

UNITED WAY OF STANISLAUS COUNTY

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2017 AND 2016



CROCE, SANGUINETTI, & VANDER VEEN

INC.

CERTIFIED PUBLIC ACCOUNTANTS

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CROCE, SANGUINETTI, & VANDER VEEN^{INC.}

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Directors
United Way of Stanislaus County
Modesto, California

We have audited the accompanying financial statements of **United Way of Stanislaus County** (a California Nonprofit Corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **United Way of Stanislaus County** as of June 30, 2017 and 2016, 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statements of activities - Tuolumne County on page 19 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited **United Way of Stanislaus County's** June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 23, 2016. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Croce, Sanguinetti, & Vander Veen, Inc.

CROCE, SANGUINETTI, & VANDER VEEN, INC.
Certified Public Accountants
Stockton, California
November 7, 2017

UNITED WAY OF STANISLAUS COUNTY

Statements of Financial Position

June 30,

	Assets	
	<u>2017</u>	<u>2016</u>
Current assets		
Cash and cash equivalents	\$ 828,751	\$ 850,208
Cash and cash equivalents - restricted	45,579	55,048
Cash held for others - in agency capacity	46,187	97,137
Pledges receivable, net of allowance for uncollectible pledges	693,596	620,789
Pledges receivable - in agency capacity	232,151	158,524
Accounts receivable	1,450	16,575
Grants receivable	204,596	93,702
Investments	1,030	124
Prepaid expenses and other assets	<u>11,029</u>	<u>16,378</u>
Total current assets	<u>2,064,369</u>	<u>1,908,485</u>
Property and equipment, at cost	1,924,035	1,922,838
Less accumulated depreciation	<u>(703,271)</u>	<u>(658,258)</u>
	<u>1,220,764</u>	<u>1,264,580</u>
Other assets		
Loan fees, net of accumulated amortization of \$1,456 and \$1,344, respectively	<u>1,344</u>	<u>1,456</u>
Total assets	<u>\$ 3,286,477</u>	<u>\$ 3,174,521</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 57,980	\$ 13,499
Grant payable	37,364	37,270
Donor designations payable	139,844	126,253
Due to other organizations - in agency capacity	284,562	257,548
Accrued expenses	142,613	113,329
Current maturities of long-term debt	<u>28,681</u>	<u>25,595</u>
Total current liabilities	<u>691,044</u>	<u>573,494</u>
Noncurrent liabilities		
Long-term debt	<u>410,656</u>	<u>440,660</u>
Total noncurrent liabilities	<u>410,656</u>	<u>440,660</u>
Total liabilities	<u>1,101,700</u>	<u>1,014,154</u>
Net assets		
Unrestricted	2,081,377	2,056,967
Temporarily restricted	<u>103,400</u>	<u>103,400</u>
Total net assets	<u>2,184,777</u>	<u>2,160,367</u>
Total liabilities and net assets	<u>\$ 3,286,477</u>	<u>\$ 3,174,521</u>

