

UNITED WAY OF DENTON COUNTY, INC.

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2024

UNITED WAY OF DENTON COUNTY, INC.
ANNUAL FINANCIAL REPORT
 March 31, 2024

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

CERTIFIED PUBLIC ACCOUNTANTS

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, 2024, 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, 2024, 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 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.

Report on Supplementary 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 June 21, 2024, 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 21, 2024

UNITED WAY OF DENTON COUNTY, INC.

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2024

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 2,388,986
Operating investments	348,347
Promises to give, net	584,466
Accounts receivable - grants	87,737
Accrued Interest Receivable	4,070
Prepaid expenses	33,448
Total Current Assets	<u>3,447,054</u>
Property and Equipment	
Land	663,571
Building	2,684,454
Office equipment and furniture	548,359
Less accumulated depreciation	<u>(1,019,788)</u>
Net Property and Equipment	<u>2,876,596</u>
Total Assets	<u>\$ 6,323,650</u>

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	57,209
Designated funds payable	196,470
Security deposits	15,982
Unearned income - grants	598,510
Current portion of mortgage payable	80,488
Total Current Liabilities	<u>948,659</u>
Other Liabilities:	
Mortgage payable, net of current portion	<u>2,414,418</u>
Total Other Liabilities	2,414,418
Net Assets:	
Without donor restrictions	2,376,107
With donor restrictions	<u>584,466</u>
Total Net Assets	<u>2,960,573</u>
Total Liabilities and Net Assets	<u>\$ 6,323,650</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, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenue:			
Campaign Results:			
Gross campaign results	\$ 1,151,598	\$ 563,922	\$ 1,715,520
Gross campaign results in prior year released from restriction	623,256	(623,256)	-
Total Campaign Results	<u>1,774,854</u>	<u>(59,334)</u>	<u>1,715,520</u>
Loss on uncollectible promises to give	(245,732)	-	(245,732)
Net Campaign Revenue	<u>1,529,122</u>	<u>(59,334)</u>	<u>1,469,788</u>
Other Revenue:			
Special events	117,213	-	117,213
Other contributions	34,544	-	34,544
Other grants	3,759,825	41,710	3,801,535
Service fees	2,665	-	2,665
Rental income (net of \$211,855 rental expenses)	50,563	-	50,563
Interest income	16,798	-	16,798
Miscellaneous income	27,231	-	27,231
Net assets released from restrictions	75,514	(75,514)	-
Total Other Revenue	<u>4,084,353</u>	<u>(33,804)</u>	<u>4,050,549</u>
Total Public Support and Revenue	<u>5,613,475</u>	<u>(93,138)</u>	<u>5,520,337</u>
Expenses:			
Program Services:			
Funds awarded/distributed	710,537	-	710,537
Community capacity building	719,617	-	719,617
Community education	60,258	-	60,258
I&R research	13,615	-	13,615
VITA	104,866	-	104,866
Project blueprint	10,210	-	10,210
COVID-19 relief	3,205,915	-	3,205,915
COL Senior Rent	91,566	-	91,566
HUDCOC Grant 2024	141,200	-	141,200
Credible Mind	835	-	835
Total Program Services	<u>5,058,618</u>	<u>-</u>	<u>5,058,618</u>
Supporting Services:			
Organizational administration	378,733	-	378,733
Campaign	379,415	-	379,415
Total Supporting Services	<u>758,148</u>	<u>-</u>	<u>758,148</u>
Federal income tax	10,408	-	10,408
Total Expenses	<u>5,827,174</u>	<u>-</u>	<u>5,827,174</u>
Change in Net Assets	(213,699)	(93,138)	(306,837)
Net Assets, Beginning of Year	2,589,806	677,604	3,267,410
Net Assets, End of Year	<u>\$ 2,376,107</u>	<u>\$ 584,466</u>	<u>\$ 2,960,573</u>

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

UNITED WAY OF DENTON COUNTY, INC.

STATEMENT OF CASH FLOWS
MARCH 31, 2024

Cash Flows from Operating Activities:

Change in net assets	\$ (306,837)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	136,834
(Increase) decrease in pledges receivable	59,334
(Increase) decrease in accounts receivable - grants	432,093
(Increase) decrease in accrued accounts receivable	(4,070)
(Increase) decrease in prepaid expenses	(12,707)
Increase (decrease) in security deposits	(4,349)
Increase (decrease) in unearned income - grants	(2,030,625)
Increase (decrease) in accounts payable	(482,768)
Increase (decrease) in accounts payable	(19,957)
Increase (decrease) in designated funds payable	<u>(103,146)</u>
Net Cash Provided by Operating Activities	<u>(2,336,198)</u>

Cash Flows from Investing Activities:

Acquisition of property and equipment	(9,669)
(Increase) decrease in operating investments	<u>(271,031)</u>
Net Cash Used by Investing Activities	<u>(280,700)</u>

Cash Flows from Financing Activities:

Principal payments made on mortgage payable	<u>(74,299)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(2,691,197)
Cash and Cash Equivalents, Beginning of Year	<u>5,080,183</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 2,388,986</u></u>

Supplemental Data:

Cash paid for interest	<u>\$ 88,934</u>
Cash paid for income taxes	<u><u>\$ 20,576</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, 2024

	Program Services										Support Services			Total	
	Allocation Services	Community Capacity Building	Community Education	I&R Research	VITA	Project Blueprint	COVID-19 Relief	COL Senior Rent	HUDCOC Grant 2024	Credible Mind	Total Program Services	Organizational Administrator	Campaign		Total Support Services
Allocations and Awards	550,551	-	-	-	-	-	-	-	-	-	550,551	-	-	-	550,551
Total Allocations and Awards	550,551	-	-	-	-	-	-	-	-	-	550,551	-	-	-	550,551
Salaries and wages	61,085	434,740	15,601	-	64,240	-	566,833	10,519	122,962	736	1,276,716	203,899	241,883	445,782	1,722,498
Payroll taxes	4,557	34,074	1,194	-	4,817	-	43,245	805	8,759	55	97,505	15,666	17,991	33,657	131,162
Employee benefits	10,996	56,008	698	-	6,586	-	71,464	-	7,868	44	153,664	27,690	25,368	53,058	206,721
Total payroll expenses	76,638	524,822	17,493	-	75,643	-	681,542	11,324	139,589	835	1,527,885	247,255	285,241	532,496	2,060,381
Contract services	1,000	12,486	-	-	1,084	-	9,500	-	-	-	24,070	2,900	2,450	5,350	29,420
Supplies	804	18,922	11,649	606	2,511	2,383	35	-	-	-	36,910	13,450	13,474	26,924	63,834
Postage and shipping	859	967	594	-	703	104	-	-	-	-	3,226	2,366	4,610	6,977	10,203
Telephone and networks	5,353	170	85	5,353	5,353	43	-	-	-	-	16,358	5,311	-	5,311	21,669
Occupancy	2,450	22,384	794	2,149	3,153	749	1,137	-	-	-	32,817	7,214	3,982	11,196	44,012
Equipment rental & maintenance	13,062	55,729	6,673	3,442	9,634	2,494	2,613	-	1,130	-	94,777	19,943	16,412	36,355	131,132
Printing	88	380	1,483	44	133	-	-	-	-	-	2,128	749	5,983	6,732	8,860
Travel	150	17,693	3,392	-	1,724	356	1,721	-	374	-	25,410	3,761	5,235	8,996	34,406
Special Events	-	-	-	-	22	-	-	-	-	-	22	-	-	-	22
Conferences and meetings	-	-	402	-	152	-	-	-	-	-	554	-	-	-	554
Insurance	551	1,612	-	-	411	19	-	-	-	-	2,592	3,319	875	4,193	6,786
In-kind	-	300	-	-	-	-	-	-	-	-	300	-	-	-	300
Awards	-	289	1,724	-	105	-	-	80,242	-	-	82,361	132	2,014	2,146	84,507
Dues & Subscriptions	58	50	6,485	15	117	15	-	-	-	-	6,739	82	2,444	2,526	9,265
Miscellaneous & Other	48	6,011	3,383	28	145	236	17,460	-	108	-	27,419	5,310	17,510	22,821	50,239
Veterans program expenses	-	34,698	-	-	-	-	-	-	-	-	34,698	-	-	-	34,698
Emergency assistance payments	-	-	-	-	-	-	2,491,906	-	-	-	2,491,906	-	-	-	2,491,906
SDC CI Joint Venture expense	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
United Way of America dues	1,567	8,509	2,057	1,567	1,567	1,567	-	-	-	-	16,834	16,655	6,035	22,690	39,525
United Way of Texas dues	409	818	2,208	409	572	409	-	-	-	-	4,824	1,227	2,126	3,353	8,177
Total Expenses Before Depreciation	103,038	705,839	58,421	13,615	103,029	8,373	3,205,915	91,566	141,200	835	4,431,830	329,673	368,392	698,066	5,129,896
Interest Expense	-	-	-	-	-	-	-	-	-	-	-	44,467	-	44,467	44,467
Depreciation of Property and Equipment	56,948	13,778	1,837	-	1,837	1,837	-	-	-	-	76,237	4,593	11,022	15,615	91,851
Total Expenses	710,537	719,617	60,258	13,615	104,866	10,210	3,205,915	91,566	141,200	835	5,058,618	378,733	379,415	758,148	5,816,766

