

Consolidated Financial Statements and  
Schedules Related to Federal and  
State Financial Assistance Programs

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

June 30, 2023 and 2022

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

**FEDERAL AND STATE FINANCIAL ASSISTANCE PROGRAMS**

Year ended June 30, 2023

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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 the “United Way”), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

We conducted our audits of the consolidated financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements 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 and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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, 2023, and the Schedule of Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the State of Texas *Single Audit Circular* 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.

**Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2024 on our consideration of the United Way's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the United Way's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the United Way's internal control over financial reporting and compliance.

*Grant Thornton LLP*

Dallas, Texas  
January 29, 2024

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

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**June 30,**

	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,266,172	\$ 5,304,767
Pledges receivable, net		
Campaign pledges receivable, net	10,457,895	5,584,246
Other pledges receivable, net	<u>20,927,990</u>	<u>11,504,124</u>
Total pledges receivable, net	31,385,885	17,088,370
Prepaid expenses and accounts receivable	274,374	1,451,998
Investments, at fair value	62,146,087	54,110,011
Custodian asset	465,500	465,500
Beneficial interests held in trusts	12,449,016	10,790,607
Land, building and equipment, net	4,496,477	4,169,267
Note receivable	-	406,531
Other assets	<u>2,255,379</u>	<u>1,787,927</u>
Total assets	<u>\$ 117,738,890</u>	<u>\$ 95,574,978</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 3,061,249	\$ 3,942,811
Grants and allocations payable	7,500,000	5,000,000
Custodian liability	465,500	465,500
Donor designations payable	<u>1,095,228</u>	<u>1,528,083</u>
Total liabilities	12,121,977	10,936,394
<b>Net assets</b>		
Without donor restriction	40,974,375	38,793,224
With donor restriction	<u>64,642,538</u>	<u>45,845,360</u>
Total net assets	<u>105,616,913</u>	<u>84,638,584</u>
Total liabilities and net assets	<u>\$ 117,738,890</u>	<u>\$ 95,574,978</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, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public support and revenue</b>			
Gross campaign results	\$ 12,751,997	\$ 6,984,091	\$ 19,736,088
Less donor designations	-	(3,938,230)	(3,938,230)
Less provision for uncollectible pledges	-	(1,032,999)	(1,032,999)
	<hr/>	<hr/>	<hr/>
Net campaign contributions	12,751,997	2,012,862	14,764,859
Designations contributed from other campaigns	20,588	53,396	73,984
Other contributions	3,349,376	32,787,440	36,136,816
Contributed goods and services	727,745	-	727,745
Grant revenue	-	12,242,693	12,242,693
Program service fees	474,340	-	474,340
Interest and dividends	789,294	531,140	1,320,434
Net realized and unrealized loss on investments	2,981,949	2,512,560	5,494,509
Change in value of beneficial interests held in trusts	-	1,658,409	1,658,409
Other income (loss)	890,087	(350,000)	540,087
Net assets released for satisfaction of time restrictions	15,269,658	(15,269,658)	-
Net assets released for satisfaction of purpose restrictions	17,381,664	(17,381,664)	-
	<hr/>	<hr/>	<hr/>
Total public support and revenue	54,636,698	18,797,178	73,433,876
<b>Grants and expenses</b>			
Program services			
Gross distributions to agencies	35,946,562	-	35,946,562
Less: donor designations to agencies	(2,905,821)	-	(2,905,821)
	<hr/>	<hr/>	<hr/>
Net allocations granted to agency programs	33,040,741	-	33,040,741
Other program expenses	10,847,789	-	10,847,789
	<hr/>	<hr/>	<hr/>
Total program services	43,888,530	-	43,888,530
<b>Supporting services</b>			
Fundraising	5,594,324	-	5,594,324
Management and general	2,972,693	-	2,972,693
	<hr/>	<hr/>	<hr/>
Total supporting services	8,567,017	-	8,567,017
Total expenses	52,455,547	-	52,455,547
	<hr/>	<hr/>	<hr/>
<b>CHANGE IN NET ASSETS</b>	2,181,151	18,797,178	20,978,329
<b>Net assets, beginning of year</b>	38,793,224	45,845,360	84,638,584
	<hr/>	<hr/>	<hr/>
<b>Net assets, end of year</b>	\$ 40,974,375	\$ 64,642,538	\$ 105,616,913
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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, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Public support and revenue</b>			
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
<b>Grants and expenses</b>			
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
<b>Supporting services</b>			
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/>
<b>CHANGE IN NET ASSETS</b>	(5,033,855)	(3,269,913)	(8,303,768)
<b>Net assets, beginning of year</b>	43,827,079	49,115,273	92,942,352
	<hr/>	<hr/>	<hr/>
<b>Net assets, end of year</b>	\$ 38,793,224	\$ 45,845,360	\$ 84,638,584
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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, 2023

