

**UNITED WAY OF FORSYTH COUNTY, INC.**

**Consolidated Financial Statements**

**June 30, 2020 and 2019**

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

## **INDEPENDENT AUDITORS' REPORT**

### ***Report on the Financial Statements***

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, 2020 and 2019, 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.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way of Forsyth County, Inc. as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

### **Other Matters - Other Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of federal awards on pages 26 and 27, 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*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the 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 24, 2021 on our consideration of United Way of Forsyth County, Inc.'s internal control over financial reporting and 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 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 24, 2021

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2020 and 2019**

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	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,034,152	\$ 1,124,563
Promises to give, net	3,412,257	4,266,405
Contribution receivable from split-interest agreement, net	1,026,000	1,207,000
Other receivables	267,511	577,800
Investments	4,639,090	5,860,426
Beneficial interests in assets held by others	944,425	972,879
Property and equipment, net	24,418	40,072
Other assets	<u>9,552</u>	<u>22,325</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 12,357,405</u></b>	<b><u>\$ 14,071,470</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Designations to agencies and other United Ways	\$ 1,655,340	\$ 2,075,791
Accrued expenses and other liabilities	1,647,422	1,193,595
Loan payable	<u>547,500</u>	<u>-</u>
<b><u>Total Liabilities</u></b>	<b><u>3,850,262</u></b>	<b><u>3,269,386</u></b>
<b>Net Assets</b>		
Without donor restrictions	5,586,019	7,214,629
With donor restrictions	<u>2,921,124</u>	<u>3,587,455</u>
<b><u>Total Net Assets</u></b>	<b><u>8,507,143</u></b>	<b><u>10,802,084</u></b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 12,357,405</u></b>	<b><u>\$ 14,071,470</u></b>

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Gross contributions – current campaign	\$ 10,215,919	\$ -	\$ 10,215,919
Designations from other United Way agencies	141,731	-	141,731
Less amount recognized from prior year	(25,000)	-	(25,000)
Less donor designations	(2,464,714)	-	(2,464,714)
Contributions received for future campaigns	-	39,771	39,771
Less provision for uncollectible promises	(515,433)	-	(515,433)
<u>Net Campaign</u>	<u>7,352,503</u>	<u>39,771</u>	<u>7,392,274</u>
Other gifts and grants, net	-	2,368,672	2,368,672
Investment income, net	112,768	16,183	128,951
Administrative fees	386,122	-	386,122
Net assets released from restrictions	3,041,898	(3,041,898)	-
<u>Total Support and Revenue</u>	<u>10,893,291</u>	<u>(617,272)</u>	<u>10,276,019</u>
<b>EXPENSES</b>			
Program Services			
The Forsyth Promise	437,878	-	437,878
Ten Year Plan	1,921,250	-	1,921,250
Other program services	7,059,001	-	7,059,001
Management and general	1,526,966	-	1,526,966
Fundraising	978,412	-	978,412
<u>Total Expenses</u>	<u>11,923,507</u>	<u>-</u>	<u>11,923,507</u>
Change in Net Assets from Operations	(1,030,216)	(617,272)	(1,647,488)
Other Changes			
Change in value of beneficial interests	-	(23,711)	(23,711)
Unrealized and realized losses on investments	(95,937)	(25,348)	(121,285)
Pension expense in excess of net periodic pension cost	(502,457)	-	(502,457)
<b>CHANGE IN NET ASSETS</b>	<b>(1,628,610)</b>	<b>(666,331)</b>	<b>(2,294,941)</b>
Net Assets, Beginning of Year	<u>7,214,629</u>	<u>3,587,455</u>	<u>10,802,084</u>
Net Assets, End of Year	<u>\$ 5,586,019</u>	<u>\$ 2,921,124</u>	<u>\$ 8,507,143</u>

