

UNITED WAY OF THE MID-SOUTH
FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

**UNITED WAY OF THE MID-SOUTH
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Independent Auditor's Report

To the Board of Directors
United Way of the Mid-South
Memphis, Tennessee

Opinion

We have audited the accompanying financial statements of United Way of the Mid-South (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Mid-South as of June 30, 2022 and 2021 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 United Way of the Mid-South and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of the Mid-South's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Your Long-Term Accounting Partner

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Way of the Mid-South's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of the Mid-South'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.

Alexander Thompson Arnold PLLC

Memphis, Tennessee
November 10, 2022

UNITED WAY OF THE MID-SOUTH
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 1,102,012	\$ 1,396,812
Pledges receivable, net	2,392,018	3,500,002
Endowment receivable	-	2,500,000
Grants receivable	129,920	429,238
Assets held by others	10,337,529	10,080,558
Beneficial interests in trusts	736,295	870,157
Property and equipment, net of accumulated depreciation of \$904,333 and \$844,842, respectively	1,224,767	1,284,258
Other assets	17,032	28,175
Total assets	<u>\$ 15,939,573</u>	<u>\$ 20,089,200</u>
Liabilities		
Accounts payable and accrued expenses	\$ 856,839	\$ 804,009
Agency liability	35,000	112,226
Distributions payable	491,048	413,329
Notes payable - PPP loans	-	831,667
Note payable - other	13,467	16,951
Total liabilities	<u>1,396,354</u>	<u>2,178,182</u>
Net Assets		
Without donor restrictions	6,414,906	8,540,859
With donor restrictions	8,128,313	9,370,159
Total net assets	<u>14,543,219</u>	<u>17,911,018</u>
Total liabilities and net assets	<u>\$ 15,939,573</u>	<u>\$ 20,089,200</u>

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

UNITED WAY OF THE MID-SOUTH
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue						
Annual campaign						
Contributions received	\$ 9,097	\$ 7,823,377	\$ 7,832,474	\$ 2,196	\$ 11,067,317	\$ 11,069,513
Less donor designations	-	(976,835)	(976,835)	-	(1,642,521)	(1,642,521)
Less provision for uncollectible pledges	-	(504,052)	(504,052)	-	(478,990)	(478,990)
	9,097	6,342,490	6,351,587	2,196	8,945,806	8,948,002
Investment income (loss)	(1,826,771)	-	(1,826,771)	1,660,676	-	1,660,676
Endowment contribution	-	-	-	5,000,000	-	5,000,000
Change in trust	-	(133,861)	(133,861)	-	142,273	142,273
Other contributions	73,790	-	73,790	118,482	-	118,482
In-kind contributions	204,948	-	204,948	125,890	-	125,890
PPP loan forgiveness	831,667	-	831,667	796,867	-	796,867
Grants and contracts	1,791,080	-	1,791,080	2,911,136	-	2,911,136
Miscellaneous income	4,025	-	4,025	4,515	-	4,515
Total revenue	1,087,836	6,208,629	7,296,465	10,619,762	9,088,079	19,707,841
Net Assets Released from Restrictions						
Contributions received for current period						
Support	9,597,048	(9,597,048)	-	14,198,475	(14,198,475)	-
Less donor designations	(1,642,521)	1,642,521	-	(4,114,691)	4,114,691	-
Less provision for uncollectible pledges	(504,052)	504,052	-	(478,990)	478,990	-
Total assets released from restrictions	7,450,475	(7,450,475)	-	9,604,794	(9,604,794)	-
Total Revenue and Other Support	8,538,311	(1,241,846)	7,296,465	20,224,556	(516,715)	19,707,841

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

UNITED WAY OF THE MID-SOUTH
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Expenses						
Program services:						
Allocations to agencies	4,610,744	-	4,610,744	6,331,429	-	6,331,429
Less donor designations	(976,835)	-	(976,835)	(1,642,521)	-	(1,642,521)
Net funds distributed	3,633,909		3,633,909	4,688,908		4,688,908
Community service	3,124,515	-	3,124,515	2,903,978	-	2,903,978
Grant expenses	1,624,129	-	1,624,129	1,810,702	-	1,810,702
Total program services	8,382,553	-	8,382,553	9,403,588	-	9,403,588
Supporting services:						
Fund raising	583,646	-	583,646	636,559	-	636,559
Management and general	1,698,065	-	1,698,065	1,510,878	-	1,510,878
Total supporting services	2,281,711	-	2,281,711	2,147,437	-	2,147,437
Total expenses	10,664,264	-	10,664,264	11,551,025	-	11,551,025
Increase (Decrease) in Net Assets	(2,125,953)	(1,241,846)	(3,367,799)	8,673,531	(516,715)	8,156,816
Net Assets at Beginning of Year	8,540,859	9,370,159	17,911,018	(132,672)	9,886,874	9,754,202
Net Assets at End of Year	\$ 6,414,906	\$ 8,128,313	\$ 14,543,219	\$ 8,540,859	\$ 9,370,159	\$ 17,911,018