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

UNITED WAY OF STANISLAUS COUNTY

Statements of Activities

Years ended June 30,

	<u>2017</u>	<u>2016</u>
Unrestricted net assets		
Revenues and other support		
Campaign support:		
Stanislaus County	\$ 1,844,475	\$ 1,834,058
Tuolumne County	11,780	23,412
Less donor designations	(271,951)	(307,637)
Less provision for uncollectible pledges	<u>(86,537)</u>	<u>(90,545)</u>
Net campaign support	1,497,767	1,459,288
Grants	355,268	359,742
Special events - net of expenses of \$26,302 and \$34,773, respectively	65,584	97,082
In-kind contributions	-	9,555
Interest income	1,173	916
Administrative fees	69,115	58,959
Miscellaneous income	<u>24,423</u>	<u>27,155</u>
Total revenues and other support	<u>2,013,330</u>	<u>2,012,697</u>
Expenses		
Program services		
Gross funds awarded/allocated to agencies	1,029,243	1,180,364
Less donor designations	<u>(271,951)</u>	<u>(307,637)</u>
Net funds awarded/allocated to agencies	757,292	872,727
Volunteer Center	127,156	132,317
Community Impact - Stanislaus County	230,449	302,742
2-1-1 Services	<u>246,954</u>	<u>251,157</u>
Total program services	<u>1,361,851</u>	<u>1,558,943</u>
Supporting services		
Management and general	216,948	131,601
Resource development - Stanislaus	388,275	389,849
United Way Worldwide and California dues	<u>21,846</u>	<u>21,393</u>
Total supporting services	<u>627,069</u>	<u>542,843</u>
Total expenses	<u>1,988,920</u>	<u>2,101,786</u>
Change in net assets	24,410	(89,089)
Net assets, beginning of year	<u>2,160,367</u>	<u>2,249,456</u>
Net assets, end of year	<u>\$ 2,184,777</u>	<u>\$ 2,160,367</u>

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

STATEMENT OF FUNCTIONAL EXPENSES

UNITED WAY OF STANISLAUS COUNTY

Statement of Functional Expenses

Year ended June 30, 2017
(with comparative totals for the year ended June 30, 2016)

	Program Services				
	Net Funds Awarded/ Allocated to <u>Agencies</u>	Volunteer <u>Center</u>	Community Impact <u>Stanislaus</u>	<u>2-1-1</u>	Total Program <u>Services</u>
Expenses					
Salaries	\$ -	\$ 77,678	\$ 134,931	\$ 101,538	\$ 314,147
Employee benefits	-	11,024	18,770	20,154	49,948
Payroll taxes		<u>6,958</u>	<u>11,948</u>	<u>9,145</u>	<u>28,051</u>
Total salaries and related expenses		95,660	165,649	130,837	392,146
Professional fees	-	5,248	9,244	74,286	88,778
Office supplies	-	125	94	-	219
Campaign supplies	-	-	12,730	-	12,730
Telephone	-	848	-	4,972	5,820
Postage	-	-	-	-	-
Occupancy	-	-	-	-	-
Equipment rental and maintenance	-	-	-	-	-
Subscriptions	-	-	106	-	106
Printing	-	129	76	441	646
Travel	-	5	1,296	654	1,955
Meetings	-	-	3,414	10	3,424
Insurance	-	-	-	-	-
Dues	-	2,085	-	1,868	3,953
Advertising	-	-	-	4,063	4,063
Interest expense	-	2,187	3,718	3,718	9,623
Miscellaneous	-	46	54	583	683
Depreciation and amortization	-	6,217	9,441	8,969	24,627
Staff development	-	-	284	-	284
Operation expense pool	-	<u>14,606</u>	<u>24,343</u>	<u>16,553</u>	<u>55,502</u>
Total operations	-	127,156	230,449	246,954	604,559
Allocations/awards	1,029,243	-	-	-	1,029,243
Less donor designations	<u>(271,951)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(271,951)</u>
Total expenses	<u>\$ 757,292</u>	<u>\$ 127,156</u>	<u>\$ 230,449</u>	<u>\$ 246,954</u>	<u>\$ 1,361,851</u>

