



*Report of Independent Auditors and
Financial Statements*



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MOSSADAMS



Report of Independent Auditors

To the Board of Directors
United Way of the Bay Area DBA United Way Bay Area

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of the Bay Area DBA United Way Bay Area (“UWBA”), which comprise the statements of financial position as of June 30, 2021 and 2020, 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 DBA United Way Bay Area as of June 30, 2021 and 2020, 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
February 25, 2022

Financial Statements

United Way of the Bay Area DBA United Way Bay Area
Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 2,092,551	\$ 3,284,589
Pledges receivable, net	4,515,398	6,254,990
Grants and contracts receivable, net	3,271,771	3,336,362
United Way Digital Holdings LLC receivable	120,000	162,266
Investments	37,809,511	14,412,433
Prepays and other assets	259,169	437,889
Furniture, equipment, and leasehold improvements, net	<u>141,943</u>	<u>251,525</u>
Total assets	<u>\$ 48,210,343</u>	<u>\$ 28,140,054</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Operating payables and accruals	\$ 2,855,437	\$ 1,655,257
Donor designations and allocations payable	1,945,095	1,997,885
Line of credit	2,003,022	2,400,000
Paycheck Protection Program loan payable	-	1,199,124
Accrued vacation and related costs	313,775	238,644
Deferred rent	258,005	375,018
Liabilities to beneficiaries from split interest agreements	15,227	16,110
Accrued pension costs	<u>2,727,733</u>	<u>6,108,732</u>
Total liabilities	<u>10,118,294</u>	<u>13,990,770</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	26,717,847	9,988,242
Board designated	8,596,904	2,641,534
Pension liability in excess of intangible pension assets	<u>(5,654,554)</u>	<u>(8,835,025)</u>
Total net assets without donor restrictions	29,660,197	3,794,751
With donor restrictions	<u>8,431,852</u>	<u>10,354,533</u>
Total net assets	<u>38,092,049</u>	<u>14,149,284</u>
Total liabilities and net assets	<u>\$ 48,210,343</u>	<u>\$ 28,140,054</u>

United Way of the Bay Area DBA United Way Bay Area
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Public support:			
Gross campaign results	\$ 8,720,993	\$ 536,485	\$ 9,257,478
Less donor designations	(3,369,058)	-	(3,369,058)
Campaign revenue	5,351,935	536,485	5,888,420
Less provision for uncollectible pledges	(506,427)	-	(506,427)
Net campaign revenue	4,845,508	536,485	5,381,993
Grants	994,711	8,633,727	9,628,438
Other contributions	20,192,360	13,182	20,205,542
Planned giving	807,729	-	807,729
Net assets released from restrictions	12,811,564	(12,811,564)	-
Total public support	39,651,872	(3,628,170)	36,023,702
Service fees and earned income	246,752	-	246,752
Investment income, net	434,766	153,305	588,071
Net realized and unrealized gain on investments	1,964,509	1,552,184	3,516,693
Total public support and revenue	42,297,899	(1,922,681)	40,375,218
ALLOCATIONS AND EXPENSES			
Program services:			
Gross funds awarded/allocated to agencies	3,369,058	-	3,369,058
2-1-1 initiative	1,614,969	-	1,614,969
Economic success	7,634,090	-	7,634,090
Other community services	6,893,710	-	6,893,710
Donor designations	(3,369,058)	-	(3,369,058)
Total program services	16,142,769	-	16,142,769
Support services:			
Management and general	2,386,696	-	2,386,696
Fundraising	2,294,968	-	2,294,968
Total support services	4,681,664	-	4,681,664
Total allocations and expenses	20,824,433	-	20,824,433
NONOPERATING INCOME			
Gain on extinguishment of loan payable	1,211,509	-	1,211,509
CHANGE IN NET ASSETS BEFORE PENSION-RELATED CHANGES	22,684,975	(1,922,681)	20,762,294
PENSION-RELATED CHANGES OTHER THAN NET PERIODIC PENSION COST	3,180,471	-	3,180,471
CHANGE IN NET ASSETS	25,865,446	(1,922,681)	23,942,765
NET ASSETS, beginning of year	3,794,751	10,354,533	14,149,284
NET ASSETS, end of year	\$ 29,660,197	\$ 8,431,852	\$ 38,092,049

See accompanying notes.