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

UNITED WAY OF THE MID-SOUTH
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022

	PROGRAM SERVICES			SUPPORT SERVICES		
	Allocations to Agencies	Community Service	Grant Expense	Fund Raising	Management and General	Total
Allocation to agencies	\$ 4,610,744	\$ -	\$ -	\$ -	\$ -	\$ 4,610,744
Less donor designations	(976,835)	-	-	-	-	(976,835)
Sub total	3,633,909	-	-	-	-	3,633,909
Salaries	-	1,560,365	682,969	314,122	913,912	3,471,368
Employee benefits	-	361,420	99,062	72,759	211,685	744,926
Payroll taxes	-	109,172	51,761	21,978	63,942	246,853
Sub total	-	2,030,957	833,792	408,859	1,189,539	4,463,147
Professional Fees	-	99,597	458,548	20,050	58,334	636,529
Supplies	-	54,281	20,793	10,927	31,793	117,794
Telephone	-	13,849	6,774	2,788	8,111	31,522
Postage	-	2,396	2,481	482	1,404	6,763
Occupancy	-	217,241	9,211	43,733	127,239	397,424
Equipment rental and repairs	-	10,681	693	2,150	6,256	19,780
Software support/maintenance	-	80,237	28,871	16,153	46,995	172,256
Printing and publications	-	17,746	61,452	3,573	10,394	93,165
Local travel	-	8,693	4,909	1,750	5,092	20,444
Conferences, conventions, and meetings	-	12,404	4,547	2,497	7,265	26,713
Special events	-	11,443	3,357	2,304	6,702	23,806
Membership dues	-	7,304	-	1,470	4,278	13,052
Endowment fund management fees	-	17,657	-	3,555	10,342	31,554
Bank service fees	-	22,776	-	4,585	13,340	40,701
Miscellaneous	-	1,843	-	372	1,079	3,294
Interest	-	799	-	161	468	1,428
Depreciation	-	33,291	-	6,702	19,498	59,491
Contracts	-	225,327	188,701	-	-	414,028
Gifts in kind	-	114,687	-	23,088	67,173	204,948
Sub total	-	952,252	790,337	146,340	425,763	2,314,692
United Way dues	-	141,306	-	28,447	82,763	252,516
Total functional expenses	\$ 3,633,909	\$ 3,124,515	\$ 1,624,129	\$ 583,646	\$ 1,698,065	\$ 10,664,264

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

UNITED WAY OF THE MID-SOUTH
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2021

	PROGRAM SERVICES			SUPPORT SERVICES		
	Allocations to Agencies	Community Service	Grant Expense	Fund Raising	Management and General	Total
Allocation to agencies	\$ 6,331,429	\$ -	\$ -	\$ -	\$ -	\$ 6,331,429
Less donor designations	(1,642,521)	-	-	-	-	(1,642,521)
Sub total	4,688,908	-	-	-	-	4,688,908
Grant expense	-	79,999	463,192	-	-	543,191
Salaries	-	1,453,753	788,882	327,692	777,783	3,348,110
Employee benefits	-	363,379	144,383	81,910	194,414	784,086
Payroll taxes	-	102,938	57,613	23,204	55,073	238,828
Sub total	-	1,920,070	990,878	432,806	1,027,270	4,371,024
Professional fees	-	110,500	182,516	24,908	59,119	377,043
Supplies	-	37,106	29,435	8,364	19,852	94,757
Telephone	-	26,211	2,633	5,908	14,023	48,775
Postage	-	2,963	1,892	668	1,585	7,108
Occupancy	-	178,650	13,015	40,270	95,581	327,516
Equipment rental and repairs	-	9,345	7,128	2,107	5,000	23,580
Software support/maintenance	-	97,787	41,258	22,042	52,318	213,405
Printing and publications	-	47,144	46,914	10,627	25,223	129,908
Local travel	-	11,488	14,404	2,589	6,146	34,627
Conferences, conventions, and meetings	-	6,132	16,937	1,382	3,281	27,732
Special events	-	3,906	500	881	2,090	7,377
Membership dues	-	3,349	-	755	1,792	5,896
Endowment fund management fees	-	11,457	-	2,583	6,130	20,170
Bank service fees	-	23,073	-	5,201	12,344	40,618
Miscellaneous	-	2,087	-	472	1,118	3,677
Interest	-	7,823	-	1,763	4,184	13,770
Depreciation	-	94,354	-	21,268	50,482	166,104
Gifts in kind	-	71,511	-	16,119	38,260	125,890
Sub total	-	744,886	356,632	167,907	398,528	1,667,953
United Way dues	-	159,023	-	35,846	85,080	279,949
Total functional expenses	\$ 4,688,908	\$ 2,903,978	\$ 1,810,702	\$ 636,559	\$ 1,510,878	\$ 11,551,025