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Gross contributions – current campaign	\$ 11,747,151	\$ -	\$ 11,747,151
Overpayments on prior campaigns	22,125	-	22,125
Designations from other United Way agencies	195,883	-	195,883
Less amount recognized from prior year	(25,000)	-	(25,000)
Less donor designations	(2,382,191)	-	(2,382,191)
Contributions received for future campaigns	-	10,125	10,125
Less provision for uncollectible promises	(311,856)	-	(311,856)
<u>Net Campaign</u>	<u>9,246,112</u>	<u>10,125</u>	<u>9,256,237</u>
Other gifts and grants, net	-	1,807,972	1,807,972
Investment income, net	180,437	18,595	199,032
Administrative fees	321,506	-	321,506
Other revenue	9,920	-	9,920
Net assets released from restrictions	2,384,048	(2,384,048)	-
<u>Total Support and Revenue</u>	<u>12,142,023</u>	<u>(547,356)</u>	<u>11,594,667</u>
<b>EXPENSES</b>			
Program Services			
The Forsyth Promise	509,858	-	509,858
Ten Year Plan	1,710,934	-	1,710,934
Other program services	8,457,245	-	8,457,245
Management and general	1,539,654	-	1,539,654
Fundraising	1,053,596	-	1,053,596
<u>Total Expenses</u>	<u>13,271,287</u>	<u>-</u>	<u>13,271,287</u>
Change in Net Assets from Operations	(1,129,264)	(547,356)	(1,676,620)
Other Changes			
Change in value of beneficial interests	-	42,993	42,993
Unrealized and realized gains (losses) on investments	56,660	(2,427)	54,233
Pension expense in excess of net periodic pension cost	(324,041)	-	(324,041)
<b>CHANGE IN NET ASSETS</b>	<b>(1,396,645)</b>	<b>(506,790)</b>	<b>(1,903,435)</b>
Net Assets, Beginning of Year	<u>8,611,274</u>	<u>4,094,245</u>	<u>12,705,519</u>
Net Assets, End of Year	<u>\$ 7,214,629</u>	<u>\$ 3,587,455</u>	<u>\$ 10,802,084</u>

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2020

	The Forsyth Promise	Ten Year Plan	Other Program Services	Management and General	Fundraising	Total
Salaries	\$ 116,922	\$ 348,400	\$ 619,112	\$ 916,980	\$ 557,307	\$ 2,558,721
Payroll taxes	8,554	29,178	42,894	63,841	40,740	185,207
Employee benefits	20,896	80,914	110,129	171,212	104,300	487,451
<b>Total Salaries Related</b>	<b>146,372</b>	<b>458,492</b>	<b>772,135</b>	<b>1,152,033</b>	<b>702,347</b>	<b>3,231,379</b>
Allocations and grants	-	-	5,528,669	-	-	5,528,669
Grant contract expenses	-	1,009,420	158,922	-	-	1,168,342
Professional fees and contract services	240,952	356,211	313,594	102,042	51,476	1,064,275
Supplies	6,104	20,454	77,542	26,364	36,958	167,422
Telephone	2,405	8,053	6,907	14,211	6,599	38,175
Postage and shipping	(15)	533	(213)	4,295	4,901	9,501
Travel	12,709	23,497	2,864	9,756	6,425	55,251
Advertising	641	1,316	450	274	58,079	60,760
Meetings	6,127	130	10,458	26,027	7,941	50,683
Subscriptions and professional dues	2,500	1,782	834	9,709	1,256	16,081
Professional development and education	-	945	11,671	18,605	3,583	34,804
Personnel recruitment and relocation	2,067	-	5,652	2,647	1,820	12,186
Equipment rental and maintenance	2,305	-	9,682	12,590	7,147	31,724
Occupancy	14,583	40,357	36,444	66,394	37,682	195,460
Depreciation	-	-	8,522	6,166	3,190	17,878
United Way dues	-	-	89,850	66,110	37,540	193,500
Miscellaneous	1,128	60	25,018	9,743	11,468	47,417
<b>Total Expenses</b>	<b>\$ 437,878</b>	<b>\$ 1,921,250</b>	<b>\$ 7,059,001</b>	<b>\$ 1,526,966</b>	<b>\$ 978,412</b>	<b>\$ 11,923,507</b>



