | 100,496 |
| Investments | **8,949,874** | **4,672,509** | **13,622,383** | 19,667,106 |
| Property and equipment, net | **1,264,300** | **-** | **1,264,300** | 1,291,491 |
| Total assets | **$ 23,715,280** | **$ 4,672,509** | **$ 28,387,789** | $ 35,809,028 |
| **Liabilities and Net Assets** | | | | |
| **Current liabilities:** | | | | |
| Accounts payable and accrued expenses | **$ 2,117,371** | **$ -** | **$ 2,117,371** | $ 1,728,399 |
| Program grants payable to community organizations | **524,399** | **-** | **524,399** | 1,299,929 |
| Designations payable | **2,163,861** | **-** | **2,163,861** | 6,489,601 |
| Total current liabilities | **4,805,631** | **-** | **4,805,631** | 9,517,929 |
| Designations payable, non-current | **97,315** | **-** | **97,315** | 121,315 |
| Total liabilities | **4,902,946** | **-** | **4,902,946** | 9,639,244 |
| **Net assets:** | | | | |
| Without Donor Restrictions | **18,818,334** | **-** | **18,818,334** | 21,497,275 |
| With Donor Restrictions | **-** | **4,672,509** | **4,672,509** | 4,672,509 |
| Total net assets | **18,818,334** | **4,672,509** | **23,484,843** | 26,169,784 |
| Total liabilities and net assets | **$ 23,715,280** | **$ 4,672,509** | **$ 28,387,789** | $ 35,809,028 |

*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, 2022 (with comparative totals for 2021)

| | Year Ended June 30, 2022 | | | Year Ended June 30, 2021 |
|---|---|---|---|---|
| | **Without Donor Restrictions** | **With Donor Restrictions** | **Total** | Total |
| **Revenues and other support** | | | | |
| **Campaign revenue** | | | | |
| Annual campaign | **$ 17,368,829** | **$ -** | **$ 17,368,829** | $ 17,995,967 |
| Emergency rental assistance grants | **47,427,488** | **-** | **47,427,488** | 29,439,690 |
| CDC Health Equity Initiative grant | **2,997,886** | **-** | **2,997,885** | - |
| Endowment | **10,638** | **-** | **10,638** | 34,478 |
| In-Kind contributions | **261,519** | **-** | **261,519** | - |
| Less: provision for uncollectible pledges | **(262,308)** | **-** | **(262,308)** | (667,120) |
| Less: donor designations | **(4,200,849)** | **-** | **(4,200,849)** | (4,740,625) |
| Net campaign revenue | **63,603,203** | **-** | **63,603,203** | 42,062,390 |
| Interest, other income, realized and unrealized gains (losses) on investments and receivables under trust agreements, net | **(2,193,447)** | **-** | **(2,193,447)** | 4,249,192 |
| Gain on debt extinguishment | **-** | **-** | **-** | 747,740 |
| Other contributions and designation adjustments | **45,795** | **-** | **45,795** | 148,198 |
| Donor designation fees | **12,490** | **-** | **12,490** | 13,313 |
| License revenues | **97,790** | **-** | **97,790** | 89,040 |
| Total net revenues and other support | **61,565,831** | **-** | **61,565,831** | 47,309,873 |
| **Program services and support services** | | | | |
| Program services: | | | | |
| Community allocations, net | **687,266** | **-** | **687,266** | 753,518 |
| Community service expenses | **3,469,729** | **-** | **3,469,729** | 3,005,320 |
| Grants and initiatives | **55,605,677** | **-** | **55,605,677** | 36,660,457 |
| In-kind contributions | **261,519** | **-** | **261,519** | - |
| Total program services | **60,024,191** | **-** | **60,024,191** | 40,419,295 |
| Support services: | | | | |
| Fundraising | **1,904,458** | **-** | **1,904,458** | 1,877,161 |
| Organizational administration | **1,491,425** | **-** | **1,491,425** | 1,248,180 |
| Marketing | **830,698** | **-** | **830,698** | 718,861 |
| Total support services | **4,226,581** | **-** | **4,226,581** | 3,844,202 |
| Total program services and support services | **64,250,772** | **-** | **64,250,772** | 44,263,497 |
| **Change in net assets** | **(2,684,941)** | **-** | **(2,684,941)** | 3,046,376 |
| **Net assets,** beginning of year | **21,497,275** | **4,672,509** | **26,169,784** | 23,123,408 |
| **Net assets,** end of year | **$ 18,812,334** | **$ 4,672,509** | **$ 23,484,843** | $ 26,169,784 |

