

**United Way
of Kern County**



United Way of Kern County, Inc.

FINANCIAL REPORT

JUNE 30, 2019

UNITED WAY OF KERN COUNTY, INC.

FINANCIAL REPORT

JUNE 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board of Directors
United Way of Kern County, Inc.
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of **United Way of Kern County, Inc.** which comprise the statements of financial position as of June 30, 2019 and 2018, the related statements of activities, functional expenses and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **United Way of Kern County, Inc.** as of June 30, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Daniells Phillips Vaughan & Bock

Bakersfield, California

October 18, 2019

UNITED WAY OF KERN COUNTY, INC.

STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

| | 2019 | 2018 |
|------------------------------------------------------------------------------------------------------------|---------------------|-------------------|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | \$ 2,030,619 | \$ 238,903 |
| Unconditional promises to give, net of allowance for uncollectible promises 2019 \$184,686; 2018 \$145,901 | 191,366 | 182,414 |
| Grants receivable | 2,500 | 22,691 |
| Investments (Notes 3 and 4) | 221,765 | 334,212 |
| Prepaid expenses | 13,313 | 4,589 |
| Total current assets | 2,459,563 | 782,809 |
| Property and Equipment | | |
| Building and improvements | 4,931 | 4,931 |
| Equipment | 180,890 | 180,890 |
| | 185,821 | 185,821 |
| Less accumulated depreciation | 177,158 | 176,371 |
| | 8,663 | 9,450 |
| Total assets | \$ 2,468,226 | \$ 792,259 |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable | \$ 23,091 | \$ 10,396 |
| Accrued expenses | 32,925 | 32,828 |
| Designations payable | - | 2,357 |
| Deferred revenue | 1,674,430 | 337 |
| Total current liabilities | 1,730,446 | 45,918 |
| Commitment (Note 5) | | |
| Net Assets Without Donor Restrictions | 737,780 | 746,341 |
| Total liabilities and net assets | \$ 2,468,226 | \$ 792,259 |

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2019 and 2018

| | 2019 | 2018 |
|--------------------------------------------------------|---------------------------------|---------------------------------|
| Changes in net assets without donor restrictions: | | |
| Revenues and public support: | | |
| Gross campaign results | \$ 749,991 | \$ 815,187 |
| (Less donor designations) | (141,041) | (195,019) |
| (Less provision for uncollectible) | (45,126) | (45,123) |
| Net campaign revenue | <u>563,824</u> | <u>575,045</u> |
| Grants and awards | 1,327,252 | 252,643 |
| Miscellaneous income | 55,607 | 74,750 |
| Realized and unrealized gain on investments | 13,952 | 18,067 |
| Special events | 22,520 | 20,000 |
| Service fees | 319 | 2,581 |
| Total revenues and public support | <u>1,983,474</u> | <u>943,086</u> |
| Expenses: | | |
| Program services | | |
| Education | 178,853 | 142,851 |
| Financial stability | 311,400 | 253,040 |
| Homelessness | 1,384,741 | 460,347 |
| | <u>1,874,994</u> | <u>856,238</u> |
| Supporting services | | |
| Management and general | 78,787 | 121,019 |
| Fundraising | 38,254 | 68,111 |
| Total supporting services | <u>117,041</u> | <u>189,130</u> |
| Total expenses | <u>1,992,035</u> | <u>1,045,368</u> |
| Change in net assets without donor restrictions | <u>(8,561)</u> | <u>(102,282)</u> |
| Net assets without donor restrictions, beginning | <u>746,341</u> | <u>848,623</u> |
| Net assets without donor restrictions, ending | <u><u>\$ 737,780</u></u> | <u><u>\$ 746,341</u></u> |

