



**Arrowhead
United Way**

**Financial Statements
and
Independent Auditors' Report**

For the Year Ended June 30, 2022

SM&Co

Arrowhead United Way
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For the Year Ended June 30, 2022

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Board of Directors
Arrowhead United Way
San Bernardino, CA

Independent Auditors' Report

Report on the Financial Statements

Opinion

We have audited the financial statements of Arrowhead United Way, which comprise the statements of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Arrowhead United Way as of June 30, 2022, 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 Arrowhead United Way 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 Arrowhead United Way's ability to continue as a going concern for one year after the date that the financial statements are 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 Arrowhead United Way'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 Arrowhead United Way'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.

A handwritten signature in blue ink that reads 'Smith Marion & Co.' in a cursive script.

February 15, 2023

Redlands, CA

Arrowhead United Way
Statement of Financial Position
June 30, 2022

ASSETS

Current Assets

Cash and cash equivalents	\$ 747,681
Pledges receivable (net)	180,581
Prepaid expenses	6,194
Total Current Assets	<u>934,456</u>

Other Assets

Fixed assets (net)	125,340
Investments	278,488
Total Other Assets	<u>403,828</u>

TOTAL ASSETS	<u><u>\$ 1,338,284</u></u>
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LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$ 9,234
Accrued liabilities	21,000
Grants and designations payable	25,864
Total Current Liabilities	<u>56,098</u>
Total Liabilities	<u>56,098</u>

Net Assets

Without donor restrictions	
Undesignated	580,847
Board designated	49,956
	<u>630,803</u>
With donor restrictions	
Purpose restrictions	630,963
Perpetual in nature	20,420
	<u>651,383</u>
Total Net Assets	<u>1,282,186</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,338,284</u></u>
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Arrowhead United Way
Statement of Activities
For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
PUBLIC SUPPORT AND REVENUE			
Campaign results	\$ 375,476	\$ -	\$ 375,476
Less: Amount designated by donors for specific organizations	(21,617)	-	(21,617)
Campaign contributions	353,859	-	353,859
Allowance for uncollectible pledges	(79,308)	-	(79,308)
In-kind contributions	968,478	-	968,478
Bequest contributions	-	396,113	396,113
Investment income	1,920	-	1,920
Grants awarded	-	124,941	124,941
Miscellaneous income	11,330	882	12,212
Net assets released from restrictions	100,299	(100,299)	-
TOTAL PUBLIC SUPPORT AND REVENUE	1,356,578	421,637	1,778,215
EXPENSES			
Program Services			
Agency relations	1,088,332	-	1,088,332
Community services	100,299	-	100,299
Total Program Services	1,188,631	-	1,188,631
Support Services			
Management and general	200,852	-	200,852
Campaign	160,753	-	160,753
Total Support Services	361,605	-	361,605
TOTAL EXPENSES	1,550,236	-	1,550,236
NET INCREASE (DECREASE) IN NET ASSETS	(193,658)	421,637	227,979
BEGINNING NET ASSETS	824,461	229,746	1,054,207
ENDING NET ASSETS	\$ 630,803	\$ 651,383	\$ 1,282,186

Arrowhead United Way

Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services		Support Services			Total Expenses
	Agency Relations	Community Services	Sub Total	Management and General	Campaign	
Distribution of in-kind commodities	\$ 968,478	\$ -	\$ 968,478	\$ -	\$ -	\$ 968,478
Other initiatives	5,298	24,391	29,689	-	-	29,689
Salaries	52,847	-	52,847	110,364	118,939	282,150
Employee benefits	6,697	-	6,697	21,038	4,742	32,477
Payroll taxes	6,301	-	6,301	11,126	10,417	27,844
Supplies	2,930	347	3,277	3,377	1,620	8,274
Professional fees	16,077	45	16,122	18,335	8,808	43,265
Equipment rental and maintenance	4,450	-	4,450	6,053	2,390	12,893
Conferences and meetings	29	16	45	6	3	54
Payments to affiliated organizations	6,560	-	6,560	7,481	3,593	17,634
Occupancy	4,522	-	4,522	5,158	2,478	12,158
Depreciation expense	3,842	-	3,842	4,382	2,105	10,329
Insurance	4,503	-	4,503	6,448	2,466	13,417
Telephone	3,342	-	3,342	3,812	1,831	8,985
Travel	248	-	248	528	105	881
Miscellaneous expenses	1,703	-	1,703	2,169	932	4,804
Printing	133	-	133	151	73	357
Advertising	-	-	-	-	47	47
Postage	372	-	372	424	204	1,000
Direct payments for COVID-19 relief	-	75,500	75,500	-	-	75,500
	\$ 1,088,332	\$ 100,299	\$ 1,188,631	\$ 200,852	\$ 160,753	\$ 1,550,236

