

**UNITED WAY OF CENTRAL EASTERN
CALIFORNIA, INC.**

FINANCIAL REPORT
June 30, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board of Directors
United Way of Central Eastern California, Inc.
Bakersfield, California

Opinion

We have audited the financial statements of **United Way of Central Eastern California, Inc.** (the Organization), which comprise the statements of financial position as of June 30, 2024 and 2023, 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 Central Eastern California, Inc.** as of June 30, 2024 and 2023, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the June 30, 2023 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

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
September 15, 2025

UNITED WAY OF CENTRAL EASTERN CALIFORNIA, INC.

STATEMENTS OF FINANCIAL POSITION June 30, 2024 and 2023

	2024	2023 - Restated (Note 9)
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 525,473	\$ 781,720
Grants receivable	348,996	394,789
Investments (Note 2)	439,051	468,539
Prepaid expenses	7,384	17,870
Total current assets	1,320,904	1,662,918
Property and Equipment		
Building improvements	4,931	4,931
Equipment	191,290	191,290
Vehicles	102,972	102,972
	299,193	299,193
Less accumulated depreciation	231,889	210,255
	67,304	88,938
Other Assets		
Right-of-use assets - operating leases (Note 4)	379,062	471,198
Total assets	\$ 1,767,270	\$ 2,223,054
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current maturities of long-term debt (Note 3)	\$ 5,181	\$ 4,839
Accounts payable	133,149	72,649
Accrued expenses	176,306	199,717
Grants payable	6,997	111,228
Deferred revenue	379,797	723,142
Current portion of operating lease liabilities (Note 4)	94,979	90,396
Total current liabilities	796,409	1,201,971
Long-term Liabilities		
Long-term debt, less current maturities (Note 3)	12,514	17,695
Operating lease liabilities, net of current portion (Note 4)	290,260	385,238
Total long-term liabilities	302,774	402,933
Net Assets		
Without donor restrictions	603,087	593,150
With donor restrictions (Note 5)	65,000	25,000
Total net assets	668,087	618,150
Total liabilities and net assets	\$ 1,767,270	\$ 2,223,054

See Notes to Financial Statements.

UNITED WAY OF CENTRAL EASTERN CALIFORNIA, INC.

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2024 and 2023

	2024			2023 - Restated (Note 9)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and public support:						
Grants and awards	\$ 1,431,558	\$ -	\$ 1,431,558	\$ 2,126,827	\$ -	\$ 2,126,827
Cash contributions	613,011	40,000	653,011	756,220	-	756,220
Contracts	486,730	-	486,730	-	-	-
Special events	168,758	-	168,758	46,385	-	46,385
Realized and unrealized gain on investments	38,378	-	38,378	16,505	-	16,505
Miscellaneous	7,962	-	7,962	218	-	218
Net assets released from restrictions						
Satisfaction of program restrictions	-	-	-	30,000	(30,000)	-
Total revenues and public support	2,746,397	40,000	2,786,397	2,976,155	(30,000)	2,946,155
Expenses:						
Program services						
Education	673,678	-	673,678	626,593	-	626,593
Financial stability	1,143,660	-	1,143,660	1,262,452	-	1,262,452
Homelessness	515,936	-	515,936	679,150	-	679,150
	2,333,274	-	2,333,274	2,568,195	-	2,568,195
Supporting services						
Management and general	179,194	-	179,194	166,386	-	166,386
Fundraising	223,992	-	223,992	207,987	-	207,987
Total supporting services	403,186	-	403,186	374,373	-	374,373
Total expenses	2,736,460	-	2,736,460	2,942,568	-	2,942,568
Change in net assets	9,937	40,000	49,937	33,587	(30,000)	3,587
Net assets, beginning	593,150	25,000	618,150	559,563	55,000	614,563
Net assets, ending	\$ 603,087	\$ 65,000	\$ 668,087	\$ 593,150	\$ 25,000	\$ 618,150

See Notes to Financial Statements.

UNITED WAY OF CENTRAL EASTERN CALIFORNIA, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2024 and 2023

