



UNITED WAY OF KERN COUNTY, INC.

FINANCIAL REPORT
June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board of Directors
United Way of Kern County, Inc.
Bakersfield, California

Report on the Audited Financial Statements

Opinion

We have audited the financial statements of **United Way of Kern County, Inc.** (the Organization), which comprise the statements of financial position as of June 30, 2022 and 2021, the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **United Way of Kern County, Inc.** as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Daniells Phillips Vaughan & Bock

Bakersfield, California
June 20, 2023

UNITED WAY OF KERN COUNTY, INC.

**STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021**

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,561,207	\$ 1,452,318
Grants receivable	135,297	54,688
Investments (Notes 3 and 4)	146,109	243,169
Prepaid expenses	7,384	14,635
Total current assets	1,849,997	1,764,810
Property and Equipment		
Building improvements	4,931	4,931
Equipment	191,290	180,890
Vehicles	35,000	-
	231,221	185,821
Less accumulated depreciation	190,575	177,978
	40,646	7,843
Total assets	\$ 1,890,643	\$ 1,772,653
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 30,112	\$ 27,199
Accrued expenses	204,737	105,040
Grants payable	156,859	254,820
Deferred revenue	884,372	580,322
Total current liabilities	1,276,080	967,381
Long-term Debt (Note 1)	-	101,198
Commitment (Note 6)		
Net Assets		
Without donor restriction	559,563	704,074
With donor restriction (Note 5)	55,000	-
Total net assets	614,563	704,074
Total liabilities and net assets	\$ 1,890,643	\$ 1,772,653

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2022 and 2021

	2022		
	Without Donor Restriction	With Donor Restriction	Total
Revenues and public support:			
Campaign results	\$ 520,038	\$ 55,000	\$ 575,038
Grants and awards	1,194,358	-	1,194,358
Paycheck Protection Program loan forgiveness (Note 1)	101,198	-	101,198
Miscellaneous	118	-	118
Realized and unrealized gain (loss) on investments	(9,759)	-	(9,759)
Special events	63,797	-	63,797
Total revenues and public support	1,869,750	55,000	1,924,750
Expenses:			
Program services			
Education	446,827	-	446,827
Financial stability	858,259	-	858,259
Homelessness	441,873	-	441,873
	1,746,959	-	1,746,959
Supporting services			
Management and general	118,801	-	118,801
Fundraising	148,501	-	148,501
Total supporting services	267,302	-	267,302
Total expenses	2,014,261	-	2,014,261
Change in net assets	(144,511)	55,000	(89,511)
Net assets, beginning	704,074	-	704,074
Net assets, ending	\$ 559,563	\$ 55,000	\$ 614,563

See Notes to Financial Statements.

2021		
Without Donor Restriction	With Donor Restriction	Total
\$ 309,471	\$ -	\$ 309,471
2,810,027	-	2,810,027
101,191	-	101,191
16,231	-	16,231
44,558	-	44,558
49,469	-	49,469
<u>3,330,947</u>	<u>-</u>	<u>3,330,947</u>
336,874	-	336,874
1,586,014	-	1,586,014
1,274,430	-	1,274,430
<u>3,197,318</u>	<u>-</u>	<u>3,197,318</u>
88,306	-	88,306
110,384	-	110,384
198,690	-	198,690
<u>3,396,008</u>	<u>-</u>	<u>3,396,008</u>
(65,061)	-	(65,061)
769,135	-	769,135
<u>\$ 704,074</u>	<u>\$ -</u>	<u>\$ 704,074</u>

UNITED WAY OF KERN COUNTY, INC.

STATEMENTS OF CASH FLOWS Years Ended June 30, 2022 and 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ (89,511)	\$ (65,061)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	12,598	356
Donated property and equipment	(35,000)	-
Paycheck Protection Program loan forgiveness	(101,198)	(101,191)
Net realized and unrealized (gain) loss on investments	9,759	(44,558)
Allowance for uncollectible promises to give	-	(109,549)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	(80,609)	62,940
Prepaid expenses	7,251	(5,435)
Unconditional promises to give	-	228,986
Increase (decrease) in:		
Accounts payable and accrued expenses	54,732	57,473
Grants payable	(50,083)	49,404
Deferred revenue	304,050	(1,481,168)
Net cash provided by (used in) operating activities	31,989	(1,407,803)
Cash Flows From Investing Activities		
Proceeds from sale of investments	88,537	229,412
Purchase of investments	(1,237)	(189,131)
Purchase of property and equipment	(10,400)	-
Net cash provided by investing activities	76,900	40,281
Cash Flows From Financing Activities		
Paycheck Protection Program loan proceeds -		
Net cash provided by financing activities	-	101,198
Net increase (decrease) in cash and cash equivalents	108,889	(1,266,324)
Cash and cash equivalents:		
Beginning	1,452,318	2,718,642
Ending	\$ 1,561,207	\$ 1,452,318
Supplemental Disclosures of Noncash Investing Activities		
Property and equipment provided by in-kind donations	\$ 35,000	\$ -

