

LIVE UNITED



**United Way Fresno
and Madera Counties**

**CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
JUNE 30, 2021**

**UNITED WAY FRESNO AND MADERA COUNTIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to the Consolidated Financial Statements	7



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Way Fresno and Madera Counties

We have audited the accompanying consolidated financial statements of United Way Fresno and Madera Counties (UWFM), a nonprofit organization, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles 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 consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to UWFM's preparation and fair presentation of the consolidated 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 UWFM'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 consolidated financial statements.

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

570 N. Magnolia Avenue, Suite 100
Clovis, CA 93611
tel 559.299.9540
fax 559.299.2344

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way Fresno and Madera Counties as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Price Paige & Company

Clovis, California
April 8, 2022

**UNITED WAY FRESNO AND MADERA COUNTIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS

Current assets:

Cash and cash equivalents	\$ 217,336
Restricted cash	995,949
Pledges receivable, net of \$120,046 allowance for uncollectable pledges	255,851
Grants receivable	313,891
Prepaid expenses and deposits	<u>19,389</u>
Total current assets	<u>1,802,416</u>

Property and equipment:

Land	170,000
Buildings	1,313,678
Computer equipment and software	207,933
Furniture and equipment	94,643
Less accumulated depreciation	<u>(714,643)</u>
Property and equipment, net	<u>1,071,611</u>

Total assets	<u>\$ 2,874,027</u>
--------------	---------------------

LIABILITIES

Current liabilities:

Accounts payable and accrued expenses	\$ 75,886
Accrued payroll and related liabilities	55,008
Deferred revenue	844,924
Pledges due to designated agencies	5,530
Note payable, current portion	<u>25,046</u>
Total current liabilities	<u>1,006,394</u>

Long-term liabilities:

Note payable, net of current portion	<u>632,675</u>
Total long-term liabilities	<u>632,675</u>

Total liabilities	<u>1,639,069</u>
-------------------	------------------

NET ASSETS

Net assets without donor restrictions	1,001,459
Net assets with donor restrictions	<u>233,499</u>

Total net assets	<u>1,234,958</u>
------------------	------------------

Total liabilities and net assets	<u>\$ 2,874,027</u>
----------------------------------	---------------------

**UNITED WAY FRESNO AND MADERA COUNTIES
CONSOLIDATED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total
Revenue and support:			
Campaign results:			
United Way campaign pledges	\$ 368,851	\$ -	\$ 368,851
Direct campaign pledges and contributions	<u>26,900</u>	<u>-</u>	<u>26,900</u>
Total campaign results	<u>395,751</u>	<u>-</u>	<u>395,751</u>
Other revenue and support:			
Grants	2,379,387	240,000	2,619,387
Other income	25,050	-	25,050
Forgiveness of debt on PPP	134,300	-	134,300
Contributions	210,186	-	210,186
Interest income	<u>152</u>	<u>-</u>	<u>152</u>
Total other revenue and support	<u>2,749,075</u>	<u>240,000</u>	<u>2,989,075</u>
Total revenues and support before net assets released from restrictions	3,144,826	240,000	3,384,826
Net assets released from restrictions	<u>233,135</u>	<u>(233,135)</u>	<u>-</u>
Total revenue and support after net assets released from restrictions	<u>3,377,961</u>	<u>6,865</u>	<u>3,384,826</u>
Expenses:			
Program services	2,622,601	-	2,622,601
Supporting services:			
Management and general	309,308	-	309,308
Fundraising	<u>171,863</u>	<u>-</u>	<u>171,863</u>
Total expenses	<u>3,103,772</u>	<u>-</u>	<u>3,103,772</u>
Changes in net assets	274,189	6,865	281,054
Net assets, beginning of year	<u>727,270</u>	<u>226,634</u>	<u>953,904</u>
Net assets, end of year	<u>\$ 1,001,459</u>	<u>\$ 233,499</u>	<u>\$ 1,234,958</u>

