



United Way of Asheville
and Buncombe County

**UNITED WAY OF ASHEVILLE
AND BUNCOMBE COUNTY, INC.**

Asheville, North Carolina

Financial Statements and
Supplementary Information

Years Ended June 30, 2021 and 2020

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

OFFICERS

Jennie Eblen	Chair
Susanne T. Swanger	Chair-Elect
Himanshu K. Karvir	Vice-Chair
Cheryl H. Atkins	Treasurer
Heather W. Goldstein	Secretary
Kit W. Cramer	Past Chair

BOARD OF DIRECTORS

Cheryl H. Atkins	Robert McArthur
Amy L. Bibby	Lakesha F. McDay
Debra D. Campbell	Kevin Robert McDonald
Shelia Christofalos	LaVie Montgomery
Michael S. Cortes	Rachael Nygaard
Chip Craig	Emma C. Olson
Kit W. Cramer	Ann Ray
Jamye R. Davis	Ashley B. Smith
Jennie Eblen	Julie P. Smith
Taylor Foss	John R. Sutton, Jr.
Andrew A. Gmitter	Susanne T. Swanger
Heather W. Goldstein	Ben P. Teague
Dr. William R. Hathaway	Jason A. Walls
Melissa N. Hedt	Dr. Darin Waters
Chris Hoffman	Glenn W. Wilcox, Sr.
Laurel Jernigan	Angélica R. Wind
Himanshu K. Karvir	JoAnn Yoder

PRESIDENT AND CEO

Dan B. Leroy

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities - 2021	4
Statement of Activities - 2020	5
Statement of Functional Expenses - 2021	6-7
Statement of Functional Expenses - 2020	8-9
Statements of Cash Flows	10
Notes to Financial Statements	11-28
SUPPLEMENTARY INFORMATION	
Schedule of Grants to Partner Organizations	29
Schedule of Building Expenses	30

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of Asheville and Buncombe County, Inc.

We have audited the accompanying financial statements of United Way of Asheville and Buncombe County, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
United Way of Asheville and Buncombe County, Inc.
Page 2

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Asheville and Buncombe County, Inc. as of June 30, 2021 and 2020, 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.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of grants to partner organizations and schedule of building expenses are presented for purposes of additional analysis and are not required parts of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

CARTER, P.C.

Asheville, North Carolina
November 17, 2021

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets:		
Cash and equivalents:		
Unrestricted	\$ 564,054	\$ 230,422
Restricted	13,033	19,150
Grants receivable	219,907	
Promises to give, current portion	1,055,381	1,065,294
Accounts receivable	186,073	53,257
Other receivables	15,688	11,268
Prepaid expenses	<u>4,933</u>	<u>20,529</u>
Total current assets	2,059,069	1,399,920
Promises to give, net of current portion	232,299	10,000
Investments	1,601,738	1,215,105
Other investment		26,531
Beneficial interest in endowment funds	2,791,110	2,316,259
Property and equipment	<u>1,652,819</u>	<u>1,732,556</u>
Total assets	<u>\$ 8,337,035</u>	<u>\$ 6,700,371</u>
Liabilities and net assets		
Current liabilities:		
Current maturities of long-term debt	\$ 81,960	\$ 183,845
Accounts payable and accrued liabilities	370,036	210,145
Grants payable	727,561	454,726
Security deposits	<u>3,227</u>	<u>3,227</u>
Total current liabilities	1,182,784	851,943
Long-term debt, net of current maturities	<u>336,040</u>	<u>234,155</u>
Total liabilities	<u>1,518,824</u>	<u>1,086,098</u>
Net assets:		
Without donor restrictions	5,185,572	4,825,124
With donor restrictions	<u>1,632,639</u>	<u>789,149</u>
Total net assets	<u>6,818,211</u>	<u>5,614,273</u>
Total liabilities and net assets	<u>\$ 8,337,035</u>	<u>\$ 6,700,371</u>

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

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Statement of Activities
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Campaign contributions	\$	\$ 3,484,816	\$ 3,484,816
Less, designations received and paid		(265,897)	(265,897)
Building rents, net	53,940		53,940
Grants		1,739,521	1,739,521
Contracts	418,782		418,782
Sponsorships		86,600	86,600
Other contributions		97,149	97,149
Investment income, net	12,997		12,997
In-kind contributions		44,649	44,649
Net assets released from restrictions	<u>4,343,348</u>	<u>(4,343,348)</u>	
Total revenues and other support	<u>4,829,067</u>	<u>843,490</u>	<u>5,672,557</u>
Expenses			
Program services	4,086,785		4,086,785
Supporting services	<u>1,210,804</u>		<u>1,210,804</u>
Total expenses	<u>5,297,589</u>		<u>5,297,589</u>
Increase (decrease) in net assets before other gains	<u>(468,522)</u>	<u>843,490</u>	<u>374,968</u>
Other gains			
Net gains on investments	276,856		276,856
Net gains on other investment	10,798		10,798
Net gains on beneficial interest in endowment funds	<u>541,316</u>		<u>541,316</u>
Total other gains	<u>828,970</u>		<u>828,970</u>
Increase in net assets	360,448	843,490	1,203,938
Net assets at beginning of year	<u>4,825,124</u>	<u>789,149</u>	<u>5,614,273</u>
Net assets at end of year	<u>\$ 5,185,572</u>	<u>\$ 1,632,639</u>	<u>\$ 6,818,211</u>