**UNITED WAY OF FORSYTH COUNTY, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2019

	The Forsyth Promise	Ten Year Plan	Other Program Services	Management and General	Fundraising	Total
Salaries	\$ 135,959	\$ 403,492	\$ 385,073	\$ 861,270	\$ 545,129	\$ 2,330,923
Payroll taxes	9,720	29,579	31,475	61,700	40,469	172,943
Employee benefits	30,956	113,304	107,528	228,968	136,000	616,756
<u>Total Salaries Related</u>	176,635	546,375	524,076	1,151,938	721,598	3,120,622
Allocations and grants	-	-	7,395,058	-	-	7,395,058
Grant contract expenses	-	683,442	33,520	-	-	716,962
Professional fees and contract services	217,339	392,285	284,964	69,593	58,944	1,023,125
Supplies	56,383	14,990	8,720	16,638	26,724	123,455
Telephone	1,321	5,457	3,290	9,702	5,769	25,539
Postage and shipping	50	538	48	5,756	4,610	11,002
Travel	13,425	28,813	6,530	14,481	11,470	74,719
Advertising	9,019	554	2,192	2,582	78,793	93,140
Meetings	15,004	4,918	8,205	20,348	15,940	64,415
Subscriptions and professional dues	2,750	1,034	7,047	13,111	2,364	26,306
Professional development and education	-	2,580	24,174	23,803	15,187	65,744
Personnel recruitment and relocation	1,862	2,463	3,127	7,304	5,213	19,969
Equipment rental and maintenance	2,472	-	9,617	15,039	3,454	30,582
Occupancy	13,442	25,794	31,255	77,353	41,263	189,107
Depreciation	-	-	7,637	5,989	3,782	17,408
United Way dues	-	-	101,245	79,396	48,790	229,431
Miscellaneous	156	1,691	6,540	26,621	9,695	44,703
<u>Total Expenses</u>	<u>\$ 509,858</u>	<u>\$ 1,710,934</u>	<u>\$ 8,457,245</u>	<u>\$ 1,539,654</u>	<u>\$ 1,053,596</u>	<u>\$ 13,271,287</u>

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (2,294,941)	\$ (1,903,435)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	17,878	17,408
Discount amortization	(19,203)	(22,203)
Unrealized and realized (gains) losses on investments	121,285	(54,233)
Change in value in beneficial interests in assets held by others	23,711	(42,993)
Provision for uncollectible promises to give	515,433	311,856
(Increase) decrease in operating assets:		
Promises to give	338,715	(498,399)
Other receivables	310,289	424,072
Contribution receivable from split-interest agreement	200,203	200,203
Other assets	12,773	8,663
Increase (decrease) in operating liabilities:		
Designations to agencies and other United Ways	(420,451)	29,809
Accrued expenses and other liabilities	453,828	632,649
Contributions restricted for long-term purposes	(22,484)	(25,658)
<u>Net Cash Used in Operating Activities</u>	<u>(762,964)</u>	<u>(922,261)</u>
<b>INVESTING ACTIVITIES</b>		
Sales of investments	4,800,032	1,480,986
Purchases of investments	(3,699,983)	(719,572)
Capital expenditures	(2,224)	(13,575)
Beneficial interest in assets held by others		
Contributions	(22,484)	(25,658)
Distributions	27,228	2,184
<u>Net Cash Provided by Investing Activities</u>	<u>1,102,569</u>	<u>724,365</u>
<b>FINANCING ACTIVITIES</b>		
Proceeds from loan payable	547,500	-
Contributions restricted for long-term purposes	22,484	25,658
<u>Net Cash Provided by Financing Activities</u>	<u>569,984</u>	<u>25,658</u>
Change in Cash and Cash Equivalents	909,589	(172,238)
Cash and Cash Equivalents at Beginning of Year	<u>1,124,563</u>	<u>1,296,801</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,034,152</u>	<u>\$ 1,124,563</u>

## UNITED WAY OF FORSYTH COUNTY, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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#### 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.

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.

#### NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Presentation

The financial statements of United Way have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (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.

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

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**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 \$1,026,000 and \$1,207,000 at June 30, 2020 and 2019, 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, 2020 and 2019, expenses of \$35,228 and \$41,368, 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**

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**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 \$944,425 and \$972,879 for the years ended June 30, 2020 and 2019, 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 \$53,294 and \$56,839 for the years ended June 30, 2020 and 2019, 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 \$635,245 and \$653,881 for the years ended June 30, 2020 and 2019, 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 \$255,886 and \$262,159 for the years ended June 30, 2020 and 2019, respectively.