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

**UNITED WAY FRESNO AND MADERA COUNTIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021**

	Program Services	Supporting Services		Totals
		Management and General	Fundraising	
Salaries and related costs:				
Salaries	\$ 616,090	\$ 75,344	\$ 42,006	\$ 733,440
Employee benefits	56,850	7,700	3,128	67,678
Payroll taxes	46,300	5,500	3,327	55,127
Total salaries and related costs	719,240	88,544	48,461	856,245
Operating expenses:				
Utilities	57,800	6,800	4,301	68,901
Communications	12,560	1,490	910	14,960
Conferences, meetings and training	9,942	-	-	9,942
Depreciation	31,062	3,690	2,226	36,978
Donor recognition	-	-	919	919
Marketing and advertising	168,193	-	35,085	203,278
Equipment rental and maintenance	5,233	1,200	511	6,944
Insurance	15,926	1,890	1,144	18,960
Interest expense	30,075	3,580	2,149	35,804
Miscellaneous	11,453	1,360	822	13,635
Distribution to designated agencies	981,706	-	-	981,706
Professional fees	438,257	82,477	1,000	521,734
Program grant management	30,205	-	-	30,205
Special events	-	3,449	61,637	65,086
Supplies	2,649	20,132	-	22,781
Travel	9,561	-	8,849	18,410
Office expenses	97,694	94,348	2,000	194,042
Staff appreciation	1,045	348	1,849	3,242
Total operating expenses	1,903,361	220,764	123,402	2,247,527
Total expenses	\$ 2,622,601	\$ 309,308	\$ 171,863	\$ 3,103,772

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

**UNITED WAY FRESNO AND MADERA COUNTIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021**

CASH FLOWS FROM OPERATING ACTIVITIES	
Changes in net assets	\$ 281,054
Adjustments to reconcile increase in net assets to net cash provided by (used in) operating activities:	
Depreciation	36,978
Forgiveness of debt	(134,300)
Changes in operating assets and liabilities	
Pledges receivable	95,085
Grants	(31,210)
Prepaid expenses and deposits	(9,662)
Accounts payable and accrued expenses	(509,049)
Accrued payroll and related liabilities	24,056
Deferred revenue	(451,350)
Pledges due to designated agencies	<u>(18,438)</u>
Net cash provided by (used in) operating activities	<u>(716,836)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property and equipment	<u>(31,079)</u>
Net cash provided by (used in) investing activities	<u>(31,079)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Principal payments on long-term debt	<u>(23,748)</u>
Net cash provided by (used in) financing activities	<u>(23,748)</u>
Increase (decrease) in cash and cash equivalents	(771,663)
Cash and cash equivalents, beginning of year	<u>1,984,948</u>
Cash and cash equivalents, end of year	<u>\$ 1,213,285</u>
Reconciliation to Statement of Financial Position	
Cash and cash equivalents	\$ 217,336
Restricted cash	<u>995,949</u>
Total	<u>\$ 1,213,285</u>
Supplemental Disclosure of Cash Flow Information	
Total interest paid	<u>\$ 35,804</u>

See Independent Auditor's Report and Notes to the Consolidated Financial Statements.

UNITED WAY FRESNO AND MADERA COUNTIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – ORGANIZATION AND OPERATIONS

United Way Fresno County (UWFC) incorporated in 1924 as part of an international network of independently managed nonprofit chapters. In March 2015, UWFC expanded its service area to include Madera County, amending its Articles of Incorporation to reflect the new chapter name, “United Way of Fresno and Madera Counties” (UWFMC). The organization’s purpose remained the same: to mobilize the collective power of community to break down systemic barriers to prosperity. UWFMC achieves its mission statement in two primary ways. First and foremost, by raising funds in a community chest to distribute to vulnerable neighbors and the local agencies who serve those populations. And secondly, by offering its own direct resources and programs for systemically disadvantaged residents.

Program Functions

UWFMC has a long history of incubating nonprofit and community-based projects, supporting them with seed funding, fiscal sponsorship, operational support, and marketing services. By working together with community partners and agencies to leverage funding and resources, UWFMC and its partners can provide better services to more people than any one organization might alone. With the addition of the 211 Helpline in 2007, UWFMC is now able to direct residents to multiple wrap-around resources at once. The Helpline runs 24-hours a day, 365 days a year and is available in multiple languages. Callers can be connected to a database of hundreds of programs that assist with food, housing, health care, senior and veteran services, childcare, legal aid, and much more.