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

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Statement of Activities
Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Campaign contributions	\$	\$ 3,091,941	\$ 3,091,941
Less, designations received and paid		(370,172)	(370,172)
Building rents, net	82,335		82,335
Grants		398,009	398,009
Contracts	296,770		296,770
Sponsorships		38,860	38,860
Other contributions		175,534	175,534
Investment income, net	23,407		23,407
In-kind contributions		158,839	158,839
Miscellaneous income	11,021		11,021
Net assets released from restrictions	<u>3,909,370</u>	<u>(3,909,370)</u>	
Total revenues and other support	<u>4,322,903</u>	<u>(416,359)</u>	<u>3,906,544</u>
Expenses			
Program services	2,598,773		2,598,773
Supporting services	<u>1,264,778</u>		<u>1,264,778</u>
Total expenses	<u>3,863,551</u>		<u>3,863,551</u>
Increase (decrease) in net assets before other gains (losses)	<u>459,352</u>	<u>(416,359)</u>	<u>42,993</u>
Other gains (losses)			
Net losses on investments	(46,593)		(46,593)
Net gains on other investment	3,780		3,780
Net losses on beneficial interest in endowment funds	<u>(35,988)</u>		<u>(35,988)</u>
Total other losses	<u>(78,801)</u>		<u>(78,801)</u>
Increase (decrease) in net assets	380,551	(416,359)	(35,808)
Net assets at beginning of year	<u>4,444,573</u>	<u>1,205,508</u>	<u>5,650,081</u>
Net assets at end of year	<u>\$ 4,825,124</u>	<u>\$ 789,149</u>	<u>\$ 5,614,273</u>

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

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services			
	2-1-1 Call Center	Community Engagement	Communi- cations & Marketing	Community Schools
Salaries	\$ 743,459	\$ 129,374	\$ 155,792	\$ 652,374
Employee benefits	150,773	28,223	28,306	133,229
Payroll taxes	53,343	2,082	11,852	42,804
Contract labor			6,282	23,728
Total payroll and related expenses	947,575	159,679	202,232	852,135
Grants and contracts	115	1,205,054		342,566
Supplies	11,137	4,148	10,912	12,167
Maintenance	15,328	2,644	2,713	11,742
Computer support	34,757	9,241	8,672	37,958
Printing	727	125	3,824	2,602
Postage	853	125	119	623
Telephone	11,971	333	526	1,115
Training	7,178	431	1,087	37,023
Travel and conferences	645	1,214	106	6,581
Memberships and dues	2,666	707	457	2,101
Advertising	5,079	1,121	15,646	3,948
Professional fees	14,404	2,112	23,758	25,100
Insurance	1,451	315	397	1,251
Bad debt				
Miscellaneous	5,001	1,620	357	3,003
Total expenses before interest and depreciation	1,058,887	1,388,869	270,806	1,339,915
Interest	1,903	326	326	1,468
Depreciation	11,486	1,969	1,969	8,861
Total expenses	<u>\$ 1,072,276</u>	<u>\$ 1,391,164</u>	<u>\$ 273,101</u>	<u>\$ 1,350,244</u>

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

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Statement of Functional Expenses (continued)
Year Ended June 30, 2021

	Total Program Services	Supporting Services			Total Supporting Services	Total
		Management & General	Fundraising			
Salaries	\$ 1,680,999	\$ 241,815	\$ 386,811	\$ 628,626	\$ 2,309,625	
Employee benefits	340,531	37,623	73,839	111,462	451,993	
Payroll taxes	110,081	18,543	29,533	48,076	158,157	
Contract labor	<u>30,010</u>		<u>19,687</u>	<u>19,687</u>	<u>49,697</u>	
Total payroll and related expenses	2,161,621	297,981	509,870	807,851	2,969,472	
Grants and contracts	1,547,735				1,547,735	
Supplies	38,364	3,251	6,291	9,542	47,906	
Maintenance	32,427	3,670	6,667	10,337	42,764	
Computer support	90,628	19,896	29,007	48,903	139,531	
Printing	7,278	166	3,254	3,420	10,698	
Postage	1,720	453	546	999	2,719	
Telephone	13,945	817	1,042	1,859	15,804	
Training	45,719	389	1,932	2,321	48,040	
Travel and conferences	8,546	200	7,816	8,016	16,562	
Memberships and dues	5,931	80,593	1,472	82,065	87,996	
Advertising	25,794	1,161	2,177	3,338	29,132	
Professional fees	65,374	42,894	25,306	68,200	133,574	
Insurance	3,414	530	787	1,317	4,731	
Bad debt			137,430	137,430	137,430	
Miscellaneous	<u>9,981</u>	<u>12,274</u>	<u>2,870</u>	<u>15,144</u>	<u>25,125</u>	
Total expenses before interest and depreciation	4,058,477	464,275	736,467	1,200,742	5,259,219	
Interest	4,023	715	815	1,530	5,553	
Depreciation	<u>24,285</u>	<u>3,609</u>	<u>4,923</u>	<u>8,532</u>	<u>32,817</u>	
Total expenses	<u>\$ 4,086,785</u>	<u>\$ 468,599</u>	<u>\$ 742,205</u>	<u>\$ 1,210,804</u>	<u>\$ 5,297,589</u>	

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

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services				
	2-1-1 Call Center	Hands On	Community Engagement	Communi- cations & Marketing	Community Schools
Salaries	\$ 357,918	\$ 106,223	\$ 138,416	\$ 159,001	\$ 407,717
Employee benefits	64,990	27,450	30,310	39,980	98,376
Payroll taxes	29,055	7,729	9,792	11,796	29,787
Contract labor				500	5,956
Total payroll and related expenses	451,963	141,402	178,518	211,277	541,836
Grants and contracts			444,549		109,498
Supplies	2,669	153,865	6,448	1,147	3,240
Homework diners					69,577
Maintenance	10,143	2,811	3,147	4,437	8,494
Computer support	11,891	5,326	5,557	7,436	18,631
Printing	493	251	118	7,644	499
Postage	1,073	285	362	436	1,100
Telephone	10,746	349	805	484	829
Training	4,265	567	788	1,705	10,440
Travel and conferences	2,491	1,358	1,955	703	11,674
Memberships and dues	16,116	3,633	20,730	5,278	13,326
Advertising				31,580	
Professional fees	7,366	979	825	1,252	2,248
Insurance	1,461	1,495	401	612	1,087
Bad debt					
Miscellaneous	744	108	58	221	178
Total expenses before interest and depreciation	521,421	312,429	664,261	274,212	792,657
Interest					
Depreciation	12,352	3,538	3,538	6,081	8,284
Total expenses	\$ 533,773	\$ 315,967	\$ 667,799	\$ 280,293	\$ 800,941

