

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

**United Way of Metropolitan Dallas, Inc. and
United Way Foundation of Metropolitan Dallas**

June 30, 2022 and 2021

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
United Way of Metropolitan Dallas, Inc. and
United Way Foundation of Metropolitan Dallas

Report on the financial statements**Opinion**

We have audited the consolidated financial statements of United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas (collectively “United Way”), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of the United Way as of June 30, 2022 and 2021, 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 audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). 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 United Way and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the United Way's ability to continue as a going concern for one year after the date 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 consolidated 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 US GAAS 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 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 consolidated financial statements.

In performing an audit in accordance with US GAAS we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 United Way'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the United Way'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.

Supplementary information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities as of and for the year ended June 30, 2022 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing

procedures applied in the audits of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with US GAAS. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

Dallas, Texas
December 1, 2022

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents	\$ 5,304,767	\$ 11,947,474
Pledges receivable, net		
Campaign pledges receivable, net	5,584,246	6,048,949
Other pledges receivable, net	<u>11,504,124</u>	<u>10,270,511</u>
Total pledges receivable, net	17,088,370	16,319,460
Prepaid expenses and accounts receivable	1,451,998	401,572
Investments, at fair value	54,110,011	63,517,196
Custodian asset	465,500	-
Beneficial interests held in trusts	10,790,607	12,001,239
Land, building and equipment, net	4,169,267	4,794,791
Note receivable	406,531	382,030
Other assets	<u>1,787,927</u>	<u>1,415,379</u>
Total assets	<u>\$ 95,574,978</u>	<u>\$ 110,779,141</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 3,942,811	\$ 7,411,724
Grants and allocations payable	5,000,000	7,450,000
Custodian liability	465,500	-
Note payable	-	1,653,966
Donor designations payable	<u>1,528,083</u>	<u>1,321,099</u>
Total liabilities	10,936,394	17,836,789
Net assets		
Without donor restriction	38,793,224	43,827,079
With donor restriction	<u>45,845,360</u>	<u>49,115,273</u>
Total net assets	<u>84,638,584</u>	<u>92,942,352</u>
Total liabilities and net assets	<u>\$ 95,574,978</u>	<u>\$ 110,779,141</u>

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

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue			
Gross campaign results	\$ 7,172,204	\$ 14,939,624	\$ 22,111,828
Less donor designations	-	(5,682,964)	(5,682,964)
Less provision for uncollectible pledges	-	(1,365,810)	(1,365,810)
	<hr/>	<hr/>	<hr/>
Net campaign contributions	7,172,204	7,890,850	15,063,054
Designations contributed from other campaigns	128,956	68,681	197,637
Other contributions	2,849,927	13,453,183	16,303,110
Contributed goods and services	1,804,726	-	1,804,726
Grant revenue	-	26,152,088	26,152,088
Program service fees	461,344	-	461,344
Interest and dividends	685,180	505,896	1,191,076
Net realized and unrealized loss on investments	(5,553,915)	(3,347,803)	(8,901,718)
Change in value of beneficial interests held in trusts	-	(1,210,632)	(1,210,632)
Other income	2,724,585	-	2,724,585
Net assets released for satisfaction of time restrictions	9,388,652	(9,388,652)	-
Net assets released for satisfaction of purpose restrictions	37,393,524	(37,393,524)	-
	<hr/>	<hr/>	<hr/>
Total public support and revenue	57,055,183	(3,269,913)	53,785,270
Grants and expenses			
Program services			
Gross distributions to agencies	45,892,818	-	45,892,818
Less: donor designations to agencies	(3,672,220)	-	(3,672,220)
	<hr/>	<hr/>	<hr/>
Net allocations granted to agency programs	42,220,598	-	42,220,598
Other program expenses	9,322,246	-	9,322,246
	<hr/>	<hr/>	<hr/>
Total program services	51,542,844	-	51,542,844
Supporting services			
Fundraising	6,904,239	-	6,904,239
Management and general	3,641,955	-	3,641,955
	<hr/>	<hr/>	<hr/>
Total supporting services	10,546,194	-	10,546,194
Total expenses	62,089,038	-	62,089,038
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	(5,033,855)	(3,269,913)	(8,303,768)
Net assets, beginning of year	43,827,079	49,115,273	92,942,352
	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 38,793,224</u>	<u>\$ 45,845,360</u>	<u>\$ 84,638,584</u>

The accompanying notes are an integral part of this consolidated financial statement.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Public support and revenue			
Gross campaign results	\$ 5,078,844	\$ 19,803,760	\$ 24,882,604
Less donor designations	-	(10,019,563)	(10,019,563)
Less provision for uncollectible pledges	-	(780,933)	(780,933)
Net campaign contributions	5,078,844	9,003,264	14,082,108
Designations contributed from other campaigns	189,728	67,422	257,150
Other contributions	458,580	15,704,282	16,162,862
Contributed goods and services	334,202	-	334,202
Grant revenue	-	16,291,462	16,291,462
Program service fees	1,798,931	-	1,798,931
Interest and dividends	614,330	423,106	1,037,436
Net realized and unrealized gain on investments	6,065,871	5,473,978	11,539,849
Change in value of beneficial interests held in trusts	-	2,341,885	2,341,885
Other income	1,540,326	-	1,540,326
Net assets released for satisfaction of time restrictions	7,574,198	(7,574,198)	-
Net assets released for satisfaction of purpose restrictions	41,369,070	(41,369,070)	-
Total public support and revenue	65,024,080	362,131	65,386,211
Grants and expenses			
Program services			
Gross distributions to agencies	43,217,445	-	43,217,445
Less: donor designations to agencies	(8,348,496)	-	(8,348,496)
Net allocations granted to agency programs	34,868,949	-	34,868,949
Other program expenses	7,951,502	-	7,951,502
Total program services	42,820,451	-	42,820,451
Supporting services			
Fundraising	5,178,881	-	5,178,881
Management and general	3,330,671	-	3,330,671
Total supporting services	8,509,552	-	8,509,552
Total expenses	51,330,003	-	51,330,003
CHANGE IN NET ASSETS	13,694,077	362,131	14,056,208
Net assets, beginning of year	30,133,002	48,753,142	78,886,144
Net assets, end of year	<u>\$ 43,827,079</u>	<u>\$ 49,115,273</u>	<u>\$ 92,942,352</u>

The accompanying notes are an integral part of this consolidated financial statement.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

