

Financial Statements and Report Of
Independent Certified Public
Accountants

United Way Foundation of Metropolitan Dallas

June 30, 2023 and 2022

Contents

Page

Report of Independent Certified Public Accountants	3
Financial Statements	
Statements of financial position	5
Statement of activities	6
Statement of functional expenses	8
Statements of cash flows	10
Notes to financial statements	11

GRANT THORNTON LLP

500 N. Akard St., Suite 1200
Dallas, TX 75201-4657

D +1 214 561 2300
F +1 214 561 2370

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
United Way Foundation of Metropolitan Dallas

Opinion

We have audited the financial statements of United Way Foundation of Metropolitan Dallas (the "Foundation"), which comprise the statements of financial position as of June 30, 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 the Foundation as of June 30, 2023 and 2022, and the results of 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 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 Foundation 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation'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 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 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 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 Foundation'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 Foundation'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.

Grant Thornton LLP

Dallas, Texas
January 29, 2024

United Way Foundation of Metropolitan Dallas

STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 497,485	\$ 369,198
Investments, at fair value	57,563,835	49,682,629
Pledges receivable, net	2,366,574	2,487,262
Custodian Asset	465,500	465,500
Due from UWMD	1,030,388	2,610,836
Note receivable	-	406,531
Other assets	<u>1,991,294</u>	<u>1,605,004</u>
Total assets	<u>\$ 63,915,076</u>	<u>\$ 57,626,960</u>
LIABILITIES AND NET ASSETS		
Custodian Liability	\$ 465,500	\$ 465,500
Due to UWMD	<u>3,798,090</u>	<u>3,097,705</u>
Total liabilities	4,263,590	3,563,205
Net assets		
Without donor restriction	30,407,715	25,705,294
With donor restriction	<u>29,243,771</u>	<u>28,358,461</u>
Total net assets	<u>59,651,486</u>	<u>54,063,755</u>
Total liabilities and net assets	<u>\$ 63,915,076</u>	<u>\$ 57,626,960</u>

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

United Way Foundation of Metropolitan Dallas

STATEMENT OF ACTIVITIES

Year ended June 30, 2023

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Contributions, net	\$ 2,489,986	\$ 135,791	\$ 2,625,777
Net realized and unrealized gain on investments	2,981,949	2,512,560	5,494,509
Interest and dividends	634,413	531,140	1,165,553
Loss on write-off of note receivable	-	(350,000)	(350,000)
Net assets released for satisfaction of time restrictions	1,229,950	(1,229,950)	-
Net assets released for satisfaction of purpose restrictions	714,231	(714,231)	-
	<hr/>	<hr/>	<hr/>
Total revenue	8,050,529	885,310	8,935,839
Expenses			
Program services	2,307,210	-	2,307,210
Support services			
Fundraising	791,609	-	791,609
Management and general	249,289	-	249,289
	<hr/>	<hr/>	<hr/>
Total supporting services	1,040,898	-	1,040,898
	<hr/>	<hr/>	<hr/>
Total expenses	3,348,108	-	3,348,108
	<hr/>	<hr/>	<hr/>
CHANGE IN NET ASSETS	4,702,421	885,310	5,587,731
Net assets, beginning of year	25,705,294	28,358,461	54,063,755
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 30,407,715	\$ 29,243,771	\$ 59,651,486
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

United Way Foundation of Metropolitan Dallas

STATEMENT OF ACTIVITIES

Year ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue			
Contributions	\$ 2,345,389	\$ 4,284,610	\$ 6,629,999
Net realized and unrealized loss on investments	(5,525,055)	(3,347,803)	(8,872,858)
Interest and dividends	663,462	505,896	1,169,358
Other revenue	9,500	-	9,500
Net assets released for satisfaction of time restrictions	1,185,788	(1,185,788)	-
Net assets released for satisfaction of purpose restrictions	698,552	(698,552)	-
	<u>(622,364)</u>	<u>(441,637)</u>	<u>(1,064,001)</u>
Expenses			
Program services	2,200,644	-	2,200,644
Support services			
Fundraising	656,217	-	656,217
Management and general	192,424	-	192,424
	<u>848,641</u>	<u>-</u>	<u>848,641</u>
Total supporting services	<u>848,641</u>	<u>-</u>	<u>848,641</u>
Total expenses	<u>3,049,285</u>	<u>-</u>	<u>3,049,285</u>
CHANGE IN NET ASSETS	(3,671,649)	(441,637)	(4,113,286)
Net assets, beginning of year	<u>29,376,943</u>	<u>28,800,098</u>	<u>58,177,041</u>
Net assets, end of year	<u>\$ 25,705,294</u>	<u>\$ 28,358,461</u>	<u>\$ 54,063,755</u>

