



**UNITED WAY OF SANTA BARBARA COUNTY, INC.**

**FINANCIAL STATEMENTS**

**JUNE 30, 2019**

**UNITED WAY OF SANTA BARBARA COUNTY, INC.**  
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**June 30, 2019**

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors of  
United Way of Santa Barbara County, Inc.

We have audited the accompanying financial statements of United Way of Santa Barbara County, Inc. (the "Organization") which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, 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 the Organization as of June 30, 2019, and the changes in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

The financial statements of the Organization as of June 30, 2018, were audited by other auditors whose report dated December 13, 2019, expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements.

DAMITZ, BROOKS, NIGHTINGALE, TURNER & MORRISSET

Damitz, Brooks, Nightingale,  
Turner & Morrisset  
December 13, 2019

**UNITED WAY FOR SANTA BARBARA COUNTY, INC.**  
**Statement of Financial Position**  
June 30, 2019  
(With Summarized Comparative Totals for the Year 2018)

<i>Assets</i>	Without Donor Restrictions	With Donor Restrictions	<b>Total</b>	
			<b>2019</b>	<b>2018</b>
<b><i>Current Assets</i></b>				
Cash and cash equivalents	\$ 70,138	\$ -	\$ 70,138	\$ 115,532
Cash with donor restrictions	-	569,195	569,195	1,139,372
Pledges receivable, net	-	438,267	438,267	442,306
Prepaid expenses	276,485	-	276,485	182,924
Investments - non-endowment	1,228,409	-	1,228,409	954,171
<b><i>Total current assets</i></b>	<b>1,575,032</b>	<b>1,007,462</b>	<b>2,582,494</b>	<b>2,834,305</b>
<b><i>Other Assets</i></b>				
Designated cash for long-term use	34,336	-	34,336	111,938
Endowment cash	589,531	-	589,531	509,784
Pledges receivable - noncurrent portion	-	5,550	5,550	6,300
Investments - endowment	2,783,091	4,540,483	7,323,574	7,477,560
Property and equipment, net	399,987	-	399,987	351,779
Interest in perpetual trusts	-	698,836	698,836	706,403
Assets held in split interest trusts and agreements	-	1,412,773	1,412,773	1,466,100
Assets held under deferred compensation plan	20,285	-	20,285	10,448
<b><i>Total other assets</i></b>	<b>3,827,230</b>	<b>6,657,642</b>	<b>10,484,872</b>	<b>10,640,312</b>
<b><i>Total assets</i></b>	<b>\$ 5,402,262</b>	<b>\$ 7,665,104</b>	<b>\$ 13,067,366</b>	<b>\$ 13,474,617</b>
<b><i>Liabilities and Net Assets</i></b>				
<b><i>Current Liabilities</i></b>				
Accounts payable	\$ 103,981	\$ -	\$ 103,981	\$ 719,515
Accrued payroll and related expenses	100,680	-	100,680	86,026
Deferred income	137,990	-	137,990	63,097
Designations payable	89,226	-	89,226	143,026
Agency allocations payable	-	-	-	30,000
<b><i>Total current liabilities</i></b>	<b>431,877</b>	<b>-</b>	<b>431,877</b>	<b>1,041,664</b>
<b><i>Non-current Liabilities</i></b>				
Present value of future payments on split-interest trusts and agreements	-	377,809	377,809	613,099
Deferred compensation plan obligation	20,285	-	20,285	10,448
	20,285	377,809	398,094	623,547
<b><i>Total liabilities</i></b>	<b>452,162</b>	<b>377,809</b>	<b>829,971</b>	<b>1,665,211</b>
<b><i>Net Assets</i></b>				
Without donor restrictions				
Undesignated	1,532,364	-	1,532,364	562,742
Board designated non-endowment	45,114	-	45,114	111,938
Board designated endowment	3,372,622	-	3,372,622	3,288,546
With donor restrictions				
Non-endowment	-	2,714,119	2,714,119	3,147,382
Endowment	-	4,573,176	4,573,176	4,698,798
<b><i>Total net assets</i></b>	<b>4,950,100</b>	<b>7,287,295</b>	<b>12,237,395</b>	<b>11,809,406</b>
	<b>\$ 5,402,262</b>	<b>\$ 7,665,104</b>	<b>\$ 13,067,366</b>	<b>\$ 13,474,617</b>

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

**UNITED WAY FOR SANTA BARBARA COUNTY, INC.**

**Statement of Activities**

Year Ended June 30, 2019

(With Summarized Comparative Totals for the Year 2018)

