

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

**Consolidated Financial Statements**

**June 30, 2022 and 2021**

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

## **INDEPENDENT AUDITORS' REPORT**

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of United Way of Forsyth County, Inc. (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above presented fairly, in all material respects, the financial position of United Way of Forsyth County, Inc. as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of United Way of Forsyth County, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Way of Forsyth County, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Forsyth County, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### ***Supplementary Information***

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 5, 2023, on our consideration of United Way of Forsyth County, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Forsyth County, Inc.'s internal control over financial reporting and compliance.

*Butler & Burke LLP*

Winston-Salem, North Carolina  
January 5, 2023

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,787,706	\$ 1,262,370
Promises to give, net	4,535,084	4,672,352
Contribution receivable from split-interest agreement, net	653,000	841,000
Other receivables	544,318	642,091
Investments	3,714,792	5,270,420
Beneficial interests in assets held by others	1,044,848	1,160,703
Property and equipment, net	10,911	18,370
Other assets	<u>19,899</u>	<u>-</u>
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 12,310,558</u></b>	<b><u>\$ 13,867,306</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Designations to agencies and other United Ways	\$ 1,737,971	\$ 1,951,536
Accrued expenses and other liabilities	1,322,089	1,664,254
Line of credit	<u>500,000</u>	<u>-</u>
<b><u>Total Liabilities</u></b>	<b><u>3,560,060</u></b>	<b><u>3,615,790</u></b>
<b>Net Assets</b>		
Without donor restrictions	6,161,160	7,019,758
With donor restrictions	<u>2,589,338</u>	<u>3,231,758</u>
<b><u>Total Net Assets</u></b>	<b><u>8,750,498</u></b>	<b><u>10,251,516</u></b>
<b><u>TOTAL LIABILITIES AND NET ASSETS</u></b>	<b><u>\$ 12,310,558</u></b>	<b><u>\$ 13,867,306</u></b>

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

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

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>			
Gross contributions – current campaign	\$ 10,219,675	\$ -	\$ 10,219,675
Designations from other United Way agencies	188,057	-	188,057
Less amount recognized from prior year	(25,000)	-	(25,000)
Less donor designations	(1,923,351)	-	(1,923,351)
Contributions received for future campaigns	-	161,725	161,725
Less provision for uncollectible promises	(578,930)	-	(578,930)
<u>Net Campaign</u>	<u>7,880,451</u>	<u>161,725</u>	<u>8,042,176</u>
Other gifts and grants, net	104,631	3,365,627	3,470,258
Investment income, net	85,072	12,891	97,963
Administrative fees	298,531	-	298,531
Net assets released from restrictions	3,604,211	(3,604,211)	-
<u>Total Support and Revenue</u>	<u>11,972,896</u>	<u>(63,968)</u>	<u>11,908,928</u>
<b>EXPENSES</b>			
Program Services			
The Forsyth Promise	391,325	-	391,325
Ten Year Plan	2,735,720	-	2,735,720
Other program services	6,616,535	-	6,616,535
Management and general	1,502,579	-	1,502,579
Fundraising	807,858	-	807,858
<u>Total Expenses</u>	<u>12,054,017</u>	<u>-</u>	<u>12,054,017</u>
Change in Net Assets from Operations	(81,121)	(63,968)	(145,089)
<b>Other Changes</b>			
Change in value of beneficial interests	-	226,773	226,773
Unrealized and realized gains on investments	912,990	147,829	1,060,819
Gain upon debt extinguishment	547,500	-	547,500
Pension gain in excess of net periodic pension cost	54,370	-	54,370
<b>CHANGE IN NET ASSETS</b>	<b>1,433,739</b>	<b>310,634</b>	<b>1,744,373</b>
Net Assets, Beginning of Year	<u>5,586,019</u>	<u>2,921,124</u>	<u>8,507,143</u>
Net Assets, End of Year	<u>\$ 7,019,758</u>	<u>\$ 3,231,758</u>	<u>\$ 10,251,516</u>