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2022

	Program Services				Supporting Services			
	Education	Financial Stability	Homelessness	Total	Management and General	Fundraising	Total	Total
Salaries and benefits	\$ 268,586	\$ 358,114	\$ 107,434	\$ 734,134	\$ 71,623	\$ 89,529	\$ 161,152	\$ 895,286
Program expenses	1,323	264,257	263,674	529,254	-	-	-	529,254
Equipment and building rent	32,249	42,998	12,899	88,146	8,600	10,750	19,350	107,496
Special events	27,276	36,368	10,910	74,554	7,274	9,092	16,366	90,920
Advertising and public relations	16,633	22,177	6,653	45,463	4,435	5,544	9,979	55,442
Repairs and maintenance	15,574	20,765	6,230	42,569	4,153	5,191	9,344	51,913
Contract services	14,250	19,000	5,700	38,950	3,800	4,750	8,550	47,500
Telephone	10,336	13,781	4,134	28,251	2,756	3,445	6,201	34,452
Miscellaneous	7,593	10,124	3,037	20,754	2,025	2,531	4,556	25,310
Conferences and training	7,086	9,448	2,834	19,368	1,890	2,362	4,252	23,620
Professional fees	6,838	9,118	2,735	18,691	1,824	2,279	4,103	22,794
United Way Worldwide dues	6,827	9,103	2,731	18,661	1,821	2,276	4,097	22,758
Printing and publications	6,392	8,522	2,557	17,471	1,704	2,131	3,835	21,306
Supplies	6,349	8,465	2,539	17,353	1,693	2,116	3,809	21,162
Postage and shipping	5,423	7,231	2,169	14,823	1,446	1,808	3,254	18,077
Bank fees	4,422	5,896	1,769	12,087	1,179	1,474	2,653	14,740
Transportation	2,176	2,901	870	5,947	580	725	1,305	7,252
Insurance	1,950	2,600	780	5,330	520	650	1,170	6,500
Dues and subscriptions	1,765	2,352	706	4,823	470	588	1,058	5,881
Subtotal	443,048	853,220	440,361	1,736,629	117,793	147,241	265,034	2,001,663
Depreciation	3,779	5,039	1,512	10,330	1,008	1,260	2,268	12,598
Total expenses	\$ 446,827	\$ 858,259	\$ 441,873	\$ 1,746,959	\$ 118,801	\$ 148,501	\$ 267,302	\$ 2,014,261

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2021

	Program Services				Supporting Services			
	Education	Financial Stability	Homelessness	Total	Management and General	Fundraising	Total	Total
Program expenses	\$ 5,730	\$ 1,144,492	\$ 1,141,971	\$ 2,292,193	\$ -	\$ -	\$ -	\$ 2,292,193
Salaries and benefits	201,216	268,288	80,486	549,990	53,658	67,072	120,730	670,720
Equipment and building rent	32,785	43,713	13,114	89,612	8,743	10,928	19,671	109,283
Contract services	21,578	28,771	8,631	58,980	5,754	7,193	12,947	71,927
Supplies	14,287	19,049	5,715	39,051	3,810	4,762	8,572	47,623
Special events	9,638	12,851	3,855	26,344	2,570	3,213	5,783	32,127
Advertising and public relations	7,990	10,653	3,196	21,839	2,131	2,663	4,794	26,633
Professional fees	7,634	10,178	3,053	20,865	2,036	2,545	4,581	25,446
Repairs and maintenance	6,599	8,798	2,640	18,037	1,760	2,200	3,960	21,997
Telephone	6,422	8,562	2,569	17,553	1,712	2,141	3,853	21,406
United Way Worldwide dues	6,172	8,229	2,469	16,870	1,646	2,057	3,703	20,573
Miscellaneous	5,315	7,086	2,126	14,527	1,417	1,772	3,189	17,716
Printing and publications	4,763	6,350	1,905	13,018	1,270	1,588	2,858	15,876
Postage and shipping	2,559	3,412	1,024	6,995	682	853	1,535	8,530
Insurance	1,432	1,909	573	3,914	382	477	859	4,773
Transportation	824	1,098	330	2,252	220	275	495	2,747
Conferences and training	790	1,053	316	2,159	211	263	474	2,633
Dues and subscriptions	524	698	209	1,431	140	175	315	1,746
Bank fees	509	682	205	1,396	136	171	307	1,703
Subtotal	336,767	1,585,872	1,274,387	3,197,026	88,278	110,348	198,626	3,395,652
Depreciation	107	142	43	292	28	36	64	356
Total expenses	\$ 336,874	\$ 1,586,014	\$ 1,274,430	\$ 3,197,318	\$ 88,306	\$ 110,384	\$ 198,690	\$ 3,396,008

See Notes to Financial Statements.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of Activities: United Way of Kern County, Inc. (the Organization) was incorporated on May 6, 1949 under the laws of the State of California as a not-for-profit corporation. The Organization's mission is to mobilize donors, advocates and volunteers to improve lives in Kern County. The Organization is supported primarily through contributions from individuals and companies within Kern County.

