

**UNITED WAY OF PALM BEACH COUNTY, INC.**

**REPORT ON AUDIT OF  
FINANCIAL STATEMENTS**

**For the Year Ended September 30, 2022  
(with comparable totals for September 30, 2021)**

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# Holyfield & Thomas, LLC

Certified Public Accountants & Advisors

125 Butler Street • West Palm Beach, FL 33407

(561) 689-6000 • Fax (561) 689-6001 • [www.holyfieldandthomas.com](http://www.holyfieldandthomas.com)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
United Way of Palm Beach County, Inc.  
West Palm Beach, Florida

### ***Opinion***

We have audited the accompanying financial statements of United Way of Palm Beach County, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Palm Beach County, Inc. as of September 30, 2022, and the 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.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Way of Palm Beach County, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Financial Statements***

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

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

## ***Auditor's Responsibility for the Audit of the Financial Statements***

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

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

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

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

## ***Prior Year Financial Statements***

The prior year summarized comparative information has been derived from United Way of Palm Beach County, Inc.'s 2021 financial statements prepared by Daszkal Bolton, LLP and, in their report dated March 3, 2022, they expressed an unmodified opinion on those financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Holyfield & Thomas, LLC*

West Palm Beach, Florida  
February 23, 2023

**UNITED WAY OF  
PALM BEACH COUNTY, INC.**

**STATEMENT OF  
FINANCIAL POSITION**

*As of September 30, 2022*

*(with comparable totals for 2021)*

	Without Donor Restrictions	With Donor Restrictions	2022 Totals	2021 Totals
<b>ASSETS</b>				
Cash and cash equivalents	\$ 523,256	\$ 973,090	\$ 1,496,346	\$ 696,144
Pledges receivable, net	48,005	654,551	702,556	1,110,112
Grants receivable, net	175,929	250,000	425,929	44,036
Prepaid expenses	84,136	-	84,136	67,682
Total current assets	831,326	1,877,641	2,708,967	1,917,974
Investments	20,197,344	173,349	20,370,693	24,390,354
Beneficial interest in trusts	-	1,238,873	1,238,873	1,842,320
Property and equipment, net	300,659	-	300,659	365,651
Total assets	<u>\$ 21,329,329</u>	<u>\$ 3,289,863</u>	<u>\$ 24,619,192</u>	<u>\$ 28,516,299</u>
<b>LIABILITIES AND NET ASSETS</b>				
Allocations payable	\$ 3,270,913	\$ -	\$ 3,270,913	\$ 3,278,023
Designations payable	48,005	-	48,005	57,125
Accounts payable and accrued expenses	778,177	-	778,177	641,021
Deferred liability	1,312,948	-	1,312,948	510,107
Line of credit	200,000	-	200,000	-
Total current liabilities	5,610,043	-	5,610,043	4,486,276
Net assets	<u>15,719,286</u>	<u>3,289,863</u>	<u>19,009,149</u>	<u>24,030,023</u>
Total liabilities and net assets	<u>\$ 21,329,329</u>	<u>\$ 3,289,863</u>	<u>\$ 24,619,192</u>	<u>\$ 28,516,299</u>

