



**United Way
of North Carolina**

UNITED WAY OF NORTH CAROLINA

FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019



Williams Overman Pierce, LLP
— CPAs • Advisors —

UNITED WAY OF NORTH CAROLINA
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
United Way of North Carolina

We have audited the accompanying financial statements of United Way of North Carolina (the "Organization"), which comprise the statement of financial position as of December 31, 2020, 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.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of North Carolina as of December 31, 2020, and the results of activities, changes in its net assets, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Financial Statements

The 2019 financial statements of the Organization were audited by other auditors, whose report dated June 11, 2020 expressed an unmodified opinion on those statements.

William O'Quinn Pierce, LLP

Raleigh, North Carolina
July 14, 2021

UNITED WAY OF NORTH CAROLINA
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

	2020	2019
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 465,499	\$ 695,154
Restricted cash	272,524	789,771
Accounts receivable	2,200,419	878,644
Prepaid expenses and other current assets	12,122	13,028
Total current assets	2,950,564	2,376,597
Property and equipment, net	4,868	5,706
	\$ 2,955,432	\$ 2,382,303
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,586,711	\$ 1,069,884
Agency funds held	39,969	677,346
Contract liabilities	313,146	233,465
Total current liabilities	1,939,826	1,980,695
Accrued pension benefits	151,769	295,201
	2,091,595	2,275,896
Commitments and Contingencies (Note 6)		
Net Assets:		
Without donor restrictions:		
Undesignated	696,306	(6,018)
Board designated	5,761	5,761
	702,067	(257)
With donor restrictions	161,770	106,664
	863,837	106,407
	\$ 2,955,432	\$ 2,382,303

See accompanying notes to financial statements.

UNITED WAY OF NORTH CAROLINA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenues:			
Local United Way dues	\$ 235,526	\$ -	\$ 235,526
Grants	5,314,416	108,278	5,422,694
Conference registration fees	31,582	-	31,582
Service contract revenue	1,445,887	-	1,445,887
Miscellaneous	<u>634,605</u>	<u>-</u>	<u>634,605</u>
Total support and revenues before net asset releases	7,662,016	108,278	7,770,294
Net assets released from donor restrictions	<u>53,172</u>	<u>(53,172)</u>	<u>-</u>
Total support and revenues	<u>7,715,188</u>	<u>55,106</u>	<u>7,770,294</u>
Operating Expenses:			
Program services:			
Member services	223,086	-	223,086
NCCARE360	4,395,084	-	4,395,084
Government relations	56,188	-	56,188
North Carolina 211	<u>2,032,920</u>	<u>-</u>	<u>2,032,920</u>
Total program services	<u>6,707,278</u>	<u>-</u>	<u>6,707,278</u>
Management and general	<u>433,725</u>	<u>-</u>	<u>433,725</u>
Total operating expenses	<u>7,141,003</u>	<u>-</u>	<u>7,141,003</u>
Change in net assets from operating activities	<u>574,185</u>	<u>55,106</u>	<u>629,291</u>
Nonoperating activities:			
Pension related charges, other than net periodic pension cost	<u>128,108</u>	<u>-</u>	<u>128,108</u>
Change in net assets	702,293	55,106	757,399
Net assets at beginning of year	<u>(257)</u>	<u>106,664</u>	<u>106,407</u>
Net assets at end of year	<u>\$ 702,036</u>	<u>\$ 161,770</u>	<u>\$ 863,806</u>

See accompanying notes to financial statements.

UNITED WAY OF NORTH CAROLINA
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenues:			
Local United Way dues	\$ 298,967	\$ -	\$ 298,967
Grants	1,883,727	187,971	2,071,698
Administrative fee - State Employees			
Combined Campaign	415,859	-	415,859
Marketing sponsorships - State Employees			
Combined Campaign	31,239	-	31,239
Conference registration fees	32,411	-	32,411
Service contract revenue	1,322,449	-	1,322,449
Miscellaneous	70,471	-	70,471
	4,055,123	187,971	4,243,094
Total support and revenues before net asset releases			
Net assets released from donor restrictions	100,000	(100,000)	-
Total support and revenues	4,155,123	87,971	4,243,094
Operating Expenses:			
Program services:			
Member services	254,990	-	254,990
State Employees Combined Campaign	398,274	-	398,274
Government relations	59,035	-	59,035
North Carolina 211	3,258,233	-	3,258,233
	3,970,532	-	3,970,532
Total program services			
Management and general	305,215	-	305,215
Total operating expenses	4,275,747	-	4,275,747
Change in net assets from operating activities	(120,624)	87,971	(32,653)
Nonoperating activities:			
Pension related charges, other than net periodic pension cost	92,426	-	92,426
Change in net assets	(28,198)	87,971	59,773
Net assets at beginning of year	27,941	18,693	46,634
Net assets at end of year	\$ (257)	\$ 106,664	\$ 106,407

See accompanying notes to financial statements.

