

United Way of Ventura County, Inc

Audited Financial Statements

As of and for the Year Ended June 30, 2020

(With Comparative Summarized Financial Information as
of and for the Year Ended June 30, 2019)



**United Way of
Ventura County**

United Way of Ventura County, Inc.

Financial Statements
For the Year Ended June 30, 2020

United Ways of California

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Independent Auditor's Report

To the Board of Directors
United Way of Ventura County, Inc.
Ventura, California

I have audited the accompanying financial statements of United Way of Ventura County, Inc. (a California nonprofit corporation), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Ventura County, Inc. as of June 30, 2020, 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.

Independent Auditor's Report - continued

Emphasis of Matter

As discussed in Note 3 to the financial statements, United Way of Ventura County, Inc. incorrectly accounted for its endowment asset as of June 30, 2019 and prior. United Way of Ventura County, Inc. has restated its net assets at June 30, 2019 for the correction of this misstatement. My opinion is not modified with respect to this matter.

Other matter

Report on Summarized Comparative Information

The 2019 financial statements of United Way of Ventura County, Inc. were audited by other auditors who, in their report dated April 23, 2020, expressed an unmodified opinion on those audited financial statements. In my opinion the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects as adjusted for the matter in the previous paragraph, with the audited financial statements from which it has been derived.

Lewis Sharpstone & Co.

Woodland Hills, California
March 24, 2021

Financial Statements

United Way of Ventura County, Inc
Statement of Financial Position
June 30, 2020
(With Comparative Totals as of June 30, 2019)

	2020	2019 Restated (Note 3)
Assets		
Cash and cash equivalents	\$ 1,511,751	\$ 1,606,291
Grants receivable	46,686	47,579
Pledges receivable, net	356,298	289,212
Prepaid expenses and other assets	35,977	51,470
Beneficial interest in Ventura County Community Foundation	33,262	34,512
Property and Equipment, net	20,425	17,043
Total Assets	\$ 2,004,399	\$ 2,046,107
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 110,634	\$ 126,600
Advances	50,202	30,803
Designations payable to other charities	16,647	7,564
PPP loan payable (Note 7)	43,709	-
Total Liabilities	221,192	164,907
Net Assets		
Without donor restrictions		
Undesignated	485,568	446,829
Board designated	33,262	34,512
Total without donor restrictions	518,830	481,341
With donor restrictions	1,264,377	1,399,799
Total Net Assets	1,783,207	1,881,140
Total Liabilities and Net Assets	\$ 2,004,399	\$ 2,046,107

See accompanying notes to financial statements.

United Way of Ventura County, Inc.

Statement of Activities Year Ended June 30, 2020 (With Comparative Totals for the Year Ended June 30, 2019)

	2020			2019 Restated (Note 3)
	Without donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support:				
Campaign revenue				
Gross campaign revenue	\$ 1,855,144	\$ 520,014	\$ 2,375,158	\$ 1,910,176
Less provision for uncollectible pledges	(113,221)	-	(113,221)	(19,774)
Less designations to other charities	(923,994)	-	(923,994)	(528,523)
Net campaign revenue	817,929	520,014	1,337,943	1,361,879
Other grants and contributions	187,682	-	187,682	101,955
In-kind contributions	11,434	-	11,434	28,209
Special events, net	41,191	-	41,191	107,811
Change in value of beneficial interest	450	-	450	1,356
PPP loan forgiveness recognized	132,268	-	132,268	-
Other income	26,223	-	26,223	16,127
Net assets released from restrictions	655,436	(655,436)	-	-
Total Support and Revenue	1,872,613	(135,422)	1,737,191	1,617,337
Expenses:				
Program services				
Grants awarded	532,882	-	532,882	1,706,319
Community services	949,335	-	949,335	808,578
Total program services	1,482,217	-	1,482,217	2,514,897
Management and general	157,065	-	157,065	231,593
Fundraising	195,842	-	195,842	341,683
Total Expenses	1,835,124	-	1,835,124	3,088,173
Change in Net Assets	37,489	(135,422)	(97,933)	(1,470,836)
Net Assets, beginning of year, restated (Note 3)	481,341	1,399,799	1,881,140	3,351,976
Net Assets, end of year	\$ 518,830	\$ 1,264,377	\$ 1,783,207	\$ 1,881,140

See accompanying notes to financial statements.

