

**UNITED WAY OF THE MID-SOUTH**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**JUNE 30, 2021 AND 2020**

**UNITED WAY OF THE MID-SOUTH  
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**UNITED WAY OF THE MID-SOUTH  
ORGANIZATIONAL DATA**

June 30, 2021

**BOARD OF DIRECTORS**

Jean M. Morton, Chairman  
JT Young, Chair Elect  
Mary Ann Jackson, Secretary  
Richard Wright, Treasurer  
Christopher Anderson  
Irvin Calliste  
Jeffery Greer  
Ursula Madden  
David May  
John Pettey, III  
Craig L. Weiss  
Kevin Woods  
Michael Barnett  
Eric Brown  
Shannon A. Brown  
Johnekia Carton  
Darrell Cobbins  
Rebecca Cullison  
Cathy Culnane  
J.W. Gibson  
Dr. Alisa Haushalter  
Melanie A. Keller  
Robert C. Klesges, Ph.D.  
Todd Lochner  
Josh Poag  
Nataline Purdy  
Rev. Kenneth S. Robinson, M.D.  
Marsha Smith  
Randy Stokx  
Charles Thomas  
Keith Townsend  
Chris VanSteenberg

**ADMINISTRATIVE STAFF**

Rev. Kenneth S. Robinson, M.D., President / Chief Executive Officer  
Gia Stokes, Chief Financial and Administrative Officer



## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying financial statements of United Way of the Mid-South (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Mid-South as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

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

The organizational data has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2021, on our consideration of United Way of the Mid-South'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 Mid-South'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 Mid-South's internal control over financial reporting and compliance.

*Alexander Thompson Arnold PLLC*

Memphis, Tennessee  
November 18, 2021

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF FINANCIAL POSITION**  
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,396,812	\$ 18,346
Pledges receivable, net	3,500,002	4,158,990
Endowment receivable	2,500,000	-
Grants receivable	429,238	325,338
Assets held by others	10,080,558	6,416,824
Beneficial interests in trusts	870,157	727,884
Property and equipment, net of accumulated depreciation of \$844,842 and \$678,738, respectively	1,284,258	1,450,362
Other assets	28,175	23,221
Total assets	<u>\$ 20,089,200</u>	<u>\$ 13,120,965</u>
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 804,009	\$ 440,212
Agency liability	112,226	132,816
Checks in excess of deposits	-	179,154
Distributions payable	413,329	677,380
Notes payable - PPP loans	831,667	796,867
Note payable - other	16,951	21,015
Line of credit	-	1,119,319
Total liabilities	<u>2,178,182</u>	<u>3,366,763</u>
<b>Net Assets</b>		
Without donor restrictions	8,540,859	(132,672)
With donor restrictions	9,370,159	9,886,874
Total net assets	<u>17,911,018</u>	<u>9,754,202</u>
Total liabilities and net assets	<u>\$ 20,089,200</u>	<u>\$ 13,120,965</u>

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

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue</b>						
Annual campaign						
Contributions received	\$ 2,196	\$ 11,067,317	\$ 11,069,513	\$ 115,379	\$ 15,988,919	\$ 16,104,298
Less donor designations	-	(1,642,521)	(1,642,521)	-	(4,114,691)	(4,114,691)
Less provision for uncollectible pledges	-	(478,990)	(478,990)	-	(933,400)	(933,400)
	2,196	8,945,806	8,948,002	115,379	10,940,828	11,056,207
Investment income (loss)	1,660,676	-	1,660,676	(251,743)	-	(251,743)
Endowment contribution	5,000,000	-	5,000,000	-	-	-
Change in trust	-	142,273	142,273	-	(10,716)	(10,716)
Other contributions	244,372	-	244,372	478,215	-	478,215
PPP loan forgiveness	796,867	-	796,867	-	-	-
Grants and contracts	2,911,136	-	2,911,136	2,269,437	-	2,269,437
Miscellaneous income	4,515	-	4,515	22,043	-	22,043
Total revenue	10,619,762	9,088,079	19,707,841	2,633,331	10,930,112	13,563,443
<b>Net Assets Released from Restrictions</b>						
Contributions received for current period						
Support	14,198,475	(14,198,475)	-	16,777,157	(16,777,157)	-
Less donor designations	(4,114,691)	4,114,691	-	(4,730,590)	4,730,590	-
Less provision for uncollectible pledges	(478,990)	478,990	-	(865,305)	865,305	-
Total assets released from restrictions	9,604,794	(9,604,794)	-	11,181,262	(11,181,262)	-
<b>Total Revenue and Other Support</b>	20,224,556	(516,715)	19,707,841	13,814,593	(251,150)	13,563,443