UNITED WAY OF NORTH CAROLINA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Services					Supporting Services	
	Member Services	NCCARE 360	Government Relations	North Carolina 211	Total	Management and General	Total
Salaries	\$ 52,771	\$ 324,165	\$ 7,539	\$ 233,700	\$ 618,175	\$ 135,697	\$ 753,872
Payroll taxes and employee benefits	21,185	118,030	3,026	105,924	248,165	54,476	302,641
Total salaries and related expenses	73,956	442,195	10,565	339,624	866,340	190,173	1,056,513
Consultant and professional services	30,415	15,208	45,623	201,501	292,747	87,443	380,190
Conferences and meetings	7,202	480	-	15,363	23,045	24,965	48,010
NCCARE360	-	3,937,201	-	1,456,225	5,393,426	-	5,393,426
Occupancy	-	-	-	-	-	70,414	70,414
Equipment rental and maintenance	-	-	-	-	-	14,345	14,345
Postage and freight	-	-	-	-	-	4,158	4,158
Telephone and internet	-	-	-	-	-	8,724	8,724
Supplies and copying	-	-	-	-	-	19,326	19,326
Other programmatic expenses	58,341	-	-	-	58,341	-	58,341
Bank account and merchant fees	-	-	-	-	-	2,772	2,772
Depreciation	-	-	-	-	-	869	869
Advertising	-	-	-	20,207	20,207	-	20,207
Liability insurance	-	-	-	-	-	8,797	8,797
Distributions to community agencies	53,172	-	-	-	53,172	-	53,172
Miscellaneous	-	-	-	-	-	1,739	1,739
	<u>\$ 223,086</u>	<u>\$ 4,395,084</u>	<u>\$ 56,188</u>	<u>\$ 2,032,920</u>	<u>\$ 6,707,278</u>	<u>\$ 433,725</u>	<u>\$ 7,141,003</u>

See accompanying notes to financial statements

UNITED WAY OF NORTH CAROLINA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services					Supporting Services	
	Member Services	State Employees Combined Campaign	Government Relations	North Carolina 211	Total	Management and General	Total
Salaries	\$ 55,839	\$ 175,476	\$ 15,054	\$ 375,148	\$ 621,517	\$ 100,926	\$ 722,443
Payroll taxes and employee benefits	18,648	26,024	3,985	113,666	162,323	82,033	244,356
Total salaries and related expenses	74,487	201,500	19,039	488,814	783,840	182,959	966,799
Consultant and professional services	12,072	72,526	39,996	52,559	177,153	72,454	249,607
Conferences and meetings	41,365	8,196	-	34,735	84,296	11,145	95,441
NCCARE360	-	-	-	2,522,000	2,522,000	-	2,522,000
Occupancy	-	21,918	-	36,322	58,240	8,165	66,405
Sponsored marketing costs	-	38,057	-	-	38,057	-	38,057
Equipment rental and maintenance	-	3,562	-	1,109	4,671	7,827	12,498
Department executive program	-	24,958	-	145	25,103	-	25,103
Postage and freight	69	18,501	-	587	19,157	529	19,686
Telephone and internet	-	2,836	-	-	2,836	6,618	9,454
Supplies and copying	5,609	4,446	-	1,160	11,215	7,862	19,077
Other programmatic expenses	-	1,245	-	89,987	91,232	-	91,232
Bank account and merchant fees	405	300	-	5	710	4,473	5,183
Depreciation	-	-	-	-	-	869	869
Advertising	413	229	-	11,915	12,557	-	12,557
Liability insurance	-	-	-	-	-	1,555	1,555
Distributions to community agencies	100,000	-	-	-	100,000	-	100,000
Miscellaneous	20,570	-	-	18,895	39,465	759	40,224
	<u>\$ 254,990</u>	<u>\$ 398,274</u>	<u>\$ 59,035</u>	<u>\$ 3,258,233</u>	<u>\$ 3,970,532</u>	<u>\$ 305,215</u>	<u>\$ 4,275,747</u>

See accompanying notes to financial statements.

