

NORTH TEXAS AREA UNITED WAY, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

NORTH TEXAS AREA UNITED WAY, INC.

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Independent Auditor's Report

The Board of Directors
North Texas Area United Way, Inc.
Wichita Falls, Texas

Opinion

We have audited the financial statements of North Texas Area United Way, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of North Texas Area United Way, Inc. as of March 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 the North Texas Area United Way, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 the North Texas Area United Way, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives 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, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 the North Texas Area United Way, 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 the North Texas Area United Way, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards 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 July 14, 2023, on our consideration of North Texas Area United Way, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of North Texas Area United Way, Inc.'s 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 North Texas Area United Way, Inc.'s internal control over financial reporting and compliance.

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
July 14, 2023

FINANCIAL STATEMENTS

NORTH TEXAS AREA UNITED WAY, INC.

STATEMENTS OF FINANCIAL POSITION MARCH 31, 2023 AND 2022

	2023	2022
<u>ASSETS</u>		
Cash and cash equivalents	\$ 334,853	\$ 506,178
Investments	1,451,820	1,585,991
Pledges receivable, net	35,816	59,182
Grants receivable	580,433	531,439
Prepaid expenses	549	-
Beneficial interest in assets held by others	85,073	91,297
Operating lease right-of-use asset	34,657	-
Property and equipment, net	26,525	46,879
Total assets	\$ 2,549,726	\$ 2,820,966
<u>LIABILITIES</u>		
Accounts payable	\$ 270,282	\$ 291,709
Accrued expenses	45,596	52,433
Agency allocations payable	313,175	414,555
Donor designations payable	-	1,363
Refundable grant advances	88,821	-
Operating lease liability	34,657	-
Total liabilities	752,531	760,060
<u>NET ASSETS</u>		
Without donor restrictions:		
Unappropriated	1,482,205	1,772,730
Board appropriated	22,100	17,365
With donor restrictions	292,890	270,811
Total net assets	1,797,195	2,060,906
Total liabilities and net assets	\$ 2,549,726	\$ 2,820,966

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

NORTH TEXAS AREA UNITED WAY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED MARCH 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Totals
Public support and revenue:			
Gross campaign results	\$ 329,748	\$ -	\$ 329,748
Less provision for uncollectible pledges	(14,917)	-	(14,917)
Net campaign revenue	314,831	-	314,831
Other public support	557,067	155,129	712,196
Governmental grants	2,588,158	-	2,588,158
Special events, net	2,015	-	2,015
Investment return	(134,147)	-	(134,147)
Change in value of beneficial interest in assets held by others	(6,224)	-	(6,224)
Oil and gas lease bonus	4,730	-	4,730
Miscellaneous income	4,586	-	4,586
Net assets released from restrictions	133,050	(133,050)	-
Total public support and revenue	3,464,066	22,079	3,486,145
Expenses:			
Program services:			
Community impact - education	2,864,795	-	2,864,795
Community impact - health	78,550	-	78,550
Community impact - income	416,179	-	416,179
Supporting services:			
Management and general	302,214	-	302,214
Fundraising	78,440	-	78,440
Unallocated payments to affiliates	8,810	-	8,810
Total expenses	3,748,988	-	3,748,988
Change in net assets before special item	(284,922)	22,079	(262,843)
Special item - loss on disposal of property and equipment	(868)	-	(868)
Change in net assets	(285,790)	22,079	(263,711)
Net assets at beginning of year	1,790,095	270,811	2,060,906
Net assets at end of year	\$ 1,504,305	\$ 292,890	\$ 1,797,195

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

NORTH TEXAS AREA UNITED WAY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED MARCH 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Totals
Public support and revenue:			
Gross campaign results	\$ 384,879	\$ -	\$ 384,879
Less provision for uncollectible pledges	(25,348)	-	(25,348)
Net campaign revenue	359,531	-	359,531
Other public support	399,471	197,172	596,643
Governmental grants	2,494,596	-	2,494,596
Special events, net	9,600	-	9,600
Investment return	(39,743)	-	(39,743)
Change in value of beneficial interest in assets held by others	3,612	-	3,612
Oil and gas lease bonus	11,043	-	11,043
Miscellaneous income	10,887	-	10,887
Net assets released from restrictions	147,043	(147,043)	-
Total public support and revenue	3,396,040	50,129	3,446,169
Expenses:			
Program services:			
Community impact - education	2,650,362	-	2,650,362
Community impact - health	86,000	-	86,000
Community impact - income	405,648	-	405,648
Supporting services:			
Management and general	333,162	-	333,162
Fundraising	83,996	-	83,996
Unallocated payments to affiliates	7,339	-	7,339
Total expenses	3,566,507	-	3,566,507
Change in net assets before special item	(170,467)	50,129	(120,338)
Special item - loss on assets available for sale	(12,065)	-	(12,065)
Change in net assets	(182,532)	50,129	(132,403)
Net assets at beginning of year	1,972,627	220,682	2,193,309
Net assets at end of year	\$ 1,790,095	\$ 270,811	\$ 2,060,906

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

NORTH TEXAS AREA UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MARCH 31, 2023