Other internal programs include:

Free Tax Prep: IRS-certified volunteers provide free tax care to low- and moderate-income residents at various sites throughout Fresno and Madera Counties. Tax coordinators ensure tax filers get the largest possible return. If filers do not qualify for certain credits, they are informed on what they might do differently in the future to be eligible. California United Way chapters also advocate for tax equity throughout the year. Most recently, they successfully helped push for a California Earned Income Tax Credit expansion to ITIN filers and a removal of an earnings requirement on the Young Child Tax Credit (YCTC).

Relief Work: During times of disaster (like the Creek Fire or the onset of the pandemic), UWFMC has responded by providing immediate direct financial relief to residents as well as other forms of care like emergency preparedness education and vaccine resource fairs in rural towns.

Prosperity Coaching: The Yield (along with Fresno’s DRIVE Initiative) served as a building block for Prosperity Coaching, which is an approach to reduce poverty and build individualized, self-perpetuating wealth. A Prosperity Coach provides intensive, comprehensive financial education, resources, and experts to households. They also advocate for policy and systems change within our local and state governments. Families and individuals that are motivated to move out of poverty into Stability or Security require additional, individualized support and personalized solutions to address the many barriers they will face on such a journey. Depending on the individual, this might include addressing cash flow, training for better employment opportunities, building connections (social capital), and/or providing access to resources such as emergency loan funds, mobile banking, and comprehensive financial capability training. But prosperity is about more than financial well-being; true success requires that households improve or address all aspects of well-being and health, as those are also drivers of financial health and vice-versa. While participants are navigating their way out of poverty, their successes and challenges are shared with local community leaders, and the barriers they face are identified, discussed, and often resolved.

UNITED WAY FRESNO AND MADERA COUNTIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 606, Revenue from Contracts with Customers) which provides a five-step analysis of contracts to determine when and how revenue is recognized and replaces most existing revenue recognition guidance in U.S. generally accepted accounting principles. The core principle of the new guidance is that an entity should recognize revenue to reflect the transfer of goods and services to customers in an amount equal to the consideration the entity receives or expects to receive. ASC 606 is effective for annual reporting periods beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. UWFMC adopted ASC 606 with a date of the initial application of July 1, 2020.

UWFMC applied ASC 606 using the cumulative effect method, which resulted in recognizing the cumulative effect of initially applying the new guidance as an adjustment to the opening balance of net assets at July 1, 2020. The details of the significant changes and quantitative impact of the changes are discussed below.

As part of the adoption of ASC 606, UWFMC elected to use the following transition practical expedients: (1) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price have been reflected in the aggregate; and (2) ASC 606 is applied only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

There were no significant changes that resulted from the adoption of ASC 606. The adoption of the new accounting policy did not have a significant impact on change in net asset, and therefore, there was no adjustment to the opening balance of net assets. UWFMC does not expect the adoption of the new revenue standard to have a material impact on its change in net asset on an ongoing basis.

Classification of Net Assets

The consolidated financial statements of the UWFMC have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which require UWFMC to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of UWFMC. These net assets may be used at the discretion of UWFMC's management and the Board of Directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of UWFMC or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Basis of Presentation

The consolidated financial statements are prepared using the accrual basis of accounting, in which support and revenue are recognized when earned or due and expenses are recognized when incurred.

Principles of Consolidation

The consolidated financial statements include the accounts of UWFMC and Fresno Fund I, LLC, a single member limited liability company. All significant intercompany accounts and transactions have been eliminated in consolidation.

UNITED WAY FRESNO AND MADERA COUNTIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Concentration of Credit Risk

UWFMC maintains cash and cash equivalents at several financial institutions located in Fresno, California. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. At June 30, 2021, UWFMC had approximately \$835,350 in cash balances that were in excess of federally insured limits.

UWFMC has not experienced any losses and management believes UWFMC is not exposed to any significant credit risk related to cash.

Financial Instruments

UWFMC's financial instruments consist of cash and cash equivalents, pledges, grants and other receivables, line of credit, accounts payable and accrued expenses, accrued payroll and related liabilities, fiduciary funds due to other organizations, pledges due to designated agencies, and long-term debt. These financial instruments are stated at cost, which approximates fair value.