United Way of the Bay Area DBA United Way Bay Area
Statement of Activities and Changes in Net Assets (Continued)
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
2-1-1 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 Bay Area Statement of Functional Expenses For the Year Ended June 30, 2021

	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	\$ -	\$ 88,732	\$ 1,352,016	\$ 1,097,480	\$ -	\$ 2,538,228	\$ 814,881	\$ 1,044,449	\$ 1,859,330	\$ 4,397,558
Payroll taxes and employee benefits	-	28,351	431,979	350,653	-	810,983	260,361	333,709	594,070	1,405,053
Subtotal	-	117,083	1,783,995	1,448,133	-	3,349,211	1,075,242	1,378,158	2,453,400	5,802,611
Professional services	-	1,314,627	683,506	145,006	-	2,143,139	577,580	273,434	851,014	2,994,153
Supplies	-	75	10,076	5,567	-	15,718	11,637	37,871	49,508	65,226
Telephone	-	1,959	2,926	21,087	-	25,972	63,559	12,720	76,279	102,251
Postage, warehouse, and delivery	-	8	2,396	23,549	-	25,953	6,721	4,942	11,663	37,616
Occupancy	-	11,446	309,910	272,932	-	594,288	179,607	265,008	444,615	1,038,903
Insurance	-	-	-	-	-	-	61,667	-	61,667	61,667
Furniture, equipment, and leasehold improvements	-	3,376	91,448	80,537	-	175,361	52,998	78,200	131,198	306,559
Media and printing	-	14,404	296,343	291,560	-	602,307	63,879	117,333	181,212	783,519
Travel	-	120	252	1,024	-	1,396	11,063	2,264	13,327	14,723
Conference, training, and meetings	-	-	3,613	4,879	-	8,492	10,422	4,681	15,103	23,595
Bank, interest, merchant, and other fees	-	-	-	-	-	-	129,228	-	129,228	129,228
Miscellaneous	-	97,939	24,445	17,872	-	140,256	23,331	1,285	24,616	164,872
United Way Worldwide dues	-	52,351	238,740	212,305	-	503,396	94,957	82,473	177,430	680,826
Depreciation and amortization	-	1,581	42,800	37,693	-	82,074	24,805	36,599	61,404	143,478
Total	-	1,614,969	3,490,450	2,562,144	-	7,667,563	2,386,696	2,294,968	4,681,664	12,349,227
Allocations/awards/designations	3,369,058	-	4,143,640	4,331,566	(3,369,058)	8,475,206	-	-	-	8,475,206
TOTAL ALLOCATIONS AND EXPENSES	\$ 3,369,058	\$ 1,614,969	\$ 7,634,090	\$ 6,893,710	\$ (3,369,058)	\$ 16,142,769	\$ 2,386,696	\$ 2,294,968	\$ 4,681,664	\$ 20,824,433

See accompanying notes.

United Way Bay Area
Statement of Functional Expenses (Continued)
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	242,175	318,656	560,831	1,123,858
Insurance	-	-	-	-	-	-	70,777	-	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	-	-	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

See accompanying notes.

