

UNITED WAY OF FORSYTH COUNTY, INC.

Consolidated Financial Statements

June 30, 2023 and 2022

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Board of Directors
United Way of Forsyth County, Inc.
Winston-Salem, North Carolina

INDEPENDENT AUDITORS' REPORT

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of United Way of Forsyth County, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above presented fairly, in all material respects, the financial position of United Way of Forsyth County, Inc. as of June 30, 2023 and 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of United Way of Forsyth County, Inc. 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 generally accepted auditing standards and *Government Auditing Standards* 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 consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 United Way of Forsyth County, Inc.'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Forsyth County, Inc.'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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and by the office of the State Auditor, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2024, on our consideration of United Way of Forsyth County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Forsyth County, Inc.'s internal control over financial reporting and compliance.

Butler & Burke LLP

Winston-Salem, North Carolina
February 28, 2024

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 526,603	\$ 1,787,706
Promises to give, net	3,913,578	4,535,084
Contribution receivable from split-interest agreement, net	461,000	653,000
Other receivables	377,038	544,318
Investments	4,445,483	3,714,792
Beneficial interests in assets held by others	1,047,449	1,044,848
Property and equipment, net	6,182	10,911
Other assets	<u>24,354</u>	<u>19,899</u>
<u>TOTAL ASSETS</u>	<u>\$ 10,801,687</u>	<u>\$ 12,310,558</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Designations to agencies and other United Ways	\$ 1,493,371	\$ 1,737,971
Accrued expenses and other liabilities	1,187,207	1,322,089
Line of credit	<u>-</u>	<u>500,000</u>
<u>Total Liabilities</u>	<u>2,680,578</u>	<u>3,560,060</u>
Net Assets		
Without donor restrictions	5,698,725	6,161,160
With donor restrictions	<u>2,422,384</u>	<u>2,589,338</u>
<u>Total Net Assets</u>	<u>8,121,109</u>	<u>8,750,498</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 10,801,687</u>	<u>\$ 12,310,558</u>

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Gross contributions – current campaign	\$ 6,876,232	\$ -	\$ 6,876,232
Designations from other United Way agencies	132,825	-	132,825
Less amount recognized from prior year	(50,000)	-	(50,000)
Less donor designations	(968,733)	-	(968,733)
Contributions received for future campaigns	-	150,600	150,600
Less provision for uncollectible promises	(391,000)	-	(391,000)
<u>Net Campaign</u>	<u>5,599,324</u>	<u>150,600</u>	<u>5,749,924</u>
Other gifts and grants, net	105,639	4,187,191	4,292,830
Investment income, net	151,320	20,637	171,957
Administrative fees	167,487	-	167,487
<u>Other Support and Revenue</u>	<u>424,446</u>	<u>4,207,828</u>	<u>4,632,274</u>
Net assets released from restrictions			
Satisfaction of purpose restrictions	4,471,356	(4,471,356)	-
Satisfaction of timing restrictions	121,600	(121,600)	-
	<u>4,592,956</u>	<u>(4,592,956)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>10,616,726</u>	<u>(234,528)</u>	<u>10,382,198</u>
EXPENSES			
Program Services			
The Forsyth Promise	47,860	-	47,860
Ten Year Plan	3,644,418	-	3,644,418
Other program services	5,369,192	-	5,369,192
Management and general	1,241,520	-	1,241,520
Fundraising	1,153,620	-	1,153,620
<u>Total Expenses</u>	<u>11,456,610</u>	<u>-</u>	<u>11,456,610</u>
Change in Net Assets from Operations	(839,884)	(234,528)	(1,074,412)
Other Changes			
Change in value of beneficial interests	-	47,028	47,028
Unrealized and realized gains on investments	161,229	20,546	181,775
Pension gain in excess of net periodic pension cost	216,220	-	216,220
CHANGE IN NET ASSETS	(462,435)	(166,954)	(629,389)
Net Assets, Beginning of Year	<u>6,161,160</u>	<u>2,589,338</u>	<u>8,750,498</u>
Net Assets, End of Year	<u>\$ 5,698,725</u>	<u>\$ 2,422,384</u>	<u>\$ 8,121,109</u>