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

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**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 financial statements for the years ended June 30, 2020 or 2019.

**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 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**

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**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 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, 2020) through the date of this report, which represents the date the financial statements were available to be issued and determined that all significant events and disclosures are included in the consolidated financial statements.

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

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**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>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,034,152	\$ 1,124,563
Receivables	4,705,768	6,051,205
Investments	4,639,090	5,860,426
Beneficial interests in assets held by others	<u>944,425</u>	<u>972,879</u>
<b>Total financial assets</b>	<b>12,323,435</b>	<b>14,009,073</b>
<b>Less those unavailable for general expenditure within one year due to:</b>		
Purpose and timing restrictions	(1,412,125)	(2,015,836)
Perpetual endowments	(539,574)	(573,739)
Beneficial interests	<u>(944,425)</u>	<u>(972,879)</u>
<b>Financial assets available to meet cash needs for general expenditure within one year</b>	<b><u>\$ 9,427,311</u></b>	<b><u>\$ 10,446,619</u></b>

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.

**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.



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

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**NOTE D: FAIR VALUE MEASUREMENTS (CONTINUED)**

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.

*Pension Plan Investments:* Valued as cash and equivalents (Level 1).

*Pension Projected Benefit Obligation:* Based upon actuarial assumptions, including a discount rate of 2.55% at June 30, 2020 and 3.4% at June 30, 2019 and further assumptions for retirement age, mortality rates, employee withdrawal rates, social security wage base changes, and post-retirement expense loading charges (Level 3).

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

**NOTE D: FAIR VALUE MEASUREMENTS (CONTINUED)**

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, 2020 and 2019:

	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>								
<b>Investments</b>								
<b>Money Market and Short-Term Reserve Funds</b>	\$ 300,822	\$ -	\$ -	\$ 300,822	\$ 93,679	\$ -	\$ -	\$ 93,679
<b>Bond Funds</b>								
Inflation protected	213,890	-	-	213,890	62,546	-	-	62,546
Fixed income	378,549	-	-	378,549	890,119	-	-	890,119
Short term	790,683	-	-	790,683	157,848	-	-	157,848
<b>Total Bond Funds</b>	<b>1,383,122</b>	<b>-</b>	<b>-</b>	<b>1,383,122</b>	<b>1,110,513</b>	<b>-</b>	<b>-</b>	<b>1,110,513</b>
<b>Equity Funds</b>								
Large growth	988,607	-	-	988,607	1,722,922	-	-	1,722,922
Large blend	53,303	-	-	53,303	676,457	-	-	676,457
Mid-cap value	32,685	-	-	32,685	429,693	-	-	429,693
Small value	480,328	-	-	480,328	591,606	-	-	591,606
Long-short equity	464,641	-	-	464,641	-	-	-	-
Natural resources	-	-	-	-	540,393	-	-	540,393
<b>Total Equity Funds</b>	<b>2,019,564</b>	<b>-</b>	<b>-</b>	<b>2,019,564</b>	<b>3,961,071</b>	<b>-</b>	<b>-</b>	<b>3,961,071</b>
<b>Foreign Funds</b>								
Emerging markets	-	-	-	-	239,343	-	-	239,343
Value funds	56,302	-	-	56,302	212,305	-	-	212,305
Large blend	85,682	-	-	85,682	243,515	-	-	243,515
<b>Total Foreign Funds</b>	<b>141,984</b>	<b>-</b>	<b>-</b>	<b>141,984</b>	<b>695,163</b>	<b>-</b>	<b>-</b>	<b>695,163</b>
<b>Exchange-traded funds</b>	<b>793,598</b>	<b>-</b>	<b>-</b>	<b>793,598</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Investments</b>	<b>4,639,090</b>	<b>-</b>	<b>-</b>	<b>4,639,090</b>	<b>5,860,426</b>	<b>-</b>	<b>-</b>	<b>5,860,426</b>
<b>Contribution Receivable from Split-Interest Agreement</b>	<b>-</b>	<b>-</b>	<b>1,026,000</b>	<b>1,026,000</b>	<b>-</b>	<b>-</b>	<b>1,207,000</b>	<b>1,207,000</b>
<b>Beneficial Interest in Assets Held by Others</b>	<b>-</b>	<b>-</b>	<b>944,425</b>	<b>944,425</b>	<b>-</b>	<b>-</b>	<b>972,879</b>	<b>972,879</b>
<b>Pension Plan Investments</b>								
Cash and equivalents	3,453,978	-	-	3,453,978	3,670,830	-	-	3,670,830
<b>Total Pension Plan Investments</b>	<b>3,453,978</b>	<b>-</b>	<b>-</b>	<b>3,453,978</b>	<b>3,670,830</b>	<b>-</b>	<b>-</b>	<b>3,670,830</b>
<b>Total assets at fair value</b>	<b>\$ 8,093,068</b>	<b>\$ -</b>	<b>\$ 1,970,425</b>	<b>\$ 10,063,493</b>	<b>\$ 9,531,256</b>	<b>\$ -</b>	<b>\$ 2,179,879</b>	<b>\$ 11,711,135</b>
<b>Liabilities:</b>								
Pension Projected Benefit Obligation	\$ -	\$ -	\$ 4,426,661	\$ 4,426,661	\$ -	\$ -	\$ 4,066,493	\$ 4,066,493