	2024	2023 - Restated (Note 9)
Cash Flows From Operating Activities		
Change in net assets	\$ 49,937	\$ 3,587
Adjustments to reconcile change in net assets to net cash (used in) operating activities:		
Depreciation	21,634	19,680
Change in operating leases ROU and lease liability	1,741	4,436
Net realized and unrealized (gain) on investments	(38,378)	(16,505)
Changes in assets and liabilities:		
(Increase) decrease in:		
Grants receivable	45,793	(259,492)
Prepaid expenses	10,486	(10,486)
Increase (decrease) in:		
Accounts payable and accrued expenses	37,089	37,517
Grants payable	(104,231)	(45,631)
Deferred revenue	(343,345)	(161,230)
Net cash (used in) operating activities	(319,274)	(428,124)
Cash Flows From Investing Activities		
Proceeds from sale of investments	388,447	59,519
Purchase of investments	(320,581)	(365,444)
Purchase of property and equipment	-	(41,724)
Net cash provided by (used in) investing activities	67,866	(347,649)
Cash Flows From Financing Activities		
Principal payments on long-term debt -		
Net cash (used in) financing activities	(4,839)	(3,714)
Net (decrease) in cash and cash equivalents	(256,247)	(779,487)
Cash and cash equivalents:		
Beginning	781,720	1,561,207
Ending	\$ 525,473	\$ 781,720
Supplemental Disclosures of Cash Flow Information		
Cash paid for interest	\$ 1,391	\$ 1,478
Supplemental Disclosures of Noncash Investing and Financing Activities		
Long-term debt incurred for purchase of property and equipment	\$ -	\$ 26,248
Supplemental Cash Flow Information Related to Leases is as Follows:		
Operating right-of-use assets obtained in exchange for new lease obligations	\$ -	\$ 560,874
Cash paid for amounts included in measurement of operating lease liabilities	\$ 90,935	\$ 85,240

See Notes to Financial Statements.

UNITED WAY OF CENTRAL EASTERN CALIFORNIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2024

	Program Services				Supporting Services			
	Education	Financial Stability	Homelessness	Total	Management and General	Fundraising	Total	Total
Salaries and benefits	\$ 453,116	\$ 604,155	\$ 181,246	\$ 1,238,517	\$ 120,831	\$ 151,039	\$ 271,870	\$ 1,510,387
Program expenses	1,238	247,228	246,683	495,149	-	-	-	495,149
Special events	58,870	78,493	23,548	160,911	15,699	19,623	35,322	196,233
Equipment and building rent	26,601	35,468	10,640	72,709	7,094	8,867	15,961	88,670
Miscellaneous	17,559	23,412	7,024	47,995	4,682	5,853	10,535	58,530
Contract services	14,221	18,961	5,688	38,870	3,792	4,740	8,532	47,402
Advertising and public relations	13,279	17,705	5,312	36,296	3,541	4,426	7,967	44,263
Conferences and training	11,882	15,842	4,753	32,477	3,168	3,961	7,129	39,606
Credit losses	10,364	13,818	4,145	28,327	2,764	3,455	6,219	34,546
Printing and publications	10,112	13,483	4,045	27,640	2,697	3,371	6,068	33,708
Professional fees	8,636	11,515	3,454	23,605	2,303	2,879	5,182	28,787
Supplies	6,233	8,311	2,493	17,037	1,662	2,078	3,740	20,777
Telephone	6,034	8,046	2,414	16,494	1,609	2,011	3,620	20,114
Insurance	5,909	7,878	2,363	16,150	1,576	1,970	3,546	19,696
Repairs and maintenance	5,840	7,786	2,336	15,962	1,557	1,947	3,504	19,466
United Way Worldwide dues	4,997	6,663	1,999	13,659	1,333	1,666	2,999	16,658
Bank fees	4,713	6,284	1,885	12,882	1,257	1,571	2,828	15,710
Dues and subscriptions	3,761	5,015	1,504	10,280	1,003	1,254	2,257	12,537
Postage and shipping	2,784	3,712	1,114	7,610	742	928	1,670	9,280
Transportation	575	767	230	1,572	153	190	343	1,915
Interest	464	464	464	1,392	-	-	-	1,392
Subtotal	667,188	1,135,006	513,340	2,315,534	177,463	221,829	399,292	2,714,826
Depreciation	6,490	8,654	2,596	17,740	1,731	2,163	3,894	21,634
Total expenses	\$ 673,678	\$ 1,143,660	\$ 515,936	\$ 2,333,274	\$ 179,194	\$ 223,992	\$ 403,186	\$ 2,736,460

See Notes to Financial Statements.

UNITED WAY OF CENTRAL EASTERN CALIFORNIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2023 - Restated (Note 9)