	Without Donor Restrictions	With Donor Restrictions	<b>Total</b>	
			<b>2019</b>	<b>2018</b>
<b>Public Support and Revenue</b>				
<b>Public Support</b>				
Contributions				
Campaign	\$ 1,065,714	\$ 173,224	\$ 1,238,938	\$ 1,191,764
Bequests	37,456	89,740	127,196	171,267
Grants	40,000	281,367	321,367	228,366
Other contributions	116,987	261,122	378,109	1,870,276
Net assets released from restrictions	1,759,982	(1,759,982)	-	-
Special events:				
Special events - gross	299,876	-	299,876	229,875
Direct special event costs	(164,039)	-	(164,039)	(155,320)
Net special event proceeds	135,837	-	135,837	74,555
<b>Total public support</b>	<b>3,155,976</b>	<b>(954,529)</b>	<b>2,201,447</b>	<b>3,536,228</b>
<b>Revenue</b>				
Investment income, net	283,854	221,267	505,121	952,783
Licensing fees	156,947	-	156,947	53,103
Rental income	10,100	-	10,100	5,500
Change in value of split interest trusts and agreements	-	181,963	181,963	(37,904)
Change in value of perpetual trust interests	-	(7,586)	(7,586)	(1,467)
Miscellaneous income	1,818	-	1,818	-
<b>Total revenue</b>	<b>452,719</b>	<b>395,644</b>	<b>848,363</b>	<b>972,015</b>
<b>Total Public Support and Revenue</b>	<b>3,608,695</b>	<b>(558,885)</b>	<b>3,049,810</b>	<b>4,508,243</b>
<b>Expenses</b>				
Program services	1,907,939	-	1,907,939	3,100,350
Management and general	262,850	-	262,850	198,586
Fundraising	451,032	-	451,032	474,545
<b>Total expenses</b>	<b>2,621,821</b>	<b>-</b>	<b>2,621,821</b>	<b>3,773,481</b>
<b>Increase (decrease) in net assets</b>	<b>986,874</b>	<b>(558,885)</b>	<b>427,989</b>	<b>734,762</b>
<b>Net assets, beginning of year</b>	<b>3,963,226</b>	<b>7,846,180</b>	<b>11,809,406</b>	<b>11,074,644</b>
<b>Net assets, end of year</b>	<b>\$ 4,950,100</b>	<b>\$ 7,287,295</b>	<b>\$ 12,237,395</b>	<b>\$ 11,809,406</b>

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

**UNITED WAY FOR SANTA BARBARA COUNTY, INC.**  
**Statement of Functional Expenses**  
Year Ended June 30, 2019  
(With Summarized Comparative Totals for the Year 2018)

	Program Services	Management and General	Fundraising	Total	
				2019	2018
<b>Salaries and benefits</b>					
Salaries and wages	\$ 762,156	\$ 102,280	\$ 219,932	\$ 1,084,368	\$ 1,063,269
Payroll taxes	64,488	18,609	8,654	91,751	93,206
Employee benefits	124,504	35,928	16,708	177,140	156,294
Total salaries and benefits	<u>951,148</u>	<u>156,817</u>	<u>245,294</u>	<u>1,353,259</u>	<u>1,312,769</u>
<b>Operating expenses</b>					
Advertising	26,929	2,369	29,117	58,415	84,756
Dues	20,579	4,208	3,029	27,816	27,326
Information technology	11,239	5,872	17,765	34,876	52,853
Insurance	2,788	6,416	-	9,204	5,786
Legal	1,745	723	-	2,468	-
Meetings, conferences & events	57,544	4,299	8,663	70,506	79,388
Occupancy	27,872	5,674	16,990	50,536	46,966
Office expenses	58,129	5,425	15,231	78,785	42,818
Printing	3,212	18	6,694	9,924	11,066
Professional services	58,730	35,892	32,226	126,848	115,296
Program supplies (in-kind)	116,987	-	-	116,987	126,864
Software licenses	192,501	-	-	192,501	-
Travel	29,355	5,472	4,741	39,568	28,494
Total other operating expenses	<u>607,610</u>	<u>76,368</u>	<u>134,456</u>	<u>818,434</u>	<u>621,613</u>
<b>Other operating expenses</b>					
Provision for uncollectible pledges	-	-	71,282	71,282	48,602
Community impact grants	349,181	-	-	349,181	1,760,348
Depreciation	-	29,665	-	29,665	30,149
Total non-operating expenses	<u>349,181</u>	<u>29,665</u>	<u>71,282</u>	<u>450,128</u>	<u>1,839,099</u>
Total expenses	<u>\$ 1,907,939</u>	<u>\$ 262,850</u>	<u>\$ 451,032</u>	<u>\$ 2,621,821</u>	<u>\$ 3,773,481</u>