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Gross contributions – current campaign	\$ 9,166,142	\$ -	\$ 9,166,142
Designations from other United Way agencies	288,184	-	288,184
Less amount recognized from prior year	(25,000)	-	(25,000)
Less donor designations	(1,667,595)	-	(1,667,595)
Contributions received for future campaigns	-	62,250	62,250
Less provision for uncollectible promises	(499,875)	-	(499,875)
<u>Net Campaign</u>	<u>7,261,856</u>	<u>62,250</u>	<u>7,324,106</u>
Other gifts and grants, net	3,093	4,030,103	4,033,196
Investment income, net	158,678	25,000	183,678
Administrative fees	464,316	-	464,316
Other	1,100	-	1,100
<u>Other Support and Revenue</u>	<u>627,187</u>	<u>4,055,103</u>	<u>4,682,290</u>
Net assets released from restrictions			
Satisfaction of purpose restrictions	4,354,140	(4,354,140)	-
Satisfaction of timing restrictions	162,975	(162,975)	-
	<u>4,517,115</u>	<u>(4,517,115)</u>	<u>-</u>
<u>Total Support and Revenue</u>	<u>12,406,158</u>	<u>(399,762)</u>	<u>12,006,396</u>
EXPENSES			
Program Services			
The Forsyth Promise	318,697	-	318,697
Ten Year Plan	2,526,275	-	2,526,275
Other program services	7,028,871	-	7,028,871
Management and general	1,443,165	-	1,443,165
Fundraising	1,049,178	-	1,049,178
<u>Total Expenses</u>	<u>12,366,186</u>	<u>-</u>	<u>12,366,186</u>
Change in Net Assets from Operations	39,972	(399,762)	(359,790)
Other Changes			
Change in value of beneficial interests	-	(98,983)	(98,983)
Unrealized and realized losses on investments	(983,573)	(143,675)	(1,127,248)
Pension gain in excess of net periodic pension cost	85,003	-	85,003
CHANGE IN NET ASSETS	(858,598)	(642,420)	(1,501,018)
Net Assets, Beginning of Year	<u>7,019,758</u>	<u>3,231,758</u>	<u>10,251,516</u>
Net Assets, End of Year	<u>\$ 6,161,160</u>	<u>\$ 2,589,338</u>	<u>\$ 8,750,498</u>

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2023

	The Forsyth Promise	Ten Year Plan	Other Program Services	Management and General	Fundraising	Total
Salaries	\$ 12,078	\$ 839,899	\$ 478,494	\$ 644,614	\$ 683,450	\$ 2,658,535
Payroll taxes	924	63,694	35,666	45,280	51,013	196,577
Employee benefits	3,384	161,996	89,708	112,950	154,153	522,191
Total Salaries Related	16,386	1,065,589	603,868	802,844	888,616	3,377,303
Allocations and grants	-	-	3,853,822	-	-	3,853,822
Grant contract expenses	-	1,706,804	235,525	-	1,350	1,943,679
Professional fees and contract services	28,332	663,036	454,551	162,450	85,670	1,394,039
Supplies	745	90,654	6,375	17,394	28,432	143,600
Telephone	-	21,381	8,012	11,659	10,978	52,030
Postage and shipping	-	435	35	3,478	4,769	8,717
Travel	-	21,623	644	4,924	7,888	35,079
Advertising	-	-	7,343	45,514	3,511	56,368
Meetings	-	1,130	31,916	27,828	27,335	88,209
Subscriptions and professional dues	1,875	845	1,271	10,407	8,867	23,265
Professional development and education	65	21,132	3,734	539	1,731	27,201
Personnel recruitment and relocation	-	10	150	4,247	-	4,407
Equipment rental and maintenance	-	-	8,150	4,653	8,048	20,851
Occupancy	-	1,906	1,446	19,683	1,249	24,284
Lease costs	457	49,782	41,017	54,111	31,863	177,230
Depreciation	-	-	2,660	946	1,123	4,729
United Way dues	-	-	108,673	53,710	29,517	191,900
Miscellaneous	-	91	-	17,133	12,673	29,897
Total Expenses	\$ 47,860	\$ 3,644,418	\$ 5,369,192	\$ 1,241,520	\$ 1,153,620	\$ 11,456,610

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	The Forsyth Promise	Ten Year Plan	Other Program Services	Management and General	Fundraising	Total
Salaries	\$ 83,211	\$ 259,526	\$ 930,739	\$ 751,358	\$ 637,213	\$ 2,662,047
Payroll taxes	6,493	21,872	72,303	53,355	49,135	203,158
Employee benefits	11,235	49,260	156,915	109,705	119,839	446,954
Total Salaries Related	100,939	330,658	1,159,957	914,418	806,187	3,312,159
Allocations and grants	-	-	4,760,637	-	-	4,760,637
Grant contract expenses	-	1,683,521	232,677	-	-	1,916,198
Professional fees and contract services	195,545	346,347	472,308	197,409	50,106	1,261,715
Supplies	2,685	14,243	129,447	26,877	25,054	198,306
Telephone	377	5,443	14,280	13,354	10,052	43,506
Postage and shipping	(217)	1,443	(334)	3,776	4,838	9,506
Travel	546	11,840	7,033	5,902	4,975	30,296
Advertising	-	255	-	1,171	13,164	14,590
Meetings	458	1,351	1,842	17,420	8,831	29,902
Subscriptions and professional dues	3,272	2,336	1,167	10,997	8,294	26,066
Professional development and education	-	78,315	8,520	2,627	3,048	92,510
Personnel recruitment and relocation	-	-	55	84,237	-	84,292
Equipment rental and maintenance	-	999	10,875	-	6,294	18,168
Occupancy	15,092	3,123	3,826	15,901	2,834	40,776
Lease costs	-	45,963	28,657	42,447	34,436	151,503
Depreciation	-	-	3,612	2,335	1,366	7,313
United Way dues	-	-	170,938	107,045	58,853	336,836
Miscellaneous	-	438	23,374	(2,751)	10,846	31,907
Total Expenses	\$ 318,697	\$ 2,526,275	\$ 7,028,871	\$ 1,443,165	\$ 1,049,178	\$ 12,366,186