UNITED WAY OF NORTH CAROLINA
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Changes in net assets	\$ 757,399	\$ 59,773
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	869	838
(Increase) decrease in:		
Accounts receivable	(1,321,775)	(179,312)
Prepaid expenses and other assets	906	2,707
Increase (decrease) in:		
Accounts payable and accrued expenses	516,827	368,203
Contract liabilities	79,681	(55,251)
Accrued pension benefits	(143,432)	174,218
Net cash (used in) provided by operating activities	<u>(109,525)</u>	<u>371,176</u>
Cash flows from financing activities:		
Agency funds held	<u>(637,377)</u>	<u>(1,204,968)</u>
Net cash used in financing activities	<u>(637,377)</u>	<u>(1,204,968)</u>
Net decrease in cash and cash equivalents and restricted cash	(746,902)	(833,792)
Cash and cash equivalents and restricted cash:		
Beginning of year	<u>1,484,925</u>	<u>2,318,717</u>
End of year	<u>\$ 738,023</u>	<u>\$ 1,484,925</u>

See accompanying notes to financial statements.

UNITED WAY OF NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Organization and nature of activities:

United Way of North Carolina (the "Organization") was incorporated in 1951 and serves local United Way agencies by providing technical assistance and consultation. The Organization is supported primarily through 211 service fees, contracts and state appropriations. Effective January 1, 2018, the Organization consolidated its operations with North Carolina 211, a non-profit entity.

Basis of accounting:

The financial statements of the Organization have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Organization's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Basis of presentation:

Net assets of the Organization and changes therein are classified and reported in accordance with U.S. GAAP which requires the Organization to report information regarding its financial position and activities are as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the mission of the Organization. These net assets may be used at the discretion of the Organization's management and the Board of Directors (the "Board"). The use of some net assets without donor restriction may be further limited by Board designations, including quasi-endowment or other designations.

Net assets with donor restrictions – Net assets that are subject to stipulations imposed by donors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetually. Generally, when donors impose perpetual restrictions on their gifts, this permits the Organization to use all or part of the earnings on related investments for general or specific purposes.

UNITED WAY OF NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents:

The Organization considers all demand deposits at financial institutions and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. The Organization had no cash equivalents as of December 31, 2020 and 2019.

Restricted cash:

Cash held by the Organization to be distributed on behalf of other parties is restricted. The Organization held funds during 2019 that were to be distributed on behalf of the SECC and the Governor's office.

Accounts receivables:

The policy of the Organization is to record grant and contract funds as receivables when earned. Receivables are stated at unpaid balances, less an allowance for doubtful accounts. There was no allowance as of the years ended December 31, 2020 and 2019.

Property and equipment:

Office furniture and equipment are recorded at cost. Depreciation and amortization of office furniture and equipment is provided on a straight-line basis over the estimated useful lives of the assets ranging from three to five years. Maintenance, repairs, and minor equipment purchases are expensed when incurred. It is the Organization's policy to capitalize expenses that are greater than \$1,500. No donated assets were received during the years ended December 31, 2020 and 2019.

The Organization reviews its long-lived assets for impairment whenever events or circumstances indicate the carrying amount of an asset may not be recoverable. If this review indicates that the asset will not be recoverable, based on the expected cash flows of the related asset, an impairment loss is recognized and the asset's carrying value is reduced. No such impairment loss was recognized during the years ended December 31, 2020 and 2019.

UNITED WAY OF NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Estimates:

The preparation of financial statements in conformity with U.S. GAAP 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial instruments and credit risk concentration:

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of short-term investments (cash equivalents). The Organization's investment policy is intended to limit its exposure to credit risk. The Organization has not experienced any significant losses in such accounts and believes it is not exposed to any significant financial risk therein.

Contract liabilities:

Amounts received in advance of providing services are deferred and recognized as revenue as the related services are performed.