*See accompanying notes to financial statements.*

**UNITED WAY OF  
PALM BEACH COUNTY, INC.**

**STATEMENT OF  
ACTIVITIES**

*For the Year Ended September 30, 2022*

*(with comparable totals for 2021)*

	Without Donor Restrictions	With Donor Restrictions	2022 Totals	2021 Totals
Public support and revenues:				
Public support:				
Gross Campaign contributions	\$ 6,376,230	\$ 898,259	\$ 7,274,489	\$ 7,119,560
Less:				
Designations to other agencies	-	(460,588)	(460,588)	(659,917)
Provision for uncollectible pledges	-	(1,127,865)	(1,127,865)	(899,460)
Net campaign contributions	<u>6,376,230</u>	<u>(690,194)</u>	<u>5,686,036</u>	<u>5,560,183</u>
In-kind contributions	1,268,386	-	1,268,386	310,758
Bequest income	81,194	124,182	205,376	381,509
Transformational gift	-	-	-	10,000,000
Change in value of beneficial interest in trusts	-	(451,807)	(451,807)	243,762
Other contributions	-	-	-	19,815
	<u>7,725,810</u>	<u>(1,017,819)</u>	<u>6,707,991</u>	<u>16,516,027</u>
Revenues:				
Special events	18,320	-	18,320	10,931
Grants	4,830,657	558,779	5,389,436	9,264,802
Grant administration fee, CARES Act	-	-	-	240,000
Annuity liability extinguishment	-	-	-	75,016
Investment earnings, net	643,685	21,701	665,386	282,369
Realized and change in unrealized gain (loss) on investments	(3,658,143)	-	(3,658,143)	2,216,878
Designation fees	122,388	-	122,388	131,117
Other income	28,051	25,000	53,051	-
	<u>9,710,768</u>	<u>(412,339)</u>	<u>9,298,429</u>	<u>28,737,140</u>
Net assets released from restrictions	<u>165,929</u>	<u>(165,929)</u>	<u>-</u>	<u>-</u>
	<u>9,876,697</u>	<u>(578,268)</u>	<u>9,298,429</u>	<u>28,737,140</u>
Expenses:				
Program services	11,819,106	-	11,819,106	14,697,984
Supporting services:				
Management and general	934,250	-	934,250	784,322
Fundraising and events	1,565,947	-	1,565,947	1,489,045
	<u>14,319,303</u>	<u>-</u>	<u>14,319,303</u>	<u>16,971,351</u>
Change in net assets	(4,442,606)	(578,268)	(5,020,874)	11,765,789
Net assets, beginning	<u>20,161,892</u>	<u>3,868,131</u>	<u>24,030,023</u>	<u>12,264,234</u>
Net assets, end	<u>\$ 15,719,286</u>	<u>\$ 3,289,863</u>	<u>\$ 19,009,149</u>	<u>\$ 24,030,023</u>

*See accompanying notes to financial statements.*

**UNITED WAY OF  
PALM BEACH COUNTY, INC.**

**STATEMENT OF  
CASH FLOWS**

*For the Year Ended September 30, 2022*

*(with comparable totals for 2021)*

	2022	2021
Cash flows from operating activities:		
Cash received from campaign contributions, net	\$ 5,923,657	\$ 5,576,868
Cash received from grants	5,863,435	8,988,270
Cash received from contributions and support	56,194	10,196,681
Designation fees and other income	140,708	142,048
Cash paid to suppliers and employees	(12,856,536)	(16,582,795)
Investment return, net	665,386	282,369
Interest paid	(1,151)	-
Net cash provided by (used in) operating activities	<u>(208,307)</u>	<u>8,603,441</u>
Cash flows from investing activities:		
Purchase of investments	(1,237,536)	(11,108,811)
Proceeds from sale of investments	1,768,989	1,131,486
Proceeds from beneficial interest in trusts	300,822	109,187
Purchase of property and equipment	(23,766)	(21,820)
Net cash provided by (used in) investing activities	<u>808,509</u>	<u>(9,889,958)</u>
Cash flows from financing activities:		
Proceeds from note payable	200,000	200,000
Payment on note payable	-	(200,000)
Net cash provided by financing activities	<u>200,000</u>	<u>-</u>
Net change in cash and cash equivalents	800,202	(1,286,517)
Cash and cash equivalents, beginning	<u>696,144</u>	<u>1,982,661</u>
Cash and cash equivalents, end	<u>\$ 1,496,346</u>	<u>\$ 696,144</u>

*See accompanying notes to financial statements.*

**UNITED WAY OF  
PALM BEACH COUNTY, INC.**

**STATEMENT OF  
CASH FLOWS**

*For the Year Ended September 30, 2022*

*(with comparable totals for 2021)*

	<u>2022</u>	<u>2021</u>
Reconciliation of change in net assets to net cash provided by (used in) operating activities:		
Change in net assets	\$ (5,020,874)	\$ 11,765,789
Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	88,758	93,986
Realized and change in unrealized loss (gain)	3,658,143	(2,216,878)
Provision for uncollectible pledges	1,127,865	899,460
Change in value of beneficial interest in trusts	451,807	(243,762)
Contributed stocks	(169,935)	(108,932)
Decrease (increase) in certain assets:		
Pledges receivable	(720,309)	(773,843)
Grants receivable	(381,893)	(2,049)
Prepaid expenses	(16,454)	(31,921)
Beneficial interest in trusts	(149,182)	(204,643)
Increase (decrease) in certain liabilities:		
Allocations payable	(7,110)	11,111
Designations payable	(9,120)	(112,057)
Accounts payable and accrued expenses	137,156	106,033
Deferred liability	802,841	(514,483)
Annuity liability	-	(64,370)
Net cash provided by (used in) operating activities	<u>\$ (208,307)</u>	<u>\$ 8,603,441</u>