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

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

For the Years Ended June 30, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Expenses</b>						
Program services:						
Allocations to agencies	6,331,429	-	6,331,429	11,754,310	-	11,754,310
Less donor designations	(1,642,521)	-	(1,642,521)	(4,114,691)	-	(4,114,691)
Net funds distributed	4,688,908		4,688,908	7,639,619		7,639,619
Community service	2,903,978	-	2,903,978	2,973,059	-	2,973,059
Grant expenses	1,810,702	-	1,810,702	1,784,290	-	1,784,290
Total program services	9,403,588	-	9,403,588	12,396,968	-	12,396,968
Supporting services:						
Fund raising	636,559	-	636,559	757,932	-	757,932
Management and general	1,510,878	-	1,510,878	1,604,787	-	1,604,787
Total supporting services	2,147,437	-	2,147,437	2,362,719	-	2,362,719
Total expenses	11,551,025	-	11,551,025	14,759,687	-	14,759,687
<b>Increase (Decrease) in Net Assets</b>	8,673,531	(516,715)	8,156,816	(945,094)	(251,150)	(1,196,244)
Net Assets at Beginning of Year	(132,672)	9,886,874	9,754,202	812,422	10,138,024	10,950,446
Net Assets at End of Year	\$ 8,540,859	\$ 9,370,159	\$ 17,911,018	\$ (132,672)	\$ 9,886,874	\$ 9,754,202

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



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

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

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

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2020

	PROGRAM SERVICES			SUPPORT SERVICES		Total
	Allocations to Agencies	Community Service	Grant Expense	Fund Raising	Management and General	
Allocation to agencies	\$ 11,754,310	\$ -	\$ -	\$ -	\$ -	\$ 11,754,310
Less donor designations	(4,114,691)	-	-	-	-	(4,114,691)
Sub total	<u>7,639,619</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,639,619</u>
Grant expense	-	165,714	379,080	-	-	544,794
Salaries	-	1,415,192	777,286	382,076	808,979	3,383,533
Employee benefits	-	350,588	134,387	94,652	200,410	780,037
Payroll taxes	-	97,764	57,308	26,394	55,886	237,352
Sub total	<u>-</u>	<u>1,863,544</u>	<u>968,981</u>	<u>503,122</u>	<u>1,065,275</u>	<u>4,400,922</u>
Professional Fees	-	27,893	169,307	7,531	15,945	220,676
Supplies	-	54,427	21,131	14,694	31,111	121,363
Telephone	-	39,094	2,292	10,555	22,348	74,288
Postage	-	4,670	1,014	1,261	2,669	9,614
Occupancy	-	144,126	36,760	38,911	82,388	302,185
Equipment rental and repairs	-	12,581	6,930	3,397	7,192	30,100
Software support/maintenance	-	59,703	78,616	16,119	34,129	188,567
Printing and publications	-	45,059	52,053	12,165	25,757	135,034
Local travel	-	25,428	27,875	6,865	14,535	74,703
Conferences, conventions, and meetings	-	17,466	37,338	4,716	9,984	69,504
Special events	-	34,270	1,942	9,252	19,590	65,055
Membership dues	-	4,795	-	1,295	2,741	8,831
Endowment fund management fees	-	30,612	-	8,265	17,499	56,376
Bank service fees	-	24,345	-	6,573	13,917	44,835
Miscellaneous	-	3,661	971	989	2,093	7,714
Interest	-	36,416	-	9,832	20,817	67,065
Depreciation	-	89,589	-	24,187	51,212	164,988
Gifts in kind	-	179,687	-	48,512	102,716	330,915
Sub total	<u>-</u>	<u>833,822</u>	<u>436,229</u>	<u>225,119</u>	<u>476,643</u>	<u>1,971,813</u>
United Way dues	-	109,979	-	29,691	62,869	202,539
Total functional expenses	<u>\$ 7,639,619</u>	<u>\$ 2,973,059</u>	<u>\$ 1,784,290</u>	<u>\$ 757,932</u>	<u>\$ 1,604,787</u>	<u>\$ 14,759,687</u>

