

UNITED WAY OF MONTEREY COUNTY

Consolidated Financial Report

Years ended June 30, 2024 and 2023

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of Monterey County
Monterey, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of United Way of Monterey County (a nonprofit organization) (the "Organization"), which comprise the consolidated statement of financial position as of June 30, 2024, and the statement of financial position as of June 30, 2023; the related consolidated statements of activities, functional expenses, and cash flows for the year ended June 30, 2024, and the related notes to the consolidated financial statements; and the related statements of activities, functional expenses, and cash flows for the year ended June 30, 2023, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Monterey County as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years 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) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' 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 audit. 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 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.

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.

Auditors' 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 auditors' 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2025, on our consideration of United Way of Monterey County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of United Way of Monterey County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Monterey County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Hatcher and Bloodgood LLP". The signature is written in a cursive, flowing style.

February 27, 2025

UNITED WAY OF MONTEREY COUNTY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,590,413	\$ 291,067	\$ 2,881,480
Pledges receivable, less allowance of \$59,000	271,092	--	271,092
Grants and accounts receivable	264,964	--	264,964
Prepaid expenses	22,161	--	22,161
Total current assets	3,148,630	291,067	3,439,697
PROPERTY AND EQUIPMENT, at cost			
Land	1,549,100	--	1,549,100
Buildings and improvements	4,656,956	--	4,656,956
Furniture and equipment	277,391	--	277,391
	6,483,447	--	6,483,447
Less accumulated depreciation	352,254	--	352,254
Total property and equipment, net	6,131,193	--	6,131,193
OTHER ASSETS			
Beneficial interest in assets held by others	808,239	354,086	1,162,325
Total assets	\$ 10,088,062	\$ 645,153	\$ 10,733,215

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 97,943	\$ --	\$ 97,943
Grants payable, current	200,000	--	200,000
Accrued expenses	102,541	--	102,541
Designated pledges payable	12,256	--	12,256
Deposits	14,721	--	14,721
Deferred revenue	125,667	--	125,667
Current portion of long-term debt	92,363	--	92,363
Total current liabilities	645,491	--	645,491
LONG-TERM LIABILITIES			
Long-term debt, less current portion	2,551,895	--	2,551,895
Total liabilities	3,197,386	--	3,197,386
NET ASSETS			
Without donor restrictions			
Undesignated	4,429,919	--	4,429,919
Board designated	2,460,757	--	2,460,757
With donor restrictions	--	645,153	645,153
Total net assets	6,890,676	645,153	7,535,829
Total liabilities and net assets	\$ 10,088,062	\$ 645,153	\$ 10,733,215

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FINANCIAL POSITION

June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 2,771,391	\$ 261,622	\$ 3,033,013
Pledges receivable, less allowance of \$180,000	384,003	--	384,003
Grants and accounts receivables	1,404,981	--	1,404,981
Prepaid expenses	37,195	--	37,195
Total current assets	4,597,570	261,622	4,859,192
PROPERTY AND EQUIPMENT, at cost			
Land	1,549,100	--	1,549,100
Buildings and improvements	4,647,190	--	4,647,190
Furniture and equipment	196,986	--	196,986
	6,393,276	--	6,393,276
Less accumulated depreciation	205,793	--	205,793
	6,187,483	--	6,187,483
OTHER ASSETS			
Beneficial interest in assets held by others	725,431	327,053	1,052,484
Total assets	\$ 11,510,484	\$ 588,675	\$ 12,099,159

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FINANCIAL POSITION

June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	\$ 91,020	\$ --	\$ 91,020
Grants payable, current	924,704	--	924,704
Accrued expenses	107,119	--	107,119
Designated pledges payable	12,487	--	12,487
Deposits	14,721	--	14,721
Deferred revenue	52,345	--	52,345
Refundable advance	316,478	--	316,478
Current portion of long-term debt	82,538	--	82,538
Total current liabilities	1,601,412	--	1,601,412
LONG-TERM LIABILITIES			
Long-term debt, less current portion	2,839,969	--	2,839,969
Grants payable, less current portion	200,000	--	200,000
Total long-term liabilities	3,039,969	--	3,039,969
Total liabilities	4,641,381	--	4,641,381
NET ASSETS			
Without donor restrictions			
Undesignated	4,500,691	--	4,500,691
Board designated	2,368,412	--	2,368,412
With donor restrictions	--	588,675	588,675
Total net assets	6,869,103	588,675	7,457,778
Total liabilities and net assets	\$ 11,510,484	\$ 588,675	\$ 12,099,159

