UNITED WAY OF MONTEREY COUNTY

Financial Report

Years ended June 30, 2023 and 2022

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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 statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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, 2023 and 2022, 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 December 7, 2023, 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.

Hutchinson and Bloodgood LLP

December 7, 2023

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 receivable	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

STATEMENT OF FINANCIAL POSITION
June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 4,660,618	$ 525,158	**$ 5,185,776**
Pledges receivable, less allowance of $132,000	604,323	--	**604,323**
Grants and accounts receivables	3,337,541	25,000	**3,362,541**
Prepaid expenses	32,738	--	**32,738**
Total current assets	8,635,220	550,158	**9,185,378**
PROPERTY AND EQUIPMENT, at cost			
Land	1,549,100	--	**1,549,100**
Buildings and improvements	4,647,190	--	**4,647,190**
Furniture and equipment	176,576	--	**176,576**
	6,372,866	--	**6,372,866**
Less accumulated depreciation	68,344	--	**68,344**
	6,304,522	--	**6,304,522**
OTHER ASSETS			
Beneficial interest in assets held by others	678,901	306,754	**985,655**
Total assets	$ 15,618,643	$ 856,912	**$ 16,475,555**

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

UNITED WAY OF MONTEREY COUNTY

STATEMENT OF FINANCIAL POSITION
June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable	$ 245,454	$ --	**$ 245,454**
Grants payable, current	3,512,669	--	**3,512,669**
Accrued expenses	93,546	--	**93,546**
Designated pledges payable	15,820	--	**15,820**
Deposits	14,721	--	**14,721**
Refundable advance	1,587,896	--	**1,587,896**
Current portion of long-term debt	65,825	--	**65,825**
Total current liabilities	5,535,931	--	**5,535,931**
LONG-TERM LIABILITIES			
Long-term debt, less current portion	3,425,503	--	**3,425,503**
Grants payable, less current portion	400,000	--	**400,000**
Total long-term liabilities	3,825,503	--	**3,825,503**
Total liabilities	9,361,434	--	**9,361,434**
NET ASSETS			
Without donor restrictions			
Undesignated	4,221,552	--	**4,221,552**
Board designated	2,035,657	--	**2,035,657**
With donor restrictions	--	856,912	**856,912**
Total net assets	6,257,209	856,912	**7,114,121**
Total liabilities and net assets	$ 15,618,643	$ 856,912	**$ 16,475,555**

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

STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support:			
Pledges, current campaign year	$ 2,516,085	$ 85,399	**$ 2,601,484**
Donor designations to other organizations	(92,635)	--	**(92,635)**
Provision for uncollectible pledges	(54,944)	--	**(54,944)**
Net pledges, current campaign year	2,368,506	85,399	**2,453,905**
Program grants and contractual agreements	40,649,453	520,611	**41,170,064**
In-kind contributions	643,824	--	**643,824**
Other support	71,299	111,556	**182,855**
Total support	43,733,082	717,566	**44,450,648**
Revenue:			
Investment loss	(88,227)	(45,255)	**(133,482)**
Administrative fees	6,101	--	**6,101**
Rental income	1,102	--	**1,102**
Miscellaneous income	7,957	--	**7,957**
Net assets released from restrictions	585,968	(585,968)	**--**
Total revenue	512,901	(631,223)	**(118,322)**
Total support and revenue	44,245,983	86,343	**44,332,326**
EXPENSES			
Program services:			
Community investments and designations	39,503,949	--	**39,503,949**
Amounts designated by donors	(92,635)	--	**(92,635)**
Community services	2,706,673	--	**2,706,673**
Support services:			
Management and general	463,966	--	**463,966**
Fundraising	371,429	--	**371,429**
Total expenses	42,953,382	--	**42,953,382**
Increase in net assets	1,292,601	86,343	**1,378,944**
Net Assets, beginning	4,964,608	770,569	**5,735,177**
Net Assets, ending	$ 6,257,209	$ 856,912	**$ 7,114,121**

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			
	Community Investments and Designations	**Community Services**	**Total Program Services**	**Management and General**	**Fundraising**	**Total Support Services**	**Total**
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**
	$ 8,643,550	$ 2,459,746	$ 11,103,296	$ 943,773	$ 390,901	$ 1,334,674	**$ 12,437,970**