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

**UNITED WAY OF THE MID-SOUTH**  
**STATEMENTS OF CASH FLOWS**  
For the Years Ended June 30, 2021 and 2020

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets	\$ 8,156,816	\$ (1,196,244)
<b>Adjustments to reconcile decrease in net assets to net cash used in operating activities</b>		
Depreciation	166,104	164,988
Change in allowance for doubtful accounts	(348,000)	(188,000)
Other income from PPP loan forgiveness	(796,867)	-
Loss on disposal of property and equipment	-	1,000
(Increase) decrease in fair value of assets held by others	(3,663,734)	851,134
(Increase) decrease in fair value of beneficial interests in trusts	(142,273)	10,715
<b>Changes in assets and liabilities</b>		
Gross pledges receivable	1,006,988	428,435
Endowment receivable	(2,500,000)	-
Grant receivable	(103,900)	15,239
Other assets	(4,954)	(13,215)
Accounts payable and accrued expenses	363,797	(16,713)
Agency liability	(20,590)	27,600
Distributions payable	(264,051)	(250,854)
Net cash provided by (used in) operating activities	1,849,336	(165,915)
<b>Cash flows from financing activities</b>		
Line of credit draws	3,687,663	10,537,354
Principal payments on line of credit	(4,806,982)	(11,374,458)
Proceeds from PPP note payable	831,667	796,867
Principal payments on note payable - other	(4,064)	(2,274)
Checks in excess of deposits	(179,154)	(96,786)
Net cash used in financing activities	(470,870)	(139,297)
<b>Net increase (decrease) in cash and cash equivalents</b>	1,378,466	(305,212)
<b>Cash and cash equivalents at beginning of year</b>	18,346	323,558
<b>Cash and cash equivalents at end of year</b>	\$ 1,396,812	\$ 18,346
<b>Supplemental disclosure of cash flow information</b>		
Cash paid for interest	\$ 13,634	\$ 65,149
<b>Non-cash financing activities</b>		
Loan acquired to purchase transportation equipment	\$ -	\$ 23,289

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

**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Nature of Organization**

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

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

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

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

The following is a description of the program services categories:

**Allocations to Agencies:** This category includes funding programs that positively impact poverty by improving education, financial stability, and health in our region. Such programs include efforts to ensure more children enter school ready to learn and succeed, more youth are engaged in a range of safe and productive after-school activities in schools and in the community, more individuals and families are empowered to be more financially self-sufficient with their basic needs met, more individuals and families are freed from violence and abuse, and more seniors are able to implement their own life choices later in life.

**Community Service:** This category includes programs that benefit members of the community through engagement in volunteerism (such as its Day of Caring events) and the administration of various community-related projects.

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

**B. Income Taxes**

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

**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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

**C. Governance**

All corporate powers and the affairs of the Organization are exercised and managed under and by the authority of the Board of Directors (Board). The Board is comprised of thirty-three (33) voluntary Directors.

**D. Basis of Presentation**

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

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

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

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

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

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

**E. Advertising Costs**

The Organization had advertising costs of approximately \$97,393 and 47,212 during the years ended June 30, 2021 and 2020, respectively. Advertising costs are expensed when they are incurred. Advertising valued at \$24,587 and \$52,642 was donated during the years ended June 30, 2021 and 2020, respectively and is included in the Statements of Functional Expenses. Corresponding revenue is included in the "Other Contributions" line of the Statement of Activities.

**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

**F. Functional Allocation of Expenses**

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

**G. Fair Value of Financial Instruments**

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

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

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

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

During the years ended June 30, 2021 and 2020, the Organization had no investments in derivatives. Management has not elected the fair value option for certain financial assets and financial liabilities, as required by GAAP, since those assets were not affected by changes in management's risk management and investment strategy.