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

| | Program Services | | | |
|----------------------------------|------------------|------------------------|--------------|--------------|
| | Education | Financial Stability | Homelessness | Total |
| Program expenses | \$ 19,703 | \$ 4,900 | \$ 1,092,535 | \$ 1,117,138 |
| Salaries and benefits | 91,776 | 140,781 | 161,273 | 393,830 |
| Other contract services | 9,919 | 58,881 | 17,083 | 85,883 |
| Special events | 17,626 | 18,071 | 47,509 | 83,206 |
| Equipment and building rent | 14,812 | 23,864 | 25,509 | 64,185 |
| Repairs and maintenance | 3,953 | 6,368 | 6,808 | 17,129 |
| Transportation | 1,900 | 8,573 | 8,243 | 18,716 |
| Advertising and public relations | 1,036 | 12,889 | 2,996 | 16,921 |
| Professional fees | 3,034 | 4,888 | 5,225 | 13,147 |
| United Way Worldwide dues | 2,049 | 3,301 | 3,529 | 8,879 |
| Telephone | 1,950 | 3,621 | 3,358 | 8,929 |
| Supplies | 580 | 5,513 | 1,729 | 7,822 |
| Miscellaneous | 792 | 7,607 | 916 | 9,315 |
| Postage and shipping | 6,865 | 651 | 474 | 7,990 |
| Printing and publications | 860 | 4,480 | 1,602 | 6,942 |
| Insurance | 1,281 | 2,064 | 2,207 | 5,552 |
| Conferences and training | - | 3,793 | 2,509 | 6,302 |
| Bank fees | 292 | 471 | 504 | 1,267 |
| Dues and subscriptions | 283 | 456 | 488 | 1,227 |
| Subtotal | 178,711 | 311,172 | 1,384,497 | 1,874,380 |
| Depreciation | 142 | 228 | 244 | 614 |
| Total expenses | \$ 178,853 | \$ 311,400 | \$ 1,384,741 | \$ 1,874,994 |

See Notes to Financial Statements.

Supporting Services

| Management and General | Fundraising | Total | Total |
|---------------------------|-------------|------------|--------------|
| \$ - | \$ - | \$ - | \$ 1,117,138 |
| 39,927 | 23,686 | 63,613 | 457,443 |
| 9,368 | 2,755 | 12,123 | 98,006 |
| - | - | - | 83,206 |
| 13,989 | 4,114 | 18,103 | 82,288 |
| 3,733 | 1,098 | 4,831 | 21,960 |
| 681 | 568 | 1,249 | 19,965 |
| 978 | 288 | 1,266 | 18,187 |
| 2,865 | 843 | 3,708 | 16,855 |
| 1,935 | 569 | 2,504 | 11,383 |
| 1,841 | 542 | 2,383 | 11,312 |
| 419 | 2,403 | 2,822 | 10,644 |
| 300 | 580 | 880 | 10,195 |
| 199 | 58 | 257 | 8,247 |
| 664 | 195 | 859 | 7,801 |
| 1,210 | 356 | 1,566 | 7,118 |
| - | - | - | 6,302 |
| 276 | 81 | 357 | 1,624 |
| 268 | 79 | 347 | 1,574 |
| 78,653 | 38,215 | 116,868 | 1,991,248 |
| 134 | 39 | 173 | 787 |
| \$ 78,787 | \$ 38,254 | \$ 117,041 | \$ 1,992,035 |

UNITED WAY OF KERN COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

| | Program Services | | | | Total |
|------------------------------------|------------------|---------------------|--------------|------------|-------|
| | Education | Financial Stability | Homelessness | | |
| Salaries and benefits | \$ 83,634 | \$ 148,983 | \$ 217,822 | \$ 450,439 | |
| Program expenses | 20,405 | 5,178 | 85,450 | 111,033 | |
| Other contract services | 6,843 | 30,781 | 54,759 | 92,383 | |
| Equipment and building rent | 13,398 | 24,976 | 38,977 | 77,351 | |
| Special events | 86 | 12,477 | 10,691 | 23,254 | |
| Professional fees | 2,029 | 3,782 | 5,902 | 11,713 | |
| United Way Worldwide dues | 1,677 | 3,126 | 4,879 | 9,682 | |
| Printing and publications | 1,331 | 4,588 | 5,420 | 11,339 | |
| Telephone | 1,339 | 2,498 | 3,952 | 7,789 | |
| Transportation | 973 | 2,468 | 5,887 | 9,328 | |
| Miscellaneous | 649 | 4,637 | 2,795 | 8,081 | |
| Postage and shipping | 6,829 | 420 | 763 | 8,012 | |
| Supplies | 625 | 2,052 | 3,143 | 5,820 | |
| Insurance | 997 | 1,860 | 2,901 | 5,758 | |
| Repairs and maintenance | 989 | 1,844 | 2,877 | 5,710 | |
| Specific assistance to individuals | - | - | 6,809 | 6,809 | |
| Conferences and training | 131 | 1,365 | 4,280 | 5,776 | |
| Advertising and public relations | 308 | 873 | 1,016 | 2,197 | |
| Dues and subscriptions | 332 | 618 | 965 | 1,915 | |
| Bank fees | 141 | 263 | 410 | 814 | |
| Subtotal | 142,716 | 252,789 | 459,698 | 855,203 | |
| Depreciation | 135 | 251 | 649 | 1,035 | |
| Total expenses | \$ 142,851 | \$ 253,040 | \$ 460,347 | \$ 856,238 | |

See Notes to Financial Statements.

