

UNITED WAY OF DENTON COUNTY, INC.

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2022

UNITED WAY OF DENTON COUNTY, INC.
ANNUAL FINANCIAL REPORT
March 31, 2022

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**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditors' Report

The Board of Directors
United Way of Denton County, Inc.
Denton, Texas

Opinion

We have audited the accompanying financial statements of United Way of Denton County, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2022, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Denton County, Inc. as of March 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Way of Denton County, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Financial Statements

Our responsibilities are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Way of Denton 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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Denton 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 findings, and certain internal control related matters that we identified during the audit.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures 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*, 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 audit 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 to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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 August 1, 2022, on our consideration of United Way of Denton 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 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 Denton County, Inc.'s internal control over financial reporting and compliance.

Hankins, Eastup, Deaton, Tonn & Seay, P.C.

Hankins, Eastup, Deaton, Tonn & Seay, P.C.
Denton, Texas

August 1, 2022

UNITED WAY OF DENTON COUNTY, INC.

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2022

<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 3,510,956
Operating investments	77,229
Promises to give, net	760,372
Accounts receivable - grants	181,384
Prepaid expenses	14,159
Total Current Assets	<u>4,544,100</u>
Property and Equipment	
Land	663,571
Building	2,684,454
Office equipment and furniture	512,858
Less accumulated depreciation	<u>(742,681)</u>
Net Property and Equipment	<u>3,118,202</u>
Total Assets	<u>\$ 7,662,302</u>
 <u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities:	
Accounts payable	72,696
Designated funds payable	319,275
Security deposits	21,631
Unearned income - grants	1,636,598
Line of credit payable	50,000
Current portion of mortgage payable	73,264
Total Current Liabilities	<u>2,173,464</u>
Other Liabilities:	
Mortgage payable, net of current portion	<u>2,567,922</u>
Total Other Liabilities	2,567,922
Net Assets:	
Without donor restrictions	2,255,858
With donor restrictions	<u>665,058</u>
Total Net Assets	<u>2,920,916</u>
Total Liabilities and Net Assets	<u>\$ 7,662,302</u>

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

UNITED WAY OF DENTON COUNTY, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Campaign Results:			
Gross campaign results	\$ 1,011,153	\$ 665,058	\$ 1,676,211
Gross campaign results in prior year released from restriction	687,556	(687,556)	-
Total Campaign Results	<u>1,698,709</u>	<u>(22,498)</u>	<u>1,676,211</u>
Loss on uncollectible promises to give	(98,435)	-	(98,435)
Net Campaign Revenue	<u>1,600,274</u>	<u>(22,498)</u>	<u>1,577,776</u>
Other Revenue:			
Special events	305,901	-	305,901
Other contributions	82,763	-	82,763
Other grants	22,901,423	43,000	22,944,423
Service fees	40,900	-	40,900
Rental income (net of \$175,215 rental expenses)	110,882	-	110,882
Interest income	1,161	-	1,161
Miscellaneous income	1,249	-	1,249
Net assets released from restrictions	198,421	(198,421)	-
Total Other Revenue	<u>23,642,700</u>	<u>(155,421)</u>	<u>23,487,279</u>
Total Public Support and Revenue	<u>25,242,974</u>	<u>(177,919)</u>	<u>25,065,055</u>
Expenses:			
Program Services:			
Funds awarded/distributed	695,032	-	695,032
Community capacity building	1,066,003	-	1,066,003
Community education	56,689	-	56,689
I&R research	14,167	-	14,167
VITA	79,615	-	79,615
Project blueprint	9,487	-	9,487
COVID-19 relief	22,277,499	-	22,277,499
Total Program Services	<u>24,198,492</u>	<u>-</u>	<u>24,198,492</u>
Supporting Services:			
Organizational administration	238,116	-	238,116
Campaign	348,967	-	348,967
Total Supporting Services	<u>587,083</u>	<u>-</u>	<u>587,083</u>
Federal income tax	23,075	-	23,075
Total Expenses	<u>24,808,650</u>	<u>-</u>	<u>24,808,650</u>
Change in Net Assets	434,324	(177,919)	256,405
Net Assets, Beginning of Year	1,821,534	842,977	2,664,511
Net Assets, End of Year	<u>\$ 2,255,858</u>	<u>\$ 665,058</u>	<u>\$ 2,920,916</u>

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

UNITED WAY OF DENTON COUNTY, INC.