	Program Services			Total
	Community Impact			
	Education	Health	Income	
Salaries and wages	\$ 692,854	\$ -	\$ 231,607	\$ 924,461
Payroll related taxes	50,903	-	17,632	68,535
Employee benefits	80,594	-	27,304	107,898
Total payroll and related expenses	824,351	-	276,543	1,100,894
Gross allocations to agencies	150,000	76,500	35,000	261,500
Grants to other entities	1,176,999	-	-	1,176,999
Advertising	12,810	-	10,023	22,833
Professional fees	22,156	-	3,373	25,529
Contract labor	500	-	-	500
Supplies	221,038	2,050	10,514	233,602
Telephone	19,143	-	1,182	20,325
Postage and shipping	461	-	131	592
Occupancy	216,273	-	50,270	266,543
Maintenance of equipment	19,197	-	17,685	36,882
Printing and publications	23,789	-	177	23,966
Local meals and travel	47,827	-	2,975	50,802
Conferences and conventions	31,290	-	692	31,982
Insurance	2,138	-	525	2,663
Subscriptions and dues	21,789	-	662	22,451
Financial and material assistance	47,322	-	-	47,322
Miscellaneous	169	-	90	259
Awards/Recognition/Incentives	7,382	-	280	7,662
Depreciation expense	20,161	-	6,057	26,218
Total expenses before United Way				
Worldwide dues	2,864,795	78,550	416,179	3,359,524
United Way Worldwide dues	-	-	-	-
Total expenses	\$ 2,864,795	\$ 78,550	\$ 416,179	\$ 3,359,524

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

Supporting Services

Management & General	Fundraising	Unallocated Payments to Affiliates	Total	Total Expenses
\$ 140,563	\$ 47,115	\$ -	\$ 187,678	\$ 1,112,139
7,926	3,612	-	11,538	80,073
13,788	9,285	-	23,073	130,971
<u>162,277</u>	<u>60,012</u>	-	<u>222,289</u>	<u>1,323,183</u>
-	-	-	-	261,500
-	-	-	-	1,176,999
-	2,369	-	2,369	25,202
69,407	1,422	-	70,829	96,358
-	-	-	-	500
9,503	3,563	-	13,066	246,668
1,337	331	-	1,668	21,993
316	149	-	465	1,057
39,427	-	-	39,427	305,970
2,899	1,153	-	4,052	40,934
676	3,575	-	4,251	28,217
1,187	1,297	-	2,484	53,286
2,181	3,018	-	5,199	37,181
9,198	131	-	9,329	11,992
973	126	-	1,099	23,550
-	-	-	-	47,322
1,201	62	-	1,263	1,522
-	-	-	-	7,662
<u>1,632</u>	<u>1,232</u>	-	<u>2,864</u>	<u>29,082</u>
302,214	78,440	-	380,654	3,740,178
-	-	8,810	8,810	8,810
<u>\$ 302,214</u>	<u>\$ 78,440</u>	<u>\$ 8,810</u>	<u>\$ 389,464</u>	<u>\$ 3,748,988</u>

NORTH TEXAS AREA UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MARCH 31, 2022

	Program Services			Total
	Community Impact			
	Education	Health	Income	
Salaries and wages	\$ 560,328	\$ -	\$ 212,702	\$ 773,030
Payroll related taxes	42,222	-	16,425	58,647
Employee benefits	79,370	-	27,383	106,753
Total payroll and related expenses	681,920	-	256,510	938,430
Gross allocations to agencies	190,500	86,000	35,500	312,000
Grants to other entities	1,261,810	-	-	1,261,810
Advertising	4,866	-	16,972	21,838
Professional fees	19,043	-	9,740	28,783
Supplies	146,446	-	24,553	170,999
Telephone	19,191	-	1,367	20,558
Postage and shipping	926	-	78	1,004
Occupancy	191,080	-	26,762	217,842
Maintenance of equipment	9,596	-	22,057	31,653
Printing and publications	7,923	-	608	8,531
Local meals and travel	18,466	-	73	18,539
Conferences and conventions	36,265	-	1,110	37,375
Insurance	4,694	-	1,953	6,647
Subscriptions and dues	21,923	-	687	22,610
Financial and material assistance	10,648	-	-	10,648
Miscellaneous	255	-	45	300
Awards/Recognitions/Incentives	5,536	-	1,180	6,716
Depreciation expense	19,274	-	6,453	25,727
Total expenses before United Way				
Worldwide dues	2,650,362	86,000	405,648	3,142,010
United Way Worldwide dues	-	-	-	-
Total expenses	\$ 2,650,362	\$ 86,000	\$ 405,648	\$ 3,142,010

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

Supporting Services

Management & General	Fundraising	Unallocated Payments to Affiliates	Total	Total Expenses
\$ 151,017	\$ 45,000	\$ -	\$ 196,017	\$ 969,047
9,270	3,449	-	12,719	71,366
16,685	5,977	-	22,662	129,415
<u>176,972</u>	<u>54,426</u>	-	<u>231,398</u>	<u>1,169,828</u>
-	-	-	-	312,000
-	-	-	-	1,261,810
13,442	3,000	-	16,442	38,280
68,151	1,815	-	69,966	98,749
6,379	3,669	-	10,048	181,047
2,568	311	-	2,879	23,437
391	485	-	876	1,880
47,934	129	-	48,063	265,905
2,665	973	-	3,638	35,291
496	3,349	-	3,845	12,376
427	485	-	912	19,451
456	13,256	-	13,712	51,087
10,027	496	-	10,523	17,170
169	35	-	204	22,814
-	-	-	-	10,648
779	202	-	981	1,281
-	-	-	-	6,716
<u>2,306</u>	<u>1,365</u>	-	<u>3,671</u>	<u>29,398</u>
333,162	83,996	-	417,158	3,559,168
-	-	7,339	7,339	7,339
<u>\$ 333,162</u>	<u>\$ 83,996</u>	<u>\$ 7,339</u>	<u>\$ 424,497</u>	<u>\$ 3,566,507</u>