	Program Services			Supporting Services			2022 Total
	Community Investment	Special Initiatives	Total	Fundraising	Management and General	Total	
Gross distributions to agencies	\$ 17,934,939	\$ 27,957,879	\$ 45,892,818	\$ -	\$ -	\$ -	\$ 45,892,818
Less donor designations to agencies	(3,672,220)	-	(3,672,220)	-	-	-	(3,672,220)
Net allocations granted to agency programs	14,262,719	27,957,879	42,220,598	-	-	-	42,220,598
Salaries and wages	1,751,062	2,090,748	3,841,810	2,963,911	2,066,835	5,030,746	8,872,556
Employee benefits	239,633	264,784	504,417	393,306	381,057	774,363	1,278,780
Professional fees	271,388	639,788	911,176	330,827	779,217	1,110,044	2,021,220
Supplies	2,020	3,562	5,582	474,107	2,922	477,029	482,611
Telephone	27,009	6,484	33,493	29,835	17,305	47,140	80,633
Postage	1,897	1,005	2,902	2,908	1,914	4,822	7,724
Occupancy	125,175	142,625	267,800	59,973	36,922	96,895	364,695
Equipment rental and maintenance	214,080	822,818	1,036,898	1,307,062	158,994	1,466,056	2,502,954
Media and printing	339,354	325,258	664,612	580,602	8,747	589,349	1,253,961
Mileage reimbursement	7,936	8,966	16,902	7,813	1,772	9,585	26,487
Travel	569	5,394	5,963	657	4,983	5,640	11,603
Conferences and meetings	28,340	264,014	292,354	461,228	11,484	472,712	765,066
Awards	5,389	9,955	15,344	23,276	20,319	43,595	58,939
Subscriptions and dues	259,077	469,542	728,619	102,214	65,755	167,969	896,588
Insurance	169,050	190,259	359,309	79,452	39,133	118,585	477,894
Other fees	18,717	5,017	23,734	2,828	1,220	4,048	27,782
Depreciation expense	210,304	401,027	611,331	84,240	43,376	127,616	738,947
Total	\$ 17,933,719	\$ 33,609,125	\$ 51,542,844	\$ 6,904,239	\$ 3,641,955	\$ 10,546,194	\$ 62,089,038

The accompanying notes are an integral part of this consolidated financial statement.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

	Program Services			Supporting Services			2021 Total
	Community Investment	Special Initiatives	Total	Fundraising	Management and General	Total	
Gross distributions to agencies	\$ 24,539,607	\$ 18,677,838	\$ 43,217,445	\$ -	\$ -	\$ -	\$ 43,217,445
Less donor designations to agencies	(8,088,496)	(260,000)	(8,348,496)	-	-	-	(8,348,496)
Net allocations granted to agency programs	16,451,111	18,417,838	34,868,949	-	-	-	34,868,949
Salaries and wages	1,718,288	1,455,385	3,173,673	3,046,700	2,102,587	5,149,287	8,322,960
Employee benefits	252,596	208,624	461,220	479,092	242,586	721,678	1,182,898
Professional fees	68,134	657,321	725,455	346,878	651,119	997,997	1,723,452
Supplies	1,976	2,366	4,342	15,235	10,392	25,627	29,969
Telephone	25,559	3,105	28,664	29,689	15,366	45,055	73,719
Postage	641	266	907	3,348	1,033	4,381	5,288
Occupancy	49,951	58,916	108,867	23,909	11,777	35,686	144,553
Equipment rental and maintenance	195,480	76,077	271,557	274,287	150,156	424,443	696,000
Media and printing	232,493	229,123	461,616	586,846	1,934	588,780	1,050,396
Mileage reimbursement	339	2,792	3,131	1,969	152	2,121	5,252
Travel	226	-	226	237	127	364	590
Conferences and meetings	5,088	200,865	205,953	30,614	3,759	34,373	240,326
Awards	4,194	5,170	9,364	17,480	22,206	39,686	49,050
Subscriptions and dues	239,144	266,075	505,219	63,937	64,027	127,964	633,183
Insurance	25,664	28,369	54,033	186,365	5,760	192,125	246,158
Other fees	315,328	1,010,569	1,343,245	2,472	1,237	3,709	1,346,954
Depreciation expense	273,895	320,135	594,030	69,823	46,453	116,276	710,306
Total	\$ 19,860,107	\$ 22,942,996	\$ 42,820,451	\$ 5,178,881	\$ 3,330,671	\$ 8,509,552	\$ 51,330,003

The accompanying notes are an integral part of this consolidated financial statement.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Change in net assets	\$ (8,303,768)	\$ 14,056,208
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Proceeds from contributions restricted for long-term purposes	(458,673)	(1,240,324)
Depreciation	738,947	710,306
Net realized and unrealized loss (gain) on investments	8,901,718	(11,539,849)
Life insurance premiums expense	391,285	174,671
Change in value of beneficial interests held in trusts	1,210,632	(2,341,885)
Gain on PPP loan extinguishment	(1,653,966)	(1,398,300)
Changes in operating assets and liabilities:		
Campaign pledges receivable	464,703	1,152,802
Other pledges receivable	(1,233,613)	(1,495,705)
Prepaid expenses and accounts receivable	(1,050,426)	33,054
Other assets	(177,440)	(127,440)
Accounts payable and accrued expenses	(3,468,913)	6,036,419
Grants and allocations payable	(2,450,000)	67,500
Donor designations payable	206,984	(505,383)
	<u>(6,882,530)</u>	<u>3,582,074</u>
Net cash (used in) provided by operating activities		
Cash flows from investing activities		
Purchases of investments	(13,805,517)	(33,550,424)
Proceeds from sales or maturities of investments	14,310,984	31,515,975
Note receivable accrued interest	(24,501)	(32,030)
Purchase of life insurance policy	(586,393)	(586,019)
Purchase of equipment and building improvements	(113,423)	(164,687)
	<u>(218,850)</u>	<u>(2,817,185)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from note payable	-	1,653,966
Proceeds from contributions restricted for long-term purposes	458,673	1,240,324
	<u>458,673</u>	<u>2,894,290</u>
Net cash (used in) provided by financing activities		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (6,642,707)	\$ 3,659,179
Cash and cash equivalents, beginning of year	<u>11,947,474</u>	<u>8,288,295</u>
Cash and cash equivalents, end of year	<u>\$ 5,304,767</u>	<u>\$ 11,947,474</u>
Supplemental disclosures of cash flow information:		
Noncash financing:		
Extinguishment of PPP Loan	(1,653,966)	(1,398,300)

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

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 and 2021

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

United Way of Metropolitan Dallas, Inc. (the “United Way”), a Texas nonprofit corporation founded in 1961, is a voluntary health and welfare organization governed by a volunteer Board of Directors (the “Board”). United Way is a community-based social change organization that believes in the power of unity to create lasting change. For over 90 years, United Way has led the charge to strengthen education, income and health - the building blocks of opportunity. In education, United Way seeks to give kids a strong start, provide quality out-of-school time, and strong pathways through high-school to college and career. In income, United Way invests in programs that help North Texans get and keep better jobs, establish savings, and hold on to more of what they earn. In health United Way creates, leads and invests in programs that enable residents to get and stay healthy. In the past year, United Way impacted the lives of over 1 million North Texans.