Arrowhead United Way
Statement of Cash Flows
For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 227,979
Adjustments to reconcile net income to net cash provided by operating activities	
Noncash Items:	
Depreciation expense	10,329
(Increase) Decrease in:	
Prepays	(761)
Pledges receivable	74,468
Increase (Decrease) in:	
Accounts payable	4,310
Accrued liabilities	7,922
Grants and designations payable	1,434
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>325,681</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of fixed assets	(9,655)
Purchase of investments	(1,862)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(11,517)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>-</u>
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Net increase (decrease) in cash	314,164
Beginning cash	433,517
Ending Cash	<u>\$ 747,681</u>

NOTE 1 – ORGANIZATION AND PURPOSE

Entity

Arrowhead United Way (AUW) is California a non-profit organization incorporated in 1957 and is governed by an elected Board of Directors who serve on a volunteer basis. We conduct an annual fund-raising campaign, July 1 to June 30, to obtain donations and pledges to fund the subsequent year's operations, and for the benefit of various charitable agencies. Our campaign includes the following Southern California communities, San Bernardino, Big Bear City, Big Bear Lake, Bloomington, Blue Jay, Cedar Glen, Cedarpines Park, Colton, Crestline, Crest Par, Devore, Fawnskin, Grant Terrace, Green Valley Lake, Highland, Lake Arrowhead, Loma Linda, Muscoy, Patton, Rialto, Rimforest, Running Springs, Skyforest, Sugarloaf and Twin Peaks.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounts of Arrowhead United Way are maintained, and the financial statements are prepared, on the accrual basis of accounting. Accordingly, revenues are recognized when earned, and expenses are recognized when incurred.

Basis of Presentation

AUW reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The following provides an explanation of net assets categories included in the accompanying 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 AUW's management and the board of directors.

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

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash Equivalents

For purposes of the statement of cash flows, AUW considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Concentrations of Credit and Market Risk

Financial instruments that potentially expose AUW to concentrations of credit and market risk consist primarily of cash and cash equivalents investments. AUW maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. AUW's cash and cash equivalent accounts have been placed with high credit quality financial institutions. AUW has not experienced, nor does it anticipate, any losses with respect to such accounts.

AUW maintains cash balances and its investment in Certificates of Deposit at various financial institutions located in San Bernardino County, which are insured by the Federal Deposit Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) up to \$250,000 for each institution. In addition, Thinkwise Credit Union provides additional insurance through American Share Insurance (ASI) for up to \$350,999. As of June 30, 2022, the reported amount of our deposits with these institutions exceeds the insurance limits by \$418,456.

Credit risk associated with pledge receivables is considered to be limited due to high historical collection rates and because outstanding amounts are due from organizations and individuals supportive of AUW's mission.

Pledge Receivable

Pledge receivables are reported at the unpaid balance, less an allowance for doubtful accounts. AUW provides for losses on pledge receivable using the allowance method. The allowance is based on prior years' experience and management's analysis of specific promises made. It is AUW's policy to charge off uncollectible pledge receivable when management determines the receivable will not be collected. The loss allowance was \$37,548, 17% for the year ended June 30, 2022.