	Program Services			Supporting Services			2023 Total
	Community Investment	Special Initiatives	Total	Fundraising	Management and General	Total	
Gross distributions to agencies	\$ 23,250,068	\$ 12,696,494	\$ 35,946,562	\$ -	\$ -	\$ -	\$ 35,946,562
Less: donor designations to agencies	(2,905,821)	-	(2,905,821)	-	-	-	(2,905,821)
Net allocations granted to agency programs	20,344,247	12,696,494	33,040,741	-	-	-	33,040,741
Salaries and wages	2,472,039	2,437,994	4,910,033	3,378,676	1,538,504	4,917,180	9,827,213
Employee benefits	366,195	352,571	718,766	423,827	371,546	795,373	1,514,139
Professional fees	937,320	433,554	1,370,874	249,544	722,429	971,973	2,342,847
Supplies	1,588	4,801	6,389	12,182	6,351	18,533	24,922
Telephone	37,084	5,987	43,071	23,212	15,653	38,865	81,936
Postage	2,379	3,382	5,761	2,198	6,128	8,326	14,087
Occupancy	77,459	80,475	157,934	37,558	21,057	58,615	216,549
Equipment rental and maintenance	249,241	115,011	364,252	176,312	113,181	289,493	653,745
Media and printing	855,811	503,408	1,359,219	379,005	5,174	384,179	1,743,398
Mileage reimbursement	19,983	20,930	40,913	10,293	1,163	11,456	52,369
Travel	14,831	24,435	39,266	5,863	7,717	13,580	52,846
Conferences and meetings	67,605	559,571	627,176	417,750	38,692	456,442	1,083,618
Awards	7,908	9,706	17,614	19,131	12,175	31,306	48,920
Subscriptions and dues	217,441	157,514	374,955	47,414	66,881	114,295	489,250
Insurance	31,947	35,734	67,681	342,643	7,241	349,884	417,565
Other fees	149,211	23,851	173,062	-	-	-	173,062
Depreciation expense	339,848	230,975	570,823	68,716	38,801	107,517	678,340
<b>Total</b>	<b>\$ 26,192,137</b>	<b>\$ 17,696,393</b>	<b>\$ 43,888,530</b>	<b>\$ 5,594,324</b>	<b>\$ 2,972,693</b>	<b>\$ 8,567,017</b>	<b>\$ 52,455,547</b>

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
<b>Total</b>	<b>\$ 17,933,719</b>	<b>\$ 33,609,125</b>	<b>\$ 51,542,844</b>	<b>\$ 6,904,239</b>	<b>\$ 3,641,955</b>	<b>\$ 10,546,194</b>	<b>\$ 62,089,038</b>

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>2023</u>	<u>2022</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 20,978,329	\$ (8,303,768)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Proceeds from contributions restricted for long-term purposes	(1,091,972)	(458,673)
Depreciation	678,340	738,947
Net realized and unrealized loss (gain) on investments	(5,494,509)	8,901,718
Life insurance premiums expense	327,942	391,285
Change in value of beneficial interests held in trusts	(1,658,409)	1,210,632
Gain on PPP loan extinguishment	-	(1,653,966)
Provision for Bad Debts	(55,635)	(481,794)
Loss on write-off of note receivable	406,531	-
Changes in operating assets and liabilities:		
Campaign pledges receivable	(4,818,014)	946,497
Other pledges receivable	(9,423,866)	(1,233,613)
Prepaid expenses and accounts receivable	1,177,624	(1,050,426)
Other assets	(81,164)	(177,440)
Accounts payable and accrued expenses	(881,562)	(3,468,913)
Grants and allocations payable	2,500,000	(2,450,000)
Donor designations payable	<u>(432,855)</u>	<u>206,984</u>
Net cash provided by (used in) operating activities	2,130,780	(6,882,530)
<b>Cash flows from investing activities:</b>		
Purchases of investments	(33,534,164)	(13,805,517)
Proceeds from sales or maturities of investments	30,992,597	14,310,984
Note receivable accrued interest	-	(24,501)
Purchase of life insurance policy	(714,230)	(586,393)
Purchase of equipment and building improvements	<u>(1,005,550)</u>	<u>(113,423)</u>
Net cash used in investing activities	(4,261,347)	(218,850)
<b>Cash flows from financing activities:</b>		
Proceeds from contributions restricted for long-term purposes	<u>1,091,972</u>	<u>458,673</u>
Net cash provided by financing activities	1,091,972	458,673
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(1,038,595)	(6,642,707)
<b>Cash and cash equivalents, beginning of year</b>	<u>5,304,767</u>	<u>11,947,474</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 4,266,172</u>	<u>\$ 5,304,767</u>
<b>Supplemental disclosures of cash flow information:</b>		
Noncash financing:		
Extinguishment of PPP Loan	\$ -	\$ (1,653,966)

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, 2023 and 2022**

**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 one 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 in high-quality financial institutions. 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, 2023 and 2022**

***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, 2023 and 2022, and are reflected as custodian asset and liability in the consolidated statements of financial position. All funds were held in cash.

***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 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, 2023 and 2022, 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2023 and 2022

***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, 2023 and 2022**

***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 \$552,000 and \$446,000 for the years ended June 30, 2023 and 2022, respectively. Advertising expense was allocated in the media and printing line of the consolidated statements of functional expenses.

***Income Taxes***

Both United Way and the Foundation follow 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.

