July 19, 2023

To the Board of Directors
United Way of Smith County
Tyler, Texas

We have audited the financial statements of the United Way of Smith County for the year ended March 31, 2023 and have issued our report thereon dated July 19, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated May 8, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organizations are described in Note 2 to the financial statements. As described in Note 2, in February 2016, the Financial Accounting Standards Board issued Accounting Standard Update ("ASU") 2016-02, *Leases*, which significantly changes accounting for leases by requiring that lessees recognize a right-of-use asset and a related lease liability representing the obligation to make lease payments, for virtually all lease transactions. The requirements of this standard are effective for financial statements for periods beginning after December 15, 2021. The implementation of ASU 2016-02 did not result in any changes to the financial statements. In addition, the Organization adopted ASU 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* during the year ended March 31, 2023 with no significant financial impact. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the allowance for doubtful accounts which is based on historical write-offs as well as an assessment of the collectability of outstanding pledges receivable.

- Management's allocation of joint costs and functional allocation of costs between program, management and general and fundraising activities.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The attached schedule details the material misstatements detected as a result of audit procedures and corrected by management. The attached schedule also summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated July 19, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to United Way of Smith County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the United Way of Smith County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of directors and management of the United Way of Smith County and is not intended to be and should not be used by anyone other than these specified parties.

Henry & Peters P.C.

Tyler, Texas

United Way of Smith County
Schedule of Audit Differences
March 31, 2023

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 4			
To record late client entries			
1780-00	Construction in Progress	2,005.00	
6000-20	Depreciation Expense	15,052.00	
6000-20	Depreciation Expense	57,656.00	
6000-20	Depreciation Expense	2,574.00	
1741-00	Signage		2,005.00
1790-00	Accumulated Depreciation		15,052.00
1790-00	Accumulated Depreciation		57,656.00
1790-00	Accumulated Depreciation		2,574.00
Total		**77,287.00**	**77,287.00**
Adjusting Journal Entries JE # 6			
To adjust client's depreciation entry to agree to Depreciation schedule.			
1790-00	Accumulated Depreciation	264.00	
6000-20	Depreciation Expense		264.00
Total		**264.00**	**264.00**
Reclassifying Journal Entries			
Reclassifying Journal Entries JE # 1			
To allocated support activities based on the FT EE Method.			
5000-11	Salaries & Wages - Agencies	137,241.00	
5000-30	Salaries & Wages - Management & General	6,535.00	
5000-31	Salaries & Wages - Marketing	43,569.00	
5000-50	Salaries & Wages - Fundraising	30,498.00	
5005-11	Social Security/Medicare Taxes - Agencies	10,132.00	
5005-30	Social Security/Medicare Taxes - Management & General	483.00	
5005-31	Social Security/Medicare Taxes - Marketing	3,217.00	
5005-50	Social Security/Medicare Taxes - Fundraising	2,252.00	
5015-11	Retirement Plan Contributions - Agencies	3,586.00	
5015-30	Retirement Plan Contributions - Management & General	171.00	
5015-31	Retirement Plan Contributions - Marketing	1,138.00	
5015-50	Retirement Plan Contributions - Fundraising	797.00	
5020-11	Medical/Dental Insurance - Agencies	14,388.00	
5020-30	Medical/Dental Insurance - Management & General	685.00	