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support:			
Pledges, current campaign year	\$ 919,112	\$ 100,145	\$ 1,019,257
Donor designations to other organizations	(79,283)	--	(79,283)
Provision for uncollectible pledges	76,971	--	76,971
Net pledges, current campaign year	916,800	100,145	1,016,945
Program grants and contractual agreements	3,744,668	150,000	3,894,668
In-kind contributions	28,397	--	28,397
Other support	390,535	--	390,535
Total support	5,080,400	250,145	5,330,545
Revenue:			
Investment income	140,776	34,512	175,288
Administrative fees	5,801	--	5,801
Rental income	581,572	--	581,572
Miscellaneous income	10,561	--	10,561
Net assets released from restrictions	228,179	(228,179)	--
Total revenue	966,889	(193,667)	773,222
Total support and revenue	6,047,289	56,478	6,103,767
EXPENSES			
Program services:			
Community investments and designations	2,601,164	--	2,601,164
Amounts designated by donors	(79,283)	--	(79,283)
Community services	1,991,568	--	1,991,568
Support services:			
Management and general	955,216	--	955,216
Fundraising	557,051	--	557,051
Total expenses	6,025,716	--	6,025,716
Increase in net assets	21,573	56,478	78,051
Net Assets, beginning	6,869,103	588,675	7,457,778
Net Assets, ending	\$ 6,890,676	\$ 645,153	\$ 7,535,829

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support:			
Pledges, current campaign year	\$ 1,483,533	\$ --	\$ 1,483,533
Donor designations to other organizations	(77,954)	--	(77,954)
Provision for uncollectible pledges	(88,960)	--	(88,960)
Net pledges, current campaign year	1,316,619	--	1,316,619
Program grants and contractual agreements	9,354,849	960,079	10,314,928
In-kind contributions	487,174	--	487,174
Other support	106,185	--	106,185
Total support	11,264,827	960,079	12,224,906
Revenue:			
Investment income	80,629	27,201	107,830
Administrative fees	6,101	--	6,101
Rental income	437,831	--	437,831
Miscellaneous income	4,959	--	4,959
Net assets released from restrictions	1,255,517	(1,255,517)	--
Total revenue	1,785,037	(1,228,316)	556,721
Total support and revenue	13,049,864	(268,237)	12,781,627
EXPENSES			
Program services:			
Community investments and designations	8,721,504	--	8,721,504
Amounts designated by donors	(77,954)	--	(77,954)
Community services	2,459,746	--	2,459,746
Support services:			
Management and general	943,773	--	943,773
Fundraising	390,901	--	390,901
Total expenses	12,437,970	--	12,437,970
Increase (decrease) in net assets	611,894	(268,237)	343,657
Net Assets, beginning	6,257,209	856,912	7,114,121
Net Assets, ending	\$ 6,869,103	\$ 588,675	\$ 7,457,778

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024

	Program Services			Support Services			Total
	Community Investments and Designations	Community Services	Total Program Services	Management and General	Fundraising	Total Support Services	
EXPENSES							
Community investments and designations	\$ 2,601,164	\$ --	\$ 2,601,164	\$ --	\$ --	\$ --	\$ 2,601,164
Amounts designated by donors	(79,283)	--	(79,283)	--	--	--	(79,283)
Net community investments	2,521,881	--	2,521,881	--	--	--	2,521,881
Advertising and in-kind media donations	--	18,713	18,713	659	12,000	12,659	31,372
Salaries and wages	--	974,076	974,076	368,737	386,725	755,462	1,729,538
Payroll taxes and benefits	--	223,828	223,828	84,730	88,864	173,594	397,422
Professional and other fees	--	484,903	484,903	135,948	28,872	164,820	649,723
Occupancy expenses	--	24,427	24,427	89,949	3,765	93,714	118,141
Office expense	--	61,836	61,836	22,566	13,062	35,628	97,464
Conferences, travel and training	--	31,260	31,260	16,745	4,272	21,017	52,277
Program and campaign materials, services and supplies	--	96,707	96,707	9,035	4,226	13,261	109,968
Special events	--	2,699	2,699	2,925	421	3,346	6,045
Insurance	--	9,413	9,413	9,057	2,004	11,061	20,474
Depreciation	--	27,618	27,618	114,073	4,770	118,843	146,461
Miscellaneous	--	4,026	4,026	10,713	--	10,713	14,739
Interest	--	11,207	11,207	78,665	--	78,665	89,872
Taxes	--	530	530	3,720	--	3,720	4,250
United Way Worldwide membership dues	--	20,325	20,325	7,694	8,070	15,764	36,089
	<u>\$ 2,521,881</u>	<u>\$ 1,991,568</u>	<u>\$ 4,513,449</u>	<u>\$ 955,216</u>	<u>\$ 557,051</u>	<u>\$ 1,512,267</u>	<u>\$ 6,025,716</u>