UNITED WAY OF FORSYTH COUNTY, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (629,389)	\$ (1,501,018)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	4,729	7,313
Discount amortization	(8,203)	(12,203)
Unrealized and realized (gains) losses on investments	(181,775)	1,127,248
Change in value of beneficial interests in assets held by others	(47,028)	98,983
Provision for uncollectible promises to give	391,000	499,875
(Increase) decrease in operating assets:		
Promises to give	230,506	(362,607)
Other receivables	167,280	97,773
Contribution receivable from split-interest agreement	200,203	200,203
Other assets	(4,455)	(19,899)
Increase (decrease) in operating liabilities:		
Designations to agencies and other United Ways	(244,600)	(213,565)
Accrued expenses and other liabilities	(134,882)	(342,019)
Contributions restricted for long-term purposes	(13,446)	(10,370)
<u>Net Cash Used in Operating Activities</u>	<u>(270,060)</u>	<u>(430,286)</u>
INVESTING ACTIVITIES		
Sales of investments	454,863	612,046
Purchases of investments	(1,003,779)	(183,666)
Beneficial interest in assets held by others		
Contributions	(13,446)	(10,370)
Distributions	57,873	27,242
<u>Net Cash Provided by (Used in) Investing Activities</u>	<u>(504,489)</u>	<u>445,252</u>
FINANCING ACTIVITIES		
Net change in line of credit	(500,000)	500,000
Contributions restricted for long-term purposes	13,446	10,370
<u>Net Cash Provided by (Used in) Financing Activities</u>	<u>(486,554)</u>	<u>510,370</u>
Change in Cash and Cash Equivalents	(1,261,103)	525,336
Cash and Cash Equivalents, Beginning of Year	<u>1,787,706</u>	<u>1,262,370</u>
Cash and Cash Equivalents, End of Year	<u>\$ 526,603</u>	<u>\$ 1,787,706</u>
<u>SUPPLEMENTAL INFORMATION</u>		
Interest paid	<u>\$ 4,824</u>	<u>\$ 3,069</u>

UNITED WAY OF FORSYTH COUNTY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A: ORGANIZATION AND NATURE OF ACTIVITIES

United Way of Forsyth County, Inc. ("United Way") is a not-for-profit corporation organized under the laws of the State of North Carolina. Its purpose is to increase the organized capacity of people to care for one another. It accomplishes this purpose by providing the best possible support for local human services through its member agencies, by directing resources toward root causes of human problems, and by being inclusive of all citizens of the community.

The United Way conducts annual campaigns primarily to raise support for allocations to member agencies, program services, and general operating expenses. Donors may designate their pledges among several focus areas, agencies, or geographic locations of their choice.

In 2005, the United Way of Forsyth County Foundation (the "Foundation") was formed for the purposes of providing a resource for funds for areas of need within the community that have been identified by United Way and other charitable organizations as areas of high priority. This Foundation will also carry out fundraising activities with an emphasis on bequests and planned giving. The United Way controls the Foundation by voting for the majority of its board members. Therefore, the United Way and the Foundation are consolidated.

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements of United Way have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP). United Way 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.

Net assets without donor restrictions - net assets that are not restricted by donors or for which donor-imposed restrictions have expired. If the board specifies a purpose where none has been stated, such funds are classified as board designated net assets without donor restrictions.

Net assets with donor restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

The consolidated financial statements include the accounts of the United Way and the United Way of Forsyth County Foundation. All significant intercompany transactions have been eliminated.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

United Way considers all demand deposits at financial institutions and all highly liquid investments with an original maturity of three months or less to be cash equivalents. Those accounts may exceed federal insurance limits from time to time. United Way has not experienced any losses on such deposits, and does not believe the organization is exposed to a significant risk of loss.

Promises to Give

Contributions and grants (promises to give) are recognized as revenues in the period the commitment is made. United Way records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contributions and grants revenue in the statements of activities. United Way determines an allowance for uncollectible promises to give based on historical experience, an assessment of the economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectible. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions upon which they depend are substantially met.

Contribution Receivable from Split-Interest Agreement

During the year ended June 30, 2014, a donor established a Charitable Lead Annuity Trust with a third party naming the United Way as a beneficiary. Under terms of the split interest agreement, the United Way is to receive an annual distribution from the trust for 20 years. The receivable for the split-interest agreement is carried at fair value, which the United Way has estimated based on the present value of its expected future cash flows. Based on the life of the trust and a 1.86% discount rate, the fair value of the United Way's contribution receivable from the split-interest agreement was \$461,000 and \$653,000 at June 30, 2023 and 2022, respectively. On an annual basis, the United Way will revalue the contribution receivable based on the remaining life of the trust and current market conditions.

Investments

United Way accounts for its investments in marketable securities with readily determinable fair values at their fair values in the consolidated statements of financial position. Investment income and realized and unrealized gains and losses are included in the change in net assets in the consolidated statements of activities. During the years ended June 30, 2023 and 2022, expenses of \$29,305 and \$34,613, respectively, relating to investment income, including custodial fees and investment advisory fees, have been netted against investment income. United Way investments, which are maintained in three separate accounts, are held by a local brokerage house. United Way has not experienced any losses on these accounts.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Beneficial Interests in Assets Held by Others

The United Way has established trust arrangements with the Winston-Salem Foundation (the "Foundation"), the purpose of which is to provide permanent endowments to support the future needs of the United Way. Donor contributions have been irrevocably transferred to the Foundation, who will invest the funds and make quarterly earnings distributions, to the United Way or accumulated income funds within the endowments, in amounts determined by the Foundation. The United Way has granted the Foundation variance power, the unilateral power to redirect the use of the assets, but has retained a right to the assets by specifying itself as the beneficiary. Pursuant to GAAP, these endowments have been recognized as beneficial interest in assets held by others in the accompanying consolidated statements of financial position at the current market value of the underlying investments held by the Foundation, which amounted to \$1,047,449 and \$1,044,848 for the years ended June 30, 2023 and 2022, respectively. However, United Way is not subject to the Uniform Prudent Management of Institutional Funds Act or the endowment disclosure requirements of FASB ASC 958-205-50 for these funds since control over the funds was relinquished to the Foundation.