5020-31	Medical/Dental Insurance - Marketing	4,567.00	
5020-50	Medical/Dental Insurance - Fundraising	3,197.00	
5025-11	Workers Comp Insurance - Agencies	7,171.00	
5025-30	Workers Comp Insurance - Management & General	342.00	
5025-31	Workers Comp Insurance - Marketing	2,277.00	
5025-50	Workers Comp Insurance - Fundraising	1,594.00	
5220-11	Computer/Software Support - Agencies	2,849.00	
5220-30	Computer/Software Support - Management & General	136.00	
5220-31	Computer/Software Support - Marketing	904.00	
5220-50	Computer/Software Support - Fundraising	633.00	
5265-11	Depreciation Expense - Agencies	47,260.00	
5265-30	Depreciation Expense - Management & General	2,251.00	
5265-31	Depreciation Expense - Marketing	15,004.00	
5265-50	Depreciation Expense - Fundraising	10,503.00	
5200-20	Admin: Regular Full Time Oper.		217,843.00
5311-20	Admin: Retirement Fees - MOA		5,692.00
5315-20	Admin: SS/Medicare Taxes		16,084.00
5320-20	Admin: Health/Dental Insurance		22,837.00
5705-20	Facility: Property Tax & Insurance		11,384.00
5720-20	Facility: Web/Internet/Phone		4,522.00
6000-20	Depreciation Expense		75,018.00
5410-30	Admin: Office Supplies		
5440-11	Supplies - Office/General - Agencies		
5450-20	Supplies - Kitchen/Housekeeping - Support Activities		
5450-31	Supplies - Kitchen/Housekeeping - Marketing		
5450-50	Supplies - Kitchen/Housekeeping - Fundraising		
Total		**353,380.00**	**353,380.00**

Reclassifying Journal Entries JE # 2

To allocate occupancy expenses from management and general support to programs.

5210-30	Building Maintenance - Management & General	33,224.00	
5410-12	Rent Expense - 211	3,218.00	
5430-14	Security Expense - Non-Profit Development	3,620.00	
5210-20	Utilities Expense - Building Maintenance		40,062.00
Total		**40,062.00**	**40,062.00**

Reclassifying Journal Entries JE # 3

To reclassify the current portion of long-term debt for financial statement purposes.

2605-00	Notes Payable: TB&T - Woman's Building	9,886.00	
HP2605-01	Current Portion of LT debt		9,886.00
Total		**9,886.00**	**9,886.00**

United Way of Smith County
Schedule of Immaterial Uncorrected Misstatements
March 31, 2023

Account	Description	Debit	Credit
Proposed Journal Entries			
Proposed Journal Entries JE # 5			
To reclassify donated vehicle and related expenses to an asset for a future year give a way			
1745-00	Equipment	28,433.00	
5500-50	Campaign: Special Giveaways		14,433.00
6005-60	In-Kind		14,000.00
Total		**28,433.00**	**28,433.00**

UNITED WAY OF SMITH COUNTY
TYLER, TEXAS

FINANCIAL STATEMENTS

MARCH 31, 2023 AND 2022

UNITED WAY OF SMITH COUNTY
MARCH 31, 2023 AND 2022

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HENRY & PETERS
CERTIFIED PUBLIC ACCOUNTANTS | EST. 1929

INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Way of Smith County
Tyler, Texas

Opinion

We have audited the accompanying financial statements of United Way of Smith County (a nonprofit organization), which comprise the statements of financial position as of March 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Smith County as of March 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Smith County and to meet our 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 Smith County's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgement made by a reasonable user based on the financial statements.

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

- Exercise professional judgement 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 Smith County'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Smith County'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.

Henry & Peters P.C.

Tyler, Texas
July 19, 2023

UNITED WAY OF SMITH COUNTY
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2023 AND 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 905,284	$ 995,069
Care Fund restricted cash	1,869,482	1,595,742
Total cash and cash equivalents	2,774,766	2,590,811
Pledges receivable, net	1,212,636	1,002,793
Grants receivable	60,418	48,663
Prepaid expenses and other current assets	3,809	490
Total current assets	4,051,629	3,642,757
PROPERTY AND EQUIPMENT, net	2,652,291	2,725,304
OTHER ASSETS		
Beneficial interest in assets held by others	137,184	145,266
Total assets	$ 6,841,104	$ 6,513,327
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 7,810	$ 5,588
Agency allocations payable	309,427	225,133
Donor designations payable	75,639	114,012
Accrued payroll and related benefits	32,627	21,406
Current portion of note payable	9,886	9,594
Other current liabilities	17,640	563
Total current liabilities	453,029	376,296
LONG-TERM DEBT		
Note payable, net of current portion	219,684	229,570
Total liabilities	672,713	605,866
NET ASSETS		
Without donor restrictions:		
Unrestricted	3,661,725	3,636,453
Board designated	637,184	645,266
Total net assets without donor restrictions	4,298,909	4,281,719
With donor restrictions	1,869,482	1,625,742
Total net assets	6,168,391	5,907,461
Total liabilities and net assets	$ 6,841,104	$ 6,513,327

