

HENDERSON COUNTY UNITED WAY, INC.

Hendersonville, North Carolina

For the Year Ended
June 30, 2023
(with comparative totals for 2022)

HENDERSON COUNTY UNITED WAY, INC.

Hendersonville, North Carolina

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Henderson County United Way, Inc.

Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Henderson County United Way, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Henderson County United Way, Inc. and to meet our other ethical responsibilities in accordance with the 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 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 Henderson County United Way, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Henderson County United Way, 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Henderson County United Way, 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.

Report on Summarized Comparative Information

We have previously audited Henderson County United Way, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 4, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goldsmith Molis & Gray, PLLC

Goldsmith Molis & Gray, PLLC
Asheville, North Carolina
September 26, 2023

HENDERSON COUNTY UNITED WAY, INC.

Statement of Financial Position

June 30, 2023

(with comparative totals for 2022)

	<u>2023</u>	<u>2022</u>
<u>Assets</u>		
Current assets:		
Cash	\$ 555,378	\$ 771,579
Accounts receivable	101,968	125,144
Campaign receivable, net	398,397	371,310
Prepaid expenses	8,438	10,466
Total current assets	<u>1,064,181</u>	<u>1,278,499</u>
Other assets:		
Interest in assets held by others	477,873	455,883
Cash surrender value of life insurance	59,414	57,052
Property and equipment, net	161,696	139,450
Operating lease right-of-use assets	23,973	-
Total assets	<u>\$ 1,787,137</u>	<u>\$ 1,930,884</u>
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Current portion of operating lease liability	\$ 5,341	\$ -
Allocations and designations payable	573,764	584,253
Accounts payable	14,961	10,071
Accrued expenses	10,656	17,193
Total current liabilities	<u>604,722</u>	<u>611,517</u>
Long-term liabilities:		
Operating lease liability, net of current portion	18,632	-
Total liabilities	<u>623,354</u>	<u>611,517</u>
Net assets:		
Without donor restrictions:		
Undesignated	922,866	953,450
Board designated	240,917	240,917
Total without donor restrictions	<u>1,163,783</u>	<u>1,194,367</u>
With donor restrictions	-	125,000
Total net assets	<u>1,163,783</u>	<u>1,319,367</u>
Total liabilities and net assets	<u>\$ 1,787,137</u>	<u>\$ 1,930,884</u>

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

HENDERSON COUNTY UNITED WAY, INC.

Statement of Activities

For the Year Ended June 30, 2023

(with comparative totals for 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2023 Total</u>	<u>2022 Total</u>
Campaign revenues:				
Gross campaign revenue	\$ 1,039,801	\$ -	\$ 1,039,801	\$ 1,142,122
Less amounts designated by donors	<u>(167,836)</u>	<u>-</u>	<u>(167,836)</u>	<u>(266,033)</u>
Campaign revenue less amounts designated by donors	871,965	-	871,965	876,089
Provision for uncollectible campaign receivables	<u>(37,811)</u>	<u>-</u>	<u>(37,811)</u>	<u>(36,126)</u>
Net campaign revenue	<u>834,154</u>	<u>-</u>	<u>834,154</u>	<u>839,963</u>
Public support and revenues:				
Contributions and grants	10,000	95,000	105,000	260,288
Endowment income	82,864	-	82,864	83,272
Interest income	3,523	-	3,523	254
Rental income	1,050	-	1,050	27,605
Underwriting income	77,400	-	77,400	54,200
Other income	-	-	-	7,920
Realized gain on sale of investments	16,552	-	16,552	19,454
Unrealized gain (loss) on investments	30,357	-	30,357	(79,303)
Loss on disposal of property	(1,000)	-	(1,000)	-
In-kind contributions	<u>342,726</u>	<u>-</u>	<u>342,726</u>	<u>43,853</u>
Total public support and revenue	<u>563,472</u>	<u>95,000</u>	<u>658,472</u>	<u>417,543</u>
Net assets released from restrictions	<u>220,000</u>	<u>(220,000)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>1,617,626</u>	<u>(125,000)</u>	<u>1,492,626</u>	<u>1,257,506</u>
Program expenses:				
Gross funds awarded/distributed	625,182	-	625,182	721,550
Less donor designations	<u>(167,836)</u>	<u>-</u>	<u>(167,836)</u>	<u>(266,033)</u>
Net funds awarded/distributed	457,346	-	457,346	455,517
Agency	-	-	-	-
Community service	821,564	-	821,564	399,095
Total program services	<u>1,278,910</u>	<u>-</u>	<u>1,278,910</u>	<u>854,612</u>
Supporting services:				
Organizational administration	160,048	-	160,048	300,802
Fundraising	<u>190,153</u>	<u>-</u>	<u>190,153</u>	<u>227,531</u>
Total supporting services	<u>350,201</u>	<u>-</u>	<u>350,201</u>	<u>528,333</u>
United Way Worldwide dues	<u>19,099</u>	<u>-</u>	<u>19,099</u>	<u>26,850</u>
Total expenses	<u>1,648,210</u>	<u>-</u>	<u>1,648,210</u>	<u>1,409,795</u>
Change in net assets	(30,584)	(125,000)	(155,584)	(152,289)
Net assets, beginning of year	<u>1,194,367</u>	<u>125,000</u>	<u>1,319,367</u>	<u>1,471,656</u>
Net assets, end of year	<u>\$ 1,163,783</u>	<u>\$ -</u>	<u>\$ 1,163,783</u>	<u>\$ 1,319,367</u>