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

	The Forsyth Promise	Ten Year Plan	Other Program Services	Management and General	Fundraising	Total
Salaries	\$ 83,211	\$ 259,526	\$ 930,739	\$ 751,358	\$ 637,213	\$ 2,662,047
Payroll taxes	6,493	21,872	72,303	53,355	49,135	203,158
Employee benefits	11,235	49,260	156,915	109,705	119,839	446,954
<b>Total Salaries Related</b>	<b>100,939</b>	<b>330,658</b>	<b>1,159,957</b>	<b>914,418</b>	<b>806,187</b>	<b>3,312,159</b>
Allocations and grants	-	-	4,760,637	-	-	4,760,637
Grant contract expenses	-	1,683,521	232,677	-	-	1,916,198
Professional fees and contract services	195,545	346,347	472,308	197,409	50,106	1,261,715
Supplies	2,685	14,243	129,447	26,877	25,054	198,306
Telephone	377	5,443	14,280	13,354	10,052	43,506
Postage and shipping	(217)	1,443	(334)	3,776	4,838	9,506
Travel	546	11,840	7,033	5,902	4,975	30,296
Advertising	-	255	-	1,171	13,164	14,590
Meetings	458	1,351	1,842	17,420	8,831	29,902
Subscriptions and professional dues	3,272	2,336	1,167	10,997	8,294	26,066
Professional development and education	-	78,315	8,520	2,627	3,048	92,510
Personnel recruitment and relocation	-	-	55	84,237	-	84,292
Equipment rental and maintenance	-	999	10,875	-	6,294	18,168
Occupancy	15,092	49,086	32,483	58,348	37,270	192,279
Depreciation	-	-	3,612	2,335	1,366	7,313
United Way dues	-	-	170,938	107,045	58,853	336,836
Miscellaneous	-	438	23,374	(2,751)	10,846	31,907
<b>Total Expenses</b>	<b>\$ 318,697</b>	<b>\$ 2,526,275</b>	<b>\$ 7,028,871</b>	<b>\$ 1,443,165</b>	<b>\$ 1,049,178</b>	<b>\$ 12,366,186</b>

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2021

	The Forsyth Promise	Ten Year Plan	Other Program Services	Management and General	Fundraising	Total
Salaries	\$ 129,957	\$ 321,726	\$ 785,775	\$ 936,551	\$ 501,077	\$ 2,675,086
Payroll taxes	8,244	27,284	45,514	63,376	32,134	176,552
Employee benefits	27,526	70,149	135,190	165,948	86,789	485,602
<b>Total Salaries Related</b>	<b>165,727</b>	<b>419,159</b>	<b>966,479</b>	<b>1,165,875</b>	<b>620,000</b>	<b>3,337,240</b>
Allocations and grants	-	-	5,033,564	-	-	5,033,564
Grant contract expenses	-	1,786,730	127,715	-	-	1,914,445
Professional fees and contract services	200,839	449,468	296,639	90,691	48,418	1,086,055
Supplies	3,268	12,716	24,869	18,038	25,739	84,630
Telephone	541	6,398	11,860	13,141	5,812	37,752
Postage and shipping	(64)	691	(89)	3,965	4,498	9,001
Travel	312	5,655	782	2,398	1,374	10,521
Advertising	40	-	187	-	13,634	13,861
Meetings	585	-	1,362	4,073	798	6,818
Subscriptions and professional dues	2,500	2,163	1,393	14,698	446	21,200
Professional development and education	575	4,672	3,212	21,445	4,069	33,973
Personnel recruitment and relocation	-	-	36	69	70	175
Equipment rental and maintenance	179	698	6,907	5,559	8,200	21,543
Occupancy	16,823	47,064	31,704	82,821	34,680	213,092
Depreciation	-	-	5,244	3,744	1,972	10,960
United Way dues	-	-	77,404	43,287	23,788	144,479
Miscellaneous	-	306	27,267	32,775	14,360	74,708
<b>Total Expenses</b>	<b>\$ 391,325</b>	<b>\$ 2,735,720</b>	<b>\$ 6,616,535</b>	<b>\$ 1,502,579</b>	<b>\$ 807,858</b>	<b>\$ 12,054,017</b>