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

	Program Services			Support Services			Total
	Community Investments and Designations	Community Services	Total Program Services	Management and General	Fundraising	Total Support Services	
EXPENSES							
Community investments and designations	\$ 8,721,504	\$ --	\$ 8,721,504	\$ --	\$ --	\$ --	\$ 8,721,504
Amounts designated by donors	(77,954)	--	(77,954)	--	--	--	(77,954)
Net community investments	8,643,550	--	8,643,550	--	--	--	8,643,550
Advertising and in-kind media donations	--	497,472	497,472	2,246	170	2,416	499,888
Salaries and wages	--	910,016	910,016	327,564	254,739	582,303	1,492,319
Payroll taxes and benefits	--	230,598	230,598	83,004	64,551	147,555	378,153
Professional and other fees	--	460,672	460,672	139,560	42,338	181,898	642,570
Occupancy expenses	--	20,564	20,564	89,328	1,775	91,103	111,667
Office expense	--	98,035	98,035	21,010	8,873	29,883	127,918
Conferences, travel and training	--	45,875	45,875	34,116	4,483	38,599	84,474
Program and campaign materials, services and supplies	--	115,788	115,788	2,049	3,522	5,571	121,359
Special events	--	4,047	4,047	1,187	950	2,137	6,184
Insurance	--	9,593	9,593	7,441	1,348	8,789	18,382
Depreciation	--	26,147	26,147	108,479	2,823	111,302	137,449
Miscellaneous	--	5,305	5,305	12,599	--	12,599	17,904
Interest	--	14,068	14,068	91,827	--	91,827	105,895
Taxes	--	2,529	2,529	16,511	--	16,511	19,040
United Way Worldwide membership dues	--	19,037	19,037	6,852	5,329	12,181	31,218
	<u>\$ 8,643,550</u>	<u>\$ 2,459,746</u>	<u>\$ 11,103,296</u>	<u>\$ 943,773</u>	<u>\$ 390,901</u>	<u>\$ 1,334,674</u>	<u>\$ 12,437,970</u>

The notes to financial statements are an integral part of this statement.

UNITED WAY OF MONTEREY COUNTY

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended June 30, 2024

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 78,051
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	146,461
Change in beneficial interest in assets held by others	(89,541)
Increase (decrease) in provision for uncollectible pledges	(76,971)
(Increase) decrease in:	
Pledges receivable	189,882
Grants and accounts receivables	1,140,017
Prepaid expenses	15,034
Increase (decrease) in:	
Accounts payable	6,923
Grants payable	(924,704)
Accrued expenses	(4,578)
Designated pledges payable	(231)
Deferred revenue	73,322
Refundable advance	(316,478)
Net cash provided by operating activities	<u>237,187</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash paid to purchase property and equipment	(90,171)
Purchase of beneficial interest in assets held by others	<u>(20,300)</u>
Net cash used by investing activities	<u>(110,471)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments on long-term debt	<u>(278,249)</u>
Net decrease in cash and cash equivalents	(151,533)
Cash and Cash Equivalents, beginning	<u>3,033,013</u>
Cash and Cash Equivalents, ending	<u><u>\$ 2,881,480</u></u>

The notes to financial statements are an integral part of these statements.

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES

Increase in net assets	\$ 343,657
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Depreciation	137,449
Change in beneficial interest in assets held by others	(66,729)
Increase (decrease) in provision for uncollectible pledges	88,960
(Increase) decrease in:	
Pledges receivable	131,360
Grants and accounts receivables	1,957,560
Prepaid expenses	(4,457)
Increase (decrease) in:	
Accounts payable	(154,434)
Grants payable	(2,787,965)
Accrued expenses	13,573
Designated pledges payable	(3,333)
Deferred revenue	52,345
Refundable advance	(1,271,418)
Net cash used by operating activities	<u>(1,563,432)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Cash paid to purchase property and equipment	(20,410)
Purchase of beneficial interest in assets held by others	<u>(100)</u>
Net cash used by investing activities	<u>(20,510)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Payments on long-term debt	<u>(568,821)</u>
Net decrease in cash and cash equivalents	(2,152,763)
Cash and Cash Equivalents, beginning	<u>5,185,776</u>
Cash and Cash Equivalents, ending	<u><u>\$ 3,033,013</u></u>