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

HENDERSON COUNTY UNITED WAY, INC.

Statement of Functional Expenses

For the Year Ended June 30, 2023

	Program Services		Supporting Services			Total
	Agency Services	Community Services	Total	Organizational Administration	Fundraising	
Expenses:	\$ 625,182	\$ -	\$ 625,182	\$ -	\$ -	\$ -
Allocations/awards	(167,836)	-	(167,836)	-	-	(167,836)
Less donor designations						
Net funds awarded/distributed	457,346	-	457,346	-	-	457,346
Salaries	-	237,377	237,377	85,947	85,947	171,894
Payroll taxes	-	16,608	16,608	6,013	6,013	12,026
Employee benefits	-	43,732	43,732	15,834	15,834	31,668
Sub-total	457,346	297,717	755,063	107,794	107,794	215,588
Advertising	-	6,772	6,772	-	19,074	19,074
Board/staff development	-	28,610	28,610	1,339	1,339	2,678
Contract services	-	8,343	8,343	3,020	3,021	6,041
Depreciation expense	-	9,535	9,535	3,452	3,452	6,904
Dues and subscriptions	-	487	487	177	177	354
Equipment	-	3,333	3,333	1,207	1,207	2,414
Insurance	-	7,939	7,939	2,874	2,874	5,748
Investment fees	-	-	-	3,889	-	3,889
Meeting expense	-	19,872	19,872	3,513	3,513	7,026
Miscellaneous	-	-	-	3,149	-	3,149
Occupancy	-	-	-	8,000	-	8,000
Office lease	-	-	-	-	-	-
Postage and shipping	-	1,175	1,175	426	426	852
Printing and copying	-	772	772	280	4,387	4,667
Professional services	-	7,923	7,923	14,714	-	14,714
Repairs and maintenance	-	8,727	8,727	3,160	3,160	6,320
Supplies	-	414,576	414,576	753	37,635	38,388
Taxes and licenses	-	-	-	207	-	207
Telephone and networks	-	3,037	3,037	1,100	1,100	2,200
Travel	-	562	562	203	203	406
Utilities	-	2,184	2,184	791	791	1,582
Sub-total	-	523,847	523,847	52,254	82,359	134,613
United Way Worldwide dues	-	-	-	-	-	-
Total expenses	\$ 457,346	\$ 821,564	\$ 1,278,910	\$ 160,048	\$ 190,153	\$ 350,201
						\$ 19,099
						\$ 1,648,210

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

HENDERSON COUNTY UNITED WAY, INC.

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

	Program Services		Supporting Services			Total
	Agency Services	Community Services	Total	Organizational Administration	Fundraising	
Expenses:	\$ 721,550	\$ -	\$ 721,550	\$ -	\$ -	\$ -
Allocations/awards	(266,033)	-	(266,033)	-	-	-
Less donor designations						
Net funds awarded/distributed	455,517	-	455,517	-	-	455,517
Salaries	-	179,671	179,671	111,795	107,802	219,597
Payroll taxes	-	13,359	13,359	8,312	8,015	16,327
Employee benefits	-	33,902	33,902	21,095	20,342	41,437
Sub-total	455,517	226,932	682,449	141,202	136,159	277,361
Advertising	-	6,363	6,363	-	13,986	13,986
Board/staff development	-	9,643	9,643	1,589	1,531	3,120
Contract services	-	5,109	5,109	3,179	3,066	6,245
Depreciation expense	-	4,573	4,573	2,846	2,744	5,590
Dues and subscriptions	-	847	847	528	509	1,037
Equipment	-	2,665	2,665	1,659	1,599	3,258
Insurance	-	7,227	7,227	4,497	4,336	8,833
Investment fees	-	-	-	3,865	-	3,865
Meeting expense	-	20,695	20,695	2,163	1,370	3,533
Miscellaneous	-	-	-	3,196	-	3,196
Occupancy	-	-	-	12,000	-	12,000
Office lease	-	45,090	45,090	28,056	27,054	55,110
Postage and shipping	-	1,238	1,238	771	743	1,514
Printing and copying	-	538	538	163	1,638	1,801
Professional services	-	7,405	7,405	13,751	-	13,751
Repairs and maintenance	-	5,205	5,205	3,238	3,123	6,361
Supplies	-	50,210	50,210	779	26,461	27,240
Taxes and licenses	-	-	-	202	-	202
Telephone and networks	-	3,303	3,303	2,054	1,982	4,036
Travel	-	481	481	299	288	587
Utilities	-	1,571	1,571	977	942	1,919
Office lease write-off	-	-	-	73,788	-	73,788
Sub-total	-	172,163	172,163	159,600	91,372	250,972
United Way Worldwide dues	-	-	-	-	-	-
Total expenses	\$ 455,517	\$ 399,095	\$ 854,612	\$ 300,802	\$ 227,531	\$ 528,333
						\$ 26,850
						\$ 1,409,795