**UNITED WAY FOR SANTA BARBARA COUNTY, INC.**

**Statement of Cash Flows**

Year Ended June 30, 2019

(With Summarized Comparative Totals for the Year 2018)

	<u>2019</u>	<u>2018</u>
<b><i>Cash flows from operating activities</i></b>		
Increase in net assets	\$ 427,989	\$ 734,762
Adjustments to reconcile increase in net assets to net cash provided (used) by operating activities:		
Depreciation	29,665	30,149
Unrealized and realized gain on investments	(311,950)	(828,012)
Net realized gains on investments	(109,228)	-
Change in split interest agreements and obligations	(181,963)	37,905
Change in perpetual trust	7,586	1,467
(Increase) decrease in:		
Pledges receivable	4,789	71,986
Prepaid expenses	(93,561)	(37,732)
Increase (decrease) in:		
Accounts payable and other current liabilities	(699,334)	697,008
Accrued payroll and related expenses	14,654	-
Deferred revenue	74,893	63,097
<b><i>Net cash provided (used) by operating activities</i></b>	<u>(836,460)</u>	<u>770,630</u>
<b><i>Cash flows from investing activities</i></b>		
Proceeds from sale of investments	1,703,081	2,819,008
Purchase of investments	(1,402,174)	(2,499,993)
Change in cash held for board designated endowment purposes	568,032	(1,060,552)
Purchase of property and equipment	<u>(77,873)</u>	<u>(8,751)</u>
<b><i>Net cash provided (used) by investing activities</i></b>	<u>791,066</u>	<u>(750,288)</u>
Net increase (decrease) in cash and cash equivalents	(45,394)	20,342
<b><i>Cash and cash equivalents, beginning of year</i></b>	<u>115,532</u>	<u>95,190</u>
<b><i>Cash and cash equivalents, end of year</i></b>	<u>\$ 70,138</u>	<u>\$ 115,532</u>

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



**UNITED WAY OF SANTA BARBARA COUNTY, INC.**  
**Notes to Financial Statements**  
June 30, 2019  
(With Summarized Comparative Totals for 2018)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies of United Way of Santa Barbara County, Inc. (the “Organization”) is presented to assist in understanding the Organization’s financial statements. The financial statements and notes are representations of the Organization’s management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America (GAAP) and have been consistently applied in the preparation of the financial statements.

*Nature of Activities*

The Organization is a California non-profit public benefit corporation that has served the local community since its founding in 1923. The organization solicits contributions from individuals, organizations and foundations during its annual fundraising campaign and through a variety of other fundraising activities.

The Organization innovates and works smarter to make life better for the children, families and seniors in the Santa Barbara County Community. The Organization researches best practices; plans, creates and manages strategic partnerships with hundreds of local nonprofits and organizations to connect strengths, multiply resources, and implement the best plans and programs to improve education, health, and financial empowerment throughout Santa Barbara County. The objectives of achieving improvements in education, health, and financial empowerment represent the ten-year goals identified by thousands of community members.

*Financial Statement Presentation*

Information regarding the Organization’s financial position and activities are based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions that may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of 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 are permanent in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

### *Cash and Cash Equivalents*

For purposes of the statement of cash flows, cash and cash equivalents consists of cash on hand, and cash in banks, and excludes cash and cash equivalents held for investment, restricted cash, and cash designated for long-term use.

### *Contributions*

All contributions are considered available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as donor restricted support that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

### *In-kind Contributions*

Donated goods and services are recognized as in-kind contributions in accordance with GAAP for not-for-profit organizations, if the goods and services (a) create or enhance non-financial assets or (b) the services require specialized skills and are performed by people with those skills and would otherwise be purchased by the Organization. The amount of in-kind contributions of goods and services received for June 30, 2019 and 2018, totaled \$116,987 and \$126,864, respectively.

### *Functional Expenses*

The Organization allocates its expenses on a functional basis among its various program and support services. Expenses that can be identified with a specific program and support service are allocated directly according to their expenditure classification. Other expenses that are common to several functions are allocated based on total square feet. The Organization at times conducts its fundraising activities in conjunction with its other activities. In these cases, joint costs have been allocated between fundraising and management and general expenses or program expense in accordance with standards for accounting for costs of activities that include fundraising.

### *Pledges Receivable*

Pledges receivable are unconditional promises to give that are recognized as contributions when the promise is received. Pledges receivable that are expected to be collected in less than one year are reported at net realizable value. Pledges receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The allowance for uncollectible pledges receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is postponed.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

### *Uncertain Tax Positions*

Financial Accounting Standards Board's ASC 740-10, *Accounting for Uncertainty in Income Taxes*, prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Organization files tax returns in the U.S. federal jurisdiction and in the state of California. The Organization's tax returns from the year 2016 to the present remain subject to examination by the IRS for federal tax purposes, and the tax years from 2015 to the present remain subject to examination by the state of California. Management has evaluated its tax positions for all jurisdictions in which the statute of limitations remains open and has determined that the Organization had taken no uncertain tax positions that require adjustment to the financial statements. The Organization had no unrecognized tax benefits related to tax positions taken during the year ended June 30, 2019 or for prior periods.