Fixed Assets

Acquisitions of property and equipment in excess of \$500 are capitalized and recorded at cost. Donated property is recorded at the estimated fair value at the date of the gift. All capitalized fixed assets are depreciated over the estimated useful lives of the assets. The straight-line method of depreciation is used for all depreciable assets. The estimated useful lives of equipment are as follows:

<u>Class</u>	<u>Useful Life</u>
Office building	7-31.5 years
Furniture and equipment	3-10 years
Automobiles	5 years

Investments

Investments are recorded at cost, if purchased or at fair value, if donated. Thereafter, investments are reported at their fair values in the statement(s) of financial position, and changes in fair value are reported as investment return in the statements of activities. Net investment return/(loss) is reported in the statement(s) of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. AUW also follows a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standards three levels of inputs that may be used to measure fair value:

- **Level 1:** Observable prices in active markets for identical assets or liabilities.
- **Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.
- **Level 3:** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Revenue and Revenue Recognition

AUW recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Grants

The annual fund-raising campaign is the source of funds to partner agencies through the grants process. The expense for grants to partner agencies includes amounts that have been authorized for payment to partner agencies during the next fiscal year. We evaluate making additional grants when the increase in unrestricted net assets exceeds the amount the Board considers necessary for reserves.

Designations

Amounts designated to specific agencies are not considered revenue of AUW. AUW does not obtain unilateral power to redirect the use of the amounts designated, therefore, AUW is acting as an agent on behalf of the donor. Designations are recorded as both an asset (cash or pledge receivable) and a liability (grants and designations payable). However, for purposes of calculating campaign results, designated amounts are included as part of the total campaign. We charge an administrative fee for distributing designations. For the year ended June 30, 2022, the county campaign fee was 10% and all other campaigns were charged 16.34%.

Donated Services and Goods

Contributed services are reported in the financial statements when those services: (1) Create or enhance non-financial assets; or (2) Require specialized skills provided by individuals possessing those skills and are services that would be typically purchased if not provided by donation.

Contributions of donated non-cash assets are recorded at their fair values in the year received. In-kind contributions are comprised of food and medical supplies. The food is valued at \$1.73 per pound for the year ended June 30, 2022.

A substantial number of volunteers have donated significant amounts of their time to AUW. However, no amounts for donated services have been reported as contributions in the accompanying financial statements because they do not meet the requirements for recognition.

Income Taxes

Arrowhead United Way is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue Code Section 23701d. AUW has been classified as a publicly supported organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. AUW may be subject to tax on income from any unrelated business operations.

In accordance with accounting standards, which provides accounting and disclosure guidance about uncertain tax positions taken by AUW, management believes that all of the positions taken by AUW in its federal and state income tax returns are more likely than not to be sustained upon examination. AUW files returns in the U.S. Federal jurisdiction and the State of California. AUW's federal income tax returns for the prior three tax years remain subject to examination by the Internal Revenue Service. AUW's California income tax returns for the prior four tax years remain subject to examination by the Franchise Tax Board.

Use of Estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect certain reported amounts of 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, and those differences could be material.

Functional Expenses

The costs of AUW's programs and supporting services have been reported on a functional basis in the Statement of Functional Expenses. Expenses are charged to the program based on direct expenses incurred. Any programs expenses not directly chargeable to the programs and support costs are allocated among the programs and fund-raising activities benefited. The expenses that are allocated include occupancy, depreciation, and amortization, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest insurance, and other, which are allocated on the basis of estimates of time and effort.

Agency Relations

Agency Relations consists of resource and referral services to client who call or come into the office to obtain services; and to provide assistance to agencies to qualify for funding from both us and other outside sources, i.e., providing grant assistance, referral letters, and presentations to grantors. Agency Relations also include monitoring and assistance to agencies with financial or programming issues. The distribution of in-kind commodities are also included in Agency Relations.

Community Service

Grant activities are related to achieving the mission of AUW and improving the lives of individuals by engaging the caring power of the AUW's communities and focusing on education, income, and health. These programs are provided mainly to disadvantaged and low-income residents throughout the AUW service areas. Grants provide funding for programs such as: College and Career Readiness, Healthy Lifestyles Education; Interview for Success workshops, Next Steps Mentoring Program, youth STEM program, AUW Backpack Supply Drive, Prom Promises, and AmeriCorp Volunteer Program.

Management and General

Management and general costs consist of general and administrative expenses used to support us as a whole.

Campaign

Campaign consists of expenses incurred in conjunction with the annual fund-raising campaigns conducted by us.

