

UNITED WAY OF THE NATIONAL CAPITAL AREA
FINANCIAL STATEMENTS, SUPPLEMENTARY INFORMATION, AND UNIFORM GUIDANCE REPORTS
June 30, 2023 and 2022



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**United Way of the
National Capital Area**

**Management's Certification on
Internal Controls over Financial Reporting**

United Way of the National Capital Area's internal controls over financial reporting are designed to provide reasonable assurance that its financial statements are reliable and prepared in accordance with accounting principles generally accepted in the United States of America. Maintaining appropriate internal controls over financial reporting is the responsibility of those persons charged with governance and management, and other personnel.

An entity's internal controls over financial reporting include those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (iii) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Management is responsible for establishing and maintaining effective internal controls over financial reporting. Management assessed the effectiveness of United Way of the National Capital Area's internal controls over financial reporting as of June 30, 2023, based on the framework set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control - Integrated Framework*. Based on that assessment, management concluded that, as of June 30, 2023, United Way of the National Capital Area's internal controls over financial reporting are effective based on the criteria established in *Internal Control - Integrated Framework*.


Rosie Allen-Herring, President & Chief Executive Officer


Robin Watkins, VP of Finance & Accounting



INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way of the National Capital Area
Washington, DC

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of United Way of the National Capital Area, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the National Capital Area as of June 30, 2023 and 2022, and changes in 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the audit of the financial statements section of our report. We are required to be independent of United Way of the National Capital Area and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 National Capital Area's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' 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 auditors' 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 National Capital Area'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 National Capital Area's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the accompanying schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2023, on our consideration of the United Way of the National Capital Area's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of United Way of the National Capital Area's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of the National Capital Area's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Greenbelt, Maryland
November 28, 2023

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENTS OF FINANCIAL POSITION
YEARS ENDED JUNE 30, 2023 and 2022

	2023	2022
ASSETS		
Cash and Cash Equivalents	\$ 6,527,492	\$ 973,070
Investments (Notes 2)	37,065,122	39,072,051
Promises to Give, Net (Notes 3)	5,865,373	8,008,845
Accounts Receivable, Prepaid and Other Assets	284,256	427,465
Property and Equipment, Net (Note 5)	2,382,337	119,530
Right-of-Use Asset (Note 13)	3,697,311	3,196,128
Investments Held for Deferred Compensation Plan (Note 2)	852,065	213,267
Total Assets	\$ 56,673,956	\$ 52,010,356
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 1,258,435	\$ 1,058,650
Deferred Revenue, Refundable Advance and Other Liabilities (Note 6 and 20)	4,263,633	282,043
Contributor Designations Payable (Note 7)	5,170,384	6,318,683
Grants Payable (Note 10)	1,056,211	853,996
Deferred Compensation (Note 14)	463,244	213,267
Operating Lease Liability (Note 13)	6,315,284	3,329,084
Line of Credit (Note 8)	2,150,000	750,000
Total Liabilities	20,677,191	12,805,723
COMMITMENTS AND CONTINGENCIES (Notes 13 and 18)		
NET ASSETS		
Without Donor Restriction:		
Operating	8,597,210	6,675,451
Board-Designated (Note 1 and 17)	25,360,566	30,085,019
Total Without Donor Restriction	33,957,776	36,760,470
With Donor Restriction:		
Purpose Restricted (Note 17)	1,863,989	2,269,163
Held in Perpetuity (Note 17)	175,000	175,000
Total With Donor Restriction	2,038,989	2,444,163
Total Net Assets	35,996,765	39,204,633
Total Liabilities And Net Assets	\$ 56,673,956	\$ 52,010,356

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	2023		2023 Total	2022 Total
	Without Donor Restrictions	With Donor Restrictions		
Campaign Results and Other Support:				
Campaign Results:				
Amounts Raised from UWNCA Campaigns	\$ 7,929,559	\$ 381,224	\$ 8,310,783	\$ 9,720,542
Amounts Raised by Combined Federal Campaign	6,608,200	-	6,608,200	7,440,991
Fee Revenue from Fundraising Campaigns	990,265	-	990,265	1,120,076
Campaign Results	<u>15,528,024</u>	<u>381,224</u>	<u>15,909,248</u>	<u>18,281,609</u>
Provisions for Cancellations and Uncollectible				
Promises to Give	(546,726)	-	(546,726)	(694,988)
Net Campaign Results Before Designations Honored	<u>14,981,298</u>	<u>381,224</u>	<u>15,362,522</u>	<u>17,586,621</u>
Campaign Designations Honored:				
Contributor Designations to Participating Agencies	(9,808,609)	-	(9,808,609)	(11,089,589)
Third-Party Processing and Other Fees	(1,850,072)	-	(1,850,072)	(1,968,892)
Net Contributors' Designations Honored	<u>(11,658,681)</u>	<u>-</u>	<u>(11,658,681)</u>	<u>(13,058,481)</u>
Net Campaign Results	<u>3,322,617</u>	<u>381,224</u>	<u>3,703,841</u>	<u>4,528,140</u>
Noncampaign Contributions, Grants and Contracts	924,982	1,113,000	2,037,982	3,663,555
Federal Awards and Contracts	3,385,392	-	3,385,392	29,854
Investment Income	1,945,499	(364)	1,945,135	(5,090,351)
Contributed Non-financial Assets and Contributed Services	187,889	-	187,889	219,538
Other Revenue	200,491	66,627	267,118	260,810
Net Assets Released from Restrictions	1,965,661	(1,965,661)	-	-
Net Campaign Results and Other Support	<u>11,932,531</u>	<u>(405,174)</u>	<u>11,527,357</u>	<u>3,611,546</u>
EXPENSES				
Program Services:				
Program Grants	5,179,583	-	5,179,583	2,193,396
Program Initiatives	3,865,182	-	3,865,182	3,460,342
Total Program Services	<u>9,044,765</u>	<u>-</u>	<u>9,044,765</u>	<u>5,653,738</u>
Supporting Services:				
Fundraising	3,527,295	-	3,527,295	3,635,311
Management and General	2,163,165	-	2,163,165	1,828,758
Total Supporting Services	<u>5,690,460</u>	<u>-</u>	<u>5,690,460</u>	<u>5,464,069</u>
Total Expenses	<u>14,735,225</u>	<u>-</u>	<u>14,735,225</u>	<u>11,117,807</u>
GAIN ON EXTINGUISHMENT OF DEBT	-	-	-	943,531
CHANGE IN NET ASSETS	(2,802,694)	(405,174)	(3,207,868)	(6,562,730)
Net Assets - Beginning of Year	<u>36,760,470</u>	<u>2,444,163</u>	<u>39,204,633</u>	<u>45,767,363</u>
NET ASSETS - END OF YEAR	<u>\$ 33,957,776</u>	<u>\$ 2,038,989</u>	<u>\$ 35,996,765</u>	<u>\$ 39,204,633</u>

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

	2022		2022 Total	2021 Total
	Without Donor Restrictions	With Donor Restrictions		
Campaign Results and Other Support:				
Campaign Results:				
Amounts Raised from UWNCA Campaigns	\$ 8,966,716	\$ 753,826	\$ 9,720,542	\$ 11,035,561
Amounts Raised by Combined Federal Campaign	7,440,991	-	7,440,991	8,381,302
Fee Revenue from Fundraising Campaigns	1,120,076	-	1,120,076	1,348,617
Campaign Results	<u>17,527,783</u>	<u>753,826</u>	<u>18,281,609</u>	<u>20,765,480</u>
Provisions for Cancellations and Uncollectible				
Promises to Give	(694,988)	-	(694,988)	(11,106)
Net Campaign Results Before Designations Honored	<u>16,832,795</u>	<u>753,826</u>	<u>17,586,621</u>	<u>20,754,374</u>
Campaign Designations Honored:				
Contributor Designations to Participating Agencies	(11,089,589)	-	(11,089,589)	(13,283,680)
Third-Party Processing and Other Fees	(1,968,892)	-	(1,968,892)	(1,864,109)
Net Contributors' Designations Honored	<u>(13,058,481)</u>	<u>-</u>	<u>(13,058,481)</u>	<u>(15,147,789)</u>
Net Campaign Results	<u>3,774,314</u>	<u>753,826</u>	<u>4,528,140</u>	<u>5,606,585</u>
Noncampaign Contributions, Grants and Contracts	2,072,184	1,621,225	3,693,409	23,906,156
Investment Income	(5,066,942)	(23,409)	(5,090,351)	3,434,283
Contributed Non-financial Assets and Contributed Services	219,538	-	219,538	494,661
Other Revenue	182,310	78,500	260,810	502,609
Net Assets Released from Restrictions	2,676,594	(2,676,594)	-	-
Net Campaign Results and Other Support	<u>3,857,998</u>	<u>(246,452)</u>	<u>3,611,546</u>	<u>33,944,294</u>
EXPENSES				
Program Services:				
Program Grants	2,193,396	-	2,193,396	2,260,740
Program Initiatives	3,460,342	-	3,460,342	3,770,823
Total Program Services	<u>5,653,738</u>	<u>-</u>	<u>5,653,738</u>	<u>6,031,563</u>
Supporting Services:				
Fundraising	3,635,311	-	3,635,311	3,154,676
Management and General	1,828,758	-	1,828,758	1,425,362
Total Supporting Services	<u>5,464,069</u>	<u>-</u>	<u>5,464,069</u>	<u>4,580,038</u>
Total Expenses	<u>11,117,807</u>	<u>-</u>	<u>11,117,807</u>	<u>10,611,601</u>
GAIN ON EXTINGUISHMENT OF DEBT	943,531	-	943,531	940,913
CHANGE IN NET ASSETS	(6,316,278)	(246,452)	(6,562,730)	24,273,606
Net Assets - Beginning of Year	<u>43,076,748</u>	<u>2,690,615</u>	<u>45,767,363</u>	<u>21,493,757</u>
NET ASSETS - END OF YEAR	<u>\$ 36,760,470</u>	<u>\$ 2,444,163</u>	<u>\$ 39,204,633</u>	<u>\$ 45,767,363</u>

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2023
(With Comparative Totals for 2022)