STATEMENT OF CASH FLOWS
MARCH 31, 2022

Cash Flows from Operating Activities:

Change in net assets	\$ 256,405
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	137,319
(Increase) decrease in pledges receivable	43,506
(Increase) decrease in accounts receivable - grants	39,373
(Increase) decrease in prepaid expenses	(319)
Increase (decrease) in deferred income	(78,657)
Increase (decrease) in unearned income - grants	598,748
Increase (decrease) in accounts payable	6,986
Increase (decrease) in designated funds payable	<u>(35,302)</u>
Net Cash Provided by Operating Activities	<u>968,059</u>

Cash Flows from Investing Activities:

Acquisition of property and equipment	(64,769)
(Increase) decrease in operating investments	<u>(116)</u>
Net Cash Used by Investing Activities	<u>(64,885)</u>

Cash Flows from Financing Activities:

Advance on line of credit payable	50,000
Payments made on mortgage payable	<u>(69,502)</u>
Net Cash Used by Investing Activities	<u>(19,502)</u>

Net Increase (Decrease) in Cash and Cash Equivalents 883,672

Cash and Cash Equivalents, Beginning of Year 2,627,284

Cash and Cash Equivalents, End of Year \$ 3,510,956

Supplemental Data:

Cash paid for interest	<u>\$ 94,913</u>
Cash paid for income taxes	<u><u>\$ 32,379</u></u>

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

UNITED WAY OF DENTON COUNTY, INC.

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2022

	Program Services							Support Services			Total	
	Allocation Services	Community Capacity Building	Community Education	I&R Research	VITA	Project Blueprint	COVID-19 Relief	Total Program Services	Organizational Administration	Campaign		Total Support Services
Allocations and Awards	429,649	-	-	-	-	-	-	429,649	-	-	-	429,649
Total Allocations and Awards	429,649	-	-	-	-	-	-	429,649	-	-	-	429,649
Salaries and wages	41,447	503,943	13,698	-	42,111	-	1,297,995	1,899,194	124,158	207,370	331,528	2,230,722
Payroll taxes	3,333	39,165	1,285	81	3,342	81	97,773	145,060	9,640	16,419	26,059	171,119
Employee benefits	5,817	69,897	659	-	4,597	-	109,933	190,903	21,018	27,054	48,072	238,975
Total payroll expenses	50,597	613,005	15,642	81	50,050	81	1,505,701	2,235,157	154,816	250,843	405,659	2,640,816
Contract services	2,620	12,603	300	1,310	3,930	262	14	21,039	7,695	2,620	10,315	31,354
Supplies	2,287	11,415	9,413	156	364	2,174	5,539	31,348	11,280	7,799	19,079	50,427
Postage and shipping	508	770	680	9	315	122	167	2,571	1,163	3,332	4,495	7,066
Telephone and networks	3,570	714	256	3,469	3,652	53	-	11,714	3,618	100	3,718	15,432
Occupancy	2,403	18,861	1,163	3,517	2,647	758	1,838	31,187	10,385	3,470	13,855	45,042
Equipment rental & maintenance	7,335	61,074	5,113	2,321	6,584	1,457	24,401	108,285	13,646	8,224	21,870	130,155
Printing	-	-	450	-	-	-	224	674	623	11,949	12,572	13,246
Travel	77	8,658	2,087	190	232	-	14,631	25,875	1,049	1,535	2,584	28,459
Insurance	1,343	5,490	9	-	1,402	19	-	8,263	3,947	2,377	6,324	14,587
Awards	1,000	69,312	3,300	-	-	-	-	73,612	-	6,917	6,917	80,529
Dues	1,030	103	5,311	35	103	15	40	6,637	904	2,504	3,408	10,045
Other	107	474	5,122	7	163	92	11,369	17,334	8,851	17,237	26,088	43,422
Veterans program expenses	-	203,475	-	-	-	-	-	203,475	-	-	-	203,475
Emergency assistance programs	-	-	-	-	-	-	20,712,394	20,712,394	-	-	-	20,712,394
SDC CI Joint Venture expense	133,756	-	-	-	-	-	-	133,756	1,351	-	1,351	135,107
United Way of America dues	2,687	11,883	4,505	2,697	2,687	2,687	-	27,146	9,309	10,010	19,319	46,465
United Way of Texas dues	375	830	1,946	375	525	375	-	4,426	1,126	1,951	3,077	7,503
Total Expenses												
Before Depreciation	209,695	1,018,667	55,297	14,167	72,654	8,095	22,276,318	23,654,893	229,763	330,868	560,631	24,215,524
Interest Expense	18,755	15,941	469	-	2,344	469	1,181	39,159	2,813	6,095	8,908	48,067
Depreciation of Property and Equipment	36,933	31,395	923	-	4,617	923	-	74,791	5,540	12,004	17,544	92,335
Total Expenses	695,032	1,066,003	56,689	14,167	79,615	9,487	22,277,499	24,198,492	238,116	348,967	587,083	24,785,575