UNITED WAY OF MONTEREY COUNTY

Notes to Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business: United Way of Monterey County (the “Organization”) is an independent, locally managed nonprofit organization incorporated under the laws of the State of California. As a voluntary health and welfare organization, the Organization develops and allocates resources, conducts an assessment of health and human care needs of Monterey County, allocates funds to agencies to meet those needs, and facilitates the distribution of donor directed contributions. The Organization also brings experts together to develop collaborative approaches in addressing human care issues. The Organization is the operator of 211 Monterey County, an easy-to-use source of information and referrals that connects people to the services they need.

The Community Impact Center is a 31,000 square foot property in downtown Salinas. Title is held by 232 Monterey Street, LLC, which is wholly owned by the Organization. The Center houses the Organization’s administrative offices, other mission aligned nonprofits, and provides space for partners to host meetings and trainings. It also serves as an incubator for innovative solutions to the community’s greatest needs.

Accounting Policies: The accounting policy relative to the carrying value of property and equipment is indicated in a caption on the statement of financial position. Other significant accounting policies are:

Basis of Presentation: The financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization’s management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions may be perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Contributions received with donor restrictions that are met in the same reporting period are reported as increases in net assets without donor restrictions.

Use of Estimates: Preparing the Organization’s financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect assets and liabilities and disclosures 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 differ from those estimates.

UNITED WAY OF MONTEREY COUNTY

Notes to Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Principles of consolidation: Effective for the year ended June 30, 2024, the financial statements consolidate the statement of 232 Monterey Street, LLC, which is wholly owned by the Organization. The single member LLC was formed to hold title to the Community Impact Center. All significant intercompany accounts and transactions have been eliminated in consolidation. The financial statements for the year ended June 30, 2023 are not consolidated as the Organization held title to the Community Impact Center during that time.

Cash and Cash Equivalents: For purposes of the statements of cash flows, the Organization considers as cash equivalents all highly liquid investments, which include certificates of deposit with maturities ranging from three to twelve months and penalties for early withdrawal. Penalties for early withdrawal would not have a material effect on the financial statements.

Expense Allocation: Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are allocated to programs and supporting services on the basis of management estimates. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. The expenses allocated include professional and other fees, office expenses and United Way Worldwide membership dues, which are allocated on the basis of time and effort studies.

Community Investments: Community investments represent funds disbursed to community impact partners to carry out the Organization's mission of financial stability for families in Monterey County. Awards to community impact partners are recognized in the period the award is unconditionally committed.

Income Taxes: The Organization is a nonprofit corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue code and from state franchise tax under Revenue and Taxation Code Section 23701(d). However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

The Financial Accounting Standards Board (FASB) issued guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more likely than not the positions will be sustained upon examination by the tax authorities. As of June 30, 2024, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Property and Equipment: The Organization capitalizes all expenditures for property and equipment in excess of \$1,000. All property and equipment is stated at cost, or if donated, at estimated fair value on the date of donation. Major improvements are charged to the property accounts, while maintenance and repairs, which do not extend the life of the respective assets, are expensed. When property is retired or otherwise disposed, the cost of the property and the related accumulated depreciation are removed from the accounts and any resulting gains or losses are reflected in income.

UNITED WAY OF MONTEREY COUNTY

Notes to Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Depreciation: Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally 3 to 7 years for furniture and equipment and 39 years for property.

Recognition of Pledges From Fundraising Campaigns and Designations: The Organization conducts fundraising campaigns in Monterey County for program support and for participating health and human care agencies. For the year ended June 30, 2024, the campaign year ran from June 1, 2023, to May 31, 2024. For the year ended June 30, 2023, the campaign year ran from June 1, 2022 to May 31, 2023. Public support, including unconditional promises to give, is recorded at the fair value of the pledge in the year it is received or pledged.

Contributions designated by the donor to nonprofit organizations other than the Organization are included in current year campaign pledges. The Organization serves as the primary fiscal agent with the solicitation and distribution of such pledges. Donor designations and the provision for uncollectible pledges are deducted from the total campaign results to arrive at net campaign support.