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,501,018)	\$ 1,744,373
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	7,313	10,960
Discount amortization	(12,203)	(15,203)
Unrealized and realized (gains) losses on investments	1,127,248	(1,060,819)
Change in value of beneficial interests in assets held by others	98,983	(226,773)
Gain upon debt extinguishment	-	(547,500)
Provision for uncollectible promises to give	499,875	578,930
(Increase) decrease in operating assets:		
Promises to give	(362,607)	(1,839,025)
Other receivables	97,773	(374,580)
Contribution receivable from split-interest agreement	200,203	200,203
Other assets	(19,899)	9,552
Increase (decrease) in operating liabilities:		
Designations to agencies and other United Ways	(213,565)	296,196
Accrued expenses and other liabilities	(342,019)	16,832
Contributions restricted for long-term purposes	(10,370)	(16,719)
<u>Net Cash Used in Operating Activities</u>	<u>(430,286)</u>	<u>(1,223,573)</u>
<b>INVESTING ACTIVITIES</b>		
Sales of investments	612,046	1,383,371
Purchases of investments	(183,666)	(953,882)
Capital expenditures	-	(4,912)
Beneficial interest in assets held by others		
Contributions	(10,370)	(16,719)
Distributions	27,242	27,214
<u>Net Cash Provided by Investing Activities</u>	<u>445,252</u>	<u>435,072</u>
<b>FINANCING ACTIVITIES</b>		
Net change in line of credit	500,000	-
Contributions restricted for long-term purposes	10,370	16,719
<u>Net Cash Provided by Financing Activities</u>	<u>510,370</u>	<u>16,719</u>
Change in Cash and Cash Equivalents	525,336	(771,782)
Cash and Cash Equivalents, Beginning of Year	<u>1,262,370</u>	<u>2,034,152</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,787,706</u>	<u>\$ 1,262,370</u>
<b><u>SUPPLEMENTAL INFORMATION</u></b>		
Interest paid	<u>\$ 3,069</u>	<u>\$ -</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.

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

##### Basis of Presentation

The consolidated financial statements of United Way have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP). United Way reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

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

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

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

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

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

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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 \$653,000 and \$841,000 at June 30, 2022 and 2021, 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, 2022 and 2021, expenses of \$34,613 and \$33,817, 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 \$1,044,848 and \$1,160,703 for the years ended June 30, 2022 and 2021, respectively. However, United Way is not subject to the Uniform Prudent Management of Institutional Funds Act or the endowment disclosure requirements of FASB ASC 958-205-50 for these funds since control over the funds was relinquished to the Foundation.

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

*The Voluntary Action Center Training Endowment* - This endowment was established during 1986 under an irrevocable trust agreement and is administered as a part of the Winston-Salem Foundation. The purpose of the endowment is to aid and support the training programs of the Voluntary Action Center of Forsyth County, Inc. ("VAC"), whose programs are conducted under the auspices of United Way. Under the terms of the trust agreement, VAC and the Foundation Committee may agree to distribute principal of the trust as long as the remaining fair value of the principal does not fall below \$35,000. Fair value of the endowment assets was \$56,211 and \$63,827 for the years ended June 30, 2022 and 2021, 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 \$697,980 and \$778,666 for the years ended June 30, 2022 and 2021, 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 \$290,657 and \$318,210 for the years ended June 30, 2022 and 2021, 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 consolidated financial statements for the years ended June 30, 2022 or 2021.

**Functional Allocation of Expenses**

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

**Allocations and Designations**

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

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

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

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

**Subsequent Events**

United Way has evaluated its subsequent events (events occurring after June 30, 2022) through the date of this report, which represents the date the consolidated financial statements were available to be issued and determined that all significant events and disclosures are included in the consolidated financial statements.