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

HENDERSON COUNTY UNITED WAY, INC.Statement of Cash Flows
For the Year Ended June 30, 2023
(with comparative totals for 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (155,584)	\$ (152,289)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	16,439	10,163
Donated lease	-	94,912
Provision for uncollectible campaign receivables	37,811	36,126
Provision for bad debts	-	73,788
Gain on sale of investments	(16,552)	(19,454)
Loss on disposal of property and equipment	1,000	-
Unrealized loss (gain) on investments	(30,357)	79,303
Change in operating assets and liabilities:		
Accounts receivables	23,176	(24,249)
Campaign receivables	(64,898)	(426)
Prepaid expenses	2,028	(2,382)
Interest in assets held by others	22,557	21,619
Operating lease right-of-use assets	(23,973)	-
Operating lease liability	23,973	-
Allocations and designations payable	(10,489)	4,337
Accounts payable	4,890	5,554
Accrued expenses	(6,537)	(8,056)
Net cash provided by (used in) operating activities	<u>(176,516)</u>	<u>118,946</u>
Cash flows from investing activities:		
Purchase of property and equipment	<u>(39,685)</u>	<u>(43,182)</u>
Net cash used in investing activities	<u>(39,685)</u>	<u>(43,182)</u>
Net change in cash	(216,201)	75,764
Cash, beginning of year	<u>771,579</u>	<u>695,815</u>
Cash, end of year	<u>\$ 555,378</u>	<u>\$ 771,579</u>
Non-cash investing and financing activities:		
Lease liabilities arising from obtaining right-of-ues assets	<u>\$ 27,548</u>	<u>\$ -</u>

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

HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements
For the Year Ended June 30, 2023
(with comparative totals for 2022)

Note 1 – Organization and Summary of Significant Accounting Policies

Organization

Henderson County United Way, Inc. (“the United Way”), located in Hendersonville, North Carolina, was incorporated in 1953 as a non-profit organization in the state of North Carolina. The principal business activity of the United Way is to solicit charitable contributions from the public at large, both individual and corporate, for the purpose of apportioning such proceeds to accredited health and human service nonprofit organizations.

The United Way’s vision is “to be a catalyst in making a positive and lasting change in the human condition in Henderson County.” Other activities include partnerships with other community funders, relationships with supported agencies, cultivation of a growing and knowledgeable volunteer base, and board adoption of United Way World wide’s community impact agenda. The United Way’s mission is to organize and mobilize community resources to improve lives of Henderson County residents.

For the years ended June 30, 2023 and 2022, the United Way volunteers allocated and paid \$445,409 and \$445,409, respectively, to 20 and 20 not-for-profit agencies, respectively. The volunteer panels are organized around four impact areas: education, financial stability, health and basic needs and crisis services. Volunteers evaluate agencies and programs applying for funding in several areas including: how well the program meets identified community needs, measurable outcomes achieved by the program, and the agency’s business practices and stewardship of donor funds. For the years ended June 30, 2023 and 2022, an additional \$481,558 and \$340,753, respectively, was provided for contracted services and initiative work including such items as the 2-1-1 Call Center, Rising Leaders, Women United, Born Learning, HC Youth Council, Day of Action, Days of Caring, DEI, and the Small Business League.

In addition to allocation awards and contracts for program services, the United Way pays other 501(c)(3) organizations that are designated by donors on pledge cards (donor designations). For the years ended June 30, 2023 and 2022, donor designations were \$167,836 and \$266,033, respectively.

Financial Statement Presentation

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

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions. These net assets may be used at the discretion of the United Way’s management and the board of directors.

HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements
For the Year Ended June 30, 2023
(with comparative totals for 2022)

Note 1 – Organization and Summary of Significant Accounting Policies - continued

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

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

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing services and interest and dividends earned on investments. Non-operating activities are limited to resources and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

Preparation of financial statements in accordance with GAAP requires the United Way's management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fair Value of Financial Instruments

The United Way discloses for each class of financial instruments the methods, and when a valuation technique is used, the significant assumptions applied in determining the fair values of financial assets and liabilities. If there is a change in the valuation technique, then the United Way discloses both the change and the reasons for the change.

The United Way estimates that the fair value of all financial instruments does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated fair value amounts have been determined by The United Way using available market information and appropriate valuation methodologies. The United Way's financial instruments consist primarily of cash, accounts and campaign receivables, prepaid expenses, cash surrender value of life insurance, allocations and designations payable, accounts payable, and accrued expenses.

Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, the United Way includes all cash investments which are not subject to withdrawal restrictions or penalties and certificates of deposit with maturity of three months or less as cash and cash equivalents. The United Way did not have any cash equivalents at June 30, 2023 and 2022.

HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements
For the Year Ended June 30, 2023
(with comparative totals for 2022)

Note 1 – Organization and Summary of Significant Accounting Policies - continued

The United Way maintains its cash in financial institutions insured by the Federal Deposit Insurance Corporation (“FDIC”). The coverage is \$250,000 for substantially all other depository accounts. Deposit accounts, at times, may exceed federally insured limits, but the United Way has not experienced any such losses.

Accounts Receivable

The United Way carries its accounts receivable at cost less an allowance for doubtful accounts. On a periodic basis, the United Way evaluates its accounts receivable and establishes an allowance for doubtful accounts, based on a history of past write-offs and collections and current credit conditions. The United Way’s policy is not to accrue interest on accounts receivable. Accounts are written off as uncollectible at the time management determines that collection is unlikely.

Campaign Receivables

The United Way maintains a significant campaign receivable balance at the end of the year. These balances subject the United Way to a certain amount of credit risk if the holders of these balances fail to perform. This credit risk is considered low due to the high historical collection rate.

Annual campaign contributions are generally available for unrestricted use in the related campaign year unless specifically restricted by the donor. Campaign receivables are recorded when received. Campaign receivables due in the next year are reflected as current campaign receivables and are recorded at their net realizable value. Campaign receivables due in subsequent years are reflected as long-term campaign receivables and are recorded at the present value of their net realizable value, using risk-free interest rates applicable to the years in which the promises are received to discount the amounts. The majority of the campaign receivables are received from a broad base of Henderson County contributors as a result of the annual campaign. An allowance for uncollectible campaign receivables is provided based on management’s evaluation of potential uncollectible campaign receivables at year end.

Investments

The United Way reports its investments in accordance with GAAP for not-for-profit organizations. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities. Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

Property and Equipment

Property and equipment are stated at cost at the date of purchase or, for donated, assets, at fair value at the date of donation, less accumulated depreciation. Depreciation is calculated using the straight-line method over the lesser of the estimated useful lives of the assets or the lease term.

HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements
For the Year Ended June 30, 2023
(with comparative totals for 2022)

Note 1 – Organization and Summary of Significant Accounting Policies - continued

The useful lives range from 3 to 40 years. The United Way's policy is to capitalize renewals and betterments acquired for greater than \$500 and expense normal repairs and maintenance as incurred. The United Way's management periodically evaluate whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed property and equipment are recorded at fair value at the date of donation. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Program Services

The United Way uses contributions received from public support to fund various local programs.

Support Services

Support services include all costs related to fund raising, public relations and management and general expenses. Support services as a percentage of gross revenues per United Way Worldwide standards for the years ended June 30, 2023 and 2022, were 24% and 24%, respectively. The United Way has leveraged extensive resources with such items as in-kind contributions for television, newspaper and radio ads, and various materials.

Revenue and Revenue Recognition

The United Way records special events revenue equal to the fair market value of direct benefits to donors, and contribution income for the excess received when the event takes place. A portion of the United Way's revenue is derived from grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the United Way has incurred expenditures in compliance with specific grant provisions.

The United Way recognizes contributions when cash, securities or other assets; an unconditional promise to give; 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. There were no conditional promises to give at June 30, 2023 or 2022.

HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements
For the Year Ended June 30, 2023
(with comparative totals for 2022)

Note 1 – Organization and Summary of Significant Accounting Policies - continued

Income Taxes

The United Way is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; accordingly, the accompanying financial statements do not reflect a provision or liability for federal and state income taxes. The United Way has determined that it does not have any material unrecognized tax benefits or obligations as of June 30, 2023.