*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, 2022 (with comparative totals for 2021)

| | Program Services | | | | Support Services | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Community Allocations and Services Expenses** | **Grants and Initiatives** | **2022 Total Program Services** | 2021 Total Program Services | **Fundraising** | **Organizational Administration** | **Marketing** | **2022 Total Support Services** | 2021 Total Support Services |
| Community allocations | **$ 687,266** | **$ -** | **$ 687,266** | $ 753,518 | **$ -** | **$ -** | **$ -** | **$ -** | $ - |
| Grants and initiatives | **-** | **53,953,100** | **53,953,100** | 35,511,925 | **-** | **-** | **-** | **-** | - |
| Salaries, benefits, and related expenses | **2,697,503** | **1,652,577** | **4,350,080** | 3,583,445 | **1,443,777** | **680,749** | **497,555** | **2,622,081** | 2,537,557 |
| Printing, supplies, and publications | **162,065** | **-** | **162,065** | 126,994 | **3,372** | **3,082** | **175,168** | **181,622** | 152,426 |
| Professional services | **350,876** | **-** | **350,876** | 207,611 | **199,561** | **485,930** | **156,583** | **842,074** | 668,095 |
| Office supplies and recognition | **17,781** | **-** | **17,781** | 9,969 | **17,897** | **21,025** | **1,053** | **39,974** | 24,873 |
| Conferences, training, and travel | **11,925** | **-** | **11,925** | 11,954 | **11,376** | **35,941** | **339** | **47,656** | 32,862 |
| Equipment rental and maintenance | **29,360** | **-** | **29,360** | 20,491 | **29,360** | **44,473** | **-** | **73,833** | 46,506 |
| Telephone | **10,356** | **-** | **10,356** | 12,573 | **10,357** | **10,669** | **-** | **21,026** | 25,527 |
| Postage | **2,323** | **-** | **2,323** | 2,324 | **2,323** | **2,255** | **-** | **4,578** | 7,296 |
| Utilities and building maintenance | **59,856** | **-** | **59,856** | 53,214 | **59,856** | **61,670** | **-** | **121,526** | 108,041 |
| Other | **4,466** | **-** | **4,466** | 17,322 | **3,361** | **18,679** | **-** | **22,041** | 21,838 |
| UWW National and State dues | **82,829** | **-** | **82,829** | 67,565 | **82,829** | **85,339** | **-** | **168,168** | 137,177 |
| Depreciation | **40,389** | **-** | **40,389** | 40,390 | **40,389** | **41,613** | **-** | **82,002** | 82,004 |
| In-kind contributions | **261,519** | **-** | **261,519** | - | **-** | **-** | **-** | **-** | - |
| Total | **$ 4,418,514** | **$ 55,605,677** | **$ 60,024,191** | $ 40,419,295 | **$ 1,904,458** | **$ 1,491,425** | **$ 830,698** | **$ 4,226,581** | $ 3,844,202 |