United Way Foundation of Metropolitan Dallas (the “Foundation”), a Texas nonprofit corporation, was founded in 1999 exclusively for the purpose of receiving gifts, grants, and bequests in order to establish an endowment fund for the long-term benefit of United Way. The Foundation operates an endowment, consisting of both donor-restricted endowment funds and unrestricted board-designated endowment funds. The Foundation is governed by a volunteer Board of Directors (the “Foundation Board”), which is appointed by the Board of Directors of United Way. The Foundation Board’s intent is to treat all unrestricted gifts to the Foundation as a permanent endowment whereby the corpus of these gifts is held in perpetuity and only the earnings are spent. For reporting purposes, the Foundation is consolidated in United Way’s financial statements. Inter-entity transactions have been eliminated in the consolidated financial statements.

Basis of Presentation

The accompanying consolidated financial statements of United Way are prepared on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and all short-term investments with maturity dates of three months or less when purchased. United Way places its cash with high-quality financial institutions which cash balances, at times, may exceed federally insured limits. United Way has not experienced any losses on such accounts.

Pledges Receivable

Unconditional promises to give are recorded as pledges receivable and contribution revenue when the promise is made. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

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 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’s judgment is based on a variety of factors, which include experience related to charge offs and recoveries, previous collection history and scrutiny of individual accounts. Specific accounts are written off only upon notification from donors that the pledges are no longer collectible. An allowance for uncollectible pledges is estimated based on recent historical experience, as well as other factors anticipated to affect collections. For the annual campaign, any remaining uncollectible pledge balances are written off after two years.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Investments

Investments are carried at fair value, which is determined based on quoted market prices. Realized and unrealized gains and losses are reflected in the consolidated statements of activities. Gains and losses on sales transactions are recorded when realized based on the original cost of the investments sold based on the specific identification method. Earnings from investments are recorded as interest and dividends and are reflected in the consolidated statement of activities.

Custodian Funds

Custodian funds are held on behalf of other entities and are disbursed only upon instructions from such entities.

The amounts of custodian funds held for other parties and not commingled by the Foundation totaled approximately \$465,500 as of June 30, 2022 and \$0 as of June 30, 2021, and are reflected as custodian asset and liability in the consolidated statement of financial position. All funds were held in cash.

Life Insurance Policy

As part of a planned giving program, the Foundation has purchased 53 life insurance policies on behalf of donors. Sixteen and 1 new policies were purchased during fiscal years ended June 30, 2022 and 2021, respectively. The Foundation is the beneficiary of these policies. This program allows donors to utilize life insurance to accomplish their philanthropic objectives by enabling the donors to create a future legacy that will endow their annual gift into perpetuity. The donor contributes an amount sufficient to cover half of the annual premiums and the Foundation matches the donation for a full premium payment for each policy. Additionally, donors may provide funds for the Foundation's match premiums. The cash surrender value of the policy is included in other assets in the consolidated statements of financial position. The difference between the premium paid and the cash surrender value of the policy is expensed as fundraising expenses in the consolidated statements of activities.

Land, Building and Equipment

Land, building and equipment are stated at cost if purchased and at fair value at the date of donation if donated. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets (five to 30 years for building and improvements and three to 10 years for furniture and equipment). United Way capitalizes all expenditures for land, buildings and equipment in excess of \$5,000.

United Way reviews the recoverability of its long-lived assets as required by accounting principles generally accepted in the United States of America ("US GAAP"), whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows. If the sum of the projected undiscounted cash flows is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made. As of and for the years ended June 30, 2022, and 2021, no indicators of impairment were identified, and no impairment was recorded.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are currently available net assets for operating purposes under the direction of the board, designated by the board for specific use, donor-advised funds, or invested in property and equipment.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Net Assets with Donor Restrictions

Contributions received from third parties with donor stipulations that limit the use of the donated assets, including specific or implied time restrictions inherent in pledges to give cash or other assets in the future, or are restricted such that the original gift (or principal) must be maintained in perpetuity, such as a permanent endowment fund are reported as net assets with donor restriction in the accompanying consolidated financial statements. When the applicable restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished (including accrual of the related obligation), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statement of activities as net assets released from restrictions. Contributions received with temporary restrictions which are satisfied in the same reporting period are accounted for as described above and are included in net assets released from restrictions in the accompanying consolidated statement of activities. For contributions maintained in perpetuity, only the investment return on the original principal is available for use according to donor restrictions.

Campaign and Contributions

Restricted contributions are recorded at their estimated fair value when received or made rather than in the period for which the pledges are designated. Unconditional promises to give are recorded as revenue when the promise is made.

To determine the net realizable value of contributions from the annual fundraising campaign, a loss provision is calculated as a percentage of gross campaign results, including donor designations. As described above, management assesses the risks of uncollectibility to determine a reasonable loss provision. If actual collection results differ significantly from expectations, contributions in a subsequent period may be adjusted accordingly.

Per United Way policy, all campaign contributions in the current and future campaign years are restricted by time in the absence of a purpose restriction. The current campaign year fundraises for a future budgetary period, and therefore funds raised are spent in the following fiscal year and thus are considered time restricted within net assets.

Donor Designations

Annual campaign gifts in which United Way agrees to transfer the gift to another beneficiary as designated by the donor constitute agency transactions and are deducted from gross campaign results to arrive at contribution revenue. In accordance with United Way Worldwide membership requirements, these designations are presented as part of gross campaign results and gross distributions to agencies on the consolidated statement of activities, but are then deducted to arrive at United Way's actual revenue and expense under U.S. GAAP.

United Way pledges received from donors who have elected to use third-party pledge administrators to process the designation payments on their behalf are included in gross campaign results and gross agency distributions, in accordance with United Way Worldwide membership requirements. They are not included in pledges receivable or designations payable because those donations are paid directly by the donor to the third-party administrator to remit to the designated agencies.

United Way charges a processing fee on donor designation payments and restricted internal donations. Sixteen percent of the gift amount is recorded as unrestricted revenue in order to offset administrative expenses related to processing and distributing the gift.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Contributed Goods and Services

Contributed goods are reflected as contributions in the accompanying consolidated 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. A number of volunteers have donated significant time and effort to United Way's fundraising campaign and its grant allocation process. The dollar value of these contributed services is not reflected in the consolidated financial statements because the nature of the services does not meet the specified criteria for recording.