### *Tax Exempt Status*

The Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenue and Taxation Code, and is considered a public charity.

### *Prior-Year Summarized Comparative Information*

The financial statements include certain prior-year summarized comparative information in total but are not presented by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

### *Fair Value Measurements*

The Organization follows Accounting Standard Codification (ASC) No. 820, *Fair Value Measurements and Disclosures*, issued by the Financial Accounting Standards Board (FASB). This standard defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. Pursuant to ASC No. 820, assets and liabilities recorded at fair value are categorized based upon the level of judgment associated with the inputs used to measure fair value. ASC No. 820 establishes a three-level fair value hierarchy that describes the inputs that are used to measure the fair values of respective assets and liabilities:

Level 1 – Quoted prices are available in active markets for identical investments as of the reporting date.

Level 2 – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Level 3 – Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment, estimation, or other unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis.

*Cash:* Valued at face value. (Level 1)

*Equity securities and mutual and exchange traded funds:* Valued utilizing quoted prices available in active markets for identical investments as of the reporting date. (Level 1)

*Fixed income:* Valued utilizing benchmark yields, reported trades or broker dealer quotes. (Level 2)

*Split interest trusts and agreements:* Valued using life expectancy and discount factors obtained from external sources. (Level 2)

*Interest in perpetual trusts:* Valued based on the assets held by the trust utilizing quoted prices available in active markets for identical investments as of the reporting date. These assets consist of cash and cash equivalents, bonds, mutual funds, and equity securities. The Organization does not have the ability to control or direct the assets held by others and the income and principal is subject to certain restrictions on redemption. (Level 2)

### *Property and Equipment*

Land, building and equipment are recorded at cost or, if donated, at the fair value at the time of the donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets to a specified purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies donor restricted net assets to unrestricted net assets at that time. Building and equipment are depreciated using the straight-line method over the respective estimated useful lives, which range from five to twenty years. Long-lived assets are capitalized if the cost is \$1,000 or greater and have an estimated useful life of one year or greater.

	<u>Years</u>
Buildings and improvements	5-20
Furniture and equipment	5-10
Computers, software, and vehicles	5

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

### *Use of Estimates*

Financial statements prepared in accordance with GAAP require management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates. Significant estimates made by management include establishment of a reserve for doubtful contributions receivable, allocation of functional expenses and estimated useful lives of fixed assets.

### *New Accounting Pronouncement*

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization implemented ASU 2016-14 and adjusted the presentation of the financial statements accordingly.

### *Reclassifications*

Certain items in the 2018 financial statements were reclassified in order to conform to the 2019 presentation.

### *Subsequent Events*

Management has evaluated subsequent events through December 13, 2019, the date that the financial statements were available to be issued.

## 2. AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following as of June 30, 2019:

Cash and cash equivalents	\$ 70,138
Pledge receivable, net	438,267
Investments – non-endowment	<u>1,228,409</u>
	<u>\$ 1,736,814</u>

Additional funds are expected to be received from investment income, contributed income, and from restricted cash as donor use restrictions are met. These funds combined with the available funds are expected to meet the amounts needed to fund the operations of the Organization for the fiscal year ending June 30, 2020.

### 3. PLEDGES RECEIVABLE

As of June 30, 2019, pledge receivables are expected to be received as follows:

Less than 1 year	\$ 502,717
1 year to 5 years	<u>5,550</u>
Allowance for uncollectible pledges receivable	<u>(70,000)</u>
	<u>\$ 438,267</u>

### 4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Land	\$ 218,000	\$ 218,000
Buildings	1,412,513	1,380,445
Furniture and equipment	244,063	216,467
Vehicles	<u>48,267</u>	<u>48,267</u>
	1,922,843	1,863,179
	<u>(1,522,856)</u>	<u>(1,511,400)</u>
	<u>\$ 399,987</u>	<u>\$ 351,779</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$29,665 and \$30,149, respectively.