United Way of the Bay Area DBA United Way Bay Area
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 23,942,765	\$ (453,387)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in provision for uncollectible pledges	(75,143)	(109,879)
Change in discount on grants receivable	(10,144)	(9,620)
Change in discount on pledges receivable	(27,965)	(5,208)
Uncollectible pledge write offs	345,052	236,934
Depreciation and amortization	143,478	191,153
Net realized and unrealized (gain) loss on investments	(3,516,693)	278,383
Pension related changes other than net periodic pension costs	(3,180,471)	2,369,990
Gain on extinguishment of loan payable	(1,199,124)	-
Contributions restricted for investment in endowment	-	967
Changes in assets and liabilities:		
Pledges receivable	1,497,648	(634,028)
Grants and contracts receivable	74,735	629,913
United Way Digital Holdings LLC receivable	42,266	6,055
Prepays and other assets	178,720	23,422
Operating payables and accruals	1,200,180	69,145
Donor designations and allocations payable	(52,790)	(1,011,957)
Accrued vacation and related costs	75,131	(215,525)
Deferred rent	(117,013)	(97,657)
Liabilities to beneficiaries from split interest agreements	(883)	(920)
Accrued pension costs	(200,528)	(288,403)
Net cash provided by operating activities	<u>19,119,221</u>	<u>979,378</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(24,639,314)	(3,002,331)
Proceeds from sale of investments	4,758,929	2,591,193
Purchases of furniture, equipment, and leasehold improvements	(33,896)	(11,989)
Net cash used in investing activities	<u>(19,914,281)</u>	<u>(423,127)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the line of credit	(396,978)	-
Proceeds from Paycheck Protection Program loan payable	-	1,199,124
Contributions restricted for investment in endowment	-	(967)
Net cash (used in) provided by financing activities	<u>(396,978)</u>	<u>1,198,157</u>
CHANGE IN CASH AND CASH EQUIVALENTS	<u>(1,192,038)</u>	<u>1,754,408</u>
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,284,589</u>	<u>1,530,181</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,092,551</u>	<u>\$ 3,284,589</u>
SUPPLEMENTAL DISCLOSURE OF CASH PAID FOR		
Interest	<u>\$ 40,932</u>	<u>\$ 75,450</u>

United Way of the Bay Area DBA United Way Bay Area

Notes to Financial Statements

NOTE 1 – ORGANIZATION AND PURPOSE

United Way of the Bay Area DBA United Way Bay Area (“UWBA”, or the “Organization”), incorporated in California in 1922, is an independent, locally managed nonprofit organization. It has been granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code (“IRC”) and Section 23701d of the California Revenue and Taxation Code. UWBA has also made the 501(h) election under the IRS code.

In fiscal year 2020, UWBA entered into an affiliation agreement with the United Way Worldwide (UWW), a separate 501(c)(3) headquartered in Alexandria, VA for which UWW is the sole voting member. This affiliation agreement ended on June 30, 2021. See Note 16.

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.

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.

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. 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 following are specific programs and strategies managed by UWBA:

2-1-1 initiative – 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 76,800 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. 211 continued to take COVID-19 related calls throughout fiscal year 2021. 211 also played an integral role in providing information about the various COVID-19 relief stimulus, both federal and state.

Economic Success

SparkPoint – has served more than 30,000 individuals since launching SparkPoint Oakland in 2009, and approximately 8,300 people in the last year alone.

United Way of the Bay Area DBA United Way 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.

In response to the unprecedented impacts of COVID-19, SparkPoint expanded services for basic needs support including distribution of approximately 8,800 food pantry meals, donations of basic needs supplies valuing approximately \$22,800, and helping approximately 750 people access rental assistance funds totaling approximately \$2,000,000. UWBA provided technical assistance to partners via webinars on applying for unemployment assistance, coping with additional mental health during the pandemic, and how to offer services virtually. UWBA started tracking clients who come to UWBA centers impacted by COVID19 and started offering rental assistance.

With the collective support of Wells Fargo and multiple other funders, SparkPoint centers have distributed rental assistance to approximately 500 people from July through December 2020, totaling approximately \$1,000,000 in rental assistance to low-income households. The Wells Fargo funding allowed SparkPoint centers to play a critical role in the COVID-19 response efforts as a financial support hub for public benefits as well as rental assistance for low-income families in San Francisco Bay Area.

In the midst of the pandemic, UWBA also launched a new SparkPoint Center at Chabot College and held a virtual launch event on February 5, 2021. The event was attended by over 70 participants and introduced SparkPoint to Chabot College and the broader Hayward community. Additionally, SparkPoint Contra Costa added a new satellite site at Diablo Valley College expanding its services to students in Pleasant Hill.

Earn It! Keep It! Save It! (“EKS”) – is a UWBA-led initiative that works with a 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 2021 tax season, approximately 1,000 volunteers prepared approximately 32,000 tax returns and brought back over \$60,100,000 in refunds. Additionally, approximately \$11,600,000 of those refunds was in Earned Income Tax Credits (“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 2020.