Functional Expenses

Expenses are summarized and categorized based on their functional classification as either program services or supporting services in the consolidated statement of functional expenses. 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 among the program and supporting services benefited. United Way records expenses to departments and programs to facilitate the functionalization between Management and General, Fundraising, and Program Services. United Way has a class of programs with expenses that relate only to Program Services. When a program has expenses that cross the functional categories, their expenses are allocated based on department. United Way has several departments with expenses directly apportioned to the three functional categories. United Way indirectly allocates expenses from four departments, for depreciation and for dues paid to United Way Worldwide and United Ways of Texas.

Marketing department expenses support Fundraising and Program Services and are allocated evenly between these two functional areas. Human Resources and Information Technology expenses are allocated between each of the functional categories based on proportional headcount. United Way allocates the expenses for the Building Operations department, depreciation and dues by using the proportion of the total expenses reported in each functional category compared to the allocation base of total overall expenses, net of these amounts.

Advertising

United Way expenses advertising costs as incurred. Advertising costs were approximately \$446,000 and \$405,000 for the years ended June 30, 2022 and 2021, respectively. Advertising expense was allocated in the media and printing line of the consolidated statement of functional expenses.

Income Taxes

Both United Way and the Foundation are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Thus, no provision for income taxes is included in the accompanying consolidated financial statements.

United Way and the Foundation follow the accounting guidance for accounting for uncertainty in income taxes, recognizing the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. United Way and the Foundation applied the uncertain tax position guidance to all tax positions for which the statute of limitations remained open and determined there were no material unrecognized tax benefits as of that date. United Way and the Foundation do not believe there is any uncertainty with respect to the tax position which would result in a material change to the financial statements.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

United Way and the Foundation are subject to federal and state income taxes to the extent they have unrelated business income. In accordance with the guidance for uncertainty in income taxes, management has evaluated their material tax positions and determined that there are no material income tax effects with respect to its financial statements. Management has determined that there is no material unrelated business income to report for United Way or the Foundation and has not historically filed unrelated business income tax returns. Therefore, tax years remain open for years in which an income tax return has not been filed.

There was no interest related to income taxes that has been accrued or recognized as of and for the years ended June 30, 2022 and 2021.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Recent Accounting Pronouncements

In September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which aims to increase transparency of contributed nonfinancial assets, commonly known as gifts in kind, through enhancements to presentation and disclosures and is effective for annual periods beginning after June 15, 2021. United Way adopted the standard as of July 1, 2021. See Note I for additional information.

In February 2016, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases*, which will supersede the current lease guidance in current U.S. GAAP. The ASU requires lessees to recognize a right of use asset and a related lease liability for all leases, with the limited exception of short-term leases. The main difference with current practice is that lessees will be required to record an asset and liability for what is now considered an operating lease. The FASB approved deferring the effective date of this ASU for one year. The ASU is now effective for annual periods beginning after December 15, 2021. United Way is currently assessing the potential impact of this ASU on its consolidated financial statements.

Reclassifications

Certain prior year financial statement amounts have been reclassified to conform to the current year presentation. Gain on extinguishment of PPP loan was reclassified out of financing activities into operating activities on the consolidated statements of cash flows.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE B - PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2022 are summarized as follows:

	Pledges Due in Less Than 1 Year	Pledges Due Within 1 to 5 Years	Pledges Due More Than 5 Years	Less Unamortized Present Value Discount	Allowance for Doubtful Account	Total
Campaign pledges receivable:						
2021 United Way Campaign	\$ 21,183	\$ -	\$ -	\$ -	\$ -	\$ 21,183
2020 United Way Campaign	6,447,173	-	-	-	(1,058,107)	5,389,066
2019 United Way Campaign	<u>1,262,632</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,088,635)</u>	<u>173,997</u>
Subtotal	7,730,988	-	-	-	(2,146,742)	5,584,246
Other pledges receivable:						
Sponsorships and other	7,207,686	1,803,000	285,000	(278,824)	-	9,016,862
Foundation life insurance premium gift	172,318	400,000	-	(28,493)	-	543,825
Foundation endowment gift	<u>1,138,351</u>	<u>1,020,000</u>	<u>70,000</u>	<u>(284,914)</u>	<u>-</u>	<u>1,943,437</u>
Subtotal	<u>8,518,355</u>	<u>3,223,000</u>	<u>355,000</u>	<u>(592,231)</u>	<u>-</u>	<u>11,504,124</u>
Total pledges receivable, net	<u>\$16,249,343</u>	<u>\$ 3,223,000</u>	<u>\$ 355,000</u>	<u>\$ (592,231)</u>	<u>\$(2,146,742)</u>	<u>\$17,088,370</u>

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Pledges receivable as of June 30, 2021 are summarized as follows:

	Pledges Due in Less Than 1 Year	Pledges Due Within 1 to 5 Years	Pledges Due More Than 5 Years	Less Unamortized Present Value Discount	Allowance for Doubtful Account	Total
Campaign pledges receivable:						
2021 United Way Campaign	\$ 24,628	\$ -	\$ -	\$ -	\$ -	\$ 24,628
2020 United Way Campaign	6,953,979	-	-	-	(1,053,915)	5,900,064
2019 United Way Campaign	<u>1,698,878</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,574,621)</u>	<u>124,257</u>
Subtotal	8,677,485	-	-	-	(2,628,536)	6,048,949
Other pledges receivable:						
Sponsorships and other	5,920,727	2,190,000	250,000	(264,503)	-	8,096,224
Foundation life insurance premium gift	24,707	-	-	-	-	24,707
Foundation endowment gift	<u>816,587</u>	<u>1,500,000</u>	<u>175,000</u>	<u>(342,007)</u>	<u>-</u>	<u>2,149,580</u>
Subtotal	<u>6,762,021</u>	<u>3,690,000</u>	<u>425,000</u>	<u>(606,510)</u>	<u>-</u>	<u>10,270,511</u>
Total pledges receivable, net	<u>\$15,439,506</u>	<u>\$ 3,690,000</u>	<u>\$ 425,000</u>	<u>\$ (606,510)</u>	<u>\$(2,628,536)</u>	<u>\$16,319,460</u>

Pledges due in more than one year are reflected at the net present value of future cash flows. Pledges were discounted using rates from 3.25% to 5.5% at the time the pledges were made for the fiscal years ended June 30, 2022 and 2021.

