UNITED WAY OF DENTON COUNTY, INC.

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2026

UNITED WAY OF DENTON COUNTY, INC.
ANNUAL FINANCIAL REPORT
March 31, 2026

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902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

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, 2026, 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, 2026, 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 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 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 of 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.

Auditors' Responsibilities for the Audit of 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 and G*overnment 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 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 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2026, 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 & Scarborough, LLC
Denton, Texas

June 25, 2026

UNITED WAY OF DENTON COUNTY, INC.

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2026

ASSETS

Current Assets:	
Cash and cash equivalents	$ 1,765,374
Operating investments	355,230
Promises to give, net	470,743
Accounts receivable - grants	313,929
Prepaid expenses	35,264
Other Assets	19,884
Total Current Assets	2,960,424
Property and Equipment	
Land	663,571
Building	2,684,454
Office equipment and furniture	663,925
Less accumulated depreciation and amortization	(1,272,126)
Net Property and Equipment	2,739,824
Total Assets	$ 5,700,248

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	56,027
Designated funds payable	106,116
Security deposits	19,877
Unearned income - grants	-
Current portion of mortgage payable	83,939
Total Current Liabilities	265,959
Other Liabilities:	
Mortgage payable, net of current portion	2,253,424
Total Other Liabilities	2,253,424
Net Assets:	
Without donor restrictions	2,375,727
With donor restrictions	805,138
Total Net Assets	3,180,865
Total Liabilities and Net Assets	$ 5,700,248

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, 2026

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Campaign Results:			
Gross campaign results	$ 1,497,266	$ 452,299	$ 1,949,565
Gross campaign results in prior year released from restriction	342,097	(342,097)	-
Total Campaign Results	1,839,363	110,202	1,949,565
Loss on uncollectible promises to give	(156,930)	-	(156,930)
Net Campaign Revenue	1,682,433	110,202	1,792,635
Other Revenue:			
Special events	211,741	-	211,741
Other contributions	92,538	-	92,538
Other grants	771,428	102,190	873,618
Service fees	2,519	-	2,519
Rental income (net of $240,398 rental expenses)	98,219	-	98,219
Interest income	21,296	-	21,296
Miscellaneous income	35,227	-	35,227
Total Other Revenue	1,232,968	102,190	1,335,158
Total Public Support and Revenue	2,915,401	212,392	3,127,793
Expenses:			
Program Services:			
Funds awarded/distributed	790,532	-	790,532
Community capacity building	709,375	-	709,375
Community education	243,169	-	243,169
I&R research	13,527	-	13,527
VITA	178,374	-	178,374
Project blueprint	2,152	-	2,152
COVID-19 relief	12	-	12
HUDCOC Grant 2024	151,211	-	151,211
Total Program Services	2,088,353	-	2,088,353
Supporting Services:			
Organizational administration	276,711	-	276,711
Campaign	543,516	-	543,516
Total Supporting Services	820,227	-	820,227
Federal income tax	20,416	-	20,416
Total Expenses	2,928,996	-	2,928,996
Change in Net Assets	(13,595)	212,392	198,797
Net Assets, Beginning of Year	2,389,322	592,746	2,982,068
Net Assets, End of Year	$ 2,375,727	$ 805,138	$ 3,180,865

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

UNITED WAY OF DENTON COUNTY, INC.

STATEMENT OF CASH FLOWS
MARCH 31, 2026

Cash Flows from Operating Activities:		
Change in net assets	$	198,797
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense		124,126
(Increase) decrease in pledges receivable		79,266
(Increase) decrease in accounts receivable - grants		(182,660)
(Increase) decrease in leasing commissions		(19,884)
(Increase) decrease in prepaid expenses		(4,012)
Increase (decrease) in security deposits		-
Increase (decrease) in unearned income - grants		(5,401)
Increase (decrease) in accounts payable		(5,392)
Increase (decrease) in designated funds payable		(28,181)
Net Cash Provided by Operating Activities		156,659
Cash Flows from Investing Activities:		
Acquisition of property and equipment		(54,361)
(Increase) decrease in operating investments		(66,039)
Net Cash Used by Investing Activities		(120,400)
Cash Flows from Financing Activities:		
Principal payments made on mortgage payable		(80,366)
Net Increase (Decrease) in Cash and Cash Equivalents		(44,107)
Cash and Cash Equivalents, Beginning of Year		1,809,481
Cash and Cash Equivalents, End of Year	$	1,765,374
Supplemental Data:		
Cash paid for interest	$	83,318
Cash paid for income taxes	$	18,229