FASB ASC 740, “Accounting for Uncertainty in Income Taxes” clarified the accounting for the recognition and measurement of uncertainties in income taxes recognized in an entity’s financial statements and prescribes a threshold of more likely-than-not for recognition of tax positions taken or expected to be taken in a tax return. The United Way’s policy is to evaluate the likelihood that its uncertain tax positions will prevail upon examination based on the extent to which those positions have substantial support within the Internal Revenue Code and Regulations, Revenue Rulings, court decisions and other evidence.

The United Way’s income tax returns are subject to examination by taxing authorities for a period of three years from the date they are filed. As of June 30, 2023, the fiscal years ending June 30, 2020, 2021 and 2022 are subject to examination.

Donated Services and Materials

A substantial number of volunteers have donated a significant amount of time to the United Way’s operations and program services. Contributed services are recognized in the financials if they (a) create or enhance non-financial assets, or (b) require specialized skills, are provided by individuals with those skills, and would typically need to be purchased if not provided by donation. Contributed services totaling \$288,856 and \$0 are reported at fair value and have been recognized in the statements of activities for the years ended June 30, 2023 and 2022, respectively.

Donated materials and equipment are reflected as contributions in the accompanying financial statements at their estimated fair market value at the date of receipt. Management requires sufficient documentation to support the value of donated materials or equipment before these amounts are recorded in the financial statements. Donated materials and equipment, also known as in-kind contributions, were \$53,870 and \$43,853 for the years ended June 30, 2023 and 2022, respectively.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis and, accordingly, certain expenses have been allocated among the program and supporting services benefitted. Such allocations are determined by management on an equitable basis.

HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements
For the Year Ended June 30, 2023
(with comparative totals for 2022)

Note 1 – Organization and Summary of Significant Accounting Policies - continued

The expenses that are allocated include the following:

<u>Expense</u>	<u>Method of Allocation</u>
Salaries, payroll taxes and benefits	Time and effort
Advertising	Time and effort
Contract services	Time and effort
Depreciation	Time and effort
Dues and subscriptions	Time and effort
Equipment	Time and effort
Insurance	Time and effort
Meeting expense	Time and effort
Office lease	Square footage
Postage, printing, copying	Time and effort
Professional services	Full time equivalent
Repairs and maintenance	Time and effort
Supplies	Time and effort
Travel	Time and effort
Utilities, telephone, internet	Time and effort

Advertising

The costs of advertising and marketing programs are expensed as incurred. Advertising costs were \$25,846 and \$20,349 for the years ended June 30, 2023 and 2022, respectively.

New Accounting Pronouncement

Leases

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 is intended to improve the financial reporting about leasing transactions. The ASU requires organizations that lease assets to recognize assets and liabilities on the balance sheet for the rights and obligations created by those leases. The standard was effective for annual periods beginning after December 15, 2021 and was implemented retrospectively on a modified basis at July 1, 2022, resulting in no cumulative-effect adjustments to the 2022 financial statements.

Comparative Data

The amounts shown for the year ended June 30, 2022 in the accompanying financial statements are included to provide a basis for comparison with 2023 and present summarized totals only. Accordingly, the 2022 totals are not intended to present all information necessary for a fair presentation in conformity with GAAP. Such information should be read in conjunction with the United Way's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements
For the Year Ended June 30, 2023
(with comparative totals for 2022)

Note 2 - Availability and Liquidity

The following represents the United Way's financial assets at June 30, 2023:

Cash	\$	555,378
Accounts receivable		101,968
Campaign receivables, net		398,397
Interest in assets held by others		477,873
Cash surrender value of life insurance		59,414
Total financial assets	\$	<u>1,593,030</u>

Less amounts unavailable for general expenditures within one year, due to:

Contractual or donor-imposed restrictions:

Restrictions by donor due to purpose restrictions	\$	-
Interest in assets held by others		(238,937)

Board designations:

Operating reserve		(228,250)
Building maintenance and capital items reserve		(12,667)
		<u>(479,854)</u>

Financial assets available to meet general expenditures within one year	\$	<u>1,113,176</u>
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The following represents the United Way's financial assets at June 30, 2022:

Cash	\$	771,579
Accounts receivable		125,144
Campaign receivables, net		371,310
Interest in assets held by others		455,883
Cash surrender value of life insurance		57,052
Total financial assets	\$	<u>1,780,968</u>

HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements
For the Year Ended June 30, 2023
(with comparative totals for 2022)

Note 2 - Availability and Liquidity - continued

Less amounts unavailable for general expenditures within one year, due to:

Contractual or donor-imposed restrictions:

Restrictions by donor due to purpose restrictions	\$	(125,000)
Interest in assets held by others		(227,917)

Board designations:

Operating reserve		(228,250)
Building maintenance and capital items reserve		(12,667)
		<u>(593,834)</u>

Financial assets available to meet general expenditures within one year	\$	<u>1,187,134</u>
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The United Way's goal is generally to maintain financial assets to meet 90 days of operating expenses. As part of its liquidity plan, excess cash is invested in money market accounts.