Cash and Cash Equivalents

For purposes of the statement of cash flows, cash and cash equivalents are liquid investments with an original maturity date of three months or less and consist primarily of money market funds.

Pledges Receivable

Pledges receivable consist of unconditional promises to give and are recorded in the year the promise is made. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. The allowance for uncollectible promises to give is based on prior years' experience and management's analysis of specific promises to give.

UWFMC's ability to collect the pledges receivable from donors may be affected by economic conditions within Fresno and Madera Counties.

Property and Equipment

Property and equipment are recorded at cost or if donated, at the asset's estimated fair value on the date of donation. All assets acquired by UWFMC whose initial value or cost exceeds \$1,000 are capitalized and depreciated over their estimated useful lives. Routine repairs and maintenance, including planned major maintenance activities, are expensed when incurred.

Depreciation is computed using the straight-line method over the estimated useful lives as follows:

Buildings	20 - 50 years
Computer equipment and software	5 - 7 years
Furniture and equipment	5 - 7 years

Depreciation expense for the year ended June 30, 2021 was \$36,978.

UNITED WAY FRESNO AND MADERA COUNTIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Due to Designated Agencies

UWFMC conducts an annual fundraising campaign and honors donor designations to other nonprofit agencies. Donors to the campaign may designate all or part of their contributions to specific agencies. The agency must be an active 501(c)(3) organization and comply with the Patriot Act. These specified designations are not recognized as revenue. The designated pledges are recorded as a liability and are distributed quarterly as pledges are collected, less an allowance for expected uncollectible amounts. As of June 30, 2021, the pledges due to designated agencies totaled \$5,530.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets with donor restrictions and net assets released from restriction if the restriction expires in same the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

UWFMC recognizes annual campaign pledges and contributions received as revenue in the period made or received. Pledges and contributions with donor restrictions that are used for the specified purpose in the same year as received are recognized contributions that are reclassified as net assets released from restrictions in the same year.

Functional Expense Allocation

The costs of providing various program and supporting activities have been summarized on a functional basis in the consolidated statement of functional expenses. The consolidated statement of functional expenses present expenses by function and natural classification. Expenses directly attributable to a specific functional area of UWFMC are reported as expenses of those functional areas while indirect costs that benefit multiple functional areas have been allocated among the programs and supporting services benefited.

<u>Expense</u>	<u>Method of Allocation</u>
Salaries	Time & Effort
Employee benefits	Time & Effort
Payroll taxes	Time & Effort
Utilities	Time & Effort
Communications	Time & Effort
Conferences, meetings and training	Time & Effort
Depreciation	Time & Effort
Equipment rental and maintenance	Time & Effort
Insurance	Time & Effort
Interest expense	Time & Effort
Miscellaneous expenses	Time & Effort
Professional fees	Time & Effort
Supplies	Time & Effort
Office expenses	Time & Effort
Staff appreciation	Time & Effort

See Independent Auditor's Report.

**UNITED WAY FRESNO AND MADERA COUNTIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

Donated services are recognized as contributions if they significantly enhance non-financial assets or involve a professional service that would otherwise have been purchased and whose values can be objectively measured. Many individuals have donated time and services to advance UWFMC's programs and objectives. The value of these services has not been recorded in the consolidated financial statements because they do not meet the definition for recognition under generally accepted accounting principles.

Marketing and Advertising

Advertising and marketing costs are expensed as incurred. As of June 30, 2021, advertising and marketing cost was \$203,278.

Tax Exempt Status

UWFMC has qualified as a nonprofit organization and has been granted tax-exempt status pursuant to Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d) and is exempt from Federal and State of California income taxes. Unrelated business income tax, if any, is insignificant and no provision for income taxes has been made.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its positions and believes that all positions taken in its federal and state exempt organization information returns are more likely than not to be sustained upon examination. UWFMC's returns are subject to examination by federal and state taxing authorities, generally for three years and four years, respectively, after they are filed. There are currently no tax years under examination.

Compensated Absences

UWFMC provides its employees with vacation, sick and other leave benefits in accordance with its policies. UWFMC's costs for these benefits are expensed as they are vested in the employees.