United Way Ventura County, Inc.

Statement of Functional Expenses Year ended June 30, 2020

(With Comparative Totals for the Year Ended June 30, 2019)

	2020				2019
	Program Services	Management and General	Fundraising	Total	Total
<u>Grants awarded</u>	\$ 532,882	\$ -	\$ -	\$ 532,882	\$ 1,706,319
<u>Community services</u>					
Salaries and wages	519,809	95,806	115,847	731,462	741,385
Payroll taxes	47,917	6,972	8,011	62,900	60,961
Employee benefits	78,159	15,557	18,046	111,762	103,203
Dues and subscriptions	6,779	2,978	3,889	13,647	20,991
Education and training	909	327	352	1,588	2,708
Information systems	73,358	4,481	7,751	85,590	78,529
Insurance	2,772	1,658	1,077	5,507	8,857
Marketing and advertising	5,265	423	1,560	7,248	44,293
Meetings	1,818	641	517	2,976	7,238
Miscellaneous	1,246	665	432	2,343	1,440
National organization payments	5,864	3,909	9,772	19,545	19,894
Occupancy	88,042	6,227	9,311	103,580	102,967
Outside services	70,678	3,248	3,142	77,068	119,588
Postage	3,042	1,815	1,178	6,035	6,864
Printing	5,074	1,477	3,751	10,302	7,860
Professional fees	20,228	7,993	7,731	35,952	26,994
Supplies	3,637	1,483	1,553	6,673	4,656
Telephone	7,672	508	760	8,940	8,681
Travel and auto	4,359	705	876	5,940	11,441
Depreciation	2,707	192	286	3,185	3,304
Total community services	949,335				
Total expenses	\$ 1,482,217	\$ 157,065	\$ 195,842	\$ 1,835,124	\$ 3,088,173

See accompanying notes to financial statements.

United Way Ventura County, Inc.

Statement of Cash Flows Year Ended June 30, 2020 (With Comparative Totals for the Year Ended June 30, 2019)

	2020	2019 Restated (Note 3)
Cash flows from operating activities		
Change in net assets	\$ (97,933)	\$ (1,470,836)
Adjustments to reconcile change in net assets to net assets provided by operating activities		
Depreciation	3,185	3,304
Provision for uncollectible pledges	113,221	19,774
Unrealized gain in beneficial interest	(450)	(1,356)
PPP loan forgiveness recognized	(132,268)	
Changes in operating assets and liabilities		
Grants receivable	893	(31,684)
Pledges receivable	(180,307)	108,479
Prepaid expenses and other assets	15,493	(11,224)
Accounts payable and accrued expenses	(15,966)	10,251
Advances	19,399	13,295
Designations payable	9,083	-
	(265,650)	(1,359,997)
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Acquisition of property and equipment	(6,567)	-
Cash distribution from beneficial interest	1,700	1,698
	(4,867)	1,698
Net cash provided by (used in) investing activities		
Cash flows from financing activities		
Proceeds from PPP loan	175,977	-
	175,977	-
Net cash provided by financing activities		
Change in cash	(94,540)	(1,358,299)
Cash - beginning of year	1,606,291	2,964,590
Cash - end of year	\$ 1,511,751	\$ 1,606,291

See accompanying notes to financial statements.

United Way Ventura County, Inc.

Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

NOTE 1 - ORGANIZATION PROFILE

United Way of Ventura County, Inc. ("United Way" or "Organization") raises funds throughout the year for the purpose of providing community impact support for social service needs and programs with a primary focus on education, income, health, and homelessness.