### 5. SPLIT-INTEREST TRUSTS AND AGREEMENTS

A split-interest agreement is a contribution that results in the sharing of legal rights to certain assets by the nonprofit and the donor. The Organization records such split-interest agreements held in charitable remainder trusts, charitable gifts annuities, and pooled income funds as follows:

## 5. SPLIT-INTEREST TRUSTS AND AGREEMENTS (Cont.)

### *Charitable Gift Annuities*

Charitable gift annuity donors have contributed assets to the Organization in exchange for a promise by the Organization to pay a fixed benefit for a specified period of time to the donor or to individuals or organizations designated by the donor. Under the terms of the agreements, no trust exists, as the assets received are held by the Organization, and the liability is an obligation of the Organization. The Organization records new gifts at the fair market value of the assets, less the present value of the estimated future payments to the named beneficiaries. The present value of the estimated payments is calculated using an IRS discount rate in effect at the time of the contract. Subsequent changes in the value from prior year are recorded using the fair value of the assets less the present value of the payments expected to be made to the beneficiaries. A discount rate of 5% is used to determine the change in value. The change in value is recorded in the Statement of Activities under changes in value of split interest trusts and agreements. The total fair market value of the four charitable gift annuities was \$698,920 with a corresponding liability for future payments of \$21,445 at June 30, 2019. The total fair market value of the five charitable gift annuities was \$716,813 with a corresponding liability for future payments of \$269,974 at June 30, 2018.

### *Pooled Income Funds*

Pooled Income Fund donors have contributed assets to the Organization in exchange for a net income payout for a specified period of time. Under the terms of the agreements, no trust exists, as the assets are held by the Organization. The fair market value of the assets is recorded in the Organization's Statement of Financial Position and a corresponding liability is recorded for the present value of the future payments to the named beneficiaries. Subsequent changes in the value from prior year are recorded using the fair value of the assets less the present value of the payments expected to be made to the beneficiaries. The change in value is recorded in the Statement of Activities under changes in value of split interest trusts and agreements. The fair market value of the pooled income funds at June 30, 2019 and 2018 were \$325,360 and \$330,815 with corresponding liabilities for future payments of \$229,127 and \$212,080, respectively.

### *Charitable Remainder Trusts*

The Organization is named as an irrevocable remainder beneficiary of charitable trusts, which have been established by donors to provide income, generally for life, to designated beneficiaries. At the end of the term, or upon death of the income beneficiaries, assets remaining in the trust will be transferred to the Organization. Each year, beneficiaries receive a percentage of the trust's fair market value, generally limited to net income or net income with make-up provisions.

## 5. SPLIT-INTEREST TRUSTS AND AGREEMENTS (Cont.)

If the Organization is the trustee, the fair market value of the trust is recorded in the Organization's statement of financial position. A corresponding liability is recorded for the present value of the future payments as specified in the trust agreement using a discount rate of 5%. A contribution is recorded for the difference between the two amounts. The fair market value of the one trust in which the Organization was named the trustee were \$205,916 and \$207,618 with a corresponding payment liability for future payments of \$127,237 and \$131,045 at June 30, 2019 and 2018, respectively.

If the Organization is not the named trustee and does not exercise control over the assets, contribution revenue and assets are recognized using the fair value of the assets less the present value of the liabilities of the trust. Changes in the fair value of the assets less the present value of the liabilities are recognized in the Statement of Activities under changes in value of split interest trusts and agreements. At June 30, 2019 and 2018, the present value of these trusts where the Organization is not the trustee were \$182,577 and \$210,854, respectively.

A summary of split interest values at June 30, 2019 are as follows:

	<u>Assets</u>	<u>Obligations</u>
Charitable gift annuities	\$ 698,920	\$ 21,445
Pooled income funds	325,360	229,127
Charitable reminder trusts	<u>388,493</u>	<u>127,237</u>
	<u>\$ 1,412,773</u>	<u>\$ 377,809</u>

A summary of split interest values at June 30, 2018 are as follows:

	<u>Assets</u>	<u>Obligations</u>
Charitable gift annuities	\$ 716,813	\$ 269,974
Pooled income funds	330,815	212,080
Charitable reminder trusts	<u>418,472</u>	<u>131,045</u>
	<u>\$ 1,466,100</u>	<u>\$ 613,099</u>

### *Perpetual Trusts Interest*

The Organization is named as an income beneficiary of two perpetual trusts, the corpus of which is not controlled by the management of the Organization. Under these arrangements, the Organization has the irrevocable right to receive income earned on the underlying assets held in perpetuity.

Since the Organization is a beneficiary of this stream of income in perpetuity, the Organization's share of the fair market value of the trusts' investments is recorded as an asset, with a fair market value of \$698,836 and \$706,403 at June 30, 2019 and 2018, respectively. Any change in subsequent years in the fair market value of the Organization's shares of the trust investments is recorded in the Statements of Activities as a change in value of perpetual trust interests.