NORTH TEXAS AREA UNITED WAY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ (263,711)	\$ (132,403)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	29,082	29,398
Loss on assets available for sale	-	12,065
Loss on disposal of property and equipment	868	-
Change in fair value of the investments	160,827	88,943
Change in value of beneficial interest in assets held by others	6,224	(3,612)
(Increase) decrease in operating assets:		
Pledges receivable, net	23,366	11,435
Grants receivable	(48,994)	(132,411)
Other receivables	-	3,921
Prepaid expenses	(549)	-
Increase (decrease) in operating liabilities:		
Accounts payable	(21,427)	86,306
Accrued expenses	(6,837)	(5,227)
Agency allocations payable	(101,380)	90,637
Donor designations payable	(1,363)	(46,001)
Refundable grant advances	88,821	-
Net cash provided (used) by operating activities	<u>(135,073)</u>	<u>3,051</u>
Cash flows from investing activities:		
Proceeds from sale of assets available for sale	-	278,829
Payments for property and equipment	(9,596)	(18,346)
Purchases of investments	(354,317)	(328,123)
Redemption of investments	327,661	72,933
Net cash provided (used) by investing activities	<u>(36,252)</u>	<u>5,293</u>
Net increase (decrease) in cash and cash equivalents	(171,325)	8,344
Cash and cash equivalents at beginning of year	<u>506,178</u>	<u>497,834</u>
Cash and cash equivalents at end of year	<u>\$ 334,853</u>	<u>\$ 506,178</u>
Non-cash investing and financing activity:		
Acquisition of right-of-use asset through issuance of right-of-use liability	<u>\$ 38,449</u>	<u>\$ -</u>

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

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Texas Area United Way, Inc. (United Way), a Texas nonprofit corporation founded in 1924, is a voluntary health and welfare organization governed by a volunteer Board of Directors. Its mission is to improve lives by mobilizing the caring power of community.

The United Way accomplishes this mission by focusing on the building blocks of a good life – education that leads to a stable job, adequate income through retirement and good health. The organization addresses complex human service challenges in partnership with other funders, public and private organizations, and service providers resulting in quantifiable, sustainable responses that strengthen and improve communities in the Wichita Falls area. These activities may include, but are not limited to:

- Researching human service issues, conducting community planning, stakeholder meetings, surveys and assessments;
- Leveraging and distributing resources to community service providers;
- Measuring, tracking and articulating systemic, program, and client outcomes and results;
- Developing, formulating and influencing effective responses to human service issues through advocacy efforts, in accordance with all applicable federal and state statutes restricting activities of tax-exempt non-profits;
- Encouraging and facilitating partnerships, collaborations, and initiatives that reduce service duplication and fragmentation, share information, build linkages and otherwise unite citizens, and the public/private, and not-for-profit sectors to change systems to address root causes that will prevent the long-term dependency on social service programs.

United Way holds itself and its partners accountable for achieving positive results in improving life outcomes for children, families and older adults and being transparent in reporting results to donors and the community at large.

In addition to the above activities, the United Way was the Local Campaign Manager (LCM) for the State Employee Charitable Campaign until October 31, 2018. As such, the United Way complies with the rules and regulations, audit and reporting requirements set forth by the governing entity for that campaign.

North Texas Area United Way, Inc. is a member in good standing with United Way Worldwide and, as such, meets rigorous branding, accounting, ethical, auditing and operating standards.

Basis of Presentation

The accompanying financial statements of the United Way are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Contributions received are recorded as an increase in donor restricted net assets unless they are expended in the same year as the contribution. Accordingly, net assets of United Way and changes therein are classified and reported as follows:

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Basis of Presentation (Cont'd.)

Net Assets with Donor Restrictions – Net assets whose use is limited by donor-restricted time and/or purpose restrictions.

Net Assets without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations and the Board of Directors has discretionary control.

Cash and Cash Equivalents

The United Way considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Pledges Receivable

Unconditional promises to give are recorded as pledges receivable and contribution revenue when the promise is made. Pledges receivable and related contributions are initially recorded at their net realizable value based on amounts expected to be collected from donors. This valuation reflects net pledge revenue balances at a level which, in the judgment of management, is adequate to meet the present and potential risks of uncollectibility of the pledges receivable. Management calculates the provision for uncollectible pledges based on a 5-year historical average of uncollected pledges as a percentage of gross pledges, including donor designations. Specific accounts are written-off only upon notification from the donors that the pledges are no longer collectible. For the annual campaign, any remaining uncollectible pledge balances are written-off after two years.

Contributions

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions that are restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions.

The United Way solicits pledges from donors during its annual campaign held each fall. These pledges are solicited to provide support for the allocations to United Way agencies in the following year. Since the allocations for the following year are recognized as a current expense when made in the year the campaign is conducted, the United Way considers the support from these pledges to be released from restrictions during the reporting period.

Government Grants

Support funded by government grants is recognized by the United Way performs the service or incurs the outlays eligible for reimbursement under the grant agreement. Government grant activities and outlays are subject to review and acceptance by the granting agency and, as a result, adjustments could be made.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Donor Designations

Included in the United Way's gross annual campaign pledges are pledges designated by donors for direct distribution to another beneficiary. Since those designated pledges constitute agency transactions, they are deducted from gross campaign results to arrive at net campaign revenue on the statement of activities. In addition, those same designated pledges are also deducted from gross allocations to agencies to arrive at net allocations to agencies shown on the statement of functional expenses and included in the statement of activities.