Revenue Recognition: All unconditional contributions, program grants and contractual agreements 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 donor restricted support that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the support is received, the Organization reports the support as unrestricted. Conditional contributions, grants and contractual agreements are recorded when the conditions on which they depend are substantially met.

Rental income is recognized as rents become due, generally on the first of the month. The lease between the Organization and the tenants of the rental spaces are operating leases.

Other Support: The Organization receives other public support outside the conduct of the annual fundraising campaigns. Certain ceremonial, celebratory and special recognition events at the Organization are underwritten by sponsorship or the costs are offset by contributions for the specific event. Generally, the donating companies agree their contributions may also be used for other costs related to similar programs of the Organization.

Volunteer Services: A substantial number of volunteers donate significant amounts of time to the Organization's fundraising campaign and administrative oversight. Such services are not reflected in the financial statements since they do not create or enhance non-financial assets or require specialized skills that would typically be purchased.

Advertising: Advertising costs are expensed as incurred, and totaled \$31,372 (\$14,522 in-kind) and \$499,888 (\$468,656 in-kind) for the years ended June 30, 2024 and 2023, respectively.

UNITED WAY OF MONTEREY COUNTY

Notes to Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Refundable Advance: During the year ended June 30, 2021, the Organization received advanced funding of \$7,100,000 per a contractual agreement with the County of Monterey, related to the Monterey County Emergency Rental Assistance Program. As of June 30, 2024 and 2023, the remaining advanced funding was \$0 and \$316,478, respectively.

New accounting pronouncement: In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that aren't measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 were accounts receivable. The Organization adopted the standard effective July 1, 2023. There was no impact of the adoption to the financial statements.

NOTE 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions.

	2024	2023
Financial assets at year end:		
Cash and cash equivalents	\$ 2,881,480	\$ 3,033,013
Pledges receivable, net	271,092	384,003
Grants and accounts receivable	264,964	1,404,981
Beneficial interest in assets held by others	1,162,325	1,052,484
Total financial assets	4,579,861	5,874,481
Less amounts not available to be used within one year:		
Board designated funds	2,460,757	2,368,412
Restricted by donors for use in future periods	445,420	388,942
Portion of donor-restricted endowment to be retained in perpetuity	199,733	199,733
Financial assets not available to be used within one year	3,105,910	2,957,087
Financial assets available to meet general expenditures within one year	\$ 1,473,951	\$ 2,917,394

UNITED WAY OF MONTEREY COUNTY

Notes to Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 2. LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)

The Organization strives to maintain a target minimum operating reserve fund equal to six months of average recurring operating costs. As of June 30, 2024, the operating reserve balance of \$2,073,185 was recognized in the financial statements as part of board designated funds. Operating reserve funds are held in cash and cash equivalents. The Board of Directors has also designated that 10% of all undesignated bequests received will be invested in a long-term investment fund until the Board of Directors authorizes use for a particular purpose.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consisted of the following as of June 30:

	2024	2023
Cash	\$ 666,881	\$ 1,001,222
Certificates of deposit	1,091,327	1,040,469
Money market	1,123,272	991,322
	<u>\$ 2,881,480</u>	<u>\$ 3,033,013</u>

NOTE 4. CONCENTRATIONS

For the year ended June 30, 2024, approximately 33% of the Organization's pledges came from two corporations (including corporate employee pledges), each making up 16% and 17%, respectively. For the year ended June 30, 2023, approximately 23% of the Organization's pledges came from two corporations (including corporate employee pledges), each making up 11% and 12%, respectively, and 20% of the Organization's pledges came from one Foundation.

For the year ended June 30, 2024, support from the Monterey County Emergency Rental and Utility Assistance contract agreement accounted for 46% of the total support to the Organization. For the year ended June 30, 2023, support from the Monterey County Emergency Rental and Utility Assistance contract agreement accounted for 67% of the total support to the Organization.

UNITED WAY OF MONTEREY COUNTY

Notes to Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 5. CONCENTRATION OF CREDIT RISK

The Organization maintains balances in cash and interest-bearing deposit accounts at various financial institutions and, from time to time during the year, the cash balances may be in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC). In the event of insolvency by the financial institution, deposits in excess of insured amounts are potentially subject to unrecoverable loss. Uninsured balances at June 30, 2024 totaled approximately \$223,000.

