



*Report of Independent Auditors and
Financial Statements*



United Way of the Bay Area

June 30, 2020 and 2019

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Report of Independent Auditors

To the Board of Directors
United Way of the Bay Area

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of the Bay Area (“UWBA”), which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, 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 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 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 UWBA’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 UWBA’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 the Bay Area as of June 30, 2020 and 2019, 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.

Moss Adams LLP

San Francisco, California

April 27, 2021

Financial Statements

United Way of the Bay Area
Statements of Financial Position
June 30, 2020 and 2019

ASSETS

Cash and cash equivalents	\$ 3,284,589	\$ 1,530,181
Pledges receivable, net	6,254,990	5,742,809
Grants and contracts receivable, net	3,336,362	3,956,655
United Way Digital Holdings LLC receivable	162,266	168,321
Investments	14,412,433	14,279,678
Prepays and other assets	437,889	461,311
Furniture, equipment, and leasehold improvements, net	251,525	430,689
	<u>28,140,054</u>	<u>26,569,644</u>
Total assets	<u>\$ 28,140,054</u>	<u>\$ 26,569,644</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Operating payables and accruals	\$ 1,655,257	\$ 1,586,112
Donor designations and allocations payable	1,997,885	3,009,842
Line of credit	2,400,000	2,400,000
Paycheck Protection Program loan payable	1,199,124	-
Accrued vacation and related costs	238,644	454,169
Deferred SPC revenue	-	3,663
Deferred rent	375,018	469,012
Liabilities to beneficiaries from split interest agreements	16,110	17,030
Accrued pension costs	6,108,732	4,027,145
	<u>13,990,770</u>	<u>11,966,973</u>
Total liabilities	<u>13,990,770</u>	<u>11,966,973</u>

NET ASSETS

Without donor restrictions		
Undesignated	9,988,242	8,842,192
Board-designated	2,641,534	2,597,349
Pension liability in excess of intangible pension assets	(8,835,025)	(6,465,035)
	<u>3,794,751</u>	<u>4,974,506</u>
Total net assets without donor restrictions	<u>3,794,751</u>	<u>4,974,506</u>
With donor restrictions	<u>10,354,533</u>	<u>9,628,165</u>
Total net assets	<u>14,149,284</u>	<u>14,602,671</u>
Total liabilities and net assets	<u>\$ 28,140,054</u>	<u>\$ 26,569,644</u>

United Way of the Bay Area
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Public support:			
Gross campaign results	\$ 17,013,756	\$ 19,976	\$ 17,033,732
Less donor designations	(10,564,066)	-	(10,564,066)
Campaign revenue	6,449,690	19,976	6,469,666
Less provision for uncollectible pledges	(473,243)	-	(473,243)
Net campaign revenue	5,976,447	19,976	5,996,423
Grants	184,239	11,549,216	11,733,455
Other contributions	3,157,395	12,000	3,169,395
Planned giving	155,321	-	155,321
Net assets released from restrictions	12,683,049	(12,683,049)	-
Total public support	22,156,451	(1,101,857)	21,054,594
Service fees and earned income	389,201	1,841,222	2,230,423
Investment income, net	327,771	193,696	521,467
Net realized and unrealized loss on investments	(71,690)	(206,693)	(278,383)
Total public support and revenue	22,801,733	726,368	23,528,101
ALLOCATIONS AND EXPENSES			
Program services:			
Gross funds awarded/allocated to agencies	10,564,066	-	10,564,066
211 initiative	1,201,521	-	1,201,521
Economic success	5,097,767	-	5,097,767
Other community services	8,777,794	-	8,777,794
Donor designations	(10,564,066)	-	(10,564,066)
Total program services	15,077,082	-	15,077,082
Support services:			
Management and general	4,618,790	-	4,618,790
Fundraising	1,915,626	-	1,915,626
Total support services	6,534,416	-	6,534,416
Total allocations and expenses	21,611,498	-	21,611,498
CHANGE IN NET ASSETS BEFORE PENSION-RELATED CHANGES	1,190,235	726,368	1,916,603
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	(2,369,990)	-	(2,369,990)
CHANGE IN NET ASSETS	(1,179,755)	726,368	(453,387)
NET ASSETS, beginning of year	4,974,506	9,628,165	14,602,671
NET ASSETS, end of year	\$ 3,794,751	\$ 10,354,533	\$ 14,149,284

United Way of the Bay Area
Statement of Activities and Changes in Net Assets (Continued)
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Public support:			
Gross campaign results	\$ 21,286,853	\$ 59,900	\$ 21,346,753
Less donor designations	(13,809,138)	-	(13,809,138)
Campaign revenue	7,477,715	59,900	7,537,615
Less provision for uncollectible pledges	(516,223)	-	(516,223)
Net campaign revenue	6,961,492	59,900	7,021,392
Grants	449,050	4,166,776	4,615,826
Other contributions	2,681,667	253,210	2,934,877
Planned giving	193,506	1,222	194,728
Net assets released from restrictions	6,714,671	(6,714,671)	-
Total public support	17,000,386	(2,233,563)	14,766,823
Service fees and earned income	519,018	1,064,077	1,583,095
Investment income, net	208,321	93,296	301,617
Net realized and unrealized gain on investments	295,319	158,068	453,387
Other income (loss)	136,726	(136,628)	98
Total public support and revenue	18,159,770	(1,054,750)	17,105,020
ALLOCATIONS AND EXPENSES			
Program services:			
Gross funds awarded/allocated to agencies	13,816,296	-	13,816,296
211 initiative	1,186,943	-	1,186,943
Economic success	6,858,309	-	6,858,309
Other community services	3,836,823	-	3,836,823
Donor designations	(13,809,138)	-	(13,809,138)
Total program services	11,889,233	-	11,889,233
Support services:			
Management and general	3,428,960	-	3,428,960
Fundraising	3,549,598	-	3,549,598
Total support services	6,978,558	-	6,978,558
Total allocations and expenses	18,867,791	-	18,867,791
CHANGE IN NET ASSETS BEFORE PENSION-RELATED CHANGES	(708,021)	(1,054,750)	(1,762,771)
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	(937,174)	-	(937,174)
CHANGE IN NET ASSETS	(1,645,195)	(1,054,750)	(2,699,945)
NET ASSETS, beginning of year	6,619,701	10,682,915	17,302,616
NET ASSETS, end of year	\$ 4,974,506	\$ 9,628,165	\$ 14,602,671

United Way of the Bay Area
Statement of Functional Expenses
For the Year Ended June 30, 2020