Donor designated pledges are assessed both a fundraising and a processing fee based on actual historical costs in accordance with United Way Worldwide membership standards as outlined in their publication titled *United Way Worldwide Implementation Requirements for Membership Standard M (Cost Deduction for Designated Funds)*.

United Way pledges received from donors who have elected to pay designated agencies directly or use a third-party administrator to make such payments are not included in pledges receivable, gross annual campaign pledges, or gross allocations to agencies because those donations are paid directly by the donor to the agency or third-party administrator for distribution to the designated agency.

Fair Value Measurements

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and specify disclosure requirements for fair value measurements. Furthermore, the Organization maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows.

Level 1 – Quoted market prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. This includes investments for which quoted prices are available but that are traded less frequently and investments that are fairly valued using other securities, the parameters of which can be directly observed.

Level 3 – Includes assets or liabilities for which there is little to no pricing observability as of the report date. These are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Investments

Investments are stated at fair value. The carrying amount of certificates of deposit approximates fair value due to the short maturity of those instruments. Investments with values that are based on quoted market prices in active markets are classified within Level 1 and include active listed equities. Investments that trade in markets that are not considered to be active, but that are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2 and include corporate bonds, mutual funds, and U.S. Government Agency bonds. The Organization has no investments classified within Level 3.

Property and Equipment

The United Way follows the policy of capitalizing, at cost, expenditures for property and equipment equal to or greater than \$500. Lesser expenditures and maintenance and repairs are expensed when incurred. If property and equipment is acquired by gift, it is recorded at fair market value at the date of the gift. Contributions of property and equipment are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, United Way reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of assets, which are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Computer equipment	3 – 5 years
Furniture and fixtures	5 – 10 years
Buildings and improvements	5 – 40 years

Refundable Grant Advances

United Way oftentimes receives advances of funds from grantors upon being awarded grants. Such advances are accounted for as a liability instead of contribution revenue when the grant instrument includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The liability is reduced and revenues recognized over the grant period as conditions are met.

New Accounting Standard Adopted

In 2023, United Way adopted FASB Accounting Standards Update No. 2016-02, *Leases (Topic 842)*, which affects current U.S. GAAP primarily as it relates to the recognition of operating lease assets and operating lease liabilities on the balance sheet and disclosing key information about leasing arrangements.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Agency Allocations Payable

Agency allocations payable represent amounts that are due to United Way's network of agencies. United Way records agency allocations payable upon approval by the Board of Directors.

Contributed Goods and Services

Donated materials are reflected as contributions in the accompanying financial statements at their estimated fair values at date of receipt. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. The United Way recognized donated materials and services valued at \$319,625 and \$276,211 during the years ended March 31, 2023 and 2022, respectively.

In addition to the above, a number of volunteers donated a total of 8,558 and 7,994 hours of time to the United Way's many activities during the years ended March 31, 2023 and 2022, respectively, with 7,232 and 7,240 hours received for the VITA program in those years, respectively. No amounts have been reflected in the financial statements for these contributed services because the nature of the services does not meet the specified criteria for recognition. However, management estimates the fair value of the services received to be \$250,754 and \$217,431 for the years ended March 31, 2023 and 2022, respectively, based on the hours received and standard volunteer rates published by independent outside organizations.

Functional Expenses

Expenses are summarized and categorized based on their functional classification as either program services or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. However, many expenses relate to more than one function and must be allocated using a reasonable methodology. Those expenses are allocated to the various functions and programs based on the timesheet study method recommended by the United Way Worldwide. Under that method, each employee's salary and related costs are allocated to the various functions based on the hours worked in each functional classification by that employee. All other indirect expenses are allocated to the functional categories based on the percentage of time spent in the aggregate by all employees in each functional classification.

Advertising Costs

Advertising costs are expensed as incurred by or donated to the United Way.

Income Taxes

United Way is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. United Way qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2023 AND 2022

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Concentrations of Credit Risk

United Way has deposits with financial institutions in the form of cash and certificates of deposit. Those deposits exceeded insured limits by \$2,701 beginning on March 9, 2022 through March 31, 2022. Those deposits did not exceed insured limits at any time during the year ended March 31, 2023.

Contractual Restrictions on Cash and Cash Equivalents

Certain grants and the governmental campaigns described in Note 10 require that the United Way maintain separate bank accounts for each of those activities. The amounts in those separate bank accounts had a total bank balance and book balance of \$0 as of March 31, 2023. The amounts in those separate bank accounts had a total bank balance of \$2,725 and book balance of \$1,363 as of March 31, 2022.

Subsequent Events

The date to which events occurring after March 31, 2023, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is July 14, 2023, which is the date on which the financial statements were available to be issued.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

Investments are held by an external investment management firm. Market value and unrealized appreciation (depreciation) of investments over original cost at March 31, 2023 and 2022 is summarized as follows:

March 31, 2023:

	<u>Original Cost</u>	<u>Market Value</u>	<u>Unrealized Appreciation (Depreciation) Over Cost</u>
NM FDIC insured deposit program	\$ 21,273	\$ 21,273	\$ -
Money market funds	54,503	54,503	-
Mutual funds	1,265,829	1,165,670	(100,159)
Exchange-traded products	<u>210,872</u>	<u>210,374</u>	<u>(498)</u>
Total investments	<u>\$1,552,477</u>	<u>\$1,451,820</u>	<u>(\$100,657)</u>

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2023 AND 2022

NOTE 2 - INVESTMENTS (CONT'D.)