NOTE 3 – AVAILABILITY AND LIQUIDITY

Financial assets available for general expenditure within one year of the Statement of Financial Position date, consist of the following at June 30, 2021:

Cash and cash equivalents	\$ 217,336
Pledges receivable, net of \$120,046 allowance for uncollectable pledges	255,851
Grants receivable	<u>313,891</u>
	<u>787,078</u>
Less amounts not available to be used within one year	
Donor-restricted with liquidity horizons greater than one year	<u>\$ -</u>
Financial assets available to meet general expenditures within one year	<u>\$ 787,078</u>

UNITED WAY FRESNO AND MADERA COUNTIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – AVAILABILITY AND LIQUIDITY (Continued)

The UWPMC's goal is generally to maintain financial assets to meet 180 days of operating expenses. As part of the UWPMC's liquidity management plan, cash in excess of daily requirements are maintained in cash and cash equivalent accounts for immediate access should those funds be needed. Funds in excess of daily cash requirements may be used to meet unexpected liquidity needs.

UWPMC also maintains a \$50,000 line of credit. As of June 30, 2021, \$50,000 remained available on the UWPMC's line of credit.

NOTE 4 – PLEDGES RECEIVABLE

Pledges receivable consist of the following unconditional promises to give at June 30, 2021:

Pledges receivable within one year:	
UWPMC Campaign	\$ 375,897
Allowances for pledges receivable	<u>(120,046)</u>
Pledges receivable, net	<u>\$ 255,851</u>

NOTE 5 – FRESNO FUND I, LLC

Fresno Fund I, LLC (FFI) is a single member Limited Liability Company (LLC) wholly-owned by United Way Fresno and Madera Counties. FFI was formed in June 2005 as a Delaware LLC and is subject to annual LLC fees in the State of Delaware and annual minimum tax and gross receipt fees in the State of California.

Fresno Fund I was capitalized on July 22, 2005 by United Way through the contribution of life insurance policies with an aggregate face value of approximately \$200,000,000 and a cost basis of zero as of July 22, 2005. The life insurance policies are all the lives of supporters of UWFM and affiliated charities.

Effective July 22, 2005, FFI entered into a Capital Contribution Agreement with Charity Funding I, LLC (CFI) in which FFI contributed 100% of its rights, title, and interest in the life insurance policies in exchange for a 49%-member interest in CFI. Since FFI had not incurred any costs associated with acquiring these life insurance policies, this investment had a cost basis of zero.

UWFM, FFI and CFI entered into an engagement agreement with Charity Capital, L.P. on August 24, 2006, granting them exclusive rights to obtain financing for the life insurance policies which would pay the premiums and any administrative costs for this life insurance-based fundraising program. Charity Capital, L.P. obtained the financing. The loan agreement provided for borrowings of \$87,150,000, which are to be used 1) to pay all transaction expenses relating to the issuance of the notes, 2) to pay premiums on the life insurance contracts, 3) to fund the Restricted Collateral Accounts and the Equity Reserve Account, and 4) to make a distribution to the members which are wholly-owned by the Charities on CFI's membership interests.

The loan bears interest at a fixed rate of 5.69% under the terms of a related interest rate swap agreement. Payments of principal and interest are due on a semi-annual basis and the loan matured on July 22, 2015. Under the terms of the loan agreement and indenture agreement, the life insurance policies were pledged as collateral for the loan along with all unexpended monies from the financing held by Wells Fargo Bank (the Trustee), with no recourse to CFI or its members. The policies were assigned and delivered to the Trustee. The Trustee administers the proceeds from the financing, disburses the premium payments, administrative expenses, and debt service payments, and submits the claims and collects the proceeds from all matured payment.

UNITED WAY FRESNO AND MADERA COUNTIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – FRESNO FUND I, LLC (Continued)

Under the terms of the loan and indenture agreements, FFI and CFI effectively surrendered control over the assets, liabilities, and the operations of CFI. In the event the loan is unable to be refinanced, management believes that the FFI has no obligation for repayment of the note, or to provide any additional capital or financing under the agreements. Management further believes that there is no significant risk of loss other than the life insurance policies which have a zero-cost basis.

The fair value of the investment in CFI has not been determined because it is not practicable to estimate the fair value. There was no investment income received by FFI from CFI during the year ended June 30, 2021.