## 6. CONCENTRATIONS AND RISKS

The Organization maintains cash balances at two financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. Cash balances held in brokerage accounts are insured by the Securities Investor Protection Corporation (SIPC) up to \$250,000 per institution. Uninsured cash balances at June 30, 2019 totaled approximately \$747,000.

## 7. ENDOWMENT FUNDS

### *Interpretation of Relevant Law*

The Board of Directors have interpreted the California adopted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring a long-term investment strategy designed to preserve the fair value of the original gift, as of the gift date. As a result of this interpretation, the Organization has classified as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The accumulated earnings portion of the donor-restricted endowment funds is classified as donor restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard for prudence prescribed by UPMIFA.

In accordance with California UPMIFA, the organization considers the following factors in making a determination to appropriate or invest donor-restricted endowment funds:

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

### *Funds with Deficiencies*

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. At June 30, 2019, there were no funds with deficiencies.

## 7. ENDOWMENT FUNDS (Cont.)

### *Investment Return Objectives, Risk Parameters, and Strategies*

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity.

### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, The Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on common stocks and equity mutual fund investments to achieve its long-term return objectives within prudent risk constraints.

### *Spending Policy*

The Organization's investment committee has established a spending rate equal to a target of up to approximately 5% of the endowment's average three-year portfolio value at the Organization's fiscal year end.

The Organization's endowment has been established for a variety of program purposes. Its endowment consists of board designated and donor-restricted endowment funds. As required by generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### *Composition of Endowment Assets*

At June 30, 2019 the endowment fund held the following assets:

Cash held in bank	\$ 32,963
Cash held at investment brokers	589,531
Investments	<u>7,323,574</u>
Total assets held in endowment fund	<u>\$ 7,945,798</u>

At June 30, 2018 the endowment fund held the following assets:

Cash held at investment brokers	\$ 509,784
Investments	<u>7,477,560</u>
Total assets held in endowment fund	<u>\$ 7,987,344</u>

## 7. ENDOWMENT FUNDS (Cont.)

Endowment net asset composition by type of fund as of June 30, 2019:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated endowment funds	\$ 3,372,622	\$ -	\$ -	\$ 3,372,622
Donor restricted endowment funds	<u>-</u>	<u>1,274,763</u>	<u>3,298,413</u>	<u>4,573,176</u>
Total	<u>\$ 3,372,622</u>	<u>\$ 1,274,763</u>	<u>\$ 3,298,413</u>	<u>\$ 7,945,798</u>

Endowment net asset composition by type of fund as of June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Board designated endowment funds	\$ 3,288,546	\$ -	\$ -	\$ 3,288,546
Donor restricted endowment funds	<u>-</u>	<u>1,433,180</u>	<u>3,265,618</u>	<u>4,698,798</u>
Total	<u>\$ 3,288,546</u>	<u>\$ 1,433,180</u>	<u>\$ 3,265,618</u>	<u>\$ 7,987,344</u>

As of June 30, 2019 and 2018, changes in endowment net assets consist of the following:

<u>June 30, 2019</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning endowment net assets	\$ 3,288,546	\$ 1,433,180	\$ 3,265,618	\$ 7,987,344
Net investment return	228,291	221,267	-	449,558
Contributions	58,105	-	32,795	90,900
Appropriation of endowment for expenditure	<u>(202,320)</u>	<u>(379,684)</u>	<u>-</u>	<u>(582,004)</u>
Ending endowment net assets	<u>\$ 3,372,622</u>	<u>\$ 1,274,763</u>	<u>\$ 3,298,413</u>	<u>\$ 7,945,798</u>

## 7. ENDOWMENT FUNDS (Cont.)

<u>June 30, 2018</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Beginning endowment net assets	\$ 2,981,457	\$ 1,252,925	\$ 3,210,618	\$ 7,445,000
Net investment return	421,103	494,339	-	915,442
Contributions	47,721	-	55,000	102,721
Appropriation of endowment for expenditure	<u>(161,735)</u>	<u>(314,084)</u>	<u>-</u>	<u>(475,819)</u>
Ending endowment net assets	<u>\$ 3,288,546</u>	<u>\$ 1,433,180</u>	<u>\$ 3,265,618</u>	<u>\$ 7,987,344</u>

## 8. INVESTMENTS

Investments consist of the following:

<u>June 30, 2019</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Excess of Fair Value Over Cost</u>
Cash and cash equivalents	\$ 589,531	\$ 589,531	\$ -
U.S. equities	1,913,116	2,637,808	724,692
International equities	823,018	911,961	88,943
Mutual funds –			
U.S. equity	576,903	792,625	215,722
International equity	1,042,320	1,110,997	68,677
Fixed income US	893,605	895,920	2,315
Exchange traded funds -			
U.S. equity	464,601	586,960	122,359
Fixed income -			
Corporate	738,563	750,969	12,406
Government	422,586	423,332	746
Alternative investments	<u>371,846</u>	<u>441,411</u>	<u>69,565</u>
Totals	<u>\$ 7,836,089</u>	<u>\$ 9,141,514</u>	<u>\$ 1,305,425</u>