March 31, 2022:

	Original Cost	Market Value	Unrealized Appreciation (Depreciation) Over Cost
NM FDIC insured deposit program	\$ 17,075	\$ 17,075	\$ -
Money market funds	54,293	54,293	-
Mutual funds	1,336,927	1,393,685	56,758
Exchange-traded products	117,527	120,938	3,411
Total investments	\$1,525,822	\$1,585,991	\$60,169

Investment return for the years ended March 31, 2023 and 2022 is summarized as follows:

	2023	2022
Dividend and interest income	\$ 57,758	\$18,503
Realized gains (losses) on sales/maturities	(15,824)	38,860
Unrealized gain (loss) on investments	(160,826)	(88,943)
Investment expense	(15,255)	(8,163)
Total investment return	(\$134,147)	(\$39,743)

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable (all due within one year) consist of the following at March 31, 2023:

	Pledges Due	Less Allowance for Uncollectible Accounts	Pledges Receivable Balance
Campaign pledges receivable: 2022 United Way campaign	\$58,898	(\$23,082)	\$35,816

Pledges receivable (all due within one year) consist of the following at March 31, 2022:

	Pledges Due	Less Allowance for Uncollectible Accounts	Pledges Receivable Balance
Campaign pledges receivable: 2021 United Way campaign	\$86,055	(\$26,873)	\$59,182

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2023 AND 2022

NOTE 4 - GRANTS RECEIVABLE

Grants receivable consist of the following at March 31, 2023 and 2022:

	2023	2022
Receivable for:		
2-1-1 Program	\$ 52,884	\$ 46,909
VITA Program	45,549	48,667
HOPES	64,640	64,028
Texas Home Visiting	270,337	259,336
Texas School Readiness	20,259	20,873
American Rescue Plan	39,312	70,698
University of North Texas	7,769	20,928
Help Me Grow	31,816	-
COVID-19 Vaccine Outreach	47,867	-
 Totals	 \$580,433	 \$531,439

All amounts are scheduled to be collected within one year. Management does not consider there to be any significant risk associated with collection of these balances.

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In September 2004, the United Way transferred \$25,000 to the Wichita Falls Area Community Foundation (Foundation) to establish a fund to provide current income and long-term protection for the United Way. Under the terms of the agreement, the United Way may withdraw and use the investment return generated by the transferred assets for its charitable purposes in accordance with the spending rate established by the Foundation. The United Way may withdraw from the fund amounts in excess of the established spending rate in any year as determined by the Board of Directors of the Foundation provided one of the following conditions is met: (1) the distribution is for the purpose of enabling the United Way to acquire or renovate a capital asset; (2) the United Way is faced with unexpected financial needs that are not likely to recur, and the distribution will enable the United Way to meet those needs. However, such distributions may not exceed 75% of corpus in any one year.

At the time of the transfer, the United Way granted variance power to the Foundation. That power gives the Foundation the right to distribute the investment return to another not-for-profit organization of its choice if the United Way ceases to exist or if the governing board of the Foundation determines that support of the United Way is no longer possible or practical of accomplishment. Under the terms of the agreement, however, such power does not become effective earlier than at least thirty days after the Foundation notifies the United Way in writing of (1) its intent to exercise such power and (2) the manner in which the Foundation proposes to vary the purposes, uses or methods of administration of the fund.

At March 31, 2023 and 2022, the fund had a value of \$85,073 and \$91,297, respectively, which is reported in the statements of financial position as beneficial interest in assets held by others.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2023 AND 2022

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31, 2023 and 2022:

	2023	2022
Property and equipment being depreciated:		
Furniture and fixtures	\$ 14,753	\$ 14,075
Computer equipment	<u>115,934</u>	<u>111,350</u>
Total property and equipment	<u>130,687</u>	<u>125,425</u>
Less accumulated depreciation	<u>(104,162)</u>	<u>(78,546)</u>
Property and equipment, net	<u>\$ 26,525</u>	<u>\$ 46,879</u>

United Way moved office locations on February 22, 2021. The land and buildings and improvements of the previous office is being held for sale. The net book value of the assets available for sale was \$335,808 at March 31, 2021. However, the estimated net realizable value at March 31, 2021 is \$290,894; therefore, an adjustment of \$44,914 was recorded and reported as a special item on the Statement of Activities for the year ended March 31, 2021. During the year ended March 31, 2022, United Way sold the assets available for sale at a loss of \$12,065 that is reported as a special item – loss on assets available for sale in the statement of activities.

NOTE 7 - OPERATING LEASE

In September 2022, United Way signed an agreement to lease a Xerox copier. The agreement commenced in September 2022 and will expire in November 2027, with lease payments of \$695 due at the beginning of each month. A discount rate of 5% was used to calculate the interest component of the total operating lease liability.