Pension benefits:

The Organization is a participant in a qualified retirement plan which is administered by the Mutual of America Life Insurance Company. The plan covers substantially all employees eligible in 2012 and provides for certain benefits. The funded status of the Organization's defined benefit pension plan is recognized on the statement of financial position. The funded status is measured as the difference between the fair value of plan assets and the benefit obligation at the measurement date. The benefit obligation is the projected benefit obligation, which represents the actuarial present value of benefits expected to be paid upon retirement based on future compensation levels. The fair value of plan assets represents the current market value of cumulative Organization contributions. The Organization's contribution amounts are actuarially determined. During 2012, the Board of the Organization elected to freeze the defined pension plan as of December 31, 2012.

UNITED WAY OF NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Income taxes:

The Organization is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code ("IRC") and is exempt from federal and state income taxes. Income generated by activities that would be considered unrelated to the Organization's mission would be subject to tax which, if incurred, would be recognized as a current expense. No such tax has been recognized for the year ended December 31, 2020 and 2019.

Revenue recognition:

Contributions received are recorded as support with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions which increases those net asset classes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions:

Contributions are recognized as revenue at the time the contribution or unconditional promise to give is received by the Organization or an agent of the Organization, net of estimated uncollectible amounts. All contributions are considered available for use unless specifically restricted by the donor. Amounts restricted by time or purpose are reported as support with donor restriction in the statements of activities and change in net assets. Unconditional promises to give are expected to be collected within the stipulated time period. Conditional promises to give are not included as support until such time as the conditions upon which they depend are substantially met.

Donated materials and services:

Contributions of donated services that create or enhance confidential assets or that require specialized skills, and would typically need to be purchased if not provided through donation, are recorded at their fair value in the period received. Donated goods are reflected as contributions in the accompanying statements at their estimated values with an offsetting charge to expense. No in-kind contributions were recorded during the years ended December 31, 2020 and 2019.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in program activities. No amounts have been recognized in the statements of activities and changes in net assets due to the criteria for recognition not being satisfied.

UNITED WAY OF NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

State Employees Combined Campaign:

The Organization administered the SECC through December 31, 2019. Per the terms of the contract, the Organization recovers its expense of administering the campaign in an amount equal to 12% of the previous year's pledges. The 2019 fee was 12% of the funds pledged in 2017 and 2018 for the 2018 campaign. A payment of the administrative fee in the amount of \$415,859 was paid to the Organization during the year ended December 31, 2019. During 2020, the Organization no longer administers the SECC due to the contract ending and therefore no administrative fees were recognized during the year ended December 31, 2020.

Dues:

The Organization collects dues from local United Ways located in North Carolina. These dues are used to assist the operating budget of the Organization. The local United Ways pay dues at their own discretion; therefore, the amount actually collected may differ from the amount requested by the Organization. Management of the Organization reviews the collectability of dues receivable on a periodic basis and utilizes the allowance method. There was no allowance as of the years ended December 31, 2020 and 2019.

211 service fees:

NC 211 provides call center services to local United Ways. Revenue is recognized as services are rendered based on the agreed upon annual service fee.

Advertising:

The Organization expenses advertising production costs as they are incurred and advertising communication costs the first time the advertising takes place. Advertising expense was \$20,207 and \$12,557 for the years ended December 31, 2020 and 2019, respectively.

Functional expense allocation:

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited, with time spent towards the program serving as the basis of allocation.

UNITED WAY OF NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

Recent accounting pronouncements not yet adopted:

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, *Leases*. Under the new guidance, lessees will be required to recognize a lease liability and a right-of-use asset for all leases (with the exception of short-term leases) at the commencement date. In June 2020, the FASB issued ASU No. 2020-05 as a limited deferral of the effective dates of ASU No. 2016-02, including amendments issued after the issuance of the original ASU, to provide immediate, near-term relief for private companies and nonprofits for whom the ASUs are either currently or imminently effective. Under ASU No. 2020-05, the amended effective date for the Organization will be for fiscal years beginning after December 15, 2021. The Organization is assessing the potential effects on future financial statements.

2. Concentrations of Credit Risk

The Organization maintains cash balances at various financial institutions in North Carolina whose accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2020 and 2019, the Organization's uninsured cash balances totaled \$521,681 and \$1,110,155, respectively.