*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, 2022 (with comparative totals for 2021)

| *Years ended June 30,* | **2022** | 2021 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Change in net assets | **$ (2,684,941)** | $ 3,046,376 |
| Adjustments to reconcile change in net assets to net cash and cash equivalents (used in) provided by operating activities: | | |
| Depreciation | **122,391** | 122,394 |
| Unrealized loss (gain) on investments | **2,307,138** | (4,041,760) |
| Unrealized loss (gain) on receivable under trust agreements | **66,317** | (100,496) |
| Provision for uncollectible pledges | **262,308** | 667,120 |
| Gain on debt extinguishment | **-** | (747,740) |
| Changes in assets and liabilities: | | |
| Pledges receivable | **(512,873)** | (85,052) |
| Grants receivables | **(3,815,704)** | - |
| Other current assets | **(33,442)** | (11,593) |
| Accounts payable, accrued expenses, and other liabilities | **388,972** | 1,432,671 |
| Program grants payable to community organizations | **(775,530)** | (279,380) |
| Designations payable | **(4,349,740)** | 4,342,169 |
| Net cash and cash equivalents (used in) provided by operating activities | **(9,025,104)** | 4,344,709 |
| **Cash flows from investing activities** | | |
| Purchase of investments | **(6,890,046)** | (8,744,298) |
| Sale of investments | **10,627,631** | 8,734,969 |
| Purchase of property and equipment | **(95,200)** | (110,950) |
| Net cash and cash equivalents provided by (used in) investing activities | **3,642,385** | (120,279) |
| Net (decrease) increase in cash and cash equivalents | **(5,382,719)** | 4,224,430 |
| **Cash and cash equivalents,** beginning of year | **11,735,149** | 7,510,719 |
| **Cash and cash equivalents,** end of year | **$ 6,352,430** | $ 11,735,149 |

*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***

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.

*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 recorded $261,519 and $0 in 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, 2022 and 2021, respectively. 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 $97,790 and $89,040 in license revenue during the years ended June 30, 2022 and 2021. 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.

As of June 30, 2022, 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 $262,308 and $667,120 in provisions for uncollectible pledges for the years ended June 30, 2022 and 2021, 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 (losses) gains on investments of $(2,307,138) and $4,041,760 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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, 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, grants 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, 2022** | | |
|---|---|---|---|
| | **Fair Value Measurement Using** | | |
| | **Level 1** | **Level 2** | **Level 3** |
| Investments – without donor restrictions (see Note 2) | **$ 8,949,874** | **$ -** | **$ -** |
| Investments – with donor restrictions (see Note 2) | **4,672,509** | **-** | **-** |
| | **$ 13,622,383** | **$ -** | **$ -** |

| | 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 | $ - | $ - |

***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 $40.9 million and $33.9 million, recognized approximately $47.4 million and $29.4 million in grant revenues and incurred approximately $46.9 million and $29.4 million of grants and initiatives expenses in fiscal year 2022 and 2021, respectively. The Organization recognized $4.5 million designation payable and $2.2 million as of June 30, 2022 and 2021, respectively. Subsequent to year end in October 2022, the ERAP concluded.

On June 1, 2021, County of Orange/OC Healthcare Agency (OCHCA) was awarded a grant from the Centers for Disease Control (CDC) to address the COVID-19 health disparities among populations at high-risk and underserved. Orange County's United Way serves as a subrecipient to administer funds of approximately $15.9 million. As a result of the program, the Organization recognized approximately $3 million in grant revenues and grants and initiatives expenses in fiscal year 2022. The Organization received grant contributions of approximately $1.8 million in fiscal year 2022. The remaining $1.2 million to be received was recognized as grants receivables as of June 30, 2022.

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. As of June 30, 2021, the PPP loan was forgiven.

***Recent Adopted 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 has adopted this ASU and there was not a material effect on the financial statements.

***Recent Accounting Pronouncements Not Yet Adopted***

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance has been subsequently updated by ASUs 2018-01, 2018-10, 2018-11, 2018-20, 2019-01, 2019-10, 2020-05, 2021-05 and 2021-09. This ASU is effective for fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedient available. The organization is currently evaluating the impact of this ASU on the consolidated financial statements but does not expect the impact to be material.