NOTE 6 – LINE OF CREDIT

UWFM has a variable rate nondisclosable revolving line of credit loan with Central Valley Community Bank (CVCB) which provides for borrowings up to \$50,000. The interest rate is based on the CVCB's prime rate plus 2%. The line of credit is secured by a junior deed of trust on the UWFC's building. The line of credit expires March 2024. There was no outstanding balance under the agreement at June 30, 2021.

NOTE 7 – LONG-TERM DEBT

Note Payable

The note payable consists of the following at June 30, 2021:

Note payable to Central Valley Community Bank (CVCB), due in monthly installments of \$4,954 including interest at 5.25%, based on the 10-year treasury note yield rate plus 3.25%, as published in the Wall Street Journal Money Rates Table, adjusted every five years commencing April 23, 2023, balance of \$341,104 due in June 2031, secured by a deed of trust on the building.	\$ 657,721
Less current portion	<u>(25,046)</u>
Note payable, net of current portion	<u>\$ 632,675</u>

Future scheduled maturities of long-term debt are as follows:

<u>For the years ending June 30:</u>	
2022	\$ 25,046
2023	26,412
2024	27,766
2025	29,465
2026 and thereafter	<u>549,032</u>
	<u>\$ 657,721</u>

**UNITED WAY FRESNO AND MADERA COUNTIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 7 – LONG-TERM DEBT (Continued)

SBA PPP Loan

The Small Business Administration Paycheck Protection Program (SBA PPP) is a federal loan program designed to assist entities in sustaining their operations during the COVID – 19 pandemic. The loan is forgivable if used for eligible costs, including payroll costs, rent payments and others. Specific criteria must be met under the program guidelines for the loan to be forgiven.

On April 27, 2020, UWFM received an SBA PPP loan in the amount of \$134,300. The loan bears interest at 1% if forgiveness is not granted by the SBA for any amounts. Interest accrues between the date of disbursement and forgiveness on the amount of the loan that is not forgiven. On March 22, 2021, the SBA PPP loan was forgiven and UWFM recognized the total amount of \$134,300 as a forgiveness of debt on PPP revenue on the Statement of Activities for the year ended June 30, 2021.

NOTE 8 – DEFERRED REVENUE

UWFM administers programs funded by grants received from local businesses, other nonprofit organizations, and governmental entities. Some of these grantors advance money to UWFM for service to be performed during the grant period, however, grant revenue is recognized when applicable expenses are incurred and conditions or barriers are met. Unexpended advances on grants are reported as deferred revenue and totaled \$844,924 as of June 30, 2021.

NOTE 9 – OPERATING LEASE

On June 30, 2020, UWFM leased a digital copier under a non-cancelable operating lease which terminates on June 30, 2025. The lease payments plus supply and maintenance charges are expensed as incurred.

The future minimum lease payments and maintenance charges under non-cancelable lease are as follows:

<u>For the years ending June 30:</u>	
2022	\$ 4,646
2023	4,646
2024	4,646
2025	<u>4,646</u>
	<u>\$ 18,586</u>

NOTE 10 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2021:

Purpose restricted:	
Bank of America Grant	\$ 50,000
SH Cowell Grant	43,499
Central Valley Community Foundation Grant	65,000
Wells Fargo Grant	<u>75,000</u>
Total	<u>\$ 233,499</u>

UNITED WAY FRESNO AND MADERA COUNTIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – RETIREMENT PLAN

UWFMC sponsors a 403(b) thrift plan covering substantially all employees who have two years of service, and are over 21 years of age, but not over 65 years of age. Employees may elect to have a portion of their salary deferred and contributed to the plan. Discretionary contributions are allocated based on compensation. All employees and employer contributions to the plan are 100% vested immediately.

During the year ended June 30, 2021, UWFMC did not make any contributions to the Retirement plan.

NOTE 12 – UNCERTAINTY

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Accordingly, some functions of the UWFMC's operations were limited to protect the health and safety of its employees. The ultimate financial impact on UWFMC that could occur as result of the pandemic is unknown at this time.

NOTE 13 – SUBSEQUENT EVENTS

Management has evaluated and concluded that there are no subsequent events that have occurred from June 30, 2021, through the date the consolidated financial statements were available to be issued at April 8, 2022, that would require disclosure or adjustment.