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

UNITED WAY OF THE MID-SOUTH
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (3,367,799)	\$ 8,156,816
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation	59,491	166,104
Change in allowance for doubtful accounts	(140,000)	(348,000)
Other income from PPP loan forgiveness	(831,667)	(796,867)
(Increase) decrease in fair value of assets held by others	(256,971)	(3,663,734)
(Increase) decrease in fair value of beneficial interests in trusts	133,862	(142,273)
Changes in assets and liabilities		
Gross pledges receivable	1,247,984	1,006,988
Endowment receivable	2,500,000	(2,500,000)
Grant receivable	299,318	(103,900)
Other assets	11,143	(4,954)
Accounts payable and accrued expenses	52,830	363,797
Agency liability	(77,226)	(20,590)
Distributions payable	77,719	(264,051)
Net cash provided by (used in) operating activities	<u>(291,316)</u>	<u>1,849,336</u>
Cash flows from financing activities		
Line of credit draws	-	3,687,663
Principal payments on line of credit	-	(4,806,982)
Proceeds from PPP note payable	-	831,667
Principal payments on note payable - other	(3,484)	(4,064)
Checks in excess of deposits	-	(179,154)
Net cash used in financing activities	<u>(3,484)</u>	<u>(470,870)</u>
Net increase (decrease) in cash and cash equivalents	(294,800)	1,378,466
Cash and cash equivalents at beginning of year	<u>1,396,812</u>	<u>18,346</u>
Cash and cash equivalents at end of year	<u><u>\$ 1,102,012</u></u>	<u><u>\$ 1,396,812</u></u>
Supplemental disclosure of cash flow information		
Cash paid for interest	\$ 1,429	\$ 13,634

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

UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of Organization

United Way of the Mid-South (United Way or Organization) is a not-for-profit corporation originally founded in 1923. United Way strives to stimulate voluntary participation as part of its annual united appeal for funds and other resources, to support the financial needs of programs and funded agency partners, positively impacting local poverty by improving local education, financial stability, and health.

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. In response to the health concerns of the COVID-19 pandemic, the Organization adjusted certain aspects of its operations to comply with government mandates to protect its workforce and the community served. Management applied for and received forgivable Paycheck Protection Program loans provided by the U.S. Government.

United Way serves the Tennessee counties of Fayette, Lauderdale, Shelby, and Tipton; the Mississippi counties of DeSoto, Tate, and Tunica; and Crittenden County in Arkansas. The Organization’s published mission is “improving the lives of Mid-Southerners by mobilizing and aligning community resources to address priority issues.”

The Organization acts as custodian or agent for certain entities and acts as an agent for donors specifying that their contributions be granted to a specific agency. These contributions are included in contributions received in the accompanying statement of activities.

The following is a description of the program services categories:

Grant Allocations to Agencies: This category includes grant-making to agencies and programs that align with United Way’s mission to address the communities’ priority issues, with a focus on education, health, housing, job training, and child/youth development. High-performing partner agencies across United Way’s eight-county service region provide supports and programs that assist people as they build a brighter future with social and economic mobility. By focusing on the urgent issues that impact generational poverty, United Way is transforming the lives of individuals and families.

Community Service: This category includes programs, events, and activities that support nonprofit agencies through volunteerism, collection drives that benefit United Way partner agencies, and community-related special events. United Way’s community service mission is driven by connecting corporations, civic organizations, and individuals with volunteer opportunities that build the capacity of local nonprofit organizations, while benefiting the communities we serve. United Way facilitates volunteerism across the Mid-South through Volunteer United, a public platform that connects nonprofits with the volunteer support they need to implement community-based programs.

Grant Expense: This category includes programs that manage and allocate government, foundation, and private grants to support our programs that improve education, financial stability, and health.

UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

B. Income Taxes

The Internal Revenue Service has determined that United Way is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no income taxes are provided for in the accompanying financial statements.

The Organization files exempt organization returns in the U.S. federal jurisdiction and various states. The Organization's returns are subject to examination by the Internal Revenue Service (IRS) as well as state authorities.

C. Governance

All corporate powers and the affairs of the Organization are exercised and managed under and by the authority of the Board of Directors (Board). The Board is comprised of twenty-eight (28) voluntary Directors.

D. Basis of Presentation

The accompanying financial statements were prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America. This also conforms to the industry audit guide, *Not-for-Profit Organizations*, of the American Institute of Certified Public Accountants and *Accounting and Financial Reporting*, published by United Way Worldwide.

Net assets without donor restrictions – These net assets generally result from revenues generated by receiving contributions that have no donor restrictions, providing services, and receiving interest from operating investments, less expenses incurred in providing program related services, raising contributions, and performing administrative functions.