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

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

**H. Estimates**

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

**I. Contributions**

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

**J. Beneficial Interests in Trusts**

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

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

**K. Grant Programs**

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

**L. Cash Equivalents**

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

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

**M. Property and Equipment**

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

Balances of major classes of depreciable assets at June 30, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Land	\$ 281,489	\$ 281,489
Building	1,048,511	1,048,511
Equipment	142,789	142,789
Furniture & Fixtures	501,750	501,750
Leasehold Improvements	154,561	154,561
	<u>2,129,100</u>	<u>2,129,100</u>
Less: Accumulated Depreciation	<u>(844,842)</u>	<u>(678,738)</u>
	<u>\$ 1,284,258</u>	<u>\$ 1,450,362</u>

Depreciation expense totaled \$166,104 and \$164,988 for the years ended June 30, 2021 and 2020, respectively.

**N. Donated Services**

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

**O. Adoption of New Accounting Standards**

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

**NOTE 2 – LIQUIDITY**

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



**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Financial assets to meet cash needs for general expenditures within one year:		
Cash and cash equivalents	\$ 1,396,812	\$ 18,346
Pledges receivable, net	3,500,002	4,158,990
Assets held by others	<u>10,080,558</u>	<u>6,416,824</u>
Total financial assets available within one year	14,977,372	10,594,160
Less:		
Amounts unavailable for general expenditure, due to:		
Restricted by donor in perpetuity	<u>(5,000,000)</u>	<u>(5,000,000)</u>
Total amounts unavailable for general expenditures within one year	<u>(5,000,000)</u>	<u>(5,000,000)</u>
Total financial assets available to meet cash needs for general expenditures within one year:	<u><u>\$ 9,977,372</u></u>	<u><u>\$ 5,594,160</u></u>

**NOTE 3 – PLEDGES RECEIVABLE**

A summary of pledges receivable, all of which are due within one year, and the related allowance for estimated uncollectible pledges at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
2020 Campaign	\$ 4,140,002	\$ -
2019 Campaign	-	5,146,990
Less allowance for uncollectible pledges	<u>(640,000)</u>	<u>(988,000)</u>
	<u><u>\$ 3,500,002</u></u>	<u><u>\$ 4,158,990</u></u>

The following summarizes the changes in the allowance for estimated uncollectible pledges for the years ended June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 988,000	\$ 800,000
Provision	478,990	1,121,400
Write-offs, net	<u>(826,990)</u>	<u>(933,400)</u>
Balance at end of year	<u><u>\$ 640,000</u></u>	<u><u>\$ 988,000</u></u>

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

**NOTE 4 – ASSETS HELD AT FOUNDATION**

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

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

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

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

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

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

The Board had previously established a policy, in 2006, that limits the amounts distributed from the Endowment Fund to 5% of the average fair market value of the Fund over the preceding three years, except that any amount distributed cannot result in the fair market value of the Fund being less than \$5,000,000, after consideration of any such distribution. The amount available for distribution for fiscal years ended June 30, 2021 and 2020 were \$346,709 and \$373,094, respectively.

**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

The endowment fund balance is invested in the Regions Growth with Income pool comprised of the following asset classes as of June 30, 2021: Multi-Strategy Hedge 7%, Equities 90%, and Cash 3%. Actual returns can vary from this objective in any given year. The Organization seeks to provide a predictable income stream and to maintain purchasing power of the endowment assets and has transferred the assets to the Regions as part of its strategy to achieve its long-term performance objectives. The Organization monitors the performance of the funds held at the Regions regularly.

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

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

Changes in Endowment Net Assets:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2019	\$ 2,267,958	\$ 5,000,000	\$ 7,267,958
Contributions	-	-	-
Appropriation for expenditure	(543,000)	-	(543,000)
Investment income	150,405	-	150,405
Net appreciation (depreciation)	(458,539)	-	(458,539)
Total return	<u>(851,134)</u>	<u>-</u>	<u>(851,134)</u>
Endowment net assets, June 30, 2020	1,416,824	5,000,000	6,416,824
Contributions	2,500,000	-	2,500,000
Appropriation for expenditure	(476,771)	-	(476,771)
Investment income	470,750	-	470,750
Net appreciation (depreciation)	1,169,755	-	1,169,755
Total return	<u>3,663,734</u>	<u>-</u>	<u>3,663,734</u>
Endowment net assets, June 30, 2021	<u>\$ 5,080,558</u>	<u>\$ 5,000,000</u>	<u>\$10,080,558</u>

Fees related to the management of these funds were \$20,170 and \$56,376 for the years ended June 30, 2021 and 2020, respectively.