NOTE 6. PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of June 30:

	2024	2023
Pledges receivable, due within one year	\$ 330,092	\$ 564,003
Allowance for uncollectible accounts	(59,000)	(180,000)
Net pledges receivable	<u>\$ 271,092</u>	<u>\$ 384,003</u>

The provision for uncollectible pledges is made on campaign contributions (total amount raised) and is based primarily on recent historical experience as well as other factors anticipated by management to affect collections.

NOTE 7. GRANTS AND ACCOUNTS RECEIVABLES

Grants and accounts receivables include Monterey County ("County"), private and foundation grants and miscellaneous receivables. County grants receivable arise from grant contracts entered into with the County of Monterey. Grant income is billed to the County in relation to services performed by the Organization.

UNITED WAY OF MONTEREY COUNTY

Notes to Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 7. GRANTS AND ACCOUNTS RECEIVABLES (Continued)

Grants and accounts receivables consisted of the following as of June 30:

	2024	2023
Rent and Utility Assistance agency advances	\$ --	\$ 763,795
Monterey County grants	83,364	361,917
California Volunteers	161,649	167,208
Miscellaneous receivables	--	33
Sterling Property Management	14,312	47,332
Interface Children and Family Services	1,973	5,145
Internal Revenue Service	--	17,684
United Ways of California	3,666	41,867
	<u>\$ 264,964</u>	<u>\$ 1,404,981</u>

Due to the collection history and the Organization's experience with various County grants and miscellaneous receivables, no allowance for doubtful accounts was considered necessary for other receivables as management believes all amounts receivable are fully collectible.

NOTE 8. FAIR VALUE MEASUREMENTS

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are briefly described below:

- Level 1: Unadjusted quoted market prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

UNITED WAY OF MONTEREY COUNTY

Notes to Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 8. FAIR VALUE MEASUREMENTS (Continued)

Following is a description of the valuation methodology used for assets measured at fair value:

- Interest in assets held at Community Foundation for Monterey County (the “Foundation”): Funds are invested for long-term growth, both in equities and fixed income investments, which are valued at the net asset value of shares held by the Foundation at year end.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value at June 30, 2024:

	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by others	\$ --	\$ --	\$ 1,162,325	\$ 1,162,325

The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by others	\$ --	\$ --	\$ 1,052,484	\$ 1,052,484

The following is a reconciliation of the beginning and ending balance of assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended June 30:

	2024	2023
Beginning balance	\$ 1,052,484	\$ 985,655
Contributions	20,300	100
Investment income	105,108	80,995
Grants	(3,768)	(3,531)
Administration fees	(11,799)	(10,735)
Ending balance	\$ 1,162,325	\$ 1,052,484

UNITED WAY OF MONTEREY COUNTY

Notes to Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 9. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Community Foundation for Monterey County holds funds for the Organization. Funds are composed of the following as of June 30:

	2024	2023
General Endowment	\$ 88,879	\$ 84,413
Stewardship Fund	302,049	276,035
Stewardship Fund II	253,765	238,045
Stewardship Fund III	517,632	453,991
	<u>\$ 1,162,325</u>	<u>\$ 1,052,484</u>

General Endowment: In 1987, the Organization established a Restricted and Organized Purpose Fund (the "Agreement") at the Foundation with an initial contribution of \$33,175. All contributions made to the fund are irrevocable. Under the terms of the Agreement, the Foundation may substitute another beneficiary in place of the Organization at the discretion of the Foundation's Board of Directors. Earnings, net of administrative fees, are distributed to the Organization on an annual basis and in accordance with the Foundation's policy on the distribution of earnings.

Stewardship Funds: In 2012, 2016 and 2018, the Organization established a Stewardship Fund, Stewardship Fund II and Stewardship Fund III, respectively, with the Foundation, for the benefit of the Organization. The Organization granted variance power to the Foundation; thus, the Foundation has full authority and discretion as to the investment and reinvestment of the assets.

In the event of the dissolution of the Organization or in the event it shall no longer be an organization described in Section 170 (c) of the Internal Revenue Code of 1954, as amended, the Foundation shall continue to hold the funds and shall distribute the income to organizations as in the opinion of the Foundation most nearly serve the purposes and objectives of the Organization. All monies held in the funds are subject to the power of the Foundation to modify any restrictions or conditions on the distribution of monies for any specified charitable purposes or to specified organizations, if in their sole judgment such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

The earnings payout of the funds is evaluated at least annually by the Foundation, in light of total return from investments, fees, expenses, and the effects of inflation, and for the General Endowment, the annual payout is typically 5% of the fair market value of the funds at December 31 of the preceding calendar year. For the years ended June 30, 2024 and 2023, there was no payout of earnings from the Stewardship Funds.