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**

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**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, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
<b>Assets:</b>		
Balance, beginning of year	\$ 2,179,879	\$ 2,291,412
Additions	22,484	25,658
Receipts from split-interest agreement	(200,203)	(200,203)
Discount amortization	19,203	22,203
Change in value	(23,711)	42,993
Distributions	<u>(27,228)</u>	<u>(2,184)</u>
Balance, end of year	<u>\$ 1,970,424</u>	<u>\$ 2,179,879</u>
<b>Liabilities:</b>		
Balance, beginning of year	\$ 4,066,493	\$ 3,801,074
Service and interest cost	134,246	151,306
Actuarial (gain)/loss	425,270	308,545
Benefits disbursed	<u>(199,348)</u>	<u>(194,432)</u>
Balance, end of year	<u>\$ 4,426,661</u>	<u>\$ 4,066,493</u>

**NOTE E: PROMISES TO GIVE**

Promises to give consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Campaign promises to give	\$ 5,734,094	\$ 6,046,810
Less allowance for uncollectible promises	<u>(2,321,837)</u>	<u>(1,780,405)</u>
	<u>\$ 3,412,257</u>	<u>\$ 4,266,405</u>

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

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

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**NOTE F: INVESTMENTS**

Investments, stated at fair value, consist of the following at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Money market and short-term reserve funds	\$ 300,822	\$ 93,679
Mutual funds	<u>4,338,268</u>	<u>5,766,747</u>
	<u>\$ 4,639,090</u>	<u>\$ 5,860,426</u>

**NOTE G: PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Computer equipment	\$ 104,950	\$ 103,791
Software	84,968	84,968
Office equipment	39,885	39,885
Furniture	25,562	24,497
Other equipment	7,572	7,572
Leasehold improvements	4,723	4,723
Vehicle	<u>1,000</u>	<u>1,000</u>
	268,660	266,436
Less: accumulated depreciation	<u>(244,242)</u>	<u>(226,364)</u>
	<u>\$ 24,418</u>	<u>\$ 40,072</u>

Depreciation expense for the years ended June 30, 2020 and 2019 was \$17,878 and \$17,408, respectively.

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

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**NOTE H:           LOAN PAYABLE**

On April 17, 2020, the United Way received loan proceeds in the amount of \$547,500 under the Paycheck Protection Program (“PPP”). Established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business’s average monthly payroll expenses. PPP loans and accrued interest are forgivable after a “covered period” (24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The forgiveness amount may be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The United Way believes it used PPP loan proceeds for purposes consistent with the PPP and intends to apply for forgiveness within 10 months of the end of the covered period. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events.