***Subsequent Events***

The Organization has evaluated all subsequent events that occurred after the statement of financial position date through November 16, 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:

| | **2022** | 2021 |
|---|---|---|
| Fixed income securities – Bond funds | **$ 1,377,695** | $ 1,588,856 |
| Equity securities – Large cap mutual funds | **7,572,179** | 13,405,741 |
| Total | **$ 8,949,874** | $ 14,994,597 |

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

| | **2022** | 2021 |
|---|---|---|
| Fixed income securities – Bond funds | **$ 720,107** | $ 610,100 |
| Equity securities – Corporate stocks | **3,952,402** | 4,062,409 |
| Total | **$ 4,672,509** | $ 4,672,509 |

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### 3. Property and Equipment

Property and equipment consist of the following at June 30:

| | 2022 | 2021 |
|---|---|---|
| Land | $ 722,039 | $ 722,039 |
| Building | 2,089,639 | 2,089,639 |
| Building improvements | 1,718,974 | 1,715,174 |
| Furniture and equipment | 1,982,204 | 1,890,803 |
| | 6,512,856 | 6,417,655 |
| Less: accumulated depreciation | (5,248,556) | (5,126,164) |
| Property and equipment, net | $ 1,264,300 | $ 1,291,491 |

Depreciation expense totaled $122,391 and $122,394 for the years ended June 30, 2022 and 2021, 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, 2022 and 2021, totaled $14,771,124 and $17,997,326, respectively, which is comprised of the following:

| *June 30,* | 2022 | 2021 |
|---|---|---|
| General Endowment Fund - restricted | $ 4,672,509 | $ 4,672,509 |
| Board Investment Endowment Fund - unrestricted | 10,098,615 | 13,324,817 |
| Total Endowment Fund | $ 14,771,124 | $ 17,997,326 |

For the years ended June 30, 2022 and 2021, the Organization received $10,638 and $34,478, 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.

## 5. 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, 2022 and 2021, the fair value of the charitable trust was $34,179 and $100,496. Changes in fair value recognized for the years ended June 30, 2022 and June 30, 2021 of $(66,317) and $100,496, respectively, are included in other contributions and designation adjustments on the statements of activities and changes in net assets.

## 6. Net Assets

Net assets consist of the following at June 30:

| | **2022** | 2021 |
|---|---|---|
| Without Donor Restrictions | | |
| Appropriated – initiatives | **$ 4,322,603** | $ 1,754,107 |
| Appropriated – property and equipment | **1,264,300** | 1,291,491 |
| Appropriated – Board Investment Endowment Fund | **10,098,617** | 13,324,817 |
| Unappropriated | **3,126,814** | 5,126,860 |
| Total without donor restrictions | **18,812,334** | 21,497,275 |
| With Donor Restrictions | **4,672,509** | 4,672,509 |
| Total | **$ 23,484,843** | $ 26,169,784 |

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, 2022, the targeted stabilization reserve level is an amount equal to three months of estimated programmatic costs plus three months of estimated operating costs. As of June 30, 2022 and 2021, the stabilization reserve that is included in the Board Investment Endowment Fund amounts to $2,724,271 and $3,073,254, respectively.

## 7. 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.

| | **2022** | 2021 |
|---|---|---|
| Financial assets, at year-end: | | |
| Cash and cash equivalents | **$ 6,352,430** | $ 11,735,149 |
| Pledges receivable | **3,126,810** | 2,852,245 |
| Grants receivable | **3,815,704** | - |
| Investments | **8,949,874** | 14,994,597 |
| Financial assets available to meet cash needs for general expenditures within one year | **$ 22,244,818** | $ 29,581,991 |

## 8. 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 $94,130 and $91,899 for the fiscal years ended June 30, 2022 and 2021, respectively.

## 9. Commitments and Contingencies

The Organization is obligated under one noncancelable operating lease for equipment. Future minimum annual lease payments at June 30, 2022, are as follows:

| *Years ending June 30,* | Total |
|---|---|
| 2023 | $ 17,615 |
| 2024 | 16,156 |
| 2025 | 13,200 |
| 2026 | 8,800 |
| Total | $ 55,771 |

Rental expense of $16,885 and $10,379 was incurred for the years ended June 30, 2022 and 2021, 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.