## 8. INVESTMENTS (Cont.)

<u>June 30, 2018</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Excess (Deficit) of Fair Value Over Cost</u>
Cash and cash equivalents	\$ 570,693	\$ 570,693	\$ -
U.S. equities	1,943,978	2,440,133	496,155
International equities	764,072	856,346	92,274
Mutual funds –			
U.S. equity	1,294,361	1,511,973	217,612
International equity	809,938	901,099	91,161
Fixed income US	-	-	-
Exchange traded funds -			
U.S. equity	1,168,033	1,304,223	136,190
Fixed income -			
Corporate	699,647	679,178	(20,469)
Government	423,096	410,007	(13,089)
Alternative investments	<u>304,030</u>	<u>328,774</u>	<u>24,744</u>
	<u>\$ 7,977,848</u>	<u>\$ 9,002,426</u>	<u>\$ 1,024,578</u>

Investment income for the years ended June 30, 2019 and 2018 consists of the following:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 164,346	\$ 201,693
Net realized gain	109,228	373,849
Net change in unrealized gain	<u>311,950</u>	<u>454,163</u>
	585,524	1,029,705
Less investment management fee	<u>(80,403)</u>	<u>(76,922)</u>
Total investment income, net	<u>\$ 505,121</u>	<u>\$ 952,783</u>

## 9. FAIR VALUE MEASUREMENTS

The following sets forth by level, within the fair value hierarchy, the Organization's assets and liabilities at fair value as of June 30, 2019:

	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 3)</u>
<b><i>Assets</i></b>			
Cash and cash equivalents	\$ 589,531	\$ -	\$ -
U.S. equities	2,637,808	-	-
International equities	911,961	-	-
Mutual funds –			
U.S. equity	792,625	-	-
International equity	1,110,997	-	-
Fixed income US	895,920	-	-
Exchange traded funds -			
U.S. equity	586,960	-	-
Fixed income -			
Corporate	-	750,969	-
Government	-	423,332	-
Real estate investment trust	-	441,411	-
Assets held in split interest trusts and agreements			
Cash and cash equivalents	679,378	-	-
U.S. equity	352,863	-	-
Real asset fund	7,170	-	-
Corporate fixed income	-	245,366	-
Government fixed income	-	26,642	-
Life insurance cash value	-	-	101,354
Interest in perpetual trusts			
Cash and cash equivalents	42,187	-	-
U.S. equity	359,293	-	-
Real asset fund	27,786	-	-
Corporate fixed income	-	163,689	-
Alternative investment	-	-	105,881
<b><i>Total Assets</i></b>	<b><u>\$ 8,994,479</u></b>	<b><u>\$ 2,051,409</u></b>	<b><u>\$ 207,235</u></b>
<b><i>Liabilities</i></b>			
Split interest trusts			
Trustee	\$ -	\$ 90,076	\$ -
Non-trustee	-	287,733	-
<b><i>Total Liabilities</i></b>	<b><u>\$ -</u></b>	<b><u>\$ 377,809</u></b>	<b><u>\$ -</u></b>

## 9. FAIR VALUE MEASUREMENTS (Cont.)

The following sets forth by level, within the fair value hierarchy, the Organization's assets as of June 30, 2018:

	<u>Fair Value (Level 1)</u>	<u>Fair Value (Level 2)</u>	<u>Fair Value (Level 3)</u>
<b><i>Assets</i></b>			
Cash and cash equivalents	\$ 570,693	\$ -	\$ -
U.S. equities	2,440,133	-	-
International equities	856,346	-	-
Mutual funds –			
U.S. equity	1,511,973	-	-
International equity	901,099	-	-
Exchange traded funds -			
U.S. equity	1,304,223	-	-
Fixed income -			
Corporate	-	679,178	-
Government	-	410,007	-
Real estate investment trusts	-	328,744	-
Assets held in split interest trusts and agreements			
Cash and cash equivalents	43,706	-	-
U.S. equity	648,364	-	-
Real asset fund	7,830	-	-
Corporate fixed income	-	250,276	-
Government fixed income	-	397,111	-
Life insurance cash value	-	-	100,116
Alternative investments	-	-	18,697
Interest in perpetual trusts			
Cash and cash equivalents	40,738	-	-
U.S. equity	364,226	-	-
Real asset fund	28,167	-	-
Corporate fixed income	-	165,937	-
Alternative investment	-	-	107,335
<b><i>Total Assets</i></b>	<b><u>\$ 8,717,498</u></b>	<b><u>\$ 2,234,253</u></b>	<b><u>\$ 226,148</u></b>
<b><i>Liabilities</i></b>			
Split interest trusts			
Trustee	\$ -	\$ 92,076	\$ -
Non-trustee	-	520,362	-
<b><i>Total Liabilities</i></b>	<b><u>\$ -</u></b>	<b><u>\$ 613,099</u></b>	<b><u>\$ -</u></b>