Net assets with donor restrictions – These net assets result from gifts of cash and other assets that are received with donor stipulations that limit the use of the donated assets, either temporarily or permanently, until the donor restriction expires, that is until the stipulated time restriction ends or the purpose of the restriction is accomplished, the net assets are restricted.

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by the donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of temporary restrictions on net assets are reported as reclassification between applicable classes of net assets.

Certain amounts in prior years' financial statements have been reclassified to conform to current financial statement presentation.

E. Advertising Costs

The Organization had advertising costs of approximately \$58,663 and 97,393 during the years ended June 30, 2022 and 2021, respectively. Advertising costs are expensed when they are incurred. Advertising valued at \$24,232 and \$24,587 was donated during the years ended June 30,

UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

2022 and 2021, respectively and is included in the Statements of Functional Expenses. Corresponding revenue is included in the "Other Contributions" line of the Statement of Activities.

F. Functional Allocation of Expenses

The cost of providing the various program services has been summarized on the functional basis in the statement of activities. Accordingly, certain costs have been allocated based upon management's estimates, principally on an indirect basis, among the program and supporting services. Indirect costs are allocated primarily on the number of staff in each functional area.

G. Fair Value of Financial Instruments

The Organization, as required by GAAP, adopted *Fair Value Measurements*. This standard defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. It describes three levels of input that may be used to measure fair value:

Level 1—Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets include debt and equity securities and derivative contracts that are traded in an active exchange market, as well as certain U.S. Treasury, other U.S. Government and agency mortgage-backed debt securities that are highly liquid and are actively traded in over-the-counter markets.

Level 2—Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 inputs include the following: (a) quoted prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in markets that are not active so that they are traded less frequently than exchange-traded instruments, the prices are not current or principal market information is not released publicly; (c) inputs other than quoted prices that are observable such as interest rates and yield curves, prepayment speeds, credit risks and default rates and (d) inputs derived principally from other corroborated by observable market data by correlation or other means. This category generally includes certain U.S. Government and agency mortgage-backed securities and highly structured or long-term derivative contracts.

Level 3—Unobservable inputs that are supported by little or no market activity that are significant to the fair value of the assets or liabilities. These unobservable inputs reflect the reporting entity's own assumptions about assumptions that market participants would use in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private equity investments, retained residual interest in securitizations, asset-backed securities and highly structured or long-term derivative contracts.

During the years ended June 30, 2022 and 2021, the Organization had no investments in derivatives. Management has not elected the fair value option for certain financial assets and financial liabilities, as required by GAAP, since those assets were not affected by changes in management's risk management and investment strategy.

UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

The carrying value of cash and cash equivalents, receivables, payables, accrued liabilities and due to sub recipients approximates fair value because of the short maturity of those instruments. Investments are carried at fair value based upon quoted market value.

H. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure on contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant assumptions are made in recording the allowance for uncollectible pledges receivable based upon management's experience with historical collectability and other factors known to management. Actual results could differ from estimates.

I. Contributions

Campaigns are conducted primarily but not exclusively in the Fall of each year to raise support for allocations to participating agencies in the subsequent calendar year and beyond. Pledges are recorded as temporarily restricted receivables with an allowance provided for uncollectible accounts. Campaign support pledged for use in the future year's operations is included as temporarily restricted revenue in the statement of activities and changes in net assets.

J. Beneficial Interests in Trusts

The Organization received a gift of a beneficial interest in a trust that is held by others. Under the terms of the trust, the Organization has the irrevocable right to receive a percentage of the income earned on the trust assets until April 15, 2042, at which time all assets will be liquidated and transferred to the organizations in the same percentages as they are currently receiving income. The beneficial interest is reported at fair value, with the change in fair value reported as an increase or decrease in net assets with donor restrictions. Annual distributions from the trust are reported as unrestricted income based upon donor designations.

The Organization is also named as a beneficiary under a trust administered by others. Under the terms of the trust, the Organization shall annually receive a percentage of the net income from the remaining assets of the trust in perpetuity. The beneficial interest is reported at fair value, with the change in fair value reported as an increase or decrease in net assets with donor restrictions. Annual distributions from the trust are reported as unrestricted income based upon donor designations.

K. Grant Programs

United Way is the recipient of several government and private grants. Grants received in excess of expenditures are included in the statement of financial position as liabilities. Reimbursable expenditures in excess of cash receipts are included in the statements of financial position as grants receivable.

UNITED WAY OF THE MID-SOUTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

L. Cash Equivalents

United Way considers short-term investments with an original maturity of three months or less to be cash equivalents. Money markets related to the investment accounts is not included in cash and cash equivalents.

M. Property and Equipment

Property and equipment purchased is recorded at cost and donated equipment is recorded at its fair value at the date of receipt. The Organization uses a capitalization policy of \$5,000. Depreciation is provided over the estimated useful lives of the assets, generally three to ten years for equipment, using the straight-line method.