In 2019, UWBA began working with Code for America in partnership on what would eventually become GetYourRefund.org, which has been a critical resource for reaching our clients safely during the pandemic and which has provided a backbone of UWBA’s valet and virtual services. For the past two tax seasons, UWBA’s sites have had to drastically limit in-person services; but have expanded drop off and virtual services to meet the need. Sites, including UWBA’s expanded hub managed directly by UWBA staff, have also provided free tax prep services much longer into the year due to extended tax seasons while also providing services for an entirely new client population – those clients who typically do not file taxes but needed to claim critical EIP (stimulus) resources.

United Way of the Bay Area DBA United Way Bay Area

Notes to Financial Statements

Youth workforce – is a UWBA-led initiative focusing on employment programs. This year, UWBA shifted all youth workforce activities to virtual opportunities. UWBA has hosted over 10 events with youth across the Bay Area. UWBA has partnered with community agencies in Santa Clara, San Francisco, and Alameda Counties as well as corporate partners including Wells Fargo, Bank of America, Deloitte, and others, to provide career readiness workshops, career exploration demonstrations, career panels, and resources to young people ages 14-24.

Many of the workshops and activities led to UWBA's signature event, On Track Career Expo, designed to engage youth in hands-on demos and career coaching to learn about various professional paths and industries that many have never been exposed to. Despite being virtual this year, On Track maintained its interactivity and engaged nearly 70 youth and 40 volunteers from across the Bay Area on a virtual events platform.

Other Community Services

Emergency Food & Shelter Program ("EFSP") – is at the core of UWBA's poverty-cutting agenda. This year, EFSP entered its 38th year of funding safety net programs. This federal funding is allocated to FEMA who works with United Way Worldwide as the fiscal agent for the program. EFSP is a unique public-private partnership between the federal government and the United Way system. Since its inception, UWBA and local boards (local boards are mandated local committees that have oversight of the federal funding) have distributed federal funding to hundreds of food and shelter programs. This most recent round of funding EFSP distributed approximately \$4,888,000 to agencies in eight counties, which included approximately \$3,529,000 in supplemental funds from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Over 500,000 unduplicated individuals were served by one of the 118 EFSP-funded agencies in the Bay Area during the current grant period.

Emergency Assistance Network ("EAN") – is a UWBA collaboration with seven local Santa Clara County partner agencies that offers assistance to families and individuals experiencing emergency situations. This collaborative provides food assistance, rent and mortgage aid, utility assistance, medical and transportation aid, often alongside case management and financial education. In fiscal year 2021, EAN agencies assisted approximately 2,900 households (approximately 7,400 individuals) with housing/utility assistance, enabling them to overcome financial crises and remain in their homes. Between the seven EAN food pantry programs, approximately 54,600 individuals were also served. In May 2021, the EAN were also awarded an additional \$300,000 to support additional rental assistance services.

Labor Community Services – is a long-standing Labor-United Way Partnership that combines the power of more than 12,500,000 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 support provided by UWBA's Labor Liaisons became increasingly important as the economic effects of the pandemic continued. Services provided by the Labor Liaisons included: distributed food to over 20,000 working families, provided over \$250,000 hardship assistance directly to working families, and provided approximately 10,500 COVID-19 vaccines to union members.

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Public policy – is a UWBA-led advocacy initiative. UWBA recognizes that in order to achieve UWBA’s goal of ending poverty in the 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. UWBA’s primary policy focus is targeted at the local level in the eight-county service area (Alameda, Contra Costa, Marin, Napa, San Francisco, Santa Clara, San Mateo, and Solano). In addition, UWBA provides advocacy support to state and federal issues important to the United Way network. In fiscal year 2021, we worked alongside UWBA’s CA system to successfully advocate for the CA Earned Income Tax Credit expansion as well as federal legislation that would provide funding for the 211 system. UWBA engaged the public policy committee in developing a voter education guide for the November 2020 election. Virtual Advocacy Days at the federal and state levels took place in spring 2021.