The following table illustrates the total cash lease payments and the discounted lease payments that reduce the operating lease liability for each period over the life of the lease:

Year Ending March 31,	Xerox Copier Lease		
	Lease Payments	Interest Component	Liability Reduction
2024	\$ 8,342	\$1,579	\$ 6,763
2025	8,342	1,234	7,108
2026	8,342	870	7,472
2027	8,342	487	7,855
2028	<u>5,561</u>	<u>102</u>	<u>5,459</u>
Totals	<u>\$38,929</u>	<u>\$4,272</u>	<u>\$34,657</u>

Total operating lease cost for the years ended March 31, 2023 and March 31, 2022 totaled \$4,866 and \$0, respectively.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2023 AND 2022

NOTE 8 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of the following at March 31, 2023 and 2022:

	2023	2022
Unappropriated – available for general use	\$1,482,205	\$1,772,730
Board appropriated for specific purposes:		
VITA Program	-	11,758
2-1-1 Program	22,100	5,607
Total board appropriations	22,100	17,365
Total net assets without donor restrictions	\$1,504,305	\$1,790,095

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of March 31, 2023 and 2022:

	2023	2022
TRIAD Program	\$ 24,134	\$ 24,134
VITA Program	42,725	26,774
THV, HOPES, HIPPY – Family Support Program	187,524	168,046
2-1-1 Program	13,082	13,082
COVID-19 Pandemic Relief	17,444	36,596
Christmas Presents for Needy Families	844	29
Child Abuse Awareness	50	50
ECC Event – “Fighting ACEs”	2,100	2,100
McCoy Foundation	4,987	-
Total	\$292,890	\$270,811

Net assets were released from restrictions in 2023 and 2022 through the United Way incurring the following expenditures:

	2023	2022
Positive Parenting Classes	\$ -	\$ 2,548
THV, HOPES, HIPPY – Family Support Program	94,838	102,465
VITA Program	-	4,176
2-1-1 Program	15,810	15,810
COVID-19 Pandemic Relief	19,902	21,768
Voter Engagement Program	-	276
ECC Event – “Fighting ACEs”	2,500	-
Total	\$133,050	\$147,043

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2023 AND 2022

NOTE 10 - GOVERNMENTAL CAMPAIGNS

Under contractual agreement, the United Way conducts a local fundraising campaign in the Wichita Falls area on behalf of the State Employee Charitable Campaign (through October 31, 2018). Through this governmental campaign, donors designate their gifts to a wide variety of charitable organizations and the United Way distributes the campaign proceeds accordingly. Because the United Way acts as an agent for these campaigns, it cannot recognize contribution revenue or allocation expense on the statement of activities related to these transactions.

For presentation purposes, specific donor designations to the United Way's agencies are included in gross annual campaign pledges and gross allocations to agencies, and then deducted from each to reflect amounts actually available for use by the United Way.

As of March 31, 2023 and 2022, cash balances held on behalf of the governmental campaign and maintained in a separate bank account totaled \$0 and \$1,363, respectively. Pledges receivable and donor designations payable related to the governmental campaign are \$0, as of March 31, 2023, and \$1,363 as of March 31, 2022.

NOTE 11 - EMPLOYEE BENEFIT PLANS

Tax-Sheltered Annuity Program

All employees of United Way are eligible to participate in a tax-sheltered annuity program. Participating employees agree to a reduced salary and the United Way then pays the difference into the annuity plan on behalf of the employees. Income tax on these amounts is deferred until participants receive proceeds from the annuity. Currently, no employees are participating in this program.

Simplified Employee Pension Plan

The United Way also has a noncontributory simplified employee pension plan in which all employees are eligible to participate. The United Way contributes five percent of the eligible employee's salary to the plan. In addition to the plan, the United Way also contributes one percent of the president's salary to a secondary plan. The contributions for the years ended March 31, 2023 and 2022 totaled \$39,120 and \$36,506, respectively.

NOTE 12 - CONCENTRATIONS

The United Way is dependent upon its annual campaign held in the Wichita Falls, Texas area for a significant portion of its support and revenue. That campaign accounted for 9% and 10% of United Way's total public support and revenue for the years ended March 31, 2023 and 2022, respectively. Also, United Way received one governmental grant from a single grantor that comprised 46% and 48% of the total public support and revenue for the years ended March 31, 2023 and 2022, respectively. A significant decrease in these sources of public support and revenue could have a material adverse effect on the United Way.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2023 AND 2022

NOTE 13 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

United Way's working capital and cash flows have limited seasonal variations during the year; however, it does vary depending on occupancy levels and services sold. Monthly cash outflows vary each year based on staffing levels and specific maintenance projects. United Way has been managing liquidity with its own resources – current year operations and available net assets.

The following reflects United Way's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

March 31, 2023

Cash and cash equivalents	\$ 334,853
Investments	1,451,820
Pledges receivable, net (to be collected in less than one year)	35,816
Grants receivable (to be collected in less than one year)	580,433
Prepaid expenses	549
Beneficial interest in assets held by others	<u>85,073</u>
Total financial assets	2,488,544
Less those unavailable for general expenditures within one year due to:	
Donor restricted – TRIAD Program	(24,134)
Donor restricted – THV, HOPES, HIPPY – Family Support Program	(192,511)
Donor restricted – VITA Program	(42,725)
Donor restricted – 2-1-1 Program	(13,082)
Donor restricted – COVID-19 Pandemic Relief	(17,444)
Donor restricted – Christmas Presents for Needy Families	(844)
Donor restricted – Child Abuse Awareness	(50)
Donor restricted – ECC Event – “Fighting ACEs”	<u>(2,100)</u>
Financial assets available to meet cash needs for expenditures within one year	<u>\$2,195,654</u>

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2023 AND 2022

NOTE 13 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONT'D)

March 31, 2022

Cash and cash equivalents	\$ 506,178
Investments	1,585,991
Pledges receivable, net (to be collected in less than one year)	59,182
Grants receivable (to be collected in less than one year)	531,439
Beneficial interest in assets held by others	<u>91,297</u>
Total financial assets	2,774,087
Less those unavailable for general expenditures within one year due to:	
Donor restricted – TRIAD Program	(24,134)
Donor restricted – THV, HOPES, HIPPY – Family Support Program	(168,046)
Donor restricted – VITA Program	(26,774)
Donor restricted – 2-1-1 Program	(13,082)
Donor restricted – COVID-19 Pandemic Relief	(36,596)
Donor restricted – Christmas Presents for Needy Families	(29)
Donor restricted – Child Abuse Awareness	(50)
Donor restricted – ECC Event – “Fighting ACEs”	<u>(2,100)</u>
 Financial assets available to meet cash needs for expenditures within one year	 <u>\$2,503,276</u>