The Organization is governed by a local Board of Directors made up of volunteer Kern County residents.

The Organization's program activities include the following:

Financial Stability Initiative: The Organization acts as the lead organization for collaborative initiatives focused on improving the financial stability of low-income community residents. The Organization leads efforts to seek and administer grants and other resources on behalf of its partners. Services provided to the community include free income tax assistance through the VITA (Volunteer Income Tax Assistance) program; financial literacy education; credit counseling; incentivized savings programs; and personal asset-building.

Homelessness Initiative: In November 2019, a new entity was created under the name of Bakersfield-Kern Regional Homeless Collaborative which included the previous Kern County Homeless Collaborative in partnership with the City of Bakersfield and the County of Kern. The Organization holds a standing seat with the new Collaborative. The Organization is no longer the lead agency or fiscal sponsor for this new collaborative. The Organization will continue to serve as the administrative entity of the California Emergency Solutions and Housing grants for the life of the grants.

Emergency Food and Shelter: The Organization serves as the administrative arm of the federal Emergency Food and Shelter Program (EFSP), which is funded by the Federal Emergency Management Agency (FEMA). In this role, the Organization supports the local EFSP Board in allocating more than \$2,300,000 in funding and oversees 11 local recipient organizations providing food, shelter, and assistance with rent/mortgage and utility payments.

Early Childhood Literacy and Development: The Organization works to improve health and school readiness among pre-school children by empowering parents and caregivers to be their children's first teachers. Programs include Raising A Reader, which provides book distributions to low-income preschools; BornLearning®, which provides parent education materials, books and resources to families of newborns and young children; and a Book-of-the-Month Club, which provides free children's books to more than 440 families each month. BornLearning® Trails have been installed in six local parks, providing educational activities for parents to engage in with their children as they enjoy time together at play.

Professional Development Conference for Nonprofits: For over 30 years, the Organization has presented an annual conference for nonprofit organizations targeted toward development of staff and organizational capacity building. Workshops and speakers provide education around such business functions as fund development, board and staff development, media relations, strategic planning, and managing risk.

Paycheck Protection Program Loan Forgiveness: Forgiveness of debt stems from funds received under the Paycheck Protection Program Loan. The Organization received two loans under the Paycheck Protection Program (the "Program"). The loans are forgivable if the Organization meets certain criteria established under the Program. The first loan, in the amount of \$101,191, received during fiscal year 2020 was forgiven by the Small Business Administration (SBA) on May 28, 2021; therefore, all related revenue has been recorded in the statement of activities for the year ending June 30, 2021. The second loan in the amount of \$101,198 was received on February 22, 2021. The loan was formally forgiven in November 2021 and is included on the statement of activities for the year ending June 30, 2022.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

A summary of significant accounting policies follows:

Basis of Presentation: The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the Organization 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 the organization. These net assets may be used at the discretion of the Organization's management and the governing board.

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of Operations: The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization's ongoing activities and interest and dividends earned on investments.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Support and Expenses: Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

The Organization reports gifts of goods and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Donated Services and Materials: A substantial number of volunteers have donated significant hours to the Organization's program services and fundraising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not meet the requirements for recognition. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt.

Cash and Cash Equivalents: For purposes of reporting cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The Organization maintains its cash in bank deposit accounts, which, at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

Grants Receivable: Grants receivable represent the portion of grants earned but not received as of year-end.

Investments Valuation and Income Recognition: Financial statement presentation follows the guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Not-for-Profit Entities topic which states investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Fair value is 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. See Note 4 for discussion of fair value measurements.

Property and Equipment: Property and equipment is stated at cost with a capitalization policy of \$5,000 or greater. Depreciation of property and equipment is computed on the straight-line method over their estimated useful lives of 5-10 years.

Deferred Revenue: Cash received for grant projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent that cash received for specific projects and programs exceeds qualified expenditures.

Functional Allocation of Expenses: The costs of providing the various programs, fundraising and other activities have been summarized on a functional basis in the statements of activities. Management allocates costs between fundraising, management and general or the appropriate program based on evaluations of related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide overall support and direction of the Organization. Indirect expenses, such as utilities, are allocated based on time records and utilization estimates made by the Organization's management.