The endowment funds administered by the Winston-Salem Foundation are as follows:

The Voluntary Action Center Training Endowment - This endowment was established during 1986 under an irrevocable trust agreement and is administered as a part of the Winston-Salem Foundation. The purpose of the endowment is to aid and support the training programs of the Voluntary Action Center of Forsyth County, Inc. ("VAC"), whose programs are conducted under the auspices of United Way. Under the terms of the trust agreement, VAC and the Foundation Committee may agree to distribute principal of the trust as long as the remaining fair value of the principal does not fall below \$35,000. Fair value of the endowment assets was \$56,419 and \$56,211 for the years ended June 30, 2023 and 2022, respectively.

The United Way Joel A. Weston, Jr. Memorial Endowment - This endowment was established during 1988 under an irrevocable trust agreement and is administered as a part of the Winston-Salem Foundation. The purpose of the endowment is to fund an award for excellence in nonprofit management, dedicated to the memory of Joel A. Weston, Jr., who served as chairman of United Way's Board of Directors from 1980-1982. Under the terms of the agreement, net income from the endowment may be used to fund the award. Fair value of the endowment assets was \$686,982 and \$697,980 for the years ended June 30, 2023 and 2022, respectively.

The United Way Caring Shares Endowment - This endowment was established during 1989 under an irrevocable trust agreement and is administered as a part of the Winston-Salem Foundation. The purpose of the endowment is to provide funds for the welfare of the community as deemed necessary by the Board of Directors of United Way. Under the terms of the trust agreement, net income from the endowment may be used to provide funds for the welfare of the community. Fair value of the endowment assets was \$304,048 and \$290,657 for the years ended June 30, 2023 and 2022, respectively.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Depreciation

Furniture and equipment additions greater than \$1,000 are recorded at cost, if purchased, and at estimated fair value at the date of receipt, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 7 years. Expenditures for maintenance, repairs and minor renewals are charged to expense as incurred.

Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Donated Services and In-Kind Contributions

Contributions of assets other than cash are recorded at their estimated fair value. United Way reports revenue for the fair value of contributed services received where the services require specialized skills, are provided by individuals possessing these skills, and represent services that would have been purchased had they not been donated. No donated services were recognized in the accompanying consolidated financial statements for the years ended June 30, 2023 or 2022.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and personnel related expenses, which are allocated on the basis of estimates of time and effort, and office related expenses, which are allocated on a square footage basis.

Allocations and Designations

Allocations result from contributions by donors that are not specifically directed to individual organizations and agencies. These funds are allocated for distribution to various member agencies and programs based on need and other criteria deemed appropriate by the Board of Directors.

Designations result from contributions by donors that are specifically directed to organizations and agencies. These funds are distributed to the organizations net of an administrative fee.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax-Exempt Status

United Way and the Foundation are not-for-profit organizations and are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income tax expense is limited to activities that are deemed by the Internal Revenue Service to be unrelated to their exempt purposes.

United Way's and the Foundation's primary tax positions relate to their status as not-for-profit entities exempt from income taxes and classification of activities related to their exempt purposes. It is the opinion of management that United Way and the Foundation have no uncertain tax positions that would be subject to change upon examination.

United Way and the Foundation are required to file federal exempt organization tax returns (Form 990) annually to retain the exempt status. United Way and the Foundation are also required to file exempt organization business income tax returns (Form 990-T) for any year gross unrelated business income exceeds \$1,000. United Way's and the Foundation's Form 990 filings are generally subject to examination by the Internal Revenue Service for three years after they are filed.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events

United Way has evaluated its subsequent events (events occurring after June 30, 2023) through the date of this report, which represents the date the consolidated financial statements were available to be issued and determined that all significant events and disclosures are included in the consolidated financial statements.

Accounting Pronouncement Adopted in the Current Year

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-02, *Leases* (Topic 842). This guidance requires the rights and obligations of new and existing lease arrangements to be recognized as assets and liabilities in the statement of financial position. The guidance also requires disclosures to better inform financial statement users of the amount, timing and uncertainty of cash flows arising from leases. The primary impact of this guidance, which is effective for periods beginning after December 15, 2021, is to record right-of-use (ROU) assets and obligations for current operating leases. United Way elected to adopt the requirements of the guidance effective July 1, 2022. However, United Way has no long-term lease obligations and, therefore, the adoption did not result in the recognition of any ROU assets or liabilities during the year ended June 30, 2023.