Supporting Services

<u>Management and General</u>	<u>Resource Development- Stanislaus</u>	<u>United Way Worldwide and California Dues</u>	<u>Total Supporting Services</u>	<u>Grand Total</u>	
				<u>2017</u>	<u>2016</u>
\$ 58,527	\$ 212,949	\$ -	\$ 271,476	\$ 585,623	\$ 598,379
7,453	29,759	-	37,212	87,160	107,235
<u>5,089</u>	<u>18,846</u>	<u>-</u>	<u>23,935</u>	<u>51,986</u>	<u>56,613</u>
71,069	261,554	-	332,623	724,769	762,227
90,796	24,978	-	115,774	204,552	139,883
3,445	645	-	4,090	4,309	3,742
633	9,353	-	9,986	22,716	18,585
854	4,240	-	5,094	10,914	7,652
147	1,326	-	1,473	1,473	2,356
1,168	4,850	-	6,018	6,018	6,616
2,228	355	-	2,583	2,583	1,605
33	244	-	277	383	1,603
43	5,441	-	5,484	6,130	6,015
1,581	1,224	-	2,805	4,760	6,199
2,313	22,274	-	24,587	28,011	14,788
1,964	-	-	1,964	1,964	4,074
530	-	21,846	22,376	26,329	26,101
1,543	221	-	1,764	5,827	16,706
5,969	6,896	-	12,865	22,488	24,520
5,652	2,888	-	8,540	9,223	6,990
11,446	11,721	-	23,167	47,794	51,557
5,558	1,827	-	7,385	7,669	9,874
<u>9,976</u>	<u>28,238</u>	<u>-</u>	<u>38,214</u>	<u>93,716</u>	<u>117,966</u>
216,948	388,275	21,846	627,069	1,231,628	1,229,059
-	-	-	-	1,029,243	1,180,364
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(271,951)</u>	<u>(307,637)</u>
<u>\$ 216,948</u>	<u>\$ 388,275</u>	<u>\$ 21,846</u>	<u>\$ 627,069</u>	<u>\$ 1,988,920</u>	<u>\$ 2,101,786</u>

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

UNITED WAY OF STANISLAUS COUNTY

Statements of Cash Flows

Years ended June 30,

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities		
Change in net assets	\$ 24,410	\$ (89,089)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	47,682	51,445
Amortization	112	112
Loss on equipment disposal	987	2,558
Provision for uncollectible pledges	86,537	90,545
Non-cash contribution of investments	(1,140)	(1,017)
Unrealized loss on investments	234	398
Other	(2,526)	-
(Increase) decrease in operating assets:		
Cash held for others - in agency capacity	50,950	(90,212)
Pledges receivable	(159,344)	(70,183)
Pledges receivable - in agency capacity	(73,627)	69,535
Accounts receivable	15,125	(8,575)
Grants receivable	(110,894)	(45,248)
Prepaid expenses and other assets	5,349	4,065
Increase (decrease) in operating liabilities:		
Accounts payable	44,481	(11,899)
Grants payable	94	6,533
Donor designations payable	13,591	30,654
Due to other organizations - in agency capacity	27,014	29,049
Accrued expenses	<u>29,284</u>	<u>(12,601)</u>
Net cash used in operating activities	<u>(1,681)</u>	<u>(43,930)</u>
Cash flows from investing activities		
Proceeds from sale of investments	-	10,989
Payments for property and equipment	<u>(2,327)</u>	<u>(5,960)</u>
Net cash (used in) provided by investing activities	<u>(2,327)</u>	<u>5,029</u>
Cash flows from financing activities		
Payments on long-term debt	<u>(26,918)</u>	<u>(25,594)</u>
Net cash used in financing activities	<u>(26,918)</u>	<u>(25,594)</u>
Net decrease in cash and cash equivalents	(30,926)	(64,495)
Cash and cash equivalents, beginning of year	<u>905,256</u>	<u>969,751</u>
Cash and cash equivalents, end of year (including \$45,579 and \$55,048 for Focus on Prevention, reported as restricted cash and cash equivalents)	<u>\$ 874,330</u>	<u>\$ 905,256</u>
Supplemental disclosures of cash flow information		
Interest paid	\$ 22,488	\$ 24,520

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

UNITED WAY OF STANISLAUS COUNTY

Notes to Financial Statements

June 30, 2017 and 2016

Note A - Summary of Significant Accounting Policies

This summary of significant accounting policies of United Way of Stanislaus County is presented to assist in understanding the Organization's financial statements.