Supporting Services

| Management and General | Fundraising | Total | Total |
|---------------------------|------------------|-------------------|---------------------|
| \$ 66,737 | \$ 36,246 | \$ 102,983 | \$ 553,422 |
| - | - | - | 111,033 |
| 12,124 | 3,377 | 15,501 | 107,884 |
| 23,738 | 6,613 | 30,351 | 107,702 |
| - | 15,037 | 15,037 | 38,291 |
| 3,595 | 1,001 | 4,596 | 16,309 |
| 2,971 | 828 | 3,799 | 13,481 |
| 1,267 | 353 | 1,620 | 12,959 |
| 2,373 | 661 | 3,034 | 10,823 |
| 665 | 476 | 1,141 | 10,469 |
| 893 | 617 | 1,510 | 9,591 |
| 372 | 104 | 476 | 8,488 |
| 910 | 1,301 | 2,211 | 8,031 |
| 1,767 | 492 | 2,259 | 8,017 |
| 1,752 | 488 | 2,240 | 7,950 |
| - | - | - | 6,809 |
| 232 | 65 | 297 | 6,073 |
| 546 | 152 | 698 | 2,895 |
| 588 | 164 | 752 | 2,667 |
| 250 | 70 | 320 | 1,134 |
| 120,780 | 68,045 | 188,825 | 1,044,028 |
| 239 | 66 | 305 | 1,340 |
| <u>\$ 121,019</u> | <u>\$ 68,111</u> | <u>\$ 189,130</u> | <u>\$ 1,045,368</u> |

UNITED WAY OF KERN COUNTY, INC.

STATEMENTS OF CASH FLOWS Years Ended June 30, 2019 and 2018

| | 2019 | 2018 |
|-------------------------------------------------------------------------------------------------------|---------------------|-------------------|
| Cash Flows From Operating Activities | | |
| Change in net assets | \$ (8,561) | \$ (102,282) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 787 | 1,340 |
| Net realized and unrealized (gain) on investments | (13,952) | (18,067) |
| Allowance for uncollectible promises to give | 38,785 | (50,344) |
| Changes in assets and liabilities: | | |
| (Increase) decrease in: | | |
| Prepaid expenses | (8,724) | 11,890 |
| Other receivables | 20,191 | 24,505 |
| Unconditional promises to give | (47,737) | 115,798 |
| Other | - | 15,281 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | 12,792 | (26,536) |
| Deferred revenue | 1,674,093 | (5,393) |
| Grants and designations payable | (2,357) | (26,033) |
| Net cash provided by (used in) operating activities | 1,665,317 | (59,841) |
| Cash Flows From Investing Activities | | |
| Proceeds from sale of investments | 178,292 | 117,628 |
| Purchase of investments | (51,893) | (70,302) |
| Purchase of property and equipment | - | (669) |
| Net cash provided by investing activities | 126,399 | 46,657 |
| Net increase (decrease) in cash and cash equivalents | 1,791,716 | (13,184) |
| Cash and cash equivalents: | | |
| Beginning | 238,903 | 252,087 |
| Ending | \$ 2,030,619 | \$ 238,903 |

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of activities: United Way of Kern County, Inc. (the Organization) was incorporated on May 6, 1949 under the laws of the State of California as a not-for-profit corporation. The Organization's mission is to mobilize donors, advocates and volunteers to improve lives in Kern County. The Organization is supported primarily through contributions from individuals and companies within Kern County.

The Organization is governed by a local Board of Directors made up of volunteer Kern County residents.

The Organization's program activities include the following:

Financial Stability Initiatives: The Organization acts as the lead organization for collaborative initiatives focused on improving the financial stability of low-income community residents. The Organization leads efforts to seek and administer grants and other resources on behalf of its partners. Services provided to the community include free income tax assistance through the VITA (Volunteer Income Tax Assistance) program; financial literacy education; credit counseling; incentivized savings programs; and personal asset-building.