United Way has made the accounting policy election not to separate lease components from non-lease components, but rather will account for the components as a single lease component.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Pronouncement Adopted in the Current Year (Continued)

United Way has made the accounting policy election to not apply the recognition requirements of Topic 842 for short-term leases for all existing and future short-term leases for all classes of underlying assets. A short-term lease is defined as a lease that, at the commencement date, has a lease term of twelve months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise.

Finally, United Way has adopted ASU 2021-09, *Leases (Topic 842) – Discount Rate for Lessees That Are Not Public Business Entities*, which provides for more flexibility in determining discount rates for leases and allows for a risk-free rate election. In the absence of a rate implicit in a lease, an incremental borrowing rate or risk-free rate may be used to determine the initial carrying value of the lease liability. United Way has elected to use the risk-free rate for periods comparable to lease terms for all classes of underlying assets. The risk-free rate is the rate of a zero-coupon U.S. Treasury instrument.

NOTE C: 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:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 526,603	\$ 1,787,706
Receivables	4,751,616	5,732,402
Investments	4,445,483	3,714,792
Beneficial interests in assets held by others	<u>1,047,449</u>	<u>1,044,848</u>
Total financial assets	10,771,151	12,279,748
Less those unavailable for general expenditure within one year due to:		
Purpose and timing restrictions	(827,133)	(987,871)
Perpetual endowments	(547,802)	(531,619)
Beneficial interests	<u>(1,047,449)</u>	<u>(1,044,848)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 8,348,767</u>	<u>\$ 9,715,410</u>

United Way has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The United Way is primarily funded through its annual campaign and other gifts and grants. This funding provides a consistent annual cash flow. Additionally, to help unanticipated liquidity needs, United Way has a \$500,000 line of credit to draw upon, if needed.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D: FAIR VALUE MEASUREMENTS

Financial assets and liabilities required to be measured on a recurring basis (at least annually) are classified under a three-tier hierarchy. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurement date.

Assets and liabilities measured at fair value are categorized depending on the observability of the inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are observable inputs other than quoted prices included within Level 1 for the asset or liability, such as quoted prices for similar assets or liabilities, quoted prices in inactive markets, or other inputs that can be corroborated by observable data for substantially the full term of the assets or liabilities. Level 3 inputs are unobservable for the asset or liability, including United Way's own assumptions in determining the fair value of assets or liabilities.

Valuation techniques used in the fair value measurements need to maximize the use of observable inputs and minimize the use of unobservable inputs. A valuation method may produce a fair value measurement that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although United Way believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions could result in different fair value measurements at the reporting date.

The following is a description of the valuation methodologies used by United Way for assets and liabilities measured at fair value:

Investments: Valued at the closing price reported on the active markets on which the individual securities are traded (Level 1).

Contributions Receivable from Split-Interest Agreements: Valued by calculating the present value of the future distributions expected to be received, using published life expectancy tables and a discount rate of 1.86% (Level 3).

Beneficial Interest In Assets Held By Others: Equities and fixed income funds within the Winston-Salem Foundation (the Foundation) endowment pool are valued at the closing price reported on the active markets on which the individual securities are traded. Although the measurement is based on the unadjusted fair value of trust assets reported by the Foundation, United Way has irrevocably assigned the monies to the Foundation and is only able to redeem accumulated income that the Foundation has transferred to the grantable funds account within the endowment. Therefore, United Way considers the measurement of its beneficial interest in assets held by others to be a Level 3 measurement within the fair value hierarchy.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D: FAIR VALUE MEASUREMENTS (CONTINUED)

Pension Plan Investments: Valued at the closing price reported on the active markets on which the individual securities are traded (Level 1).

Pension Projected Benefit Obligation: Based upon actuarial assumptions, including a discount rate of 5.19% at June 30, 2023 and 4.56% at June 30, 2022 and further assumptions for retirement age, mortality rates, employee withdrawal rates, social security wage base changes, and post-retirement expense loading charges (Level 3).

The following table sets forth by level, within the fair value hierarchy, United Way's assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 and 2022:

	2023				2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Investments								
Mutual Funds	\$ 3,135,422	\$ -	\$ -	\$ 3,135,422	\$ 2,692,310	\$ -	\$ -	\$ 2,692,310
Fixed income	366,421	-	-	366,421	-	-	-	-
Exchange-traded products	943,640	-	-	943,640	1,022,482	-	-	1,022,482
Total Investments	<u>4,445,483</u>	<u>-</u>	<u>-</u>	<u>4,445,483</u>	<u>3,714,792</u>	<u>-</u>	<u>-</u>	<u>3,714,792</u>
Contribution Receivable from Split-Interest Agreement	-	-	461,000	461,000	-	-	653,000	653,000
Beneficial Interest in Assets Held by Others	-	-	1,047,449	1,047,449	-	-	1,044,848	1,044,848
Pension Plan Investments								
Cash and equivalents	77,242	-	-	77,242	75,573	-	-	75,573
Equity securities	1,622,070	-	-	1,622,070	1,435,895	-	-	1,435,895
Debt securities and related instruments	875,403	-	-	875,403	1,007,645	-	-	1,007,645
Total Pension Plan Investments	<u>2,574,715</u>	<u>-</u>	<u>-</u>	<u>2,574,715</u>	<u>2,519,113</u>	<u>-</u>	<u>-</u>	<u>2,519,113</u>
Total assets at fair value	<u>\$ 7,020,198</u>	<u>\$ -</u>	<u>\$ 1,508,449</u>	<u>\$ 8,528,647</u>	<u>\$ 6,233,905</u>	<u>\$ -</u>	<u>\$ 1,697,848</u>	<u>\$ 7,931,753</u>
Liabilities:								
Pension Projected Benefit Obligation	\$ -	\$ -	\$ 3,162,204	\$ 3,162,204	\$ -	\$ -	\$ 3,370,838	\$ 3,370,838