Note 3 - Accounts Receivable

Accounts receivable are described as follows:

<u>At June 30</u>	<u>2023</u>	<u>2022</u>
Endowments receivable	\$ 82,864	\$ 82,272
Underwriting receivable	17,500	12,100
Grant receivable	-	25,000
Other receivables	1,604	4,772
Total accounts receivable	<u>\$ 101,968</u>	<u>\$ 125,144</u>

No allowance for uncollectible receivables has been recorded as it is management's belief that all amounts are fully collectible within the next twelve months.

Note 4 - Campaign Receivables

Campaign receivables are as follows:

<u>At June 30</u>	<u>2023</u>	<u>2022</u>
July 1, 2022 - June 30, 2023	\$ 38,750	\$ -
July 1, 2021 - June 30, 2022	376,443	42,294
July 1, 2020 - June 30, 2021	33,204	349,525
July 1, 2019 - June 30, 2020	-	29,491
Total campaign receivables	<u>448,397</u>	<u>421,310</u>

HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements
For the Year Ended June 30, 2023
(with comparative totals for 2022)

Note 4 – Campaign Receivables - continued

Less: allowance for uncollectible campaign receivables	(50,000)	(50,000)
Campaign receivables, net	<u>\$ 398,397</u>	<u>\$ 371,310</u>

Campaign receivables are due in less than one year; therefore, the net realizable value is a reasonable estimate of the fair value. Consequently, all campaign receivables are recorded without any discount to present value. Provision for uncollectible campaign receivables for the years ended June 30, 2023 and 2022 was \$37,811 and \$36,126, respectively.

Note 5 – Donated Lease

In 2013, the United Way entered into a lease agreement with Kimberly Clark Corporation for the free use of office space under a 10-year operating lease that was scheduled to expire in March 2023. During the year ended June 30, 2022, the United Way was notified that the lease agreement would be terminated. The fair value of the agreement was estimated to be approximately \$815,000 at the time of the lease inception. Accordingly, the United Way recorded an estimated donated lease receivable for this in-kind contribution, based on a 4.25% annual return, of \$0 at June 30, 2022. On the statement of activities, the United Way recognized an additional \$5,288, as donor restricted contribution revenue for the amortization of the receivable (“contributions”) for the year ended June 30, 2022.

The United Way also recognized \$100,200 for releases from restriction (“net assets released from restrictions”), and \$100,200 as in-kind rent expense (“office lease”) in the year ended June 30, 2022. During the year ended June 30, 2022, the United Way also recognized bad debt expense in the amount of \$73,788, relating to the write off of the remaining receivable balance at the date of lease termination.

Note 6 – Interest in Assets Held By Others

The United Way maintains a charitable fund with The Judge Mitchell King Fund, which is a component fund of the Community Foundation of Henderson County, Inc. In accordance with FASB ASC 958-20, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust that Raises or Holds Contributions for Others*, the Charitable Fund balance is recognized as an asset at fair market value on the financial statements of The United Way. The fund was created by the United Way with the Community Foundation of Henderson County, Inc. and is subject to the provisions contained within the agreement dated October 6, 1993. Among the provisions in this agreement is variance power, which concerns the power to vary some of the terms of the agreement.

HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements
For the Year Ended June 30, 2023
(with comparative totals for 2022)

Note 6 – Interest in Assets Held By Others - continued

As defined by “variance power” in the United States Treasury Regulations, the Foundation has the right to modify the terms of the fund agreement if, in the judgment of the Foundation’s Board of Trustees, the restrictions and conditions in the agreement become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The authority to modify restrictions is sometimes referred to as “variance power” and is a legal standard imposed on all community foundations. As a result of the variance power, all component funds are considered to be part of a single public charity, in this case Community Foundation of Henderson County, Inc. Therefore, the Foundation is the legal owner of all assets contributed to any of its component funds.

However, the reporting of financial information is determined by the Financial Accounting Standards Board Statement regarding transfers of assets to a not-for-profit organization or charitable trust that raises or holds contributions for, which requires that if a community foundation accepts a contribution from an agency and agrees to transfer those assets, the return on investment of those assets or both back to the agency, then these contributions are presented as a liability (instead of as a net asset) on the financial statements of the Community Foundation of Henderson County, Inc. and as an asset on the financial statements of the United Way as is the case with the Judge Mitchell King Fund. This treatment is only for financial statement presentation purposes and the legal ownership of the assets still remains with the Community Foundation of Henderson County, Inc.