*See accompanying notes to financial statements.*



**UNITED WAY OF  
PALM BEACH COUNTY, INC.**

**STATEMENT OF  
FUNCTIONAL EXPENSES**

*For the Year Ended September 30, 2022*

*(with comparable totals for 2021)*

	Program Services	Support Services		2022 Totals	2021 Totals
		Management and General	Fundraising and Events		
Allocations to agencies and designations to others	\$ 3,731,501	\$ -	\$ -	\$ 3,731,501	\$ 3,926,830
Less: donor designations	(460,588)	-	-	(460,588)	(659,917)
Net allocations	3,270,913	-	-	3,270,913	3,266,913
Grants to others	4,160,473	-	-	4,160,473	8,320,659
Salaries	2,114,582	436,975	763,429	3,314,986	2,976,840
Employee benefits	248,897	138,086	161,442	548,425	511,351
Payroll taxes	108,740	55,979	72,747	237,466	220,853
Professional and consulting fees	176,537	28,430	28,734	233,701	277,560
Occupancy	94,421	56,828	59,845	211,094	203,466
Sponsored events and meetings	38,758	2,736	16,119	57,613	23,714
Printing and publications	49,760	7,726	96,066	153,552	163,873
Conferences	10,990	1,036	8,573	20,599	584
National and state affiliation dues	186,980	79,999	67,948	334,927	305,952
Telephone	11,680	7,712	8,254	27,646	33,057
Supplies	14,495	6,974	5,686	27,155	29,717
Travel	6,200	10,698	3,847	20,745	15,687
Depreciation	35,206	27,454	26,098	88,758	93,986
Insurance	17,005	9,355	10,979	37,339	35,357
Processing and bank fees	-	-	38,922	38,922	35,278
Postage	926	466	6,362	7,754	8,091
Rental and maintenance of equipment	62,887	26,389	35,511	124,787	110,987
Recognition	3,728	393	3,044	7,165	2,377
Staff development	65,670	5,134	-	70,804	47,328
In-kind contributions	1,134,148	31,880	102,358	1,268,386	279,632
Special events	6,110	-	49,983	56,093	8,089
Total expenses	<u>\$ 11,819,106</u>	<u>\$ 934,250</u>	<u>\$ 1,565,947</u>	<u>\$ 14,319,303</u>	<u>\$ 16,971,351</u>

*See accompanying notes to financial statements.*

***For The Year Ended September 30, 2022***

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**1. Description of Organization**

United Way of Palm Beach County, Inc. (the "Organization" or "United Way") is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). The Organization is governed by a volunteer Board of Directors. The Organization's mission is to improve measurably the lives of individuals and families in Palm Beach County by uniting the resources of donors, volunteers, agencies, and the community. The Organization advances the common good by creating opportunities for a better life for all, with a focus on the impact areas of education, income, and health – the building blocks for a good quality of life. The Organization conducts an annual fundraising campaign to obtain funds for investment in a variety of programs within these impact areas. Donors have the option to designate their contributions to a specific impact area or charitable organization. In addition to the annual campaign, which is the Organization's largest source of support, the Organization receives private and public grants.

**2. Summary of Significant Accounting Policies*****Financial Statement Presentation***

The accompanying financial statements have been prepared on the accrual basis of accounting in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth under FASB Accounting Standards Codification (FASB ASC) 958-205 *Not-for-Profit Entities, Presentation of Financial Statements*. Accordingly, the net assets of the Organization are reported in each of the following classes:

Net assets without donor restrictions: Include financial resources that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization's management and the Board of Directors.

Net assets with donor restrictions: Include financial resources that are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

***Accounting Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) generally 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 public support and revenue, and expenses during the reporting period. Actual results could differ from those estimates.

***For The Year Ended September 30, 2022***

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**2. Summary of Significant Accounting Policies, continued***Cash and Cash Equivalents*

The Organization considers money market funds, repurchase agreements, and all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

*Pledges and Grants Receivable*

Pledges receivable are unconditional promises received from the annual fundraising campaign and are recorded when the promises to contribute are made. The Organization provides an allowance for estimated uncollectible amounts at the time campaign pledges are recorded. The provision for uncollectible pledges is based, among other things, on the Organization's past collection experience and the impact of changes in the current economic conditions. Pledges receivable with payment terms in excess of one year are recorded at the present value of the expected future cash flows. Amortization of the discounts related to pledges receivable is recognized over the period of the promise as contribution.