**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

	<b>Board Designated Endowment Funds</b>	<b>Donor Restricted Endowment Funds</b>	<b>Total</b>
Balance at June 30, 2019	\$ 2,267,958	\$ 5,000,000	\$ 7,267,958
Contributions	-	-	-
Appropriation for expenditure	(543,000)	-	(543,000)
Investment income, net of expenses	150,405	-	150,405
Net appreciation (depreciation)	(458,539)	-	(458,539)
Total return	(851,134)	-	(851,134)
Endowment net assets, June 30, 2020	1,416,824	5,000,000	6,416,824
Contributions	2,500,000	-	2,500,000
Appropriation for expenditure	(476,771)	-	(476,771)
Investment income, net of expenses	470,750	-	470,750
Net appreciation (depreciation)	1,169,755	-	1,169,755
Total return	3,663,734	-	3,663,734
Endowment net assets, June 30, 2021	<u>\$ 5,080,558</u>	<u>\$ 5,000,000</u>	<u>\$ 10,080,558</u>

**NOTE 5 – FAIR VALUE MEASUREMENT**

During the years ended June 30, 2021 and 2020, the Organization had fair value of assets measured on a recurring basis using a market approach, as follows for assets held for others and beneficial interests in trusts:

**Fair Value Measurements at Reporting Date Using:**

	<b>Total June 30, 2021</b>	<b>Quoted Prices in Active Markets for Identical Assets Level 1</b>	<b>Significant Other Observable Inputs Level 2</b>	<b>Significant Unobservable Inputs Level 3</b>
Assets Held by Others - Mutual Fund Investment Balanced Pool	\$ 10,080,558	\$ -	\$ -	\$ 10,080,558
Beneficial Interest in Trusts	870,157	870,157	-	-
Total	<u>\$ 10,950,715</u>	<u>\$ 870,157</u>	<u>\$ -</u>	<u>\$ 10,080,558</u>
	<b>June 30, 2020</b>			
Assets Held by Others - Mutual Fund Investment Balanced Pool	\$ 6,416,824	\$ -	\$ -	\$ 6,416,824
Beneficial Interest in Trusts	727,884	727,884	-	-
Total	<u>\$ 7,144,708</u>	<u>\$ 727,884</u>	<u>\$ -</u>	<u>\$ 6,416,824</u>

**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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

		<b><u>Fair Value Measurements Using Significant Unobservable Inputs Assets Held by Others - Mutual Fund Investment Balanced Pool</u></b>
June 30, 2019	\$	7,267,958
Total realized gains (losses)		89,196
Unrealized gains (losses) and the change in		
Net assets without donor restrictions		(458,539)
Purchases, Issuance, and Settlements		<u>(481,791)</u>
June 30, 2020		6,416,824
Total realized gains (losses)		247,689
Unrealized gains (losses) and the change in		
Net assets without donor restrictions		1,169,755
Contributions		2,500,000
Purchases, Issuance, and Settlements		<u>(253,710)</u>
June 30, 2021		<u><u>\$ 10,080,558</u></u>
		<b><u>Assets Held by Others</u></b>
The amount of total gains or losses for the year ended June 30, 2021 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.		<u><u>\$ 1,163,734</u></u>
The amount of total gains or losses for the year ended June 30, 2020 included in net unrestricted net assets attributable to the change in unrealized gains or losses relating to assets still held at the reporting date.		<u><u>\$ (851,134)</u></u>

**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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

	<b>Investment Gains (Losses)</b>	
	<b>June 30</b>	
	<b>2021</b>	<b>2020</b>
Total gains or losses included in net assets without donor restrictions for the year	<u>\$ (6,021)</u>	<u>\$ (392,595)</u>
Change in unrealized gains or losses relating to assets still held at year end	<u>\$ 1,169,755</u>	<u>\$ (458,539)</u>

Financial assets valued using Level 1 inputs are based on unadjusted quoted market prices within active markets. For the valuation of assets held by others, which include equities, fixed income, and alternative investments securities at June 30, 2021 and 2020, the Organization used significant unobservable inputs including information from fund managers based on quoted market prices, if available, or other valuation methods (Level 3). Management reviews and evaluates the values provided by the fund manager and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments.