**Accounting Pronouncement Adopted in the Current Year**

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021 and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as in-kind contributions, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The adoption of ASU 2020-07 resulted in no material changes to the recognition of contributed nonfinancial assets.



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

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**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Recently Issued Accounting Pronouncements Not Yet Effective**

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). This guidance will require the rights and obligations of new and existing lease arrangements to be recognized as assets and liabilities on the statement of financial condition. The guidance will also require disclosures to better inform financial statement users of the amount, timing and uncertainty of cash flows arising from leases. The primary impact of this guidance, which will be effective for periods beginning after December 15, 2021, will be to record right-of-use assets and obligations for current operating leases.

**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>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,787,706	\$ 1,262,370
Receivables	5,732,402	6,155,443
Investments	3,714,792	5,270,420
Beneficial interests in assets held by others	<u>1,044,848</u>	<u>1,160,703</u>
<b>Total financial assets</b>	<b>12,279,748</b>	<b>13,848,936</b>
<b>Less those unavailable for general expenditure within one year due to:</b>		
Purpose and timing restrictions	(987,871)	(1,370,761)
Perpetual endowments	(531,619)	(675,294)
Beneficial interests	<u>(1,044,848)</u>	<u>(1,160,703)</u>
<b>Financial assets available to meet cash needs for general expenditure within one year</b>	<b><u>\$ 9,715,410</u></b>	<b><u>\$ 10,642,178</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.

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

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**NOTE D: FAIR VALUE MEASUREMENTS**

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

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

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

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

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

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

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

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

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

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

*Pension Projected Benefit Obligation:* Based upon actuarial assumptions, including a discount rate of 4.56% at June 30, 2022 and 2.64% at June 30, 2021 and further assumptions for retirement age, mortality rates, employee withdrawal rates, social security wage base changes, and post-retirement expense loading charges (Level 3).

The following table sets forth by level, within the fair value hierarchy, United Way's assets and liabilities measured at fair value on a recurring basis as of June 30, 2022 and 2021:

	2022				2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<b>Assets:</b>								
Investments								
Mutual Funds	\$ 2,692,310	\$ -	\$ -	\$ 2,692,310	\$ 4,022,107	\$ -	\$ -	\$ 4,022,107
Exchange-traded products	1,022,482	-	-	1,022,482	1,248,313	-	-	1,248,313
Total Investments	3,714,792	-	-	3,714,792	5,270,420	-	-	5,270,420
Contribution Receivable from Split-Interest Agreement	-	-	653,000	653,000	-	-	841,000	841,000
Beneficial Interest in Assets Held by Others	-	-	1,044,848	1,044,848	-	-	1,160,703	1,160,703
Pension Plan Investments								
Cash and equivalents	75,573	-	-	75,573	161,262	-	-	161,262
Equity securities	1,435,895	-	-	1,435,895	1,838,383	-	-	1,838,383
Debt securities and related instruments	1,007,645	-	-	1,007,645	1,225,588	-	-	1,225,588
Total Pension Plan Investments	2,519,113	-	-	2,519,113	3,225,233	-	-	3,225,233
Total assets at fair value	\$ 6,233,905	\$ -	\$ 1,697,848	\$ 7,931,753	\$ 8,495,653	\$ -	\$ 2,001,703	\$ 10,497,356
<b>Liabilities:</b>								
Pension Projected Benefit Obligation	\$ -	\$ -	\$ 3,370,838	\$ 3,370,838	\$ -	\$ -	\$ 4,231,092	\$ 4,231,092