Grants and contracts awarded by federal and other grantors, which are generally considered nonreciprocal arrangements restricted for certain purposes, are recognized as income when qualifying expenditures are incurred and conditions under the agreements are met. Contributions are conditional if the agreement includes both a barrier that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are met. As of September 30, 2022, the Organization had an outstanding conditional promise to give of \$3,530,000 from Palm Beach County related to the American Rescue Plan Act (ARPA) grants.

*Investments*

The Organization reports investments at fair value. Net investment return consists of interest and dividend income, realized and unrealized gains and losses, less external and direct internal investment expenses. Net investment return is reported in the Statement of Activities as a change in net assets without donor restriction unless the use of the income is limited by donor-imposed restrictions.

Investments include both board-designated and donor-restricted endowment assets and are managed in accordance with board approved investment and spending policies. These policies, including the policy establishing the portion of the portfolio to be spent annually, seek to preserve the value of the portfolio in real terms and to generate a reliable flow of earnings for support of the Organization. The board-designated endowment spending policy provides that the income available for distribution is calculated as 4% of the endowment fund's value, as measured at the end of the fiscal year. The investment policy statement provides for major classes of assets, including cash and cash equivalents, fixed-income securities, domestic and international equities, emerging markets, and real estate. The donor-restricted endowment permits annual distributions equal to 5% of the endowment fund balance as of the beginning of the applicable year, with a stipulation that any distributions in excess of that amount shall be permissible only for emergencies and must be approved by the Board of Directors.

***For The Year Ended September 30, 2022***

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**2. Summary of Significant Accounting Policies, continued*****Beneficial Interest in Trusts***

The Organization is a residual beneficiary of split-interest agreements whereby another entity serves as trustee. These split-interest agreements include irrevocable trusts, a charitable remainder trust, and a perpetual income trust.

***Irrevocable trusts***

From time to time, the Organization is a remainder beneficiary under revocable trusts. Upon the death of a grantor(s), a trust becomes irrevocable, at which this time the Organization recognizes income with donor restriction "bequest income" in the Statement of Activities based on the estimated net fair market value of trust assets management intends to collect. The trustee generally remits to the Organization their remainder interest in trust assets over a specified period of time from the grantor's date of death. As the Organization receives payments from the trustee, expiring the time restriction, net assets with donor restriction are reclassified to net assets without donor restriction and are reported in the Statement of Activities as "net assets released from restriction."

***Charitable remainder trust***

Under the charitable remainder trust, the trustee holds and invests the assets and pays the annuitant(s) on a periodic basis for their lifetime. Upon the death of the annuitant(s), the Organization will receive from the trustee the remaining balance (or proportionate share), which is available for the general use of the Organization. Donor restricted contribution (based on inherent time restrictions) is recognized when the Organization is notified of the existence of the remainder trust agreement based on the fair value of the assets less the fair value of the payments to be made to other beneficiaries (measured using a present value technique).

***Perpetual income trust***

The Organization has a beneficial interest in one perpetual income trust that is donor restricted in perpetuity as the Organization has the irrevocable right to receive income earned on the trust assets in perpetuity but will never receive the assets held in trust. The Organization's proportionate share of the perpetual trust assets is used to measure the beneficial interest.

Given that cash and other assets contributed by donors under these split-interest agreements are held by independent trustees, the measurement objective for the beneficial interest at initial recognition and for subsequent periods is fair value. Changes in the fair values of the Organization's beneficial interest under the charitable remainder and perpetual arrangements are recorded as net assets with donor restriction "change in value of beneficial interest in trusts" in the Statement of Activities.