Homelessness Initiative: The Organization is the lead agency and fiscal sponsor for the Kern County Homeless Collaborative, a group of 30 public, private and nonprofit organizations working to reduce homelessness in Kern County. As the federally-recognized Collaborative Applicant for the Homeless Collaborative, the Organization facilitates submission of an annual application for federal funding, which brings more than \$5 million to local agencies serving the homeless. The Organization also supports collaborative efforts to conduct an annual point-in-time count of the homeless; conduct homeless outreach events; and educate the community on the issue of homelessness.

Emergency Food and Shelter: The Organization serves as the administrative arm of the federal Emergency Food and Shelter Program (EFSP), which is funded by the Federal Emergency Management Agency (FEMA). In this role, the Organization supports the local EFSP Board in allocating more than \$700,000 in funding and oversees 13 local recipient organizations providing food, shelter, and assistance with rent/mortgage and utility payments.

Early Childhood Literacy and Development: The Organization works to improve health and school readiness among pre-school children by empowering parents and caregivers to be their children's first teachers. Programs include Raising A Reader, which provides book distributions to low-income preschools; BornLearning®, which provides parent education materials, books and resources to families of newborns and young children; and a Book-of-the-Month Club, which provides free children's books to more than 440 families each month. BornLearning® Trails have been installed in six local parks, providing educational activities for parents to engage in with their children as they enjoy time together at play.

Professional Development Conference for Nonprofits: For 29 years, the Organization has presented an annual conference for nonprofit organizations targeted toward development of staff and organizational capacity building. Workshops and speakers provide education around such business functions as fund development, board and staff development, media relations, strategic planning, and managing risk.

A summary of significant accounting policies follows:

Basis of Accounting: The financial statements of the Organization are prepared using the accrual method of accounting.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Basis of Presentation: The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization to report 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 governing board.

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 are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increase in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets.

Measure of Operations: The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly sensitive to significant change relate to the pledge losses on unconditional promises to give. This estimate is based on historical averages. It is reasonably possible that the pledge losses related to unconditional promises to give may change materially in the near term.

Support and expenses: Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

The Organization reports gifts of goods and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Donated Services, Goods and Facilities: A substantial number of volunteers have donated significant hours to the Organization's program services and fund-raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Cash and Cash Equivalents: For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Organization maintains its cash in bank deposit accounts, which, at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash.

Provision for Uncollectible Promises: The provision for uncollectible accounts is computed based on a three-year historical average, applied to gross campaign, including donor designations. The provision for uncollectible accounts is reviewed and approved by the Organization's Finance Committee and Governing Board as part of the annual budgeting process.

Investments Valuation and Income Recognition: Financial statement presentation follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Not-for-Profit Entities topic which states investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. See Note 4 for discussion of fair value measurements.

Property and Equipment: Property and equipment is stated at cost with a capitalization policy of \$500 or greater. Depreciation of property and equipment is computed on the straight-line method over their estimated useful lives of 7-10 years.

Deferred Revenue: Cash received for grant projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received for specific projects and programs exceeds qualified expenditures.

Cost Allocations: Indirect and payroll costs are charged to functional expenses based upon time studies. Direct costs are charged to the appropriate functional area.

Cost Deductions: The Organization conforms to the United Way Worldwide Cost Deduction Standards. The Organization charges only actual expenses against a donor's pledge and does not deduct fundraising or processing fees from designated gifts originated by or from another United Way organization.

Income Taxes: The Organization is a not-for-profit corporation and has been recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Board codes. As a non-profit organization, the Organization is subject to unrelated business income tax (UBIT), if applicable. For the tax years ended June 30, 2019 and 2018, the Organization did not owe any UBIT.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

The Organization adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Organization's tax positions and concluded that they had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Advertising: The Organization expenses advertising costs as they are incurred. Advertising expense totaled \$18,187 and \$2,895 for the years ended June 30, 2019 and 2018, respectively.

Accounting Pronouncements Adopted: In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. The Organization has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

Accounting Pronouncements Not Yet Adopted: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact of the pending adoption of the new standard on the Organization's financial statements.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The new standard is effective for fiscal years beginning after December 15, 2019; early adoption of the amendment is permitted. Management is currently evaluating the impact the adoption of the new standard will have on the Organization's financial statements.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

In August 2018, the FASB issued Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. ASU 2018-13 is effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The adoption of ASU 2018-13 is not expected to have a material impact on the financial statements.