UNITED WAY OF MONTEREY COUNTY

Notes to Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 10. BOARD DESIGNATED NET ASSETS

Board designated net assets consists of the following as of June 30:

	2024	2023
Operating reserve fund	\$ 2,073,185	\$ 2,000,840
Long-term investment fund	387,572	367,572
	<u>\$ 2,460,757</u>	<u>\$ 2,368,412</u>

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS

For the years ended June 30, 2024 and 2023, activity in net assets with donor restrictions were as follows:

	Beginning June 30, 2023	Additions	Satisfied	Ending June 30, 2024
211	\$ 40,000	\$ --	\$ 40,000	\$ --
Impact Monterey County	52,382	--	52,382	--
Financial Education Workshops	--	35,000	20,104	14,896
Stuff the Bus	--	15,000	4,134	10,866
Mural	--	5,000	--	5,000
Bright Futures	75,000	--	--	75,000
Monterey Peninsula Preschool				
Service Corp	94,240	195,145	104,080	185,305
Endowment earnings	127,320	34,512	7,479	154,353
Endowment principal	199,733	--	--	199,733
	<u>\$ 588,675</u>	<u>\$ 284,657</u>	<u>\$ 228,179</u>	<u>\$ 645,153</u>

UNITED WAY OF MONTEREY COUNTY

Notes to Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 11. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

	Beginning June 30, 2022	Additions	Satisfied	Ending June 30, 2023
211	\$ 302,954	\$ 211,752	\$ 474,706	\$ 40,000
Impact Monterey County	--	575,127	522,745	52,382
Financial Education Workshops	34,931	20,000	54,931	--
VITA	9,289	30,000	39,289	--
FTPA Expansion	9,265	--	9,265	--
Stuff the Bus	3,690	5,000	8,690	--
Bright Futures	88,892	60,000	73,892	75,000
Earned Income Tax Credit	41,055	--	41,055	--
EFS-FEMA	15,000	--	15,000	--
Monterey Peninsula Preschool				
Service Corp	42,309	58,200	6,269	94,240
Accessory Dwelling Unit	2,773	--	2,773	--
Endowment earnings	107,021	27,201	6,902	127,320
Endowment principal	199,733	--	--	199,733
	<u>\$ 856,912</u>	<u>\$ 987,280</u>	<u>\$ 1,255,517</u>	<u>\$ 588,675</u>

NOTE 12. ENDOWMENT DISCLOSURE

The Organization has two donor restricted endowments in which the principal is invested in perpetuity and the income is available to support and provide community resources. Total endowments included in net assets with donor restrictions was \$199,733 for each of the years ended June 30, 2024 and 2023.

In 1987, the Organization established the Restricted and Organized Purpose Fund at the Community Foundation for Monterey County with an initial contribution of \$33,175. Additionally, in 1990, the General Endowment Fund was established at Morgan Stanley Dean Witter with an initial contribution of \$166,558. Since that time, these endowment funds have been transferred to the Community Foundation Stewardship Fund.

Interpretation of Relevant Law: The Board of Directors of the Organization has interpreted the California Prudent Management of Institutional Funds Act (CPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

UNITED WAY OF MONTEREY COUNTY

Notes to Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 12. ENDOWMENT DISCLOSURE (Continued)

As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with CPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Investment Return Objectives, Risk Parameters and Strategies: The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed income securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution of 5%, while growing the funds if possible. Actual returns in any given year may vary from this amount. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy: Each year, the entire earnings of each fund shall be distributed according to written criteria and no earnings are provided to increase principal. The Board of Directors periodically reviews this policy for changes. From time to time, certain donor-restricted endowment funds may have fair values less than the amount required to be maintained by donors or by law (underwater endowments). The Board of Directors of the Organization has interpreted CPMIFA to permit spending from underwater endowments in accordance with prudent measures required under law.