See accompanying notes to financial statements

UNITED WAY OF SMITH COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Gross campaign results	$ 2,063,104	$ 32,269	$ 2,095,373
Less: donor designations	(302,654)	-	(302,654)
Net campaign contributions	1,760,450	32,269	1,792,719
Care Fund contributions	-	480,263	480,263
Grants and other contribution revenue	451,325	-	451,325
In-kind donations	33,860	-	33,860
Interest income	9,433	42,712	52,145
Other income	97	-	97
Change in value of beneficial interest	(6,018)	-	(6,018)
NET ASSETS RELEASED FROM RESTRICTIONS	311,504	(311,504)	-
Total revenues, gains and other support	2,560,651	243,740	2,804,391
EXPENSES			
Gross distributions to agencies	1,296,854	-	1,296,854
Less: donor designations paid	(335,891)	-	(335,891)
Net allocations granted to agencies	960,963	-	960,963
Other program services	1,062,529	-	1,062,529
Total program services	2,023,492	-	2,023,492
Supporting services	519,969	-	519,969
Total expenses	2,543,461	-	2,543,461
Change in net assets	17,190	243,740	260,930
NET ASSETS			
Beginning of period	4,281,719	1,625,742	5,907,461
End of period	$ 4,298,909	$ 1,869,482	$ 6,168,391

UNITED WAY OF SMITH COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Gross campaign results	$ 1,968,042	$ 63,933	$ 2,031,975
Less: donor designations	(318,131)	-	(318,131)
Net campaign contributions	1,649,911	63,933	1,713,844
Care Fund contributions	-	505,731	505,731
Grants and other contribution revenue	418,517	-	418,517
In-kind donations	16,060	-	16,060
Interest income	1,813	348	2,161
Other income	6,395	-	6,395
Change in value of beneficial interest	108	-	108
NET ASSETS RELEASED FROM RESTRICTIONS	130,196	(130,196)	-
Total revenues, gains and other support	2,223,000	439,816	2,662,816
EXPENSES			
Gross distributions to agencies	1,129,715	-	1,129,715
Less: donor designations paid	(343,209)	-	(343,209)
Net allocations granted to agencies	786,506	-	786,506
Other program services	933,416	-	933,416
Total program services	1,719,922	-	1,719,922
Supporting services	479,351	-	479,351
Total expenses	2,199,273	-	2,199,273
Change in net assets	23,727	439,816	463,543
NET ASSETS			
Beginning of period	4,257,992	1,185,926	5,443,918
End of period	$ 4,281,719	$ 1,625,742	$ 5,907,461

UNITED WAY OF SMITH COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2023

	Program Services				Supporting Services			
	Agencies	2-1-1	East Texas Center for Nonprofits	Care Fund	Management and general	Marketing	Fundraising	Total
	$ 1,296,854	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,296,854
cies	(335,891)	-	-	-	-	-	-	(335,891)
	960,963	-	-	-	-	-	-	960,963
	-	-	-	-	-	-	28,415	28,415
	-	-	-	-	28,865	-	-	28,865
	-	-	-	151,313	-	-	-	151,313
	193,067	245,180	-	-	-	74,104	117,648	629,999
	14,424	18,790	-	-	483	3,217	8,980	45,894
	14,856	58,652	-	-	685	4,567	14,705	93,465
	6,445	7,062	-	-	223	1,138	2,531	17,399
	-	796	-	-	34,046	-	-	34,842
	-	50	-	-	-	-	6,085	6,135
	-	-	-	-	-	-	37,793	37,793
	-	-	-	-	7,044	-	-	7,044
	693	-	-	-	2,142	-	2,016	4,851
	47,260	-	-	-	2,251	15,004	10,503	75,018
	-	688	-	-	2,500	-	-	3,188
	7,236	1,083	-	-	5,951	2,277	1,788	18,335
	-	14,527	-	-	40,614	-	17,163	72,304
	-	3,218	3,620	-	39,442	-	-	46,280
	1,337	679	-	-	1,794	-	-	3,810
	3	15	-	-	557	-	557	1,132
	450	7,109	-	-	-	-	-	7,559
	9,116	1,557	-	-	3,344	904	633	15,554
	253,303	-	-	-	-	-	-	253,303
	$ 1,509,153	$ 359,406	$ 3,620	$ 151,313	$ 169,941	$ 101,211	$ 248,817	$ 2,543,461