	2023							2022 Total
	Program Services			Supporting Services			2023 Total	
	Program Grants	Program Initiatives	Total Program Services	Fundraising	Management and General	Total Supporting Services		
Program Grants and Expenses	\$ 5,179,583	\$ 300,254	\$ 5,479,837	\$ -	\$ 15,495	\$ 15,495	\$ 5,495,332	\$ 2,669,902
Operating Expenses:								
Salaries and Benefits	-	2,307,897	2,307,897	1,852,390	1,569,931	3,422,321	5,730,218	4,933,675
Professional Fees	-	307,337	307,337	915,490	238,229	1,153,719	1,461,056	1,590,665
Occupancy	-	437,509	437,509	314,380	186,718	501,098	938,607	750,121
Dues	-	146,845	146,845	102,632	56,705	159,337	306,182	465,566
Advertising and Marketing	-	153,453	153,453	206,516	7,215	213,731	367,184	440,389
Depreciation and Amortization	-	83,219	83,219	58,163	32,135	90,298	173,517	100,545
Postage, Supplies, and Other	-	86,771	86,771	33,573	33,279	66,852	153,623	72,024
Insurance	-	26,762	26,762	18,704	10,334	29,038	55,800	50,718
Meetings, Special Events, and Travel	-	14,347	14,347	18,996	12,366	31,362	45,709	40,189
Staff Development	-	788	788	6,451	758	7,209	7,997	4,013
Total Expenses	\$ 5,179,583	\$ 3,865,182	\$ 9,044,765	\$ 3,527,295	\$ 2,163,165	\$ 5,690,460	\$ 14,735,225	\$ 11,117,807

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2022

	2022							
	Program Services			Supporting Services			2022 Total	2021 Total
	Program Grants	Program Initiatives	Total Program Services	Fundraising	Management and General	Total Supporting Services		
Program Grants and Expenses	\$ 2,193,396	\$ 464,506	\$ 2,657,902	\$ -	\$ 12,000	\$ 12,000	\$ 2,669,902	\$ 2,865,856
Operating Expenses:								
Salaries and Benefits	-	1,914,692	1,914,692	1,756,114	1,262,869	3,018,983	4,933,675	4,706,486
Professional Fees	-	289,405	289,405	1,117,975	183,285	1,301,260	1,590,665	1,384,052
Occupancy	-	335,434	335,434	245,825	168,862	414,687	750,121	701,937
Advertising and Marketing	-	159,444	159,444	264,700	16,245	280,945	440,389	421,819
Dues	-	212,019	212,019	153,823	99,724	253,547	465,566	275,074
Depreciation and Amortization	-	45,788	45,788	33,220	21,537	54,757	100,545	106,442
Postage, Supplies, and Other	-	7,121	7,121	33,466	31,437	64,903	72,024	68,087
Insurance	-	23,097	23,097	16,757	10,864	27,621	50,718	57,130
Staff Development	-	837	837	1,197	1,979	3,176	4,013	16,336
Meetings, Special Events, and Travel	-	7,999	7,999	12,234	19,956	32,190	40,189	8,382
Total Expenses	\$ 2,193,396	\$ 3,460,342	\$ 5,653,738	\$ 3,635,311	\$ 1,828,758	\$ 5,464,069	\$ 11,117,807	\$ 10,611,601

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (3,207,868)	\$ (6,562,730)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Net Provision for Allowance for Doubtful Promises to Give	(206,358)	(30,622)
Gain on Extinguishment of Debt	-	(943,531)
Depreciation and Amortization	173,517	100,545
Donated Stock	(9,152)	(13,119)
Net Realized and Unrealized (Gains) Loss on Investments	(1,153,799)	5,841,230
Loss on Disposal of Asset	6,597	5,000
Operating Leases	2,485,017	132,956
Effects of Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts Receivable, Prepaid and Other Assets	143,209	(170,609)
Promises to Give	2,349,830	481,638
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	199,785	(261,061)
Deferred Revenue, Refundable Advance and Other Liability	3,981,590	111,113
Contributor Designations Payable	(1,148,299)	(541,917)
Grants Payable	202,215	(201,354)
Deferred Compensation Liability	249,977	25,436
Net Cash Provided (Used) by Operating Activities	4,066,261	(2,027,025)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed Asset Purchases	(2,442,921)	(72,713)
Purchase of Investments	(7,770,436)	(7,749,809)
Proceeds from Sale of Investments	10,301,518	7,725,424
Net Cash Provided (Used) Provided by Investing Activities	88,161	(97,098)
CASH FLOWS FROM FINANCING ACTIVITIES		
Draw on Line of Credit	7,150,000	2,650,000
Repayment on Line of Credit	(5,750,000)	(1,900,000)
Net Cash Provided by Financing Activities	1,400,000	750,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,554,422	(1,374,123)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	973,070	2,347,193
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,527,492	\$ 973,070
SUPPLEMENTAL NON-CASH FINANCING ACTIVITIES		
Gain on Extinguishment of Debt	\$ -	\$ 943,531

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

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

United Way of the National Capital Area (United Way NCA) is a not-for-profit organization locally governed by a volunteer board of community leaders. The mission of United Way NCA is to improve lives of underserved individuals in the National Capital Area by focusing community resources on creating measurable and lasting impact. By deploying a Collective Impact approach that is informed by data-driven and evidence-based decision-making, United Way NCA pursues its mission by improving the health, education, and economic opportunity of every person in our community, regardless of race, gender, income and ability because When None Are Ignored, All Will Thrive!

United Way NCA is uniquely positioned at the intersection of the public, private, philanthropic, and nonprofit sectors, thereby enabling it to mobilize the best resources and people to lead Collective Impact for our community. Through our community commitment and programmatic focus, United Way NCA is transforming the region and changing the lives for thousands of people in a meaningful way. United Way NCA is committed to making a positive difference in the region and being relevant to all people, cultures, and communities by being accountable for its work and results, and acting in ways that respect the dignity, uniqueness, and intrinsic worth of every person. United Way NCA holds itself accountable by infusing diversity, equity, and inclusion in everything it does. The organization's leadership, board, staff, partners, and volunteers support anti-racist work that exposes and dismantles institutional and systemic racism and all forms of injustice. United Way NCA represents a collective community that cares. It intentionally uplifts those who are marginalized because of their intersectional identities, which includes race, age, class, gender identity, sexual orientation, religion, education, ability, culture, and language. United Way NCA champions collaboration, community connections, and critical conversations that advances its journey towards equity for all people across the greater Washington, DC metro area. Achieving equity is not a sprint, but rather a lifelong marathon. At United Way NCA, there is room for all who are ready to join this journey and take bold strides and commit resources to attain equity for everyone because When None Are Ignored, All Will Thrive!

This year, despite the unprecedented challenges of the effects of the pandemic and economic downturn resulting in rising inflation and anticipated recession, United Way NCA successfully implemented the third year of its most recent five-year community commitment which builds on the learnings and successes of our previous five-year community commitment. During this phase of its strategy, United Way NCA is focused on mobilizing all sectors of the community to work together with one goal in mind – helping children and families live their best lives by reducing disparities and increasing equity by focusing on three key pillars of impact – health, education, and economic opportunity.

In terms of health, United Way NCA's Thrive United 365 health initiative provides equitable access to the distribution of health resources and improves people's lives by addressing health conditions most affecting the region. Adopting a community-based Public Health Intervention Model, Thrive United 365 supports prevention and care management strategies to create low-barrier health resource access points for communities facing enduring health disparities. This place-based work includes equitable access to COVID-19 response programs, diabetes prevention and management, and mental health first aid.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In fiscal year 2023, United Way NCA and partner organizations hosted COVID-19 education outreach, testing, vaccine, and education events to individuals and families in high-risk communities. Thrive United 365 also built and distributed kits containing food, clothing and hygiene supplies and provided prescription savings to individuals and families across the region.

In terms of education, United Way NCA's Middle School to College and Career Success initiative aims to reduce achievement disparities and improve academic outcomes for young people in the National Capital Area by providing high-quality resources through the Community School Model to support students and young adults in realizing their academic and training goals. United Way NCA partners with seven community schools designated as Title I schools, which receive federal financial assistance with high percentages of children from families with low income and students that are recipients of free and reduced meals. The Community Schools initiative supports a place-based strategy in which each school partners with community agencies and allocates resources to provide an integrated focus on academics, health and social services, youth and community development, and community engagement. This strategy aims to support community schools located in neighborhoods where structural forces linked to racism and poverty shape the experiences of young people and erect barriers to learning and school success. The seven community schools that United Way NCA partners with are based in communities where families have few resources to supplement what typical schools provide. Through United Way NCA's Community Schools initiative, student attendance, behavior, and course performance challenges were addressed; and through United Way NCA's Character Playbook program, healthy student character development and relationships were promoted. In response to the continued impact of COVID-19 on academic achievement, United Way NCA continued to support the essential needs that students and families required to attend and succeed at school, including the assembly and distribution across the region of kits containing food, school supplies, and warm clothing.

And in terms of economic opportunity, United Way NCA's economic opportunity initiatives provide information, resources, and services to eliminate debt and increase generational wealth in under-resourced communities, including a growing number of individuals and families who are working but are unable to afford basic necessities. These individuals are referred to as Asset Limited, Income Constrained, Employed (ALICE) households. They represent a growing number of individuals and families who are working and earn more than the Federal Poverty Level, but less than the basic cost of living. Since 2015, United Way NCA has operated the region's first group of Financial Empowerment Centers (FECs) to promote economic opportunity. Today, United Way NCA's five FECs offer individuals, veterans, and working families no-cost, professional high-quality financial capacity building services, such as personalized financial coaching and housing counseling. FEC programs include financial and workforce training, individual and small group coaching, tax preparation services and wealth building work. In fiscal year 2023, residents from across the region benefited from United Way NCA's volunteer income tax assistance (VITA) and the earned income tax credit (EITC) program as well as from a variety of financial coaching services ranging from free tax preparation, financial workshops, and housing counseling that are aimed at helping our region's residents get on the pathway to a stronger financial future. As a result of refunds received through United Way NCA's free tax preparation services, residents were able to plan, save and get ahead. Veterans also received free services, including financial literacy training, employment counseling, entrepreneurial skill development, and mental health and well-being assistance.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

To help fund its community impact work and operations, United Way NCA conducted a variety of fundraising activities throughout the year, with a focus on growing and diversifying funding sources. United Way NCA's primary source of revenue is generated through employer-sponsored workplace giving campaigns. In fact, United Way NCA manages one of the single largest annual workplace giving campaigns within the United Way network, raising over \$6.6 million in fiscal year 2023, the majority of which provided financial support to over four hundred accredited member nonprofit agencies and hundreds of other 501(c)(3) organizations serving the National Capital Area. United Way NCA also encourages individuals outside of the workplace to donate to its community impact work and to help enhance its operational effectiveness. In fact, donors can choose to contribute to a specific community impact program area such as health, education or economic opportunities, or to one of eleven community impact areas, including Prince George's and Montgomery Counties in Maryland, the District of Columbia, and the Northern Virginia areas of the City of Alexandria, Arlington, Fairfax, Prince William, and Loudoun Counties and the Virginia Piedmont area of Rappahannock, Fauquier, and Culpeper Counties. United Way NCA also generates revenue from special events, corporate sponsorships, and grants received from corporations, foundations, and government entities as well as fees earned from providing program management, nonprofit training, and other professional services to local area governments, municipalities, and nonprofit organizations.