**NOTE I:           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.

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

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**NOTE I: ENDOWMENT FUNDS (CONTINUED)**

Endowment net assets composition by type as of June 30, 2020 and 2019 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>2020</u></b>			
<b>Donor-restricted endowment funds</b>			
Cash and cash equivalents	\$ -	\$ 2,132	\$ 2,132
Investments	-	562,442	562,442
	<u>\$ -</u>	<u>\$ 564,574</u>	<u>\$ 564,574</u>
<b><u>2019</u></b>			
<b>Donor-restricted endowment funds</b>			
Cash and cash equivalents	\$ -	\$ 6,673	\$ 6,673
Investments	-	592,066	592,066
	<u>\$ -</u>	<u>\$ 598,739</u>	<u>\$ 598,739</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, 2020 or 2019.

*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.

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

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**NOTE I: ENDOWMENT FUNDS (CONTINUED)**

Changes in endowment net assets during the years ended June 30, 2020 and 2019 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
<b>2020</b>			
Endowment net assets, beginning of year	\$ -	\$ 598,739	\$ 598,739
Interest and dividend income, net	-	16,183	16,183
Realized and unrealized losses	-	(25,348)	(25,348)
Amounts appropriated for expenditure	-	(25,000)	(25,000)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 564,574</u>	<u>\$ 564,574</u>
<b>2019</b>			
Endowment net assets, beginning of year	\$ -	\$ 582,571	\$ 582,571
Interest and dividend income, net	-	18,595	18,595
Realized and unrealized losses	-	(2,427)	(2,427)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 598,739</u>	<u>\$ 598,739</u>

**NOTE J: NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are available for the following purposes or periods at June 30:

	<u>2020</u>	<u>2019</u>
<b>Subject to expenditure for specified purposes and/or passage of time:</b>		
Net campaign contributions received for future periods	\$ 39,771	\$ 162,125
Split-interest agreement	1,026,000	1,207,000
Community services provided by United Way	<u>346,354</u>	<u>646,712</u>
	<u>1,412,125</u>	<u>2,015,837</u>
<b>Endowments:</b>		
<b>Subject to endowment spending policy and appropriation</b>		
<b>Original gifts (corpus) for:</b>		
Annual campaign contributions	500,000	500,000
<b>Accumulated earnings for:</b>		
Annual campaign contributions	<u>64,574</u>	<u>98,739</u>
	<u>564,574</u>	<u>598,739</u>
<b>Not subject to United Way's spending policy or appropriation:</b>		
Beneficial interest in assets held by others	<u>944,425</u>	<u>972,879</u>
	<u>\$ 2,921,124</u>	<u>\$ 3,587,455</u>

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

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**NOTE K: 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, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Fair value of plan assets	\$ 3,453,978	\$ 3,670,830
Projected benefit obligation	<u>(4,426,661)</u>	<u>(4,066,493)</u>
Funded status (plan assets less benefit obligation)	<u>\$ (972,683)</u>	<u>\$ (395,663)</u>
<b>Amounts recognized on consolidated statements of financial position as accrued pension cost (asset (liability) for pension benefits)</b>	<u>\$ (972,683)</u>	<u>\$ (395,663)</u>
<b>Items not yet recognized as a component of net periodic pension cost:</b>		
Net loss	<u>\$ 996,380</u>	<u>\$ 493,923</u>
Pension loss and prior service cost	<u>\$ 996,380</u>	<u>\$ 493,923</u>
<b>Net periodic pension (income) cost recognized in expense</b>	<u>\$ 74,563</u>	<u>\$ 77,394</u>
<b>Accumulated benefit obligation at end of year</b>	<u>\$ 4,426,661</u>	<u>\$ 4,066,493</u>
<b>Weighted-average assumptions used in computing ending obligations:</b>		
Discount rate	2.55%	3.4%
Rate of compensation increase	N/A	N/A
<b>Weighted-average assumptions used in computing net periodic pension cost:</b>		
Discount rate	3.4%	4.1%
Rate of compensation increase	N/A	N/A
Expected long-term rate of return on plan assets	2.0%	2.0%



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

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**NOTE J: RETIREMENT PLANS (CONTINUED)**

**Defined Benefit Plan (Continued)**

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

	<u>July 1, 2019</u>	<u>Reclassified as Net Periodic Pension Cost</u>	<u>Amounts Arising During Period</u>	<u>June 30, 2020</u>
Net (gain) or loss	\$ 493,923	\$ -	\$ 502,457	\$ 996,380

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 are \$996,380.