***For The Year Ended September 30, 2022***

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**2. Summary of Significant Accounting Policies, continued**

*Property and Equipment*

Property and equipment are stated at cost or, if donated, at fair value at the date of donation. The Organization capitalizes all expenditures for property and equipment whose cost is equal to or in excess of \$1,000 and whose useful life is greater than one year. Depreciation is computed by the straight-line method over the following estimated useful lives of the assets:

	<u>Years</u>
Leasehold improvements	10
Furniture and equipment	4-10

*Allocations Payable*

The Organization annually allocates funds to its affiliated agencies. Generally, in September of each fiscal year, the Board of Directors approves the total amount of allocations to be distributed for the next fiscal year. The amounts allocated to the individual agencies are determined by the Community Impact Committee. Once the board approves the allocations, the agencies are notified and agreements are executed. The allocations are considered conditional promises to give as the agencies must execute the agreements and comply with the terms and conditions included therein in order to receive the funds. As the possibility of the agencies not executing the agreements or not meeting the routine performance requirements or other conditions are considered unusual, the allocations are recognized as an expense and liability when the agreements are executed with the agencies. On occasion, funding is discontinued for an agency for not fulfilling contractual requirements, at which time an adjustment is made to the allocations payable and related expense account. As of September 30, 2022, allocations payable was \$3,270,913.

*Designations Payable*

The Organization honors donor designations to other non-profit agencies. To be eligible to receive a donation, the agency must be an active 501(c)(3) organization and comply with the Patriot Act.

*Revenue Recognition*

The Organization recognizes contribution in accordance with FASB ASC 958, *Not-For-Profit Entities*. Contributions received are recognized at fair value, including unconditional promises to give when the promise is made. Contributions that are to be collected more than one year in the future are recorded at their discounted present value. All contributions are considered to be available for general use unless specifically restricted by the donor. Amounts received that are restricted for future periods (time restriction) or are restricted by the donor for specific purposes (purpose restriction) are reported as increases to net assets with donor restriction. All pledged amounts accounted for as campaign contributions are considered to be time restricted by donors since amounts are unconditional promises to give with payments due in future periods. Cash contributions received with no donor stipulations are recorded as increases to net assets without donor restriction upon receipt of the gifts.

***For The Year Ended September 30, 2022***

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**2. Summary of Significant Accounting Policies, continued***Revenue Recognition, continued*

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restriction are reclassified to net assets without donor restriction and are reported in the Statement of Activities as “net assets released from restrictions.”

The Organization is a beneficiary under various wills and trust agreements. Related amounts are recorded when either a will is declared valid by a probate court or the Organization is notified as an irrevocable beneficiary of a trust, and the expected proceeds are measurable.

The Organization conducts a donor-advised fund program for large individual contributions. Under this program, contributors are permitted to provide recommendations on the use of the funds. The funds are held until distributed pursuant to the Organization’s approval.

Designation fees are fees that the Organization charges recipient agencies as cost recovery fees for processing designated pledges. Designated pledges include contributions that are designated by the contributor to the Organization’s affiliated agencies or non-affiliated agencies. As the Organization serves as an intermediary, it recognizes a liability to the specified external agency concurrent with the recognition of the assets received from the donor. Designated pledges received by a third-party processor for affiliated agencies or non-affiliated agencies that are not part of the Organization’s annual capital campaign, are not recognized in the financial statements.

The Organization receives various grants from federal and local agencies and private companies for program and supporting services. These grants are generally funded on a cost reimbursement basis or when required services are performed. Accordingly, income from grants are generally recognized in the Statement of Activities when expenses are made for the purpose specified. Grant funds that have been received but have not yet been expended for the purposes specified are reported as deferred liability.

*Donated Services and Materials*

Donated services and materials are recognized as contributions in accordance with FASB ASC 958-605, *Revenue Recognition*, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased. These services are reflected in the financial statements at their estimated fair market value at the date of receipt. The donated services and materials are recorded as gifts in-kind contributions and expenses in the period rendered.

The total amount of donated services and materials received during the year ended September 30, 2022, amounted to approximately \$1,268,000. Donated services consisted of advertising (\$102,300), legal services (\$35,900), and tax professional services (\$123,800). Donated materials consisted of PPE masks (\$1,006,000) that were provided to clients. Advertising was valued based on a multiplication factor of annual dues, as reported to the Organization by United Way Worldwide. Legal fees were valued based on the price of the services provided. Tax professional services were valued based on the number of hours provided by tax professionals times the mean average wage for tax preparers as reported by the U.S. Bureau of Labor Statistics in Florida. Donated materials were valued based on the estimated price of identical or similar products if purchased in this area.

***For The Year Ended September 30, 2022***

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**2. Summary of Significant Accounting Policies, continued***Donated Services and Materials, continued*

In addition, the Organization receives services from a number of volunteers who give significant amounts of their time to the Organization's programs, fund-raising campaigns, and management. Time donated by these volunteers is not recorded in the financial statements, as these services do not meet the required recognition criteria in accordance with FASB ASC 958.