Operations

The United Way of Stanislaus County (the Organization), is a California nonprofit corporation founded in 1953 and governed by a volunteer Board of Directors. The Organization's main purpose is to facilitate and support a community-wide network of programs that builds, sustains, and improves the quality of life for individuals and families in Stanislaus and Tuolumne Counties. The Organization's contribution base is primarily located in Stanislaus and Tuolumne Counties.

Organizational mission statement

The United Way of Stanislaus County's mission is to unite our community to strengthen lives through education, health and financial independence.

The Organization's vision is to build a community where everyone has the opportunity to thrive and to reach their full educational potential, obtain financial independence, and live happy, healthy lives.

United Way of Stanislaus County values:

- Compassion - Pursuing our mission with empathy and kindness;
- Integrity - Behaving fairly and consistently with respect to our values;
- Transparency - Operating in an open and honest manner;
- Collaboration - Partnering to accomplish more than we could on our own; and
- Innovation - Creatively and boldly addressing the needs of our community.

Basis of accounting

The financial statements of United Way of Stanislaus County have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of presentation

The Organization prepares its financial statements in accordance with the American Institute of Certified Public Accountants *Audit and Accounting Guide for Not-for-Profit Organizations* (Audit Guide). Under the Audit Guide, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets - Net assets that are not subject to donor-imposed restrictions and are related to the operation and management of the Organization's primary programs and supporting services.

(Continued)

UNITED WAY OF STANISLAUS COUNTY

Notes to Financial Statements

June 30, 2017 and 2016

Note A - Summary of Significant Accounting Policies (Continued)

Temporarily restricted net assets - Net assets subject to donor-imposed restrictions that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed restrictions that are to be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. As of June 30, 2017 and 2016, the Organization did not have any assets that are subject to donor-restrictions that require the assets to be maintained permanently.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization does not consider cash held for others to be cash and cash equivalents. The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

Restricted cash and cash equivalents includes cash held for the Focus on Prevention Initiative (FPI). United Way of Stanislaus County has contracted with the County of Stanislaus to support the Focus on Prevention Initiative by providing fiscal management of community contributions to the FPI from both the public and private sector.

Campaign Pledges and Allowance for Uncollectible Accounts

An annual fundraising campaign is conducted each fall to obtain donations and pledges to fund the subsequent year's operations. Accordingly, a receivable is recorded at year-end for outstanding campaign pledges with an allowance for amounts estimated to be uncollectible. The allowance for uncollectible pledges is computed based upon historical averages and management's consideration of current economic factors that could affect pledge collections.

Pledges Designated to Other Organizations

Donor organizations and individuals participating in the United Way Campaign may choose to designate all or part of their contributions to be distributed to specific charitable organizations. These transactions are reported in the statement of activities as current year Campaign Supports and are then deducted as Donor Designations to arrive at net campaign support. Amounts so deducted are carried as liabilities until paid to the designated charitable organizations. Administration fees of up to 10% of amounts designated, subject to certain limitations, are recorded as administrative revenue in the statement of activities and are collected through payment of a net amount to the designated charities.

Grants receivable

Grants 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.

(Continued)

UNITED WAY OF STANISLAUS COUNTY

Notes to Financial Statements

June 30, 2017 and 2016

Note A - Summary of Significant Accounting Policies (Continued)

Property and equipment

Purchases of property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. It is the Organization's policy to capitalize expenditures for these items in excess of \$1,000. Lesser amounts are expensed. Depreciation of property and equipment is provided on the straight-line method over the estimated useful lives of the assets ranging from 3 to 40 years.

Repairs and maintenance items are expensed during the current year unless they significantly increase the life of the asset.

Fair value of financial instruments

The carrying amounts of financial instruments, including cash and cash equivalents, pledges receivable, accounts receivable, grants receivable, accounts payable, donor designations payable, due to other organizations and accrued expenses approximate their fair value due to the short-term maturities of these instruments.

Contributions

As required by the *Accounting for Contributions Received and Contributions Made* topic of the FASB Accounting Standards Codification, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending upon the existence or nature of any donor restrictions.