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2022

NOTE 1 – Nature of Activities and Significant Accounting Policies

The nature of activities and summary of significant accounting policies of United Way of Denton County, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements. Management of the Organization is responsible for the accuracy and internal consistency of the preparation of the financial statements and notes contained in this annual report.

Nature of Activities –The United Way of Denton County, Inc. serves as a catalyst to facilitate the organized effort of the community to identify and address the existing and emerging human needs of its people. The Organization is supported primarily through donor contributions and governmental grants.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Financial statements presented follow the requirements of Accounting Standards Update (ASU) 2016-14, Not-for-profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) 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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

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

Revenue and 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. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies – Continued

Cash and Cash Equivalents – Cash and cash equivalents consist of cash held in checking and money market accounts.

Operating Investments – Operating investments consist of a non-brokered certificate of deposit. The certificate of deposit is a one-year certificate that will mature in the next fiscal year. The certificate of deposit is reported at carrying value (cost), which approximates fair value.

Support and Promises to Give – Annual campaigns are conducted to raise support for allocation to participating agencies in the current and subsequent year. The Organization previously conducted a capital campaign soliciting contributions and pledges to be used for building purchase or renovation costs. Unconditional promises to give are recognized as revenue when the promise to give is made, in accordance with GAAP. All support is considered available for unrestricted use or temporarily restricted due to time restrictions, unless specifically restricted by the donor. Promises to give are recorded as received, and allowances are provided for amounts estimated as uncollectable. The allowance for uncollectible pledges is established by the United Way Management based on past collection experience and current economic conditions.

Some capital campaign promises to give are to be paid over time periods ranging from one to five years.

Donor restricted pass-through pledges are not recognized as revenue as the Organization acts only as an intermediary between the donor and the ultimate beneficiary as required by FASB ASC 958-605, Not-For-Profit Entities-Revenue Recognition. The SECC campaign and all specific donor donations to designated agencies fall under this designation.

Contributions – The Organization's success in conducting its mission is highly dependent on attracting committed volunteers. A substantial number of volunteers have donated significant amounts of their time in the Organization's management and fund raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated property and professional services are recorded at their estimated fair value as of the date of the donation.

Property and Equipment – Property and equipment are stated at cost, or if donated, the approximate fair value as of the date of the donation, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from 3 to 30 years. Expenditures for the new construction, major renewals and replacements, and equipment with a cost in excess of \$500 are capitalized. Land is not being depreciated.

Income Taxes – The Organization is a not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and from Texas franchise and sales and use taxes. In addition, contributions to the Organization qualify for the charitable contribution deduction under IRC Section 170(b)(1)(A). United Way of Denton County, Inc. has been classified as an organization that is not a private foundation under IRC Section 509(a)(2).