Subsequent Events: The Organization has evaluated subsequent events through October 18, 2019, the date on which the financial statements were available to be issued. No events were identified by management which would require disclosure in the financial statements.

Note 2. Availability and Liquidity

The following table reflects the Organization's financial assets as of June 30, 2019 and 2018 reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when they represent funds held for other agencies and net assets with donor restrictions.

| | 2019 | 2018 |
|-------------------------------------------------------------------------------------|-------------------|-------------------|
| Financial assets at year end: | | |
| Cash and cash equivalents | \$ 2,030,619 | \$ 238,903 |
| Unconditional promises to give | 191,366 | 182,414 |
| Grants receivable | 2,500 | 22,691 |
| Investments | 221,765 | 334,212 |
| Total financial assets | <u>2,446,250</u> | <u>778,220</u> |
| Less amounts not available to be used within one year: | | |
| Deferred grant revenue | <u>1,674,430</u> | <u>337</u> |
| Financial assets available to meet general expenditures over the next twelve months | <u>\$ 771,820</u> | <u>\$ 777,883</u> |

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. In addition, the Organization has a policy to maintain a Core Operating Reserve and an Investment Reserve Fund. The amount in the Core Reserve Fund is equal to three months of total budgeted operating expenses as designated in each years budget (approximately \$218,000). The remainder of excess funds are invested in the Investment Reserve Fund. The Core Reserve Fund invests in shorter term fixed income securities, while the Investment Reserve Fund can invest in a wider range of fixed income securities and equity investments.

Note 3. Investments

Investments consist of the following as of June 30, 2019 and 2018:

| | 2019 | 2018 |
|---------------------------------|-------------------|-------------------|
| Mutual funds - equity portfolio | \$ 41,507 | \$ 41,890 |
| Exchange traded funds | 160,278 | 152,923 |
| Certificates of deposit | 19,980 | 139,399 |
| | <u>\$ 221,765</u> | <u>\$ 334,212</u> |

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Fair Value Measurements

The Fair Value Measurements topic of the Financial Accounting Standards Board Codification establishes a framework for measuring fair value. That framework provides 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 described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds and exchange traded funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual and exchange traded funds held by the Organization are deemed to be actively traded.

Certificates of deposit: Valued based on amortized cost or original cost plus accrued interest.

All investments held by the Organization at June 30, 2019 and 2018 are considered to be level 1 assets.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 5. Commitment

The Organization leases its office under a noncancelable agreement which expires in December 2021 and requires monthly lease payments of \$9,000. In the fiscal year ended June 30, 2019, the Organization negotiated a rent forgiveness for three months.

The total minimum rental commitment as of June 30, 2019 is due in future years as follows:

Years ending June 30,

| | | |
|------|----|----------------|
| 2020 | \$ | 108,000 |
| 2021 | | 108,000 |
| 2022 | | 54,000 |
| | \$ | <u>270,000</u> |

Lease expense for the years ended June 30, 2019 and 2018 was \$81,010 and \$106,440, respectively.

Note 6. Concentration of Revenue

During the year ended June 30, 2019, the Organization received support in the amount of \$929,796 from one grantor agency. During the year ended June 30, 2018 the Organization received \$110,098 from one major donor.

Note 7. Unrelated Business Income Tax Matters

The Internal Revenue Service ("IRS") and certain state taxing authorities are currently revisiting what, if any, products and services provided by the Organization are subject to unrelated business income tax ("UBIT"). There is currently very little guidance in the IRS Code on what activities should be subject to UBIT. The IRS has indicated that they are studying the issue and may issue additional guidance. As a result, at this time there is uncertainty regarding whether the Organization should pay income tax on certain types of net taxable income from activities that may be considered by taxing authorities as unrelated to the purpose for which the Organization was granted non-taxable status. The Organization has not filed any tax returns in the past for potential taxable activities. The taxing authorities have the ability to assess taxes, penalties and interest for any years for which no tax return was filed. In the opinion of management, any liability resulting from taxing authorities imposing income taxes on the net taxable income from activities deemed to be unrelated to the Organization's non-taxable status is not expected to have a material effect on the Organization's financial position or results of operations.