UNITED WAY OF SMITH COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2022

	Program Services				Supporting Services			
	Agencies	2-1-1	East Texas Center for Nonprofits	Care Fund	Management and general	Marketing	Fundraising	Total
	$ 1,129,715	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,129,715
ncies	(343,209)	-	-	-	-	-	-	(343,209)
	786,506	-	-	-	-	-	-	786,506
	-	-	-	-	-	-	29,295	29,295
	-	-	-	-	26,182	-	-	26,182
	-	-	-	68,463	-	-	-	68,463
	183,862	240,590	18,716	-	-	68,152	136,299	647,619
	14,607	16,537	1,206	-	485	3,070	10,509	46,414
	12,832	44,744	733	-	579	3,670	16,646	79,204
	6,868	10,923	1,171	-	379	1,046	4,993	25,380
	-	1,417	7,989	-	27,000	-	-	36,406
	175	189	25	-	-	-	4,064	4,453
	-	-	-	-	-	-	19,643	19,643
	-	-	-	-	7,327	-	-	7,327
	233	208	-	-	1,355	-	1,688	3,484
	47,974	-	-	-	2,249	14,243	10,495	74,961
	-	576	-	-	2,074	-	-	2,650
	6,686	681	93	-	5,469	1,963	1,573	16,465
	-	1,008	3,850	-	20,145	-	12,993	37,996
	-	7,256	5,787	-	37,843	-	-	50,886
	140	602	34	-	1,567	-	-	2,343
	8	8	18	-	459	-	1,249	1,742
	600	5,340	-	-	-	-	-	5,940
	11,359	4,185	248	-	3,165	853	629	20,439
	205,475	-	-	-	-	-	-	205,475
	$ 1,277,325	$ 334,264	$ 39,870	$ 68,463	$ 136,278	$ 92,997	$ 250,076	$ 2,199,273

statements

UNITED WAY OF SMITH COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 260,930	$ 463,543
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	75,018	74,961
Bad debt expense	253,303	205,475
Net change in beneficial interest in assets held by others	8,082	2,480
Changes in assets and liabilities:		
Increase in pledges receivable	(463,146)	(330,758)
(Increase) decrease in grants receivable	(11,755)	29,802
Increase in prepaid expenses and other current assets	(3,319)	(182)
Increase (decrease) in accounts payable	2,222	(5,581)
Increase in agency allocations payable	84,294	24,768
Decrease in donor designations payable	(38,373)	(25,078)
Increase (decrease) in accrued payroll and related benefits	11,221	(359)
Increase (decrease) in other current liabilities	17,077	(31,987)
Total adjustments	(65,376)	(56,459)
Net cash provided by operating activities	195,554	407,084
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(2,005)	-
Net cash used in investing activities	(2,005)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payment on note payable	(9,594)	(9,311)
Net cash used in financing activities	(9,594)	(9,311)
Net increase in cash and cash equivalents	183,955	397,773
CASH AND CASH EQUIVALENTS (INCLUDING RESTRICTED CASH)		
Beginning of period	2,590,811	2,193,038
End of period	$ 2,774,766	$ 2,590,811

See accompanying notes to financial statements

NOTE 1 - ORGANIZATION

United Way of Smith County ("Organization") is a local fundraising organization comprised primarily of volunteers. The Organization raises funds through campaigns, fundraisers and special events, and in turn, allocates the funds raised to character-building, health-oriented and community-minded agencies. The allocation decisions are determined by volunteers and are controlled by the community.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF FINANCIAL STATEMENT PRESENTATION

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

FINANCIAL STATEMENTS PRESENTATION

The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-210-50-3, *Not-for-Profit Entities* in preparing the financial statements. Under the provisions of this standard, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Organization and changes therein, are classified and reported as follows:

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.