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies - Continued

The Organization applies the provisions of FASB ASC 74, *Income Taxes* related to the accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. For the year ended March 31, 2022, the organization does not believe it currently holds any uncertain tax positions, therefore no recognition of uncertain tax positions is reflected in the financial statements. There was unrelated business income (rental income) for the year ended March 31, 2022, and as a result, an income tax provision of \$23,075 has been recorded.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs – Advertising costs are expensed as incurred.

NOTE 2 – Promises to Give

Receivables from promises to give at March 31, 2022 consisted of the following promises and the expected time of collection:

Receivable in one year or less	\$ 828,576
Receivable in two to five years	<u>30,785</u>
	859,361
Less allowance for uncollectible amounts	(98,435)
Less discount to present value	<u>(554)</u>
Promises to give, net	<u>\$ 760,372</u>

\$103,416 of the net receivables are promises to give to the Organization's capital building campaign.

NOTE 3 – Property and Equipment

Property and equipment consist of the following at March 31, 2022:

	<u>2022</u>
Land	\$ 663,571
Building	2,684,454
Office furniture and equipment	512,858
Less accumulated depreciation	<u>(742,681)</u>
Total	<u>\$ 3,118,202</u>

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 4 – Contributions – Donated Services and Materials

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization's activities during the years. The value of this contributed time is not reflected in these statements. The contributions of services are recognized only if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

NOTE 5 – Designated Funds Payable

The State Employee Charitable Contribution program (SECC) is the only authorized charitable fundraising drive in the State workplace. The United Way serves as the Local Campaign Manager for the SECC campaign. The Organization acts as an intermediary between the donor and the ultimate beneficiary. The SECC funds and designated funds collected through the United Way Campaign are not recognized as revenue by the Organization, but are reported as a designated payable in the statement of the financial position.

NOTE 6 – Liquidity and Availability

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

Cash and cash equivalents	\$ 1,655,083
Accounts receivable	181,384
Operating investments	77,229
Promises to give	<u>656,956</u>
	<u>\$ 2,570,652</u>

NOTE 7 – Mortgage Payable

The Organization has a mortgage payable to a financial institution dated July 8, 2020 secured by its building. The original principal amount was \$2,717,000. The mortgage payable has an initial interest rate of 3.45% through July 31, 2030. The note calls for monthly payments of interest only through February 1, 2021. Beginning March 1, 2021, monthly principal and interest payments of \$13,602.81 are payable through February 1, 2046, subject to change on each interest rate change. Beginning August 1, 2030, and every five years thereafter, the interest rate will be adjusted to the Wall Street Journal Prime Rate, rounded to the nearest 1/10th of 1 percent. At each interest rate change date, the monthly principal and interest payable will be adjusted to fully amortize the loan by the maturity date of February 1, 2046. During the term of the loan, the interest rate cannot be less than 3.45% or more than 10.0%. The balance of the note at March 31, 2021 was \$2,641,186.

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 7 – Mortgage Payable (Continued)

Future maturities of the mortgage payable are as follows:

Years Ending March 31,

2023	\$	71,978
2024		74,297
2025		77,170
2026		79,920
2027		82,761
Thereafter		<u>2,255,060</u>
		<u>\$ 2,641,186</u>

NOTE 8 – Line of Credit Payable

The Organization has a \$500,000 line of credit with a financial institution. Interest is stated at the Wall Street Journal prime rate (3.5% at March 31, 2022) with interest payments due each month until June 11, 2022, when all unpaid principal and interest will be due. The line of credit is secured by the office building owned by the Organization. There was an outstanding balance on the line of credit of \$50,000 on March 31, 2022.

NOTE 9 – Lease Commitments

The Organization leases certain office equipment under operating leases expiring through September 2025. Minimum future rental payments under non-cancelable operating leases as of March 31, 2022 are as follows:

03/31/2023	\$	12,162
03/31/2024		9,126
03/31/2025		9,126
03/31/2026		<u>4,563</u>
Totals		<u>\$ 34,977</u>

Rent expense under operating leases was \$14,042 for the year ended March 31, 2022.