	Program Services					Support Services				Total
	Funds Awarded/ Allocated to Agencies	2-1-1 Initiative	Economic Success	Other Community Services	Donor Designations	Total Program Services	Management and General	Fundraising	Total Support Services	
ALLOCATIONS AND EXPENSES										
Salaries	\$ -	\$ 90,099	\$ 966,838	\$ 782,726	\$ -	\$ 1,839,663	\$ 2,106,741	\$ 1,054,137	\$ 3,160,878	\$ 5,000,541
Payroll taxes and employee benefits	-	29,194	319,940	251,817	-	600,951	611,851	279,191	891,042	1,491,993
Subtotal	-	119,293	1,286,778	1,034,543	-	2,440,614	2,718,592	1,333,328	4,051,920	6,492,534
Professional services	-	681,536	53,981	190,401	-	925,918	741,307	119,209	860,516	1,786,434
Supplies	-	4,139	20,120	27,341	-	51,600	13,982	9,134	23,116	74,716
Telephone	-	2,667	8,395	17,256	-	28,318	74,355	10,600	84,955	113,273
Postage, warehouse, and delivery	-	207	661	16,454	-	17,322	7,533	4,392	11,925	29,247
Occupancy	-	11,283	333,847	217,897	-	563,027	312,952	318,656	560,831	1,123,858
Insurance	-	-	-	-	-	-	-	-	70,777	70,777
Furniture, equipment, and leasehold improvements	-	57	37,864	807	-	38,728	237,102	10,273	247,375	286,103
Media and printing	-	18,976	309,700	681,903	-	1,010,579	9,909	84,132	94,041	1,104,620
Travel	-	1,109	20,483	19,548	-	41,140	30,406	14,262	44,668	85,808
Conference, training, and meetings	-	499	43,316	23,815	-	67,630	17,552	2,375	19,927	87,557
Bank, interest, merchant, and other fees	-	-	-	-	-	-	132,769	-	132,769	132,769
Miscellaneous	-	500	1,545	8,957	-	11,002	1,936	9,265	11,201	22,203
United Way Worldwide dues	-	85,255	-	4,650	-	89,905	180,514	-	180,514	270,419
Depreciation and amortization expense, loss on sale/abandonment of furniture, equipment, and leasehold improvements, net	-	-	51,272	-	-	51,272	139,881	-	139,881	191,153
Total	-	925,521	2,167,962	2,243,572	-	5,337,055	4,618,790	1,915,626	6,534,416	11,871,471
Allocations/awards/designations	10,564,066	276,000	2,929,805	6,534,222	(10,564,066)	9,740,027	-	-	-	9,740,027
TOTAL ALLOCATIONS AND EXPENSES	\$ 10,564,066	\$ 1,201,521	\$ 5,097,767	\$ 8,777,794	\$ (10,564,066)	\$ 15,077,082	\$ 4,618,790	\$ 1,915,626	\$ 6,534,416	\$ 21,611,498

United Way of the Bay Area
Statement of Functional Expenses (Continued)
For the Year Ended June 30, 2019

	Program Services					Support Services			Total	
	Funds Awarded/ Allocated to Agencies	2-1-1 Initiative	Economic Success	Other Community Services	Donor Designations	Total Program Services	Management and General	Fundraising		Total Support Services
ALLOCATIONS AND EXPENSES										
Salaries	\$ -	\$ 201,985	\$ 1,121,593	\$ 1,364,769	\$ -	\$ 2,688,347	\$ 1,558,028	\$ 1,577,781	\$ 3,135,809	\$ 5,824,156
Payroll taxes and employee benefits	-	88,904	371,655	503,906	-	964,465	560,044	469,060	1,029,104	1,993,569
Subtotal	-	290,889	1,493,248	1,868,675	-	3,652,812	2,118,072	2,046,841	4,164,913	7,817,725
Professional services	-	629,705	271,401	238,234	-	1,139,340	285,819	406,807	692,626	1,831,966
Supplies	-	3,131	36,826	26,329	-	66,286	14,527	12,608	27,135	93,421
Telephone	-	6,744	34,214	23,424	-	64,382	31,250	36,160	67,410	131,792
Postage, warehouse, and delivery	-	616	3,909	1,989	-	6,514	7,307	10,283	17,590	24,104
Occupancy	-	45,265	332,047	163,900	-	541,212	376,788	345,396	722,184	1,263,396
Insurance	-	1,966	13,496	7,030	-	22,492	16,294	14,920	31,214	53,706
Furniture, equipment, and leasehold improvements	-	21,447	177,698	79,532	-	278,677	192,722	166,975	359,697	638,374
Media and printing	-	30,759	334,208	262,724	-	627,691	62,766	67,008	129,774	757,465
Travel	-	7,428	37,681	40,745	-	85,854	19,630	37,426	57,056	142,910
Conference, training, and meetings	-	24,961	96,365	97,926	-	219,252	78,975	224,009	302,984	522,236
Bank, interest, merchant, and other fees	-	3,585	26,494	14,430	-	44,509	78,657	31,752	110,409	154,918
Miscellaneous	-	279	7,364	5,116	-	12,759	(14,701)	2,106	(12,595)	164
United Way Worldwide dues	-	12,757	87,590	45,625	-	145,972	105,749	96,826	202,575	348,547
Depreciation and amortization expense, loss on sale/abandonment of furniture, equipment, and leasehold improvements, net	-	7,411.00	101,369	27,852	-	136,632	55,105	50,481	105,586	242,218
Total	-	1,086,943	3,053,910	2,903,531	-	7,044,384	3,428,960	3,549,598	6,978,558	14,022,942
Allocations/awards/designations	13,816,296	100,000	3,804,399	933,292	(13,809,138)	4,844,849	-	-	-	4,844,849
TOTAL ALLOCATIONS AND EXPENSES	\$ 13,816,296	\$ 1,186,943	\$ 6,858,309	\$ 3,836,823	\$ (13,809,138)	\$ 11,889,233	\$ 3,428,960	\$ 3,549,598	\$ 6,978,558	\$ 18,867,791

United Way of the Bay Area
Statements of Cash Flows
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Change in net assets	\$ (453,387)	\$ (2,699,945)
Adjustments to reconcile change in net assets to net cash from (used in) operating activities		
Provision for uncollectible pledges	(109,879)	(14,898)
Change in discount on grants receivable	(9,620)	1,648
Change in discount on pledges receivable	(5,208)	47,533
Uncollectible pledge write-offs	236,934	170,033
Depreciation and amortization	191,153	242,218
Net realized and unrealized loss (gain) on investments	278,383	(453,387)
Pension related changes other than net periodic pension costs	2,369,990	937,174
Contributions restricted for investment in endowment	967	(1,656)
Changes in assets and liabilities		
Pledges receivable	(634,028)	(1,781,794)
Grants and contracts receivable	629,913	731,688
United Way Digital Holdings LLC receivable	6,055	(8,321)
Prepays and other assets	23,422	302,225
Operating payables and accruals	69,145	(446,128)
Donor designations and allocations payable	(1,011,957)	(469,883)
Accrued vacation and related costs	(215,525)	9,636
Deferred rent	(97,657)	(77,666)
Liabilities to beneficiaries from split interest agreements	(920)	(1,222)
Accrued pension costs	(288,403)	158,799
Net cash from (used in) operating activities	<u>979,378</u>	<u>(3,353,946)</u>
CASH FLOWS (USED IN) FROM INVESTING ACTIVITIES		
Purchases of investments	(3,002,331)	(749,526)
Proceeds from sale of investments	2,591,193	1,167,602
Purchases of furniture, equipment, and leasehold improvements	(11,989)	(123,364)
Net cash (used in) from investing activities	<u>(423,127)</u>	<u>294,712</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Payroll Protection Program loan	1,199,124	-
Contributions restricted for investment in endowment	(967)	1,656
Net cash from financing activities	<u>1,198,157</u>	<u>1,656</u>
CHANGE IN CASH AND CASH EQUIVALENTS	1,754,408	(3,057,578)
CASH AND CASH EQUIVALENTS, beginning of year	1,530,181	4,587,759
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 3,284,589</u>	<u>\$ 1,530,181</u>
SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR:		
Interest	<u>\$ 37,753</u>	<u>\$ 97,231</u>
Conversion of investments in LLC to a receivable from United Way Digital Holdings LLC	<u>\$ 168,321</u>	<u>\$ 160,000</u>

NOTE 1 – ORGANIZATION AND PURPOSE

United Way Bay Area (“UWBA”), incorporated in California in 1955, is an independent, locally managed nonprofit organization. It has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. UWBA has also made the 501(h) election under the IRS code. Accordingly, no provision for income taxes is included in the financial statements.