Pension plan assets are netted with pension liabilities in the consolidated statements of financial position.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE D: FAIR VALUE MEASUREMENTS (CONTINUED)

The tables below set forth a summary of changes in the fair value of the United Way's level 3 assets and liabilities for the years ended June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Assets:		
Balance, beginning of year	\$ 1,697,848	\$ 2,001,703
Additions	13,446	10,370
Receipts from split-interest agreement	(200,203)	(200,203)
Discount amortization	8,203	12,203
Change in value	47,028	(98,983)
Distributions	<u>(57,873)</u>	<u>(27,242)</u>
Balance, end of year	<u>\$ 1,508,449</u>	<u>\$ 1,697,848</u>
Liabilities:		
Balance, beginning of year	\$ 3,370,838	\$ 4,231,092
Service and interest cost	144,417	108,767
Actuarial (gain)/loss	(129,357)	(750,457)
Benefits disbursed	<u>(223,694)</u>	<u>(218,564)</u>
Balance, end of year	<u>\$ 3,162,204</u>	<u>\$ 3,370,838</u>

NOTE E: PROMISES TO GIVE

Promises to give consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Campaign promises to give	\$ 7,705,220	\$ 7,935,726
Less allowance for uncollectible promises	<u>(3,791,642)</u>	<u>(3,400,642)</u>
	<u>\$ 3,913,578</u>	<u>\$ 4,535,084</u>

Promises to give are expected to be collected within one year.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE F: INVESTMENTS

Investments, stated at fair value, consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Mutual funds	\$ 3,135,422	\$ 2,692,310
Fixed income	366,421	-
Exchange-traded products	<u>943,640</u>	<u>1,022,482</u>
	<u>\$ 4,445,483</u>	<u>\$ 3,714,792</u>

NOTE G: PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
Computer equipment	\$ 109,829	\$ 109,829
Software	84,968	84,968
Office equipment	39,885	39,885
Furniture	25,562	25,562
Other equipment	7,572	7,572
Leasehold improvements	4,723	4,723
Vehicle	<u>1,000</u>	<u>1,000</u>
	273,539	273,539
Less: accumulated depreciation	<u>(267,357)</u>	<u>(262,628)</u>
	<u>\$ 6,182</u>	<u>\$ 10,911</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$4,729 and \$7,313, respectively.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE H: LEASE OBLIGATIONS

United Way leases office space and office equipment under short-term operating lease arrangements.

Total lease costs for the year ended June 30, 2023 are as follows:

Short-term lease costs:	
Office space	\$ 166,492
Office equipment	<u>10,738</u>
	<u>\$ 177,230</u>

Lease costs totaled \$151,503 for the year ended June 30, 2022.

United Way has an additional operating lease for office space that will commence in July 2023 with a term of 24 months and a right-of-use asset valuation of \$297,994.

NOTE I: LINE OF CREDIT

The United Way has a \$500,000 line of credit with a bank with monthly interest only payments at an index rate plus 1.5% secured by investment securities. The outstanding amount on the line of credit at June 30, 2022 was \$500,000. There was no outstanding amount at June 30, 2023. The line of credit matures in March 2025.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE J: ENDOWMENT FUNDS

The United Way has interpreted Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the United Way retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of gifts donated to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the funds.

In accordance with UPMIFA, the United Way considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the United Way, and (7) the United Way's investment policies.

Endowment net assets composition by type as of June 30, 2023 and 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2023</u>			
Donor-restricted endowment funds			
Cash and cash equivalents	\$ -	\$ 12,115	\$ 12,115
Investments	-	535,687	535,687
	<u>\$ -</u>	<u>\$ 547,802</u>	<u>\$ 547,802</u>
<u>2022</u>			
Donor-restricted endowment funds			
Cash and cash equivalents	\$ -	\$ 101,901	\$ 101,901
Investments	-	454,718	454,718
	<u>\$ -</u>	<u>\$ 556,619</u>	<u>\$ 556,619</u>

Funds with Deficiencies. From time to time, the fair value of the assets associated with the donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the United Way to retain as funds of perpetual duration (underwater endowments). There were no endowment fund deficiencies as of June 30, 2023 or 2022.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE J: ENDOWMENT FUNDS (CONTINUED)

Investment Return Objectives, Risk Parameters and Strategies. The United Way has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve a rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well diversified asset mix that is intended to result in a consistent rate of return that has sufficient liquidity to make an annual distribution of \$25,000, while growing the fund, if possible. Investment risk is measured in terms of the total endowment funds; investment assets and allocation between asset classes and strategies are managed to not expose the funds to unacceptable levels of risk.

Spending Policy. The United Way has a policy of appropriating \$25,000 for distribution each year. In establishing this policy, the United Way considered the long-term expected return on its investment assets, the nature and duration of the endowment fund, a portion of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The United Way expects the current spending policy to allow its endowment funds to grow at a rate consistent with the United Way’s objective to maintain the purchasing power of the endowment assets as well as to provide additional growth through investment return.