Both United Way and the Foundation are exempt from federal income tax under IRC section 501(c)(3), though are subject to tax on income unrelated to their exempt purpose, unless that income is otherwise excluded by the Code. United Way and the Foundation have processes presently in place to ensure the maintenance of their tax-exempt statuses; to identify and report unrelated income; to determine their filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

may be considered tax positions. United Way and the Foundation have determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements

***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 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. United Way adopted the standard as of July 1, 2022. There was no impact to the consolidated financial statements.

**NOTE B - PLEDGES RECEIVABLE**

Pledges receivable as of June 30, 2023 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:						
2023 United Way Campaign	\$ 130,977	\$ -	\$ -	\$ -	\$ -	\$ 130,977
2022 United Way Campaign	7,625,340	-	-	-	(1,033,000)	6,592,340
2021 United Way Campaign	4,792,685	-	-	-	(1,058,107)	3,734,578
Subtotal	12,549,002	-	-	-	(2,091,107)	10,457,895
Other pledges receivable:						
Sponsorships and other	8,640,892	10,773,864	245,000	(1,098,340)	-	18,561,416
Foundation life insurance premium gift	68,559	400,000	-	(35,819)	-	432,740
Foundation endowment gift	1,045,711	956,000	65,000	(132,877)	-	1,933,834
Subtotal	9,755,162	12,129,864	310,000	(1,267,036)	-	20,927,990
Total pledges receivable, net	<u>\$22,304,164</u>	<u>\$12,129,864</u>	<u>\$ 310,000</u>	<u>\$(1,267,036)</u>	<u>\$(2,091,107)</u>	<u>\$31,385,885</u>



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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:						
2022 United Way Campaign	\$ 21,183	\$ -	\$ -	\$ -	\$ -	\$ 21,183
2021 United Way Campaign	6,447,173	-	-	-	(1,058,107)	5,389,066
2020 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>

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 7.25% at the time the pledges were made for the fiscal years ended June 30, 2023 and 2022.

**NOTE C - INVESTMENTS AND FAIR VALUE**

	2023	2022
Equity mutual funds	\$ 39,469,849	\$ 35,966,612
Fixed income mutual funds	17,026,748	13,091,016
Money market funds	<u>6,114,990</u>	<u>5,052,383</u>
Total	<u>\$ 62,611,587</u>	<u>\$ 54,110,011</u>

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

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

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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, 2023 and 2022; 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, 2023			June 30, 2023
	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	\$ 39,469,849	\$ -	\$ -	\$ 39,469,849
Fixed income mutual funds	17,026,748	-	-	17,026,748
Money market funds	6,114,990	-	-	6,114,990
Beneficial interest held in trusts:				
Split-interest agreements	-	-	12,449,016	12,449,016
<b>Total</b>	<b>\$ 62,611,587</b>	<b>\$ -</b>	<b>\$ 12,449,016</b>	<b>\$ 75,060,603</b>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

The schedule below summarizes the activity for the year ended June 30, 2023 for the items above which have been classified as Level 3 investments:

	<u>Beneficial Interests Held in Trusts</u>
Beginning balance	\$ 10,790,607
Change in value	<u>1,658,409</u>
Ending balance	<u>\$ 12,449,016</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, 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	<u>-</u>	<u>-</u>	<u>10,790,607</u>	<u>10,790,607</u>
Total	<u>\$ 54,110,011</u>	<u>\$ -</u>	<u>\$ 10,790,607</u>	<u>\$ 64,900,618</u>

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>

**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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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 \$58,959 and \$61,232 were incurred for the years ended June 30, 2023 and 2022, respectively, and are included in net realized and unrealized gain 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>2023</u>	<u>2022</u>
Building and improvements	\$ 11,076,116	\$ 10,058,566
Furniture and equipment	<u>3,228,462</u>	<u>3,228,462</u>
	14,304,578	13,287,028
Less accumulated depreciation	<u>(10,019,360)</u>	<u>(9,341,020)</u>
	4,285,218	3,946,008
Construction in progress	-	12,000
Land and improvements	<u>211,259</u>	<u>211,259</u>
Total	<u>\$ 4,496,477</u>	<u>\$ 4,169,267</u>

**NOTE F - GRANT ALLOCATIONS AND COMMITMENTS TO AGENCY PROGRAMS**

In June 2023, United Way made unconditional pledges to agency programs for community fund grant allocations to be paid for the period beginning July 1, 2023 through December 31, 2023. Additionally, prior to June 30, 2023, United Way made unconditional pledges to agency programs for program initiative grant allocations to be paid July 1, 2023 through June 30, 2024. Accordingly, as of June 30, 2023, a liability of \$7,500,000 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, 2024 through June 30, 2024, which is conditional upon the results of campaign collections. These conditional pledges total \$7,500,000 and have

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

not been accrued in the consolidated statements of financial position because a firm commitment has not been made.

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.

**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, 2023, United Way received \$1,027,140 of grant payments for workforce development. In the year ended June 30, 2022, United Way received \$459,808 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, 2023 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.