*Functional Allocation of Expenses*

The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying Statement of Activities. Certain program and support expenses, such as salaries, benefits, and other administrative costs, are allocated among program services, management and general, and fundraising based on management's analysis of these costs.

*Advertising Costs*

Advertising costs are charged to operations when incurred. During the year ended September 30, 2022, the Organization incurred \$148,475 in advertising cost, which is reported as part of printing and publications (\$46,117) and in-kind contributions (\$102,358) in the Statement of Functional Expenses.

*Income Taxes*

The Organization is a non-profit organization exempt from federal income taxes under Section 501(c)(3) of the IRC. The Organization has been classified as a publicly supported organization that is not a private foundation under Section 509(a)(1) of the IRC.

The Organization follows ASC 740, *Income Taxes*. ASC 740 creates a single model to address uncertainty in income tax provisions and prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. It also provides guidance on de-recognition, measurement, classification, interest and penalties, and disclosure. The Organization does not believe its financial statements include (or reflect) any uncertain tax positions.

*Comparative Financial Statement Information*

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2021, from which the summarized information was derived. Certain 2021 amounts have been reclassified to conform to the 2022 presentation. These reclassifications affected the presentation of campaign contributions and designations to agencies. The current presentation excludes contributions received by a third-party processor that were designated by the donor to affiliated agencies or non-affiliated agencies. These reclassifications had no effect on the total public support and revenues, total expenses, or change in the net assets as previously reported.

***For The Year Ended September 30, 2022***

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**2. Summary of Significant Accounting Policies, continued***Recently Adopted Accounting Pronouncements*

As of October 1, 2021, the Organization adopted the provision of FASB Accounting Standards Update 2020-07 – *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of the standard is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the not-for-profit.

*Recent Accounting Pronouncements*

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU 2016-02 replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2016-02 will require lessees to recognize most leases on their statement of financial position as liabilities, with corresponding “right-of-use” assets. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2021. Management is currently evaluating the magnitude and other potential impacts on the Organization's financial statements.

**3. Liquidity and Availability of Resources**

Financial assets available for general expenditure within one year, that is, without donor restrictions or other restrictions limiting their use within one year of the Statement of Financial Position date, comprise the following:

Financial assets:	
Cash and cash equivalents	\$ 1,496,346
Pledges receivable	702,556
Grants receivable	425,929
Investments	<u>20,370,693</u>
Total financial assets	22,995,524
Less financial assets unavailable for general expenditures:	
Investments held in donor restricted endowment	<u>(173,349)</u>
Total financial assets available to meet general expenditures over the next 12 months	<u>\$ 22,822,175</u>

The Organization is substantially supported by contributions without donor and with donor restrictions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Some of the Organization's net assets with donor restrictions are available for general expenditure within one year of September 30, 2022, because the restrictions on the net assets are expected to be met by conducting the normal program activities of the Organization in the coming year. Accordingly, the related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year. Furthermore, the Organization has a \$1,500,000 line of credit of which may be drawn upon in the event of unanticipated financial distress or an immediate liquidity need (see Note 9).



***For The Year Ended September 30, 2022***

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**4. Fair Value Measurements**

FASB ASC 820-10 *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value and provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

- Level 1* – Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access at the measurement date (examples include active exchange-traded equity and fixed income securities).
- Level 2* – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in non-active markets (examples may include corporate and municipal bonds); pricing models whose inputs are observable for substantially the full term of the asset or liability (examples include most over the counter derivatives, including interest rate and currency swaps); and pricing models whose inputs are derived principally from or corroborated by observable market data. Level 2 assets also include investment funds that do not have a readily determinable fair value but meet other criteria and a net asset value per share, or its equivalent, is provided by the fund manager and the reporting entity has the ability to redeem its investment at the net asset value per share at the measurement date.
- Level 3* – Unobservable inputs for the asset or liability. Level 3 assets may not permit redemptions at net asset value, or its equivalent, at the measurement date. Management uses inputs that reflect assumptions a market participant would use in pricing the asset or liability (examples include certain private equity investments, hedge funds, non-public real estate, and split-interest agreements).

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

*Fair Value of Financial instruments:* The following methods and assumptions were used by the Organization in estimating fair value of financial instruments that are not disclosed under ASC 820.

*Cash and equivalents* – The carrying amount reported approximates fair value.

*Pledges and grants receivable* – The carrying amount reported approximates fair value due to the short-term duration of the instrument.