For the years ended June 30, 2023 and 2022, financial activity pertaining to Interest in Assets Held by Others is as follows:

<u>At June 30</u>	<u>2023</u>	<u>2022</u>
Balance, beginning of year	\$ 455,883	\$ 539,529
Earnings (loss)	45,546	(62,028)
Distributions	(18,667)	(17,753)
Fees	<u>(3,889)</u>	<u>(3,865)</u>
Balance, end of year	<u>\$ 477,873</u>	<u>\$ 455,883</u>

Note 7 - Cash Surrender Value of Life Insurance

The United Way has purchased insurance on the life of a benefactor. As beneficiary, the United Way receives the cash surrender value if the policy is terminated and, upon death of the insured, receives all benefits payable. The cash surrender value of the life insurance policy was \$59,414 and \$57,052 at June 30, 2023 and 2022, respectively.

HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements
For the Year Ended June 30, 2023
(with comparative totals for 2022)

Note 8 – Property and Equipment

A description of property and equipment is as follows:

<u>At June 30</u>	<u>2023</u>	<u>2022</u>
Building	\$ 316,201	\$ 284,862
Equipment	<u>150,315</u>	<u>164,532</u>
	466,516	449,394
Less: accumulated depreciation	<u>(304,820)</u>	<u>(309,944)</u>
Property and equipment, net	<u>\$ 161,696</u>	<u>\$ 139,450</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$16,439 and \$10,163, respectively.

Note 9 – Fair Value Measurements

The Financial Accounting Standards Board (“FASB”) issued a statement that defines fair value and establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

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

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs that are derived principally from or corroborated by observable market data

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

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

HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements
For the Year Ended June 30, 2023
(with comparative totals for 2022)

Note 9 – Fair Value Measurements - continued

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

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Beneficial Interest

Beneficial interest in assets held by the Community Foundation of Henderson County, Inc. are determined by the fair values of the assets held by the Foundation, which are determined by reference to quoted market prices and other relevant information generated by market transactions. These are classified within Level 3 of the valuation hierarchy. Level 3 assets totaled \$477,873 and \$455,883 for the years ended June 30, 2023 and 2022, respectively.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth a summary of changes in the fair value of the United Way's Level 3 assets for the years ended June 30, 2023 and 2022:

	2023	2022
Balance, beginning of year	\$ 455,883	\$ 539,529
Change in beneficial interest (Refer to Note 6)	21,990	(83,646)
Balance, end of year	<u>\$ 477,873</u>	<u>\$ 455,883</u>

Note 10 – Line of Credit

The United Way maintains a line of credit in the amount of \$200,000. The maturity date is July 25, 2026. Monthly interest is paid based on the prime rate plus 1%. The line of credit is secured by real property. The balance as of June 30, 2023 and 2022 was \$0 and \$0, respectively

HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements
For the Year Ended June 30, 2023
(with comparative totals for 2022)

Note 11 – Endowment Funds

The United Way is the beneficial owner, but not the legal owner, of certain donated funds held and controlled by the Community Foundation of Henderson County, Inc. These funds are not reflected in the accompanying statement of financial position. The Organization retains a 4.0% beneficial interest in the component fund of the Foundation.

Normac Humanitarian Fund of the Community Foundation of Henderson County

The total market value of the Normac Humanitarian Fund as of June 30, 2023 and 2022 was \$626,409 and \$599,435, respectively. Grants received by the United Way from this fund, as included in contributions on the statement of activities and changes in net assets, for the years ended June 30, 2023 and 2022 totaled \$24,890 and \$31,988, respectively.

The Henderson County United Way Fund of the Community Foundation of Henderson County, Inc.

The total market value of the Henderson County United Way Fund of the Community Foundation of Henderson County, Inc. as of June 30, 2023 and 2022 was \$80,696 and \$76,686, respectively. Grants received by the United Way from this fund, as included in contributions on the statement of activities and changes in net assets, for the years ended June 30, 2023 and 2022 in the amount of \$3,138 and \$2,980, respectively.

Judge Mitchell King Fund (Designated Portion)

The total market value of the Judge Mitchell King Fund of the Community Foundation of Henderson County, Inc. as of June 30, 2023 and 2022 was \$121,643 and \$116,038, respectively. Grants received by the United Way from this fund, as included in contributions on the statement of activities and changes in net assets, for the years ended June 30, 2023 and 2022 in the amount of \$4,745 and \$4,506, respectively.

Everett and Ellen Stone Endowment Fund

The total market value of the Everett and Ellen Stone Endowment Fund of the Community Foundation of Henderson County, Inc. as of June 30, 2023 and 2022 was \$26,945 and \$25,775, respectively. Grants received by the United Way from this fund, as included in contributions on the statement of activities and changes in net assets, for the years ended June 30, 2023 and 2022 in the amount of \$1,060 and \$1,011, respectively.