As UWBA approaches its centennial, it is proud to be continuing a long tradition of leadership in the local nonprofit community by encouraging philanthropy and investing those dollars in programs to serve the health and human services needs of Bay Area residents. UWBA currently serves Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, and Solano counties.

The Bay Area Community Fund (“BACF”) is comprised of the funds without donor restrictions donated to UWBA to support the achievement of its Community Impact goals. UWBA is committed to creating community change by positioning itself as an inclusive community leader in the eight Bay Area counties served, while honoring donors’ philanthropic interests.

In response to the needs of the community, UWBA focuses its goals and its use of resources. In doing so, it may, from time to time, discontinue the management of specific programs. Discontinuance may include closing, merging, or establishing the independence of programs. When such transitions take place, the purpose has been and will continue to be enhancing the ability of the UWBA to concentrate its efforts on helping to cut the number of families living in poverty. The organization pursues a selected, targeted set of programs that help people survive the struggles of poverty and move toward economic success. Each of these programs also has a role in helping to evolve the public and private systems around them to better serve people in poverty. UWBA’s programs may take the form of providing direct service to clients, issuing grants to organizations to provide services, and/or engaging in collaborative partnerships. Grant proposals are evaluated on the basis of their alignment with UWBA’s strategic plan as well as the agency’s ability to demonstrate high standards in fiscal and programmatic operations, and overall organizational strength. Grants and the focus of grant-making activities are reported to and approved by UWBA’s Board of Directors.

The following are specific programs and strategies managed by United Way of the Bay Area:

211

211 is a free, easy-to-remember phone number and web resource that anyone can call for information and referral to local programs and services. Last year, UWBA and its call center partner responded to approximately 66,200 calls and texts. More than half of these requests came from those requesting help with basic needs issues such as food, legal help, and shelter. Once the pandemic hit, 211 began taking COVID-related calls. In FY20, more than 24,000 of the calls were COVID-related. 211 Bay Area increased call volume by almost double from the previous year.

Economic Success

SparkPoint has served more than 30,000 individuals since launching SparkPoint Oakland in 2009, and approximately 5,950 people in the last year alone. More than 26% of our clients are seeing progress on their income, savings, credit or debt goals.

United Way of the Bay Area Notes to Financial Statements

SparkPoint Centers offer an array of services in one convenient location for a person or family trying to move out of poverty, including financial coaching on budgeting and savings, credit and debt management, career or education counseling, screening for public benefits, and others. SparkPoint aims to have clients move from poverty to economic success by (1) increasing income; (2) reducing debt; (3) increasing credit scores; and (4) increasing savings. The SparkPoint regional network includes more than 100 outstanding partner organizations across the Bay Area.

Fiscal Year 2020 Highlights include:

- 217 clients achieved self-sufficient income
- 1,789 clients are making progress toward one element of financial prosperity: self-sufficient income, 3 months' savings, 700 credit score, no revolving debt
- There are more than 20 locations throughout our 8 counties, with two new community college locations planned to open in FY21

Earn It! Keep It! Save It! (“EKS”) is a UWBA-led coalition of partners that prepares tax returns for free, ensuring low- to moderate-income families get the refunds and credits for which they are eligible. During the 2020 tax season, 2,895 volunteers prepared 53,752 returns and brought back over \$67 million in refunds. Additionally, \$16.4 million of those refunds was in Earned Income Tax Credit (“EITC”). EITC goes to the poorest, most vulnerable Bay Area households and has been identified by poverty-fighting experts as one of the most effective programs nationally, lifting millions of people above the federal poverty level every year. Families use their refunds primarily to pay bills, rent, and to buy food or clothes. Through its tax preparation efforts, EKS provides resources to meet basic needs, which is critical to ending the cycle of poverty in the Bay Area. In a typical year, EKS has nearly 200 locations in eight counties, but the COVID-19 pandemic forced most of the Volunteer Income Tax Assistance and AARP Tax-Aide locations to close in early March. Some programs transitioned to completely virtual or drop-off operations, but our program partners and volunteers faced significant challenges. The tax season was extended to July, but the coalition struggled to meet the need with limited partners and capacity. In addition to preparing tax returns, EKS uses the program visit as a moment to offer low-income families the opportunity to increase their savings through saving part of their refund.

Youth Workforce

United Way’s Youth Workforce programming includes our partnerships in San Francisco, Alameda, and Santa Clara counties. The team also conducted several youth employment events: 1) CareerPrep (served 140 students) brings volunteers in to support young people in preparing for interviews and job searches through mock interviews and resume review and 2) OnTrack (served 63 students) is a career exposure event where employers table and present on their industry or company to expose young people to various career paths, specifically focused on young people of color and professionals who are people of color. In Oakland, UWBA was able to hold an in-person event in March 2020.

Other Programs

Like United Ways around the country, UWBA manages the local activities of the federal **Emergency Food and Shelter Program (“EFSP”)**, which distributes federal funds to local programs that feed and provide shelter to people in need. In fiscal year 2020, UWBA distributed more than \$2.1 million in eight counties to agencies that provided millions of meals and thousands of shelter nights. In addition, our **Emergency Assistance Network** in Santa Clara County was able to provide financial assistance to 917 households.

Labor Community Services

The long-standing Labor-United Way Partnership combines the power of more than 12.5 million working families and their communities toward a shared vision where all have the opportunity to reach their highest potential. Locally, UWBA’s Labor Community Services program continued its essential role of assisting people in poverty through direct provision of community services and policy advocacy. The supports provided by our Labor Liaisons became increasingly important as the economic effects of the pandemic continued. In fiscal year 2020, our labor liaisons in two counties (San Mateo and San Francisco) helped 184 Bay Area families receive direct hardship assistance, 5,100 individuals were served by the WE RISE SF program, 91 students graduated from the Trades Introduction Program, and 26,419 individuals received food assistance from the San Mateo County Labor Weekly Food Distribution. The liaisons also worked closely with United Way’s other programs, helping to refer potential clients to EKS, 211 and SparkPoint. They focused on key issues such as strengthening the safety net for immigrant families and raising the minimum wage. In addition, Labor Liaisons were key partners in the overall Census efforts in their counties.