	Program Services				Supporting Services			
	Education	Financial Stability	Homelessness	Total	Management and General	Fundraising	Total	Total
Salaries and benefits	\$ 407,041	\$ 542,722	\$ 162,816	\$ 1,112,579	\$ 108,544	\$ 135,680	\$ 244,224	\$ 1,356,803
Program expenses	2,151	430,024	429,076	861,251	-	-	-	861,251
Equipment and building rent	34,055	45,406	13,622	93,083	9,081	11,352	20,433	113,516
Special events	31,598	42,130	12,639	86,367	8,426	10,533	18,959	105,326
Advertising and public relations	26,163	34,884	10,465	71,512	6,977	8,721	15,698	87,210
Repairs and maintenance	19,335	25,784	7,735	52,854	5,157	6,447	11,604	64,458
Contract services	18,456	24,608	7,383	50,447	4,922	6,152	11,074	61,521
Conferences and training	13,061	17,414	5,224	35,699	3,483	4,354	7,837	43,536
Miscellaneous	12,965	17,287	5,186	35,438	3,457	4,322	7,779	43,217
Printing and publications	10,985	14,646	4,394	30,025	2,929	3,662	6,591	36,616
Telephone	10,654	14,206	4,262	29,122	2,841	3,551	6,392	35,514
Insurance	8,384	11,179	3,354	22,917	2,236	2,795	5,031	27,948
Supplies	7,674	10,232	3,070	20,976	2,046	2,558	4,604	25,580
Dues and subscriptions	4,934	6,579	1,974	13,487	1,316	1,645	2,961	16,448
Postage and shipping	4,385	5,846	1,754	11,985	1,169	1,462	2,631	14,616
United Way Worldwide dues	3,148	4,197	1,259	8,604	839	1,049	1,888	10,492
Professional fees	1,863	2,484	745	5,092	497	621	1,118	6,210
Bank fees	1,727	2,303	691	4,721	461	576	1,037	5,758
Transportation	1,617	2,156	647	4,420	431	539	970	5,390
Interest	493	493	492	1,478	-	-	-	1,478
Subtotal	620,689	1,254,580	676,788	2,552,057	164,812	206,019	370,831	2,922,888
Depreciation	5,904	7,872	2,362	16,138	1,574	1,968	3,542	19,680
Total expenses	\$ 626,593	\$ 1,262,452	\$ 679,150	\$ 2,568,195	\$ 166,386	\$ 207,987	\$ 374,373	\$ 2,942,568

See Notes to Financial Statements.

UNITED WAY OF CENTRAL EASTERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Organization and Significant Accounting Policies

Nature of Activities: **United Way of Central Eastern California, 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 counties including Kern, Inyo, Mono, northern San Bernardino, and Indian Wells Valley. The Organization is supported primarily through contributions from individuals and companies within these counties. The Organization is governed by a local Board of Directors made up of volunteer Kern County residents.

In November 2023, the Organization changed its year end to a calendar year beginning with the year ended December 31, 2024.

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 \$703,823 in Phase 41 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.

A summary of significant accounting policies follows:

Basis of Presentation: The financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

UNITED WAY OF CENTRAL EASTERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

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. The allocation of functional expenses is considered a significant estimate as discussed further on page 11.

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.

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.

UNITED WAY OF CENTRAL EASTERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

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 (ASC) 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 2 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.

Leases: The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization recognizes most leases on its statement of financial position as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the statement of activities.

The Organization made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of ASC Topic 842, *Leases*). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the Entity made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

UNITED WAY OF CENTRAL EASTERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

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.

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, 2024 and 2023, the Organization did not owe any UBIT.

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 \$44,263 and \$87,210 for the years ended June 30, 2024 and 2023, respectively.

Subsequent Events: The Organization has evaluated subsequent events through September 15, 2025, the date on which the financial statements were available to be issued. Subsequent events are discussed at Notes 3 and 4.

Note 2. Investments and Fair Value Measurements

Investments consist of the following as of June 30, 2024 and 2023:

	2024		
	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Mutual funds	\$ 288,997	\$ 291,376	\$ (2,379)
Exchange traded funds	150,054	86,259	63,795
	<u>\$ 439,051</u>	<u>\$ 377,635</u>	<u>\$ 61,416</u>

UNITED WAY OF CENTRAL EASTERN CALIFORNIA, INC.

NOTES TO FINANCIAL STATEMENTS

	2023		
	Fair Value	Cost	Unrealized Appreciation (Depreciation)
Mutual funds	\$ 20,810	\$ 29,959	\$ (9,149)
Exchange traded funds	147,729	83,894	63,835
Certificates of deposit	300,000	300,000	-
	<u>\$ 468,539</u>	<u>\$ 413,853</u>	<u>\$ 54,686</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.

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. There have been no changes in the methodologies used at June 30, 2024 and 2023.

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. These funds are required to publish their daily net asset value 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.

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All investments held by the Organization at June 30, 2024 and 2023 are considered to be level 1 assets.