A wildfire fund – was established as a special initiative this year. In August 2020, the first of a series of wildfires decimated more than 800,000 acres and caused the evacuation of more than 100,000 households throughout Northern California. By fall, this would be the worst fire season in California’s history. The areas affected were enormous, including Alameda, Contra Costa, Humboldt, Lake, Marin, Mendocino, Monterey, Napa, Santa Clara, Santa Cruz, San Mateo, Solano, and Sonoma counties. The Greater Bay Area Central Coast Wildfire Relief Fund was created to provide immediate and long-term recovery assistance to Bay Area and Central Coast residents and consisted of United Way of the Wine Country (“UWWC”), United Way of Santa Cruz County (“UWSC”), United Way of Monterey County (“UWMC”), and UWBA.

Each local United Way has deep relationships with community-based organizations and local governments and operates a 211 for their counties. They were able to use 211 caller needs data and their relationship with local Offices of Emergency Services to understand relief efforts and local needs. UWBA is also engaged in the local VOADs (Voluntary Organizations Active in Disaster). When the fund was developed, all four local United Ways promised to share resources based on mutual assessment of local needs and the opportunity to fill gaps in services and leverage other philanthropic resources. UWBA also made decisions on fund distribution with equity as a frame.

UWBA allocated \$315,000 to seven community-based organizations in Napa and San Mateo counties that provided food, rental assistance, motel stays, case management, and mental health services to families affected by the wildfires.

Census – assistance was another special initiative this year. From 2019 to late 2020, UWBA served as the administrative backbone for the region’s efforts to get a complete count in the 2020 Census, ensuring federal funding and representation for our communities over the next decade. “UWBA’s Bay Area Counts 2020” was an approximately \$3,700,000 regional census outreach initiative conducted in partnership with seven county governments and a coalition of funders. UWBA provided grantmaking, regional coordination, data stewardship, and technical assistance to a network of trusted messenger organizations doing outreach in over 70 languages.

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.

United Way of the Bay Area DBA United Way Bay Area Notes to Financial Statements

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, 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 9).

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 10 and 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, 2021 and 2020, 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 \$161,167 and \$236,310 as of June 30, 2021 and 2020, 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 \$15,030 and \$42,995 at June 30, 2021 and 2020, 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, 2021, there were uncollectible pledge write offs of \$345,052. For the year ended June 30, 2020, there were uncollectible pledge write offs of \$236,934.

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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 1.24% to 1.50%. Grants receivable are net of discounts of \$4,434 and \$14,578 at June 30, 2021 and 2020, 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, 2021 and 2020.

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.

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.

United Way of the Bay Area DBA United Way Bay Area Notes to Financial Statements

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 \$143,478 and \$191,153 for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020, UWBA has only one type of planned gift – pooled income funds. Assets associated with these gifts totaled \$166,283 and \$170,490 as of June 30, 2021 and 2020, respectively, at fair value and are included in investments in the accompanying statements of financial position. Liabilities associated with these gifts totaled \$15,227 and \$16,110 as of June 30, 2021 and 2020, 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.

United Way of the Bay Area DBA United Way Bay Area Notes to Financial Statements

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, 2021 and 2020, of \$80,004 and \$91,743, 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 donor 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, 2021 and 2020, 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, or on a direct cost basis. This is consistent with the standards for allocation of functional expenses in accordance with GAAP and United Way Worldwide.

Concentrations of risk – UWBA received approximately 53% and 56% as of June 30, 2021 and 2020, 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, 2021, and 2020, UWBA had receivables from these five sources totaling \$640,752 and \$1,187,550 representing approximately 14% and 19% of total pledges receivables, respectively.

UWBA received approximately 99% of other contributions from one donor for the year ended June 30, 2021. No donors made up more than 10% of other contributions for the year ended June 30, 2020.

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.

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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 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, 2021 and 2020.

Recently Implemented Accounting Pronouncements

ASU 2014-19, Revenue from Contracts with Customers – In May 2014, the Financial Accounting Standards Board ("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, 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.