Public Policy

United Way Bay Area recognizes that in order to achieve our goal of ending the cycle of poverty in our community, we must advance public policies that support our mission. UWBA’s Public Policy team influences policy and engages in advocacy at all levels of government. Our primary policy focus is targeted at the local level in our eight-county service area (Alameda, Contra Costa, Marin, Napa, San Francisco, Santa Clara, San Mateo, and Solano). In addition, we provide advocacy support to state and federal issues important to the United Way system. In fiscal year 2020, we worked alongside our CA system to successfully advocate for the CA Earned Income Tax Credit expansion. UWBA engaged the public policy committee in meeting discussions to support statewide and local legislation that would increase affordable housing. Typical advocacy days in Sacramento and Washington, D.C., take place in the spring and early summer; however, virtual advocacy visits did happen as needed after shelter in place went into effect.

Special Initiatives

This year UWBA functioned as the administrative backbone for the region’s efforts to get a complete count in the 2020 Census. UWBA’s **Bay Area Counts 2020** was a \$3.7 million regional census outreach initiative, including grantmaking, regional coordination, data stewardship, and technical assistance to hundreds of partners. Despite shifting deadlines, widespread disinformation, and the cancellation of in-person events, 75.7% of all housing units in the Bay Area completed the census. UWBA counties also reported four of the five highest response rates in the state.

United Way of the Bay Area

Notes to Financial Statements

In March 2020, UWBA launched the **COVID-19 Community Relief Fund** to support the short- and long-term response and recovery efforts of nonprofit organizations throughout the Bay Area. The fund focused on basic needs, technology infrastructure, PPE, supports for workers, and reliable public messaging through 211. Through grants to partners, UWBA was able to have this impact:

- 4.87 million was distributed to over 130 Bay Area organizations (this includes FY21 distributions)
- 2,933 individuals received rental assistance
- 6,173 households received cash assistance for groceries, gas, and other bills
- 165 households experiencing homelessness or domestic violence received motel vouchers, for a total of 1,217 nights
- Over 4.8 million meals

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting – The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and with the financial statement standards of United Way Worldwide. United Way Worldwide standards are required for membership and comply with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification for not-for-profit organizations.

Use of estimates – Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingencies at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management’s estimates. Significant estimates include the provision for uncollectible pledges, useful lives of furniture, equipment, and leasehold improvements, fair value of investments, allocation of functional expenses, and the unfunded pension liabilities. The fair value of investments and pension assets are subject to material volatility based on market conditions. This could have a significant effect on these financial statements.

Classes of net assets – The accompanying financial statements are presented on the basis of net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions – Net assets without donor restrictions include resources available to support UWBA operations and donor-restricted resources for which the restrictions have been met by nature of the passage of time or fulfillment of the restricted purpose. A portion of net assets without donor restrictions have been designated by UWBA’s Board for specific mission-related purposes (see Note 10).

Net assets with donor restrictions – Net assets with donor restrictions include resources with donor-imposed time and/or purpose restrictions. Purpose restrictions, once fulfilled by actions of UWBA, and time restrictions, once fulfilled by the passage of time, are reclassified as net assets without donor restrictions and are reported in the accompanying statements of activities and changes in net assets as net assets released from restrictions. Net assets with donor restrictions also includes those with a time restriction in perpetuity. Such a restriction arises when a donor restriction specifies that the donated assets be maintained in perpetuity and that only the income generated from these assets is made available for use by the organization (see Note 11).

Cash and cash equivalents – All highly liquid investments, with an original maturity of three months or less when purchased and not held through the investment account, are considered to be cash equivalents. Substantially all of the cash equivalent balances held in financial institutions at June 30, 2020 and 2019, exceeded federal depository insurance coverage. UWBA has not experienced any losses in such accounts. Cash and cash equivalents held in money market funds that are considered nonoperating cash are intended for investment purposes and are classified separately under investments.

Pledges receivable – Pledges receivable consist of unconditional promises to give by donors and are recorded at net realizable value. Pledges receivable are net of provisions for uncollectible pledges of \$236,310 and \$346,189 as of June 30, 2020 and 2019, respectively. Unconditional promises to give that are expected to be collected in future years are recorded at the fair value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable in the years in which those promises are received. The discount rates range from 0.45% to 2.43%. Pledges receivable are net of discounts of \$42,995 and \$48,203 at June 30, 2020 and 2019, respectively.

Provisions for uncollectible pledges – The provision for uncollectible pledges is computed based upon historical averages and management’s consideration of current economic factors that could affect pledge collections. For the year ended June 30, 2020, there were uncollectible pledge write-offs of \$236,934. For the year ended June 30, 2019, there were uncollectible pledge write-offs of \$170,033.

Grants and contracts receivable – Grants and contracts receivable consist of unconditional promises to give by granting organizations. Unconditional promises to give that are expected to be collected during the following fiscal year are recorded at the amount contributed. Unconditional promises to give that are expected to be collected in future years are recorded at the fair value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable in the years in which those promises are received. The discount rates range from 0.59% to 1.24%. Grants receivable are net of discounts of \$14,578 and \$24,198 at June 30, 2020 and 2019, respectively. Based on prior write-off history, overall economic conditions, and the current receivable aging status, UWBA establishes a provision for grants receivable, if any, at a level considered adequate to cover anticipated credit losses on grants receivable. There were no provisions for grants receivable as of June 30, 2020 and 2019.

Investments – UWBA’s investments are stated at fair value using quoted market prices at fiscal year-end. Investments include money market funds and marketable securities held principally for investment purposes. Unrealized gains and losses that result from market fluctuations are recognized in the period such fluctuations occur in the accompanying statements of activities and changes in net assets. Realized gains and losses that result from sales or maturities of securities during the year are calculated on an adjusted cost basis and are reflected in the accompanying statements of activities and changes in net assets. Marketable securities received as donations are recorded at fair value at the date of the donation and are generally sold as soon as practical after receipt.

Fair value of assets and liabilities – UWBA determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value reporting standards establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of input that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

United Way of the Bay Area

Notes to Financial Statements

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include cash and cash equivalents, equity, fixed income securities, and exchange traded equities. Level 2 securities include investments held in pooled income funds, which are valued using maturity and interest rates as observable inputs.

Furniture, equipment, and leasehold improvements – Furniture, equipment, and leasehold improvements are stated at cost, if purchased, or if donated, at fair value at the date of the donation for items exceeding \$5,000. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, ranging from three to ten years. Leasehold improvements are amortized over the lesser of the useful life of the asset or the term of the lease. Total depreciation expense, amortization expense, and losses from dispositions of fixed assets amounted to \$191,153 and \$242,218 for the years ended June 30, 2020 and 2019, respectively.

Deferred rent – Certain leases of UWBA contain lease incentives and fixed escalations. UWBA recognizes the related rent expense on a straight-line basis over the life of the lease and records the difference between the expense included in the accompanying statements of activities and changes in net assets and the amount paid as deferred rent. As of June 30, 2020 and 2019, deferred rent related to 550 Kearny Street, San Francisco.

Gross campaign results – Gross campaign results consist of cash and unconditional promises to give to UWBA during the annual fundraising campaigns and include contributions processed by third-party processors. Donor designations and the provision for uncollectible pledges are deducted from gross campaign results to arrive at campaign revenue.