A summary of United Way NCA's significant accounting policies follows:

Basis of Accounting

United Way NCA's financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) for not-for-profit organizations, including Accounting Standard Updates (ASUs) as well as United Way network-specific guidance. Under the accrual basis of accounting, revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The presentation of United Way NCA's financial statements are in conformity with the recommendations of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (the Codification). Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions, such as time or purpose restrictions. Accordingly, net assets of United Way NCA and changes therein are classified and reported as follows:

- Net assets **Without Donor Restrictions** are not restricted by any donor or grantor-imposed time, purpose, or other restrictions. Net assets without donor or grantor-imposed restrictions represent funds that are fully available, at the discretion of management and the Board of Directors, for United Way NCA to utilize in support of its mission, including programs, fundraising, and core management activities. At its discretion, the Board of Directors may designate a portion of with donor restriction net assets for specific purposes, such as the pursuit of strategic opportunities, establishing an operating reserve and promoting the organization's long-term financial viability. Since Board-designated net assets are without donor or grantor-imposed restrictions, they are reported as a component of net assets without donor restrictions.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

- Net assets **With Donor Restrictions** consist of assets whose use is limited by donor or grantor-imposed time and/or purpose restrictions. When donor or grantor-imposed restrictions expire, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid, short-term investments with original maturities of three months or less; and investments in money market funds that are carried at cost plus accrued interest, which approximates fair value. It is United Way NCA's practice to place its cash and cash equivalents and investments in high credit quality financial institutions. Balances in these accounts may exceed federally insured limits.

Investments

Investments with readily determinable fair values are reflected at fair market value. Donated securities are recorded at the fair value on the date of the gift. To adjust the carrying value, unrealized gains and losses are reported in the statements of activities as a component of investment income or loss.

United Way NCA invests in a professionally managed portfolio that contains fixed income bonds, publicly traded equities, and mutual funds. Such investments are exposed to various risks, such as market and credit.

Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

Contributions and Promises to Give

Contributions, which include paid gifts, grants, and unconditional promises to give, are recognized as revenue when payments are received or when donors and grantors make written promises to give to United Way NCA that are, in substance, unconditional. Contributions are available for without donor restriction use unless specifically restricted by the donor or grantor. Contributions with donor or grantor-imposed time or purpose restrictions are recorded as net assets with donor restrictions.

When donor or grantor-imposed time restrictions expire or purpose restrictions are fulfilled, those net assets with donor or grantor-imposed restrictions are reclassified to net assets without donor restrictions. These reclassifications are reported as net assets released from restriction on the statement of activities. Contributions with donor or grantor-imposed conditions, such as a matching gift or grant, are recognized as revenue when the conditions have been substantially met.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provision for Uncollectible Promises to Give

Unconditional promises to give (pledges) are recognized as revenue in the period acknowledged. Conditional promises to give are recognized when the conditions on which they depend are substantially met. The provision for doubtful accounts is based on management's evaluation of the collectability of promises to give. Management determines the allowance for doubtful accounts by regularly evaluating promises to give and considering current and projected financial and economic conditions, including the impact from health emergencies, government shutdowns, economic recessions, and historical collection trends.

Property and Equipment

Property and equipment are recorded at cost and depreciated on the straight-line basis over their estimated useful lives, which range from three to ten years. United Way NCA capitalizes all individual property and equipment acquisitions greater than \$10,000.

Impairment of Long-Lived Assets

United Way NCA reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the asset's carrying amount to future undiscounted net cash flows expected to be generated by the asset.

If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Right-of-Use Asset, Lease Liability, and Lease Expense

In order to enable financial statement users to assess the amount and timing of cash flows arising from leases pursuant to ASC 842 - Lease Accounting, United Way NCA accounts for operating leases with terms of more than one year and material balances as a right-of-use asset representing its right to use the underlying asset for the lease term and a lease liability representing its obligation to make lease payments for the right to use that asset during the lease term.

Both the right-of-use asset and lease liability are recorded on the statement of financial position and are adjusted each month as United Way NCA uses its leased assets to support its mission and as it makes payments to extinguish its lease liability. United Way NCA also records a single lease cost, calculated so that the cost of each operating lease is allocated over the lease term on a straight-line basis; by classifying all cash payments within operating activities in the statement of cash flows; and by requiring additional qualitative and quantitative footnote disclosures about key information pertaining to its operating leasing arrangements.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right-of-Use Asset, Lease Liability, and Lease Expense (Continued)

United Way NCA's quantitative footnote disclosures include three primary categories: lease expense, maturity analysis, and other lease-related information. Lease expense is reported on United Way NCA's statement of activities and includes straight-line lease expense from operating leases, including material operating leases with terms of one year or less. The maturity analysis includes, as in the past, undiscounted cash flows of United Way NCA's operating leases. It also includes, pursuant to the new accounting update, the present value of future lease payments which are reported on the statement of financial position as total lease liability. Other information includes total cash paid; any new right-of-use assets added during the year; the weighted-average remaining lease term as of the end of the reporting period; and the weighted-average of all the discount rates of leases as of the end of the reporting period.

United Way NCA's qualitative disclosures include, among other things, information about existing leases, including a general description of those leases; the basis on which fixed lease payments may increase or decrease; the terms and conditions of options to extend or terminate the lease, including a narrative disclosure about the options that are recognized as part of its right-of-use assets and related lease liabilities and those that are not; future leases that have not yet begun, but will add significant right-of-use assets and lease liabilities to the statement of financial position; the organization's involvement with the design and/or construction of the underlying asset; and how each operating lease's discount rate was determined.

Contributor Designations Payable

Certain campaign contributions and pledges made to United Way NCA are designated to other agencies. These campaign contributions and pledges are recognized as campaign results and contributor designations to participating agencies. United Way NCA disburses the amounts to agencies after contributions are received and pledges collected. The balance of unpaid pledges designated to agencies remains as a liability until the pledges are collected and paid or until the annual campaign is officially closed. United Way NCA is acting as an agent or trustee to transfer designated contributions to agencies, and in doing so, has no discretion over the use of designated contributions.

United Way NCA also records campaign contributions and pledges processed by a third-party processor where the contributor pays the third-party processor who pays the designated agency directly (pay direct). United Way NCA is not involved with the receipt or disbursement of these pledges; therefore, no corresponding pledge receivable or contributor designations payable are recorded. The total of pay direct campaign results and contributor designations for the years ended June 30, 2023 and 2022, were \$3,174,014 and \$3,588,199, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributor Designations Payable (Continued)

As a recognized federation of the Combined Federal Campaign (CFC), United Way NCA honors designations made to each member nonprofit organization by distributing a proportionate share of receipts based on donor designations to each member nonprofit organization per CFC regulations established by the Office of Personnel Management (OPM). United Way NCA disburses those receipts to designated nonprofit organizations based on the cash received from donors who designate to those specific nonprofit organizations. Designations are paid to nonprofit organizations net of fundraising, processing, and administrative fees.

As a general matter, in addition to up-front credit card and cash contributions, campaigns allow employee pledges to be paid through payroll deductions for the upcoming calendar or fiscal year depending on the specific campaign. Campaigns are officially closed after the final campaign has been audited and all donations that United Way NCA has received are paid out to the appropriate designated nonprofit organizations. The 2020 and all prior-year campaigns are officially closed.

Revenue Recognition Policy

The information provided below is designed to enable users of these financial statements to understand the nature, amount, and timing of the revenue that was recognized when the promise of goods or services were transferred to customers in an amount that reflected the consideration received by United Way NCA in exchange for delivering those goods or rendering those services.

Campaign Results and Other Support

Campaign contributions and pledges designated to United Way NCA are recognized as revenue when promises to give are acknowledged in writing and are recorded as either donations with or without restrictions, depending on the existence and/or nature of any donor-imposed restrictions.

All donor-restricted contributions and pledges are reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is satisfied), net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restriction.

Campaign contributions and pledges designated to other agencies, which are recognized as campaign results with a corresponding entry to contributor designations to participating agencies, are reported as an increase and corresponding decrease in net assets without donor restrictions during the same fiscal year.

**UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022**

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition Policy (Continued)

Campaign Results and Other Support (Continued)

In addition to workplace campaign contributions and pledges designated to United Way NCA or other nonprofits, Campaign Results and Other Support also include results from special fundraising initiatives, including the community-inspired day of giving event titled “Do More 24”, which just completed its eleventh season. This year’s results included over 2,900 donors giving to over 150 organizations to support families in the greater Washington, D.C. area. The event was held on May 17 and May 18 for fiscal years 2023 and 2022, respectively. Money raised from Do More 24 was included in Campaign Results and Other Support and consists of the following for the years ended June 30, 2023 and 2022.