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ASU 2018-13, Fair Value Measurements – In 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurements (Topic 820)*, which modifies the disclosure requirements for Fair Value Measurement, including cost and benefits. Management adopted ASU 2018-13 for the year ended June 30, 2021; however, the adoption did not have a significant impact to the 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, 2022. 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:

	2021	2020
Amount due:		
In the next year	\$ 3,591,595	\$ 4,234,295
Between two and five years	1,100,000	2,300,000
	4,691,595	6,534,295
Discount	(15,030)	(42,995)
Provision for uncollectible pledges	(161,167)	(236,310)
	<u>\$ 4,515,398</u>	<u>\$ 6,254,990</u>

UWBA’s donor grants and contracts receivable at June 30 were:

	2021	2020
Amount due:		
In the next year	\$ 2,976,205	\$ 2,750,940
Between two and five years	300,000	600,000
	3,276,205	3,350,940
Discount	(4,434)	(14,578)
	<u>\$ 3,271,771</u>	<u>\$ 3,336,362</u>

United Way of the Bay Area DBA United Way Bay Area Notes to Financial Statements

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, 2021 and 2020, by valuation hierarchy:

Fair Value Measurement Inputs	2021		
	Level 1	Level 2	Total
Equity:			
Domestic	\$ 16,067,834	\$ -	\$ 16,067,834
International	2,914,404	-	2,914,404
Balanced fund	110,008	-	110,008
Small cap funds	652,828	-	652,828
Commodities/natural resources fund	192,959	-	192,959
Bonds:			
Low duration and intermediate	7,236,770	-	7,236,770
International global	9,540,151	-	9,540,151
Cash and cash equivalents (held for investment)	928,274	-	928,274
Pooled income funds	-	166,283	166,283
Total	<u>\$ 37,643,228</u>	<u>\$ 166,283</u>	<u>\$ 37,809,511</u>

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>

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.

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Notes to Financial Statements

NOTE 5 – FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

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

	2021	2020
Computer software and equipment	\$ 1,156,917	\$ 1,123,022
Office furniture	512,402	512,402
Equipment	220,684	220,684
Leasehold improvements	377,040	377,040
Vehicles	16,713	16,713
	<u>2,283,756</u>	<u>2,249,861</u>
Total	2,283,756	2,249,861
Less accumulated depreciation and amortization	<u>(2,141,813)</u>	<u>(1,998,336)</u>
Total furniture, equipment, and leasehold improvements, net	<u>\$ 141,943</u>	<u>\$ 251,525</u>

NOTE 6 – OTHER CONTRIBUTIONS

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

	2021	2020
Other contributions without donor restrictions:		
Donated goods and services	\$ 80,004	\$ 91,743
Noncampaign donations	20,031,270	3,005,373
Prior year campaign revenue	26,891	10,875
Revenue - other United Ways	38,195	15,764
Sponsorship fees	16,000	33,640
	<u>20,192,360</u>	<u>3,157,395</u>
Other contributions with donor restrictions:		
Noncampaign donations and miscellaneous income	13,182	-
Sponsorship fees	-	12,000
	<u>13,182</u>	<u>12,000</u>
Total other contributions	<u>\$ 20,205,542</u>	<u>\$ 3,169,395</u>

NOTE 7 – 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.

United Way of the Bay Area DBA United Way Bay Area Notes to Financial Statements

Future minimum commitments under noncancelable operating leases having lease terms in excess of one year as of June 30, 2021, are as follows:

<u>Years Ending June 30,</u>	
2022	\$ 1,123,060
2023	<u>850,989</u>
	<u>\$ 1,974,049</u>

Rent expense for the years ended June 30, 2021 and 2020, was \$1,038,903 and \$1,123,858, respectively.

NOTE 8 – 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:

	<u>2021</u>	<u>2020</u>
Defined benefit pension plan liabilities	\$ 2,697,233	\$ 6,041,390
Defined early retirement medical and long-term care benefit plans	<u>30,500</u>	<u>67,342</u>
Total accrued pension costs	<u>\$ 2,727,733</u>	<u>\$ 6,108,732</u>

United Way of the Bay Area DBA United Way Bay Area Notes to Financial Statements

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:

	<u>2021</u>	<u>2020</u>
Projected benefit obligation		
Beginning of year	\$ 18,735,127	\$ 16,773,262
Service cost	176,001	251,014
Interest costs	413,154	537,673
Actuarial (gain) loss	(575,280)	2,516,180
Benefits paid	(975,723)	(1,261,447)
Administrative expenses paid	(54,816)	(81,555)
	<u>17,718,463</u>	<u>18,735,127</u>
End of year	<u>\$ 17,718,463</u>	<u>\$ 18,735,127</u>
Fair value of plan assets		
Beginning of year	\$ 12,693,737	\$ 12,833,906
Actual return on plan assets	3,035,847	745,001
Employer contributions	322,185	457,832
Benefits paid	(975,723)	(1,261,447)
Administrative expenses paid	(54,816)	(81,555)
	<u>15,021,230</u>	<u>12,693,737</u>
End of year	<u>\$ 15,021,230</u>	<u>\$ 12,693,737</u>
Funded status of the Plan at year end (underfunded)	<u>\$ (2,697,233)</u>	<u>\$ (6,041,390)</u>

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

	<u>2021</u>	<u>2020</u>
Prepaid benefit cost	\$ 2,957,321	\$ 2,793,635
Additional accrued pension liability for pension plans with a benefit obligation in excess of plan assets	<u>(5,654,554)</u>	<u>(8,835,025)</u>
Defined benefit pension liabilities	<u>\$ (2,697,233)</u>	<u>\$ (6,041,390)</u>
Net asset without donor restrictions, pension liability in excess of intangible pension assets	<u>\$ 5,654,554</u>	<u>\$ 8,835,025</u>

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

	<u>2021</u>	<u>2020</u>
Service cost	\$ 176,001	\$ 251,014
Interest cost	413,154	537,673
Expected return on assets	(987,107)	(995,297)
Amortization loss	<u>556,451</u>	<u>396,484</u>
Net periodic pension cost	<u>\$ 158,499</u>	<u>\$ 189,874</u>

United Way of the Bay Area DBA United Way Bay Area Notes to Financial Statements

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:

	2021	2020
Assumptions used in computing benefit obligation:		
Discount rate	2.45%	2.30%
Rate of compensation increase	N/A	N/A
Assumptions used in computing the net periodic pension costs:		
Discount rate	2.30%	3.25%
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:

	2021	2020
Asset category		
Common and collective trusts		
Equity	61.3%	60.2%
Debt	37.9%	37.0%
Cash and cash equivalents	0.8%	2.8%
Total	100.0%	100.0%

The fair values of the UWBA's defined benefit plan assets at June 30, 2021, by asset category were as follows:

Fair Value Measurement Inputs	Level 1	Level 2	Total
Cash and cash equivalents	\$ 126,172	\$ -	\$ 126,172
Large cap equities fund	-	4,937,569	4,937,569
Small cap equities fund	-	1,275,664	1,275,664
Mid cap fund	-	750,390	750,390
International equities fund	-	2,236,164	2,236,164
Fixed income securities	-	5,695,271	5,695,271
Total	\$ 126,172	\$ 14,895,058	\$ 15,021,230

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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	\$ 359,349	\$ -	\$ 359,349
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>\$ 359,349</u>	 <u>\$ 12,334,388</u>	 <u>\$ 12,693,737</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>	
2022	\$ 933,200
2023	956,716
2024	968,949
2025	1,003,897
2026	995,670
2027-2031	<u>5,005,370</u>
	 <u>\$ 9,863,802</u>

UWBA contributed \$322,185 and \$457,832 to the Plan during the years ended June 30, 2021 and 2020, respectively.

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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 \$219,634 and \$256,689 to the 401(k) Plan for the years ended June 30, 2021 and 2020, 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, 2021 and 2020, is \$30,484 and \$28,252, 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 (“457(b) 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, five employees are eligible for the 457(b) Plan and three employees had elected to participate in the 457(b) Plan. At June 30, 2021, only one participant remained in the 457(b) Plan. The investments in this 457(b) Plan remain as assets of the Organization until the employees retire. The balance in the 457(b) Plan as of June 30, 2021 and 2020, was \$16 and \$39,090, respectively, and is included in accrued pension costs.

NOTE 9 – 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:

	2021	2020
Future grants and programs	\$ 647,539	\$ 963,255
General use	7,949,365	1,678,279
	\$ 8,596,904	\$ 2,641,534

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.