Donor designations and service fee revenue – Donor designations (or “agency transactions”) consist of contributions that are designated by the donor to nonprofit organizations other than UWBA that include contributions processed by third-party processors, and are deducted from gross campaign results to arrive at net campaign revenue. External donor designations are paid to the designated organizations on a monthly basis, by electronic funds transfer (“EFT”) as information allows, and on a quarterly basis by check for all others, as pledges are collected. Proportionate shares of the receipts are distributed out to the agencies net of service fees. Service fee revenue is reported in the accompanying statements of activities and changes in net assets. Additionally, there are donor designations that are contributions designated by the donor to provide general support to UWBA’s internal programs, which represent purpose recommendations but do not rise to the level of agency transactions or donor restrictions.

Planned gifts – Planned gifts that are irrevocable are recognized as a receivable when amounts due to UWBA can be reasonably estimated. As of June 30, 2020 and 2019, UWBA has only one type of planned gift – pooled income funds. Assets associated with these gifts totaled \$170,490 and \$161,823 as of June 30, 2020 and 2019, respectively, at fair value and are included in investments in the accompanying statements of financial position. Liabilities associated with these gifts totaled \$16,110 and \$17,030 as of June 30, 2020 and 2019, respectively, at fair value and are included in the accompanying statements of financial position.

Contributions – Contributions and grants are recognized at fair value, as revenue, when received or unconditionally promised and collection is deemed to be reasonably certain.

UWBA reports contributions and grants as with donor restrictions if such gifts are received with donor stipulations that limit the use of the donated assets, unless there are written agreements that supersede those stipulations. When the restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Contributions with donor restrictions whose restrictions are met in the same year they are received are reported as contributions without donor restrictions.

Donated goods and services – UWBA recognizes the value of donated equipment, supplies, and advertising services at the fair value for similar items. Donated goods and services for the years ended June 30, 2020 and 2019, of \$91,743 and \$284,858, respectively, were reflected in other contributions in the accompanying statements of activities and changes in net assets. UWBA recognizes the fair value of donated services if the services meet the recognition criteria, which include: a) requiring specialized skills; b) provided by someone with those skills; and c) would have to be purchased if they were not donated. Although UWBA receives a significant amount of contributed time from volunteers, this time does not meet the recognition criteria. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

Conditional promises to give – Conditional promises to give are defined as donor's promises to give with stipulation that represents a barrier that must be overcome before the donee is entitled to the assets promised or transferred and a right of return to the donor of assets promised or transferred. Conditional contributions are recognized in the financial statements when the conditions on which they depend are met. There were no conditional promises to give as of June 30, 2020 and 2019, respectively.

Gross funds awarded/allocated to agencies – The amount shown on the accompanying statements of activities and changes in net assets includes grants to UWBA initiatives and programs. These grants are made to partner agencies that advance the work of UWBA programs and the impact of our work to alleviate poverty. They are largely funded by programmatically restricted grants awarded to UWBA to achieve specific outcomes in specific locales. Grant-making activities are reported to the Board of Directors. Each grant made is included in the appropriate supporting schedule of the annual IRS Form 990. However, to comply with financial statement presentation requirements, these grants are shown net of an offset amount to prevent revenue duplication between without-donor restrictions and with-donor restrictions accounts.

Functional allocation of expenses – The majority of expenses can be directly identified with the program or supporting services to which they relate and are charged accordingly. Other expenses have been allocated among program and supporting services classifications based on the average number of full-time employees, the time study allocation method, and on a direct cost basis. This is consistent with the standards for allocation of functional expenses in accordance with GAAP and United Way Worldwide.

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Concentrations of risk – UWBA received approximately 56% and 48% as of June 30, 2020 and 2019, respectively, of its gross campaign revenue from five employers. All of these employers are nationally aligned through United Way Worldwide; therefore, the risk of loss of these employers by UWBA is remote. As of June 30, 2020 and 2019, UWBA had receivables from these five sources totaling \$1,187,550 and \$1,253,791 representing approximately 19% and 22% of total pledges receivables, respectively.

Financial instruments potentially subjecting UWBA to concentrations of credit risk consist primarily of bank demand deposits in excess of Federal Deposit Insurance Corporation (“FDIC”) insurance thresholds and equity investments in excess of Securities Investor Protection Corporation (“SIPC”) insurance. UWBA has not experienced any losses in such accounts in the past.

The World Health Organization declared the novel coronavirus a public health emergency. UWBA’s operations are concentrated in California, which has restricted gatherings and implemented shelter-in-place restrictions. UWBA continues normal operations while closely monitoring employees and visitors to office locations. UWBA will continue to monitor the situation closely, but given the uncertainty about the situation, management can’t estimate the impact to the financial statements.

Income taxes – UWBA is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and Section 23701d of the California Revenue and Taxation Code except to the extent of unrelated business taxable income as defined under IRC sections 511 through 515. Since UWBA has immaterial unrelated business taxable income, no provision for income taxes has been provided in these financial statements. UWBA has no unrecognized tax benefits or uncertain tax positions as of June 30, 2020 and 2019.

Reclassifications – Certain prior-year amounts have been reclassified to conform with the current-year presentation. These reclassifications have no effect on net assets or change in net assets.

Recently implemented accounting pronouncements

ASU 2014-19, Revenue from Contracts with Customers: In May 2014, the FASB issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which is a new standard on revenue recognition. The ASU contains principles that an entity will need to apply to determine the measurement of revenue and timing of when revenue is recognized. The underlying principle is to recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The ASU has a five-step approach that includes identifying the contract or contracts, identifying the performance obligations, determining the transaction price, allocating the transaction price, and recognizing revenue. The ASU also significantly expands the quantitative and qualitative disclosure requirements for revenue, which are intended to help users of financial statements understand the nature, amount, timing, and uncertainty of revenue and the related cash flows. The ASU is effective for UWBA’s fiscal year ended June 30, 2020. The adoption of this standard had an insignificant impact to UWBA’s financial statements.

ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made: In June of 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU 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 ASU is effective for UWBA's fiscal year ended June 30, 2020. The adoption of this standard had an insignificant impact to UWBA's financial statements.

ASU 2017-07, Compensation – Retirement Benefits: In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which improves the reporting of net benefit cost in the financial statements. This ASU applies to all employers, including not-for-profit entities, that offer to their employees defined benefit pension plans, other postretirement benefit plans, or other types of benefits accounted for under Topic 715. The ASU is effective for UWBA's fiscal year ended June 30, 2020. The adoption of this standard had an insignificant impact to UWBA's financial statements.

Recent accounting pronouncements

ASU 2016-02, Leases: In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements in the financial statements of lessees. This ASU is effective for UWBA's fiscal year ending June 30, 2021. Management is currently evaluating the impact of the provisions of the ASU on the financial statements.