Vina and Richard Sauer Fund

The total market value of the Vina and Richard Sauer Fund of the Community Foundation of Henderson County, Inc. as of June 30, 2023 and 2022 was \$32,923 and \$32,087, respectively. Grants received by the United Way from this fund, as included in contributions on the statement of activities and changes in net assets, for the years ended June 30, 2023 and 2022 in the amount of \$1,080 and \$1,025, respectively.

HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements
For the Year Ended June 30, 2023
(with comparative totals for 2022)

Note 11 – Endowment Funds – continued

Chester W and Virginia Phillips Fund

The total market value of the Chester W. and Virginia Phillips Fund of the Community Foundation of Henderson County as of June 30, 2023 and 2022 was \$727,243 and \$695,645. Grants received by the United Way from this fund, as included in contributions on the statement of activities and changes in net assets, for the years ended June 30, 2023 and 2022 in the amount of \$28,615 and \$27,288, respectively.

Gay, Joy and Frank Blazey, Jr. Fund

The total market value of the Gay, Joy and Frank Blazey, Jr. Fund of the Community Foundation of Henderson County as of June 30, 2023 and 2022 was \$26,629 and \$25,783. Grants received by the United Way from this fund, as included in contributions on the statement of activities and changes in net assets, for the years ended June 30, 2023 and 2022 in the amount of \$1,011 and \$1,076, respectively.

Note 12 – Related Party Transactions

During the years ended June 30, 2023 and 2022, one not-for profit organization, which is funded annually by the United Way, rented office space from the United Way under a non-cancelable operating lease. The lease expired on December 31, 2021 and became a month-to-month arrangement at a rate of \$1,600 per month through July 2022.

Rental income received from the related party totaled \$0 and \$27,605 for years ended June 30, 2023 and 2022, respectively.

Note 13 – Net Assets

Net assets with donor restrictions totaled \$0 and \$125,000 at June 30, 2023 and 2022, respectively, and are to be used for programs. Net assets without donor restrictions at June 30, 2023 and 2022 totaled \$1,163,783 and \$1,194,367, respectively.

Included in net assets without donor restrictions at June 30 are board designated net assets which are as follows:

	2023	2022
Operating reserve	\$ 228,250	\$ 228,250
Building maintenance and capital items reserve	12,667	12,667
	<u>\$ 240,917</u>	<u>\$ 240,917</u>

Net assets released from net assets with donor restrictions for satisfaction of purpose restrictions for program activities totaled \$220,000 and \$293,988 during the years ended June 30, 2023 and 2022.

HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements
For the Year Ended June 30, 2023
(with comparative totals for 2022)

Note 14 – Concentrations

Contributions and grants included \$105,000 or 100% from three grantors at June 30, 2023. Contributions and grants included approximately \$235,000 or 90% from two grantors at June 30, 2022.

Note 15 – Pension Plan

The United Way sponsors a SEP-IRA plan for all eligible employees. Employer contributions are made at a rate of 6% of monthly salary. A one-year service eligibility period with individual employee contracts is provided. Plan contributions were \$20,621 and \$20,928 for the years ended June 30, 2023 and 2022, respectively, and are included in employee benefits in the statement of functional expenses.

Note 16 – Leasing Activities

The Organization maintains three operating leases for various office equipment with payments ranging between \$15 and \$425. These agreements have no renewal options and expire between August 2027 and June 2028. An additional fee is charged monthly for overages. The Organization used the risk-free rate (ranging from 2.89% to 4.09%) at lease inception in determining the present value of lease payments. Total lease expense for the years ended June 30, 2023 and 2022 was \$5,747 and \$5,923, respectively, and is included as part of equipment on the statements of functional expenses.

Leases with terms of less than twelve months, if any, are recognized as operating expenses on the straight-line basis. During the years ended June 30, 2023 and 2022, lease expense associated with short-term rentals totaled \$0 and \$0, respectively.

Maturities of operating lease liabilities are as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2024	\$ 5,982
2025	5,982
2026	5,982
2027	5,982
2028	<u>1,620</u>
Total lease payments	25,548
Less imputed interest	<u>(1,575)</u>
Present value of lease liabilities	<u>\$ 23,973</u>

During the year ended June 30, 2023, operating cash flows for operating leases totaled \$5,747. The weighted average of the remaining lease term of the Organization's operating leases is 4.29 years, while the weighted average discount rate is 3.0%.

HENDERSON COUNTY UNITED WAY, INC.

Notes to Financial Statements
For the Year Ended June 30, 2023
(with comparative totals for 2022)

Note 17 – Subsequent Events

The United Way evaluated the effect that all subsequent events would have on the financial statements through September 26, 2023, which is the date the financial statements were available to be issued.