Balances of major classes of depreciable assets at June 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Land	\$ 281,489	\$ 281,489
Building	1,048,511	1,048,511
Equipment	142,789	142,789
Furniture & Fixtures	501,750	501,750
Leasehold Improvements	<u>154,561</u>	<u>154,561</u>
	2,129,100	2,129,100
Less: Accumulated Depreciation	<u>(904,333)</u>	<u>(844,842)</u>
	<u><u>\$ 1,224,767</u></u>	<u><u>\$ 1,284,258</u></u>

Depreciation expense totaled \$59,491 and \$166,104 for the years ended June 30, 2022 and 2021, respectively.

N. Donated Services

Unpaid volunteers contribute significant amounts of time to fund-raising campaigns and other program activities of United Way. No amounts have been reflected in the accompanying financial statements for these donated services, as there is no objective basis for measurement.

O. Adoption of New Accounting Standards

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* ("ASC 606"), to provide a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Effective July 1, 2020, the Organization adopted ASC 606 using the modified retrospective method. The Organization has analyzed the provisions of the FASB's ASC Topic 606, Revenue from Contracts with Customers, and concluded that no changes are necessary to conform with the new standard.

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In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The standard requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements. The Organization adopted this standard on July 1, 2021 using the retrospective approach and has concluded that the implementation of this new standard had no material effect on the financial statements.

NOTE 2 – LIQUIDITY

The Organization has a policy to manage its liquidity and reserves following three guiding principles: operating within a prudent range of financial stability, maintaining adequate liquidity to fund near-term operations, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2022</u>	<u>2021</u>
Financial assets to meet cash needs for general expenditures within one year:		
Cash and cash equivalents	\$ 1,102,012	\$ 1,396,812
Pledges receivable, net	2,392,018	3,500,002
Assets held by others	<u>10,337,529</u>	<u>10,080,558</u>
Total financial assets available within one year	13,831,559	14,977,372
Less:		
Amounts unavailable for general expenditure, due to:		
Restricted by donor in perpetuity	<u>(5,000,000)</u>	<u>(5,000,000)</u>
Total amounts unavailable for general expenditures within one year	<u>(5,000,000)</u>	<u>(5,000,000)</u>
Total financial assets available to meet cash needs for general expenditures within one year:	<u><u>\$ 8,831,559</u></u>	<u><u>\$ 9,977,372</u></u>

NOTE 3 – PLEDGES RECEIVABLE

A summary of pledges receivable, all of which are due within one year, and the related allowance for estimated uncollectible pledges at June 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
2021 Campaign	\$ 2,892,018	\$ -
2020 Campaign	-	4,140,002
Less allowance for uncollectible pledges	<u>(500,000)</u>	<u>(640,000)</u>
	<u><u>\$ 2,392,018</u></u>	<u><u>\$ 3,500,002</u></u>

The following summarizes the changes in the allowance for estimated uncollectible pledges for the years ended June 30, 2022 and 2021:

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	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ 640,000	\$ 988,000
Provision	504,052	478,990
Write-offs, net	<u>(644,052)</u>	<u>(826,990)</u>
Balance at end of year	<u>\$ 500,000</u>	<u>\$ 640,000</u>

NOTE 4 – ASSETS HELD AT REGIONS BANK

United Way's endowment funds are held by Regions Bank. Regions Bank has title to the investments and the right to invest these funds without material restriction or conditions imposed by the donor. This endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are reported based on the existence or absence of donor-imposed restrictions.

United Way has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions is classified as net assets with donor restrictions until those amounts are appropriated for expenditures by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund;
- 2) The purpose of the Organization and the donor-restricted endowment fund;
- 3) General economic conditions;
- 4) The possible effect of inflation or deflation;
- 5) The expected total return from income and the appreciation of investments;
- 6) Other resources of the Organization; and
- 7) The investment policies of the Organization.

Annually, all earnings on the donor designated endowment funds in excess of the permanently restricted amounts are appropriated to the board designated endowment fund. They are released from restrictions and available for distribution in accordance with board policy.

In 2011, The Board of Directors established a committee to explore ways to utilize the unrestricted portion of the Endowment Fund to further the organization's mission. The committee's charter was established to:

- 1) Leverage funding from federal, state, local and private sources;
- 2) Increase scale and replication of successful community initiatives;
- 3) Support strategically aligned public and private investments; and
- 4) Focus on long term impact areas in the community.

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The Board had previously established a policy, in 2006, that limits the amounts distributed from the Endowment Fund to 5% of the average fair market value of the Fund over the preceding three years, except that any amount distributed cannot result in the fair market value of the Fund being less than \$5,000,000, after consideration of any such distribution. The amount available for distribution for fiscal years ended June 30, 2022 and 2021 were \$384,703 and \$346,709, respectively.