NOTE C - INVESTMENTS AND FAIR VALUE

The fair values of the investments at June 30 are as follows:

	<u>2022</u>	<u>2021</u>
Certificates of deposit	\$ -	\$ 1,755,448
Equity mutual funds	35,966,612	42,646,322
Fixed income mutual funds	13,091,016	14,490,271
Money market funds	<u>5,052,383</u>	<u>4,625,155</u>
Total	<u>\$ 54,110,011</u>	<u>\$ 63,517,196</u>

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

United Way records its financial instruments in accordance with the fair value guidance as established by the FASB. In accordance with this guidance, fair value is defined as the price United Way would receive from the sale of an asset, or pay to transfer a liability, in a timely transaction with an independent buyer in a principal market. This guidance establishes a three-tier hierarchy to distinguish between various types of inputs used in determining the value of United Way's investments and liabilities. The inputs are summarized in three levels as outlined below:

Level 1 Inputs - Quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 1 assets include certificates of deposit, mutual funds and money market funds. Valuations of these instruments do not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available;

Level 2 Inputs - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions. United Way did not have any Level 2 financial instruments for the years ended June 30, 2022 and 2021; and

Level 3 Inputs - Unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. Assets in this category include beneficial interests held in trusts. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

United Way's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

The schedule below classifies United Way's investments and beneficial interests held in trusts carried at fair value based upon the three-tier hierarchy required by US GAAP:

Description	Fair Market Measurements at June 30, 2022			June 30, 2022
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments:				
Equity mutual funds	\$ 35,966,612	\$ -	\$ -	\$ 35,966,612
Fixed income mutual funds	13,091,016	-	-	13,091,016
Money market funds	5,052,383	-	-	5,052,383
Beneficial interest held in trusts:				
Split-interest agreements	-	-	10,790,607	10,790,607
Total	\$ 54,110,011	\$ -	\$ 10,790,607	\$ 64,900,618

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

The schedule below summarizes the activity for the year ended June 30, 2022 for the items above which have been classified as Level 3 investments:

	<u>Beneficial Interests Held in Trusts</u>
Beginning balance	\$ 12,001,239
Change in value	<u>(1,210,632)</u>
Ending balance	<u>\$ 10,790,607</u>

The schedule below classifies United Way's investments and beneficial interests held in trusts carried at fair value based upon the three-tier hierarchy required by US GAAP:

Description	Fair Market Measurements at June 30, 2021			June 30, 2021
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments:				
Equity mutual funds	\$ 42,646,322	\$ -	\$ -	\$ 42,646,322
Fixed income mutual funds	14,490,271	-	-	14,490,271
Money market funds	4,625,155	-	-	4,625,155
Beneficial interest held in trusts:				
Split-interest agreements	<u>-</u>	<u>-</u>	<u>12,001,239</u>	<u>12,001,239</u>
Total	<u>\$ 61,761,748</u>	<u>\$ -</u>	<u>\$ 12,001,239</u>	73,762,987
Certificates of deposit				<u>1,755,448</u>
Total investments and beneficial interests held in trust				<u>\$ 75,518,435</u>

The schedule below summarizes the activity for the year ended June 30, 2021 for the items above which have been classified as Level 3 investments:

	<u>Beneficial Interests Held in Trusts</u>
Beginning balance	\$ 9,659,354
Change in value	<u>2,341,885</u>
Ending balance	<u>\$ 12,001,239</u>

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Investments and Beneficial Interests Held in Trusts

The carrying amounts of investments approximate fair value based on quoted market prices. The fair value of the beneficial interests held in trusts is determined in good faith by the trustees based on estimates of the underlying investments and appropriate market indices.

A professional investment advisor manages the Foundation's investments with periodic review by United Way management and the Foundation Investment Committee with approval by the Foundation's Board of Directors. The management of the Foundation and United Way do not believe their investments pose unusual market or credit risks.

Investment fees of \$61,232 and \$58,357 were incurred for the years ended June 30, 2022 and 2021, respectively, and are included in net realized and unrealized loss on investments in the accompanying consolidated statement of activities.

NOTE D - BENEFICIAL INTERESTS HELD IN TRUSTS

United Way is the beneficiary of three perpetual trusts held and administered by third-party trustees. The present value of the estimated future cash receipts from the trusts (as measured by the fair value of the underlying investments at United Way's fiscal year end) was recognized as assets and contribution revenue at the date the trusts were established. Distributions from the trusts are recorded within other contributions and the carrying value of the assets is adjusted for changes in the estimates of future receipts. The changes in the value of these trusts are included in the change in value of beneficial interests held in trusts in the accompanying consolidated statement of activities.

NOTE E - LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following:

	<u>2022</u>	<u>2021</u>
Building and improvements	\$ 10,058,566	\$ 9,936,801
Furniture and equipment	<u>3,228,462</u>	<u>3,222,874</u>
	13,287,028	13,159,675
Less accumulated depreciation	<u>(9,341,020)</u>	<u>(8,653,785)</u>
	3,946,008	4,505,890
Construction in progress	12,000	77,642
Land and improvements	<u>211,259</u>	<u>211,259</u>
Total	<u>\$ 4,169,267</u>	<u>\$ 4,794,791</u>

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE F - GRANT ALLOCATIONS AND COMMITMENTS TO AGENCY PROGRAMS

In June 2022, United Way made unconditional pledges to agency programs for community fund grant allocations to be paid for the period beginning July 1, 2022 through December 31, 2022. Additionally, prior to June 30, 2022, United Way made unconditional pledges to agency programs for program initiative grant allocations to be paid July 1, 2022 through June 30, 2023. Accordingly, as of June 30, 2022, a liability of \$5,000,000 was recorded for the unconditional grants pledged, and not yet paid as of that date.

In addition, an estimate was made of community fund and program initiative grant allocations expected to be paid to agency programs for the period beginning January 1, 2023 through June 30, 2023, which is conditional upon the results of campaign collections. These conditional pledges total \$5,000,000 and have not been accrued in the consolidated statements of financial position because a firm commitment has not been made.

In June 2021, United Way made unconditional pledges to agency programs for community fund grant allocations to be paid for the period beginning July 1, 2021 through December 31, 2021. Additionally, prior to June 30, 2021, United Way made unconditional pledges to agency programs for program initiative grant allocations to be paid July 1, 2021 through June 30, 2022. Accordingly, as of June 30, 2021, a liability of \$7,450,000 was recorded for the unconditional grants pledged, and not yet paid as of that date.