NOTE 14 - COVID-19 PANDEMIC

Beginning in December 2019, a novel coronavirus, now designated SAR-CoV2 which causes the disease COVID-19 was declared a global pandemic by the World Health Organization. The symptoms of COVID-19 can range from severe illness and can cause complications including death. On March 13, 2020, the Governor of the State of Texas issued a proclamation certifying that COVID-19 poses an imminent threat of disaster in Texas and declared a state of disaster for all counties in Texas. A state of disaster requires that certain emergency protective measures be taken pursuant to the Texas Disaster Act of 1975 relating to Emergency Management and Public Health, pursuant to Chapter 418 of the Texas Government Code.

The federal government passed the CARES Act in March 2020 to provide economic relief, including a Paycheck Protection Program. On April 7, 2020, United Way received funding through a note payable to JPMorgan Chase Bank, N.A. for \$207,500. This is a Paycheck Protection Program note payable administered through the Small Business Administration (SBA). The note calls for interest of .98% payable in eighteen monthly installments, including interest, of \$11,617 starting November 7, 2020 and a final payment due on April 7, 2022. However, the United Way may apply to the SBA for forgiveness of the principal amount due on the loan that is used for the limited purposes that qualify for forgiveness under SBA requirements. United Way applied for loan forgiveness with SBA and anticipates that the loan will be forgiven since it followed the guidelines for forgiveness to be granted. Therefore, United Way recognized the loan as grant revenue for the year ended March 31, 2021. The loan was forgiven during the year ended March 31, 2022.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2023 AND 2022

NOTE 14 - COVID-19 PANDEMIC (CONT'D)

In addition, United Way received \$179,413 and \$72,498 in other federal COVID-19 relief appropriations during the years ended March 31, 2023 and March 31, 2022, respectively. United Way also received \$750 and \$36,750 of COVID-19 relief contributions from non-governmental entities during the years ended March 31, 2023 and 2022, respectively. \$17,444 and \$36,596 remained in net assets with donor restrictions at March 31, 2023 and 2022, respectively.

INTERNAL CONTROL AND COMPLIANCE SECTION



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's 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*

The Board of Directors
North Texas Area United Way, Inc.
Wichita Falls, 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 North Texas Area United Way, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2023, 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 14, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Texas Area United Way, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Texas Area United Way, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of North Texas Area United Way, Inc.'s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs as Finding 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Texas Area United Way, 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*.

Organization's Response to Finding

North Texas Area United Way, Inc.'s response to the finding identified in our audit is described in the accompanying audit corrective action plan. North Texas Area United Way, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
July 14, 2023



EDGIN, PARKMAN, FLEMING & FLEMING, PC

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

The Board of Directors
North Texas Area United Way, Inc.
Wichita Falls, Texas

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited North Texas Area United Way, 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 North Texas Area United Way, Inc.'s major federal program for the year ended March 31, 2023. North Texas Area United Way, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, North Texas Area United Way, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of North Texas Area United Way, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for its major federal program. Our audit does not provide a legal determination of North Texas Area United Way, 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 requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to North Texas Area United Way, Inc.'s federal program.

Auditor's 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 North Texas Area United Way, 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 judgment made by a reasonable user of the report on compliance about North Texas Area United Way, Inc.'s compliance with the requirements of its 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 North Texas Area United Way, 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 North Texas Area United Way, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of North Texas Area United Way, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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 or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

Edgin, Parkman, Fleming; Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
July 14, 2023

NORTH TEXAS AREA UNITED WAY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED MARCH 31, 2023

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to the financial statements noted? Yes X No

2. Federal Awards

Internal control over major program:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported under 2 CFR Section 200.516(a)? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.870	Maternal, Infant and Early Childhood Home Visiting Program

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

Auditee qualified as low-risk auditee? X Yes No

NORTH TEXAS AREA UNITED WAY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D.) FOR THE YEAR ENDED MARCH 31, 2023

B. Financial Statement Findings

Finding 2023-001 Material Weakness in Internal Control over Financial Reporting

Criteria or Specified Requirement

North Texas Area United Way, Inc. should maintain adequate internal control over financial reporting to ensure accurate reporting in North Texas Area United Way, Inc.'s financial statements.

Condition Found

During the audit, misstatements in North Texas Area United Way, Inc.'s accounting records were material to North Texas Area United Way, Inc.'s financial statements. The misstatements were not identified prior to the audit by the North Texas Area United Way, Inc.'s internal control processes.

Cause

North Texas Area United Way, Inc. recorded \$88,821 of American Rescue Plan Act grant funds as earned revenue when the funds had yet to be expended, and also did not record \$47,866 in Vaccine Outreach grant expenses as a receivable and earned revenue. Consequently, the North Texas Area United Way, Inc.'s financial statements were not in accordance with the accrual basis of accounting.

Effect

Material misstatements were noted during the audit of the North Texas Area United Way, Inc.'s financial statements and were required to be corrected. Therefore, internally prepared accrual basis financial statements are materially in error.