NOTE 3 – PLEDGES AND GRANTS AND CONTRACTS RECEIVABLE

UWBA expected to receive pledges receivable at June 30:

	2020	2019
Amount due:		
In the next year	\$ 4,234,295	\$ 4,187,201
Between two and five years	2,300,000	1,950,000
	6,534,295	6,137,201
Discount	(42,995)	(48,203)
Provision for uncollectible pledges	(236,310)	(346,189)
Pledges receivable, net	\$ 6,254,990	\$ 5,742,809

United Way of the Bay Area

Notes to Financial Statements

UWBA's donor grants and contracts receivable at June 30 are:

	2020	2019
Amount due:		
In the next year	\$ 2,750,940	\$ 2,980,853
Between two and five years	600,000	1,000,000
	3,350,940	3,980,853
Discount	(14,578)	(24,198)
Grants and contracts receivable, net	<u>\$ 3,336,362</u>	<u>\$ 3,956,655</u>

NOTE 4 – INVESTMENTS AND FAIR VALUE MEASUREMENT

The following tables present the investments carried at fair value on the accompanying statements of financial position as of June 30, 2020 and 2019, by valuation hierarchy:

Fair Value Measurement Inputs	2020		
	Level 1	Level 2	Total
Equity			
Domestic	\$ 4,919,733	\$ -	\$ 4,919,733
International	2,326,169	-	2,326,169
Balanced fund	80,714	-	80,714
Small cap funds	534,719	-	534,719
Commodities/natural resources fund	159,268	-	159,268
Bonds			
Low duration and intermediate	3,085,554	-	3,085,554
International global	2,930,200	-	2,930,200
Cash and cash equivalents (held for investment)	205,586	-	205,586
Pooled income funds	-	170,490	170,490
Total	<u>\$ 14,241,943</u>	<u>\$ 170,490</u>	<u>\$ 14,412,433</u>

Fair Value Measurement Inputs	2019		
	Level 1	Level 2	Total
Equity			
Domestic	\$ 4,718,538	\$ -	\$ 4,718,538
International	2,495,110	-	2,495,110
Balanced fund	97,639	-	97,639
Small cap funds	597,310	-	597,310
Commodities/natural resources fund	76,332	-	76,332
Bonds			
Low duration and intermediate	5,104,165	-	5,104,165
International global	761,192	-	761,192
Cash and cash equivalents (held for investment)	267,569	-	267,569
Pooled income funds	-	161,823	161,823
Total	<u>\$ 14,117,855</u>	<u>\$ 161,823</u>	<u>\$ 14,279,678</u>

United Way of the Bay Area Notes to Financial Statements

UWBA's long-term asset allocation policy was developed by staff and approved by the Board to manage market fluctuations over time. UWBA is aware there are challenges in the current financial markets and continues to monitor related volatility.

NOTE 5 – UNITED WAY DIGITAL HOLDINGS LLC

On January 31, 2017, UWBA invested in United Way Digital Holdings, a limited liability company ("LLC"). The total commitment made by UWBA was to be \$400,000, with \$80,000 paid at signing and issuance of a promissory note in the amount of \$320,000 to United Way Worldwide to be paid in four annual installments of \$80,000 each beginning on January 31, 2018.

For the fiscal year ended June 30, 2017, UWBA assessed its rights as a limited member and concluded that UWBA does not maintain direct operational control, therefore UWBA did not consolidate the LLC into its financial statements and accounted for the investment in the LLC at cost (the LLC fair value was not readily determinable).

On December 31, 2018, United Way Worldwide ("UWW") purchased UWBA's interest in the LLC by issuing a promissory note in the amount of \$160,000, the total amount paid to date for their interest. The note carries an interest rate of 2.72% with principle payments to be made in four annual installments of \$40,000 beginning on December 1, 2020.

NOTE 6 – FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, and leasehold improvements consisted of the following at June 30:

	2020	2019
Computer software and equipment	\$ 1,123,022	\$ 1,111,033
Office furniture	512,402	512,402
Equipment	220,684	220,684
Leasehold improvements	377,040	377,040
Vehicles	16,713	16,713
Total	2,249,861	2,237,872
Less accumulated depreciation and amortization	(1,998,336)	(1,807,183)
Total furniture, equipment, and leasehold improvements, net	<u>\$ 251,525</u>	<u>\$ 430,689</u>

United Way of the Bay Area

Notes to Financial Statements

NOTE 7 – OTHER CONTRIBUTIONS

Other contributions were comprised of the following for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Other contributions without donor restrictions		
Donated goods and services	\$ 91,743	\$ 192,232
Noncampaign donations	3,005,373	2,455,262
Prior year campaign revenue	10,875	6,599
Revenue - other United Ways	15,764	27,574
Sponsorship fees	33,640	-
	<u>3,157,395</u>	<u>2,681,667</u>
Other contributions with donor restrictions		
Donated goods and services	-	92,626
Noncampaign donations and miscellaneous income	-	12,191
Sponsorship fees	12,000	148,393
	<u>12,000</u>	<u>253,210</u>
Total other contributions	<u>\$ 3,169,395</u>	<u>\$ 2,934,877</u>

NOTE 8 – COMMITMENTS

UWBA leases office space under noncancelable operating leases expiring at various dates through March 31, 2023. Lease agreements generally provide for both renewal options and escalation clauses for increased operating expenses and real estate taxes. UWBA is also committed under noncancelable operating leases for various office equipment.

Future minimum commitments under noncancelable operating leases having lease terms in excess of one year as of June 30, 2020, are as follows:

<u>Years Ending June 30,</u>		
2021		\$ 1,178,256
2022		1,123,060
2023		<u>850,989</u>
		<u>\$ 3,152,305</u>

Rent expense for the years ended June 30, 2020 and 2019, was \$1,123,858 and \$1,263,396, respectively.

United Way of the Bay Area
Notes to Financial Statements

NOTE 9 – PENSION AND OTHER POST-RETIREMENT BENEFIT PLANS

DEFINED BENEFIT PENSION PLAN

The Pension Plan of United Way of the Bay Area (the “Plan”) is a single employer defined benefit pension plan with UWBA as plan sponsor.

The Plan was amended to freeze participation and benefit accruals under the Plan effective December 31, 2006. Accordingly, no employees will become participants after the December 1, 2006, entry date, and participants’ Plan benefits will not increase after December 31, 2006. In no event will the accrued benefit of any participant be less than that calculated as of December 31, 2006.

Accrued pension costs consisted of the following at June 30:

	2020	2019
Defined benefit pension plan liabilities	\$ 6,041,390	\$ 3,939,357
Defined early retirement medical and long-term care benefit plans	67,342	87,788
Total accrued pension costs	\$ 6,108,732	\$ 4,027,145

The following information sets forth the Plan’s projected benefit obligation, fair value of plan assets, unfunded status, and accumulated benefit obligation as of June 30:

	2020	2019
Projected benefit obligation		
Beginning of year	\$ 16,773,262	\$ 15,812,795
Service cost	251,014	244,800
Interest costs	537,673	613,799
Actuarial loss	2,516,179	1,057,775
Benefits paid	(1,261,447)	(729,547)
Administrative expenses paid	(81,555)	(226,360)
End of year	\$ 18,735,126	\$ 16,773,262
Fair value of plan assets		
Beginning of year	\$ 12,833,905	\$ 12,974,374
Actual return on plan assets	745,001	815,438
Employer contributions	457,832	-
Benefits paid	(1,261,447)	(729,547)
Administrative expenses paid	(81,555)	(226,360)
End of year	\$ 12,693,736	\$ 12,833,905
Funded status of the Plan at year end (underfunded)	\$ (6,041,390)	\$ (3,939,357)