	2023	2022
Fundraising	\$ 459,725	\$ 521,714
Sponsorships	65,000	82,636
Total	\$ 524,725	\$ 604,350

Fee Revenue from Fundraising Campaigns

United Way NCA earns fee revenue to support campaign fundraising and administration activities including vetting nonprofit organizations, conducting workplace campaign efforts, managing donor relation activities, and distributing designated contributions. These fees are paid either directly by the sponsoring company or deducted from designated contributions and pledges. In recognition that substantially all of these services are performed during United Way NCA’s fiscal year, combined with the fact that the time period provided by sponsoring companies for their employees to make annual pledges and contributions also occur during the fiscal year, the entire campaign fundraising and administration fee is recognized during the fiscal year in which the pledge or contribution is made. United Way NCA also earns annual application fees from local area nonprofits who desire to become a member of United Way NCA’s network of non-profit partners. United Way NCA’s nonprofit partners must meet a strict set of eligibility criteria as part of an annual partner application process. The application process provides assurance to donors, campaign sponsors and supporters that United Way NCA’s nonprofit partners meet the highest standards of financial transparency and accountability.

In recognition that the annual partnership year runs from July 1 through June 30 (which coincides with United Way NCA’s fiscal year), and the annual application process begins in November and ends three months later in January (which takes place inside of United Way NCA’s fiscal year), revenue from application fees is recognized and the performance obligations are satisfied within the same fiscal year.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition Policy (Continued)

Fee Revenue from Fundraising Campaigns (Continued)

Revenue from campaign fundraising and administration fees for the years ended June 30, 2023 and 2022 are as follows:

	2023	2022
Campaign Fees	\$ 748,177	\$ 857,407
Application and Listing Fees	242,088	262,669
Total	<u>\$ 990,265</u>	<u>\$ 1,120,076</u>

United Way NCA does not record a fee on pay directs since it does not fundraise for or administer those campaigns; they are administered by a third-party processor for a fee.

Non-Campaign Contributions, Grants, and Contracts

United Way NCA receives contributions and grants from individuals, corporations, foundations, and government agencies that are unrelated to a workplace or other federated fundraising campaign. Unconditional, non-reciprocal, and without donor restriction contributions and grants are recorded as revenue in the period the commitments are accepted by United Way NCA and classified as net assets without donor restrictions. Contributions and grants containing donor or grantor-imposed use or time restrictions which are not satisfied during the current accounting period are initially recorded as revenue in the period the commitments are accepted by United Way NCA and classified as net assets with donor restrictions until the restrictions are satisfied, at which point they are released from restriction and classified as net assets without donor restrictions.

Conditional contributions and grants are recorded as revenue in the period the conditions are satisfied. Contributions and grants that are deemed to be reciprocal transactions of equal value are treated as exchange transactions and recorded as revenue when the earnings process is complete. The receipt of contributions and grants designated to another entity, for which United Way NCA has no variance or decision-making power to alter the ultimate recipients or other important terms and conditions of the transactions are recorded as fiscal agency transactions.

United Way NCA enters into contracts with government agencies and other organizations to perform a variety of services in exchange for fees or reimbursement of qualifying expenses. The types of services performed include, but are not limited to, program and grants management services, fiscal agency services, and organizational training and development services. To the extent these contracts and related services are considered exchange transactions, whereby United Way NCA receives cash or other assets in exchange for providing services of approximately equal value, fee revenue is recognized when services are rendered, deliverables are met, and/or related expenses are incurred, depending on the terms of each contract. Revenue from contracts with customers for the years ended June 30, 2023 and 2022 was \$208,305 and \$171,108, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition Policy (Continued)

Contributed Non-financial Assets and Contributed Services

Pursuant to the existing Financial Accounting Standards Board ASC 958-605, United Way NCA records and reports contributed non-financial assets and specialized services meeting the criteria for in-kind donations as revenue in the operating section of its statement of activities on the date the contribution is made known, regardless of the date on which the material or service is received. Furthermore, United Way NCA records and reports contributed non-financial assets and services at fair market value, which ASC topic 820 defines as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” United Way NCA also records and reports at the fair market value an offsetting expense in the proper natural expense category on its statement of functional expenses. However, if the contributed item or service is an asset that exceeds United Way NCA’s capitalization policy, the asset is recorded in the proper fixed asset category on the statement of financial position and revenue is recognized for the asset’s fair market value.

During the previous fiscal year, United Way NCA adopted ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to provide more transparency about the measurement and use of contributed nonfinancial assets, such as materials and supplies while maintaining the existing recognition and measurement requirements described above. Consistent with the standard, United Way NCA presents contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets and also provides additional footnote disclosures, including a disclosure of a disaggregation of the amount of contributed nonfinancial assets by type such as medical, education, and hygiene supplies; and specialized services to name a few.

However, despite the fact that a substantial number of volunteers have donated significant amounts of time in support of United Way NCA’s programs and fundraising campaigns, these donated services are not reflected in the financial statements since they do not meet the criteria for recognition as contributed services pursuant to existing accounting guidance.

Allocation of Expenses by Activities

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Costs incurred to provide United Way NCA's programs and supporting services have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, compensation costs are allocated by a department-level estimate of time and effort. Other office, occupancy, and operating expenses are allocated by organization-wide estimates of time and effort.

Advertising

Advertising costs are expensed when incurred or when donated to United Way NCA. Advertising expense for the years ended June 30, 2023 and 2022 was \$321,322 and \$377,734, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income and Other Taxes

United Way NCA is generally exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, and therefore qualifies as an organization eligible to receive deductible charitable contributions and has been classified as an organization that is not a private foundation. Income that is unrelated to the organization's tax-exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, United Way NCA may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. Management evaluated United Way NCA's tax positions and concluded that United Way NCA had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Cash Receipts Policy

United Way NCA receives donor pledge payments year-round. Pledge payments received are first applied to any remaining prior year campaign balance, if applicable, and then to the current campaign. Donor intent is always considered.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of campaign results, revenue, and expenses during the reporting period. Actual amounts could differ from those estimates.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 1 – NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events

United Way NCA evaluated subsequent events through November 28, 2023, which is the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2023, but prior to November 28, 2023, that provided additional evidence about conditions that existed on June 30, 2023, have been recognized in the financial statements for the year ended June 30, 2023. However, events or transactions that provided evidence about conditions that did not exist on June 30, 2023 but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2023. There were no events that required adjustments to or disclosure in United Way NCA's financial statements for the year ended June 30, 2023.

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The Codification Topic on *Fair Value Measurements* requires disclosures of financial position in periods subsequent to initial recognition, whether the measurements are made on a recurring basis or a nonrecurring basis, establishes a framework for measuring fair value in GAAP and expands disclosure about fair market value measurements. The Fair Value Topic applies to all assets and liabilities that are being measured and reported on a fair value basis. This statement enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. The statement requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1** Inputs to the valuation methodology are unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2** Inputs to the valuation methodology include (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in inactive markets, (c) inputs other than quoted prices that are observable for the asset or liability, and (d) 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 for the asset or liability, significant to the fair value measurement, and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value are based upon the best information in the circumstances and may require significant judgment or estimation.

The asset 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 used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

In determining the appropriate levels, United Way NCA performs a detailed analysis of the assets and liabilities that are subject to the Fair Value Topic. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

The equity securities and equity and fixed income mutual funds are publicly traded on the New York Stock Exchange and are considered Level 1 items. The fair value of corporate bonds is determined based on quoted market prices, when available, or market prices provided by recognized broker dealers; thus, they are categorized as Level 2. The government fixed income bonds and foreign bank fixed income bonds are priced based on their stated interest rates and quality ratings. The interest and quality ratings are observable at commonly quoted intervals for the full term of the instruments and are, therefore, considered Level 2 items. The deferred compensation liability is based on the fair value of the deferred compensation plan assets that are observable inputs, and are, therefore, considered Level 1. There were no Level 3 investments as of June 30, 2023 and 2022.

The tables below present the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy as of June 30:

	2023			Total
	Level 1	Level 2	Level 3	
Assets:				
Fixed Income Bonds:				
U.S. Government Long-Term Duration	\$ -	\$ 9,013,112	\$ -	\$ 9,013,112
U.S. Bank Corporate Bonds	-	12,189,182	-	12,189,182
Total Fixed Income Bonds	-	21,202,294	-	21,202,294
Equities:				
iShares S&P 500 Index Fund	5,712,502	-	-	5,712,502
Non-U.S. Equity	3,508,975	-	-	3,508,975
Small Cap Core	845,611	-	-	845,611
Large Cap Value	1,618,613	-	-	1,618,613
Large Cap Growth	1,526,008	-	-	1,526,008
Total Equities	13,211,709	-	-	13,211,709
Fixed Income Mutual Fund	2,651,119	-	-	2,651,119
Total Investments	<u>\$ 15,862,828</u>	<u>\$ 21,202,294</u>	<u>\$ -</u>	<u>\$ 37,065,122</u>
Investments Held for Deferred				
Compensation Plan:				
U.S. Equity Mutual Fund	<u>\$ 852,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 852,065</u>
Liability: Deferred Compensation	<u>\$ 852,065</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 852,065</u>

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 2 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (CONTINUED)

	2022			Total
	Level 1	Level 2	Level 3	
Assets:				
Fixed Income Bonds:				
U.S. Government Long-Term Duration	\$ -	\$ 10,222,044	\$ -	\$ 10,222,044
U.S. Bank Corporate Bonds	-	13,694,010	-	13,694,010
Total Fixed Income Bonds	-	23,916,054	-	23,916,054
Equities:				
iShares S&P 500 Index Fund	5,129,109	-	-	5,129,109
Non-U.S. Equity	3,601,081	-	-	3,601,081
Small Cap Core	795,670	-	-	795,670
Large Cap Value	1,591,656	-	-	1,591,656
Large Cap Growth	1,322,342	-	-	1,322,342
Total Equities	12,439,858	-	-	12,439,858
Fixed Income Mutual Fund	2,716,139	-	-	2,716,139
Total Investments	<u>\$ 15,155,997</u>	<u>\$ 23,916,054</u>	<u>\$ -</u>	<u>\$ 39,072,051</u>
Investments Held for Deferred Compensation Plan:				
U.S. Equity Mutual Fund	<u>\$ 213,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,267</u>
Liability: Deferred Compensation	<u>\$ 213,267</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 213,267</u>

Investment income as of June 30, 2023 and 2022 consists of the following:

	2023	2022
Interest Income	\$ 577,239	\$ 571,756
Unrealized Gains (Losses)	1,061,125	(7,254,092)
Realized Gains	92,674	1,412,862
Dividends	398,966	403,394
Investment Fees	(184,869)	(224,271)
Total	<u>\$ 1,945,135</u>	<u>\$ (5,090,351)</u>