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

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Statement of Functional Expenses (continued)
Year Ended June 30, 2020

	Total Program Services	Supporting Services			Total Supporting Services	Total
		Management & General	Fundraising			
Salaries	\$ 1,169,275	\$ 271,352	\$ 394,439	\$ 665,791	\$ 1,835,066	
Employee benefits	261,106	69,499	78,471	147,970	409,076	
Payroll taxes	88,159	21,535	30,559	52,094	140,253	
Contract labor	<u>6,456</u>	<u>761</u>		<u>761</u>	<u>7,217</u>	
Total payroll and related expenses	1,524,996	363,147	503,469	866,616	2,391,612	
Grants and contracts	554,047				554,047	
Supplies	167,369	2,568	2,732	5,300	172,669	
Homework diners	69,577				69,577	
Maintenance	29,032	7,336	9,364	16,700	45,732	
Computer support	48,841	12,840	21,826	34,666	83,507	
Printing	9,005	365	1,371	1,736	10,741	
Postage	3,256	795	1,128	1,923	5,179	
Telephone	13,213	948	908	1,856	15,069	
Training	17,765	2,178	5,307	7,485	25,250	
Travel and conferences	18,181	1,611	30,794	32,405	50,586	
Memberships and dues	59,083	10,333	15,660	25,993	85,076	
Advertising	31,580				31,580	
Professional fees	12,670	37,724	9,398	47,122	59,792	
Insurance	5,056	1,754	1,672	3,426	8,482	
Bad debt			179,940	179,940	179,940	
Miscellaneous	<u>1,309</u>	<u>14,240</u>	<u>1,555</u>	<u>15,795</u>	<u>17,104</u>	
Total expenses before interest and depreciation	2,564,980	455,839	785,124	1,240,963	3,805,943	
Interest		5,488		5,488	5,488	
Depreciation	<u>33,793</u>	<u>8,321</u>	<u>10,006</u>	<u>18,327</u>	<u>52,120</u>	
Total expenses	<u>\$ 2,598,773</u>	<u>\$ 469,648</u>	<u>\$ 795,130</u>	<u>\$ 1,264,778</u>	<u>\$ 3,863,551</u>	

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

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Statements of Cash Flows Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 1,203,938	\$ (35,808)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	79,737	86,867
Bad debt expense	137,430	179,940
Present value adjustment	10,701	
Receipt of donated stock	(217,690)	(249,849)
Net (gains) losses on investments	(276,856)	46,593
Net gains on other investment	(10,798)	(3,780)
Net (gains) losses on beneficial interest in endowment funds	(541,316)	35,988
Paycheck Protection Program loan forgiveness	(422,377)	
Noncash interest expense	4,377	
Changes in working capital - sources (uses):		
Grants receivable	(219,907)	25,000
Promises to give	(360,517)	640,830
Accounts receivable	(132,816)	(34,263)
Other receivables	(4,420)	1,779
Prepaid expenses	15,596	7,574
Accounts payable and accrued liabilities	159,891	(67,943)
Grants payable	272,835	(805,337)
Security deposits		160
Net cash used by operating activities	(302,192)	(172,249)
Cash flows from investing activities		
Proceeds from sale of investments	1,879,269	4,707,367
Distributions from other investment	37,329	
Distribution from beneficial interest in endowment funds	76,580	70,020
Purchase of investments	(1,771,356)	(4,425,273)
Contributions to beneficial interest in endowment funds	(10,292)	(374,865)
Change in beneficial interest in endowment funds	177	(4,887)
Purchase of property and equipment		(6,031)
Net cash provided (used) by investing activities	211,707	(33,669)
Cash flows from financing activities		
Proceeds from borrowings on line of credit	760,543	1,673,259
Proceeds from issuance of long-term debt	418,000	418,000
Principal repayments on line of credit	(760,543)	(1,869,910)
Net cash provided by financing activities	418,000	221,349
Net increase in cash and equivalents and restricted cash	327,515	15,431
Cash and equivalents and restricted cash at beginning of year	249,572	234,141
Cash and equivalents and restricted cash at end of year	\$ 577,087	\$ 249,572
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 1,052	\$ 5,488

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

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Notes to Financial Statements
June 30, 2021 and 2020

Note 1 - Summary of Significant Accounting Policies

Organization

"Unite People. Improve Lives. Strengthen Community." United Way of Asheville and Buncombe County, Inc. (Organization) is a nonprofit entity committed to reducing the impact that poverty has on the lives of students, families, and communities. The Organization is dedicated to creating a strong, caring community where our neighbors are educated, financially stable and healthy. This is achieved through the Organization's key strategies:

- *2-1-1 Call Center:* NC 2-1-1 is a free and confidential information and referral line for people in need of health and human services. The Organization operates the 2-1-1 call center that serves the sixteen counties in Western North Carolina and provides statewide support during natural disasters and other crises.
- *Hands-On Asheville Buncombe:* The Organization's volunteer center mobilizes more than 3,000 people every year to tackle projects of every shape and size and connects people to volunteer opportunities that fit their interests, skills and availability through the Organization and other nonprofit and public service organizations. During year ended June 30, 2021, Hands-On Asheville Buncombe was discontinued in an effort to maximize focus on other community related initiatives.
- *Community Engagement:* Using input from volunteers and subject-matter experts, the Organization invests in high-quality programs that improve the education, financial stability, and health of the community through competitive grants to 31 nonprofit agencies.
- *Community Schools:* Students and families living in poverty face significant barriers to educational success and a healthy life. The Organization serves as a backbone organization to a coalition of more than 50 organizations that are changing how we build support for students, families, and communities.

Income Tax Status

The Organization is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under section 509(a)(2). The Organization has also been classified as a publicly-supported charitable organization and is exempt from state taxes under North Carolina General Statute 105-130.11(a).