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, 2023, United Way received \$ 5,354,088 of grant payments for housing stability. In the year ended June 30 2022, United Way received \$20,168,842 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, 2023 in the accompanying consolidated balance sheet. These funds

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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 years ended June 30, 2023 and 2022, contributed nonfinancial assets recognized within the consolidated statement of activities in contributed goods and services:

	2023	2022
Legal fees	\$ 8,937	\$ 15,611
Consulting services	568,000	-
Hotspots	-	1,045,500
Mask	-	469,500
Media	150,808	274,115
Total	\$ 727,745	\$ 1,804,726
Southern Dallas Thrives	\$ -	\$ 1,045,500
Unrestricted	-	759,226
Total	\$ 727,745	\$ 1,804,726

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.

***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;

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

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, 2023:

	Without Donor Restrictions	With Donor Restrictions			Total
		Original Gift Amount	Accumulated Gains (Losses) 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
<b>Total endowment net assets</b>	<b>\$ 28,942,785</b>	<b>\$ 22,668,586</b>	<b>\$ 3,806,658</b>	<b>\$ 26,475,244</b>	<b>\$ 55,418,029</b>

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
<b>Total endowment net assets</b>	<b>\$ 24,092,251</b>	<b>\$ 21,453,160</b>	<b>\$ 1,994,625</b>	<b>\$ 23,447,785</b>	<b>\$ 47,540,036</b>

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
<b>Total investment return</b>	<b>3,612,649</b>	<b>-</b>	<b>3,043,700</b>	<b>3,043,700</b>	<b>6,656,349</b>
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)
<b>Endowment net assets, end of year</b>	<b>\$ 28,942,785</b>	<b>\$ 22,668,586</b>	<b>\$ 3,806,658</b>	<b>\$ 26,475,244</b>	<b>\$ 55,418,029</b>

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

**NOTES TO CONSOLIDATED 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
		Original Gift Amounts	Accumulated Gains (Losses) and Other	Total with Donor Restrictions	
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 of donor-restricted funds 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, 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, 2023 and 2022 was \$2,500,000. This was approved by the Foundation Board during the fiscal years ended June 30, 2023 and 2022, respectively.



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

***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 \$18,522 under the contributed amount of \$1,740,190. 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 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 L - NOTE PAYABLE**

As of June 30, 2022, United Way received a loan of \$1,653,966 (Phase 2), 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, 2022 Phase 2 of the PPP was forgiven and is reflected on the consolidated statement of activities as other income and on the consolidated statements of cash flows under financing activities.

**NOTE M - NET ASSETS**

Net assets as of June 30, 2023 are categorized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Unrestricted	\$ 10,566,660	\$ -	\$ 10,566,660
Unrestricted - Board designated	30,407,715	-	30,407,715
Time-restricted within AR	-	5,814,272	5,814,272
Time-restricted within Foundation AR	-	1,030,793	1,030,793
Purpose restricted in Foundation	-	(220,355)	(220,355)
Programs, events, fundraising and other	-	17,135,480	17,135,480
Beneficial interest held in trusts	-	12,449,016	12,449,016
Endowment - restricted	-	28,433,332	28,433,332
	<u>\$ 40,974,375</u>	<u>\$ 64,642,538</u>	<u>\$ 105,616,913</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, 2023 and 2022**

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
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			

**NOTE N - LIQUIDITY AND AVAILABILITY**

The following table reflects United Way'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.

	<u>June 30,</u>	
	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash and cash equivalents	\$ 4,266,172	\$ 5,304,767
Investments, at fair value	62,146,087	54,110,011
	<u>\$ 66,412,259</u>	<u>\$ 59,414,778</u>

Less assets unavailable for general expenditure within one year, due to:

Board-designated endowment	\$ (28,942,785)	\$ (24,092,251)
Donor-restricted endowment	(27,181,028)	(23,923,260)
Time restricted by board not within one year	(110)	(20,820)
Donor purpose restriction	<u>(5,896,260)</u>	<u>(420,418)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,392,076</u>	<u>\$ 10,958,029</u>

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.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2023 and 2022**

**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 \$453,000 and \$345,000 to the Plan for the years ended June 30, 2023 and 2022.

**NOTE P - SUBSEQUENT EVENTS**

United Way has evaluated its consolidated financial statements for subsequent events through January 29, 2024, 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, 2023**