**NOTE 6 – RETIREMENT PLAN**

United Way has a contributory defined contribution retirement plan which provides retirement benefits and is administered by Mutual of America. Full-time employees with at least one year of service who have attained age 21 are eligible to participate in the plan. Participants who are hired at age 60 or above are immediately eligible to participate in the plan. United Way's contribution to the plan was \$350,897 and \$331,602 for the years ended June 30, 2021 and 2020, respectively.

**NOTE 7 – LINE OF CREDIT**

The Organization entered into an agreement for an unsecured line of credit for \$3,000,000 with a bank. The line of credit matures in January 2022. Interest is payable monthly based on the bank's Prime Rate less 75 basis points (2.5%) for the applicable period such advance has been outstanding. At June 30, 2021 and 2020, the outstanding balance was \$0 and \$1,119,319, respectively.

**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

**NOTE 8 – OPERATING LEASES**

The Organization has entered into various operating leases for equipment with payments ranging between \$172 and \$1,020. Total lease expense for the years ended June 30, 2021 and 2020 were \$23,560 and \$31,084 respectively. Minimum future annual payments on these leases are as follows:

<u>Year</u>	<u>Equipment</u>
2022	\$ 6,720
2023	-
2024	-
2025	-
2026	-
	<u>\$ 6,720</u>

**NOTE 9 – AGENCY LIABILITY**

In conducting the annual campaign, the Organization receives donations that are specified for specific agencies. The agency liability reflects those donations that were received but not disbursed by June 30, 2021.

**NOTE 10 – DESIGNATED GIFTS**

The Organization receives contributions that have been designated by the donor for certain member groups and agencies. The Organization honors these designations and transfers the donor designated gift to the appropriate group or agency. At June 30, 2021, all designated gifts received have been allocated, accordingly.

**NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2021</u>	<u>2020</u>
Pledges receivable, due in future periods, net	\$ 3,500,002	\$ 4,158,990
Donor restricted - endowments	5,000,000	5,000,000
Beneficial interests in trusts	870,157	727,884
	<u>\$ 9,370,159</u>	<u>\$ 9,886,874</u>

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

**UNITED WAY OF THE MID-SOUTH  
NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

**NOTE 12 – NOTE PAYABLE - OTHER**

	<b>2021</b>	<b>2020</b>
Note payable to a bank, collateralized by equipment, maturing October 2025, at an interest rate of 4.515% and due in monthly installments of \$371	\$ 16,951	\$21,015
	\$ 16,951	\$21,015

Minimum future payments on note payable other as of June 30, 2021 is as follows:

June 30, 2022	\$ 3,265
June 30, 2023	3,909
June 30, 2024	4,089
June 30, 2025	4,278
June 30, 2026	1,410
	\$ 16,951

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

On February 8, 2021, the Organization entered into a Promissory Note with First Horizon Bank, which provides for a loan in the amount of \$831,667 (the “PPP Loan”) pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The PPP Loan has a five-year term and bears interest at a rate of 1.0% per annum. Monthly principal and interest payments are deferred for ten months after the date of disbursement. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. The Promissory Note contains events of default and other provisions customary for a loan of this type. The Paycheck Protection Program provides that the PPP Loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. The Organization intends to use the entire PPP Loan amount for qualifying expenses and to apply for forgiveness of the loan in accordance with the terms of the CARES Act. The balance of the note payable is expected to be forgiven within a year.

On April 19, 2020, the Organization entered into a Promissory Note with First Horizon Bank, which provides for a loan in the amount of \$796,867 (the “PPP Loan”) pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The Promissory Note contains events of default and other provisions customary for a loan of this type. The Paycheck Protection Program provides that the PPP Loan may be partially or wholly forgiven if the funds are used for certain qualifying expenses as described in the CARES Act. On July 20, 2021, the bank notified the Organization that the loan was fully forgiven.