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, 2022

	Program Services			Support Services			
	Community Investments and Designations	Community Services	Total Program Services	Management and General	Fundraising	Total Support Services	Total
EXPENSES							
Community investments and designations	$ 39,503,949	$ --	$ 39,503,949	$ --	$ --	$ --	**$ 39,503,949**
Amounts designated by donors	(92,635)	--	(92,635)	--	--	--	**(92,635)**
Net community investments	39,411,314	--	39,411,314	--	--	--	**39,411,314**
Advertising and in-kind media donations	--	566,086	566,086	414	388	802	**566,888**
Salaries and wages	--	862,188	862,188	277,051	249,224	526,275	**1,388,463**
Payroll taxes and benefits	--	206,713	206,713	66,424	59,753	126,177	**332,890**
Professional and other fees	--	753,299	753,299	39,582	20,744	60,326	**813,625**
Occupancy expenses	--	68,223	68,223	23,944	17,531	41,475	**109,698**
Office expense	--	55,659	55,659	16,291	9,083	25,374	**81,033**
Conferences, travel and training	--	37,003	37,003	27,264	1,858	29,122	**66,125**
Program and campaign materials, services and supplies	--	99,770	99,770	4,468	4,748	9,216	**108,986**
Special events	--	8,444	8,444	285	130	415	**8,859**
Insurance	--	7,708	7,708	548	1,098	1,646	**9,354**
Depreciation	--	13,556	13,556	--	--	--	**13,556**
Miscellaneous	--	4,250	4,250	56	--	56	**4,306**
United Way Worldwide membership dues	--	23,774	23,774	7,639	6,872	14,511	**38,285**
	$ 39,411,314	$ 2,706,673	$ 42,117,987	$ 463,966	$ 371,429	$ 835,395	**$ 42,953,382**

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

UNITED WAY OF MONTEREY COUNTY

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2023 and 2022

	2023	2022
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	**$ 343,657**	$ 1,378,944
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	**137,449**	13,556
Change in beneficial interest in assets held by others	**(66,729)**	157,860
Provision for uncollectible pledges	**88,960**	54,944
Donated furniture	**--**	(87,300)
(Increase) decrease in:		
Pledges receivable	**131,360**	(342,168)
Grants and accounts receivables	**1,957,560**	2,047,483
Prepaid expenses	**(4,457)**	49,746
Security deposits	**--**	4,709
Increase (decrease) in:		
Accounts payable	**(154,434)**	150,617
Grants payable	**(2,787,965)**	3,462,669
Accrued expenses	**13,573**	(4,950)
Designated pledges payable	**(3,333)**	2,057
Deposits	**--**	14,721
Deferred revenue	**52,345**	(23,798)
Refundable advance	**(1,271,418)**	(5,512,104)
Net cash provided (used) by operating activities	**(1,563,432)**	1,366,986
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid to purchase property and equipment	**(20,410)**	(6,214,846)
Purchase of beneficial interest in assets held by others	**(100)**	(6,483)
Net cash used by investing activities	**(20,510)**	(6,221,329)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from (payments of) long-term debt	**(568,821)**	3,491,328
Net decrease in cash and cash equivalents	**(2,152,763)**	(1,363,015)
Cash and Cash Equivalents, beginning	**5,185,776**	6,548,791
Cash and Cash Equivalents, ending	**$ 3,033,013**	$ 5,185,776

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

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.

In June 2022, the Organization acquired its Community Impact Center located in downtown Salinas. The Center's 31,000 square-foot design enables the Organization to serve a greater number of residents in need, houses offices of mission-aligned nonprofits, provides space for partners to host meetings and training. 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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 expense 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, 2023, 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.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recognition of Pledges From Fundraising Campaigns, Designations and Allocations: 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, 2023, the campaign year ran from June 1, 2022, to May 31, 2023. For the year ended June 30, 2022, the campaign year ran from June 1, 2021 to May 31, 2022. Public support, including unconditional promises to give, is recorded at the fair value of the pledge in the year it is received or pledged.

Recognition of Pledges From Fundraising Campaigns, Designations and Allocations (continued): 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.

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 $499,888 ($468,656 in-kind) and $566,888 ($542,025 in-kind) for the years ended June 30, 2023 and 2022, respectively.

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, 2023 and 2022, the remaining advanced funding was $316,478 and $1,587,896, respectively.