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

United Way Foundation of Metropolitan Dallas

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2023

	<u>Program Services</u>	<u>Supporting Services</u>			
	<u>Community Investment</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>	
Gross distributions to UWMD	\$ 2,155,679	\$ 463,667	\$ 249,289	\$ 712,956	\$ 2,868,635
Gross distributions to agencies	151,531	-	-	-	151,531
Net allocations granted to agency programs	<u>2,307,210</u>	<u>463,667</u>	<u>249,289</u>	<u>712,956</u>	<u>3,020,166</u>
Life Insurance Premiums	-	327,942	-	327,942	327,942
Total	<u><u>\$ 2,307,210</u></u>	<u><u>\$ 791,609</u></u>	<u><u>\$ 249,289</u></u>	<u><u>\$ 1,040,898</u></u>	<u><u>\$ 3,348,108</u></u>

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

United Way Foundation of Metropolitan Dallas

STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2022

	<u>Program Services</u>	<u>Supporting Services</u>			
	<u>Community Investment</u>	<u>Fundraising</u>	<u>Management and General</u>	<u>Total</u>	
Gross distributions to UWMD	\$ 2,187,644	\$ 264,932	\$ 192,424	\$ 457,356	\$ 2,645,000
Gross distributions to agencies	13,000	-	-	-	13,000
Net allocations granted to agency programs	<u>2,200,644</u>	<u>264,932</u>	<u>192,424</u>	<u>457,356</u>	<u>2,658,000</u>
Professional fees	-	-	-	-	-
Life Insurance Premiums	-	391,285	-	391,285	391,285
Total	<u>\$ 2,200,644</u>	<u>\$ 656,217</u>	<u>\$ 192,424</u>	<u>\$ 848,641</u>	<u>\$ 3,049,285</u>

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

United Way Foundation of Metropolitan Dallas

STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,587,731	\$ (4,113,286)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Proceeds from contributions restricted for long-term purposes	(1,091,972)	(458,673)
Net realized and unrealized loss/(gain) on investments	(5,494,509)	8,872,858
Life insurance premiums expense	327,942	391,285
Loss on write-off of note receivable	406,531	-
Changes in assets and liabilities:		
Pledges receivable	120,688	(312,975)
Due From UWMD	1,580,448	(2,344,952)
Due to UWMD	700,385	388,431
Other assets	-	(50,000)
	<u>2,137,244</u>	<u>2,372,688</u>
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchases of investments	(31,534,164)	(11,516,366)
Proceeds from sales or maturities of investments	29,147,467	9,639,957
Note Receivable	-	(24,501)
Purchase of life insurance policy	(714,232)	(648,552)
	<u>(3,100,929)</u>	<u>(2,549,462)</u>
Net cash used in investing activities		
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term purposes	<u>1,091,972</u>	<u>458,673</u>
Net cash provided by financing activities	<u>1,091,972</u>	<u>458,673</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>128,287</u>	<u>281,899</u>
Cash, beginning of year	<u>369,198</u>	<u>87,299</u>
Cash, end of year	<u>\$ 497,485</u>	<u>\$ 369,198</u>

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

United Way Foundation of Metropolitan Dallas

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 and 2022

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 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 the United Way of Metropolitan Dallas, Inc. (the "United Way" or "UWMD"). The Foundation is governed by a volunteer Board of Directors (the "Board"), which is appointed by the Board of Directors of the United Way. The Foundation receives both restricted gifts and unrestricted gifts. However, the Board's intent is to treat all contributions without donor restrictions 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 the United Way's financial statements.

Basis of Presentation

The accompanying financial statements of the Foundation are prepared on the accrual basis of accounting.