Cost Deductions: The Organization conforms to the United Way Worldwide Cost Deduction Standards. The Organization charges only actual expenses against a donor's pledge and does not deduct fundraising or processing fees from designated gifts originated by or from another United Way organization.

Income Taxes: The Organization is a not-for-profit corporation and has been recognized as tax exempt pursuant to Section 501(c)(3) of the Internal Revenue Code and related California Franchise Tax Board code sections. As a non-profit organization, the Organization is subject to unrelated business income tax (UBIT), if applicable. For the tax years ended June 30, 2022 and 2021, the Organization did not owe any UBIT.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

The Organization adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Organization's tax positions and concluded that they had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Advertising: The Organization expenses advertising costs as they are incurred. Advertising expense totaled \$55,442 and \$26,633 for the years ended June 30, 2022 and 2021, respectively.

Authoritative Pronouncement Adopted: In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statements of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This ASU 2020-07 is effective for the Organization beginning in July 1, 2021.

Authoritative Pronouncement Not Yet Adopted: In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in Topic 840, *Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the statements of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statements of activities.

A modified retrospective transition approach is required. An Organization may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The Organization expects to adopt the guidance retrospectively at the beginning of the period of adoption, July 1, 2022, through a cumulative-effect adjustment, and will not apply the new standard to comparative periods presented.

The new standard provides a number of practical expedients. Upon adoption, the Organization expects to elect the transition package of practical expedients permitted within the new standard, which among other things, allows the carryforward of the historical lease classification.

The Organization is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

Subsequent Events: The Organization has evaluated subsequent events through June 20, 2023, the date on which the financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2. Availability and Liquidity

The following table reflects the Organization's financial assets as of June 30, 2022 and 2021 reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when they represent funds held for other agencies and net assets with donor restrictions.

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 1,561,207	\$ 1,452,318
Grants receivable	135,297	54,688
Investments	146,109	243,169
Total financial assets available within one year	<u>1,842,613</u>	<u>1,750,175</u>
Less amounts not available to be used within one year:		
Net assets with doner restrictions	<u>55,000</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,787,613</u>	<u>\$ 1,750,175</u>

The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. In addition, the Organization has a policy to maintain a Core Operating Reserve and an Investment Reserve Fund. The amount in the Core Reserve Fund is equal to three months of total budgeted operating expenses as designated in each years budget (approximately \$368,000). The remainder of excess funds are invested in the Investment Reserve Fund. The Core Reserve Fund invests in shorter term fixed income securities, while the Investment Reserve Fund can invest in a wider range of fixed income securities and equity investments.

Note 3. Investments

Investments consist of the following as of June 30, 2022 and 2021:

	2022		2021	
	Fair Market Value	Unrealized Gain (Loss)	Fair Market Value	Unrealized Gain (Loss)
Mutual funds	\$ 22,197	\$ (6,534)	\$ 22,592	\$ (5,202)
Exchange traded funds	123,912	64,745	148,532	89,288
Certificates of deposit	-	-	72,045	151
	<u>\$ 146,109</u>	<u>\$ 58,211</u>	<u>\$ 243,169</u>	<u>\$ 84,237</u>

The Organization invests in a professionally managed portfolio that contains mutual funds, exchange traded funds and certificates of deposit. Such investments are exposed to various risks such as interest rate, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 4. Fair Value Measurements

The Fair Value Measurements topic of the Financial Accounting Standards Board Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Mutual funds and exchange traded funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual and exchange traded funds held by the Organization are deemed to be actively traded.

Certificates of deposit: Valued based on amortized cost or original cost plus accrued interest.

All investments held by the Organization at June 30, 2022 and 2021 are considered to be level 1 assets.

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2022 and 2021 are restricted for the following purposes:

	2022	2021
STEM and New Parent Home Libraries	\$ 30,000	\$ -
BornLearning Trails	25,000	-
	<u>\$ 55,000</u>	<u>\$ -</u>

UNITED WAY OF KERN COUNTY, INC.

NOTES TO FINANCIAL STATEMENTS

Note 6. Commitment

The Organization leases its office under a noncancelable agreement which expires in April 2025. Total rent expense for the years ended June 30, 2022 and 2021 was \$107,496 and \$109,283, respectively.

The total minimum lease commitments as of June 30, 2022 are due in future years as follows:

Years ending June 30,

2023	\$	100,698
2024		102,712
2025		87,015
	\$	<u>290,425</u>

Note 7. Concentration of Revenue

During the year ended June 30, 2022, the Organization received support in the amount of \$245,342 from one granting agency. During the year ended June 30, 2021, the Organization received support in the amount of \$1,796,346 from two granting agencies.