United Way of the Bay Area Notes to Financial Statements

Amounts recognized for the defined benefit pension plan only in the accompanying statements of financial position were as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Prepaid benefit cost	\$ 2,793,635	\$ 2,525,678
Additional accrued pension liability for pension plans with a benefit obligation in excess of plan assets	<u>(8,835,025)</u>	<u>(6,465,035)</u>
Defined benefit pension liabilities	<u>\$ (6,041,390)</u>	<u>\$ (3,939,357)</u>
Net asset without donor restrictions, pension liability in excess of intangible pension assets	<u>\$ 8,835,025</u>	<u>\$ 6,465,035</u>

Amounts reflected in the accompanying statements of activities and changes in net assets were as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 251,014	\$ 244,800
Interest cost	537,673	613,799
Expected return on assets	(995,297)	(995,688)
Amortization loss	<u>396,484</u>	<u>300,850</u>
Net periodic pension cost	<u>\$ 189,874</u>	<u>\$ 163,761</u>

The projected unit credit cost method was utilized for measuring net periodic pension cost over the employee's estimated service life. The following table summarizes the assumptions used in computing the present value of projected benefit obligations and net periodic cost as of June 30:

	<u>2020</u>	<u>2019</u>
Assumptions used in computing benefit obligation		
Discount rate	2.30%	3.25%
Rate of compensation increase	N/A	N/A
Assumptions used in computing the net periodic pension costs		
Discount rate	3.25%	4.00%
Expected return on assets	8.00%	8.00%
Rate of compensation increase	N/A	N/A

The investment objective for the Plan is to maximize total return within reasonable and prudent levels of risk. The Plan's weighted-average asset allocations were as follows as of June 30:

	<u>2020</u>	<u>2019</u>
Asset category		
Common and collective trusts		
Equity	60.2%	60.4%
Debt	37.0%	36.7%
Cash and cash equivalents	<u>2.8%</u>	<u>2.9%</u>
Total	<u>100.0%</u>	<u>100.0%</u>

United Way of the Bay Area
Notes to Financial Statements

The fair values of the UWBA's defined benefit plan assets at June 30, 2020, by asset category were as follows:

<u>Fair Value Measurement Inputs</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 359,348	\$ -	\$ 359,348
Large cap equities fund	-	4,055,348	4,055,348
Small cap equities fund	-	1,064,529	1,064,529
Mid cap fund	-	620,975	620,975
International equities fund	-	1,900,945	1,900,945
Fixed income securities	-	4,692,591	4,692,591
 Total	 <u>\$ 359,348</u>	 <u>\$ 12,334,388</u>	 <u>\$ 12,693,736</u>

The fair values of the UWBA's defined benefit plan assets at June 30, 2019, by asset category were as follows:

<u>Fair Value Measurement Inputs</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	\$ 378,464	\$ -	\$ 378,464
Large cap equities fund	-	4,095,857	4,095,857
Small cap equities fund	-	616,305	616,305
Mid cap fund	-	1,078,533	1,078,533
International equities fund	-	1,951,631	1,951,631
Fixed income securities	-	4,713,115	4,713,115
 Total	 <u>\$ 378,464</u>	 <u>\$ 12,455,441</u>	 <u>\$ 12,833,905</u>

The estimated minimum benefit payments that reflect expected future service, as appropriate, to be paid by UWBA are as follows:

<u>Year Ending June 30,</u>	
2021	\$ 908,954
2022	921,476
2023	949,828
2024	979,420
2025	1,015,119
2026-2030	<u>5,020,497</u>
	 <u>\$ 9,795,294</u>

UWBA contributed \$457,832 and \$0 to the Plan during the years ended June 30, 2020 and 2019, respectively.

United Way of the Bay Area

Notes to Financial Statements

DEFINED CONTRIBUTION PENSION PLAN

UWBA established the UWBA 401(k) Plan on January 1, 2007. Employees that are eligible can participate in the 401(k) Plan on the first day of the calendar quarter following their date of hire. UWBA matches 100% of participants' salary deferral contribution, up to a maximum of 2% of compensation. In addition, UWBA makes an employer "nonelective" contribution according to a formula that is based on a participant's age plus service. For employees hired before January 1, 2010, matching and employer nonelective contributions will be 100% vested after two years of service (or age 65, if earlier). Effective January 1, 2014, employees hired after January 1, 2010, will be 25% vested after one year of service, 50% after two years of service, 75% vested after three years of service, and 100% vested after four years of service. UWBA contributed \$256,689 and \$364,063 to the plan for the years ended June 30, 2020 and 2019, respectively.

VOLUNTARY LONG-TERM CARE INSURANCE PLAN

UWBA instituted a voluntary long-term care insurance program in fiscal year 2013. As a part of that program, UWBA made arrangements to pay 83% of the cost of the long-term premiums for the former Chief Executive Officer from March 2013 until her death. UWBA was released from this obligation on June 15, 2020. The estimated cost of future premiums as of June 30, 2020 and 2019, is \$0 and \$54,419, respectively.

DEFINED BENEFIT MEDICAL PLAN

UWBA had a defined benefit early retirement medical benefits plan that covered certain full-time employees who retired as of June 30, 1993. UWBA does not contribute to this plan except to reimburse certain medical and other costs submitted by the Plan's retirees as defined within the agreement. The estimated cost of future medical and other payments as of June 30, 2020 and 2019, is \$28,252 and \$33,369, respectively, and is included in accrued pension costs.

457(B) DEFERRED COMPENSATION PLAN

In the fiscal year ended June 30, 2014, UWBA established an eligible deferred compensation plan for a select group of highly compensated employees under Section 457(b) of the IRC. The plan allows pre-tax contributions of the maximum amount allowed by law per year through payroll deduction. At June 30, 2020 and 2019, five employees are eligible for the 457(b) plan and three employees had elected to participate in the plan. The investments in this plan remain as assets of the organization until the employees retire. The balance in the plan as of June 30, 2020 and 2019, was \$39,091 and \$148,747, respectively, and is included in operating payables and accruals.

NOTE 10 – NET ASSETS WITHOUT DONOR RESTRICTIONS (BOARD-DESIGNATED)

A portion of net assets without donor restrictions have been designated by the Board for the following purposes:

	<u>2020</u>	<u>2019</u>
Future grants and programs	\$ 963,255	\$ 965,618
General use	<u>1,678,279</u>	<u>1,631,731</u>
	<u>\$ 2,641,534</u>	<u>\$ 2,597,349</u>

United Way of the Bay Area Notes to Financial Statements

Future Grants and Programs: consists of a legacy quasi-endowment fund from the former United Way of Silicon Valley that is earmarked to fund the Emergency Assistance Network program in Santa Clara County until such time as the corpus and accumulated investment earnings are depleted. At the current rate of annual appropriations from the fund, it is expected to be depleted by June 30, 2023.