Net assets with donor restrictions – Net assets that are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or by the passage of time.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restricted-contributions (i.e., when the donor-stipulated purposes have been fulfilled and/or when the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CONTRIBUTIONS

Annual campaigns are conducted to raise support for allocation to participating agencies. Pledges are recorded as received and allowances are made for amounts estimated as uncollectible. Unless specifically restricted by the donor, all pledges are considered to be available for unrestricted use.

Contributions received are distinguished as unrestricted or restricted support, depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. The Organization considers campaign contributions received without specific donor restrictions to be unrestricted regardless of the year in which funds are allocated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

DONOR DESIGNATIONS

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

PLEDGES RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE PLEDGES

The Organization maintains pledges receivable from donors and donor companies. The allowance for uncollectible pledges is based on historical write-offs and any known write-offs that are likely to occur from major donor companies.

PROPERTY AND EQUIPMENT

The Organization follows the practice of capitalizing all expenditures in excess of $2,500 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

The following summarizes the classes and estimated useful lives of property and equipment:

	Estimated Useful Lives
Buildings	31.5 years
Building improvements	15 - 39 years
Furniture and fixtures	5 - 7 years
Computer equipment	3 - 5 years
Equipment	5 - 7 years

BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization accounts for assets held by other entities on its behalf in accordance with ASC 958-605-50, subsections 4-6, *Transfer of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others*, which specifies that such transfers are recognized as a beneficial interest receivable at the fair value of the assets.

AGENCY ALLOCATIONS

Annual campaigns are conducted from June to January (campaign period) to raise support for programs. Program funds are allocated to participating agencies in the fiscal year that begins April 1 following the campaign period. Allocations committed to agencies, but unpaid by the fiscal year end are included as agency allocations payable on the accompanying financial statements.

DONATED ASSETS AND SERVICES

The Organization receives various forms of in-kind donations including media, food items, and in-kind services. In-kind donations are utilized in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their estimated fair values in the period received. The Organization receives certain volunteer services which are not measurable, and therefore, have been excluded from the financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUNCTIONAL EXPENSES

The Organization allocated its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated according to their natural expenditure classification and based on an analysis of personnel time and space utilized for the related activities. Other expenses that are common to several functions are allocated as deemed appropriate.

The Organization's principal program services include:

Agencies

The Organization runs annual campaigns to raise money to be allocated to local agencies for the benefit of community programs.

2-1-1

2-1-1 East Texas is a free, anonymous information and referral service that is available to anyone, 7 days per week, 24 hours each day. The service helps to connect people with critical social services and charitable programs that are available in the local community.

East Texas Center for Nonprofits

The East Texas Center for Nonprofits ("ETCN") is a professional resource in partnership with nonprofits in 14 counties in East Texas to create a community of excellence. The Center offers leadership training, coaching and mentoring for the East Texas nonprofit community.

Care Fund

The Care Fund is a fund established by a local company and administered by the Organization to help the company's employees in times of serious need for qualifying events and expenses.

During the years ended March 31, 2023 and 2022, the Organization conducted activities that included requests for contributions, as well as program and management and general components. Those activities included general campaign activities, special events and nonprofit development programs. The costs of conducting those activities included a total of $393,706 and $379,602 of joint costs for the years ended March 31, 2023 and 2022, respectively, which are not specifically attributable to particular components of the activities.

Joint costs were allocated as follows using the Full-time Employee Equivalent Method:

	2023	2022
Agencies	222,796	$ 212,123
2-1-1	3,218	7,256
East Texas Center for Nonprofits	3,620	5,787
Management and General	43,834	45,056
Marketing	70,728	62,976
Fundraising	49,510	46,404
	$ 393,706	$ 379,602

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of 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.