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- *Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and Board of Directors.
- *Net assets with donor restrictions:* Net assets subject to donor-imposed time or purpose restrictions. These restrictions limit the spending options when using these resources because the Organization has a fiduciary responsibility to follow the donors' instructions. Net assets with donor restrictions generally result from donor-restricted contributions and grants for a specific purpose. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Support is recorded as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (that is, the donor-stipulated purpose has been fulfilled and/or time period has elapsed) are reported as net assets released from restrictions.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing program services. Non-operating activities are limited to resources that generate return from investments, other investments, and beneficial interest in endowment funds and other activities considered to be more unusual or nonrecurring in nature.

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The carrying value of substantially all reported assets and liabilities, other than promises to give, investments, other investment, beneficial interest in endowment funds, and long-term debt, approximates fair value due to the relatively short-term nature of the financial instruments.

Note 1 - Summary of Significant Accounting Policies (continued)

Fair Value of Financial Instruments (continued)

Amounts recognized for promises to give approximates fair value due to the allowance for uncollectible promises to give and net present value adjustment applied to outstanding balances.

Fair value of investments, other investment, and beneficial interest in endowment funds are discussed in Note 6.

The carrying value of long-term debt approximates fair value due to market interest rates charged at the time of borrowing.

Cash and Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents, except those amounts designated and classified as investments. Restricted cash consists of cash held for health insurance claims.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. Amortization of the discount is included in campaign contributions. Management provides for probable uncollectible amounts through a provision for uncollectible promises to give based on prior collection history and future expected collection rates.

Accounts, Grants, and Other Receivables

Accounts receivable consist of uncollateralized customer obligations for contract services and rental fees. Receipts of payments of accounts receivable are allocated to the specific invoices identified on the customer's remittance advice or, if unspecified, are applied to the earliest unpaid invoices. The Organization has not experienced significant difficulties in collecting accounts receivable and therefore does not assess finance charges. Grants receivable are funds due from federal agencies and nonprofit organizations. Other receivables consist primarily of sales tax receivables.

All accounts, grants, and other receivables are considered by management to be fully collectible and therefore no allowance for uncollectible accounts has been recorded. Receivables are considered impaired if full payment is not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible receivables when management determines collection is unlikely.

Note 1 - Summary of Significant Accounting Policies (continued)

Investments

Investments are recorded at fair market value. Both unrealized gains and losses from the fluctuation of market value and realized gains and losses from the sale of investments are reflected in the statements of activities.

Investment Income and Gains

Investment income and gains are reported as increases in net assets without donor restrictions unless the income or gains is restricted by donors or law.

Fair Value Measurements and Disclosures

The Organization applies U.S. GAAP authoritative guidance for fair value measurements and disclosures, which defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities within the hierarchy are based on the lowest (or least observable) input that is significant to the measurement. The Organization's assessment of the significance of an input requires judgment, which may affect the valuation and classification within the fair value hierarchy.

Property and Equipment

Additions to property and equipment, if purchased, are recorded at cost. Major renewals and replacements are capitalized as incurred. Expenditures for repairs and maintenance that do not improve or extend the life of the asset are expensed as incurred. The Organization has adopted an accounting policy to capitalize all property and equipment with a cost greater than \$1,000 and an estimated useful life extending beyond one year. Depreciation is computed using the straight-line method over the estimated useful life of the asset, ranging from three to thirty-nine years.

Note 1 - Summary of Significant Accounting Policies (continued)

Donated Property and Equipment

Donations of property and equipment are recorded as contributions at the estimated fair value at the date of the gift. The Organization reports gifts of property and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are recorded as net assets with donor restrictions until such assets are acquired or placed in service.

Donated Assets

Donated marketable securities are recorded as campaign contributions at their estimated fair value at the date of donation.

Donated materials and equipment are reflected as in-kind contributions at their estimated fair value at the date of donation. For the years ended June 30, 2021 and 2020, the Organization received in-kind materials, equipment, and rent in the amount of \$30,412 and \$138,394, respectively.

Donated Services

Donated services are recognized as in-kind contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization received \$14,237 and \$20,445 in donated advertising services during the years ended June 30, 2021 and 2020, respectively. Volunteers also provided a variety of tasks that assist the Organization with specific objectives throughout the fiscal year that are not recognized as contributions in the financial statements since the recognition criteria were not met. The Organization received approximately 10,000 and 17,900 volunteer hours during the years ended June 30, 2021 and 2020, respectively.

Grants Payable

Unconditional grants are charged to operations and recognized as liabilities when authorized by the Board of Directors, regardless of the year in which they are paid. Gifts that are subject to conditions are recorded when approved by the Board of Directors and the conditions are substantially met. The Organization has allocated grants payable to partner organizations in the amount of \$727,561 and \$454,726 as of June 30, 2021 and 2020, respectively. At June 30, 2020, the Organization had allocated grants payable to partner organizations in the amount of \$454,726 which are contingent upon future authorizations by the Board of Directors before the grant funding is released. There were no conditional grants payable at June 30, 2021.

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition

Contributions are recognized when cash, securities, other assets, or an unconditional promise to give is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return of the asset or right of release of the obligation - are not recognized until the conditions on which they depend have been met. A portion of the Organization's revenue is derived from cost-reimbursable federal contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as deferred revenue in the statements of financial position.

Certain campaign contributions made to the Organization are designated by the donors to be paid out to other agencies. These contributions are recognized as both campaign contributions and designations received and paid on the accompanying statements of activities. Designations received and paid are recorded net of collection fees earned. The balance of unpaid promises to give designated to agencies remains as a liability until the pledge is collected and paid out. The liability for unpaid designations to agencies is recorded as a reduction of promises to give in the statements of financial position.

Contract revenue is recorded at contractually agreed upon rates based on estimated total consideration due from customers in exchange for providing services. These services are considered to have a single performance obligation and are recognized as these services are provided.