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, 2026

	Program Services									Support Services			
	Allocation Services	Community Capacity Building	Community Education	I&R Research	VITA	Project Blueprint	COVID-19 Relief	HUDCOC Grant 2024	Total Program Services	Organizational Administration	Campaign	Total Support Services	Total
Allocations and Awards	699,775								699,775				699,775
Total Allocations and Awards	699,775								699,775				699,775
Salaries and wages	16,172	296,219	119,354		106,708			116,324	654,777	180,243	373,126	553,370	1,208,147
Payroll taxes	1,203	24,409	8,051		8,486			8,563	50,712	15,113	28,432	43,545	94,257
Employee benefits	2,054	48,789	9,920		14,812			14,143	89,717	31,477	46,929	78,407	168,124
Total payroll expenses	19,429	369,417	137,324		130,006			139,030	795,206	226,834	448,487	675,322	1,470,527
Contract services	2,100	12,500	1,320	-	2,050				17,970	4,442	4,200	8,642	26,611
Supplies	662	4,791	11,594	416	1,955	335		165	19,918	4,110	11,299	15,409	35,327
Postage and shipping	368	665	105	125	326				1,589	488	1,250	1,738	3,327
Telephone and networks	2,100	7,681	2,985	2,100	2,100				16,964	2,101	3,319	5,420	22,385
Occupancy	2,481	17,464	7,172	1,338	3,582				32,036	4,106	3,317	7,423	39,459
Equipment rental & maintenance	12,828	54,411	16,402	3,447	10,227			890	98,205	11,289	16,395	27,684	125,889
Printing	267	804	6,098	4,586	400				12,155	269	2,831	3,100	15,255
Travel		9,798	9,485		3,082			873	23,238	598	4,479	5,077	28,315
Special Events					81				81				81
Insurance	1,670	7,068	105		2,076				10,919	5,545	1,815	7,360	18,278
In-kind		39,262	8,000		15,088				62,349	684	3,154	3,838	66,187
Awards		-	316		463				778		1,218	1,218	1,997
Dues & Subscriptions	240	2,279	11,508	70	285				14,381	948	1,641	2,589	16,970
Miscellaneous & Other	10	569	21,051	1	108		12	6,110	27,861	1,627	15,581	17,208	45,069
Veterans program expenses		149,499							149,499				149,499
United Way of America dues	2,604	7,530	2,604	1,116	1,116	372			15,341	3,192	3,786	6,977	22,319
United Way of Texas dues	213	3,989	1,092	328	252	(5)			5,869	639	854	1,493	7,362
Total Expenses Before Depreciation	44,970	687,725	237,161	13,527	173,195	702	12	147,068	1,304,360	266,870	523,627	790,497	2,094,857
Interest Expense	829	10,773	4,558		3,729			4,143	24,032	6,215	11,187	17,402	41,434
Depreciation of Property and Equipment	44,959	10,877	1,450		1,450	1,450			60,187	3,626	8,702	12,327	72,515
Total Expenses	790,532	709,375	243,169	13,527	178,374	2,152	12	151,211	2,088,353	276,711	543,516	820,227	2,908,580

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.

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)(I)(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).

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, 2026, 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, 2026, and as a result, an income tax provision of $20,416 has been recorded.

Use of Estimates – The preparation of financial statements inconformity 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, 2026 consisted of the following promises and the expected time of collection:

Receivable in one year or less	$ 580,945
Receivable in two to five years	-
	580,945
Less allowance for uncollectible amounts	(110,202)
Less discount to present value	-
Promises to give, net	$ 470,743

$20,544 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, 2026:

	2026
Land	$ 663,571
Building	2,684,454
Office furniture and equipment	663,925
Less accumulated depreciation	(1,272,126)
Total	$ 2,739,824

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	$ 1,629,081
Accounts receivable	313,929
Operating investments	355,230
Promises to give	470,743
	$ 2,795,700

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, 2026 was $2,337,363.

NOTE 7 – Mortgage Payable (Continued)

Future maturities of the mortgage payable are as follows:

Years Ending March 31,		
2027	$	83,942
2028		86,881
2029		89,926
2030		93,080
2031		96,342
Thereafter		
	$	2,337,363

NOTE 8 – 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.

NOTE 9 – 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, 2026, were $68,767.

NOTE 10 –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, 2026, net assets with donor restrictions were as follows:

Annual campaign promises to give, net	$ 450,199
Capital campaign contributions	20,544
Total net assets with donor restrictions	$ 470,743

NOTE 11 – 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, 2026. The Organization considers its risk of loss from receivables (net of allowance for uncollectible amounts) to be minimal.

The Organization received approximately 30% of its contributions from fifteen companies and/or their employees for the 2025 pledge campaign year. Veterans Initiative grant accounted for 37% of total grants.

NOTE 12 – Subsequent Events

Management has evaluated the impact of all subsequent events on the Organization through June 25, 2026, the date of financial statements issuance.

NOTE 13 – 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 $338,617 in rental income during the fiscal year ended March 31, 2026. The rental income is reported in the statement of activities net of $240,398 of rental expenses. The rental expenses incurred are as follows:

Interest expense	$ 41,434
Property management fees	27,177
Property taxes	31,040
Insurance	32,502
Repairs	1,503
Security	2,569
Maintenance	7,700
Miscellaneous	11,999
Utilities	39,490
Depreciation	44,984
Total	$ 240,398

NOTE 14 – 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, 2026 are as follows:

	Carrying Amount	Fair Value
Financial Assets:		
Cash and cash equivalents	$ 1,765,374	$ 1,765,374
Operating Investments	355,230	355,230
Promises to give, net	470,743	470,743
Other	369,077	369,077
Financial liabilities:		
Accounts payable and other amounts payable	182,020	182,020
Long-term mortgage payable	2,337,363	2,337,363

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902 NORTH LOCUST
P.O. BOX 977
DENTON, TX 76202-0977

TEL. (940) 387-8563
FAX (940) 383-4746

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, 2026, 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 June 25, 2026.

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
CERTIFIED PUBLIC ACCOUNTANTS

Hankins, Eastup, Deaton, Tonn, Seay & Scarborough, LLC
Denton, Texas

June 25, 2026