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 3 – PROMISES TO GIVE

All promises to give, as of June 30, 2023 and 2022 are due within one year and consist of the following:

	2023	2022
Promises to Give	\$ 7,143,454	\$ 9,493,284
Calculation for Doubtful Promises to Give:		
Allowance for Doubtful Promises to Give - Beginning of Year	(1,484,439)	(1,515,061)
Write-Off of Doubtful Promises to Give and Other Adjustments	834,017	765,381
Current Year Provision for Cancellations and Uncollectible Promises to Give	(627,659)	(734,759)
Allowance for Doubtful Promises to Give - End of Year	(1,278,081)	(1,484,439)
Promises to Give, Net	\$ 5,865,373	\$ 8,008,845
	2023	2022
Provision for Doubtful Promises to Give - Current Year Campaign	\$ 627,659	\$ 734,759
Provision for Doubtful Promises to Give - Prior Year Campaigns	650,422	749,680
Allowance for Doubtful Promises to Give	\$ 1,278,081	\$ 1,484,439

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 4 – LIQUIDITY

United Way NCA’s financial assets available for general expenditure within one year of the date of the consolidated statements of financial position are as follows:

	2023	2022
Cash and Cash Equivalents	\$ 6,527,492	\$ 973,070
Investments	37,065,122	39,072,051
Promises to Give, Net	5,865,373	8,008,845
Accounts Receivable	127,766	117,260
Total Financial Assets Available Within One Year	49,585,753	48,171,226
Less:		
Amounts Unavailable for General Expenditures Within One Year, due to:		
Restricted By Donors In Perpetuity	(175,000)	(175,000)
Restricted By Donors With Purpose Restrictions	(1,863,989)	(2,269,163)
Total Amounts Unavailable For General Expenditures Within One Year	(2,038,989)	(2,444,163)
Amounts Unavailable to Management Without Board's Approval:		
Board-Designated Net Assets	(25,360,566)	(30,085,019)
Total Amounts Unavailable to Management Without Board's Approval:	(25,360,566)	(30,085,019)
Total Financial Assets Available To Management For General Expenditure Within One Year	\$ 22,186,198	\$ 15,642,044

United Way NCA maintains a policy of structuring its financial assets, including 100% of its investment portfolio, to be available as general expenditures, liabilities, and other obligations come due. Furthermore, in response to the timing differences between the annual receipt and disbursement of cash, United Way NCA deploys its \$3,000,000 unsecured line of credit whenever necessary to satisfy its financial obligations in a timely manner without prematurely selling its investments. Additionally, United Way NCA has board-designated net assets without donor restrictions that, while United Way NCA does not intend to spend these for purposes other than those identified, the amounts could be made available for current operations, if necessary.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment and accumulated depreciation and amortization, as well as, depreciation and amortization expense, for the years ended June 30, 2023 and 2022, consist of the following:

	Estimated Useful Lives	2023			Depreciation and Amortization Expense
		2023 Cost	Accumulated Depreciation and Amortization	Net Property	
Property and Equipment	3 - 10 Years	\$ 579,680	\$ (92,618)	\$ 487,062	\$ 41,772
Leasehold Improvements	10 Years	1,943,533	(67,430)	1,876,103	118,212
Website Development	3 Years	40,600	(21,428)	19,172	13,533
Total		<u>\$ 2,563,813</u>	<u>\$ (181,476)</u>	<u>\$ 2,382,337</u>	<u>\$ 173,517</u>

	Estimated Useful Lives	2022			Depreciation and Amortization Expense
		2022 Cost	Accumulated Depreciation and Amortization	Net Property	
Property and Equipment	3 - 10 Years	\$ 700,497	\$ (664,454)	\$ 36,043	\$ 7,185
Leasehold Improvements	10 Years	893,890	(843,109)	50,781	85,465
Website Development	3 Years	40,600	(7,894)	32,706	7,895
Total		<u>\$ 1,634,987</u>	<u>\$ (1,515,457)</u>	<u>\$ 119,530</u>	<u>\$ 100,545</u>

NOTE 6 – ACCOUNTS RECEIVABLE AND DEFERRED REVENUE FROM CONTRACT WITH CUSTOMERS

Accounts receivable and deferred revenue from contracts with customers is as follows as of the years ended June 30:

	2023	2022	2021
Accounts Receivable	\$ 127,766	\$ 117,760	\$ 52,120
Deferred Revenue	3,400	4,875	-

NOTE 7 – CONTRIBUTOR DESIGNATIONS PAYABLE

Contributor designations payable of \$5,170,384 and \$6,318,683 as of June 30, 2023 and 2022, respectively, are considered payable out of the current year's campaign funds and, accordingly, have been included as liabilities in the accompanying statements of financial position.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 8 – LINE OF CREDIT

United Way NCA maintains a \$3.0 million unsecured line of credit (LOC) with an annual interest rate equal to the Daily Bloomberg Short Term Bank Rate (BSBY) plus 1.25% that is assessed daily on the used portion of the LOC and a 10-basis point commitment fee that is assessed daily on the unused portion of the LOC. The LOC contains a renewable one-year term that expires February 4, 2024. Any borrowings under the line of credit are assessed interest at the prevailing rate; any monthly accrued but unpaid interest is due and payable at the end of each month; and any outstanding principal balance and accrued but unpaid interest is due and payable at the expiration date. As of June 30, 2023 and 2022, there was an outstanding principal balance of \$2,150,000 and \$750,000, respectively. United Way NCA plans to request a renewal on or before the scheduled expiration date.

NOTE 9 – PLANNED GIVING/LIFE INSURANCE

United Way Life

As part of a planned giving program called United Way Life, which is sponsored by United Way Worldwide (UWW), United Way NCA has purchased life insurance policies on behalf of two donors. One policy was purchased during fiscal year 2017 and another during fiscal year 2015. The United Way Life program allows donors to utilize life insurance to accomplish their philanthropic objectives by enabling them to create a legacy gift that will benefit the future. The donor contributes an amount sufficient to cover the annual premiums. Additionally, gifts designated by donors to enhance the United Way Life program provide funds for “matching” premiums which increases the value of the policy. The life insurance policy is issued as one single policy. The cash surrender value of the policy is included in other assets in the statements of financial position.

As described in more detail below, United Way NCA is the sole beneficiary of the policy purchased during the year ended June 30, 2017, and a joint beneficiary of the policy purchased during the fiscal year ended June 30, 2015.

During fiscal year ended June 30, 2017, United Way NCA received a legacy gift that will be funded by death benefits of a life insurance policy issued by United of Omaha Life Insurance Policy that names United Way NCA as the sole owner and beneficiary of the policy’s death benefits. The policy, in the amount of \$250,000 was paid in full to United Way NCA upon maturation in FY21 to support the future growth of United Way NCA’s programs, services, and operations. The donor of the legacy gift agreed to keep the policy in full force and effect by making five consecutive annual contributions in the amount of \$2,954 to United Way NCA on or before the payment due date. United Way NCA used the donor’s annual contribution along with annual matching funds in the amount of \$2,954 (provided by a former donor) to remit to United of Omaha Life Insurance Company timely annual premium payments of \$5,908 per year for five consecutive years. Each annual premium due on or before June 30, 2022, was paid in full.

The cash surrender value was \$19,419 and \$15,717 as of June 30, 2023, and June 30, 2022, respectively. United Way NCA may obtain a loan secured by the policy’s cash surrender value. The loan would bear interest at an annual effective interest rate of 4.76% if the loan is requested prior to policy year ten and 2.44% thereafter. There was no outstanding principal balance or unpaid accrued interest as of June 30, 2023, and June 30, 2022, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 9 – PLANNED GIVING/LIFE INSURANCE (CONTINUED)

During the fiscal year ended June 30, 2015, United Way NCA received a legacy gift that will be funded by death benefits of a joint and last survivor life insurance policy issued by United of Omaha Life Insurance Policy that names United Way NCA as the sole owner and co-beneficiary of the policy's death benefits. The policy, in the amount of \$304,725, will be paid to United Way NCA upon maturation; \$204,725 will be disbursed to United Way NCA supporting the future growth of United Way NCA's programs, services, and operations, and \$100,000 will be dispersed by United Way NCA to a local university. In lieu of five consecutive annual premium payments, a one-time \$42,000 premium was paid during fiscal year 2015 to United of Omaha Life Insurance Company. The cash surrender value was \$26,825, and \$26,261 as of June 30, 2023 and 2022, respectively. United Way NCA may obtain a loan secured by the policy's cash surrender value. The loan would bear interest at an annual effective interest rate of 6.00%. There was no outstanding principal balance or unpaid accrued interest as of June 30, 2023, and June 30, 2022, respectively.

NOTE 10 – PROGRAM GRANTS

Total expense for program grants was \$5,179,583 and \$2,193,396 for the years ended June 30, 2023 and 2022, respectively.

Unpaid grants are due to be paid within one year and the grants payable amount as of June 30, 2023 and 2022, approximates the present value of future grant payments. Total grants payable as of June 30, 2023 and 2022, was \$1,056,211 and \$853,996, respectively.

NOTE 11 – CONTRIBUTED NONFINANCIAL ASSETS AND CONTRIBUTED SERVICES

Pursuant to new and existing accounting guidance governing the accounting for contributed nonfinancial assets and contributed services as described in more detail in Note 1, United Way NCA recognized contributed nonfinancial assets and contributed services as a separate revenue line item on the Statement of Activities,, including healthcare and educational supplies and materials in support of United Way NCA's Project Community Connect, Stuff the Bus, Thrive United 365 and other signature programs, along with specialized advertising and media services in support of United Way NCA's signature Do More 24 Campaign as well as a variety of program, fundraising, and awareness activities. All amounts recognized were valued and reported at the estimated fair value in the financial statements based on current rates for similar advertising and media services and supplies.

More specifically, United Way NCA received advertising services in support of the Do More 24 fundraising initiatives as well as other contributed advertising services in support of other community impact initiatives.