The Organization also recognizes revenue from acting as a lessor in operating leases. Revenue is recorded as rental income in the statements of activities and is accounted for on the straight-line basis over the lease term. Rental income is presented net of related rental expenses as disclosed in Note 11, Building Rents.

Advertising

The Organization uses advertising to promote various programs. Advertising costs are not expected to extend beyond the current period and are expensed as incurred. Advertising expense for the years ended June 30, 2021 and 2020, was \$29,567 and \$31,580, respectively.

Functional Allocation of Expenses

The cost of providing program and supporting services activities have been summarized on a functional basis in the statements of activities and functional expenses. Certain categories of expenses are attributable to programs and support. All expenses except for grants and contracts, homework diners, and bad debt are allocated based on estimates of time and effort and square footage of building space in which the programs are operated. Grants and contracts and homework diners are directly related to program services. Bad debt is directly related to fundraising which is a supporting service.

Note 1 - Summary of Significant Accounting Policies (continued)

Reclassification

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

New Accounting Pronouncements

During the year ended June 30, 2021, the Organization adopted the requirements of the following standards set by the Financial Accounting Standards Board (FASB). The implementation of each of these standards did not materially impact the Organization's financial statements, except as noted below.

- Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09). This Update amended the previous accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. Additional disclosures have been added as a result of ASU 2014-09, which are included in Note 1, Revenue Recognition and Note 4, Contract Assets and Liabilities.
- Accounting Standards Update No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*. (ASU 2018-13). ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures.
- Accounting Standards Update No. 2020-03, *Codification Improvements to Financial Instruments*. (ASU 2020-03). ASU 2020-03 made additional clarifications to disclosure requirements of financial statements.

Recently Issued Accounting Pronouncements

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The new standard will be effective beginning July 1, 2021. The Organization is currently evaluating the effect this ASU will have on its financial statements.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 puts in place additional requirements regarding the presentation and disclosure of contributed nonfinancial assets for nonprofit entities for the purpose of enhancing transparency of such contributions received. The new standard will be effective beginning July 1, 2022.

Note 1 - Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Pronouncements (continued)

In February 2016, the FASB issued ASU 2016-02, *Leases*. Under the new standard, lessees will recognize a right-of-use asset and lease liability for virtually all leases (other than leases that meet the definition of a short-term lease). The lease liability will be equal to the present value of lease payments. For statement of activities purposes, leases continue to be classified as either operating or finance. Operating leases will result in straight-line expense, while finance leases will result in an accelerated expense pattern, comparable to current capital leases. Classification will be based on criteria similar to those applied to current lease accounting. Additional disclosures will be required to provide details of revenue and expense recognized and expected to be recognized from existing agreements. The new standard will be effective beginning July 1, 2022. The Organization is currently evaluating the effect this ASU will have on its financial statements.

Note 2 - Net Assets

Net assets are described as follows:

<u>At June 30</u>	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Undesignated	\$ 2,037,954	\$ 1,889,163
Investment in property and equipment	1,652,819	1,732,556
Board designated:		
Operating reserve	949,890	658,496
Building reserve	366,147	366,147
2-1-1 reserve	<u>178,762</u>	<u>178,762</u>
Net assets without donor restrictions	<u>5,185,572</u>	<u>4,825,124</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose or period:		
Advanced pledges	424,175	43,690
Campaign sponsorship	73,000	22,000
Grants	626,586	113,403
Targeted funds		82,806
Centennial campaign		<u>20,000</u>
Total subject to expenditure for specified purpose or period	<u>1,123,761</u>	<u>281,899</u>
Not subject to spending policy or appropriation:		
Promises to give	36,365	129,976
Beneficial interest in endowment funds in perpetuity	<u>472,513</u>	<u>377,274</u>
Total not subject to spending policy or appropriation	<u>508,878</u>	<u>507,250</u>
Net assets with donor restrictions	<u>1,632,639</u>	<u>789,149</u>
Total net assets	\$ 6,818,211	\$ 5,614,273

Note 3 - Liquidity and Availability of Financial Assets

The Organization received significant contributions and promises to give restricted by donors and consider those program contributions, which are ongoing, major, and central to its operations, to be available to meet cash needs for general expenditures.

The Organization manages liquidity and reserves utilizing three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets to fund near-term operating needs, and
- Maintaining dedicated reserves to provide reasonable assurance that obligations are met.

Board designated operating reserves are available for appropriation by the Board. Although the Organization does not intend to spend from its board designated operating reserves, other than amounts appropriated for general expenditure as part of its annual budget process, amounts could be made available if necessary.

The Organization maintains a line of credit to meet short-term working capital needs with access to up to \$600,000 to meet general expenditure needs.

The following reflects the liquidity and availability of the Organization's financial assets:

<u>At June 30</u>	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and equivalents, and restricted cash	\$ 577,087	\$ 249,572
Grants receivable	219,907	
Promises to give, net	1,287,680	1,075,294
Accounts receivable	186,073	53,257
Other receivables	15,688	11,268
Investments	1,601,738	1,215,105
Other investment		26,531
Beneficial interest in endowment funds	<u>2,791,110</u>	<u>2,316,259</u>
Total financial assets	<u>6,679,283</u>	<u>4,947,286</u>
Amounts not available for general expenditure:		
Board designated operating reserve	(949,890)	(658,496)
Board designated building reserve	(366,147)	(366,147)
Board designated 2-1-1 reserve	(178,762)	(178,762)
Total net assets with donor restrictions	(1,632,639)	(789,149)
Add back: unallocated promises to give, current portion	<u>226,175</u>	<u>102,790</u>
Total amounts not available for general expenditure	<u>(2,901,263)</u>	<u>(1,889,764)</u>
Net financial assets available to meet cash needs <u>for general expenditures within one year</u>	<u>\$ 3,778,020</u>	<u>\$ 3,057,522</u>

Note 4 - Contract Assets and Liabilities

Grants receivable, promises to give, and accounts receivable represent the Organization's contract assets with an unconditional right to receive consideration from customers. Grants and accounts receivable are recorded at invoiced amounts or amounts expected to be receivable based on contractual terms without conditions. Promises to give are recorded at net realizable value or present value of future cash flows.