Changes in endowment net assets during the years ended June 30, 2023 and 2022 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<u>2023</u>			
Endowment net assets, beginning of year	\$ -	\$ 556,619	\$ 556,619
Interest and dividend income, net	-	20,637	20,637
Realized and unrealized gains	-	20,546	20,546
Amounts appropriated for expenditure	-	(50,000)	(50,000)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 547,802</u>	<u>\$ 547,802</u>
<u>2022</u>			
Endowment net assets, beginning of year	\$ -	\$ 700,294	\$ 700,294
Interest and dividend income, net	-	25,000	25,000
Realized and unrealized losses	-	(143,675)	(143,675)
Amounts appropriated for expenditure	-	(25,000)	(25,000)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 556,619</u>	<u>\$ 556,619</u>

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE K: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purposes:		
Split-interest agreement	\$ 461,000	\$ 653,000
Community services provided by United Way	<u>276,133</u>	<u>273,871</u>
	<u>737,133</u>	<u>926,871</u>
Subject to expenditure for passage of time:		
Net campaign contributions received for future periods	<u>90,000</u>	<u>61,000</u>
Endowments:		
Subject to endowment spending policy and appropriation		
Original gifts (corpus) for:		
Annual campaign contributions	500,000	500,000
Accumulated earnings for:		
Annual campaign contributions	<u>47,802</u>	<u>56,619</u>
	<u>547,802</u>	<u>556,619</u>
Not subject to United Way's spending policy or appropriation:		
Beneficial interest in assets held by others	<u>1,047,449</u>	<u>1,044,848</u>
	<u>\$ 2,422,384</u>	<u>\$ 2,589,338</u>

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L: RETIREMENT PLANS

Defined Benefit Plan

United Way has a noncontributory defined benefit retirement plan covering substantially all employees who were with the Organization prior to the plan curtailment in 2009. The plan provides defined benefits based on years of service and final average compensation. Contributions to the plan are based upon the aggregate cost method and comply with the funding requirements of the Employee Retirement Income Security Act. United Way's general policy is to fund pension costs accrued. United Way uses a June 30 measurement date to measure amounts related to its defined benefit retirement plan.

The following sets forth the funded status of the retirement plan and the amounts recognized in United Way's consolidated financial statements as of and for the years ended June 30, 2023 and 2022.

	<u>2023</u>	<u>2022</u>
Fair value of plan assets	\$ 2,574,715	\$ 2,519,113
Projected benefit obligation	<u>(3,162,204)</u>	<u>(3,370,838)</u>
Funded status (plan assets less benefit obligation)	<u>\$ (587,489)</u>	<u>\$ (851,725)</u>
Amounts recognized on consolidated statements of financial position as accrued pension cost (asset (liability) for pension benefits)	<u>\$ (587,489)</u>	<u>\$ (851,725)</u>
Items not yet recognized as a component of net periodic pension cost:		
Net loss	<u>\$ 640,787</u>	<u>\$ 857,007</u>
Pension loss and prior service cost	<u>\$ 640,787</u>	<u>\$ 857,007</u>
Net periodic pension (gain) cost recognized in expense	<u>\$ 46,447</u>	<u>\$ (51,470)</u>
Accumulated benefit obligation at end of year	<u>\$ 3,162,204</u>	<u>\$ 3,370,838</u>
Weighted-average assumptions used in computing ending obligations:		
Discount rate	5.19%	4.56%
Rate of compensation increase	N/A	N/A
Weighted-average assumptions used in computing net periodic pension cost:		
Discount rate	4.56%	2.64%
Rate of compensation increase	N/A	N/A
Expected long-term rate of return on plan assets	5.50%	6.50%

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L: RETIREMENT PLANS (CONTINUED)

Defined Benefit Plan (Continued)

Reconciliation of items not yet reflected in net periodic pension cost:

	<u>July 1, 2022</u>	<u>Reclassified as Net Periodic Pension Cost</u>	<u>Amounts Arising During Period</u>	<u>June 30, 2023</u>
Net (gain) or loss	\$ 857,007	\$ -	\$ (216,220)	\$ 640,787

The estimated net loss and prior service costs for the defined benefit pension plan that will be recognized as net periodic benefit cost during the next fiscal year is \$0.

	<u>2023</u>	<u>2022</u>
<u>Cash Flows for the Years Ended June 30, 2023 and 2022</u>		
Employer contributions	\$ 94,463	\$ 17,661
Pension benefits paid	223,694	218,564

United Way is expected to contribute \$57,560 to the Plan during the year ended June 30, 2024 in order to have sufficient funds for plan termination. However, since this estimated contribution amount is based on the plan's asset shortfall as of the measurement date, the actual amount of contributions made during the fiscal year could be larger or smaller depending on the asset performance, actual participant benefit elections, demographic changes in the plan's population, and changes in the interest rate environment that occur between the measurement date and the date on which settlement payments are issued on behalf of participants.

The following benefit payments are expected to be paid:

2024	\$ 253,915
2025	251,108
2026	248,269
2027	244,577
2028	239,531
2029-2033	1,131,182

Plan Curtailment

In November 2006, the Board of Directors approved a curtailment of the plan, which froze benefit accruals as of December 31, 2009.