**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2021 and 2020

**NOTE 14 – ALLOCATIONS TO AGENCIES**

Allocations to agencies for the years ended June 30, 2021 and 2020 consists of the following:

Agency	Total Donor			Total Agency	Grand Total	2020
	Allocations	Designations	Subtotal	Campaign	Allocations	Allocations
Alliance Healthcare Services	\$ 59,585	\$ 1,492	\$ 61,077	\$ -	\$ 61,077	\$ 181,640
Alpha Omega Veterans Services	118,725	45,067	163,792	4,212	168,004	260,822
American Red Cross, Mid South Chapter	150,075	18,450	168,525	-	168,525	393,373
Boys & Girls Club of Memphis, Inc.	223,201	36,708	259,909	5,452	265,361	363,081
Catholic Charities of West TN	52,335	14,687	67,022	-	67,022	96,504
Christian Community Foundation	-	99,155	99,155	-	99,155	130,810
Church Health Center	-	85,885	85,885	-	85,885	72,395
Community Foundation of Greater Memphis	-	55,250	55,250	-	55,250	61,966
Crisis Center	70,519	2,684	73,203	-	73,203	102,900
Girl Scouts Heart of the South	54,157	2,926	57,083	-	57,083	98,831
Goodwill Homes Community Services, Inc.	101,760	1,527	103,287	-	103,287	268,382
Grace House of Memphis, Inc.	64,915	4,105	69,020	3,407	72,427	145,258
Hope Christian Community Foundation	-	92,820	92,820	-	92,820	130,810
Hope House	56,790	21,170	77,960	9,049	87,009	87,128
Kindred Place	59,273	6,683	65,956	-	65,956	118,127
Knowledge Quest	163,556	18,640	182,196	3,022	185,218	266,487
Latino Memphis	27,840	4,793	32,633	-	32,633	57,196
LeBonheur Early Intervention & Development Prg.	12,550	42,799	55,349	-	55,349	88,746
Memphis Child Advocacy Center	42,832	43,851	86,683	-	86,683	149,941
Memphis Recovery Centers, Inc.	64,601	3,104	67,705	-	67,705	188,179
Memphis Urban League	90,800	6,929	97,729	-	97,729	137,888
Meritan	240,269	1,409	241,678	48,827	290,505	463,827
Porter-Leath Children's Center	215,176	103,627	318,803	127,547	446,350	402,056
Salvation Army	130,103	14,171	144,274	-	144,274	483,231
Shelby Residential and Voc. Services (SRVS)	39,529	8,989	48,518	58,585	107,103	130,944
St. Jude Children's Hospital	-	66,664	66,664	-	66,664	51,729
United Way of the Mid South - Third Party Processing	-	-	-	-	-	2,291,019
YMCA	111,050	8,076	119,126	137,402	256,528	408,861
Youth Villages	-	94,212	94,212	1,400,000	1,494,212	1,284,525
YWCA	36,000	6,148	42,148	-	42,148	78,694
Non member agencies and those less than \$50k	631,629	730,500	1,362,129	74,135	1,436,264	2,758,960
	<u>\$ 2,817,270</u>	<u>\$ 1,642,521</u>	<u>\$ 4,459,791</u>	<u>\$ 1,871,638</u>	<u>\$ 6,331,429</u>	<u>\$ 11,754,310</u>

**NOTE 15 – CONCENTRATIONS**

Throughout the years ending June 30, 2021 and 2020, United Way maintained cash in accounts at one Federally-insured financial institution. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2021 and 2020, United Way held \$1,197,043 and \$0 that was in excess of FDIC limitations.

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO FINANCIAL STATEMENTS**

June 30, 2021 and 2020

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

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

**NOTE 17 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events to the balance sheet date through November 18, 2021, the date the financial statements were available to be issued.

On April 19, 2020, the Organization entered into a Promissory Note with First Horizon Bank, which provides for a loan in the amount of \$796,867 (the "PPP Loan") pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). On July 20, 2021, the bank notified the Organization that the loan was fully forgiven. This amount has been recorded as income in the Statement of Activities and Changes in Net Assets.