The following table provides information about contract assets:

<u>At June 30</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Grants receivable	\$ 219,907	\$ _____	\$ 25,000
Promises to give:			
Due in less than one year	1,312,780	1,309,892	2,305,420
One to five years	<u>243,000</u>	<u>10,000</u>	<u>29,000</u>
Total unconditional promises to give	1,555,780	1,319,892	2,334,420
Less, designations to other agencies	(99,399)	(165,628)	(327,229)
Less, discount on net present value at 3.5%	(10,701)		
Less, allowance for uncollectible promises to give	<u>(158,000)</u>	<u>(78,970)</u>	<u>(116,721)</u>
Promises to give, net	<u>1,287,680</u>	<u>1,075,294</u>	<u>1,890,470</u>
Accounts receivable	<u>186,073</u>	<u>53,257</u>	<u>24,588</u>
<u>Total contract assets</u>	<u>\$ 1,693,660</u>	<u>\$ 1,128,551</u>	<u>\$ 1,940,058</u>

Contract liabilities are recorded when a customer pays consideration, or the Organization has a right to an amount of consideration that is unconditional, before the transfer of a good or performance of a service to the customer. Thus, the Organization has an obligation to transfer the good or service to the customer at a future date. The Organization's contract liabilities consist of security deposits for rental units.

Significant changes in contract liabilities from contracts with customers are as follows:

<u>At June 30</u>	<u>2021</u>	<u>2020</u>
Security deposits, beginning of year	\$ 3,227	\$ 3,067
Increase in security deposits due to cash received during year	_____	<u>160</u>
<u>Total security deposits</u>	<u>\$ 3,227</u>	<u>\$ 3,227</u>

Note 5 - Beneficial Interest in Endowment Funds

The beneficial interest in endowment funds is managed by the Community Foundation of Western North Carolina, Inc. (Foundation). The fund agreement grants variance power to the Foundation. This power allows the Board of Directors of the Foundation to modify any condition or restriction on the use and distribution of funds if, in its sole judgement (without the approval of any trustee, custodian, guardian or agent), such condition or restriction becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation. Under the terms of the agreements, the Organization can withdraw all or a portion of the original principal provided the governing board of the Organization approves the withdrawal except for a \$25,000 required minimum balance as stipulated in the terms of one of the fund agreements. The Organization's beneficial interest in endowment funds is invested in an allocated investment pool at the Foundation and is presented in the financial statements in the aggregate at fair value.

Note 6 - Fair Value Measurements

Investments, other investment, and beneficial interest in endowment funds are recorded in the accompanying financial statements at estimated fair value in accordance with the fair value hierarchy. The following is a description of the valuation methodologies used for assets measured at fair value:

Cash and Money Market Funds

Cash and money market funds are valued using observable market data and are categorized as Level 1 to the degree that they can be valued based on quoted market prices in active markets. Although these funds are readily available, it is the intent of the Organization to hold them for investment purposes and therefore have classified them as investments.

Equity Investments

Equity investments consist of daily traded exchange-traded funds and mutual funds. These investments are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets, and are accordingly categorized as Level 1, with no valuation adjustments applied.

Other Investment

Other investment consists of a segregated insurance collateral account that is valued at fair value as reported by the insurance captive provider. Due to the inputs being unobservable, the instrument is classified as Level 3.

Beneficial Interest in Endowment Funds

The fair value of the beneficial interest in endowment funds is provided by the Foundation. Due to the inputs being unobservable, the instrument is classified as Level 3.

Note 6 - Fair Value Measurements (continued)

The following tables sets forth estimated fair values of financial instruments:

<u>At June 30, 2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and money market funds	\$ 127,568	\$	\$	\$ 127,568
Equity investments:				
Exchange-traded funds	<u>1,474,170</u>	<u> </u>	<u> </u>	<u>1,474,170</u>
Total investments	1,601,738			1,601,738
Beneficial interest in endowment funds	<u> </u>	<u> </u>	<u>2,791,110</u>	<u>2,791,110</u>
<u>Total fair value measurements</u>	<u>\$ 1,601,738</u>	<u>\$</u>	<u>\$ 2,791,110</u>	<u>\$ 4,392,848</u>

<u>At June 30, 2020</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and money market funds	\$ 26,445	\$	\$	\$ 26,445
Equity investments:				
Exchange-traded funds	1,100,864			1,100,846
Mutual funds	<u>87,796</u>	<u> </u>	<u> </u>	<u>87,796</u>
Total investments	1,215,105			1,215,105
Other investment			26,531	26,531
Beneficial interest in endowment funds	<u> </u>	<u> </u>	<u>2,316,259</u>	<u>2,316,259</u>
<u>Total fair value measurements</u>	<u>\$ 1,215,105</u>	<u>\$</u>	<u>\$ 2,342,790</u>	<u>\$ 3,557,895</u>

Note 6 - Fair Value Measurements (continued)

A reconciliation of changes in Level 3 inputs is as follows:

<u>Year Ended June 30, 2021</u>	<u>Other Investment</u>	<u>Beneficial Interest in Endowment Funds</u>	<u>Total</u>
Level 3 inputs, beginning of year	\$ 26,531	\$ 2,316,259	\$ 2,342,790
Contributions		10,292	10,292
Distributions	(37,329)	(76,580)	(113,909)
Interest and dividends		20,675	20,675
Investment fees		(20,852)	(20,852)
Net gains	<u>10,798</u>	<u>541,316</u>	<u>552,114</u>
<u>Level 3 inputs, end of year</u>	<u>\$</u>	<u>\$ 2,791,110</u>	<u>\$ 2,791,110</u>