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, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
<b>Assets:</b>		
Balance, beginning of year	\$ 2,001,703	\$ 1,970,425
Additions	10,370	16,719
Receipts from split-interest agreement	(200,203)	(200,203)
Discount amortization	12,203	15,203
Change in value	(98,983)	226,773
Distributions	<u>(27,242)</u>	<u>(27,214)</u>
Balance, end of year	<u>\$ 1,697,848</u>	<u>\$ 2,001,703</u>
<b>Liabilities:</b>		
Balance, beginning of year	\$ 4,231,092	\$ 4,426,661
Service and interest cost	108,767	109,815
Actuarial (gain)/loss	(750,457)	(90,156)
Benefits disbursed	<u>(218,564)</u>	<u>(215,228)</u>
Balance, end of year	<u>\$ 3,370,838</u>	<u>\$ 4,231,092</u>

**NOTE E: PROMISES TO GIVE**

Promises to give consist of the following at June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Campaign promises to give	\$ 7,935,726	\$ 7,573,119
Less allowance for uncollectible promises	<u>(3,400,642)</u>	<u>(2,900,767)</u>
	<u>\$ 4,535,084</u>	<u>\$ 4,672,352</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, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Mutual funds	\$ 2,692,310	\$ 4,022,107
Exchange-traded products	<u>1,022,482</u>	<u>1,248,313</u>
	<u>\$ 3,714,792</u>	<u>\$ 5,270,420</u>

**NOTE G: PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Computer equipment	\$ 109,829	\$ 109,829
Software	84,968	84,968
Office equipment	39,885	39,885
Furniture	25,562	25,562
Other equipment	7,572	7,572
Leasehold improvements	4,723	4,723
Vehicle	<u>1,000</u>	<u>1,000</u>
	273,539	273,539
Less: accumulated depreciation	<u>(262,628)</u>	<u>(255,169)</u>
	<u>\$ 10,911</u>	<u>\$ 18,370</u>

Depreciation expense for the years ended June 30, 2022 and 2021 was \$7,313 and \$10,960, 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 obtained full forgiveness in March 2021 from the Small Business Administration.

The United Way initially accounted for the PPP loan in accordance with ASC 470, *Debt*, and subsequently derecognized the debt when the debt was forgiven in accordance with ASC 405-20, *Liabilities: Extinguishments of Liabilities*. The amount forgiven was presented in the consolidated statement of activities for the year ended June 30, 2021 as a gain upon debt extinguishment.

**NOTE I:           LINE OF CREDIT**

The United Way has a \$500,000 line of credit with a bank with monthly interest only payments at an index rate plus 2% with a minimum interest rate of 2.15%. The outstanding amount on the line of credit at June 30, 2022 was \$500,000. The line of credit matures in March 2023.

**NOTE J:           ENDOWMENT FUNDS**

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

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

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

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

Endowment net assets composition by type as of June 30, 2022 and 2021 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>2022</u></b>			
<b>Donor-restricted endowment funds</b>			
Cash and cash equivalents	\$ -	\$ 101,901	\$ 101,901
Investments	-	454,718	454,718
	<u>\$ -</u>	<u>\$ 556,619</u>	<u>\$ 556,619</u>
<b><u>2021</u></b>			
<b>Donor-restricted endowment funds</b>			
Cash and cash equivalents	\$ -	\$ 52,543	\$ 52,543
Investments	-	647,751	647,751
	<u>\$ -</u>	<u>\$ 700,294</u>	<u>\$ 700,294</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, 2022 or 2021.

*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 J: ENDOWMENT FUNDS (CONTINUED)**

Changes in endowment net assets during the years ended June 30, 2022 and 2021 are as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b><u>2022</u></b>			
Endowment net assets, beginning of year	\$ -	\$ 700,294	\$ 700,294
Interest and dividend income, net	-	25,000	25,000
Realized and unrealized losses	-	(143,675)	(143,675)
Amounts appropriated for expenditure	-	(25,000)	(25,000)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 556,619</u>	<u>\$ 556,619</u>
<b><u>2021</u></b>			
Endowment net assets, beginning of year	\$ -	\$ 564,574	\$ 564,574
Interest and dividend income, net	-	12,891	12,891
Realized and unrealized gains	-	147,829	147,829
Amounts appropriated for expenditure	-	(25,000)	(25,000)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 700,294</u>	<u>\$ 700,294</u>