3. Accounts Receivable, Contract Assets, and Contract Liabilities

Contract balances are included in the accompanying statements of financial position under the following captions at December 31:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Accounts receivable	\$ <u>2,200,419</u>	\$ <u>878,644</u>	\$ <u>699,332</u>
Contract liabilities	\$ <u>(313,146)</u>	\$ <u>(233,465)</u>	\$ <u>(59,247)</u>

During the years ended December 31, 2020 and 2019, \$115,000 and \$55,506, respectively, of the opening contract liability balance was recognized as revenue. There were no contract assets as of December 31, 2020, 2019, or 2018.

UNITED WAY OF NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

4. Liquidity and Availability

The Organization held the following financial assets that could be readily made available within one year of the statements of financial position dates to meet general expenditures as of December 31:

	<u>2020</u>	<u>2019</u>
Financial assets at end of year:		
Cash and cash equivalents	\$ 738,023	\$ 1,484,925
Accounts receivable	<u>2,200,419</u>	<u>878,644</u>
	<u>2,938,442</u>	<u>2,363,569</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions, net of amounts available for expenditure	(161,770)	(106,664)
Designations established by the Board, net of amounts available for expenditure	(5,761)	(5,761)
Agency fund cash held	<u>(39,969)</u>	<u>(677,346)</u>
	<u>(207,500)</u>	<u>(789,771)</u>
Financial assets available to meet general expenditures over the next 12 months	<u>\$ 2,730,942</u>	<u>\$ 1,573,798</u>

5. Property and Equipment

Property and equipment consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 4,000	\$ 4,000
Office furniture	32,756	32,756
Office equipment	<u>261,556</u>	<u>261,556</u>
	298,312	298,312
Less: accumulated depreciation	<u>(293,475)</u>	<u>(292,606)</u>
	<u>\$ 4,837</u>	<u>\$ 5,706</u>

Depreciation expense was \$869 for the years ended December 31, 2020 and 2019.

It is policy of the Board to review its plans for future acquisitions from time to time and to designate appropriate amounts to assure adequate financing of such acquisitions, with such amounts included in net assets without donor restrictions. There were no Board designations for acquisitions at December 31, 2020 and 2019.

UNITED WAY OF NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

6. Lease Commitments

The Organization has lease agreements through 2023 for two suites at an office space location. Rent expense for office space totaled \$70,414 and \$66,404 for the years ended December 31, 2020 and 2019, respectively.

The Organization leases office equipment under operating lease agreements that expire at various dates through 2023. Equipment lease expense was \$8,369 and \$7,508 for the years ended December 31, 2020 and 2019, respectively.

Future minimum rental payments required under all the operating leases are as follows:

<u>Year Ending</u> <u>December 31:</u>	<u>Amount</u>
2021	\$ 76,472
2022	78,760
2023	<u>63,434</u>
	<u>\$ 218,666</u>

7. Pension Benefits

The Organization maintains a defined benefit pension plan as defined under Section 401(k) of the U.S. Internal Revenue Code covering substantially all employees eligible in 2012 and provides for certain benefits. The Organization's contribution amounts are actuarially determined. During 2012, the Board elected to freeze the defined benefit pension plan as of December 31, 2012. Employer contributions during the years ended December 31, 2020 and 2019 were \$84,900 and \$55,250, respectively.

Components of net periodic pension cost for the years ended December 31, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Service cost	\$ 4,770	\$ 4,770
Other components of cost:		
Interest	24,602	30,486
Expected return on assets	(151,007)	(92,136)
Amortization of unrecognized net loss	72,290	82,283
Asset gain deferred	<u>118,921</u>	<u>67,157</u>
Total other components	<u>64,806</u>	<u>87,790</u>
Net periodic benefit pension cost	<u>\$ 69,576</u>	<u>\$ 92,560</u>

UNITED WAY OF NORTH CAROLINA
NOTES TO FINANCIAL STATEMENTS

7. Pension Benefits (continued)

The net periodic pension cost was determined using the following weighted average assumptions:

	<u>2020</u>	<u>2019</u>
Discount rate on the benefit obligation	3.00%	4.00%
Rate of expected return on plan assets	6.00%	6.00%
Rate of employee compensation increase	0.00%	0.00%

The expected long-term rate of return on plan assets assumption of 6% for 2020 was selected using an approach set forth by the Actuarial Standards Board. Based on the Organization's investment allocation for the pension plan in effect as of the beginning of each fiscal year, a best estimate range was determined for both the return (net of inflation and investment expense) and for inflation based on a long-term historical return on the applicable asset classes. An average inflation rate within the range equal to 3% was selected and added to the real rate of return range to arrive at a best estimate range of 4.90% to 10.84%. A rate of 6% which was within the best estimate range, was selected for 2020.