*Accounts payable and other current liabilities* – The carrying amount reported approximates fair value due to the short-term duration of the instrument.

***For The Year Ended September 30, 2022*****4. Fair Value Measurements, continued**

*Items Measured at Fair Value on a Recurring Basis:* The following methods and assumptions were used by the Organization in estimating fair value of financial instruments that are measured at fair value on a recurring basis under ASC 820.

*Investments:*

- *Cash equivalents contained in investments* – Valued according to the market quotation provided by the custodian as of the close of business as of September 30, 2022.
- *Mutual funds* – Valued at the fair market value of shares held by the custodian as of the close of business as of September 30, 2022.

*Beneficial Interest in Trusts:*

- *Irrevocable trusts* – Valued at the fair value of the assets held in the trust as reported by the trustee, discounted at a rate approximating current market rates.
- *Charitable remainder trust* – Valued at the fair value of the investments of the trust as quoted on a national exchange, less the present value of future cash distributions to be paid over the life expectancy of designated beneficiaries, discounted at a rate approximating current market rates.
- *Perpetual income trust* – Valued based on the Organization's proportionate share of the fair value of the underlying pooled investments reported by the custodian. The fair value of the underlying securities in the custodian's portfolio is not observable.

FASB ASC 825-10 "*Financial Instruments*" provides a fair value option election that allows entities to irrevocably elect fair value as the initial and subsequent measurement attribute for certain financial assets and liabilities. Changes in fair value for assets and liabilities for which the election is made will be recognized in earnings as they occur. The Organization's beneficial interest in trusts have been selected for this fair value election. There have been no changes in the methodologies used as of September 30, 2022.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of September 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash equivalents	\$ 20,526	\$ -	\$ -	\$ 20,526
Mutual funds	<u>20,350,167</u>	<u>-</u>	<u>-</u>	<u>20,350,167</u>
Total investments	<u>20,370,693</u>	<u>-</u>	<u>-</u>	<u>20,370,693</u>
Beneficial interest in trusts:				
Irrevocable trusts	-	-	343,264	343,264
Charitable remainder trust	-	-	831,230	831,230
Perpetual income trust	<u>-</u>	<u>-</u>	<u>64,379</u>	<u>64,379</u>
Total beneficial interest in trusts	<u>-</u>	<u>-</u>	<u>1,238,873</u>	<u>1,238,873</u>
Total assets at fair value	<u>\$ 20,370,693</u>	<u>\$ -</u>	<u>\$ 1,238,873</u>	<u>\$ 21,609,566</u>

***For The Year Ended September 30, 2022*****4. Fair Value Measurements, continued*****Level 3 Gains and Losses***

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended September 30, 2022.

	<u>Irrevocable Trusts</u>	<u>Charitable Remainder Trust</u>	<u>Perpetual Income Trust</u>	<u>Total</u>
Balance, beginning of year	\$ 519,904	\$ 1,285,380	\$ 37,036	\$ 1,842,320
Issuances	124,182	-	25,000	149,182
Settlements	(300,822)	-	-	(300,822)
Change in present value	<u>-</u>	<u>(454,150)</u>	<u>2,343</u>	<u>(451,807)</u>
Balance, end of year	<u>\$ 343,264</u>	<u>\$ 831,230</u>	<u>\$ 64,379</u>	<u>\$ 1,238,873</u>

FASB ASC 820-10 requires disclosure of quantitative information about the unobservable inputs used to measure Level 3 assets and liabilities. The following table provides information about Level 3 assets:

	<u>Fair Value</u>	<u>Valuation Techniques</u>	<u>Unobservable Inputs</u>
Irrevocable trusts	\$ 343,264	Discounted cash flows, 3 <sup>rd</sup> party valuation	Underlying assets, discount rate, and estimated growth
Charitable remainder trust	831,230	Discounted cash flows, 3 <sup>rd</sup> party valuation	Life expectancy, discount rate, and estimated growth
Perpetual income trust	<u>64,379</u>	3 <sup>rd</sup> party valuation	Underlying securities
Total assets, at fair value	<u>\$ 1,238,873</u>		

**5. Pledges Receivable**

Pledges receivable as of September 30, 2022, consist of the following:

Campaign pledges, restricted	\$ 1,294,440
Campaign pledges, designated	<u>48,005</u>
	1,342,445
Less allowance for uncollectible pledges	<u>(639,889)</u>
Pledges receivable, net	<u>\$ 702,556</u>

