

UNITED WAY OF DENTON COUNTY, INC.

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2025

UNITED WAY OF DENTON COUNTY, INC.
ANNUAL FINANCIAL REPORT
March 31, 2025

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**HANKINS, EASTUP, DEATON,
TONN, SEAY & SCARBOROUGH**
A Limited Liability Company

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, 2025, 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, 2025, 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 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.

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 *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, 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 July 9, 2025, 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.



CERTIFIED PUBLIC ACCOUNTANTS

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

July 9, 2025



August 6, 2025

Management Discussion of Financial Statements for the Year Ended March 31, 2025

We are pleased to present this Management Discussion of Financial Statements for the fiscal year ended March 31, 2025. This year marked a significant transition for United Way of Denton County as we adapted to a changing funding landscape in the post-pandemic era and reaffirmed our commitment to serving the Denton County community with resilience and innovation.

Program Expenses & Federal Funding Changes

In 2024-25, program revenue and expenses dropped 63.5% compared to the prior year. This reduction was primarily due to the conclusion of COVID-era federal funding, which had provided \$2.5 million in support during the previous fiscal year. These funds were instrumental in expanding our services during the pandemic, and their expiration necessitated a strategic realignment of program delivery and resource allocations.

Despite this reduction, our commitment to impact lives remained steadfast. We prioritized sustaining core safety net services and leveraged community partnerships to maintain essential programming while addressing social service systems gaps across Denton County.

Fundraising and Local Support Strategic Investments

In response to anticipated federal, state and local public funding reductions, in the spring of 2024 our board of directors intensified our long-term fundraising efforts by dramatically increasing investments in our resource development, or fundraising, capacity. We strategically increased our investment in resource development expenses by 55.9% to diversify public sector support with increased private sector fundraising and grant development expansion. This decision, while impacting program, management and fundraising ratios in the short-term, underscores the commitment we have to our mission of mobilizing Denton County communities to action so all can thrive and to long-term sustainability and innovation.

Looking Ahead

As expected, with the combination of dramatic federal program support reductions and increased fundraising expenses, the resulting management and fundraising expense ratio is 34% for fiscal year 2024-25. We are confident that this is a short-term condition that reflects our long-term commitment to fundraising investment in program support capacity building. We will continue to examine all management and fundraising expenses to fine-tune our program support growth strategy in the 2025-26 fiscal year.

Sincerely,

Gary Henderson
President & CEO

Chief Michael Thomson
Board Chair

Dr. Mary Curtis
Board Treasurer

UNITED WAY OF DENTON COUNTY, INC.

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2025

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 1,809,481
Operating investments	289,191
Promises to give, net	550,008
Accounts receivable - grants	131,269
Prepaid expenses	31,252
Total Current Assets	<u>2,811,201</u>
Property and Equipment	
Land	663,571
Building	2,684,454
Office equipment and furniture	609,564
Less accumulated depreciation	<u>(1,148,000)</u>
Net Property and Equipment	<u>2,809,589</u>
Total Assets	<u><u>\$ 5,620,790</u></u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	61,419
Designated funds payable	134,297
Security deposits	19,877
Unearned income - grants	5,401
Current portion of mortgage payable	81,096
Total Current Liabilities	<u>302,090</u>
Other Liabilities:	
Mortgage payable, net of current portion	<u>2,336,633</u>
Total Other Liabilities	<u>2,336,633</u>
Net Assets:	
Without donor restrictions	2,389,322
With donor restrictions	<u>592,746</u>
Total Net Assets	<u>2,982,067</u>
Total Liabilities and Net Assets	<u><u>\$ 5,620,790</u></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, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Campaign Results:			
Gross campaign results	\$ 1,229,024	\$ 529,464	\$ 1,758,488
Gross campaign results in prior year released from restriction	563,922	(563,922)	-
Total Campaign Results	1,792,946	(34,458)	1,758,488
Loss on uncollectible promises to give	(99,679)	-	(99,679)
Net Campaign Revenue	1,693,267	(34,458)	1,658,809
Other Revenue:			
Special events	205,667	-	205,667
Other contributions	60,082	-	60,082
Other grants	776,470	42,738	819,207
Service fees	16,939	-	16,939
Rental income (net of \$207,343 rental expenses)	86,864	-	86,864
Interest income	13,391	-	13,391
Miscellaneous income	32,346	-	32,346
Total Other Revenue	1,191,758	42,738	1,234,496
Total Public Support and Revenue	2,885,026	8,280	2,893,305
Expenses:			
Program Services:			
Funds awarded/distributed	850,230	-	850,230
Community capacity building	640,237	-	640,237
Community education	70,741	-	70,741
I&R research	11,225	-	11,225
VITA	128,243	-	128,243
Project blueprint	7,861	-	7,861
COVID-19 relief	39,332	-	39,332
HUDCOC Grant 2024	135,939	-	135,939
Total Program Services	1,883,806	-	1,883,806
Supporting Services:			
Organizational administration	373,115	-	373,115
Campaign	596,859	-	596,859
Total Supporting Services	969,974	-	969,974
Federal income tax	18,031	-	18,031
Total Expenses	2,871,811	-	2,871,811
Change in Net Assets	13,215	8,280	21,494
Net Assets, Beginning of Year	2,376,107	584,466	2,960,573
Net Assets, End of Year	\$ 2,389,322	\$ 592,746	\$ 2,982,067