## **SUPPLEMENTARY INFORMATION**

**UNITED WAY OF THE MID-SOUTH**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2021

	<u>Pass Through Grant Number</u>	<u>CFDA Number</u>	<u>Expenditures</u>	<u>Passed through to Subrecipients</u>
<b>U.S. Department of Treasury</b>				
Direct Award				
Volunteer Income Tax Assistance (VITA) Matching Grant Program		21.009	\$ 5,733	\$ -
Volunteer Income Tax Assistance (VITA) Matching Grant Program		21.009	156,723	-
			<u>162,456</u>	<u>-</u>
Passed through Tennessee Department of Human Services				
COVID-19 Coronavirus Relief Fund	67716	21.019	<u>791,475</u>	<u>-</u>
<b>Total U.S. Department of Treasury</b>			<u>953,931</u>	<u>-</u>
<b>U.S. Department of Health and Human Services</b>				
Passed through Methodist Le Bonheur Community Outreach				
Community Program to Improve Minority Health	CPIMP201195	93.137	<u>74,083</u>	<u>-</u>
Passed through Tennessee Department of Human Services				
Temporary Assistance for Needy Families	63229	93.558	941	-
Temporary Assistance for Needy Families	68931	93.558	48,770	-
			<u>49,711</u>	<u>-</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>123,794</u>	<u>-</u>
<b>U.S. Department of Homeland Security</b>				
Direct Award				
Emergency Food and Shelter National Board Program		97.024	<u>24,234</u>	<u>-</u>
<b>Total U.S. Department of Homeland Security</b>			<u>24,234</u>	<u>-</u>
<b>Total Federal Financial Assistance</b>			<u><b>\$ 1,101,959</b></u>	<u><b>\$ -</b></u>

*See Independent Auditor's Report.*

**UNITED WAY OF THE MID-SOUTH**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2021

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of United Way of the Mid-South. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the schedule of expenditures of federal awards are reported on the modified accrual basis of accounting. Certain amounts shown on the schedule of expenditures of federal awards represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. United Way of the Mid-South has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

## **INTERNAL CONTROL AND COMPLIANCE SECTION**



**INDEPENDENT AUDITOR'S 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***

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

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 United Way of the Mid-South (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and changes in net assets, 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 18, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered United Way of the Mid-South'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 United Way of the Mid-South's internal control. Accordingly, we do not express an opinion on the effectiveness of the United Way of the Mid-South'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 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 may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether United Way of the Mid-South's financial statements are free of 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Alexander Thompson Arnold PLLC*

Memphis, Tennessee  
November 18, 2021





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

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

**Report on Compliance for Each Major Federal Program**

We have audited United Way of the Mid-South's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of United Way of the Mid-South's major federal programs for the year ended June 30, 2021. United Way of the Mid-South's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of United Way of the Mid-South's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about United Way of the Mid-South's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of United Way of the Mid-South's compliance.

***Opinion on Each Major Federal Program***

In our opinion, United Way of the Mid-South complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

## Report on Internal Control over Compliance

Management of United Way of the Mid-South is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered United Way of the Mid-South's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of United Way of the Mid-South's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Alexander Thompson Arnold PLLC*

Memphis, Tennessee  
November 18, 2021

**UNITED WAY OF THE MID-SOUTH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
 June 30, 2021

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor's report issued:		Unmodified	
Internal control over financial reporting:			
Material weaknesses identified?	_____ yes	_____ X	no
Significant deficiencies identified?	_____ yes	_____ X	none reported
Noncompliance material to financial statements noted?	_____ yes	_____ X	no

**Federal Awards**

Internal control over major programs:		Unmodified	
Material weaknesses identified?	_____ yes	_____ X	no
Significant deficiencies identified?	_____ yes	_____ X	none reported

Type of auditor's report issued on compliance for major programs:		Unmodified	
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	_____ yes	_____ X	no
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Identification of major programs:	
<u>CFDA Number</u>	<u>Name of Federal Program or Cluster:</u>
21.019	COVID-19 Coronavirus Relief Fund

Dollar threshold used to distinguish between Type A and B programs:		\$750,000	
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Auditee qualified as low-risk auditee?	_____ yes	_____ X	no
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**Section II – Financial Statement Findings**

There are no findings reported.

**Section III – Federal Award Findings and Questioned Costs**

There are no findings reported.

**UNITED WAY OF THE MID-SOUTH**  
**SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
June 30, 2021

**Financial Statement Findings**

There are no findings reported.

**Federal Award Findings and Questioned Costs**

There are no findings reported.