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Contributions of cash and other assets are reported as temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Description of programs

In order to accomplish the Organization's mission, various programs have been put in place, as follows:

Volunteer Center of United Way

The Volunteer Center is a program that helps people to find the best way to be involved by matching their skills and interest with the needs of community organizations and educates the community about non-profit services.

(Continued)

UNITED WAY OF STANISLAUS COUNTY

Notes to Financial Statements

June 30, 2017 and 2016

Note A - Summary of Significant Accounting Policies (Continued)

Community Impact

The process of reviewing the funding requests from agencies and making recommendations to the Board of Directors, reviewing requests for new programs and agencies seeking admission to the United Way, and disbursing monies to approved programs and agencies.

2-1-1

2-1-1 is a phone number for free access to confidential social service information and referral. This service helps people connect with the appropriate social service agency that can meet their needs. This service can help callers with senior issues, alcohol and drug abuse problems, childcare referrals, mental illness, physical disabilities and almost any other non-emergency need.

Campaign support

Campaign support consists of cash and unconditional promises to give to United Way of Stanislaus County during the annual fundraising campaigns and include contributions processed by third-party processors. Donor designations and the provision for uncollectible pledges are deducted from campaign support to arrive at net campaign revenue.

In-Kind Contributions

In-kind contributions are reflected at their estimated fair value at date of donation and are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used.

Functional expenses

The costs of programs and supporting services have been reported on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated by function between program and supporting services classifications on the basis of cost allocations using actual time worked in each program and on estimates made by the Organization's management.

Donated services

A substantial number of unpaid volunteers contributed significant amounts of their time to further the objectives of the Organization, principally in the annual fund-raising campaign and fund allocations process. The value of this contributed time is not reflected in the statements since no objective basis is available to measure the value of such services.

Concentrations of credit risk

During the years ended June 30, 2017 and 2016, the Organization maintained cash deposits in excess of the Federal Deposit Insurance Corporation (FDIC) insured amounts in certain financial institutions. Cash deposits in excess of the FDIC insured amounts in separate named accounts within one institution may represent a credit risk. As of June 30, 2017 and 2016, total deposits in excess of the FDIC limits were \$625,397 and \$695,491, respectively.

(Continued)

UNITED WAY OF STANISLAUS COUNTY

Notes to Financial Statements

June 30, 2017 and 2016

Note A - Summary of Significant Accounting Policies (Continued)

United Way of Stanislaus County is dependent upon contributions from corporate and individual donors to support its program services. The level of such contributions can be affected by economic conditions. In addition, the choice on the part of some donors to designate their gifts to specific agencies can result in reduced funding available for distributions and allocations. A decrease in undesignated contributions could adversely affect the United Way's ability to provide services and to allocate funds to its designated agencies.

Investments

As required by the *Accounting for Certain Investments Held by Not-for-Profit Organizations* topic of the FASB Accounting Standards Codification, the United Way of Stanislaus County carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair market value in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. 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.

Long-lived assets

Long-lived assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. When required, impairment losses on assets to be held and used are recognized based on the fair value of the asset. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

Loan fees

Costs incurred in connection with obtaining financing have been capitalized over the term of the respective debt using the straight-line method. The amount amortized for the years ended June 30, 2017 and 2016 was \$112, respectively.

Tax-exempt status

The Organization is classified as a Section 501(c)(3) organization under the Federal Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code in accordance with its determination letter dated August 25, 1953. Accordingly, the Organization has been determined to be exempt from federal income and state franchise taxes.

Accounting for uncertainty in income taxes

The Organization evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is

(Continued)

UNITED WAY OF STANISLAUS COUNTY

Notes to Financial Statements

June 30, 2017 and 2016

Note A - Summary of Significant Accounting Policies (Continued)

ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of June 30, 2017 and 2016, management did not identify any uncertain tax positions.