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

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, 2024

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, 2024

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, 2024, 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, 2024, and as a result, an income tax provision of \$10,408 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, 2024 consisted of the following promises and the expected time of collection:

Receivable in one year or less	\$ 715,724
Receivable in two to five years	-
	<u>715,724</u>
Less allowance for uncollectible amounts	(131,258)
Less discount to present value	-
	<u>-</u>
Promises to give, net	<u>\$ 584,466</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, 2024:

	<u>2024</u>
Land	\$ 663,571
Building	2,684,454
Office furniture and equipment	548,359
Less accumulated depreciation	<u>(1,019,788)</u>
Total	<u>\$ 2,876,596</u>

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

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	\$ 1,593,999
Accounts receivable	87,737
Operating investments	348,347
Promises to give	<u>563,922</u>
	<u>\$ 2,594,005</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, 2024 was \$2,494,906.

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

NOTE 7 – Mortgage Payable (Continued)

Future maturities of the mortgage payable are as follows:

Years Ending March 31,

2025	\$	80,488
2026		83,309
2027		86,229
2028		89,251
2029		92,379
Thereafter		<u>2,063,250</u>
		<u>\$ 2,494,906</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, 2024 are as follows:

03/31/2025	7,786
03/31/2026	<u>3,893</u>
Totals	<u>\$ 11,679</u>

Rent expense under operating leases was \$7,786 for the year ended March 31, 2024.

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, 2024, were \$77,351.

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

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, 2024, net assets with donor restrictions were as follows:

Annual campaign promises to give, net	\$ 563,922
Capital campaign contributions	<u>20,544</u>
Total net assets with donor restrictions	<u>\$ 584,466</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, 2024. The Organization considers its risk of loss from receivables (net of allowance for uncollectible amounts) to be minimal.

The Organization received approximately 66% of its contributions from fifteen companies and/or their employees for the 2023 pledge campaign year. COVID-19 relief grants from Denton County, Texas accounted for 87% of total grants.

NOTE 13 – Subsequent Events

Management has evaluated the impact of all subsequent events on the Organization through June 21, 2024, 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 \$262,417 in rental income during the fiscal year ended March 31, 2024. The rental income is reported in the statement of activities net of \$211,855 of rental expenses. The rental expenses incurred are as follows:

Interest expense	\$ 44,467
Property management fees	26,691
Property taxes	24,667
Insurance	28,517
Repairs	20,397
Security	1,862
Maintenance	7,280
Miscellaneous	1,950
Utilities	11,040
Depreciation	<u>44,984</u>
Total	<u>\$ 211,855</u>

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2024

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, 2024 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Cash and cash equivalents	\$ 2,388,986	\$ 2,388,986
Operating Investments	348,347	348,347
Promises to give, net	584,466	584,466
Other	125,255	125,255
Financial liabilities:		
Accounts payable and other amounts payable	269,661	269,661
Unearned income -grants	598,510	598,510
Long-term mortgage payable	2,494,906	2,494,906

FEDERAL AWARDS SECTION

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

CERTIFIED PUBLIC ACCOUNTANTS

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, 2024, 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 21, 2024.

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 & Scarborough, LLC
Denton, Texas

June 21, 2024

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DENTON, TX 76202-0977

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FAX (940) 383-4746

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, 2024. 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, 2024.

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 & Scarborough, LLC
Denton, Texas

June 21, 2024

UNITED WAY OF DENTON COUNTY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2024

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 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

II. Financial Statement Findings

None

III. Findings and Questioned Costs for State and Federal Awards

None

UNITED WAY OF DENTON COUNTY, INC.

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED MARCH 31, 2024

CORRECTIVE ACTION PLAN:

None Required

UNITED WAY OF DENTON COUNTY, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2024**

(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	TX0530L6T0722004	\$ 167,314
Total Direct Program			<u>167,314</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPEMNT			<u>\$ 167,314</u>
U.S. DEPARTMENT OF THE TREASURY			
<u>Direct Program</u>			
Volunteer Income Tax Assistance Matching Grant	21.009	23VITA0201	\$ 119,403
Total Direct Program			<u>\$ 119,403</u>
<u>Passed Through Denton County, Texas</u>			
Emergency Rental Assistance Program	21.023	53.6813.10.40	24,855
Coronavirus State & Local Fiscal Recovery Funds	21.027	54.6813.10.67	2,902,047
Total Passed Through Denton County, Texas			<u>\$ 2,926,903</u>
TOTAL U.S. DEPARTMENT OF THE TREASURY			<u>\$ 3,046,306</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
<u>Passed Through Texas Workforce Commission</u>			
Child Care Development Fund	93.575	040CCQ002	137,647
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>\$ 137,647</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 3,351,267</u></u>

UNITED WAY OF DENTON COUNTY, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED MARCH 31, 2024

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, 2024. 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.