Contributed advertising services for the years ended June 30, 2023 and 2022, was \$48,900 and \$82,000, respectively.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 11 – CONTRIBUTED NONFINANCIAL ASSETS AND CONTRIBUTED SERVICES (CONTINUED)

Furthermore, United Way NCA also recorded contributed media services resulting from its beneficiary relationship with United Way Worldwide (UWW), which maintains a relationship with the National Football League (NFL), the Ad Council, and other organizations for the benefit of local United Ways. UWW underwrites the cost to produce Public Service Announcements (PSAs) that promote health, education, and economic opportunity that feature individuals who are involved in various local United Way community volunteer activities. The NFL, the Ad Council, and other organizations furnish the media space (television and radio airtime, newspaper and magazine print space, billboards, etc.) throughout the year to disseminate PSAs for the benefit of and at no cost to the United Way network. Beginning in fiscal year 2015, United Way NCA began recording a portion of the value of these services. For the years ended June 30, 2023 and 2022, the related value of contributed media services was \$138,989 and \$137,338, respectively.

And lastly, United Way of NCA received \$0 and \$200 in protective masks for the years ended June 30, 2023 and 2022, respectively in support of program initiatives.

For the years ended June 30, contributed nonfinancial assets and contributed services recognized within the statement of activities included:

	<u>2023</u>	<u>2022</u>
Advertising	\$ 48,900	\$ 82,000
Media	138,989	137,338
Supplies	-	200
Total	<u>\$ 187,889</u>	<u>\$ 219,538</u>

NOTE 12 – OTHER REVENUE

Other revenue includes contributions in support of United Way NCA’s Signature Events, including but not limited to Project Community Connect, Do More 24, Stuff the Bus, and Loudon County Regional Council Top Golf Event. Other revenue also includes numerous employee volunteer engagement events hosted in partnership with many of United Way NCA’s corporate partners.

Other revenue for the years ended June 30, 2023 and 2022 consists of the following:

	<u>2023</u>	<u>2022</u>
Special Events	\$ 175,723	\$ 191,484
Miscellaneous	91,395	69,326
Total	<u>\$ 267,118</u>	<u>\$ 260,810</u>

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 13 – OPERATING LEASE OBLIGATIONS

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02 – *Leases* (Topic ASC 842). The FASB issued this update to increase transparency and comparability among organizations (i) by requiring a lessee of an operating lease with a term of more than one year to recognize in the statement of financial position a right-of-use asset representing its right to use the underlying asset for the lease term and a liability representing its obligation to make lease payments (a lease liability) for the lease term; (ii) by recognize a single lease cost, calculated so that the cost of the operating lease is allocated over the lease term on a generally straight-line basis; (iii) by classifying all cash payments within operating activities in the statement of cash flows; and (iv) by requiring additional qualitative and quantitative footnote disclosures about key information pertaining to operating leasing arrangements. Even though ASC 842 did not become effective for not-for-profit entities until their fiscal years began after December 15, 2021, United Way NCA adopted ASC 842 for its fiscal year beginning July 1, 2021, one year earlier than required.

Existing Operating Leases in the District of Columbia and Vienna, Virginia

United Way NCA leased office space in the District of Columbia and Vienna, Virginia pursuant to the terms of two non-cancelable office leases with initial terms that approximated 10 years which commenced in 2013. The District of Columbia office lease expired December 31, 2022, and the Vienna, Virginia office lease expired March 31, 2023.

New Operating Lease in the District of Columbia

General Lease Description

Effective April 29, 2022, United Way NCA entered into a noncancellable operating lease agreement with terms that include an initial 12 year lease term expiring December 31, 2034; initial monthly fixed rent commencing January 1, 2023 escalating 2.5% per lease year thereafter; prorated share of annual increases in operating costs and taxes; full rent abatement for the first 12 months; a tenant improvement and furniture allowance of \$1,672,397; an option to renew the lease for an additional five years at fair market rent; and an option to terminate the lease after the eighth lease year. The original tenant improvement and furniture allowance as of June 30, 2022, was \$1,764,000, which was subsequently amended to \$1,672,397 as of January 1, 2023. Related right-of-use asset and lease liability were subsequently remeasured following the amendment in the tenant improvement and furniture allowance.

Lease Term and Discount Rate

The lease term and discount rate for this lease for the year ended June 30, 2023 is as follows:

- The effective date of the lease is April 29, 2022
- The lease commencement date is April 29, 2022 (date of possession)
- The rent commencement date is January 1, 2023
- The remaining lease term is 11 years and 6 months (as of June 30, 2023)
- The discount rate is 4.75% which represents United Way NCA's incremental borrowing rate

**UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022**

NOTE 13 – OPERATING LEASE OBLIGATIONS (CONTINUED)

New Operating Lease in the District of Columbia (Continued)

Lease Term and Discount Rate (Continued)

The following table represents future fixed rent payments due under the lease agreement in the next five years and thereafter, and the present value of those future fixed rent payments, net of rent abatements and tenant allowances. This calculation is used to determine the right-of-use asset and lease liability. United Way NCA's right to renew the lease or terminate the lease early were not factors that impacted the initial calculation of the right-of-use asset and lease liability because it is currently uncertain as to whether either of those tenant rights will be exercised in the future.

<u>Future Fixed Rent Payments, Net of Future Lease Incentives</u>	<u>Amount</u>
Future fixed rent payments in FY 2024, net of rent abatement	\$ 132,262
Future fixed rent payments in FY 2025	526,427
Future fixed rent payments in FY 2026	549,054
Future fixed rent payments in FY 2027	562,780
Future fixed rent payments in FY 2028	576,850
Future fixed rent payments thereafter	<u>4,115,497</u>
Total undiscounted cash outflows before tenant allowance	6,462,870
Total future cash outflows representing interest	<u>(1,735,635)</u>
Total discounted cash outflows before tenant allowance	<u><u>\$ 4,727,235</u></u>

Right-of-Use Asset and Lease Liability

The value of the right-of-use asset and lease liability as of June 30, 2023, is as follows:

- The value of the right-of-use asset is \$2,765,733
- The present value of the lease liability is \$4,840,624

Lease Expense

Straight-line lease expense for this particular lease for the fiscal year ended June 30, 2023 was \$381,825.

New Operating Lease in Vienna, Virginia

General Lease Description

Effective April 29, 2022, United Way NCA entered into a noncancellable operating lease agreement with terms that include an initial 11 year and 5 month lease term expiring August 31, 2034; initial monthly fixed rent commencing April 1, 2023 escalating 2.5% per lease year thereafter; prorated share of annual increases in operating costs and taxes; full rent abatement for the first 17 months; a tenant improvement allowance of \$522,804; an option to renew the lease for an additional five years at fair market rent; and an option to terminate the lease after the eighth lease year.

**UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022**

NOTE 13 – OPERATING LEASE OBLIGATIONS (CONTINUED)

New Operating Lease in Vienna, Virginia (Continued)

Lease Term and Discount Rate

The different types of lease terms and the discount rate for this lease as of the year ended June 30, 2023 is as follows:

- The effective date of the lease is April 29, 2022
- The lease commencement date is March 16, 2023
- The rent commencement date is April 1, 2023
- The lease term is 11 years and 5.5 months
- The discount rate is 6.25% which represents United Way NCA’s incremental borrowing rate

The following table represents future fixed rent payments due under the lease agreement in the next five years and thereafter, net of rent abatements. This calculation is used to determine the right-of-use asset and lease liability. Furthermore, in recognition that the tenant allowance of \$522,804 is payable before the lease commencement date (defined as the date tenant can possess the lease premises, which was March 16, 2023), it is included in determining the value of the right-of-use asset.

<u>Future Fixed Rent Payments, Net of Future Lease Incentives</u>	<u>Amount</u>
Future fixed rent payments in FY 2024, net of rent abatement	\$ 15,385
Future fixed rent payments in FY 2025	185,770
Future fixed rent payments in FY 2026	190,414
Future fixed rent payments in FY 2027	195,174
Future fixed rent payments in FY 2028	200,054
Future fixed rent payments thereafter	<u>1,349,224</u>
Total undiscounted cash outflows before tenant allowance	2,136,021
Total future cash outflows representing interest	<u>(684,164)</u>
Total discounted cash outflows before tenant allowance	<u><u>\$ 1,451,857</u></u>

Right-of-Use Asset and Lease Liability

The value of the right-of-use asset and lease liability as of June 30, 2023, is as follows:

- The value of the right-of-use asset is \$931,579
- The present value of the lease liability is \$1,474,660

Lease Expense

Straight-line lease expense for this lease for the fiscal year ended June 30, 2023 was \$35,663.

**UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022**

NOTE 13 – OPERATING LEASE OBLIGATIONS (CONTINUED)

Weighted-Average Lease Disclosures

ASC 842 requires United Way NCA, as lessee, to calculate and disclose the weighted-average remaining lease term based on the remaining lease term and the lease liability balance for each lease as of the reporting date. Pursuant to this requirement, the weighted-average remaining lease term for United Way NCA’s operating leases subject to ASC 842 as of June 30, 2023 is 136 months.

ASC 842 also requires United Way NCA, as lessee, to calculate the weighted-average discount rate based on the discount rate used to calculate the lease liability balance and the remaining balance of the lease payments for each lease as of the reporting date. Pursuant to this requirement, the weighted-average discount rate for United Way NCA’s operating leases subject to ASC 842 as of June 30, 2023 is 5.12%.

Total Lease Expense and Cash Flow

In accordance with FASB Accounting Standards Codification 842, United Way NCA records rent expense on a straight-line basis over the term of the lease. Total straight-line lease expense for all operating leases for the fiscal year ended June 30 is as follows:

	2023	2022
Total Lease Expense	<u>\$ 771,185</u>	<u>\$ 623,860</u>

Total operating cash flows from operating leases for the fiscal year ended June 30 is as follows:

	2023	2022
Operating Cash Flows from Operating Leases	<u>\$ 504,387</u>	<u>\$ 728,515</u>

NOTE 14 – RETIREMENT AND DEFERRED COMPENSATION PLANS

403(b) Plan

United Way NCA sponsors a defined contribution 403(b) plan which allows eligible employees to make elective pre-tax contributions; and to receive matching contributions, discretionary Safe Harbor contributions and discretionary non-elective contributions. Eligible employees may elect to participate by contributing a percentage or dollar amount—up to the limits established by the Internal Revenue Service (IRS)—on a pre-tax basis, referred to as elective deferrals. This contribution allows plan participants to defer federal income taxes until retirement by setting aside a portion of their current salary.