<u>Year Ended June 30, 2020</u>	<u>Other Investment</u>	<u>Beneficial Interest in Endowment Funds</u>	<u>Total</u>
Level 3 inputs, beginning of year	\$ 22,751	\$ 2,042,515	\$ 2,065,266
Contributions		374,865	374,865
Distributions		(70,020)	(70,020)
Interest and dividends		22,626	22,626
Investment fees		(17,739)	(17,739)
Net gains (losses)	<u>3,780</u>	<u>(35,988)</u>	<u>(32,208)</u>
<u>Level 3 inputs, end of year</u>	<u>\$ 26,531</u>	<u>\$ 2,316,259</u>	<u>\$ 2,342,790</u>

Note 7 - Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are described as follows:

<u>At June 30</u>	<u>2021</u>	<u>2020</u>
Accounts payable	\$ 146,716	\$ 26,779
Accrued compensated absences	167,477	126,326
Accrued payroll	44,875	36,265
Accrued health insurance liabilities	363	20,775
Escheat payable	8,862	
Accrued interest	<u>1,743</u>	
<u>Accounts payable and accrued liabilities</u>	<u>\$ 370,036</u>	<u>\$ 210,145</u>

Note 8 - Property and Equipment

Property and equipment consist of the following:

<u>At June 30</u>	<u>2021</u>	<u>2020</u>
Land	\$ 100,420	\$ 100,420
Building and improvements	3,008,807	3,008,807
Furniture and equipment	433,217	433,217
Vehicles	<u>2,400</u>	<u>2,400</u>
	3,544,844	3,544,844
Less, accumulated depreciation	<u>1,892,025</u>	<u>1,812,288</u>
<u>Property and equipment</u>	<u>\$ 1,652,819</u>	<u>\$ 1,732,556</u>

Depreciation expense for the years ended June 30, 2021 and 2020, was \$79,737 and \$86,867, respectively.

Note 9 - Line of Credit

The Organization maintains an unsecured line of credit with maximum borrowings of \$600,000. The Organization has no significant compensating balance requirements or commitment fees related to this line. Interest is charged at the Wall Street Journal prime rate, plus 0.25% with a minimum rate of 4.5%. As of June 30, 2021, the interest rate was 4.5%. The line of credit did not have an outstanding balance at June 30, 2021 and 2020, and matures in March 2023.

Note 10 - Long-term Debt

Long-term debt is described as follows:

<u>At June 30</u>	<u>2021</u>	<u>2020</u>
Paycheck Protection Program (PPP) note payable due in 54 monthly installments of \$7,959, including interest at 1%, beginning August 2021, due January 2026, unsecured	\$ 418,000	\$
PPP note payable obtained in April 2020, note forgiven in full April 2021.	<u> </u>	<u>418,000</u>
Total long-term debt	418,000	418,000
Less, current maturities	<u>81,960</u>	<u>183,845</u>
<u>Long-term debt, net of current maturities</u>	<u>\$ 336,040</u>	<u>\$ 234,155</u>

Note 10 - Long-term Debt (continued)

If PPP funds are used for certain expenses, predominantly salaries and related costs, all or a portion of the balance could be forgiven. Principal repayments on long-term debt are as follows:

<u>Years Ending June 30</u>	<u>Principal Payments</u>
2022	\$ 81,960
2023	92,572
2024	93,501
2025	94,441
2026	<u>55,526</u>
Principal payments on long-term debt	<u>\$ 418,000</u>

Note 11 - Building Rents

The Organization owns the Community Service Center building located at 50 South French Broad Avenue and leases office space to nonprofit agencies and other businesses. Lease agreements are generally for one year. A summary of net building rents is as follows:

<u>Years Ended June 30</u>	<u>2021</u>	<u>2020</u>
Building rents	\$ 263,664	\$ 290,721
Rental expenses	162,641	173,639
Depreciation	46,920	34,747
Interest	163	
Total expenses	<u>209,724</u>	<u>208,386</u>
Building rents, net	<u>\$ 53,940</u>	<u>\$ 82,335</u>

Future minimum rental payments to be received under all non-cancelable operating leases are \$54,392 for the year ending June 30, 2022.

Note 12 - In-kind Contributions

In-kind contributions are summarized as follows:

<u>Years Ended June 30</u>	<u>2021</u>	<u>2020</u>
School supplies	\$ 30,412	\$ 124,274
Advertising	14,237	20,445
COVID-19 related supplies		12,070
Rent		<u>2,050</u>
In-kind contributions	<u>\$ 44,649</u>	<u>\$ 158,839</u>

Note 13 - Retirement Plan

The Organization participates in a 401(k) defined contribution retirement plan (the Plan). Employees are eligible for participation in the Plan after attaining age eighteen and completing one month of service. The Organization will make a matching contribution equal to fifty percent of the employees' elective deferral up to two percent of employee compensation. The Organization will also make nonelective contributions to the Plan for eligible plan participants equal to 4% of employee compensation. Employer matching and nonelective contributions become vested after one year of continuous service.

The Plan was amended effective July 1, 2020. Eligibility for the plan changed to eighteen years of age and six months of service with employee and employer contributions being immediately vested.

Retirement benefit expenses under the Plan for the years ended June 30, 2021 and 2020, were \$100,032 and \$90,975, respectively.

Note 14 - Commitments and Contingencies

Lease Commitments

The Organization leases office equipment under an operating lease agreement through June 2022. Total lease expense for the years ended June 30, 2021 and 2020, was \$6,150 and \$4,008, respectively. Future minimum lease payments under the non-cancelable operating lease are \$2,935 for the year ending June 30, 2022.

Self-insured Health Insurance

The Organization offers health insurance to its full-time employees and began a self-insured health insurance program in October 2018. The insurance costs are paid by the Organization and are managed through a third-party administrator. Effective January 2020 and continuing through December 2020, the insurance policy was changed to a level funded aggregate policy which determined the Organizations liability based on monthly aggregate attachment points that are determined by variable monthly factors and monthly enrollment as determined in the terms of the policy. There are no maximum annual reimbursement limits under the policy. Effective January 2021, the Organization discontinued its self-insured health insurance plan.

The Organization has recorded a liability for health insurance claims incurred but not reported in the amount of \$20,775 as of June 30, 2020. Management believes that any outstanding health insurance claims outstanding as of June 30, 2021, would be immaterial.