Cash

The Foundation places its cash in high-quality financial institutions. Cash balances, at times, may exceed federally insured limits. United Way has not experienced any losses on such accounts.

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 statements of activities. Earnings from investments are recorded as interest and dividends and are reflected in the statements of activities.

Pledges Receivable and Contributions

Contributions are recorded at their estimated fair value when received.

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. An allowance for uncollectible pledges is estimated based on recent historical experience, as well as other factors anticipated to affect collections. Provisions for losses, if any, are charged to change in net assets and credited to the allowance. There was no allowance for contributions receivable as of June 30, 2023 and 2022.

Due to/from UWMD

Amounts due from UWMD represent contributions to the Foundation, which are processed through UWMD, then transferred to the Foundation.

Amounts due to UWMD represent the accrual of the annual Foundation grant of \$2,500,000 and reimbursement of expenses, consisting primarily of life insurance policy payments.

Life Insurance Policy

As part of a planned giving program, the Foundation has purchased 54 life insurance policies on behalf of donors. One and 16 new policies were purchased during fiscal years ended June 30, 2023 and 2022, 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

United Way Foundation of Metropolitan Dallas
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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 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 statements of activities.

Income Taxes

The Foundation follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Foundation is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Foundation has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions. The Foundation has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

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 or donor advised funds.

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 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 statements 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 statements of activities. For contributions maintained in perpetuity, only the investment return on the original principal is available for use according to donor restrictions.

Functional Allocation of Expenses

The statements of functional expenses reflect the costs of providing the various programs and other activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

United Way Foundation of Metropolitan Dallas
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE B - INVESTMENTS AND FAIR VALUE

The Foundation records its financial instruments in accordance with the fair value guidance as established by the Financial Accounting Standards Board. In accordance with this guidance, fair value is defined as the price the Foundation 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 the Foundation'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 fixed income mutual funds, equity 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.
- 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. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

The Foundation does not have Level 2 or 3 assets or liabilities.

The fair value of investments at June 30 is summarized as follows:

	2023	2022
Equity mutual funds	\$ 39,469,849	\$ 35,966,612
Fixed income mutual funds	17,026,748	13,091,016
Money market funds	1,532,738	625,001
Total	\$ 58,029,335	\$ 49,682,629

Total fair value of investments for FY2023 in the above table includes the \$465,500 custodian account that is held in money market funds.

A professional investment advisor manages the investments with periodic review by United Way management and the Foundation Investment Committee with approval by the Board. Investment fees of \$58,959 and \$61,323 were incurred for the years ending June 30, 2023 and 2022, respectively, and are included in net realized and unrealized gain on investments in the accompanying statements of activities. Management of the United Way does not believe these investments pose unusual market or credit risks.

United Way Foundation of Metropolitan Dallas
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE C - 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 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 settlements, and contributions not supported by an endowment agreement.

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 as 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 the Foundation.

Endowment net asset composition by type of fund consists of the following as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift Amount	Accumulated Gains and Other	Total With Donor Restrictions	
Donor-restricted endowment funds	\$ -	\$ 22,668,586	\$ 3,806,658	\$ 26,475,244	\$ 26,475,244
Board-designated endowment funds	28,942,785	-	-	-	28,942,785
Total endowment net assets	<u>\$ 28,942,785</u>	<u>\$ 22,668,586</u>	<u>\$ 3,806,658</u>	<u>\$ 26,475,244</u>	<u>\$ 55,418,029</u>

United Way Foundation of Metropolitan Dallas
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift Amounts	Accumulated Gains (Losses) and Other	Total With Donor Restrictions	
Endowment net assets, beginning of year	\$ 24,092,251	\$ 21,453,160	\$ 1,994,625	\$ 23,447,785	\$ 47,540,036
Investment return:					
Investment income	630,700	-	531,140	531,140	1,161,840
Net appreciation (unrealized and realized)	2,981,949	-	2,512,560	2,512,560	5,494,509
Total investment return	3,612,649	-	3,043,700	3,043,700	6,656,349
Contributions	2,660,219	1,215,426	(123,454)	1,091,972	3,752,191
Appropriation of assets for expenditure	(1,422,334)	-	(1,108,213)	(1,108,213)	(2,530,547)
Endowment net assets, end of year	<u>\$ 28,942,785</u>	<u>\$ 22,668,586</u>	<u>\$ 3,806,658</u>	<u>\$ 26,475,244</u>	<u>\$ 55,418,029</u>

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	<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>

United Way Foundation of Metropolitan Dallas
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

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>

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 with donor restrictions that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Foundation 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's distribution to United Way for the years ended June 30, 2023 and 2022 is \$2,500,000 and is allocated between program and support services in the accompanying

United Way Foundation of Metropolitan Dallas
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

statements of activities. This was approved by the Foundation's Board during the fiscal years ended June 30, 2023 and 2022 and is reported in the Due to UWMD.