NOTE 10 – Functionalized Expenses

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 occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 11 – Retirement Plan

The Organization sponsors a defined contribution retirement plan described in Section 403(b) of the Internal Revenue Code. The plan was amended effective January 1, 2022. Employees who work 30 hours or more per week are eligible to participate after 90 days of employment. Any eligible employee can make voluntary contributions to the plan. The Organization contributes six percent of compensation for eligible participants hired before January 1, 2022. For participants hired after January 1, 2022, the Organization contributes six percent of compensation for participants that contribute at least two percent of compensation; and four percent of compensation for participants that contribute less than two percent of compensation. For participants hired after January 1, 2022, the Organization's contributions to the plan vest after two years of service, while other employees are fully vested for all employer contributions. The Organization's contributions to the plan for the year ended March 31, 2022, were \$88,409.

NOTE 12 – Net Assets with Donor Restrictions

Net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. As of March 31, 2022, net assets with donor restrictions were as follows:

Annual campaign promises to give, net	\$ 529,938
Capital campaign contributions	102,647
Barriers fund contributions	<u>32,473</u>
Total net assets with donor restrictions	<u>\$ 665,058</u>

NOTE 13 – Concentration of Credit and Market Risk

The Organization maintains various bank accounts that may from time to time contain balances in excess of federally insured limits. The Organization manages this risk by maintaining the deposits with high quality financial institutions.

The Organization has various receivables as of March 31, 2022. The Organization considers its risk of loss from receivables (net of allowance for uncollectible amounts) to be minimal.

The Organization received approximately 51.2% of its contributions from fifteen companies and/or their employees for the 2021 pledge campaign year. COVID-19 relief grants from Denton County, Texas accounted for 89% of total grants.

NOTE 14 – Subsequent Events

Management has evaluated the impact of all subsequent events on the Organization through August 1, 2022, the date of financial statements issuance.

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2022

NOTE 15 – Rental Income

In June 2018, the Organization purchased the building in which the Organization’s offices are located. The Organization occupies fifty percent of the building and rents the remaining 50% to other tenants. The Organization received \$286,097 in rental income during the fiscal year ended March 31, 2022. The rental income is reported in the statement of activities net of \$172,215 of rental expenses. The rental expenses incurred are as follows:

Interest expense	\$	46,846
Property management fees		14,542
Property taxes		24,910
Insurance		6,736
Repairs		10,061
Security		2,006
Maintenance		4,233
Miscellaneous		2,366
Utilities		18,531
Depreciation		<u>44,984</u>
Total	\$	<u>172,215</u>

NOTE 16 – Financial Instruments

Accounts receivable – The amounts reported in the accompanying statements of financial position as accounts receivable approximate fair value because of the short maturities of those instruments.

Receivables from promises to give – The amounts reported in the accompanying statements of financial position as receivables from promises to give approximate fair value because of the short maturities of those instruments.

Accounts payable and other amounts payable – The carrying amounts reported in the accompanying statements of the financial position for accounts payable and other amounts payable approximate fair value.

The carrying amounts and fair value of the United Way’s financial instruments at March 31, 2022 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash and cash equivalents	\$ 3,510,956	\$ 3,510,956
Operating Investments	77,229	77,229
Promises to give, net	760,372	760,372
Other	195,543	195,543
Financial liabilities:		
Accounts payable and other amounts payable	463,602	463,602
Unearned income -grants	1,636,598	1,636,598
Long-term mortgage payable	2,641,186	2,641,186

FEDERAL AWARDS SECTION

Members:
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**HANKINS, EASTUP, DEATON,
TONN & SEAY**
A PROFESSIONAL CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS

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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*

To the Board of Directors
United Way of Denton County, Inc.
Denton, Texas

We have audited, in accordance with the 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 financial statements of United Way of Denton County, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2022, 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 August 1, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Way of Denton County, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 of Denton County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Denton County, Inc.'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*.

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 the 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.

Hankins, Eastup, Deaton, Tonn & Seay, P.C.

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

August 1, 2022

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE

To the Board of Directors
United Way of Denton County, Inc.
Denton, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited United Way of Denton 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 Denton County, Inc.'s major federal programs for the year ended March 31, 2022. United Way of Denton County, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of finding and questioned costs.