The Organization maintained a captive collateral account with the insurance company that is recorded as an other investment on the accompanying statements of financial position in the amount of \$26,531 at June 30, 2020. The account was closed during the year ended June 30, 2021. Additionally, the Organization maintains a separate cash account to pay insurance claims that is reported as restricted cash on the accompanying statements of financial position. Cash restricted for insurance claims was \$13,033 and \$19,150 at June 30, 2021 and 2020, respectively.

Note 14 - Commitments and Contingencies (continued)

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and volunteers; and natural disasters. The Organization carries commercial insurance coverage for risks of loss. Claims have not exceeded coverage in any period since inception.

Government Assisted Programs

The Organization has received proceeds from governmental agencies. Periodic audits of these grants and third-party reimbursements are required and certain costs may be questioned as not being appropriate expenditures under the agreements. Such audits could result in the refund or reimbursement to the grantor or third-party agencies. Management believes that refunds or reimbursements, should any be determined, would be immaterial. No provisions have been made in the accompanying financial statements for the repayment of any grant monies or third-party reimbursements.

Note 15 - Concentrations of Credit Risk

The Organization maintains its cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. The uninsured cash balance as of June 30, 2021 and 2020, was \$398,090 and \$26,422, respectively.

The Organization's investments and beneficial interest in endowment funds are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these investments and the level of uncertainty related to changes in the fair value of investments, it is at least reasonably possible that changes in the various risk factors could occur in the near term and materially affect the Organization's financial position.

Note 16 - Income Taxes

Uncertain Tax Positions

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Open Tax Years

The Organization's Return of Organization Exempt from Income Tax (Form 990) for the years ended June 30, 2020, 2019, and 2018, are subject to examination by the IRS, generally for three years after they were filed.

Note 17 - Related Party Transactions

During the years ended June 30, 2021 and 2020, the Organization received contributions of \$150,693 and \$112,433, respectively, from members of the Board of Directors.

During the years ended June 30, 2021 and 2020, the Organization paid dues in the amount of \$69,658 and \$67,832 to state and national affiliates. Accounts payable to the United Way of North Carolina totaled \$19,396 and \$3,114 as of June 30, 2021 and 2020, respectively.

The Organization generates contract revenue from the United Way of North Carolina for operating the 2-1-1 call center. Contract revenue totaled \$313,470 and \$185,170 for the years ended June 30, 2021 and 2020, respectively. Accounts receivable totaled \$174,016 and \$45,802 as of June 30, 2021 and 2020, respectively.

Note 18 - Coronavirus Pandemic Impact

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States. COVID-19 has caused unprecedented business and economic disruption through mandated closings of certain businesses and industries.

Due to government-mandated restrictions and internal safety measures, some of the Organization's fundraising and community school program activities were cancelled or modified during the years ended June 30, 2021 and 2020. The Organization received increased community support and PPP loans as described in Note 10 to offset some of the impacts of these lost revenues.

The extent of the impact of COVID-19 will depend on certain developments, including the duration and spread of the outbreak. At this point, it is unclear the extent COVID-19 will have on the Organization's financial condition or results of operations.

Note 19 - Subsequent Events

Management has evaluated subsequent events through November 17, 2021, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Schedule of Grants to Partner Organizations
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
All Souls Counseling Center	\$ 32,188	\$ 40,235
American Red Cross	10,061	12,576
Big Brothers/Big Sisters of WNC	31,302	39,127
Bountiful Cities	6,134	7,668
CARING for Children, Inc.	30,709	38,386
Children First/Communities in Schools	20,761	25,951
The Council on Aging of Buncombe County	18,936	23,670
Eliada Homes, Inc.	6,288	7,860
Girls on the Run of WNC, Inc.	4,786	5,982
Green Opportunities	20,462	25,578
Haywood Street Congregation	9,018	11,272
Helpmate	44,391	55,489
Homeward Bound of Western North Carolina	53,170	66,463
Housing Authority of the City of Asheville	8,000	10,000
Irene Wortham Center, Inc.	33,326	41,658
Just Economics of Western North Carolina	6,539	8,174
Literacy Council of Buncombe County	8,161	10,201
MANNA Food Bank	10,489	13,111
The Mediation Center	15,392	19,240
MemoryCare	6,600	8,250
Mountain Child Advocacy Center, Inc.	20,341	25,426
Mountain Housing Opportunities, Inc.	9,432	11,790
OnTrack Financial Education & Counseling	40,979	51,224
Our VOICE, Inc.	24,202	30,253
Pisgah Legal Services	68,898	86,123
Read to Succeed of Asheville/Buncombe	6,288	7,860
Verner Center for Early Learning	38,253	47,816
Western North Carolina AIDS Project	8,252	10,315
Western North Carolina Community Health Services	22,015	27,519
YMCA of Western North Carolina	24,487	30,609
YWCA of Asheville	<u>87,701</u>	<u>109,626</u>
 Total grants to partner organizations	 727,561	 909,452
 Grants conditioned on Board of Director authorization	 <u> </u>	 <u>(454,726)</u>
 Total unconditional grants to partner organizations	 <u>\$ 727,561</u>	 <u>\$ 454,726</u>

UNITED WAY OF ASHEVILLE AND BUNCOMBE COUNTY, INC.

Schedule of Building Expenses
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Salaries	\$ 64,304	\$ 59,058
Payroll taxes	4,864	4,595
Employee benefits	14,777	13,102
Occupancy and supplies	54,057	73,656
Telephone and technology	6,608	4,566
Travel and conference	896	2,788
Professional fees	1,043	280
Insurance	6,018	6,535
Advertising	435	
Property taxes	9,130	8,951
Miscellaneous	<u>509</u>	<u>108</u>
Total building expenses before depreciation and interest	162,641	173,639
Depreciation	46,920	34,747
Interest	<u>163</u>	<u></u>
Total	<u>\$ 209,724</u>	<u>\$ 208,386</u>