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is 2013 and forward. The State of California tax jurisdiction is subject to potential examination for 2012 and forward.

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 and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent events

Management has evaluated subsequent events through November 7, 2017, the date on which the financial statements were available to be issued.

New accounting pronouncements

Standards not yet adopted

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU is a comprehensive new revenue recognition model that requires an Organization to recognize revenue to depict the transfer of goods or services to a customer at an amount that reflects the consideration it expects to receive in exchange for those goods or services. In August 2015, FASB issued ASU 2015-14, *Revenue from Contracts with Customers: Deferral of the Effective Date*, which deferred the effective date of ASU 2014-09 to reporting periods beginning after December 15, 2018 for this Organization. The Organization is currently assessing the financial impact of this guidance and does not expect the adoption of this ASU to have a material impact on its financial statements.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. For this Organization, the ASU will be effective for reporting periods beginning after December 15, 2019. The Organization is currently assessing the financial impact of this guidance and does not expect the adoption of this ASU to have a material impact on its financial statements.

(Continued)

UNITED WAY OF STANISLAUS COUNTY

Notes to Financial Statements

June 30, 2017 and 2016

Note A - Summary of Significant Accounting Policies (Continued)

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-08, *Revenues from Contracts with Customers (Topic 606): Principal versus Agent Considerations*. ASU 2016-08 amends the principal-versus-agent implementation guidance set forth in ASU 2014-09. Among other things, ASU 2016-08 clarifies that an entity should evaluate whether it is the principal or the agent for each specified good or service promised in a contract with a customer. For this Organization, the ASU will be effective for reporting periods beginning after December 15, 2018. The Organization is currently assessing the financial impact of this guidance and does not expect the adoption of this ASU to have a material impact on its financial statements.

In April 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*. This ASU amends certain aspects of ASU 2014-09 related to identifying performance obligations and licensing implementation, while retaining the related principles for those areas. For this Organization, the ASU will be effective for reporting periods beginning after December 15, 2018. The Organization is currently assessing the financial impact of this guidance and does not expect the adoption of this ASU to have a material impact on its financial statements.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The primary purpose of this ASU is to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. The amendments in this ASU make certain improvements that address many, but not all, of the identified issues about the current financial reporting for NFP's. The ASU will be effective for reporting periods beginning after December 15, 2017. The Organization is currently assessing the financial impact of this guidance and does not expect the adoption of this ASU to have a material impact on its financial statements.

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The primary purpose of the ASU is to address eight specific cash flow issues with the objective of reducing the existing diversity in practice. For this Organization, the ASU will be effective for reporting periods beginning after December 15, 2018. The Organization is currently assessing the financial impact of this guidance and does not expect the adoption of this ASU to have a material impact on its financial statements.

In November 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU amends the guidance in Topic 230 on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of the ASU is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. For this Organization, the ASU will be effective for reporting periods beginning after December 15, 2018. The Organization is currently assessing the financial impact of this guidance and does not expect the adoption of this ASU to have a material impact on its financial statements.

UNITED WAY OF STANISLAUS COUNTY

Notes to Financial Statements

June 30, 2017 and 2016

Note B - Investments

United Way of Stanislaus County received donated investments in the current and prior year. The Board of Directors intends to sell the investments and use the proceeds for future operating needs.

Investments are carried at fair market value and consist of the following at June 30,

	<u>2017</u>	<u>2016</u>
Common stock	\$ <u>1,030</u>	\$ <u>124</u>

Investment income consisted of the following for the years ended June 30,

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ -	\$ -
Unrealized gain (loss)	<u>(234)</u>	<u>(398)</u>
Total investment income (loss)	<u>\$ (234)</u>	<u>\$ (398)</u>

Note C - Fair Value Measurements

The Organization's investments are reported at fair value in the accompanying statement of net assets at June 30,

	<u>Fair Value Measurements Using:</u> Quotes Prices in Active Markets for Identical Assets (Level 1)			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Common stock	\$ <u>1,030</u>	\$ <u>124</u>	\$ <u>1,030</u>	\$ <u>124</u>

FASB Accounting Standards Codification, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consists of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, and Level 3 inputs are unobservable and have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 or Level 3 inputs were available to the Organization.