The endowment fund balance is invested with Regions Bank with Income pool comprised of the following asset classes as of June 30, 2022: Multi-Strategy Hedge 5%, Equities 82%, and Cash 13%. Actual returns can vary from this objective in any given year. The Organization seeks to provide a predictable income stream and to maintain purchasing power of the endowment assets and has transferred the assets to Regions Bank as part of its strategy to achieve its long-term performance objectives. The Organization monitors the performance of the funds held at Regions Bank regularly.

United Way recognizes contribution revenue at the fair value of the fund assets upon notification that its rights to receive benefits under the agreement are unconditional. Changes in the fair value of the United Way interests in the fund assets are reflected as gains or losses in the statement of activities in the period they occur.

United Way's endowment funds held at Regions Bank reported by type and net assets class are as follows:

Changes in Endowment Net Assets:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 30, 2020	\$ 1,416,824	\$ 5,000,000	\$ 6,416,824
Contributions	2,500,000	-	2,500,000
Appropriation for expenditure	(476,771)	-	(476,771)
Investment income	470,750	-	470,750
Net appreciation (depreciation)	1,169,755	-	1,169,755
Total return	<u>3,663,734</u>	<u>-</u>	<u>3,663,734</u>
Endowment net assets, June 30, 2021	5,080,558	5,000,000	10,080,558
Contributions	2,500,000	-	2,500,000
Appropriation for expenditure	(384,703)	-	(384,703)
Investment income	571,117	-	571,117
Net appreciation (depreciation)	(2,429,443)	-	(2,429,443)
Total return	<u>256,971</u>	<u>-</u>	<u>256,971</u>
Endowment net assets, June 30, 2022	<u>\$ 5,337,529</u>	<u>\$ 5,000,000</u>	<u>\$10,337,529</u>

Fees related to the management of these funds were \$31,554 and \$20,170 for the years ended June 30, 2022 and 2021, respectively.

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	Board Designated Endowment Funds	Donor Restricted Endowment Funds	Total
Balance at June 30, 2020	\$ 1,416,824	\$ 5,000,000	\$ 6,416,824
Contributions	2,500,000	-	2,500,000
Appropriation for expenditure	(476,771)	-	(476,771)
Investment income, net of expenses	470,750	-	470,750
Net appreciation (depreciation)	1,169,755	-	1,169,755
Total return	<u>3,663,734</u>	<u>-</u>	<u>3,663,734</u>
Endowment net assets, June 30, 2021	5,080,558	5,000,000	10,080,558
Contributions	2,500,000	-	2,500,000
Appropriation for expenditure	(384,703)	-	(384,703)
Investment income, net of expenses	571,117	-	571,117
Net appreciation (depreciation)	(2,429,443)	-	(2,429,443)
Total return	<u>256,971</u>	<u>-</u>	<u>256,971</u>
Endowment net assets, June 30, 2022	<u>\$ 5,337,529</u>	<u>\$ 5,000,000</u>	<u>\$ 10,337,529</u>

In November 2020, the United Way of the Mid-South Board of Directors approved the Investment Committee's recommendation to invest in a local investment firm, representative of the diversity in their community. The Committee selected the Preserver Fund (ticker PAOIX) and directed Regions Bank to invest 2% of the investment account's balance in a non-managed secondary portfolio.

NOTE 5 – FAIR VALUE MEASUREMENT

During the years ended June 30, 2022 and 2021, the Organization had fair value of assets measured on a recurring basis using a market approach, as follows for assets held for others and beneficial interests in trusts:

Fair Value Measurements at Reporting Date Using:				
	Total	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	June 30, 2022	Level 1	Level 2	Level 3
Assets Held by Others - Mutual Fund Investment Balanced Pool	\$ 10,337,529	\$ -	\$ -	\$ 10,337,529
Beneficial Interest in Trusts	736,295	736,295	-	-
Total	<u>\$ 11,073,824</u>	<u>\$ 736,295</u>	<u>\$ -</u>	<u>\$ 10,337,529</u>
	June 30, 2021			
Assets Held by Others - Mutual Fund Investment Balanced Pool	\$ 10,080,558	\$ -	\$ -	\$ 10,080,558
Beneficial Interest in Trusts	870,157	870,157	-	-
Total	<u>\$ 10,950,715</u>	<u>\$ 870,157</u>	<u>\$ -</u>	<u>\$ 10,080,558</u>

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Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	Fair Value Measurements Using Significant Unobservable Inputs Assets Held by Others - Mutual Fund Investment Balanced Pool	
June 30, 2020	\$ 6,416,824	
Total realized gains (losses)	247,689	
Unrealized gains (losses) and the change in		
Net assets without donor restrictions	1,169,755	
Contributions	2,500,000	
Purchases, Issuance, and Settlements	<u>(253,710)</u>	
June 30, 2021	10,080,558	
Total realized gains (losses)	146,008	
Unrealized gains (losses) and the change in		
Net assets without donor restrictions	(2,429,443)	
Contributions	2,500,000	
Purchases, Issuance, and Settlements	<u>40,406</u>	
June 30, 2022	<u><u>\$ 10,337,529</u></u>	
		Assets Held by Others
The amount of total gains or losses for the year ended June 30, 2022 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.		<u><u>\$ (2,243,029)</u></u>
The amount of total gains or losses for the year ended June 30, 2021 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.		<u><u>\$ 1,163,734</u></u>