## 9. FAIR VALUE MEASUREMENTS (Cont.)

### *Level 3 Activity*

The tables below sets forth a summary of changes in the fair value of the Organization's level 3 assets for the year ended June 30, 2019:

Life insurance cash value in split interest trusts and agreements:

Balance, beginning of year	\$ 100,116
Increase in cash surrender value	<u>1,238</u>
Total life insurance cash value	<u>\$ 101,354</u>

Alternative investments in split interest trusts and agreements:

Balance, beginning of year	\$ 18,697
Distribution	<u>(18,697)</u>
Total alternative investments	<u>\$ -</u>

Life insurance cash value in split interest trusts and agreements:

Balance, beginning of year	\$ 107,335
Unrealized loss	<u>(1,454)</u>
Total alternative investments	<u>\$ 105,881</u>

## 10. RETIREMENT PLANS

The Organization has both a 403(b) plan and a qualified employer defined contribution retirement plans for its employees. Eligibility is as follows:

### *403(b) Plan*

All eligible employees may participate and make salary deductions. There is no minimum age or service requirement for participant contributions, however, to receive the employer match, employees must be at least 21 years of age and complete at least one year of service. One year of service, for purposes of the Plan, is credited at the end of the participants first twelve months of service in which they satisfy at least 700 hours of service from their hire date until their anniversary date.

The Organization makes a matching contribution on the participant's behalf equal to 50% of their salary deduction amount, not to exceed 9% of compensation for the year.



## 10. RETIREMENT PLANS (Cont.)

### *Defined Contribution Plan*

All eligible employees are may participate. The age requirement is 21 years of age and participants must complete one year of service. One year of service, for purposes of the Plan, is credited at the end of the participants first twelve months of service in which they satisfy at least 700 hours of service from their hire date until their anniversary date.

The Organization makes a contribution on the participants behalf based on service as follows:

<b>Years of service</b>	<b>Percentage of compensation</b>
Less than 30 completed years of service	8%
30 completed years of service or more	15%

The Organization has a non-qualified 457(b) Eligible Deferred Compensation Plan. Three employees have participated in this plan since its establishment in 2002; two have retired as of June 30, 2018. As of June 30, 2019, there is one participant in the plan.

Retirement plan expense for the year ended June 30, 2019 and 2018 was \$95,577 and \$91,377, respectively.

## 11. NET ASSETS

Designated net assets consist of assets that have been designated by the board of directors for use either for a specific purpose or time period. At June 30, 2019 and 2018, designated net assets consist of the following:

	<u>2019</u>	<u>2018</u>
Strategic reserve	\$ 34,356	\$ 51,029
Capital needs reserve	<u>10,758</u>	<u>60,909</u>
Total designated net assets non-endowment	45,114	111,938
Designated net assets endowment	<u>3,372,622</u>	<u>3,288,546</u>
Total board designated net assets	<u>\$ 3,417,736</u>	<u>\$ 3,400,484</u>

## 11. NET ASSETS (Cont.)

Donor restricted net assets consist of assets subject to donor restrictions for use in future periods and for variety of programs. The income from endowment and perpetual trust assets can be used to support the Organization's various programs and general operations.

At June 30, 2019 and 2018, donor restricted net assets were restricted for the following:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose		
Fun in the Sun	\$ 198,869	\$ 227,190
Literacy programs	225,095	121,049
Kindergarten Success Institutes	6,822	48,025
Day of Caring	10,000	2,500
Thomas Fire and Flood	<u>95,716</u>	<u>740,608</u>
	<u>536,502</u>	<u>1,139,372</u>
Restricted for time		
Pledges receivable, net	443,817	448,606
Assets held in split interest trusts	<u>1,034,964</u>	<u>853,001</u>
	<u>1,478,781</u>	<u>1,301,607</u>
Endowment		
Various programs subject to endowment spending policy	1,274,763	1,433,180
Designated net assets endowment	<u>3,298,413</u>	<u>3,265,618</u>
	<u>4,573,176</u>	<u>4,698,798</u>
Interest in perpetual trusts	<u>698,836</u>	<u>706,403</u>
Total donor restricted net assets	<u>\$ 7,287,295</u>	<u>\$ 7,846,180</u>