UNITED WAY OF FORSYTH COUNTY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE L: RETIREMENT PLANS (CONTINUED)

Defined Contribution Plan

United Way also sponsors a defined contribution plan under which all employees are eligible to participate after completion of minimum service requirements. Employees may defer a portion of their compensation pursuant to Section 401(k) of the Internal Revenue Code. United Way matches 100% of each employee's contribution up to a maximum of 3% of eligible compensation. Additionally, United Way makes a profit sharing contribution equal to 5% of each eligible employee's compensation. United Way contributed \$139,774 and \$170,733 to the plan for the years ended June 30, 2023 and 2022, respectively.

NOTE M: COMMITMENTS AND CONTINGENCIES

Annual campaigns are conducted from September to December, principally to raise support for allocations to member agencies, program services, and general operating expenses. On June 30, 2023, the Board of Directors authorized commitments of \$3,652,187 for allocations to member agencies for the period beginning July 1, 2023 through June 30, 2024. These commitments are contingent upon the results of the campaign conducted in the fall of 2023 as well as the collection success of the previous campaign.

Restricted grants require the fulfillment of certain conditions specified by the donors. Failure to fulfill the conditions could result in the return of funds to the donors. While that is a possibility, management considers the contingency remote since, by accepting the gifts and grants and their terms, management has accommodated the objectives of United Way to the donor's restrictions.

UNITED WAY OF FORSYTH COUNTY, INC.
SCHEDULE OF FEDERAL AWARDS
For the Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number (ALN)</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF VETERAN AFFAIRS:		
Direct Program-Supportive Services for Veteran Families	64.033	\$ 1,584,113
<u>Total U.S. Department of Veteran Affairs</u>		<u>1,584,113</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
Pass-through from N.C. Department of Health and Human Services and City of Winston-Salem - Emergency Shelter Grants Program	14.231	272,319
CARES Act Coronavirus Relief Fund passed through the N.C Department of Health and Human Services and City of Winston-Salem-Emergency Shelter Grants Program	14.231	357,777
Pass-through from City of Winston-Salem - Continuum of Care Program- Rapid Rehousing Collaborative	14.267	699,732
Pass-through from City of Winston-Salem - Community Development Block Grant- Community Intake Center	14.218	30,400
CARES Act Coronavirus Relief Fund passed through the City of Winston-Salem-Community Development Block Grant	14.218	160,836
Pass-through from City of Winston-Salem - Community Development Block Grant- Ten Year Plan to End Chronic Homelessness	14.218	26,700
<u>Total U.S. Department of Housing and Urban Development</u>		<u>1,547,764</u>
U.S. DEPARTMENT OF EDUCATION:		
Direct Program-Innovative Approaches to Literacy; Full-Service Community Schools; and Promise neighborhood	84.215K	450,000
<u>Total U.S. Department of Education</u>		<u>450,000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 3,581,877

UNITED WAY OF FORSYTH COUNTY, INC.
SCHEDULE OF FEDERAL AWARDS
For the Year Ended June 30, 2023

NOTE A: BASIS OF PRESENTATION

The schedule of federal awards is presented on the accrual basis. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B: SUBRECIPIENTS

Of the federal expenditures presented above, United Way provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Assistance Listing Number</u>	<u>Amounts Provided to Subrecipients</u>
Supportive Services for Veteran Families	64.033	\$ <u>352,001</u>

NOTE C: INDIRECT COST RATE

United Way has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Board of Directors
United Way of Forsyth County, Inc.
Winston-Salem, North Carolina

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of United Way of Forsyth County, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2023 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated February 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered United way of Forsyth County, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Way of Forsyth County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of United Way of Forsyth County, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Way of Forsyth County Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Butler & Burke LLP

Winston-Salem, North Carolina
February 28, 2024

Board of Directors
United Way of Forsyth County, Inc.
Winston-Salem, North Carolina

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited United Way of Forsyth County, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of United Way of Forsyth County, Inc.'s major federal programs for the year ended June 30, 2023. United Way of Forsyth County, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, United Way of Forsyth County, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of United Way of Forsyth County, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not have a legal determination of United Way of Forsyth County, Inc.'s compliance with the compliance requirements referred to above.

Responsibility of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of law, statutes, regulations, rules and provisions of contracts or grant agreements applicable to United Way of Forsyth County, Inc.'s federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on United Way of Forsyth County, Inc.'s compliance based on our audit. 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, internal omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about United Way of Forsyth County, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 United Way of Forsyth County, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of United Way of Forsyth County, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of United Way of Forsyth County, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Butler & Burke, LLP

Winston-Salem, North Carolina
February 28, 2024

UNITED WAY OF FORSYTH COUNTY, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2023

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the consolidated financial statements of United Way of Forsyth County, Inc.
2. No significant deficiencies or material weaknesses relating to the audit of the consolidated financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of non-compliance material to the consolidated financial statements of United Way of Forsyth County, Inc. were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for each major federal award program for United Way of Forsyth County, Inc. expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award program for United Way of Forsyth County, Inc.
7. The programs tested as a major program were:

 Supportive Services for Veteran Families
 ALN 64.033
8. The threshold for distinguishing types A and B programs was \$750,000.
9. United Way of Forsyth County, Inc. did not qualify as a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None