Disaster relief is also a vital component in United Way's fight to end poverty. The United Way works closely with other private and public agencies, including local, statewide, and national, in addressing disaster preparedness and response through its membership in Volunteer Organizations Active in Disaster and participation with the Ventura County Long Term Disaster Recovery Committee ("VC LTDRG"). The VC LTDRG financial assistance is intended as a last stop - to fill gaps after federal, insurance and other recovery sources have provided support. Disaster case managers present requests for clients based on their recovery plan and unmet needs.

In response to the Thomas Fire and Flood events of December 2017 and the Woolsey & Hill wildfires of November 2018, the United Way received substantial donor restricted contributions. The United Way is a primary funder to VC LTDRG and intends to fully disburse the remaining donor restricted funds as the VC LTDRG disaster case managers present requests for clients based on their recovery plan and unmet needs.

NOTE 2- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the organization have been prepared on the accrual basis which recognizes income when earned and expenses when incurred, in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net Assets without Donor Restrictions: - Net assets without donor restrictions are available for use at the discretion of the Board of Directors and management for general operating purposes. From time to time the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion.

Net Assets with Donor Restrictions: - Net assets with donor restrictions consists of assets whose use is limited by donor imposed, time and/or purpose restrictions. The Organization reports cash or other assets received as revenues with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, the net assets are reclassified as net assets without donor restriction and reported in the statement of activities as net assets released from restriction. See Note 8 for more information on the composition of net assets with donor restrictions.

United Way Ventura County, Inc.

Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Certain comparative information has been reclassified to conform with the current year financial statement presentation.

Use of Estimates

The preparations of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions affecting the reported amounts of assets, liabilities, revenues, and expenses as well as disclosure of contingent assets and liabilities. The areas of these financial statements that contain the most significant estimates are the provision for uncollectible pledges, the allocation of expenses to program, general and administrative and fundraising functions and the estimated lives of the assets for depreciation purposes. Actual results could differ from those estimates.

Fair Value Measurements

Generally accepted accounting standards related to fair value measurements (a) define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and (b) set out a fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability. The three levels of the fair value hierarchy are described as follows:

Level 1 - Observable inputs such as quoted prices in active markets for identical assets or liabilities.

Level 2 - Directly or indirectly observable input for quoted and other than quoted prices for identical or similar assets and liabilities in active or non-active markets.

Level 3 - Unobservable inputs not corroborated by market data, therefore requiring the entity to use the best information available in the circumstances, including the entity's own data.

Certain financial instruments are carried at cost, which approximates fair value because of the short-term nature of these instruments, and thus are not categorized. These instruments include cash and cash equivalents, receivables, accounts payable and accrued expenses.

Contributions and Pledges Receivable

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions that increases that net asset class. When a donor

United Way Ventura County, Inc.

Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decrease of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promise has become unconditional.

Individual donors may designate all or part of their United Way gift to other tax-exempt agencies. In accordance with FASB Accounting Codification (ASC) 958 and subsections, these designations have been reduced from public support for the purpose of financial statement presentation.

Special events are presented on the statement of activities for the year ended June 30, 2020 and 2019, net of the cost of direct benefits of \$53,492 and \$84,524 respectively.

Donated Materials and Services

Donations of materials are recorded as contributions at their estimated fair value at the date of the donation. Donated services that create or enhance non-financial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased if not provided by the donation are recorded at fair value in the period received.

For the year end of June 30, 2020 and 2019, the organization recorded total in-kind contributions, in connection with the Spirit Awards Gala, of \$11,434 and \$28,209 respectively.

Donated services from volunteers to provide services, in the Volunteer Income Tax Assistance ("VITA") program, during the Day of Caring and in certain other programs, are not recognized as contributions for financial statement purposes as the recognition criteria have not been satisfied. The Organization estimates that it received approximately 5,900 and 6,300 of such volunteer hours during the years end of June 30, 2020 and 2019, respectively.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash in demand deposit accounts at banks and cash in money market accounts. Cash equivalents are considered all highly liquid investments, which can be converted into known amounts of cash and have a maturity period of ninety days or less at the time of purchase.