	<u>United Way of Metropolitan Dallas, Inc.</u>	<u>United Way Foundation of Metropolitan Dallas</u>	<u>Eliminations</u>	<u>Consolidated</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,768,687	\$ 497,485	\$ -	\$ 4,266,172
Pledges receivable, net				
Campaign pledges receivable, net	10,457,895	-	-	10,457,895
Other pledges receivable, net	18,561,416	2,366,574	-	20,927,990
	<hr/>	<hr/>	<hr/>	<hr/>
Total pledges receivable, net	29,019,311	2,366,574	-	31,385,885
Prepaid expenses and accounts receivable	274,374	-	-	274,374
Due from Foundation	3,798,090	-	(3,798,090)	-
Due from UWMD	-	1,030,388	(1,030,388)	-
Investments, at fair value	4,582,252	57,563,835	-	62,146,087
Custodian asset	-	465,500	-	465,500
Beneficial interests held in trusts	12,449,016	-	-	12,449,016
Land, building and equipment, net	4,496,477	-	-	4,496,477
Notes receivable	-	-	-	-
Other assets	264,085	1,991,294	-	2,255,379
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 58,652,292</u>	<u>\$ 63,915,076</u>	<u>\$ (4,828,478)</u>	<u>\$ 117,738,890</u>
<b>LIABILITIES AND NET ASSETS</b>				
Liabilities				
Accounts payable and accrued expenses	\$ 3,061,249	\$ -	\$ -	\$ 3,061,249
Due To UWMD	-	3,798,090	(3,798,090)	-
Due To Foundation	1,030,388	-	(1,030,388)	-
Grants and allocations payable	7,500,000	-	-	7,500,000
Custodian liability	-	465,500	-	465,500
Notes payable	-	-	-	-
Donor designations payable	1,095,228	-	-	1,095,228
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	12,686,865	4,263,590	(4,828,478)	12,121,977
Net assets				
Without donor restriction	10,566,660	30,407,715	-	40,974,375
With donor restriction	35,398,767	29,243,771	-	64,642,538
	<hr/>	<hr/>	<hr/>	<hr/>
Total net assets	45,965,427	59,651,486	-	105,616,913
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 58,652,292</u>	<u>\$ 63,915,076</u>	<u>\$ (4,828,478)</u>	<u>\$ 117,738,890</u>

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

CONSOLIDATING STATEMENT OF ACTIVITIES

June 30, 2023

	United Way of Metropolitan Dallas, Inc.			United Way Foundation of Metropolitan Dallas, Inc.			Eliminations	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Consolidated Total
<b>Public support and revenue</b>										
Gross campaign results	\$ 13,120,632	\$ 6,984,091	\$ 20,104,723	\$ -	\$ -	\$ -	\$ (368,635)	\$ 12,751,997	\$ 6,984,091	\$ 19,736,088
Less donor designations	-	(3,938,230)	(3,938,230)	-	-	-	-	-	(3,938,230)	(3,938,230)
Less provision for uncollectible pledges	-	(1,032,999)	(1,032,999)	-	-	-	-	-	(1,032,999)	(1,032,999)
Net campaign contributions	13,120,632	2,012,862	15,133,494	-	-	-	(368,635)	12,751,997	2,012,862	14,764,859
Designations contributed from other campaigns	20,588	53,396	73,984	-	-	-	-	20,588	53,396	73,984
Other contributions	3,359,390	32,651,649	36,011,039	2,489,986	135,791	2,625,777	(2,500,000)	3,349,376	32,787,440	36,136,816
Contributed goods and services	727,745	-	727,745	-	-	-	-	727,745	-	727,745
Grant revenue	-	12,242,693	12,242,693	-	-	-	-	-	12,242,693	12,242,693
Program service fees	474,340	-	474,340	-	-	-	-	474,340	-	474,340
Interest and dividends	154,881	-	154,881	634,413	531,140	1,165,553	-	789,294	531,140	1,320,434
Net realized and unrealized gain (loss) on investments	-	-	-	2,981,949	2,512,560	5,494,509	-	2,981,949	2,512,560	5,494,509
Change in value of beneficial interests held in trusts	-	1,658,409	1,658,409	-	-	-	-	-	1,658,409	1,658,409
Other income (loss)	890,087	-	890,087	-	(350,000)	(350,000)	-	890,087	(350,000)	540,087
Net assets released for satisfaction of time restrictions	14,039,708	(14,039,708)	-	1,229,950	(1,229,950)	-	-	15,269,658	(15,269,658)	-
Net assets released for satisfaction of purpose restrictions	16,667,433	(16,667,433)	-	714,231	(714,231)	-	-	17,381,664	(17,381,664)	-
Total public support and revenue	49,454,804	17,911,868	67,366,672	8,050,529	885,310	8,935,839	(2,868,635)	54,636,698	18,797,178	73,433,876
<b>Grants and expenses</b>										
Program services										
Gross distributions to agencies	35,946,562	-	35,946,562	-	-	-	-	35,946,562	-	35,946,562
Less: donor designations to agencies	(2,905,821)	-	(2,905,821)	-	-	-	-	(2,905,821)	-	(2,905,821)
Net allocations granted to agency programs	33,040,741	-	33,040,741	-	-	-	-	33,040,741	-	33,040,741
Other program expenses	10,696,258	-	10,696,258	2,307,210	-	2,307,210	(2,155,679)	10,847,789	-	10,847,789
Total program services	43,736,999	-	43,736,999	2,307,210	-	2,307,210	(2,155,679)	43,888,530	-	43,888,530
Supporting services										
Fundraising	5,266,382	-	5,266,382	791,609	-	791,609	(463,667)	5,594,324	-	5,594,324
Management and general	2,972,693	-	2,972,693	249,289	-	249,289	(249,289)	2,972,693	-	2,972,693
Total supporting services	8,239,075	-	8,239,075	1,040,898	-	1,040,898	(712,956)	8,567,017	-	8,567,017
Total expenses	51,976,074	-	51,976,074	3,348,108	-	3,348,108	(2,868,635)	52,455,547	-	52,455,547
<b>CHANGE IN NET ASSETS</b>	<u>(2,521,270)</u>	<u>17,911,868</u>	<u>15,390,598</u>	<u>4,702,421</u>	<u>885,310</u>	<u>5,587,731</u>	<u>-</u>	<u>2,181,151</u>	<u>18,797,178</u>	<u>20,978,329</u>
<b>Net assets, beginning of year</b>	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
<b>Net assets, end of year</b>	<u>\$ 10,566,660</u>	<u>\$ 35,398,767</u>	<u>\$ 45,965,427</u>	<u>\$ 30,407,715</u>	<u>\$ 29,243,771</u>	<u>\$ 59,651,486</u>	<u>\$ -</u>	<u>\$ 40,974,375</u>	<u>\$ 64,642,538</u>	<u>\$ 105,616,913</u>

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
United Way of Metropolitan Dallas, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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 statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 29, 2024.