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

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

	<u>2022</u>	<u>2021</u>
<b>Subject to expenditure for specified purposes and/or passage of time:</b>		
Net campaign contributions received for future periods	\$ 61,000	\$ 161,725
Split-interest agreement	653,000	841,000
Community services provided by United Way	<u>273,871</u>	<u>368,036</u>
	<u>987,871</u>	<u>1,370,761</u>
<b>Endowments:</b>		
Subject to endowment spending policy and appropriation		
Original gifts (corpus) for:		
Annual campaign contributions	500,000	500,000
Accumulated earnings for:		
Annual campaign contributions	<u>56,619</u>	<u>200,294</u>
	<u>556,619</u>	<u>700,294</u>
<b>Not subject to United Way's spending policy or appropriation:</b>		
Beneficial interest in assets held by others	<u>1,044,848</u>	<u>1,160,703</u>
	<u>\$ 2,589,338</u>	<u>\$ 3,231,758</u>



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

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**NOTE L: RETIREMENT PLANS**

**Defined Benefit Plan**

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

The following sets forth the funded status of the retirement plan and the amounts recognized in United Way's consolidated financial statements as of and for the years ended June 30, 2022 and 2021.

	<u>2022</u>	<u>2021</u>
Fair value of plan assets	\$ 2,519,113	\$ 3,225,233
Projected benefit obligation	<u>(3,370,838)</u>	<u>(4,231,092)</u>
Funded status (plan assets less benefit obligation)	<u>\$ (851,725)</u>	<u>\$ (1,005,859)</u>
<b>Amounts recognized on consolidated statements of financial position as accrued pension cost (asset (liability) for pension benefits)</b>	<u>\$ (851,725)</u>	<u>\$ (1,005,859)</u>
<b>Items not yet recognized as a component of net periodic pension cost:</b>		
Net loss	<u>\$ 857,007</u>	<u>\$ 942,010</u>
Pension loss and prior service cost	<u>\$ 857,007</u>	<u>\$ 942,010</u>
<b>Net periodic pension (gain) cost recognized in expense</b>	<u>\$ (51,470)</u>	<u>\$ 87,546</u>
<b>Accumulated benefit obligation at end of year</b>	<u>\$ 3,370,838</u>	<u>\$ 4,231,092</u>
<b>Weighted-average assumptions used in computing ending obligations:</b>		
Discount rate	4.56%	2.64%
Rate of compensation increase	N/A	N/A
<b>Weighted-average assumptions used in computing net periodic pension cost:</b>		
Discount rate	2.64%	2.55%
Rate of compensation increase	N/A	N/A
Expected long-term rate of return on plan assets	6.50%	2.00%

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

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

**Defined Benefit Plan (Continued)**

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

	<u>July 1, 2021</u>	Reclassified as <u>Net Periodic Pension Cost</u>	Amounts Arising <u>During Period</u>	<u>June 30, 2022</u>
Net (gain) or loss	\$ 942,010	\$ -	\$ (85,003)	\$ 857,007

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 \$41,101.

	<u>2022</u>	<u>2021</u>
<b><u>Cash Flows for the Years Ended June 30, 2022 and 2021</u></b>		
Employer contributions	\$ 17,661	\$ -
Pension benefits paid	218,564	215,228

United Way is expected to contribute \$52,983 to the Plan during the year ended June 30, 2023 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>2023</b>	<b>\$ 242,600</b>
<b>2024</b>	<b>240,478</b>
<b>2025</b>	<b>238,866</b>
<b>2026</b>	<b>237,241</b>
<b>2027</b>	<b>234,680</b>
<b>2028-2032</b>	<b>1,092,822</b>

**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 L: RETIREMENT PLANS (CONTINUED)**

**Defined Contribution Plan**

United Way also sponsors a defined contribution plan under which all employees are eligible to participate after completion of minimum service requirements. Employees may defer a portion of their compensation pursuant to Section 401(k) of the Internal Revenue Code. United Way matches 100% of each employee’s contribution up to a maximum of 3% of eligible compensation. Additionally, United Way makes a profit sharing contribution equal to 5% of each eligible employee’s compensation. United Way contributed \$170,733 and \$168,152 to the plan for the years ended June 30, 2022 and 2021, respectively.