As of December 31, 2020 and 2019, the accumulated benefit obligation was \$913,856 and \$868,685, respectively. Accumulated benefit obligation represents the actuarial present value of benefits owed for service to date if the employees continue in employment until normal retirement age at current wage rates, but since December 31, 2012, this amount now equals the projected benefit obligation due to the curtailment of the pension plan.

Plan assets are divided into the following categories as of December 31:

	<u>2020</u>		<u>2019</u>	
	<u>Fair Value</u>	Percentage of Plan <u>Assets</u>	<u>Fair Value</u>	Percentage of Plan <u>Assets</u>
Equity	\$ 563,523	74%	\$ 373,180	65%
Fixed income	190,160	25%	174,068	30%
General account	<u>8,404</u>	<u>1%</u>	<u>26,236</u>	<u>5%</u>
	<u>\$ 762,087</u>	<u>100%</u>	<u>\$ 573,484</u>	<u>100%</u>

The Organization's overall strategy is to invest in high-grade securities and other assets with a minimum risk of market value fluctuation.

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7. Pension Benefits (continued)

The Organization's policy is to fund the plan in amounts consistent with the funding requirements of federal laws and regulations. The following benefit payments are expected to be paid over the next ten years:

<u>Year Ending December 31:</u>	<u>Amount</u>
2021	\$ 147,000
2022	84,000
2023	17,000
2024	17,000
2025	17,000
Thereafter	<u>202,000</u>
	<u>\$ 484,000</u>

8. Restrictions on Net Assets

In 1998, the Organization began collecting fees for the tri-state conference. The excess of fees over expenses related to this conference are to be used for future tri-state conferences. As of December 31, 2020 and 2019, funds totaling \$4,969 were available and have been reported as net assets without donor restrictions - Board designated.

In 2004, the Organization received contributions for the John Walker Memorial Fund. The Board voted to designate these funds to United Way for training support. As of December 31, 2020 and 2019, funds totaling \$792 were available and have been reported as net assets without donor restrictions - Board designated.

In 2016, the Organization began collecting donations for the United Way Helps North Carolina Fund for various disaster relief initiatives. As of December 31, 2020 and 2019, funds totaling \$161,770 and \$106,664, respectively, were available and have been reported as net assets with donor restrictions.

9. Paycheck Protection Program Loan

The Organization obtained a \$145,400 loan under the Paycheck Protection Program ("PPP") pursuant to the Coronavirus Aid, Relief and Economic Security ("CARES") Act that was signed into law on March 27, 2020. As a U.S. nonprofit, the Organization has qualified for the PPP, which allows businesses and nonprofits with fewer than 500 employees to obtain loans of up to \$10 million to incentivize companies to maintain their workers as they manage the business disruptions caused by a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak").

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9. Paycheck Protection Program Loan (continued)

The loan, evidenced by a promissory note to The Fidelity Bank (the "Bank") as the lender, had a term of 2 years, was unsecured, and was guaranteed by the Small Business Administration ("SBA"). The loan carried interest at a fixed rate of 1% per annum, with the first sixteen months of interest and principal deferred.

Under the provisions of the CARES Act, the Organization submitted a PPP loan forgiveness application to the Bank seeking full forgiveness. On November 3, 2020, the Bank notified the Organization informing them that the SBA remitted to the Bank the full original principal amount of the loan plus all interest accrued thereon through the remittance date. Accordingly, all principal and interest under the Organization's PPP loan was forgiven in full and is included as grant income on the accompanying statement of operations and changes in net assets for the year ended December 31, 2020.

10. COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency in response to the COVID-19 outbreak and the risks to the international community as the virus spread globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In assessing the recoverability of accounts receivable, the Organization has considered internal and external information up to the date of the financial statements were available to be issued, including credit reports and economic factors. Based on the current indicators of future economic conditions, the Organization expects to recover the carrying amount of these assets.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global response to curb its spread, the Organization is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2021.

11. Subsequent Events

Management has evaluated subsequent events through July 14, 2021, the date which the financial statements were made available to be issued. No significant subsequent events were identified by management.