### **Report on internal control over financial reporting**

In planning and performing our audit of the consolidated financial statements, we considered the United Way's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the United Way's internal control. Accordingly, we do not express an opinion on the effectiveness of the United Way's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on compliance and other matters**

As part of obtaining reasonable assurance about whether the United Way's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this report**

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

*Grant Thornton LLP*

Dallas, Texas  
January 29, 2024



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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS *SINGLE AUDIT CIRCULAR***

Board of Directors  
United Way of Metropolitan Dallas, Inc.

### **Report on compliance for each major federal and state program**

#### **Opinion on each major federal and state program**

We have audited the compliance of United Way of Metropolitan Dallas, Inc. (the “United Way”) with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget’s *OMB Compliance Supplement* and the State of Texas *Single Audit Circular* that could have a direct and material effect on each of the United Way’s major federal and state programs for the year ended June 30, 2023. The United Way’s major federal and state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the United Way complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2023.

#### **Basis for opinion on each major federal and state program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Single Audit Circular*. Our responsibilities under those standards and the Uniform Guidance, and the State of Texas *Single Audit Circular* are further described in the Auditor’s Responsibilities for the Audit of Compliance 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the United Way’s compliance with the compliance requirements referred to above.

### **Responsibilities of management for compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the United Way's federal and state programs.

### **Auditor's responsibilities for the audit of compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the United Way's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS, *Government Auditing Standards*, the Uniform Guidance and the State of Texas *Single Audit Circular* will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the United Way's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, the Uniform Guidance and the State of Texas *Single Audit Circular*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the United Way's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas *Single Audit Circular*, but not for the purpose of expressing an opinion on the effectiveness of the United Way's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on internal control over compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the United Way's internal control over compliance that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

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

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State of Texas *Single Audit Circular*. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

Dallas, Texas  
January 29, 2024

United Way of Metropolitan Dallas, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

Year ended June 30, 2023

Granter Agency/Pass-through Agency/Program Title	Assistance Listing Number	Pass-Through Number	Expenditures	Pass-Through to Subrecipients
<b>Expenditures of Federal Financial Assistance:</b>				
<b>U.S. Department of Health and Human Services</b>				
Pass-through from: Texas Department of Family and Protective Services				
Maternal, Infant, and Early Childhood Home Visiting (MIECHV) Grant Program				
MIECHV The Texas Home Visiting Program	93.870	529-15005300004	\$ 173,952	\$ 132,559
MIECHV The Texas Home Visiting Program	93.870	24486013	236,054	209,882
COVID-19 - MIECHV The Texas Home Visiting Program	93.870	24486013	1,575	-
MIECHV The Texas Home Visiting Program	93.870	HHS001105400003	982,662	849,673
COVID-19 - MIECHV The Texas Home Visiting Program	93.870	HHS001105400003	134,500	23,750
Total 93.870			1,528,743	1,215,863
Cooperative Agreement to Support Navigators in Federally-facilitated Exchanges	93.332		759,978	709,885
Cooperative Agreement to Support Navigators in Federally-facilitated Exchanges	93.332		13,545	7,768
Cooperative Agreement to Support Navigators in Federally-facilitated Exchanges	93.332		1,849,165	1,356,393
Total 93.332			2,622,688	2,074,046
Pass-through from: Texas Department of Family and Protective Services				
Healthy Outcomes through Prevention and Early Support (HOPES)	93.434	HHS000855300015	11,738	-
Pass-through from: Texas Department of Family and Protective Services				
Healthy Outcomes through Prevention and Early Support Family-Based Safety Services	93.556	HHS000855300015	19,905	19,905
Pass-through from: Texas Department of Family and Protective Services				
Healthy Outcomes through Prevention and Early Support (HOPES)	93.558	HHS000855300015	51,691	-
<b>U.S. Department of Housing and Urban Development</b>				
Pass-through from: City of Dallas, Texas				
Community Development Block Grants Assistance Program (CDBG)	14.218	OCC-2021-0016402	224,360	-
<b>U.S. Department of the Treasury</b>				
Volunteer Income Tax Assistance (VITA)				
Volunteer Income Tax Assistance (VITA)	21.009		49,510	45,009
Volunteer Income Tax Assistance (VITA)	21.009		166,310	151,191
Total 21.009			215,820	196,200
Pass-through from: City of Dallas, Texas				
COVID-19 Coronavirus Relief Fund	21.019	ECO-2021-00016286	802,780	670,234
Pass-through from: City of Dallas, Texas				
Emergency Rental Assistance Program	21.023	OCC-2021-00016760	5,257,674	4,246,189
Pass-through from: City of Dallas, Texas				
COVID-19 Coronavirus Relief Fund Grant - Rental Assistance Program ARAP	21.027	OCC-2021-00016760	54,484	54,484
COVID-19 Coronavirus Relief Fund Grant - Rental Assistance Program ARAP	21.027	OCC-2021-00016760	41,929	20,548
Total 21.027			96,414	75,032
<b>Total Federal Financial Assistance</b>			\$ 10,831,814	\$ 8,497,470
<b>Expenditures of State Financial Assistance :</b>				
<b>Texas Department of Family and Protective Services</b>				
Healthy Outcomes through Prevention and Early Support				
Healthy Outcomes through Prevention and Early Support		HHS000855300015	278,748	215,936
Healthy Outcomes through Prevention and Early Support		HHS000855300015	1,296,969	952,908
<b>Total State Financial Assistance</b>			1,575,717	1,168,844
<b>Total Federal and State Financial Assistance</b>			\$ 12,407,531	\$ 9,666,314