New accounting pronouncement: The Organization has adopted Financial Accounting Standard Board (FASB) Accounting Standard codification (ASC 842), Leases, with a date of initial application of July 1, 2022. For leases with a lease term greater than one year, the Organization recognizes a lease asset for its right to use the underlying leased asset and a lease liability for the corresponding lease obligation. The Organization determines whether an arrangement is or contains a lease at contract inception. Operating leases with a duration greater than one year are included in operating lease right-of-use assets and operating lease liabilities in the Organization’s statement of financial position.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting pronouncement (continued): Operating lease right-of-use (ROU) assets and operating lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. In determining the present value of lease payments, the Organization uses a risk-free rate of a period comparable with that of the lease term. The Organization considers the lease term to be the noncancelable period that it has the right to use the underlying asset, including all periods covered by an option to (1) extend the lease if the Organization is reasonably certain to exercise the option, (2) terminate the lease if the Organization is reasonably certain not to exercise that option, and (3) extend, or not to terminate, the lease in which exercise of the option is controlled by the lessor.

The operating lease right-of-use assets also include any lease payments made and exclude lease incentives received or receivable. Lease expense is recognized on a straight-line basis over the expected lease term. Variable lease expenses are recorded when incurred. of June 30, 2023, there were no right of use assets.

NOTE 2. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of June 30, 2023 and 2022, 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.

	2023	2022
Financial assets at year end:		
Cash and cash equivalents	$ 3,033,013	$ 5,185,776
Pledges receivable, net	384,003	604,323
Grants and accounts receivable	1,404,981	3,362,541
Beneficial interest in assets held by others	1,052,484	985,655
Total financial assets	5,874,481	10,138,295
Less amounts not available to be used within one year:		
Board designated funds	2,368,412	2,035,657
Restricted by donors for use in future periods	388,942	657,179
Portion of donor-restricted endowment to be retained in perpetuity	199,733	199,733
Financial assets not available to be used within one year	2,957,087	2,892,569
Financial assets available to meet general expenditures within one year	$ 2,917,394	$ 7,245,726

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, 2023, the operating reserve balance of $2,000,840 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:

	2023	2022
Cash	$ 1,001,222	$ 4,406,123
Certificates of deposit	1,040,469	779,653
Money market	991,322	--
	$ 3,033,013	$ 5,185,776

NOTE 4. CONCENTRATIONS

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, 2022, approximately 19% of the Organization's pledges came from one corporation.

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. For the year ended June 30, 2022, support from the Monterey County Emergency Rental and Utility Assistance contract agreement accounted for 87% of the total support to the Organization.

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.

NOTE 6. PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of June 30:

	2023	2022
Pledges receivable, due within one year	$ 564,003	$ 736,323
Allowance for uncollectible accounts	(180,000)	(132,000)
Net pledges receivable	$ 384,003	$ 604,323

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.

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

	2023	2022
Rent and Utility Assistance agency advances	$ 763,795	$ 2,495,813
Monterey County grants	361,917	610,692
California Volunteers	167,208	160,624
VITA grant	--	47,334
Salinas Valley Memorial Healthcare	--	25,000
Emergency Food and Shelter program	--	10,426
Miscellaneous receivables	33	10,331
UWCA 2-1-1	--	2,321
Sterling Property Management	47,332	--
Interface Children and Family Services	5,145	--
Internal Revenue Service	17,684	--
United Ways of California	41,867	--
	$ 1,404,981	$ 3,362,541

NOTE 7. GRANTS AND ACCOUNTS RECEIVABLES (Continued)

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. GRANTS PAYABLE

Grants authorized but unpaid at year-end are reported as liabilities. The following is a summary of grants authorized and payable at June 30, 2023:

To be paid in 2024	$ 924,704
To be paid in 2025 - 2027	200,000
	$ 1,124,704

The current portion consists of pass-through grants related to the Monterey County Emergency Rental and Utility Assistance program as well as grants to the Buckhorn Early Learning Center and Door to Hope.

NOTE 9. 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.

NOTE 9. 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, 2023:

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

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value at June 30, 2022:

	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by others	$ --	$ --	$ 985,655	$ 985,655

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, 2023 and 2022:

	2023	2022
Beginning balance	$ 985,655	$ 1,137,032
Contributions	100	6,483
Investment income	80,995	(141,998)
Grants	(3,531)	(3,701)
Administration fees	(10,735)	(12,161)
Ending balance	$ 1,052,484	$ 985,655

NOTE 10. 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:

	2023	2022
General Endowment	$ 84,413	$ 81,589
Stewardship Fund	276,035	256,049
Stewardship Fund II	238,045	226,897
Stewardship Fund III	453,991	421,120
	$ 1,052,484	$ 985,655

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, 2023 and 2022, there was no payout of earnings from the Stewardship Funds.