Advertising Expense

Advertising costs are expensed as incurred.

NOTE 3 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 747,681
Pledges receivable	180,581
Investments	278,488
Less net assets with donor restrictions	<u>(651,383)</u>
Total	<u>\$ 555,367</u>

Arrowhead United Way regularly monitors liquidity required to meet its ongoing operating needs and other contractual commitments.

NOTE 4 – FIXED ASSETS

Fixed assets consisted of the following at June 30, 2022:

	Balance @ 6/30/2021	Additions	Deletions	Balance @ 6/30/2022
Non Depreciable Assets				
Land	\$ 77,624	\$ -	\$ -	\$ 77,624
Depreciable Assets				
Equipment	71,495	9,655	-	81,150
Buildings	359,066	-	-	359,066
Total Fixed Assets	<u>508,185</u>	<u>9,655</u>	<u>-</u>	<u>517,840</u>
Accumulated Depreciation	(382,171)	(10,329)	-	(392,500)
	<u>(382,171)</u>	<u>(10,329)</u>	<u>-</u>	<u>(392,500)</u>
Net Fixed Assets	<u>\$ 126,014</u>	<u>\$ (674)</u>	<u>\$ -</u>	<u>\$ 125,340</u>

Depreciation expense for the year ended amounted to: \$ 10,329

NOTE 5 – INVESTMENTS

Investments consist of the following at June 30, 2022:

Certificates of Deposit	\$ 257,757
Money Market checking account	<u>20,731</u>
Total	<u>\$ 278,488</u>

Certificates of Deposit earn between 0.75% and 1.094% interest and have maturity dates from January 2022 to June of 2022.

NOTE 6 – LEASES

AUW has entered into a non-cancelable operating lease agreement for equipment which expires October 2023. Total rent expense from operating leases included in the statement of activities for the year ended June 30, 2022, was \$7,411.

Future minimum lease payments under operating leases that have remaining terms in excess of one year as of June 30, 2022, is as follows:

Years ending June 30,	
2023	3,444
2024	<u>1,148</u>
Total	<u>\$ 4,592</u>

NOTE 7 – DESIGNATIONS

Designations included in public support and revenue for the year ended June 30, 2022, are as follows:

Designations to partner agencies	\$ 16,392
Designations to non-partner agencies	5,225
Total	<u><u>\$ 21,617</u></u>

NOTE 8 – ACCRUED EXPENSES

Accrued expenses for the year ended June 30, 2022, are as follows:

Accrued pension contribution	\$ 14,081
Accrued vacation	10,226
Accrued wages	1,557
Total	<u><u>\$ 25,864</u></u>

NOTE 9 – NET ASSETS

Net assets without donor restrictions that are designated by the Board for a specific use for the year ended June 30, 2022, are as follows:

Building and equipment replacement reserve	<u><u>\$ 49,956</u></u>
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Net assets with donor restrictions are restricted for the following purposes, periods or perpetually at June 30, 2022:

Donor restricted contributions for COVID-19	\$ 8,509
Donor restricted contributions for programs	585,893
Contributions for Women United	36,561
	<u>630,963</u>
 Donor restricted contributions, perpetual in nature	 <u>20,420</u>
Total	<u><u>\$ 651,383</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2022:

Satisfaction of purpose restrictions	
Donor restricted contributions for COVID-19	\$ 75,500
Donor restricted contributions for programs	22,269
Contributions for Women United	2,530
Total	<u><u>\$ 100,299</u></u>

NOTE 10 – PENSION PLAN

We have a profit-sharing pension plan that covers substantially all employees. Contributions to the Plan are at the sole discretion of the Board of Directors. Contributions for the year ended June 30, 2022, are \$14,617.

NOTE 11 – SUBSEQUENT EVENTS

Accounting standards require that Arrowhead United Way assess and disclose the date and the basis for that date through which potential subsequent events have been evaluated. The date represents the date the financial statements were issued or were available to be issued. AUW evaluated all potential subsequent events as of February 15, 2023, when the financial statements were authorized and available to be issued. No subsequent events or transactions were identified after the balance sheet date or as February 15, 2023, that require disclosure in the financial statements.

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