In addition, an estimate was made of community fund and program initiative grant allocations expected to be paid to agency programs for the period beginning January 1, 2022 through June 30, 2022, which is conditional upon the results of campaign collections. These conditional pledges total \$7,450,000 and have not been accrued in the consolidated statements of financial position because a firm commitment has not been made.

NOTE G - GOVERNMENTAL CAMPAIGNS

United Way participates in local campaigns in the Metropolitan Dallas area on behalf of the Combined Federal Campaign ("CFC"), the State Employee Charitable Campaign and the City of Dallas Employee Charitable Campaign. Through these campaigns, donors designate their gifts to a wide variety of charitable organizations, and United Way honors designations made to each member organization by distributing a proportionate share of receipts based on donor designations to each member, per CFC regulations at §950.301(e)(2)(i). Verification that United Way is honoring designations made to each member organization has been performed. United Way acts as a federation level entity for these campaigns.

NOTE H - FEDERAL GRANT PROGRAMS

On March 29, 2020, Congress passed, and the President signed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Under the CARES Act, \$150 billion was allocated to the coronavirus relief fund ("CRF"). The CRF supported American individuals and families by providing funds to states and local governments in mitigating the economic effects of the COVID-19 outbreak. Governmental entities may choose to contract with nonprofits to provide services. In the year ended June 30, 2022, United Way received \$459,808 of grant payments for workforce development. In the year ended June 30, 2021, United Way received \$11,932,000 of grant payments for housing stability and not for profit assistance. This is considered nonexchange transactions from the City of Dallas, which is included in grant revenue in the consolidated statements of activities. These payments are subject to audit and compliance with federal regulations. United Way believes it has met the conditions to retain these funds, and no amounts are reserved for repayment at June 30, 2022 in the accompanying consolidated balance sheet. These funds are passed through to partner agencies, and reflected on the consolidated statement of activities as gross distributions to agencies.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

On March 11, 2021, Congress passed, and the President signed the American Rescue Plan Act of 2021 (“ARPA Act”). Under the ARPA Act, \$1.9 trillion was allocated to addressing economic and health effects of the COVID-19 pandemic. Governmental entities may choose to contract with nonprofits to provide services. In the year ended June 30, 2022, United Way received \$20,168,842 of grant payments for housing stability. In the year ended June 30 2021, United Way received \$0 in ARPA funding. This is considered nonexchange transactions from the City of Dallas, which is included in grant revenue in the consolidated statements of activities. These payments are subject to audit and compliance with federal regulations. United Way believes it has met the conditions to retain these funds, and no amounts are reserved for repayment at June 30, 2022 in the accompanying consolidated balance sheet. These funds are passed through to partner agencies, and reflected on the consolidated statement of activities as gross distributions to agencies.

NOTE I - CONTRIBUTED NONFINANCIAL ASSETS

For the year ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the consolidated statement of activities in contributed goods and services:

	2022	2021
Legal fees	\$ 15,611	\$ -
Hotspots	1,045,500	-
Mask	469,500	12,000
Media	274,115	322,202
Total	\$ 1,804,726	\$ 334,202
Southern Dallas Thrives	\$ 1,045,500	\$ -
Unrestricted	759,226	334,202
Total	\$ 1,804,726	\$ 334,202

Legal services were valued by the donating firm, at the rate billed to clients. United Way Worldwide values the media provided based on records provided by media partners of the number of impressions recorded for the ads that appeared based on the National Association of Broadcasters standards for valuation of market impressions. Hotspots and masks were valued by the donor, based on fair market value.

All gifts were recognized in accordance with the donor restrictions and purpose, when applicable.

NOTE J - ENDOWMENT FUNDS

The Foundation’s endowment consists of individual endowment funds established for the exclusive purpose of operating for the benefit of United Way. The endowment includes funds that are both donor-restricted endowment funds and funds designated by the Foundation Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Unrestricted endowment funds represent those funds designated by the Board at the inception of the endowment plus general public contributions, estate settlement and contributions not supported by an endowment.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Interpretation of Relevant Law

The Foundation interprets the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) enacted by the State of Texas as allowing the Foundation, absent donor stipulations to the contrary as stated in the gift instrument, to appropriate so much of a donor-restricted endowment fund as the Board determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established.

The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds: 1) the duration and preservation of the fund; 2) the purposes of the donor-restricted endowment fund; 3) general economic conditions; 4) the possible effect of inflation and deflation; 5) the expected total return from income and the appreciation of investments; and 6) other resources of United Way.

Endowment net asset composition by type of fund consists of the following as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total with Donor Restrictions	
Donor-restricted endowment funds	\$ -	\$ 21,453,160	\$ 1,994,625	\$ 23,447,785	\$ 23,447,785
Board-designated endowment funds	24,092,251	-	-	-	24,092,251
Total endowment net assets	\$ 24,092,251	\$ 21,453,160	\$ 1,994,625	\$ 23,447,785	\$ 47,540,036

Endowment net asset composition by type of fund consists of the following as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift Amount	Accumulated Gains (Losses) and Other	Total with Donor Restrictions	
Donor-restricted endowment funds	\$ -	\$ 20,401,801	\$ 6,071,288	\$ 26,473,089	\$ 26,473,089
Board-designated endowment funds	28,099,242	-	-	-	28,099,242
Total endowment net assets	\$ 28,099,242	\$ 20,401,801	\$ 6,071,288	\$ 26,473,089	\$ 54,572,331

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total with Donor Restrictions	Total
		Original Gift Amounts	Accumulated Gains (Losses) and Other		
Endowment net assets, beginning of year	\$ 28,099,242	\$ 20,401,801	\$ 6,071,288	\$ 26,473,089	\$ 54,572,331
Investment return:					
Investment income	638,962	-	505,896	505,896	1,144,858
Net appreciation (unrealized and realized)	(5,525,055)	-	(3,347,803)	(3,347,803)	(8,872,858)
Total investment return	(4,886,093)	-	(2,841,907)	(2,841,907)	(7,728,000)
Contributions	2,348,192	1,051,359	(592,686)	458,673	2,806,865
Appropriation of assets for expenditure	(1,469,090)	-	(642,070)	(642,070)	(2,111,160)
Endowment net assets, end of year	<u>\$ 24,092,251</u>	<u>\$ 21,453,160</u>	<u>\$ 1,994,625</u>	<u>\$ 23,447,785</u>	<u>\$ 47,540,036</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total with Donor Restrictions	Total
		Original Gift Amounts	Accumulated Gains (Losses) and Other		
Endowment net assets, beginning of year	\$ 22,914,945	\$ 18,720,751	\$ 2,229,977	\$ 20,950,728	\$ 43,865,673
Investment return:					
Investment income	477,071	-	423,106	423,106	900,177
Net appreciation (unrealized and realized)	6,162,461	-	5,473,978	5,473,978	11,636,439
Total investment return	6,639,532	-	5,897,084	5,897,084	12,536,616
Contributions	136,312	1,681,050	(440,726)	1,240,324	1,376,636
Appropriation of assets for expenditure	(1,591,547)	-	(1,615,047)	(1,615,047)	(3,206,594)
Endowment net assets, end of year	<u>\$ 28,099,242</u>	<u>\$ 20,401,801</u>	<u>\$ 6,071,288</u>	<u>\$ 26,473,089</u>	<u>\$ 54,572,331</u>