Gains and losses (realized and unrealized) included in net assets without donor restrictions for the year are reported in support and revenue as follows:

	Investment Gains (Losses)	
	June 30	
	2022	2021
Total gains or losses included in net assets without donor restrictions for the year	<u><u>\$ 186,414</u></u>	<u><u>\$ (6,021)</u></u>
Change in unrealized gains or losses relating to assets still held at year end	<u><u>\$ (2,429,443)</u></u>	<u><u>\$ 1,169,755</u></u>

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Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. For the valuation of assets held by others, which include equities, fixed income, and alternative investments securities at June 30, 2022 and 2021, the Organization used significant unobservable inputs including information from fund managers based on quoted market prices, if available, or other valuation methods (Level 3). Management reviews and evaluates the values provided by the fund manager and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments.

NOTE 6 – RETIREMENT PLAN

United Way has a contributory defined contribution retirement plan which provides retirement benefits and is administered by Mutual of America. Full-time employees with at least one year of service who have attained age 21 are eligible to participate in the plan. Participants who are hired at age 60 or above are immediately eligible to participate in the plan. United Way's contribution to the plan was \$308,211 and \$350,897 for the years ended June 30, 2022 and 2021, respectively.

NOTE 7 – LINE OF CREDIT

The Organization entered into an agreement for an unsecured line of credit for \$3,000,000 with First Horizon Bank. The line of credit matures in April 2023. Interest is payable monthly based on the bank's Prime Rate less 75 basis points (2.75%) for the applicable period such advance has been outstanding. At June 30, 2022 and 2021, the outstanding balance was \$0 and \$0, respectively.

NOTE 8 – OPERATING LEASES

The Organization has entered into operating leases for equipment with payments ranging between \$172 and \$1,120. Total lease expense for the years ended June 30, 2022 and 2021 were \$19,613 and \$23,560 respectively.

NOTE 9 – AGENCY LIABILITY

In conducting the annual campaign, the Organization receives donations that are specified for specific agencies. The agency liability reflects those donations that were received but not disbursed by June 30, 2022.

NOTE 10 – DESIGNATED GIFTS

The Organization receives contributions that have been designated by the donor for certain member groups and agencies. The Organization honors these designations and transfers the donor designated gift to the appropriate group or agency. At June 30, 2022, all designated gifts received have been allocated, accordingly.

UNITED WAY OF THE MID-SOUTH
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NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Pledges receivable, due in future periods, net	\$ 2,392,018	\$ 3,500,002
Donor restricted - endowments	5,000,000	5,000,000
Beneficial interests in trusts	736,295	870,157
	<u>\$ 8,128,313</u>	<u>\$ 9,370,159</u>

Net assets with donor restrictions are gifts and bequests given with the stipulation that the principal be maintained intact in perpetuity and gifts and bequests with time restrictions.

NOTE 12 – NOTE PAYABLE - OTHER

	<u>2022</u>	<u>2021</u>
Note payable to a bank, collateralized by equipment, maturing October 2025, at an interest rate of 4.515% and due in monthly installments of \$371	\$ 13,467	\$ 16,951
	<u>\$ 13,467</u>	<u>\$ 16,951</u>

Minimum future payments on note payable other as of June 30, 2022 is as follows:

June 30, 2023	\$ 3,909
June 30, 2024	4,089
June 30, 2025	4,278
June 30, 2026	1,191
	<u>\$ 13,467</u>

NOTE 13 – NOTES PAYABLE - PPP LOANS/OTHER INCOME FROM CARES ACT

On February 8, 2021, the Organization entered a Promissory Note with First Horizon Bank, which provides for a loan in the amount of \$831,667 (the "PPP Loan") pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The Promissory Note contains events of default and other provisions customary for a loan of this type. The Paycheck Protection Program provides that the PPP Loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. On February 22, 2022, the bank notified the Organization that the loan was fully forgiven.

On April 19, 2020, the Organization entered a Promissory Note with First Horizon Bank, which provides for a loan in the amount of \$796,867 (the "PPP Loan") pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The Promissory Note

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contains events of default and other provisions customary for a loan of this type. The Paycheck Protection Program provides that the PPP Loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. On July 20, 2021, the bank notified the Organization that the loan was fully forgiven.