United Way NCA makes a uniform matching contribution equal to 200% of a plan participant’s elective deferrals not to exceed 2% of the participant’s compensation. United Way NCA also applies a basic Safe Harbor provision during the plan year equal to 4% of a plan participant’s compensation. There are no tenure requirements in order for a plan participant to receive the Safe Harbor Contribution. United Way NCA made a Safe Harbor contribution in each of the last two years and has declared a Safe Harbor contribution for 2022 which was paid on September 28, 2023.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 14 – RETIREMENT AND DEFERRED COMPENSATION PLANS (CONTINUED)

403(b) Plan (Continued)

Employees are always fully vested in their elective deferrals, including any catch-up contributions, rollover contributions or discretionary non-elective Safe Harbor contributions. However, employer contributions are subject to the following vesting schedule: 0% for less than two years of service; 40% for two years of service; 60% for three years of service; 80% for four years of service; and 100% for five years of service.

Total defined contribution plan contributions reported in the statements of activities for the years ended June 30, 2023 and 2022, were \$316,037 and \$203,895, respectively.

457(b) Plan

United Way NCA sponsors a deferred compensation plan under Section 457(b), which provides certain key executives (participants) the opportunity to participate in a deferred compensation program. Under the program, participants elect to defer a portion of their taxable compensation and earn returns on these deferrals based on directed investment selections. Additionally, United Way NCA may elect to make discretionary contributions on behalf of the participants. All elective deferrals and discretionary contributions, including any investment gains and income (account earnings), will be distributed immediately following the participant's separation from the organization. Discretionary contributions charged to the statements of activities for the years ended June 30, 2023 and 2022, were \$45,500 and \$44,500, respectively.

457(f) Plan

Effective December 2022, upon Board approval, United Way NCA established a second non-qualified deferred compensation plan, a 457(f) plan for the Chief Executive Officer. Payments to this plan for the years ended June 30, 2023 and 2022, were \$600,000 and \$0. The full vesting occurs on January 1, 2025. United Way NCA elected to use equal annual accrual method to accrue related liabilities monthly leading up to the full vesting date. As of June 30, 2023 and 2022, the employer contribution liability and related expense amounted to \$260,000 and \$0, respectively. Deferred compensation plan assets of \$648,821 and \$0 for the years ended June 30, 2023 and 2022, respectively, have been earmarked by United Way NCA to fund the deferred compensation liabilities and are included Investments held for deferred compensation plan in the accompanying statements of financial position. The plan liabilities are included in deferred compensation liabilities in the accompanying statements of financial position.

NOTE 15 – EMPLOYMENT AGREEMENT

United Way NCA has an agreement with an officer of the organization. In the event of termination other than for cause, the agreement provides for severance payments for a period of up to 12 months. Furthermore, the agreement provides for the full payment of any accrued but unused paid time-off (PTO) upon termination of employment for any reason and the full payment amount shall be subject to a cap according to the employment agreement. The value of any accrued but unused PTO is approximately \$179,000 and \$166,000 as of June 30, 2023 and 2022, respectively.

**UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022**

NOTE 16 – PRINCE GEORGE’S COUNTY PUBLIC SCHOOLS COMMUNITY SCHOOLS INITIATIVE

Effective September 30, 2022, United Way NCA renewed its professional services agreement (the Agreement) with the Board of Education for Prince George’s County for a one-year term to provide technical assistance in support of the County’s Community Schools initiative, including (i) vetting of quality partners, vendors and providers to deliver requisite programming; (ii) creating a foundational framework for partner and stakeholder capacity building to promote quality and effective programming; (iii) creating a foundational framework for monitoring and evaluating programmatic impact; and (iv) establishing a structured data management plan that will ensure informed decision-making and quality programming. Pursuant to the Agreement, United Way NCA is eligible to be reimbursed for qualifying costs and expenses actually incurred. As of June 30, 2023 and 2022, United Way NCA incurred qualifying costs and expenses of approximately \$208,305 and \$171,108, respectively, and recognized corresponding fee revenue in an equivalent amount in each corresponding fiscal year. An amendment to extend the Agreement to June 30, 2024 is currently fully executed.

NOTE 17 – CHANGES IN NET ASSETS

Net Assets Without Donor Restrictions

Net assets without donor restrictions represent net assets that are not restricted by donor or grantor-imposed stipulations of time or purpose. The following outlines undesignated assets as well as those assets United Way NCA’s Board of Directors has designated for specific purposes:

	2023	2022
Without Donor Restrictions		
Undesignated	\$ 8,597,210	\$ 6,675,451
Subtotal: Undesignated	8,597,210	6,675,451
Board-Designated for Strategic Reserve	11,719,647	15,428,660
Board-Designated for Operating Expense Reserve	11,000,000	12,000,000
Board-Designated for Contingency Reserve	2,000,000	2,000,000
Board-Designated for Donor Cultivation Reserve	595,919	611,359
Board-Designated for Crisis Relief Reserve	45,000	45,000
Subtotal: Board-Designated	25,360,566	30,085,019
Total Without Donor Restrictions	\$ 33,957,776	\$ 36,760,470

Board-designated net assets represent net assets without donor restrictions that can only be used for purposes approved by the Board of Directors.

As of June 30, 2023, Board-designated assets included five reserves, including a strategic reserve, an operating expense reserve, a contingency reserve, a donor cultivation reserve, and a crisis relief reserve.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 17 – CHANGES IN NET ASSETS (CONTINUED)

Net Assets Without Donor Restrictions (Continued)

The strategic reserve was initially funded from a \$20 million with donor restriction transformational grant received from novelist and venture philanthropist, MacKenzie Scott in December 2020. The Strategic Reserve will provide funding for annual program grants and expenses not funded from net assets with donor or grantor restrictions; expenditures that promote the organization's efficiency, effectiveness, and sustainability that were also not funded by net assets with donor or grantor restrictions; and other expenditures that promote the organization's long-term financial viability and operational effectiveness.

An operating expense reserve was established in recognition of the organization's critical role in serving the region's most vulnerable residents both directly and through its extensive network of nonprofit partners along with its ongoing exposure to a variety of risk factors that can impact ongoing operations and its ability to deliver quality and timely programming and other products and services. The amount of the operating reserve approximates twelve months of operating expenses and is available to help ensure the organization can continuously conduct its mission without interruption in the face of a variety of risk factors that can impact program delivery, fundraising, and operations.

A contingency reserve was established primarily to fund the costs associated with the early termination of the organization's office leases should the organization make the decision to terminate one or both office leases at the end of the eighth lease year. The reserve can also be used at the Board's discretion to help response to the realization of any known and unknown risks that come to fruition.

A donor cultivation reserve was established to help new and existing donors achieve higher levels of giving through a variety of matching, challenge, and step-up programs and incentives; and a crisis relief reserve was established to respond to and encourage outside donations in support of natural disasters and other emergencies.

All conditional contributions that become unconditional and for which donor intent is satisfied simultaneously are considered without donor restriction.

Net Assets With Donor Restrictions

Net assets with donor restrictions are either restricted by donor or grantor-imposed stipulations, purpose, or time or are perpetually restricted. Net assets are released from donor or grantor-imposed restrictions by incurring expenses that satisfy the restricted purpose or by the passage of time or other events specified by the donor or grantor.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 17 – CHANGES IN NET ASSETS (CONTINUED)

Net Assets With Donor Restrictions (Continued)

Net assets with donor or grantor-imposed restrictions are as follows for the year ended June 30, 2023:

	Balance - June 30, 2022	Additions	Releases	Balance - June 30, 2023
Purpose Restricted:				
Education	\$ 118,147	\$ 76,730	\$ (51,657)	\$ 143,220
Economic Opportunities	640,419	298,747	(352,367)	586,799
Health	534,062	565,737	(486,195)	613,604
Community Impact Fund	793,721	596,411	(992,066)	398,066
Veterans Fund	182,147	23,226	(83,376)	121,997
Endowment Earnings	667	(364)	-	303
Total Purpose Restricted	<u>2,269,163</u>	<u>1,560,487</u>	<u>(1,965,661)</u>	<u>1,863,989</u>
Perpetual in Nature	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>175,000</u>
Total	<u>\$ 2,444,163</u>	<u>\$ 1,560,487</u>	<u>\$ (1,965,661)</u>	<u>\$ 2,038,989</u>

Net assets with donor or grantor-imposed restrictions are as follows for the year ended June 30, 2022:

	Balance - June 30, 2021	Additions	Releases	Balance - June 30, 2022
Purpose Restricted:				
Education	\$ 121,868	\$ 206,360	\$ (210,081)	\$ 118,147
Economic Opportunities	294,751	974,964	(629,296)	640,419
Health	277,483	260,538	(3,959)	534,062
Community Impact Fund	1,619,577	976,029	(1,801,885)	793,721
Veterans Fund	177,860	35,660	(31,373)	182,147
Endowment Earnings	24,076	(23,409)	-	667
Total Purpose Restricted	<u>2,515,615</u>	<u>2,430,142</u>	<u>(2,676,594)</u>	<u>2,269,163</u>
Perpetual in Nature	<u>175,000</u>	<u>-</u>	<u>-</u>	<u>175,000</u>
Total	<u>\$ 2,690,615</u>	<u>\$ 2,430,142</u>	<u>\$ (2,676,594)</u>	<u>\$ 2,444,163</u>

Net assets are released from donor or grantor-imposed restrictions by incurring expenses that satisfy the restricted purpose or by the passage of time or other events specified by the donor or grantor.

**UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022**

NOTE 17 – CHANGES IN NET ASSETS (CONTINUED)

Donor Restrictions Perpetual in Nature

United Way NCA’s endowments represent two charitable bequests in the amount of \$100,000 and \$75,000. Both charitable bequests have restrictions that are perpetual in nature and therefore must be invested in perpetuity. Interest earned on the first charitable bequest is designated to support community impact grants and activities, while interest on the second charitable bequest is designated to support general operations. Endowments perpetually restricted as of June 30, 2023 and 2022, were \$175,000.