Level 1 Fair Value Measurements

The fair values of common stock are based on quoted market prices.

UNITED WAY OF STANISLAUS COUNTY

Notes to Financial Statements

June 30, 2017 and 2016

Note D - Pledges Receivable and Allowance for Doubtful Accounts

Pledges less an allowance for uncollectible amounts and pledges for support of current operations are recorded as pledge receivables in the fiscal year made. The Organization uses the allowance method to determine uncollectible pledges receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. As of June 30, 2017 and 2016, all pledges receivable were due within one year.

The pledges per campaign year are shown in the following table:

	<u>2017</u>	<u>2016</u>
Pledges receivable	\$ 806,605	\$ 733,798
Allowance for uncollectible pledges	<u>(113,009)</u>	<u>(113,009)</u>
Net pledges receivable	<u>\$ 693,596</u>	<u>\$ 620,789</u>

Note E - Property and Equipment

Property and equipment consist of the following at June 30,

	<u>2017</u>	<u>2016</u>
Land	\$ 244,692	\$ 244,692
Land improvements	41,858	41,858
Building	643,030	643,030
Building improvements	741,094	741,094
Office furniture and equipment	<u>253,361</u>	<u>252,164</u>
	1,924,035	1,922,838
Less accumulated depreciation	<u>(703,271)</u>	<u>(658,258)</u>
	<u>\$ 1,220,764</u>	<u>\$ 1,264,580</u>

Note F - Donor Designations Payable

Designations payable are pledges which are pledged to specific agencies. The income and expense related to the designations are not recognized by the Organization. As of June 30, 2017 and 2016, all designations payable were due within one year.

Note G - Allocations Payable

Annual campaigns are conducted to raise support for allocation to participating agencies. Based upon the results of the annual fund-raising campaign, allocation committees make recommendations to the Board of Directors as to the amount of allocations each agency should receive from undesignated pledges. Allocations approved by the Board to agencies for the years ended June 30, 2017 and 2016 were \$200,000 and \$300,000, respectively, with no prior year allocations remaining to be paid.

Allocations payable are promises to give to local nonprofit agencies, which will be given to the agency upon compliance with certain provisions in the applications. The allocations are recognized as an expense in the period the allocations are made. For the years ended June 30, 2017 and 2016, all allocations had been paid prior to year-end.

UNITED WAY OF STANISLAUS COUNTY

Notes to Financial Statements

June 30, 2017 and 2016

Note H - Retirement Plan

The Organization provides a defined contribution retirement plan covering substantially all employees. The Plan allows participants to make deferrals of their wages under the 403(b) salary reduction election. The Organization contributes 5% of gross pay of each eligible employee. Total employer contributions made during the years ended June 30, 2017 and 2016 were \$23,363 and \$26,726, respectively.

Note I - Advertising

The Organization uses advertising to promote its programs among the audiences it serves. Advertising costs are expensed as incurred. Advertising expenses for the years ended June 30, 2017 and 2016 were \$5,827 and \$16,706, respectively.

Note J - Operating Leases

The Organization leases office equipment under operating leases that expire at various dates through July 2021. The following is a schedule of future minimum rental payments required under the above noncancelable operating leases:

<u>Year ending June 30,</u>		
2018	\$	11,529
2019		11,529
2020		11,179
2021		9,431
2022		786
		<u>44,454</u>

Rental expense for the years ended June 30, 2017 and 2016 were \$11,320 and \$7,758, respectively.