Return Objective and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowments include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, United Way relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation. The Foundation's investment objectives are to generate sufficient long-term growth of capital without undue exposure to risk, to provide for spending distributions when needed, and to enhance the real purchasing power of the investments.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The primary long-term management objective of the Foundation's board-designated and donor-restricted endowment funds (the "Endowment Fund") is to ensure safety and preservation of principal, to achieve a satisfactory risk-adjusted total rate of return on assets under management, to maintain sufficient liquidity to meet operating and distribution needs, and to seek at all times to maintain public trust by adhering to the above stated objectives.

Per the spending policy, the Foundation distributes the higher of \$2,500,000 or 4.5% of the 12-quarter rolling average of the portfolio's market value, or the most recent quarter's closing market value, whichever is lower. As a result, the Foundation distribution to United Way for the years ended June 30, 2022 and 2021 was \$2,500,000. This was approved by the Foundation Board during the fiscal years ended June 30, 2022 and 2021, respectively.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. As of June 30, 2022, there were two named endowments that had fallen slightly below their original gift amount. These were \$18,522 under the contributed amount of \$1,740,190. There were no amount of funds that had fallen below their original gift value as of June 30, 2021. United Way policy is to refrain from spending until the fair market value is greater than the original contribution.

NOTE K - NOTE RECEIVABLE

The Foundation holds a convertible promissory note as of June 30, 2022 and 2021 as a part of the impact investing fund. The impact investing fund is used to invest in for-profit companies that meet the mission of United Way.

As of June 30, 2022 and 2021, the note receivable outstanding is \$350,000. The note bears interest of 7%. As of June 30, 2022, the note has accrued interest of \$56,531. The note can be converted into company shares in three different ways. If a sale of a minimum of \$3.0 million in preferred shares occurs prior to the maturity date, the note will automatically convert to shares in the company. If a sale of less than \$3.0 million in preferred shares occurs prior to the maturity date, December 31, 2022, the Foundation has the option to convert the note to shares in the company. If no sale has occurred at the maturity date, the majority note holders have the right to convert the outstanding balance to shares. If the note has not been converted to shares as of the maturity date, the principal and interest shall be due and payable in full.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE L - NOTE PAYABLE

As of June 30, 2022 and 2021, United Way received loans of \$1,653,966 (Phase 2) and \$1,413,060 (Phase 1) respectively, under the Paycheck Protection Program (“PPP”). The PPP, established as part of the CARES Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

As of June 30, 2021, Phase 1 of the PPP was forgiven and as of June 30, 2022 Phase 2 was forgiven and are reflected on the consolidated statement of activities as other income and on the consolidated statement of cash flows under financing activities.

NOTE M - NET ASSETS

Net assets as of June 30, 2022 are categorized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Unrestricted	\$ 13,087,930	\$ -	\$ 13,087,930
Unrestricted - Board designated	25,705,294	-	25,705,294
Time-restricted within AR	-	5,663,915	5,663,915
Time-restricted within Foundation AR	-	2,609,809	2,609,809
Purpose restricted in Foundation	-	571,041	571,041
Programs, events, fundraising and other	-	1,032,377	1,032,377
Beneficial interest held in trusts	-	10,790,607	10,790,607
Endowment - restricted	-	25,177,611	25,177,611
	<u>\$ 38,793,224</u>	<u>\$ 45,845,360</u>	<u>\$ 84,638,584</u>
Total net assets			

Net assets as of June 30, 2021 are categorized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Unrestricted	\$ 14,450,136	\$ -	\$ 14,450,136
Unrestricted - Board designated	29,376,943	-	29,376,943
Time-restricted within AR	-	4,970,892	4,970,892
Time-restricted within Foundation AR	-	2,283,044	2,283,044
Purpose restricted in Foundation	-	43,965	43,965
Programs, events, fundraising and other	-	3,343,044	3,343,044
Beneficial interest held in trusts	-	12,001,239	12,001,239
Endowment - restricted	-	26,473,089	26,473,089
	<u>\$ 48,827,079</u>	<u>\$ 49,115,273</u>	<u>\$ 92,942,352</u>
Total net assets			

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2022 and 2021

NOTE N - LIQUIDITY AND AVAILABILITY

The following table reflects United Way's financial assets as of June 30, 2022 and 2021 reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board-designated endowments. These board designations could be drawn upon if the board approves that action.

	June 30,	
	2022	2021
Financial assets:		
Cash and cash equivalents	\$ 5,304,767	\$ 11,947,474
Investments, at fair value	54,110,011	63,517,196
Total financial assets	\$ 59,414,778	\$ 75,464,670
Less assets unavailable for general expenditure within one year, due to:		
Board-designated endowment	\$ (24,092,251)	\$ (28,099,242)
Donor-restricted endowment	(23,923,260)	(25,074,295)
Time restricted by board not within one year	(20,820)	(24,628)
Donor purpose restriction	(420,418)	(1,377,741)
Financial assets available to meet cash needs for general expenditures within one year	\$ 10,958,029	\$ 20,888,764

As part of United Way's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, United Way invests cash in excess of weekly requirements in short-term investments. United Way has board-designated net assets without donor restrictions that could be made available for current operations, if necessary.

NOTE O - EMPLOYEE RETIREMENT PLAN

United Way has a defined contribution pension plan (the "Plan") for the benefit of its employees. Employees are eligible to contribute to the Plan on the first day of the month, following 30 days after their hire date. After one year of service, United Way makes contributions to each participating employee's account based on percentages of employee compensation. Employees receive 5% of their base compensation plus a 50% match of their contributions up to 4% of their base compensation. United Way contributed approximately \$345,000 and \$372,000 to the Plan for the years ended June 30, 2022 and 2021.