General Use: consists of accumulated unrestricted bequests held as a board-designated quasi-endowment. The investment policy and spending policy for this fund mirrors that of the donor-restricted permanent endowment fund and appropriated earnings are earmarked for support of the general operating expenses of the organization.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of June 30, 2020 and 2019, respectively:

	2020	2019
UWBA community programs	\$ 5,177,951	\$ 4,131,805
Donor restricted - Sobrato in-kind rent	115,694	243,536
Endowments - corpus	3,897,164	3,898,131
Endowment activity	1,163,724	1,354,693
Total	\$ 10,354,533	\$ 9,628,165

UWBA community programs: represents net assets for which the donor has established a specific time or purpose restriction. Upon the passage of appropriate time and/or the fulfillment by the organization of the defined purpose, the restrictions are released and the assets are reclassified as being without donor restrictions.

Donor restricted – Sobrato in-kind rent: represents a time restricted, noncash (in-kind) commitment for use of rental office space. Upon the passage of appropriate time, the restriction is released and the assets are reclassified as being without donor restrictions.

Endowments – corpus: represents the original amount of time restricted in perpetuity contributions to the organization. Per the donor(s) restriction, these funds are to be prudently invested in perpetuity with only the accumulated earnings available for appropriation by the board for operations and mission related purposes (see Note 12).

Endowment activity: represents the accumulated but unappropriated earnings on the Endowments – Corpus (see Note 12).

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Notes to Financial Statements

NOTE 12 – ENDOWMENT

Interpretation of relevant law – The Board has interpreted the California enacted version of the California Uniform Prudent Management of Institutional Funds Act (“CUPMIFA”) as allowing UWBA to appropriate for expenditure or accumulate so much of an endowment fund as UWBA determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board. In accordance with CUPMIFA, the Board considers the following factors in making a determination to appropriate or accumulate endowment funds:

- I. the duration and preservation of the fund
- II. the purposes of UWBA and the endowment fund
- III. general economic conditions
- IV. the possible effect of inflation and deflation
- V. the expected total return from income and the appreciation of investments
- VI. other resources of UWBA
- VII. the investment policies of UWBA

Spending policy and how the investment objectives relate to spending policy – The endowment fund has a spending policy of appropriating 100% of the net income earned on the investment of these funds for distribution according to the instructions of the donor at the time the gift is made. The original value of the gifts donated to the endowment held in perpetuity is to be classified as with donor restrictions and any earnings are also classified as with donor restrictions until appropriated for expenditure.

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 CUPMIFA requires UWBA to retain as a fund of perpetual duration. As of June 30, 2020 and 2019, there were no funds with deficiencies.

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Notes to Financial Statements

The composition and changes in the endowment net assets as of June 30, 2020 and 2019, were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total Endowment Net Assets</u>
Endowment net assets, June 30, 2018	\$ -	\$ 5,208,751	\$ 5,208,751
Contribution	-	1,656	1,656
Investment income	-	278,278	278,278
Net appreciation/depreciation	-	(34,435)	(34,435)
Amounts appropriated for expenditure	-	(201,426)	(201,426)
Endowment net assets, June 30, 2019	-	5,252,824	5,252,824
Contribution	-	(967)	(967)
Investment income	-	193,696	193,696
Net appreciation/depreciation	-	(206,693)	(206,693)
Amounts appropriated for expenditure	-	(177,972)	(177,972)
Endowment net assets, June 30, 2020	<u>\$ -</u>	<u>\$ 5,060,888</u>	<u>\$ 5,060,888</u>

NOTE 13 – RELATED-PARTY TRANSACTIONS

UWBA's volunteer members of the Board of Directors participate in fundraising events, activities, and by making private contributions. UWBA may also have Board members that have other direct transactions with the organization. All related parties of UWBA are annually required to read and sign a conflict of interest policy that covers any relationship with Board members, volunteers, and staff.

United Way of the Bay Area

Notes to Financial Statements

NOTE 14 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

UWBA's financial assets available within one year of the statement of financial position date for general expenditure were as follows at June 30:

	<u>2020</u>	<u>2019</u>
<u>Financial assets available within one year:</u>		
Cash and cash equivalents	\$ 3,284,589	\$ 1,530,181
Investments	14,412,433	14,279,678
UWW note receivable collectible within one year	43,808	3,939
Pledges receivable collectible within one year	3,997,985	3,841,012
Grants & contracts receivable collectible within one year	<u>2,736,362</u>	<u>2,956,655</u>
Financial assets, at June 30:	<u>24,475,177</u>	<u>22,611,465</u>
<u>Less those unavailable for general expenditure:</u>		
Designated pledges payable (agency transactions)	(1,997,885)	(3,009,842)
Restricted by donors with purpose restrictions	(5,293,645)	(4,375,341)
Restricted by donors in perpetuity	<u>(5,060,888)</u>	<u>(5,252,824)</u>
Total amounts available for general expenditures within one year	<u>12,122,759</u>	<u>9,973,458</u>
<u>Amounts unavailable to management without board approval:</u>		
Board-designated for quasi-endowment	(2,641,534)	(2,597,349)
Pension liability in excess of intangible pension assets	<u>(8,835,025)</u>	<u>(6,465,035)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 646,200</u>	<u>\$ 911,074</u>

Liquidity Management

UWBA maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, UWBA invests cash in excess of weekly requirements in short-term investments.

To help manage unanticipated liquidity needs UWBA has a committed line of credit of \$4,900,000, which it could draw upon (see Note 15). Additionally, UWBA has Board-designated net assets without donor restrictions that, while UWBA does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

NOTE 15 – LINE OF CREDIT

UWBA maintains a line of credit with a reputable and recognized financial institution. The terms of this agreement call for the pledging of securities and other investments maintained in the financial institution for any and all obligations taken on by UWBA under this agreement. The agreement provides for a total credit limit of up to \$4,900,000, based on the fair value of the pledged collateral.

The availability of the total amount available to borrow at any given time is based on the fair value of the collateral, which may be more or less than the amount needed to permit borrowing the entire \$4,900,000. The amount remaining to borrow at any given time is the total amount of the approved borrowing limit minus the outstanding loan balances and letters of credit, subject to the current value of the collateral. Interest is charged at a rate determined by the lender on a periodic basis.

As of June 30, 2020, there was \$2,400,000 in outstanding debt on the line of credit and interest expense of \$75,450. As of June 30, 2019, there was \$2,400,000 in outstanding debt on the line of credit and interest expense of \$97,231. The existing letter of credit issued to the landlord for \$230,190 is still in place under the same credit limit.

NOTE 16 – PAYCHECK PROTECTION PAYMENT

In April 2020, UWBA was granted a loan under the Paycheck Protection Program offered by the Small Business Administration (“SBA”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), for \$1,199,124 with a maturity date of April 30, 2022. The loan bears interest at 1% with no payments for the first six months. The loan is subject to partial or full forgiveness if UWBA uses all proceeds for eligible purposes; maintains certain employment levels; and maintains certain compensation levels in accordance with and subject to the CARES Act and the rules, regulations, and guidance.

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are issued. UWBA recognizes in the financial statements the effects of all significant subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements.

UWBA has evaluated subsequent events through April 27, 2021, the date the financial statements were available to be issued, and has determined that there are no other subsequent events that require additional recognition or disclosure.