Note K - Long-Term Debt

Long-term debt consists of the following at June 30:

Modesto Commerce Bank

	<u>2016</u>	<u>2015</u>
Term loan payable in monthly principal and interest payments of \$3,317, interest at 4.75%, secured by deed of trust, due April 15, 2029.	\$ 358,441	\$ 380,403
Term loan payable in monthly principal and interest payments of \$749, interest at 4.75%, secured by deed of trust, due April 15, 2029.	<u>80,896</u>	<u>85,852</u>
	439,337	466,255
Less current portion	<u>(28,681)</u>	<u>(25,595)</u>
	<u>\$ 410,656</u>	<u>\$ 440,660</u>

(Continued)

UNITED WAY OF STANISLAUS COUNTY

Notes to Financial Statements

June 30, 2017 and 2016

Note K - Long-Term Debt (Continued)

Maturities of long-term debt are as follows:

<u>Year ending June 30,</u>		
2018	\$	28,681
2019		30,073
2020		31,533
2021		33,064
2022		34,669
Later years		<u>281,317</u>
	\$	<u><u>439,337</u></u>

Note L - Temporarily Restricted Net Assets

	Temporarily restricted balance <u>June 30, 2016</u>	Donations and <u>interest</u>	Cost and release from time <u>restrictions</u>	Temporarily restricted balance <u>June 30, 2017</u>
Disaster response funds	\$ <u>103,400</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>103,400</u>

Note M - Agency Activity

In some instances, the Organization acts as an agent, whereby it receives assets from a donor and agrees to transfer those assets to a specified beneficiary. In those situations, the Organization is not a donee and does not record the assets as a contribution, but recognizes a liability to the specified beneficiary concurrent with its recognition of cash or other financial asset received from the donor.

The Organization administered campaigns on behalf of SaveMart Supermarkets, Don's Mobile Glass, Gallo, Valley First Credit Union, and Foster Poultry Farms. SaveMart Supermarkets, Don's Mobile Glass, Gallo, and Valley First Credit Union are headquartered in Modesto, California and Foster Poultry Farms is headquartered in Livingston, California.

Pledges received and designated to areas outside Stanislaus County are considered to be agency funds and, therefore, are not included as a contribution on the Organization's statement of activities. Current year activities relating to the out-of-area campaigns include \$273,707 in pledges and \$4,631 in fees.

Note N - Future Minimum Annual Rentals

The Organization leases a portion of their office space to tenants under a noncancelable operating lease. The following is a schedule of future minimum rentals to be received for each of the five succeeding fiscal years on a lease with a term exceeding a one-year period.

<u>Year ending June 30,</u>	
2018	\$ <u>1,296</u>
	\$ <u><u>1,296</u></u>

UNITED WAY OF STANISLAUS COUNTY

Notes to Financial Statements

June 30, 2017 and 2016

Note O - Related Party Transactions

Annually, the United Way of Stanislaus County renews membership with United Way Worldwide and United Way of California. As part of the membership renewal, a membership investment must be made. The amount is calculated as a percentage of the prior year's campaign revenue. During the years ended June 30, 2017 and 2016, the Organization incurred and paid a membership investment of \$21,846 and \$21,393, respectively.

SUPPLEMENTAL INFORMATION

UNITED WAY OF STANISLAUS COUNTY

Statements of Activities - Tuolumne County

Years ended June 30,

	<u>2017</u>	<u>2016</u>
Public support and revenue		
Contributions	\$ 11,827	\$ 24,355
Administrative revenue	<u>1</u>	<u>2</u>
Total public support and revenue	<u>11,828</u>	<u>24,357</u>
Distributions, allocations and expenses		
Special events	2,200	-
Salaries	1,505	1,483
Donor options to agencies	900	12,206
Medical and health plan	171	213
Payroll tax expense	134	141
Professional fees	64	64
Bank charges	9	-
Administrative fees	-	1,729
Uncollectible account	<u>-</u>	<u>4,124</u>
Total distributions, allocations and expenses	<u>4,983</u>	<u>19,960</u>
Change in net assets	<u>\$ 6,845</u>	<u>\$ 4,397</u>