The accompanying notes are an integral part of this schedule.

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

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**

**Year ended June 30, 2023**

**NOTE A - GENERAL**

The accompanying Schedules of Expenditures of Federal and State Awards (the "Schedule") presents the activity of all applicable federal and state awards of United Way of Metropolitan Dallas, Inc. ("United Way"). Direct federal awards and those federal awards passed through other government agencies are included.

**NOTE B - BASIS OF PRESENTATION**

The accompanying Schedule is presented using the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas *Single Audit Circular* included in the Uniform Grant Management Standards issued by the Governor's Office of Budget and Planning of the State of Texas. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the consolidated financial statements.

**NOTE C - NON-CASH ASSISTANCE**

United Way has not received any non-cash assistance, such as commodities, food stamps, or surplus property, insurance provided by a federal or state agency, or federal or state loans and/or loan guarantees.

**NOTE D - INDIRECT COSTS**

United Way has elected to use the 10% de minimis indirect cost rate.

**United Way of Metropolitan Dallas Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year ended June 30, 2023**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal and State Awards**

Internal control over the major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for the major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

**Identification of the major programs:**

Assistance Listing/State Identifying Number	Name of Federal and State Program
<b>Major Federal Program:</b>	
93.332	Texas Home Visiting Program
21.023	Emergency Rental Assistance Program
<b>Major State Program:</b>	
HHS000855300015	Healthy Outcomes through Prevention and Early Support (HOPES)

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

Auditee qualified as low-risk auditee - Federal?	Yes
Auditee qualified as low-risk auditee - State?	Yes

**United Way of Metropolitan Dallas Inc.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED**

**Year ended June 30, 2023**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were noted that required to be reported.

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

No matters were noted that required to be reported.

**United Way of Metropolitan Dallas Inc.**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

**Year ended June 30, 2023**

<b>Finding:</b>	2022-001
Type of Finding:	Control Deficiency
Criteria:	2 CFR 200.510 of the Uniform Guidance requires auditees to prepare a schedule of expenditures of federal awards ("SEFA") that encompasses all expenditures of federal awards as defined in 2 CFR 200.502. The amount passed through by the organization to subrecipients for each federal program, and the correct title and assistance listing number.
Condition:	United Way of Metropolitan Dallas ("UWMD") prepared a SEFA as part of its financial close and reporting process; however, as part of our review of the grant contracts it was determined that expenditures for a certain federal program were initially classified under the incorrect assistance listing number. This caused additional compliance requirements to be tested.
Cause:	Management did not perform a thorough review of the SEFA and agree programs back to the grant contracts to ensure correct assistance listing was used.
Effect or potential effect:	The potential effect of not reporting a complete and accurate SEFA is that awards may not be properly tested or not correctly identified as a major program.
Recommendations:	We recommend that management ensure a thorough review is performed of the SEFA to ensure all grant information is complete and accurate.
Views of responsible officials:	For federal grants, the typical process is for a number to be assigned to an entire grant and that number stays associated with the entire grant until it is closed. The UWMD operated under this assumption in reviewing the grant contracts. For the Dallas Rental Assistance Contract ("DRAC") 4 - the City of Dallas did not specify the ALN at the time of the contract award (as required by federal regulation 2 CFR200). In the absence of a number, the UWMD team operated under the existing number from the prior year, therefore, it was listed under the ALN from the previous DRAC contracts. The UWMD team reviewed all contracts and agreed them back to the SEFA listed on the contract or other supporting documentation. Additionally, the team created a grant list, where relevant information from each grant, including ALN, was included to ensure that each contract is reviewed to verify the ALN.
Current Year Update:	UWMD management maintained a schedule of expenditures of federal awards ("SEFA") that encompassed all expenditures of federal awards as defined in 2 CFR 200.502 for fiscal year 2022 – 2023. The UWMD grant accounting team performed a thorough review of the SEFA and agreed programs back to the grant contracts to ensure correct assistance listing was used for fiscal year 2022 - 2023.



United Way of Metropolitan Dallas Inc.