**NOTE M: COMMITMENTS AND CONTINGENCIES**

United Way leases office space, office equipment, and a vehicle under noncancellable operating lease agreements expiring through June 2023. Future minimum lease payments under these leases are as follows:

<b><u>Year Ended June 30,</u></b>	
<b>2023</b>	<b><u>\$ 153,607</u></b>

Rent expense under these leases for the years ended June 30, 2022 and 2021 was \$165,208 and \$148,547, 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, 2022, the Board of Directors authorized commitments of \$3,512,696 for allocations to member agencies for the period beginning July 1, 2022 through June 30, 2023. These commitments are contingent upon the results of the campaign conducted in the fall of 2022 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, 2022**

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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>		
CARES Act Coronavirus Relief Fund passed through the U.S. Department of Veteran Affairs	64.033	\$ 1,648,006
<u>Total U.S. Department of Veteran Affairs</u>		<u>1,648,006</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	130,085
CARES Act Coronavirus Relief Fund passed through the N.C Department of Health and Human Services and City of Winston-Salem-Emergency Shelter Grants Program	14.231	697,488
Pass-through from City of Winston-Salem - Continuum of Care Program- Rapid Rehousing Collaborative	14.267	532,065
Pass-through from City of Winston-Salem - Community Development Block Grant- Community Intake Center	14.218	30,400
CARES Act Coronavirus Relief Fund passed through the City of Winston-Salem-Community Development Block Grant	14.218	47,383
Pass-through from City of Winston-Salem - Community Development Block Grant- Ten Year Plan to End Chronic Homelessness	14.218	26,700
<u>Total U.S. Department of Housing and Urban Development</u>		<u>1,464,121</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>		<b>\$ 3,112,127</b>

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**SCHEDULE OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2022**

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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>361,677</u>

**NOTE C: INDIRECT COST RATE**

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

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of United Way of Forsyth County, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of June 30, 2022 and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated January 5, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

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

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Butler & Burke LLP*

Winston-Salem, North Carolina  
January 5, 2023

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

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

**Report on Compliance for Each Major Federal Program**

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

We have audited United Way of Forsyth County, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of United Way of Forsyth County, Inc.'s major federal programs for the year ended June 30, 2022. United Way of Forsyth County, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, United Way of Forsyth County, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

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

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



### ***Responsibility of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

## Report on Internal Control Over Compliance

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

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

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

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

*Butler & Burke LLP*

Winston-Salem, North Carolina  
January 5, 2023

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2022**

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the consolidated financial statements of United Way of Forsyth County, Inc.
2. No significant deficiencies relating to the audit of the consolidated financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.
3. No instances of non-compliance material to the consolidated financial statements of United Way of Forsyth County, Inc. were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for each major federal award program for United Way of Forsyth County, Inc. expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award program for United Way of Forsyth County, Inc.
7. The programs tested as a major program were:
  - Supportive Services for Veteran Families  
CFDA # 64.033
  - Emergency Solutions Grant Program  
CFDA # 14.231
8. The threshold for distinguishing types A and B programs was \$750,000.
9. United Way of Forsyth County, Inc. did not qualify as a low-risk auditee.

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

None

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

None

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended June 30, 2022**

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**2021-001 – Internal Control Over Financial Reporting**

*Condition:* During the audit, we encountered multiple instances where balance sheet and income statement accounts were not reconciled to the general ledger. Included in these accounts were significant accounts such as cash, accounts receivable, pledges receivable, accounts payable, designations payable as well as grant revenue and campaign revenue. After a significant amount of time spent by the audit staff trying to reconcile these accounts, a contract bookkeeper was hired by United Way to perform reconciliation work on certain accounts, adding a significant amount of time to the audit.