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

UNITED WAY OF DENTON COUNTY, INC.

STATEMENT OF CASH FLOWS
MARCH 31, 2025

Cash Flows from Operating Activities:

Change in net assets	\$ 21,494
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	128,212
(Increase) decrease in pledges receivable	34,458
(Increase) decrease in accounts receivable - grants	(43,532)
(Increase) decrease in accrued accounts receivable	4,070
(Increase) decrease in prepaid expenses	2,196
Increase (decrease) in security deposits	3,895
Increase (decrease) in unearned income - grants	(593,109)
Increase (decrease) in accounts payable	4,210
Increase (decrease) in designated funds payable	<u>(62,173)</u>
Net Cash Provided by Operating Activities	<u>(500,279)</u>

Cash Flows from Investing Activities:

Acquisition of property and equipment	(61,205)
(Increase) decrease in operating investments	<u>59,156</u>
Net Cash Used by Investing Activities	<u>(2,049)</u>

Cash Flows from Financing Activities:

Principal payments made on mortgage payable	<u>(77,177)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(579,505)
Cash and Cash Equivalents, Beginning of Year	<u>2,388,986</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 1,809,481</u></u>

Supplemental Data:

Cash paid for interest	<u>\$ 86,056</u>
Cash paid for income taxes	<u><u>\$ 10,168</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, 2025**

	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	708,619								708,619				708,619
Total Allocations and Awards	708,619								708,619				708,619
Salaries and wages	31,600	270,938	23,125		83,544		1,571	110,580	521,359	240,503	410,715	651,217	1,172,576
Payroll taxes	2,353	23,290	1,743		6,409		1,220	8,459	43,475	19,358	30,830	50,189	93,664
Employee benefits	4,739	37,612	1,461		8,440		(474)	13,753	65,531	45,628	45,968	91,596	157,127
Total payroll expenses	38,692	331,840	26,329		98,394		2,318	132,792	630,365	305,488	487,514	793,002	1,423,367
Contract services	1,090	15,065	928	15	1,216	15	7,000		25,329	2,998	2,240	5,238	30,567
Supplies	544	5,157	7,614	163	2,878	456			16,812	8,726	13,465	22,191	39,003
Postage and shipping	623	749	50		648				2,070	857	613	1,470	3,540
Telephone and networks	3,098	5,488	1,623	3,098	3,098	360			16,767	3,098	2,848	5,946	22,713
Occupancy	1,970	15,840	3,800	1,727	3,037	333			26,707	7,630	3,556	11,186	37,894
Equipment rental & maintenance	13,102	56,076	7,645	3,456	9,853	1,663	61	2,210	94,066	14,107	20,037	34,145	128,210
Printing	476	1,967	285	238	713				3,679	476	4,846	5,321	9,000
Travel	111	4,803	7,057		1,687		36	936	14,630	2,308	4,462	6,771	21,401
Special Events		175	158						333	158			333
Insurance	1,490	4,470			1,490				7,450	5,651	1,490	7,141	14,591
In-kind											10,872	10,872	10,872
Awards		1,000	117		106		29,841		31,063		1,732	1,732	32,795
Dues & Subscriptions		60	4,418	20			40		4,538	571	2,241	2,812	7,350
Miscellaneous & Other		1,130	1,930		45		36		3,141	3,047	15,207	18,254	21,395
Veterans program expenses		165,559							165,559				165,559
United Way of America dues	2,028	11,704	5,679	2,400	2,400	2,400			26,610	11,364	10,024	21,388	47,998
United Way of Texas dues	108	216	583	108	151	108			1,274	324	561	885	2,159
Total Expenses													
Before Depreciation	63,332	621,298	68,216	11,225	125,718	5,335	39,332	135,939	1,070,395	366,802	581,708	948,510	2,018,905
Interest Expense	26,677	6,454	861		861	861			35,713	2,151	5,163	7,315	43,028
Depreciation of Property and Equipment	51,601	12,484	1,665		1,665	1,665			69,079	4,161	9,987	14,149	83,228
Total Expenses	850,230	640,237	70,741	11,225	128,243	7,861	39,332	135,939	1,883,806	373,115	596,859	969,974	2,853,780