Grants Receivable

Grants receivable consist primarily of unpaid foundation and government amounts and are all due within one year from the balance sheet date. Management regularly reviews receivables and considers the grants receivable recorded at June 30, 2020 and 2019 to be fully collectible.

United Way Ventura County, Inc.

Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

Pledges Receivable

Pledges receivable consist primarily of unpaid individual and corporate contributions and are all due within one year from the balance sheet date. Management regularly reviews receivables and has established a reasonable allowance against uncollectible pledges receivable at June 30, 2020 and 2019 based on experience.

Beneficial interest in Ventura County Community Foundation

The beneficial interest in Ventura County Community Foundation ("VCCF") is stated at fair value. The Organization's primary input to determine this is the fair value as reported to it by VCCF.

Property and Equipment

The property and equipment are stated at cost if purchased or at fair value at the date of donation, if donated, if the amount exceeds the capitalization threshold of \$1,000. Capitalized assets are depreciated using the straight-line method over the estimated useful lives of the assets generally as follows:

Leasehold improvements	Over the life of the lease, generally 5 years
Equipment	3 - 10 years
Furniture	5 - 10 years

Long Lived Assets

The Organization reviews for the impairment of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of any asset may not be recoverable. An impairment loss is recognized when the estimate on discounted future cash flows expected to result from the use of the asset and its eventual disposition is less than the carrying amount. If impairment is indicated the amount of the loss to be recorded is based on an estimate of the difference between the carrying amount and the fair value of the asset. Fair value is based upon discounted estimated cash flows expected to result from the use of the asset and its eventual disposition and other valuation methods.

There were no impairment charges during the years end of June 30, 2020 or 2019.

PPP Loan Accounting

Management has carefully evaluated its accounting options for the loan it received under the Paycheck Protection Program ("PPP") loan program. This program was established on March 27, 2020 as part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act. The PPP loan program provides that all or a portion of the loan may be forgiven if a borrower incurs certain eligible expenses during an allowable period following receipt of the funds. Management has concluded that the PPP loan is an in-substance government grant to the Organization and is accounting for the loan as a conditional contribution in accordance with ASC 958-605. For accounting purposes management recognizes its estimate of the portion of forgiveness earned when the conditions for such forgiveness have been substantially met.

Functional Expense Allocations

Expenses that can be identified with the program or supporting service are charged directly to the program or supporting service. Expenses which apply to more than one functional category have been allocated based on estimates made by management, based on time expensed by staff or other reasonable methods.

United Way Ventura County, Inc.

Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

Income taxes

The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the California revenue and taxation code. Since the Organization is exempt from federal and state income tax, no provision has been made for current or deferred income tax expense. Under accounting standards codification (ASC) 740, "Income taxes", an organization must evaluate its tax positions and provide for a liability for any positions that would not be considered "more likely than not" to be upheld under a tax authority examination.

The Organization files its Form 990 in the US federal jurisdiction and its Form 199 with the State of California and a separate filing with the office of the attorney general for the state of California. There are currently no audits for any tax periods in progress. The Organization remains subject to income tax examination for 2016 and subsequent years (for federal) and 2015 and subsequent years (for state).

Custodial Credit Risk

Custodial credit risk is the risk that the Organization will not be able to (a) recover deposits if the depository financial institution fails or b) recover receivables from third parties.

Financial instruments that potentially subject the Organization to credit risk are cash deposits with banks and other financial institutions that are in excess of the federally insured limit of \$250,000. From time to time cash balances will exceed these limits. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Credit risk associated with receivables is considered to be limited due to high historic collection rates, because of the United Way brand and because of the strong long-term relationships the Organization has with donors. The Organization establishes receivable reserves to the extent unrecoverable receivables are expected. Most of the support and receivables are from individuals and entities located in Ventura County, California.

Coronavirus Impact

Since March 2020, the US economy is facing considerable uncertainty related to the impact of the COVID-19 virus. The Organization has taken steps to adapt its operations to the changing environment but may be adversely affected in the future on its ability to conduct its operations and raise funds. Management is currently evaluating the impact these uncertainties may have on future operations.