	2023	2022
Community Impact Endowment	\$ 100,000	\$ 100,000
Seymour Alpert Trust	75,000	75,000
Total	\$ 175,000	\$ 175,000

United Way NCA has interpreted the District of Columbia-enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing United Way NCA to appropriate for expenditure or accumulate so much of an endowment fund as United Way NCA determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

As a result of this interpretation, United Way NCA classifies as net assets with donor restrictions (a) the original value of gifts donated to the fund with restrictions perpetual in nature, (b) the original value of subsequent gifts to the fund with restrictions perpetual in nature, and (c) the accumulation to the fund with restrictions perpetual in nature made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the fund that is not classified as perpetual in nature is classified as net assets with donor restrictions, until those amounts are appropriated by United Way NCA for expenditure.

In accordance with UPMIFA, United Way NCA considers the following factors in deciding to appropriate or accumulate funds with restrictions perpetual in nature:

- The duration of the fund
- The purposes of United Way NCA and the donor-restricted endowment fund
- General economic conditions
- The possible effects of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of United Way NCA
- The investment policies of United Way NCA

**UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022**

NOTE 17 – CHANGES IN NET ASSETS (CONTINUED)

Investment Policy

The endowment fund is tracked separately, monitored by the Finance Committee, and invested in fixed income assets according to United Way NCA’s investment policy which seeks to preserve principal and achieve predictable returns.

Underwater Endowment Funds

United Way NCA considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. United Way NCA complies with the District of Columbia-enacted version of UPMIFA and has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. United Way NCA had no underwater endowment funds on June 30, 2023 and 2022.

Spending Policy

Management will consider the intent of the donor as expressed in the gift instrument, UPMIFA factors as listed above, and United Way NCA resource requirements in deciding as to when to use the amount in excess of the perpetually restricted principal balance to fund qualifying expenditures.

Consistent with the goal to preserve principal and generate predictable returns, the fund with restrictions perpetual in nature shall distribute the amount in excess of the principal balance as of the end of the prior year. The endowment investing and spending policy shall be reviewed annually by the Finance Committee. The committee may adjust the spending rate as it deems appropriate in order to fulfill the objectives outlined in the policy.

Earnings (interest income and gains) from the \$175,000 in endowments are reflected as net assets with donor restrictions until appropriated for expenditure. The accumulated earnings and appropriations are as follows for the endowments whose restrictions are perpetual in nature as of June 30, 2023:

	2023		
	Subject to Spending Policy and Appropriation	Perpetual in Nature	Total
Endowment Net Assets - Beginning of Year	\$ 667	\$ 175,000	\$ 175,667
Contributions	-	-	-
Investment Return, Net	(364)	-	(364)
Appropriations	-	-	-
Endowment Net Assets - End of Year	<u>\$ 303</u>	<u>\$ 175,000</u>	<u>\$ 175,303</u>

**UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022**

NOTE 17 – CHANGES IN NET ASSETS (CONTINUED)

Spending Policy (Continued)

The accumulated earnings and appropriations are as follows for the endowments whose restrictions are perpetual in nature as of June 30, 2022:

	2022		
	Subject to Spending Policy and Appropriation	Perpetual in Nature	Total
Endowment Net Assets - Beginning of Year	\$ 24,076	\$ 175,000	\$ 199,076
Contributions	-	-	-
Investment Return, Net	(23,409)	-	(23,409)
Appropriations	-	-	-
Endowment Net Assets - End of Year	\$ 667	\$ 175,000	\$ 175,667

NOTE 18 – COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, United Way NCA may become a party to claims and litigation. As of the date of the Auditor’s opinion, Management remains unaware of any current, pending, or threatening litigation.

NOTE 19 – RELATED-PARTY TRANSACTIONS

Board members and employees make annual pledges and contributions in support of United Way NCA’s mission. Pledges and contributions for the years ended June 30, 2023 and 2022 were approximately \$90,359 and \$90,253, respectively, and were recorded as Amounts raised and processed by United Way NCA and Promises to give. Pledges outstanding as of June 30, 2023 and 2022 were approximately \$26,754 and \$22,270, respectively, and are recorded in Promises to give, net.

NOTE 20 – CONDITIONAL CONTRIBUTIONS

United Way NCA had \$4,113,618 in conditional grant and contribution revenue for which the condition had not been met as of June 30, 2023.

United Way NCA had no grant and contribution expense for which the condition had not been met as of June 30, 2023.

UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 and 2022

NOTE 21 – HUMANITARIAN RELIEF EFFORT

In June of 2022, United Way NCA entered into an agreement with SAMU First Response to serve as the fiscal agent responsible for managing funds awarded to SAMU First Response by the National Board for the Emergency Food and Shelter Program (EFSP). Funding of up to \$2,209,143 was made available under the Department of Homeland Security 2022 Appropriations Act and was established for the purposes of providing funds for shelter, food, transportation, and other wrap around services to migrants crossing the Southwest Border and encountered by the U.S. Department of Homeland Security (DHS) according to program guidance and for fiscal agent services.

During FY2023, United Way NCA applied for and was awarded additional funding in the amount of \$5,237,700 to continue providing food, shelter, transportation and services to migrants and United Way NCA extended its agreement to serve as fiscal agent for SAMU First Response. \$3,370,988 was expensed in FY2023.

As Fiscal Agent, United Way NCA is responsible for the receipt of funds, disbursement of funds to recipient agencies and designated vendors, documentation of funds received, maintenance of documentation, and program oversight and coordination. As a sub-recipient organization, SAMU First Response is responsible for providing emergency relief services to migrants arriving to the Washington, D.C. region from the Southern Border.

The term of United Way NCA's fiscal agent agreement is scheduled to end December 31, 2023, and at that time all eligible expenses must be incurred, and any unused funds must be returned. After the agreement has expired, United Way NCA will no longer serve as Fiscal Agent for the FEMA EFSP Humanitarian Relief Effort.

**UNITED WAY OF THE NATIONAL CAPITAL AREA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

<u>Federal Grantor / Program Title</u>	<u>Assistance Listing Number</u>	<u>Grant Number</u>	<u>Pass-Through Grantor</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
Federal Emergency Management Agency					
Fund for Emergency Food and Shelter Program	97.024	N/A		\$ 3,370,988	\$ 3,184,745
Centers for Disease Prevention and Control					
Covid-19 Health Disparities Among Populations at High Risk and Underserved	93.391	521A230125	Virginia Department of Health	<u>14,404</u>	<u>-</u>
Total Expenditures of Federal Awards				<u>\$ 3,385,392</u>	<u>\$ 3,184,745</u>

**UNITED WAY OF THE NATIONAL CAPITAL AREA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2023**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of United Way of the National Capital Area (United Way NCA) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the United Way NCA, it is not intended to and does not present the financial position, changes in net assets, or cash flows of United Way NCA.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE

United Way NCA has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 – LOW-RISK AUDITEE STATUS

United Way NCA has not been designated as a low-risk auditee for the year ended June 30, 2023 as the Uniform Guidance audit has not been performed for the past several years.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
United Way of the National Capital Area
Washington, DC

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the United Way of the National Capital Area, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 28, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Greenbelt, Maryland
November 28, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
United Way of the National Capital Area
Washington, DC

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited United Way of the National Capital Area compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of United Way of the National Capital Area's major federal programs for the year ended June 30, 2023. United Way of the National Capital Area's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of United Way of the National Capital Area and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of United Way of the National Capital Area's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on United Way of the National Capital Area's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. United Way of the National Capital Area's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-001, to be significant deficiency.

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

Government Auditing Standards requires the auditor to perform limited procedures on United Way of the National Capital Area's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. United Way of the National Capital Area's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Greenbelt, Maryland
November 28, 2023

**UNITED WAY OF THE NATIONAL CAPITAL AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2023**

Section I – Summary of Auditors’ Results

Consolidated Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
 - Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes _____ no

Identification of Major Federal Programs

Federal Grantor / Program Title	Assistance Listing Number	Grant Number
Federal Emergency Management Agency Fund for Emergency Food and Shelter Program	97.024	N/A
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>	
Auditee qualified as low-risk auditee?	_____ yes	<u> x </u> no

**UNITED WAY OF THE NATIONAL CAPITAL AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2023 – 001 Procurement – Suspension and Debarment

Federal agency: Federal Emergency Management Agency

Federal program title: Fund for Emergency Food and Shelter Program

Federal Assistance Listing Number: 97.024

Award Period: June 1, 2022 – December 2023

Type of Finding: Significant Deficiency in Internal Control over Compliance and Compliance

Criteria or specific requirement: 2 CFR Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* requires compliance with the provisions of procurement, suspension, and debarment. United Way of the National Capital Area should have internal controls designed to ensure compliance with those provisions and follow suspension and debarment procedures before entering into the transaction.

Condition: During our testing, we noted United Way of the National Capital Area did not have documentation to support that internal controls were performed to ensure vendor and subrecipient were not suspended or debarred prior to entering into the first transaction. Additionally, the compliance check for one out of two vendors was not performed before the first transaction with the vendor.

Questioned costs: None

Context: During our testing, it was noted that for one of two vendors tested United Way of the National Capital Area did not have documentation to support that it had reviewed a subrecipient prior to entering into a contract with a subrecipient to ensure a subrecipient was not on the suspended or debarred organization list maintained by the General Services Administration. During our testing, it was also noted that for 1 of 2 items tested that United Way of the National Capital Area did not perform the vendor review procedures prior to the first transaction. We verified that these selected subrecipient and vendor were not suspended or debarred.

Cause: United Way of the National Capital Area was unable to locate documentation to support the performance of procedures to ensure a subrecipient were not suspended or debarred. In addition, United Way of the National Capital Area did not perform the search for suspension and debarment prior to the first transaction.

Effect: The auditor noted no instances of noncompliance with the provisions of procurement, suspension, and debarment; however, the lack of internal controls over these compliance requirements provides an opportunity for noncompliance.

**UNITED WAY OF THE NATIONAL CAPITAL AREA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023**

Recommendation: We recommend United Way of the National Capital Area design controls to ensure an adequate review process is in place to review potential vendor and subrecipient to determine they are not suspended or debarred and to ensure documentation to support this is maintained. We also recommend that the search for suspension and debarment is performed prior to entering the first transaction.

Views of responsible officials: There is no disagreement with the audit finding.