FEDERAL INCOME TAX

The Organization is exempt from federal income tax, except to the extent the entity has unrelated business income, under 501(c)(3) of the Internal Revenue Code ("Code") and is classified as other than a private foundation within the meaning of Section 509(a). Accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

In accordance with FASB ASC 740, *Income Taxes*, management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that required adjustments to the financial statements to comply with the provisions of this guidance. The Organizations tax returns are subject to examination by the Internal Revenue Services, generally for three years from the date of filing.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In February 2016, the FASB issued accounting standards update ("ASU") 2020-05, *Leases (Topic 842)*. This ASU defers the effective date of ASU 2016-02*, Leases (Topic 842),* for not-for-profit organizations to annual reporting periods beginning after December 15, 2021. ASU 2016-02 significantly changes accounting for leases by requiring that lessees recognize a right-of-use asset and a related lease liability representing the obligation to make lease payments, for virtually all lease transactions. Additional disclosure about an entity's lease transactions will also be required. ASU 2016-02 defines a lease as "a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment (an identified asset) for a period of time in exchange for consideration." Lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented in the financial statements using a modified retrospective approach. The Organization adopted this standard during the year ended March 31, 2023, with no significant impact on the financial statements.

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* This update 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. This update also requires a not-for-profit to disclose (1) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period, (2) the not-for-profit's policy about monetizing rather than utilizing contributed nonfinancial assets, (3) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets, (4) the valuation techniques and inputs used to arrive at a fair value measurement, and (5) the principal market used to arrive at a fair value measurement if it is a market in which the recipient not-for-profit is prohibited by a donor-imposed restriction from selling or using the contributed nonfinancial assets. This update is effective for reporting periods beginning after June 15, 2021. Early adoption is permitted. The Organization adopted this standard during the year ended March 31, 2023, with no significant impact on the financial statements.

NOTE 3 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

	2023	2022
Financial assets at year-end	$ 4,047,820	$ 3,642,267
Less: those unavailable for general expenditures within one year, due to: contractual or donor-imposed restrictions	(1,869,482)	(1,625,742)
Financial assets available to meet cash needs for general expenditures within one year	$ 2,178,338	$ 2,016,525

NOTE 4 - PLEDGES RECEIVABLE

The following tables summarize the Organization's pledges receivable at March 31:

	2023	2022
Pledges receivable	$ 1,380,260	$ 1,125,077
Allowance for uncollectible pledges	(167,624)	(122,284)
Pledges receivable, net	$ 1,212,636	$ 1,002,793
Gross pledges due in:		
Less than one year	$ 1,380,260	$ 1,125,077
	$ 1,380,260	$ 1,125,077

NOTE 5 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at cost, less accumulated depreciation at March 31:

	2023	2022
Land	$ 127,320	$ 127,320
Buildings and improvements	2,835,627	2,835,627
Furniture and fixtures	61,643	61,643
Computer equipment	83,627	83,627
Equipment	22,996	22,996
Construction in progress	2,005	-
	3,133,218	3,131,213
Less: accumulated depreciation	(480,927)	(405,909)
	$ 2,652,291	$ 2,725,304

Depreciation expense totaled $75,018 and $74,961 for the years ended March 31, 2023 and 2022, respectively.

NOTE 6 - BENEFICIAL INTEREST RECEIVABLE

The following summarizes the changes in the investment in beneficial interest in funds held at the East Texas Communities Foundation ("ETCF") for the years ended March 31:

	2023	2022
Balance, beginning of year	$ 145,266	$ 147,746
Interest and dividends	3,540	3,502
Net realized and unrealized gain/(loss)	(9,558)	(3,394)
Investment and administrative expenses	(2,064)	(2,588)
Balance, end of year	$ 137,184	$ 145,266

NOTE 7 - ENDOWMENT FUNDS

The beneficial interest represents board designated endowment funds held at ETCF and consist primarily of mutual funds, equity investments, and fixed income investments. These funds are managed according to the Organization's guidelines. ETCF has not been granted variance power by the Organization. Generally, the Organization may withdraw up to 5% of the funds in any year but could request to withdraw these funds at any time.