During the year ended June 30, 2018, the United Way's investment policy changed. In March 2018, plan assets were converted to cash and cash equivalents to protect against losses due to market fluctuation and to facilitate the future liquidation of the fund as the plan became fully funded.

<u>Cash Flows for the Years Ended June 30, 2020 and 2019</u>	<u>2020</u>	<u>2019</u>
Employer contributions	\$ -	\$ -
Pension benefits paid	199,348	194,432

United Way is expected to contribute approximately \$972,683 to the Plan during the year ended June 30, 2021 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:

<b>2021</b>	<b>\$ 4,426,661</b>
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**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**

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**NOTE K: 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 \$165,920 and \$187,343 to the plan for the years ended June 30, 2020 and 2019, respectively.

**NOTE L: COMMITMENTS AND CONTINGENCIES**

United Way leases office space, office equipment, and a vehicle under noncancellable operating lease agreements expiring through June 2021. Future minimum lease payments under these leases are as follows:

<b><u>Year Ended June 30,</u></b>	
<b>2021</b>	<b><u>\$ 156,748</u></b>

Rent expense under these leases for the years ended June 30, 2020 and 2019 was \$163,262 and \$152,615, respectively.

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, 2020, the Board of Directors authorized commitments of \$5,747,797 for allocations to member agencies for the period beginning July 1, 2020 through June 30, 2021. These commitments are contingent upon the results of the campaign conducted in the fall of 2020 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, 2020**

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<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<b>U.S. Department of Veteran Affairs:</b>		
Direct Program- Supportive Services for Veteran Families	64.033	\$ 917,434
<u>Total U.S. Department of Veteran Affairs</u>		<u>917,434</u>
<b>U.S. Department of Housing and Urban Development:</b>		
Pass-through from N.C. Department of Health and Human Services and City of Winston-Salem - Emergency Shelter Grants Program	14.231	145,639
Pass-through from City of Winston-Salem - Continuum of Care Program- Rapid Rehousing Collaborative	14.267	537,745
Pass-through from City of Winston-Salem - Community Development Block Grant- Community Intake Center	14.218	144,271
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>854,355</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ 1,771,789</b>

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**SCHEDULE OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2020**

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**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>Federal CFDA Number</u>	<u>Amounts Provided to Subrecipients</u>
Supportive Services for Veteran Families	64.033	\$ <u>339,052</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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of Forsyth County, Inc. ("United Way"), which comprise the statement of financial position as of June 30, 2020 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 24, 2021.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered United Way'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Way's internal control. Accordingly, we do not express an opinion on the effectiveness of United Way'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.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether United Way's 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 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*.

We noted certain other matters that we reported to management of United Way in a separate letter dated February 24, 2021.

### ***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 United Way's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Butler & Burke LLP*

Winston-Salem, North Carolina  
February 24, 2021

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***

We have audited United Way of Forsyth County, Inc.'s ("United Way") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the United Way's major federal programs for the year ended June 30, 2020. The United Way's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the United Way's major federal programs based on our audit of types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the United Way's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on United Way's compliance.

***Opinion on Each Major Federal Program***

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 its major federal programs for the year ended June 30, 2020.

### ***Report on Internal Control Over Compliance***

Management of the United Way is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the United Way's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the United Way's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 24, 2021



**UNITED WAY OF FORSYTH COUNTY, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2020**

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of United Way of Forsyth County, Inc.
2. No significant deficiencies relating to the audit of the 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 financial statements of United Way of Forsyth County, Inc. were disclosed during the audit.
4. No significant deficiencies 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 each major federal award program for United Way of Forsyth County, Inc.
7. The program tested as a major program was: Supportive Services for Veteran Families CFDA# 64.033
8. The threshold for distinguishing types A and B programs was \$750,000.
9. United Way of Forsyth County, Inc. qualified as a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None

**C. FINDINGS AND QUESTIONS COSTS – MAJOR AWARDS PROGRAMS AUDIT**

None