*Criteria:* Ensuring that independent reports are reconciled to the general ledger is a significant internal control process over the financial reporting closing process. Proper, timely reconciliations allow for an efficient financial reporting closing process and ensures that the reporting of balance sheet and income statement amounts are complete and exist.

*Cause:* United Way had significant turnover in their finance department during the year. Among the employees that resigned included an employee who was responsible for grant reporting, the Chief Financial Officer and the Accounting Manager. At the time of the audit, the Accounting Manager and the employee responsible for grant reporting had not been replaced. A Chief Financial Officer had been hired but did not have a Finance staff to assist with the day-to-day tasks of the department. Further, grant reporting became the responsibility of a few employees who had no experience with the procedures associated with grant reporting. The lack of a fully staffed Finance department did not allow for timely reconciliations of the above-mentioned accounts.

*Current Status:* Recommended procedures were implemented in October 2021.

**2021-002 – Internal Control Over Bank Reconciliations**

*Condition:* For a portion of the year, we noted that bank reconciliations were not being performed in a timely manner and did not show evidence that they were reviewed by appropriate personnel.

*Criteria:* To the extent possible bank reconciliations should be performed within 30 days of month end to maintain the best control system possible.

*Cause:* Changes in personnel due to resignations and difficulties in hiring qualified personnel led to lags in the timing of the preparation of bank reconciliations.

*Current Status:* Recommended procedures were implemented for the fiscal year ended June 30, 2022.

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended June 30, 2022**

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**2021-003 – Internal Control Over Payroll**

*Condition:* We noted during testing of employee personnel files that some files did not include the most recent documentation of pay rate changes. Further, documentation related to resignations/terminations of employees were not included in some files.

*Criteria:* Employee personnel files should include the most current information regarding pay rate changes. For terminated employees, human resources should include documentation regarding the separation including date of termination and reason for the separation.

*Cause:* Changes in Human Resource personnel led to policies and procedures being inconsistently applied.

*Current Status:* Recommended procedures were implemented in October 2021.

**2021-004 – Filing of Data Collection Form and Reporting Package**

*Condition:* The June 30, 2021 data collection form for United Way was not filed within the time period required by the Uniform Guidance.

*Criteria:* The Uniform Guidance requires that non-federal entities that expend \$750,000 or more in a year in federal awards shall have a single audit conducted and that the audit shall be completed, and the data collection form and reporting package shall be submitted within the earlier of 30 days after receipt of the auditors' report or nine months after the end of the audit period.

*Cause:* Due to multiple resignations within the Finance department during the year, significant time was added to the audit due to a variety of issues within the general ledger, namely amounts in significant accounts that were not reconciled in a timely manner (See 2021-001 above). United Way ultimately hired a contract bookkeeper to assist them with reconciling accounts, which further extended the audit and the filing of the Data Collection Form and Reporting package.

*Current Status:* Controls are now in place to ensure timely filing of required reports.

**UNITED WAY OF FORSYTH COUNTY, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**For the Year Ended June 30, 2022**

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**2021-005 – Cash Management**

*Condition:* During our review of cash management procedures for the SSVF grant, we noted that in some instances there was a 3 month lag between when grant expenses were incurred and when reimbursement was requested. Further, we noted this same 3 month lag between expenses incurred and requested by contractors and when the contractors were paid.

*Criteria:* The SSVF grant stipulates that “recipients must have procedures for minimizing the time elapsing between the transfer of any advance payments of funds under the award and disbursement of the funds and recipients must ensure that the timing and amount of any payments to sub-recipients under the award conform to this standard.”

*Cause:* During the year, the employee responsible for grant reporting resigned. Multiple efforts were made to replace the employee, but a permanent replacement was not found. While a search for a replacement was ongoing, reimbursement requests for grant funds were filed later than normal, and payments to the subcontractors were subsequently late as well.

*Current Status:* Recommended procedures were implemented in October 2021.