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act ("TX UPMIFA"). In accordance with the TX 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 various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the Organization's investment policies.

INVESTMENT RETURN OBJECTIVES, RISK PARAMETERS AND STRATEGIES

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk.

Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the funds if possible. Actual returns in any given year may vary from the amount expected. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

SPENDING POLICY

The Organization has a policy of appropriating for distribution each year those funding requests which in total shall not exceed the accrued interest and other realized returns on investments of the Organization. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal rate annually, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

NOTE 8 - FAIR VALUE MEASUREMENT

The FASB ASC 820, *Fair Value Measurements and Disclosure,* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identifiable assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

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 by correlation or other means.

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.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The methodologies used by the Organization for assets measured at fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of March 31:

	2023 (Level 3)	2022 (Level 3)
Beneficial interest in assets held by others	$ 137,184	$ 145,266

NOTE 9 - NOTE PAYABLE

During the year ended March 31, 2021, the Organization entered into a note payable agreement with a bank in the amount of $250,000 to refinance the outstanding line of credit balance that was due. The note accrues interest at 3% and calls for monthly payments of principal and interest of $1,386 and is secured by a building owned by the Organization. The note matures on February 27, 2026, at which time any outstanding principal and accrued interest is due in full.

NOTE 9 - NOTE PAYABLE - CONTINUED

The future maturities of the note payable are as follows for years ended March 31:

2024	$ 9,886
2025	10,187
2026	209,497
	$ 229,570

NOTE 10 - CARE FUND

In February 2018, a local company established a Care Fund with the Organization to assist its employees in time of serious need. The employer and its employees may make donations to the Care Fund which are tax deductible and irrevocable. The Organization serves as administrator and manages, reviews and distributes funds based on the recommendations of the established committee composed of volunteers. The Organization has full control and authority over the use of the donated funds within the guidelines of the established fund. A portion of the donations were allocated to cover administrative expenses as outlined in the Care Fund agreement. The Organization earned administrative fees of $8,100 for the years ended March 31, 2023, and 2022, respectively.

NOTE 11 - BOARD DESIGNATED NET ASSETS

The Board of Directors has designated a portion of net assets without donor restrictions for the following purposes as of March 31:

	2023	2022
Reserve funds:		
Endowment funds held at ETCF	$ 137,184	$ 145,266
Cash and cash equivalents	500,000	500,000
	$ 637,184	$ 645,266

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

Restricted net assets were comprised of the following as of March 31:

	2023	2022
Care Fund	$ 1,869,482	$ 1,595,742
Other restricted	-	30,000
	$ 1,869,482	$ 1,625,742

NOTE 13 - EMPLOYEE BENEFIT PLAN

The Organization sponsors a defined contribution employee benefit plan (“Plan”) that covers all full-time employees with at least one year of service. An employee may elect to defer eligible compensation, as defined by the Plan, subject to certain maximum limitations imposed by the Internal Revenue Code. Employees that reach age 50 before the close of the Plan year are eligible to make catch-up contributions. Employer contributions to the Plan are at the discretion of the Board of Directors. Employer contributions totaled $17,399 and $25,380 for years ended March 31, 2023 and 2022, respectively. An employee fully vests immediately as of the date of their participation in the Plan.

NOTE 14 - CONTINGENCIES AND CONCENTRATIONS

The Organization maintains cash in accounts with federally insured banks. At times, the balances in these accounts may be in excess of federally insured limits. The Organization has not experienced any loss in such accounts, and it does not believe it is exposed to any significant risk on cash.

NOTE 14 - CONTINGENCIES AND CONCENTRATIONS - CONTINUED

The Organization is subject to certain claims and contingencies that arise in the normal course of accomplishing its mission. None of these, in the opinion of management, are expected to have a material adverse effect on the financial position, activities or cash flows of the Organization.

NOTE 15 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through July 19, 2023, the date on which the financial statements were available to be issued.