Recommendation

We recommend that North Texas Area United Way, Inc. closely review and adjust all accounts as necessary prior to closing North Texas Area United Way, Inc.'s accounting records prior to the start of the audit.

Views of Responsible Officials and Planned Corrective Action

Please refer to the Corrective Action Plan prepared by North Texas Area United Way, Inc.'s management.

C. Federal Award Findings and Questioned Costs

None

NORTH TEXAS AREA UNITED WAY, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MARCH 31, 2023**

There were no findings or questioned costs in the prior year.



**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED MARCH 31, 2023**

Finding 2023-001 Material Weakness in Internal Control over Financial Reporting

North Texas Area United Way, Inc. is aware of the finding and will work diligently to make the necessary adjustments before closing in the future to ensure the North Texas Area United Way, Inc.'s financial statements are materially correct prior to the start of the audit.

Person Responsible for Implementing the Corrective Action Plan:

Carol Marlar, Executive Director

NORTH TEXAS AREA UNITED WAY, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2023**

Federal Grantor / Pass-Through Grantor / Program Title	Assistance Listing Number	Pass-Through Grantor Number	Federal Expenditures	Amounts Provided to Subrecipients
<u>U. S. Department of Agriculture:</u>				
Passed Through Texas Health and Human Services Commission:				
Food Stamps	10.561	HHS000979200021	\$ 41,844	\$ -
COVID-19 - Food Stamps	10.561	HHS000979200021	3,667	-
Total ALN 10.561			<u>45,511</u>	<u>-</u>
Total U. S. Department of Agriculture			<u>45,511</u>	<u>-</u>
<u>U. S. Department of Treasury:</u>				
Direct Program:				
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	21VITA0150	56,762	-
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	23VITA0275	55,120	-
Total ALN 21.009			<u>111,882</u>	<u>-</u>
Passed Through the City of Wichita Falls:				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	WF-ARPA-NGP	1,379	-
Total ALN 21.027			<u>1,379</u>	<u>-</u>
Total U. S. Department of Treasury			<u>113,261</u>	<u>-</u>
<u>U. S. Department of Health and Human Services:</u>				
Passed Through Texas Department of Family and Protective Services:				
Maternal, Infant and Early Childhood Home Visiting Program	93.870	X10MC39717	718,362	441,332
Maternal, Infant and Early Childhood Home Visiting Program	93.870	X1043611	701,022	553,717
COVID-19 - American Recovery Program - MIECHVP	93.870	X1141915	179,413	63,453
Total ALN 93.870			<u>1,598,797</u>	<u>1,058,502</u>
Promoting Safe and Stable Families	93.556	2001TXFFTA	16,791	-
Total ALN 93.556			<u>16,791</u>	<u>-</u>
COVID-19 - Temporary Assistance for Needy Families	93.558	2101TXTANFC6	23,114	-
Total ALN 93.558			<u>23,114</u>	<u>-</u>
Total Passed Through Texas Department of Family and Protective Services			<u>1,638,702</u>	<u>1,058,502</u>
Passed Through Texas Health and Human Services Commission:				
Temporary Assistance for Needy Families	93.558	HHS000979200021	1,165	-
COVID-19 - Temporary Assistance for Needy Families	93.558	HHS000979200021	102	-
Total ALN 93.558			<u>1,267</u>	<u>-</u>
Child Care and Development Block Grant	93.575	HHS000979200021	4,853	-
Total ALN 93.575			<u>4,853</u>	<u>-</u>
Children's Health Insurance Program	93.767	HHS000979200021	6,598	-
COVID-19 - Children's Health Insurance Program	93.767	HHS000979200021	578	-
Total ALN 93.767			<u>7,176</u>	<u>-</u>
Medical Assistance Program	93.778	HHS000979200021	43,587	-
COVID-19 - Medical Assistance Program	93.778	HHS000979200021	3,820	-
Total ALN 93.778			<u>47,407</u>	<u>-</u>
Maternal and Child Health Services Block Grant to States	93.994	HHS001116100002	31,816	-
Total ALN 93.994			<u>31,816</u>	<u>-</u>
Total Passed Through Texas Health and Human Services Commission			<u>92,519</u>	<u>-</u>

NORTH TEXAS AREA UNITED WAY, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONT'D.)
FOR THE YEAR ENDED MARCH 31, 2023**

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
Passed Through Texas A&M University Health Science Center:				
COVID-19 - Vaccine Outreach and Education	93.268	HHS001043100001	109,060	-
Total ALN 93.268			<u>109,060</u>	<u>-</u>
Total Passed Through Texas A&M University Health Science Center			<u>109,060</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>1,840,281</u>	<u>1,058,502</u>
<u>U. S. Corporation for National and Community Service:</u>				
Passed Through University of North Texas:				
AmeriCorps	94.006	18ACHTX0010003	7,734	-
AmeriCorps	94.006	21ACGTX0010006	11,810	-
Total U. S. Corporation for National and Community Service			<u>19,544</u>	<u>-</u>
Totals			<u>\$ 2,018,597</u>	<u>\$ 1,058,502</u>

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED MARCH 31, 2023

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the North Texas Area United Way, Inc. (United Way) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the United Way, it is not intended to and does not present the financial position, changes in net assets or cash flows of the United Way.

Note 2 - FEDERAL ASSISTANCE RECONCILIATION

Statement of Activities:

Governmental grants	\$2,588,158
Less non-federal governmental grants	(569,561)
Total per Schedule of Expenditures of Federal Awards	<u>\$2,018,597</u>

Note 3 - DE MINIMIS INDIRECT COST RATE

United Way elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.