UNITED WAY OF MONTEREY COUNTY

Notes to Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 12. ENDOWMENT DISCLOSURE (Continued)

During the year ended June 30, 2024, endowment net asset activity was as follows:

Beginning balance	\$ 327,053
Interest and dividend income	10,585
Realized and unrealized gains	23,927
Grants	(3,768)
Fees	<u>(3,711)</u>
Ending balance	<u>\$ 354,086</u>

During the year ended June 30, 2023, endowment net asset activity was as follows:

Beginning balance	\$ 306,754
Interest and dividend income	9,849
Realized and unrealized gains	17,352
Grants	(3,531)
Fees	<u>(3,371)</u>
Ending balance	<u>\$ 327,053</u>

NOTE 13. COMMUNITY INVESTMENTS AND DESIGNATIONS

The Organization's various fundraising campaigns, contracts and activities resulted in the following distributions to community investment agencies and other benefiting organizations:

	<u>2024</u>	<u>2023</u>
Community investments related to the Emergency Rental Assistance Program	\$ 2,319,698	\$ 7,871,115
Community investments and designations determined by the Board of Directors	202,183	772,435
Designations directed by donor	<u>79,283</u>	<u>77,954</u>
	<u>\$ 2,601,164</u>	<u>\$ 8,721,504</u>

UNITED WAY OF MONTEREY COUNTY

Notes to Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 14. PENSION PLANS

The Organization provides a ERISA 403(b) plan covering all employees. Employees are eligible to participate after having worked at least 1,000 hours over a 12 month period. The Organization contributes a non-elective amount of 3% of gross wages for all eligible employees and matches up to 3% of employee contributions. During the years ended June 30, 2024 and 2023, the Organization contributed \$76,768 and \$70,476 to the plan, respectively.

NOTE 15. IN-KIND CONTRIBUTIONS

The Organization received the following in-kind contributions for the years ended June 30:

	2024	2023
Advertising services	\$ 14,522	\$ 468,656
Program supplies and materials	4,770	9,506
Professional fees	--	2,267
Event venue	9,105	6,745
	<u>\$ 28,397</u>	<u>\$ 487,174</u>

The Organization receives donated advertisement from local print, radio and television companies. The value is based on market rates provided by the companies for the fiscal year. Professional fees were valued using the standard rates provided by the company of the donated services. Fixed assets, event venue and program supplies and materials were all valued at the estimated price for similar items.

NOTE 16. LESSOR

The Organization leases office space to third parties. The space rents are operating lease agreements with various lease terms through July 2031. Lease income is included in the consolidated statement of activities as rental income. Cash receipts from operating leases are classified with in the cash flows from operating activities.

UNITED WAY OF MONTEREY COUNTY

Notes to Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 16. LESSOR (Continued)

The following is an analysis of the maturity of undiscounted operating lease payments to be received by the Organization:

2025	\$ 167,965
2026	171,320
2027	174,746
2028	178,244
Thereafter	<u>557,054</u>
	<u>\$ 1,249,329</u>

NOTE 17. LONG-TERM DEBT

Long-term debt and the related current portion as of June 30, 2024 consist of the following:

1st Capital Bank	\$ 2,361,293
Community Foundation for Monterey County	<u>289,903</u>
	2,651,196
Less current portion	92,363
Less unamortized debt issuance costs	<u>6,938</u>
Long-term debt less unamortized debt issuance costs	<u>\$ 2,551,895</u>

In June 2022, the Organization secured a loan from the Community Foundation for Monterey County to purchase real property at 247 Main Street/236 Monterey Street, Salinas, California (the "Central Building"). The loan principal is \$1,000,000 with an interest rate of 3.5% and a maturity date of June 27, 2027. The loan calls for annual interest and principal payments of \$30,037 with a final balloon payment due at the end of the loan term.

In June 2022, the Organization secured a \$2,500,000 loan from 1st Capital Bank, the proceeds of which were used to purchase the Central Building. The loan, which bears an interest rate of 3%, provides for monthly principal and interest payments for 10 years with the final payment due June 2032.

UNITED WAY OF MONTEREY COUNTY

Notes to Consolidated Financial Statements
Years Ended June 30, 2024 and 2023

NOTE 17. LONG-TERM DEBT (Continued)

Maturities of long-term debt for each of the succeeding years are as follows:

2025	\$ 92,363
2026	95,308
2027	98,346
2028	305,942
2029	81,467
Thereafter	<u>1,977,770</u>
	<u>\$ 2,651,196</u>

As of June 30, 2024, unamortized loan fees totaled \$6,938 and are shown as a reduction in the loan payable balance as required by generally accepted accounting principles.

NOTE 18. SUBSEQUENT EVENTS

Management has evaluated its June 30, 2024 consolidated financial statements and the June 30, 2023 financial statements for subsequent events through February 27, 2025, the date of issuance of the financial statements. The Organization is not aware of any subsequent events that would require recognition or disclosure in the financial statements.