In our opinion, United Way of Denton 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 March 31, 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, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of United Way of Denton County, Inc. and to meet 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 provide a legal determination of United Way of Denton County, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities 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 requirement of laws, statutes, regulations, rules, contracts, or grant agreements applicable to its 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 Denton 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, intentional 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 judgement made by a reasonable user of the report on compliance about United Way of Denton 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 Denton 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 Denton 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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of United Way of Denton 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 a 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 Auditor's Responsibilities for the Audit of 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 consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been 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.

Hankins, Eastup, Deaton, Tonn & Seay, PC

Hankins, Eastup, Deaton, Tonn & Seay, PC
Denton, Texas

August 1, 2022

UNITED WAY OF DENTON COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2022

I. Summary of Auditor's Results

Financial Statements

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weaknesses identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Type of auditors' report issued on compliance for major programs Unmodified

Did the audit disclose findings which are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major programs:

- FALN 14.231 - Emergency Solutions Grants Program
- FALN 21.023 - Emergency Rental Assistance Program
- FALN 21.027 - Coronavirus State & Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs \$750,000

Auditee qualified as low-risk auditee? Yes No(1)

II. Financial Statement Findings

None

III. Findings and Questioned Costs for State and Federal Awards

None

(1) In order to meet the criteria for a low-risk auditee in the current year, the Organization must have undergone a Single Audit in accordance with the Uniform Guidance in the two previous fiscal years, and had no findings. This is the second year the Organization has been required to undergo a Single Audit.

UNITED WAY OF DENTON COUNTY, INC.

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED MARCH 31, 2022**

CORRECTIVE ACTION PLAN:

None Required

UNITED WAY OF DENTON COUNTY, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2022**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal FALN Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
<u>Direct Program</u>			
Continuum of Care Program	14.267	TX0530L6T	\$ 104,058
Total Direct Program			<u>104,058</u>
<u>Passed Through City of Denton, Texas</u>			
Texas Emergency Rental Assistance Program	14.228	70200001013	74,274
<u>Passed Through City of Lewisville, Texas</u>			
Texas Emergency Rental Assistance Program	14.228	70200001026	<u>68,319</u>
Total FALN Number 14.228			<u>142,593</u>
<u>Passed Through City of Denton, Texas</u>			
Emergency Solutions Grant - CARES Act	14.231	43206070082	95,847
<u>Passed Through Texas Department of Housing and Community Affairs</u>			
Emergency Solutions Grants Program	14.231	782112114	<u>1,267,594</u>
Total FALN Number 14.231			<u>1,363,441</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPEMNT			\$ 1,610,092
U.S. DEPARTMENT OF THE TREASURY			
<u>Direct Program</u>			
Volunteer Income Tax Assistance Matching Grant	21.009	22VITA0201	\$ 39,833
Total Direct Program			<u>\$ 39,833</u>
<u>Passed Through Denton County, Texas</u>			
Coronavirus Relief Fund	21.019	52.6813.10.67	8,962
Emergency Rental Assistance Program	21.023	53.6813.10.40	16,312,645
Coronavirus State & Local Fiscal Recovery Funds	21.027	54.6813.10.67	<u>4,170,218</u>
Total Passed Through Denton County, Texas			<u>\$ 20,491,825</u>
TOTAL U.S. DEPARTMENT OF THE TREASURY			\$ 20,531,658
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Homeless Network</u>			
Community Services Block Grant - CARES Act	93.569	20210005	\$ 39,977
<u>Passed Through Texas Workforce Commission</u>			
Child Care Development Fund	93.575	040CCQ002	<u>126,437</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 166,414
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 22,308,164

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of United Way of Denton County, Inc. under programs of the federal government for the year ended March 31, 2022. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of United Way of Denton County, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of United Way of Denton County, Inc.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

United Way of Denton County, Inc. accounts for all awards under federal programs using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. This basis of accounting recognizes revenue in the accounting period in which they are earned, and expenses in the accounting period in which the liability is incurred. Expenses are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenses are not allowable.