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

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2025

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, 2025

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, 2025

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, 2025, 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, 2025, and as a result, an income tax provision of \$18,031 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, 2025 consisted of the following promises and the expected time of collection:

Receivable in one year or less	\$ 643,821
Receivable in two to five years	-
	<u>643,821</u>
Less allowance for uncollectible amounts	(93,813)
Less discount to present value	-
	<u>-</u>
Promises to give, net	<u>\$ 550,008</u>

\$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, 2025:

	<u>2025</u>
Land	\$ 663,571
Building	2,684,454
Office furniture and equipment	609,564
Less accumulated depreciation	<u>(1,148,000)</u>
Total	<u>\$ 2,809,589</u>

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2025

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	\$ 1,669,783
Accounts receivable	131,269
Operating investments	289,191
Promises to give	<u>550,008</u>
	<u>\$ 2,640,251</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, 2025 was \$2,417,729.

UNITED WAY OF DENTON COUNTY, INC.

**NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025**

NOTE 7 – Mortgage Payable (Continued)

Future maturities of the mortgage payable are as follows:

Years Ending March 31,

2026	\$ 81,096
2027	83,939
2028	86,881
2029	89,926
2030	93,078
Thereafter	<u>1,982,208</u>
	<u><u>\$ 2,417,729</u></u>

NOTE 8 – 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, 2025 are as follows:

03/31/2026	<u>3,893</u>
Totals	<u><u>\$ 3,893</u></u>

Rent expense under operating leases was \$3,893 for the year ended March 31, 2025.

NOTE 9 – 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 10 – 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, 2025, were \$53,346.

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2025

NOTE 11 –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, 2025, net assets with donor restrictions were as follows:

Annual campaign promises to give, net	\$ 529,464
Capital campaign contributions	20,544
Total net assets with donor restrictions	<u>\$ 550,008</u>

NOTE 12 – 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, 2025. The Organization considers its risk of loss from receivables (net of allowance for uncollectible amounts) to be minimal.

The Organization received approximately 10% of its contributions from fifteen companies and/or their employees for the 2024 pledge campaign year. COVID-19 relief grants from Denton County, Texas accounted for 74% of total grants.

NOTE 13 – Subsequent Events

Management has evaluated the impact of all subsequent events on the Organization through July 9, 2025, the date of financial statements issuance.

NOTE 14 – 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 \$294,207 in rental income during the fiscal year ended March 31, 2025. The rental income is reported in the statement of activities net of \$207,343 of rental expenses. The rental expenses incurred are as follows:

Interest expense	\$ 43,028
Property management fees	23,192
Property taxes	26,093
Insurance	19,880
Repairs	20,564
Security	4,410
Maintenance	6,270
Miscellaneous	5,996
Utilities	12,926
Depreciation	<u>44,984</u>
Total	<u>\$ 207,343</u>

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2025

NOTE 15 – 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, 2025 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash and cash equivalents	\$ 1,809,481	\$ 1,809,481
Operating Investments	289,191	289,191
Promises to give, net	550,008	550,008
Other	162,521	162,521
Financial liabilities:		
Accounts payable and other amounts payable	215,593	215,593
Unearned income -grants	5,401	5,401
Long-term mortgage payable	2,417,729	2,417,729

Members:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC
ACCOUNTANTS
TEXAS SOCIETY OF CERTIFIED
PUBLIC ACCOUNTANTS

**HANKINS, EASTUP, DEATON,
TONN, SEAY & SCARBOROUGH**
A Limited Liability Company

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, 2025, 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 July 9, 2025.

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.



CERTIFIED PUBLIC ACCOUNTANTS

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

July 9, 2025