NOTE 14 – ALLOCATIONS TO AGENCIES

Allocations to agencies for the years ended June 30, 2022 and 2021 consists of the following:

Agency	Allocations	Total Donor Designations	Grand Total Allocations	2021 Allocations
Alliance Healthcare Services	\$ 119,000	\$ 211	\$ 119,211	\$ 61,077
Alpha Omega Veterans Services	217,000	25,181	242,181	168,004
American Red Cross, Mid South Chapter	139,233	4,458	143,691	168,525
Boys & Girls Club of Memphis, Inc.	254,500	16,457	270,957	265,361
Catholic Charities of West TN	67,000	-	67,000	67,022
Christian Community Foundation	-	-	-	99,155
Church Health Center	-	-	-	85,885
Community Foundation of Greater Memphis	-	51,881	51,881	55,250
Crisis Center	-	-	-	73,203
Girl Scouts Heart of the South	-	-	-	57,083
Goodwill Homes Community Services, Inc.	152,000	1,190	153,190	103,287
Grace House of Memphis, Inc.	129,500	2,183	131,683	72,427
Hope Christian Community Foundation	-	-	-	92,820
Hope House	51,000	7,712	58,712	87,009
Kindred Place	89,000	1,366	90,366	65,956
Knowledge Quest	225,000	12,872	237,872	185,218
Latino Memphis	55,500	1,741	57,241	32,633
LeBonheur Early Intervention & Development Prg.	18,500	5,244	23,744	55,349
LINC/2-1-1	58,000	12,205	70,205	-
Memphis Child Advocacy Center	54,500	46,970	101,470	86,683
Memphis Crisis Center	98,500	2,731	101,231	-
Memphis Jewish Community Center	61,500	508	62,008	-
Memphis Recovery Centers, Inc.	109,500	1,724	111,224	67,705
Memphis Urban League	103,000	2,634	105,634	97,729
Meritan	372,684	146	372,830	290,505
Porter-Leath Children's Center	302,500	34,009	336,509	446,350
Salvation Army	220,500	5,188	225,688	144,274
Shelby Residential and Voc. Services (SRVS)	39,500	2,457	41,957	107,103
St. Jude Children's Hospital	-	-	-	66,664
YMCA	131,000	5,593	136,593	256,528
Youth Villages	-	-	-	1,494,212
YWCA	72,000	48	72,048	42,148
Non member agencies and those less than \$50k	493,492	732,126	1,225,618	1,436,264
	<u>\$ 3,633,909</u>	<u>\$ 976,835</u>	<u>\$ 4,610,744</u>	<u>\$ 6,331,429</u>

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NOTE 15 – CONCENTRATIONS

Throughout the years ending June 30, 2022 and 2021, United Way maintained cash in accounts at one Federally-insured financial institution. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2022 and 2021, United Way held \$868,249 and \$1,197,043 that was in excess of FDIC limitations.

The top three contributors accounted for approximately 45% and 45% of the campaign total for the years ended June 30, 2022 and 2021, respectively.

NOTE 16 – THIRD PARTY PROCESSORS, DONOR DESIGNATIONS, AND PARTNER AGENCY CONTRIBUTIONS

Pledges and contributions have historically been reported by United Way to reflect not only undesignated contributions for United Way's operations, but also both designated pass-through contributions and partner agencies' in-house campaign contributions; both of which have been previously accounted for as a product of United Way's resource development functions but are contributions functionally unavailable to its operations. Over the past few years, many of United Way's corporate partners have increasingly contracted with third-party processors to internally manage their employees' United Way contributions. More commonly now, if donors elect to designate their contributions, third-party processors will forward those contributions directly to recipient non-profits, without reporting the amounts of those contributions to United Way for its accounting purposes. Consequently, United Way is unable to accurately document all the contributions its staff help generate. This shift has precipitated a change in the manner United Way records both pledges receivable and contributions received. Since both pass-through, and internal agency campaign contributions can no longer be consistently accounted for, United Way has adjusted its financial reporting to no longer present such contributions. There is no effect on net pledges receivable, as previously those contributions were recorded as revenue and an offsetting expense.

NOTE 17 – IN-KIND CONTRIBUTIONS

	<u>2022</u>	<u>2021</u>	<u>Usage</u>
Office space	\$ 99,621	\$ 98,323	Social services programs
Consumer goods	78,095	-	Social services programs
Advertising	24,232	24,567	Social services programs
Equipment rental/service	3,000	3,000	Social services programs
	<u>\$ 204,948</u>	<u>\$ 125,890</u>	

Office space, advertising, and equipment rental were valued using estimated average US prices of identical or similar products or services using pricing data of similar products or services under a "like-kind" methodology, considering the utility of the goods and services at the time of the contribution. Consumer goods were valued at the estimated fair value on the basis of estimates of retail values that would be received for selling similar products in the United States.

NOTE 18 – SUBSEQUENT EVENTS

Management has evaluated subsequent events to the balance sheet date through November 10, 2022, the date the financial statements were available to be issued.