NOTE P - SUBSEQUENT EVENTS

United Way has evaluated its consolidated financial statements for subsequent events through December 1, 2022, the date the consolidated financial statements were available to be issued. United Way is not aware of any such events which would require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2022

	<u>United Way of Metropolitan Dallas, Inc.</u>	<u>United Way Foundation of Metropolitan Dallas</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS				
Cash and cash equivalents	\$ 4,935,569	\$ 369,198	\$ -	\$ 5,304,767
Pledges receivable, net				
Campaign pledges receivable, net	5,584,246	-	-	5,584,246
Other pledges receivable, net	9,016,862	2,487,262	-	11,504,124
	<hr/>	<hr/>	<hr/>	<hr/>
Total pledges receivable, net	14,601,108	2,487,262	-	17,088,370
Prepaid expenses and accounts receivable	1,451,998	-	-	1,451,998
Due from Foundation	3,097,705	-	(3,097,705)	-
Due from UWMD	-	2,610,836	(2,610,836)	-
Investments, at fair value	4,427,382	49,682,629	-	54,110,011
Custodian asset	-	465,500	-	465,500
Beneficial interests held in trusts	10,790,607	-	-	10,790,607
Land, building and equipment, net	4,169,267	-	-	4,169,267
Notes receivable	-	406,531	-	406,531
Other assets	182,923	1,605,004	-	1,787,927
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 43,656,559</u>	<u>\$ 57,626,960</u>	<u>\$ (5,708,541)</u>	<u>\$ 95,574,978</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 3,942,811	\$ -	\$ -	\$ 3,942,811
Due To UWMD	-	3,097,705	(3,097,705)	-
Due To Foundation	2,610,836	-	(2,610,836)	-
Grants and allocations payable	5,000,000	-	-	5,000,000
Custodian liability	-	465,500	-	465,500
Notes payable	-	-	-	-
Donor designations payable	1,528,083	-	-	1,528,083
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	13,081,730	3,563,205	(5,708,541)	10,936,394
Net assets				
Without donor restriction	13,087,930	25,705,294	-	38,793,224
With donor restriction	17,486,899	28,358,461	-	45,845,360
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	30,574,829	54,063,755	-	84,638,584
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 43,656,559</u>	<u>\$ 57,626,960</u>	<u>\$ (5,708,541)</u>	<u>\$ 95,574,978</u>

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

CONSOLIDATING STATEMENT OF ACTIVITIES

June 30, 2022

	United Way of Metropolitan Dallas, Inc.			United Way Foundation of Metropolitan Dallas, Inc.			Eliminations	Consolidated		
	Restrictions	Restrictions	Total	Restrictions	Restrictions	Total		Restrictions	Restrictions	Total
Public support and revenue										
Gross campaign results	\$ 7,317,204	\$ 14,939,624	\$ 22,256,828	\$ -	\$ -	\$ -	\$ (145,000)	\$ 7,172,204	\$ 14,939,624	\$ 22,111,828
Less donor designations	-	(5,682,964)	(5,682,964)	-	-	-	-	-	(5,682,964)	(5,682,964)
Less provision for uncollectible pledges	-	(1,365,810)	(1,365,810)	-	-	-	-	-	(1,365,810)	(1,365,810)
Net campaign contributions	7,317,204	7,890,850	15,208,054	-	-	-	(145,000)	7,172,204	7,890,850	15,063,054
Designations contributed from other campaigns	128,956	68,681	197,637	-	-	-	-	128,956	68,681	197,637
Other contributions	3,004,538	9,168,573	12,173,111	2,345,389	4,284,610	6,629,999	(2,500,000)	2,849,927	13,453,183	16,303,110
Contributed goods and services	1,804,726	-	1,804,726	-	-	-	-	1,804,726	-	1,804,726
Grant revenue	-	26,152,088	26,152,088	-	-	-	-	-	26,152,088	26,152,088
Program service fees	461,344	-	461,344	-	-	-	-	461,344	-	461,344
Interest and dividends	21,718	-	21,718	663,462	505,896	1,169,358	-	685,180	505,896	1,191,076
Net realized and unrealized gain (loss) on investments	(28,860)	-	(28,860)	(5,525,055)	(3,347,803)	(8,872,858)	-	(5,553,915)	(3,347,803)	(8,901,718)
Change in value of beneficial interests held in trusts	-	(1,210,632)	(1,210,632)	-	-	-	-	-	(1,210,632)	(1,210,632)
Other income	2,715,085	-	2,715,085	9,500	-	9,500	-	2,724,585	-	2,724,585
Net assets released for satisfaction of time restrictions	8,202,864	(8,202,864)	-	1,185,788	(1,185,788)	-	-	9,388,652	(9,388,652)	-
Net assets released for satisfaction of purpose restrictions	36,694,972	(36,694,972)	-	698,552	(698,552)	-	-	37,393,524	(37,393,524)	-
Total public support and revenue	60,322,547	(2,828,276)	57,494,271	(622,364)	(441,637)	(1,064,001)	(2,645,000)	57,055,183	(3,269,913)	53,785,270
Grants and expenses										
Program services										
Gross distributions to agencies	45,892,818	-	45,892,818	-	-	-	-	45,892,818	-	45,892,818
Less: donor designations to agencies	(3,672,220)	-	(3,672,220)	-	-	-	-	(3,672,220)	-	(3,672,220)
Net allocations granted to agency programs	42,220,598	-	42,220,598	-	-	-	-	42,220,598	-	42,220,598
Other program expenses	9,015,782	-	9,015,782	2,200,644	-	2,200,644	(2,187,644)	9,028,782	-	9,028,782
Total program services	51,236,380	-	51,236,380	2,200,644	-	2,200,644	(2,187,644)	51,249,380	-	51,249,380
Supporting services										
Fundraising	6,838,699	-	6,838,699	656,217	-	656,217	(264,932)	7,229,984	-	7,229,984
Management and general	3,609,674	-	3,609,674	192,424	-	192,424	(192,424)	3,609,674	-	3,609,674
Total supporting services	10,448,373	-	10,448,373	848,641	-	848,641	(457,356)	10,839,658	-	10,839,658
Total expenses	61,684,753	-	61,684,753	3,049,285	-	3,049,285	(2,645,000)	62,089,038	-	62,089,038
CHANGE IN NET ASSETS	(1,362,206)	(2,828,276)	(4,190,482)	(3,671,649)	(441,637)	(4,113,286)	-	(5,033,855)	(3,269,913)	(8,303,768)
Net assets, beginning of year	14,450,136	20,315,175	34,765,311	29,376,943	28,800,098	58,177,041	-	43,827,079	49,115,273	92,942,352
Net assets, end of year	\$ 13,087,930	\$ 17,486,899	\$ 30,574,829	\$ 25,705,294	\$ 28,358,461	\$ 54,063,755	\$ -	\$ 38,793,224	\$ 45,845,360	\$ 84,638,584