Significant Concentrations

Pledges Receivable: As of June 30, 2020, there was one donor that accounted for approximately 10% of pledges receivable. No similar concentration existed at June 30, 2019.

Recent Accounting Pronouncements

In May 2014, The FASB issued ASU NO. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09"). The standard provides companies with a single model for accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the model is to recognize revenue when control of the goods or services transfers to the customer, as opposed to recognizing revenue when the risks and rewards transfer to the customer under the existing revenue guidance. The deferred effective date,

United Way Ventura County, Inc.

Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

ASU 2014-09 will be effective for the Organization in its year ended June 30, 2021. Early adoption is permitted. The Organization is in the process of evaluating the impact of adoption on its financial statements.

On February 2016, the FASB issued ASU No. 2016-02, *Leases*. The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for the Organization in its year ended June 30, 2023. The Organization is in the process of evaluating the impact of adoption on its financial statements.

In June 2018, the FASB issued ASU 2018-08, Topic 958, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The new guidance clarifies what is an exchange transaction, of which revenues would be reported under Topic 606, and what is a contribution reported under Topic 958. The new guidance presents three key considerations for the not-for-profit to consider in order to determine what type of transaction transpired and how to account for the transaction. The effective date of this ASU for the Organization is for its year ended June 30, 2020. The Organization adopted this accounting pronouncement in these financial statements and there were no material effects of this adoption on the Organization's financial statements.

NOTE 3: RESTATEMENT

During the year ended June 30, 2020, United Way determined that it had improperly accounted for its beneficial interest in Ventura County Community Foundation, which holds United Way's board designated endowment fund. The correction of this error increased total assets at June 30, 2019 by the value of this fund on that date, \$34,512. The effect of this error on the June 30, 2020 financial statements is as follows:

	<u>Total</u>	<u>Without Donor Restrictions</u>
Opening net assets as previously reported	\$ 1,846,628	\$ 446,829
Adjustment to correct the endowment fund accounting	<u>34,512</u>	<u>34,512</u>
Opening net assets - restated	\$ <u>1,881,140</u>	\$ <u>481,341</u>

United Way Ventura County, Inc.

Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

NOTE 4: PLEDGES RECEIVABLE

As of June 30, 2020, and 2019, pledges receivable consisted of the following:

	2020		2019
Balance receivable, due within one year	\$ 435,517	\$	321,512
Less provision for uncollectible pledges	(79,219)		(32,300)
Net pledges receivable	\$ 356,298	\$	289,212

NOTE 5: BENEFICIAL INTEREST IN VENTURA COUNTY COMMUNITY FOUNDATION

United Way is the sole beneficiary of a fund held at the Ventura County Community Foundation ("VCCF"). It is a board designated endowment fund, designed to be held and administered by VCCF in perpetuity. VCCF invests the funds in accordance with its investment policy, makes an annual distribution to United Way in accordance with its distribution policy and charges United Way administrative fees in accordance with its fees policy. United Way records this asset at the amount reported to it by VCCF and accordingly, has determined that this is a level 3 investment under the fair value hierarchy. Changes in the fair value of the beneficial interest for the years ended June 30, 2020 and 2019 are as follows:

	2020		2019
Balance, beginning of year	\$ 34,512	\$	34,854
Net realized and unrealized gain in fair value of the fund, net of expenses	450		1,356
Annual distribution	(1,700)		(1,698)
Balance, end of year	\$ 33,262	\$	34,512

NOTE 6: PROPERTY AND EQUIPMENT

As of June 30, 2020, and 2019, property and equipment consisted of the following:

	2020		2019
Leasehold improvements	\$ 1,100	\$	1,100
Equipment	13,750		13,750
Furniture	28,187		21,620
	43,037		36,470
Less accumulated depreciation	(22,612)		(19,427)
Property and equipment, net	\$ 20,425	\$	17,043

United Way Ventura County, Inc.

Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

NOTE 7: 2020 PPP LOAN

As noted in Note 2, on March 27, 2020 the Coronavirus Aid, Relief and Economic Security (“CARES”) Act was established. This created the Paycheck Protection Program (“PPP”) loan program. The PPP loan program provides that all or a portion of the loan may be forgiven if a borrower incurs certain eligible expenses during an allowable period following receipt of the funds. PPP loans carry an interest rate of 1% until forgiven, due in 2 years if not forgiven and are unsecured.

On April 6, 2020, United Way received a PPP loan in the amount of \$175,977.

As of June 30, 2020, Management determined that United Way had earned \$132,268 of forgiveness on the PPP loan.

The balance due under the PPP loan at June 30, 2020 is as follows:

PPP loan funds received	\$	175,977
Less, estimated forgiveness earned		<u>(132,268)</u>
Balance payable on PPP loan at June 30, 2020	\$	<u>43,709</u>

NOTE 8: NET ASSETS

Net Assets without Donor Restrictions

Net assets without donor restrictions consisted entirely of the following at June 30, 2020 and 2019.

	<u>2020</u>		<u>2019</u>	
Undesignated	\$	485,568	\$	446,829
Board designated endowment fund		<u>33,262</u>		<u>34,512</u>
Total net assets without donor restrictions	\$	<u>518,830</u>	\$	<u>481,341</u>

United Way Ventura County, Inc.

Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

Net Assets with Donor Restrictions

Net assets with donor restrictions consisted of the following as of June 30, 2020 and 2019:

Purpose of restriction	2020	2019
Oral health	\$ 18,646	\$ 7,951
Women United	24,712	9,191
Benefit kitchen	3,300	3,300
EITC/VITA Program	11,433	-
Homelessness Program	276,362	-
Kinship Program	9,903	-
Stuff the Bus Program	1,505	-
Thomas Fire and Flood Fund	-	60,261
Thomas Fire and Flood Victims Fund	918,518	1,319,096
Total net assets with donor restrictions	\$ 1,264,377	\$ 1,399,799

NOTE 9: ENDOWMENT FUND

The Organization's board designated endowment, the United Way of Ventura County Endowment Fund (the "Fund") is held and managed by the Ventura County Community Foundation ("VCCF") under an agreement dated December 14, 1993. The Organization is the sole beneficiary of the Fund. The Fund is invested in accordance with VCCF's investment policy, makes an annual distribution to United Way in accordance with its distribution policy and charges United Way administrative fees in accordance with its fees policy. Although this beneficial interest is not technically subject to the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), the Organization has elected to include a general description of the investment and distribution policies currently being followed by VCCF.

Return objectives, risk parameters and strategies for achieving objectives

The primary investment objective of the Fund is to achieve an annualized total return, net of fees and expenses, that is equal to or greater than the rate of inflation (as measured by the broad, domestic Consumer Price Index) plus any spending and investment expenses, such that purchasing power is maintained over time. The assets are to be managed in a manner that will meet the primary investment objective, while at the same time attempting to limit volatility in annual distributions. The primary objective of the portfolio may be expressed as:

Total Return greater than Consumer Price Index + Spending Policy + Investment Expenses

Given that this benchmark is not directly related to market performance, success or failure in achieving this goal is evaluated over 10 to 20 years. A secondary objective is to achieve a total return in excess of the benchmark established.

United Way Ventura County, Inc.

Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

This Fund has a broad target allocation of 50% equity, 20% fixed income and 30% alternative investments.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The purpose of the spending policy is to be able to calculate the amount of money annually distributed from the Fund to the Organization. The Fund balances the current and future interests of the Organization by not over distributing in the short-term or over accumulating in the long-term and maintain the purchasing power of distributions over time by growing the corpus of the Fund to pace long-term inflation.