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

Year ended June 30, 2023

**Finding:** 2022-002

**Federal Agency:** Department of Health and Human Services

**Federal Program:** Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces

**Federal Award Number:** 93.332

**Award Year:** 2023

**Type of Finding:** Control Deficiency

**Compliance Requirement:** Cash Management

**Criteria:** Per 2022 Compliance Supplement part III subpart C, for cost - reimbursement contracts under the Federal Acquisition Regulation ("FAR"), reimbursement payment is the predominant method of funding. Advance payments under FAR-based contracts are rare. The FAR clause at 48 CFR section 52.216-7 applies to reimbursement payment. Paragraph (b)(1) of that clause requires that the non-federal entity request reimbursement for (a) only allocable, allowable, and reasonable contract costs that have already been paid, or (b) if the non-federal entity is not delinquent in paying costs of contract performance in the ordinary course of business, costs incurred, but not necessarily paid. As defined in 48 CFR section 52.216-7(b)(1), with relation to supplies and services purchased for use on the contract, "ordinary course of business" would be in accordance with the terms and conditions of a subcontract or invoice, and ordinarily within 30 days of the request to the federal government for reimbursement.

**Condition:** For one of the two selected reimbursement requests judgmentally selected for testing, an exception was noted for lack of formal documentation of the review and approval over the reimbursement requests. Per review of the entire population, the first five of the nine reimbursement requests did not have formal documentation of review and approval. However, we noted upon the hiring of a new controller the remaining four requests did have documentation of the review and approval.

**Questioned Costs:** None

**Context:** The application of UWMD's policy to maintain documentation of the review and approval of reimbursement requests for this contract was not effective for the first six months of the year. Subsequent to March 31, 2022, we noted the policy was effective and documentation of review and approval was maintained.

**Cause:** Management failed to have a policy in place throughout the audit period to ensure documentation of the timely review and approval of reimbursement requests was maintained.

**United Way of Metropolitan Dallas Inc.**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED**

**Year ended June 30, 2023**

Effect or potential effect:	Failure to ensure reimbursement requests are timely reviewed and approved by appropriate personnel could result in unallowable costs being submitted for reimbursement.
Repeat Finding:	No
Recommendations:	We note that management implemented a process requiring the documentation of the review and approval of reimbursement requests is maintained. We recommend that management consider the need to review UWMD's comprehensive policies to ensure all current and future state and federal grants are addressed by this policy and increase training efforts for all personnel responsible and involved in its grant program management to ensure proper awareness and understanding of cash management controls.
Views of responsible officials:	<p>The new UWMD Controller transitioned in January of 2022 and noticed in April that she was not receiving formal approval requests to approve disbursement requests against the grant. She immediately implemented a formal review process that was in place for the second six months of the fiscal year and are permanently in place. She also retroactively reviewed disbursements for the first six months of the grant and observed that all were made in line with grant guidelines and were appropriate.</p> <p>The UWMD Controller has also reviewed the accountant's checklist for all grants ensuring that the approval is a documented step in the process and has provided training to the UWMD team.</p>
Current Year Update:	UWMD management continued the practice as outlined in the policy of an approval prior to grant disbursements. HOPES and THV grants are reviewed and approved by Director of Accounting, all other disbursements are approved by the Controller; (CFO in the absence of the Controller).

**United Way of Metropolitan Dallas Inc.**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED**

**Year ended June 30, 2023**

**Finding:** 2022-003

**Federal Agency:** Department of Health and Human Services

**Federal Program:** Cooperative Agreement to Support Navigators in Federally-facilitated and State Partnership Marketplaces

**Federal Award Number:** 93.332

**Award Year:** 2022

**Type of Finding:** Control Deficiency and Noncompliance

**Compliance Requirement:** Reporting

**Criteria:** Per 2022 Compliance Supplement under the requirements of the Federal Funding Accountability and Transparency Act (Pub. L. No. 109-282), as amended by Section 6202 of Pub. L. No. 110-252, hereafter referred as the "Transparency Act" that are codified in 2 CFR Part 170, recipients (i.e., direct recipients) of grants or cooperative agreements are required to report first-tier subawards of \$30,000 or more to the Transparency Act Subaward Reporting System (FSRS).

**Condition:** We noted United Way had first-tier subawards greater than \$30,000 and did not report the required information in the FSRS system in compliance with the Transparency Act.

**Questioned Costs:** None

**Context:** United Way failed to submit information required under The Transparency Act.

**Cause:** Management did not have controls in place to ensure the required documentation was reported in the FSRS system.

**Effect or potential effect:** Failure to comply with the compliance requirements could result in subaward information not being appropriately reported.

**Repeat Finding:** No

**Recommendations:** We recommend management ensure controls are in place to adhere to reporting requirements within grant agreements.

**Views of responsible officials:** The grant accounting team will develop a Master Grants Checklist to help manage the grant operations process and help the team ensure compliance and reporting requirements are met for each grant.

The grant accounting Team will submit information on first-tier subawards to the FSRS for eligible grants by December 31, 2022.

**Current Year Update:** The grant accounting team updated the Grant process documentation and checklist to include steps to file the FFATA report to the FSRS site. They submitted the FFATA Report for Grants to the FSRS site in December 2022. They have subsequently made 2023 filings as required.