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NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of June 30, 2021 and 2020, respectively:

	<u>2021</u>	<u>2020</u>
UWBA community programs	\$ 1,907,416	\$ 5,177,951
Donor restricted - Sobrato in-kind rent	-	115,694
Endowments - corpus	3,897,164	3,897,164
Endowment activity	<u>2,627,272</u>	<u>1,163,724</u>
 Total	 <u>\$ 8,431,852</u>	 <u>\$ 10,354,533</u>

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 11).

Endowment activity – represents the accumulated, but unappropriated earnings on the Endowments – Corpus (see Note 11).

NOTE 11 – 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

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- 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, 2021 and 2020, there were no funds with deficiencies.

The composition and changes in the endowment net assets as of June 30, 2021 and 2020, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total Endowment Net Assets
Endowment net assets, June 30, 2019	\$ -	\$ 5,252,824	\$ 5,252,824
Contribution	-	(967)	(967)
Investment income	-	193,696	193,696
Net depreciation	-	(206,693)	(206,693)
Amounts appropriated for expenditure	-	(177,972)	(177,972)
Endowment net assets, June 30, 2020	-	5,060,888	5,060,888
Contribution	-	-	-
Investment income	-	179,370	179,370
Net appreciation	-	1,526,119	1,526,119
Amounts appropriated for expenditure	-	(241,941)	(241,941)
Endowment net assets, June 30, 2021	<u>\$ -</u>	<u>\$ 6,524,436</u>	<u>\$ 6,524,436</u>

NOTE 12 – 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.

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NOTE 13 – 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:

	2021	2020
<u>Financial assets available within one year:</u>		
Cash and cash equivalents	\$ 2,092,551	\$ 3,284,589
Investments	37,809,511	14,412,433
UWW note receivable collectible within one year	42,720	43,808
Pledges receivable collectible within one year	3,430,428	3,997,985
Grants & contracts receivable collectible within one year	2,971,771	2,736,362
Financial assets, at June 30:	46,346,981	24,475,177
<u>Less those unavailable for general expenditure:</u>		
Designated pledges payable (agency transactions)	(1,945,095)	(1,997,885)
Restricted by donors with purpose restrictions	(1,907,416)	(5,293,645)
Restricted by donors in perpetuity	(6,524,436)	(5,060,888)
Total amounts available for general expenditures within one year	35,970,034	12,122,759
<u>Amounts unavailable to management without board approval:</u>		
Board-designated for quasi-endowment	(8,596,904)	(2,641,534)
Pension liability in excess of intangible pension assets	(5,654,554)	(8,835,025)
Total financial assets available to management for general expenditure within one year	\$ 21,718,576	\$ 646,200

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 14). 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 14 – 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.

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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 and for the year ended June 30, 2021, there was \$2,003,022 in outstanding debt on the line of credit and interest expense of \$40,932. As of and for the year ended June 30, 2020, there was \$2,400,000 in outstanding debt on the line of credit and interest expense of \$75,450. The line of credit is due on demand. UWBA issued a letter of credit in January 2021 for \$230,190 to their landlord. This letter of credit replaced the letter of credit issued in January 2016 for the same amount.

NOTE 15 – PAYCHECK PROTECTION PROGRAM

In April 2020, UWBA applied for a Paycheck Protection Program (“PPP”) loan through the Small Business Administration (SBA) under the 2020 CARES Act. This loan is designed to help organizations keep their workforce in relation to the coronavirus pandemic and UWBA received \$1,199,124 in loan proceeds at 1% interest and the loan is subject to partial or full forgiveness.

The proceeds from the PPP loan were used in full to cover eligible expenses in the year ended June 30, 2020. On May 20, 2021, UWBA received a Notice of Paycheck Protection Program Forgiveness Payment for the forgiveness amount of \$1,199,122 and \$12,387 in interest. As such, the proceeds from the PPP loan were recorded as nonoperating income for the year ended June 30, 2021, in the statements of activities and changes in net assets.

NOTE 16 – 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.

As of June 30, 2021, UWBA ended the affiliation relationship with UWW. Effective the same date, UWBA and UWW signed a short-term fiscal services agreement to transition fiscal services back to UWBA. The transition was completed in November 2021.

UWBA has evaluated subsequent events through February 25, 2022, 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.