NOTE 11. BOARD DESIGNATED NET ASSETS

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

	2023	2022
Operating reserve fund	$ 2,000,840	$ 1,668,085
Long-term investment fund	367,572	367,572
	$ 2,368,412	$ 2,035,657

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS

For the year ended June 30, 2023, activity in net assets with donor restrictions was as follows:

	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 Penninsula 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
	$ 856,912	$ 987,280	$ 1,255,517	$ 588,675

NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

For the year ended June 30, 2022, activity in net assets with donor restrictions was as follows:

	Beginning June 30, 2021	Additions	Satisfied	Ending June 30, 2022
211	$ 233,586	$ 306,572	$ 237,204	$ 302,954
Impact Monterey County	10,000	51,600	61,600	--
Financial Education Workshops	12,500	22,431	--	34,931
VITA	768	11,491	2,970	9,289
FTPA Expansion	--	45,000	35,735	9,265
Stuff the Bus	5,527	53,489	55,326	3,690
Asset Building	16,881	--	16,881	--
Bright Futures	77,994	122,705	111,807	88,892
Earned Income Tax Credit	22,187	53,990	35,122	41,055
EFS-FEMA	15,000	--	--	15,000
Monterey Penninsula Preschool Service Corp	14,102	36,278	8,071	42,309
Accessory Dwelling Unit	2,437	14,010	13,674	2,773
Endowment earnings (losses)	159,854	(45,255)	7,578	107,021
Endowment principal	199,733	--	--	199,733
	$ 770,569	$ 672,311	$ 585,968	$ 856,912

NOTE 13. 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, 2023 and 2022.

In 1987, the Organization established a 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.

NOTE 13. 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.

NOTE 13. ENDOWMENT DISCLOSURE (Continued)

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	(3,371)
Ending balance	$ 327,053

During the year ended June 30, 2022, endowment net asset activity was as follows:

Beginning balance	$ 359,587
Interest and dividend income	11,858
Realized and unrealized losses	(57,113)
Grants	(3,701)
Fees	(3,877)
Ending balance	$ 306,754

NOTE 14. 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:

	2023	2022
Community investments related to the Emergency Rental Assistance Program	$ 7,937,075	$ 37,965,453
Community investments and designations determined by the Board of Directors	672,435	1,445,861
Designations directed by donor	77,954	92,635
	$ 8,687,464	$ 39,503,949

NOTE 15. PENSION PLANS

Effective July 1, 2019, the Organization changed to an 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, 2023 and 2022, the Organization contributed $70,476 and $60,058 to the plan, respectively.

NOTE 16. IN-KIND CONTRIBUTIONS

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

	2023	2022
Advertising services	$ 468,656	$ 542,025
Fixed assets	--	87,300
Program supplies and materials	9,506	6,909
Professional fees	2,267	3,640
Event venue	6,745	3,950
	$ 487,174	$ 643,824

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 17. 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 statement of activities as rental income. Cash receipts from operating leases are classified with in the cash flows from operating activities.

NOTE 17. LESSOR (Continued)

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

2024	$ 494,390
2025	171,320
2026	174,746
2027	178,244
Thereafter	572,230
	$ 1,590,930

NOTE 18. LONG-TERM DEBT

Long-term debt and the related current portion as of June 30, 2023 consist of the following:

1st Capital Bank	$ 2,431,179
Community Foundation for Monterey County	500,000
	2,931,179
Less current portion	82,538
Less unamortized debt issuance costs	8,672
Long-term debt less unamortized debt issuance costs	$ 2,839,969

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 interest only payments for one year.

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.

NOTE 18. LONG-TERM DEBT (Continued)

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

2024	$ 82,538
2025	85,344
2026	88,039
2027	537,072
2028	78,860
Thereafter	2,059,326
	$ 2,931,179

As of June 30, 2023, unamortized loan fees totaled $8,672 and are shown as a reduction in the loan payable balance as required by generally accepted accounting principles.

NOTE 19. SUBSEQUENT EVENTS

Management has evaluated its June 30, 2023 and 2022 financial statements for subsequent events through December 7, 2023, 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.