VCCF's spending and investment policies work in tandem to achieve these objectives. The investment policy establishes an achievable return objective through a diversified investment strategy. Over long periods of time, the Fund's spending rate plus that of inflation should be in alignment with the average annual total return achieved through investment earnings. In other words, by distributing an amount that is equal to investment earnings less inflation, the Fund seeks to preserve purchasing power of future distributions by growing each endowed fund at the rate of inflation. Mathematically, this is represented by the following hypothetical formula:

$$5\% \text{ spending} + 2\% \text{ inflation} = 7\% \text{ net investment return objective}$$

A secondary objective is to achieve a reasonable degree of stability in payout for annual distributions to the Organization. Predictability of distributions allows the Organization to more accurately budget future income. Predictability also helps to insulate the Fund's investment managers from pressure to generate undo short term liquidity, which allows them to focus on achieving the best total return over the long term. VCCF utilizes a smoothing formula to help achieve stable and predictable year-over-year distributions.

The current spending rate is 5%. This spending rate is applied to the trailing 16-quarter average market value for each endowment fund for the period ending June 30 of the prior fiscal year.

A support fee based on the market value for the Fund is assessed semi-annually in December (based on September 30 value) and June (based on March 31 value).

A record is maintained of the historic gift value of the Fund. Historic gift value means a) the fair value in dollars of an endowment fund at the time it first became an endowment fund, b) plus the fair value in dollars of each subsequent donation to the fund at the time it is made.

Underwater Funds

Should the fair value of the assets associated with the Fund fall below the level that current law requires, the Fund will experience a reduction in payout to United Way based on the schedule below. The reduced payout is intended to allow for recovery of the historic gift value over a reasonable period of time, while not completely eliminating payout in support of charitable programs.

United Way Ventura County, Inc.

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Underwater Amounts	Adjusted Spending Rates
Less than 15%	5.00%
5% to less than 10%	3.75%
10% to less than 15%	3.35%
15% or more	2.50%

NOTE 10: LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization monitors its financial assets available within one year of the balance sheet date for expenditures on a quarterly basis. As of June 30, 2020, the balance available is as follows:

Cash and cash equivalents	\$ 1,511,751
Grants receivable	46,686
Pledges receivable	356,298
 Total financial assets available	 1,914,735
 Less those unavailable for expenditure within one year due to:	
Restricted by donor with time or purpose restrictions	(1,264,377)
 Financial assets available to meet cash needs for expenditures within one year	 \$ 650,358

As part of the Organization’s liquidity management the Organization prepares semi-annual cash requirement projections which are used to ensure that needed balances are liquid and available for payment of grants and general expenses in the near term. In addition, the Organization employs an extensive annual budgeting process and strategic planning process to ensure the Organization will continue to be poised to have funds available to pay grants and general expenses in the long term.

NOTE 11: COMMITMENTS

The organization has entered into an operating lease agreement for facilities and three operating leases for equipment. The leases expire through August 2024. Future minimum lease payments on these leases are as follows:

Years ending June 30,	
2021	\$ 123,200
2022	97,828
2023	76,177
2024	78,212
2025	13,079
	\$ 388,496

United Way Ventura County, Inc.

Notes to Financial Statements June 30, 2020 (Comparative Totals - June 30, 2019)

NOTE 12: RETIREMENT PLAN

The United Way sponsors a non-contributory defined contribution retirement plan which covers all employees who are at least 21 years of age and have completed one year of service. Total retirement plan contribution expense related to the Plan totaled \$30,992 and \$21,330 for the year ended June 30, 2020 and 2019 respectively.

NOTE 13: RELATED PARTY TRANSACTIONS

Under the Organization's conflicts of interest policy, should the Organization wish to transact business with a related party, the party recuses themselves and the rest of the Board vote as to whether the business should be transacted. The following are business relationships transacted with related parties.

- A board member is a senior vice president, district president, at a bank with which the Organization maintains a bank account.
- A board member is the executive director and market manager at a bank with which the Organization maintains an account. The PPP loan described in Note 5 was secured through this bank.
- A board member is a commercial bank leader at a bank with which the Organization maintains an account.

NOTE 14: SUBSEQUENT EVENTS

The organizations management has evaluated subsequent events through March 24, 2021, the date which the financial statements were available to be issued. There were no other subsequent events noted that would require adjustments to or disclosures in these financial statements.