On the related statements of activities for the years ended June 30, 2023 and 2022, this distribution amount is reflected in three-line items. The approved reimbursement to UWMD of \$249,289 and \$192,424 for management and general expenses, \$463,667 and \$264,932 for fundraising expenses, and \$2,155,679 and \$2,187,644 for community investment, for the years ended June 30, 2023 and 2022, 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, 2023, there were no endowments that had fallen below their original gift amount. As of June 30, 2022, there were two named endowments that had fallen slightly below their original gift amount. These were approximately \$18,500 under the contributed amount. United Way policy is to refrain from spending until the fair market value is greater than the original contribution.

NOTE D - PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2023 are summarized as follows:

	<u>Pledges Due in Less Than 1 Year</u>	<u>Pledges Due Within 1 To 5 Years</u>	<u>Pledges Due More Than 5 Years</u>	<u>Pledges Receivable Balance, Net</u>
With donor restrictions	\$ 1,114,270	\$ 1,356,000	\$ 65,000	\$ 2,535,270
Less unamortized present value discount	<u>-</u>	<u>(154,659)</u>	<u>(14,037)</u>	<u>(168,696)</u>
Total pledges receivable, net	<u>\$ 1,114,270</u>	<u>\$ 1,201,341</u>	<u>\$ 50,963</u>	<u>\$ 2,366,574</u>

The rates used for calculation of the discount was 3.25% to 7.25% as receivable as of June 30, 2023.

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

	<u>Pledges Due in Less Than 1 Year</u>	<u>Pledges Due Within 1 To 5 Years</u>	<u>Pledges Due More Than 5 Years</u>	<u>Pledges Receivable Balance, Net</u>
With donor restrictions	\$ 1,310,669	\$ 1,420,000	\$ 70,000	\$ 2,800,669
Less unamortized present value discount	<u>(77,758)</u>	<u>(216,259)</u>	<u>(19,390)</u>	<u>(313,407)</u>
Total pledges receivable, net	<u>\$ 1,232,911</u>	<u>\$ 1,203,741</u>	<u>\$ 50,610</u>	<u>\$ 2,487,262</u>

The rates used for calculation of the discount was 3.25% to 5.5% as receivable as of June 30, 2022.

United Way Foundation of Metropolitan Dallas
NOTES TO FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

NOTE E - NOTE RECEIVABLE

The Foundation held a convertible promissory note as of June 30, 2022 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.

In August 2023, the promisor company announced dissolution and sale of all assets. There was no return for noteholders. As of June 30, 2023, the note receivable and related accrued interest was written off in the amount of \$406,531.

NOTE F - LIQUIDITY AND AVAILABILITY

The following table reflects the Foundation's financial assets as of June 30, 2023 and 2022 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,	
	2023	2022
Financial assets:		
Cash	\$ 497,485	\$ 369,198
Investments, at fair value	57,563,835	49,682,629
Total financial assets	58,061,320	50,051,827
Less assets unavailable for general expenditure within one year, due to:		
Board-designated endowment	(28,942,785)	(24,092,251)
Donor restricted endowment	(26,475,244)	(23,447,785)
Financial assets available to meet cash needs for general expenditures within one year	\$ 2,643,291	\$ 2,511,791

NOTE G - 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 \$465,500 as of June 30, 2023 and 2022, and are reflected as custodian asset and liability in the statements of financial position. All funds were held in cash.

NOTE H - SUBSEQUENT EVENTS

The Foundation has evaluated its financial statements for subsequent events through January 29, 2024, the date the financial statements were available to be issued. The Foundation is not aware of any such events which would require recognition or disclosure in the financial statements.