Note 3. Pledged Assets and Long-term Debt

Long-term debt consists of the following as of June 30, 2024 and 2023:

	2024	2023
6.84% vehicle financing note, due in monthly installments of \$519, due August 2027	\$ 17,695	\$ 22,534

Aggregate maturities required on long-term debt as of June 30, 2024 are due in future years as follows:

Years ending June 30,	
2025	\$ 5,181
2026	5,546
2027	5,938
2028	1,030
	<u>\$ 17,695</u>

In May 2025 the Organization signed a revolving credit agreement with a bank in the amount of \$100,000. The agreement provides revolving credit through May 2026. The note bears interest at the bank's prime rate (7.5% at May 31, 2025) for the first six months, then the rate converts to the bank's prime rate plus 1.9%, with a floor of 7%. The note is secured by the Organization's accounts and equipment.

Note 4. Operating Lease

The Organization leases a facility under a non-cancelable operating lease agreement that expires in April 2025. The lease includes two options to renew, at the Organization's sole discretion, with renewal terms that can extend the lease term up to three years each. The options to extend the lease are included in the lease terms when it is reasonably certain that the Organization will exercise the options. The Organization's operating lease generally does not contain any material restrictive covenants or residual value guarantees.

Operating lease costs are recognized on a straight-line basis over the lease term.

The components of lease expense are as follows for the years ended June 30, 2024 and 2023:

	2024	2023
Operating lease cost	\$ 88,523	\$ 100,698
Short-term lease cost	147	12,818
Total lease cost	<u>\$ 88,670</u>	<u>\$ 113,516</u>

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Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liability recognized on the statement of financial position are as follows as of June 30, 2024:

Years ending June 30,

2025	\$	104,592
2026		105,638
2027		106,694
2028		89,652
Total lease payments		406,576
Amount representing interest		21,337
Present value of operating lease liabilities	\$	<u>385,239</u>

On July 1, 2025, the Organization initiated a 30-day lease termination for the lease noted above and vacated the building by July 31, 2025. On July 15, 2025, the Organization entered into a new non-cancelable operating lease agreement that expires July 15, 2030, with a monthly base rent payment of \$7,500 to increase annually by 3%. The lease includes an option to renew, at the Organization's sole discretion, with renewal terms that can extend the lease for two consecutive periods of 60 months.

On October 7, 2024, the Organization entered into a non-cancelable operating lease agreement that expires on October 31, 2025 with a monthly rent payment of \$1,200. The lease includes an option to renew for one additional year.

On March 18, 2025, the Organization entered into a non-cancelable operating lease agreement that expires on December 31, 2025 with a monthly rent payment of \$2,000.

Note 5. Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2024 and 2023 are restricted for the following purposes:

	2024	2023
Financial Literacy	\$ 40,000	\$ -
BornLearning Trails	25,000	25,000
	<u>\$ 65,000</u>	<u>\$ 25,000</u>

Note 6. Concentration of Revenue

During the year ended June 30, 2024, the Organization received support in the amount of \$1,259,174 from three sources. During the year ended June 30, 2023, the Organization received support in the amount of \$626,515 from two sources.

Note 7. Defined Contribution Plan

The Organization has established a salary deferral plan under Section 401(k) of the Internal Revenue Code. The plan allows for eligible employees, those at least 18 years of age with 3 months or more of service, to defer a portion of their compensation. The Organization, at its discretion, may match a portion of the employees' contribution. The Organization's contributions to the plan are discretionary and vest over a six-year period at 20% per year once the employee is credited with two years of service. Employee contributions are 100% vested at the time of contribution. The Organization's contribution for the years ended June 30, 2024 and 2023 was \$17,206 and \$14,638, respectively.

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NOTES TO FINANCIAL STATEMENTS

Note 8. Availability and Liquidity

The following table reflects the Organization's financial assets as of June 30, 2024 and 2023 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.

	2024	2023
Financial assets at year end:		
Cash and cash equivalents	\$ 525,473	\$ 781,720
Grants receivable	348,996	394,789
Investments	439,051	468,539
Total financial assets available within one year	<u>1,313,520</u>	<u>1,645,048</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>65,000</u>	<u>25,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,248,520</u>	<u>\$ 1,620,048</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 year's budget (approximately \$554,900). 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 9. Restatement

The June 30, 2023 financial statements have been restated to correct errors due to the Organization recording grant revenues and expenses in the incorrect period. The correction of the errors resulted in an increase in accounts receivable and grants and awards revenue of \$87,681, an increase in grant payables and expenses of \$18,475, and increase in net assets without donor restrictions of \$69,206.

Note 10. Litigation

The Organization has a class action lawsuit against them alleging failure to pay all wages and business expense reimbursements owed to employees and failure to provide meal periods, rest periods, overtime pay, and accurate itemized wage statements. The plaintiffs have filed for deficiency judgements against the Organization. The Organization's legal counsel is unable to reasonably estimate the amount of liability that may be incurred if an adverse decision is rendered, as there is not yet enough information to form an opinion on the value of the claims and scope of the punitive class. The Organization's management is prepared to vigorously defend against the claims.