***For The Year Ended September 30, 2022***

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**6. Investments**

Investments at fair value as of September 30, 2022, consist of the following:

## Mutual funds:

TD Ameritrade Cash	\$ 20,526
Short-term Extended Quality Portfolio	2,423,057
Short-term Govt Inst	7,511,002
U.S. Core Equity I Portfolio	6,438,761
Global Real Estate Securities Portfolio	1,029,409
International Core Equity Portfolio	1,960,495
Emerging Markets Core Equity Portfolio	<u>987,443</u>
Total investments	<u>\$ 20,370,693</u>

Net investment return consists of the following for the year ended September 30:

Interest and dividends	\$ 665,386
Realized and change in unrealized loss	<u>(3,658,143)</u>
Net investment return	<u>\$ (2,992,757)</u>

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the Statement of Financial Position.

**7. Beneficial Interest in Trusts***Irrevocable Trusts*

The Organization has been named a qualified beneficiary of two irrevocable trusts. The Organization has recorded a beneficial interest in these trusts as restricted support based on its estimated share of the expected future cash flows, as reported by the trustees. As of September 30, 2022, the estimated value of the Organization's beneficial interest in the trusts was \$343,264. During the year ended September 30, 2022, the Organization received \$300,822 in distributions from these trusts.

*Charitable Remainder Trust*

The Organization has been named a remainder beneficiary of a charitable remainder annuity trust, which was created in 1987 upon the death of the trust settlor. Seven income beneficiaries are to receive, first from income and, to the extent that income is insufficient, from principal, a total annuity each year equal to a percentage of the initial fair market value of the trust assets. Upon the death of the last surviving individual beneficiary, twenty percent (20%) of the remaining principal is to be distributed to the Organization. The Organization has recorded a beneficial interest in this trust as restricted support based on the present value of the expected future cash flow payments, calculated using the estimated life expectancy of the beneficiaries, and a discount rate of 3.5%. As of September 30, 2022, the estimated value of the Organization's beneficial interest in the trust was \$831,230.

***For The Year Ended September 30, 2022*****7. Beneficial Interest in Trusts, continued*****Perpetual Income Trust***

The Organization is the income beneficiary of a perpetual income trust, whose assets are held by the Community Foundation for Palm Beach and Martin Counties, Inc. (the "Foundation") as an endowed component fund ("Fund"). Under the terms of the Fund, the Foundation's Board of Directors has a variance power to modify any restriction or condition on the distribution of funds for any specific charitable purpose or to specified organizations, if in their sole judgement (without the approval of any trustee, custodian, or agent), such restriction or conditions becomes, in effect, unnecessary, incapable of fulfillment or inconsistent with the charitable needs of the community or the area served by the Foundation. The Fund is subject to the Foundation's investment and spending policies. During the year ended September 30, 2022, the Organization did not receive any distributions from the Fund.

**8. Property and Equipment**

Property and equipment as of September 30, 2022, consist of the following:

Leasehold improvements	\$ 646,840
Furniture and equipment	<u>293,583</u>
	940,423
Less accumulated depreciation	<u>(639,764)</u>
Property and equipment, net	<u>\$ 300,659</u>

**9. Line of Credit**

The Organization has a line of credit with a financial institution in the amount of \$1,500,000. The line of credit has a one-year term, which is renewable annually, and is collateralized by all business assets of the Organization. Interest is payable monthly at Daily Libor plus 2.00% (4.89% as of September 30, 2022). The line of credit is currently set to mature on April 30, 2023.

**10. Net Assets**

Net assets as of September 30, 2022, consist of the following:

Net assets without donor restrictions:	
Expended for property and equipment	\$ 300,659
Board designated – endowment	10,779,788
Undesignated	<u>4,638,839</u>
Total net assets without donor restrictions	<u>\$ 15,719,286</u>
Net assets with donor restrictions:	
Pledges receivable, net	654,551
Donor restricted endowment	173,349
Beneficial interest in trusts	1,238,873
Emergency needs	530,010
Programs	<u>693,080</u>
Total net assets with donor restrictions	<u>\$ 3,289,863</u>

***For The Year Ended September 30, 2022*****11. Endowment Net Assets**

The Organization's endowments consist of funds established for a variety of purposes. Its endowments include funds designated by the board of directors to function as endowments (quasi-endowments). As required by U.S. GAAP, net assets associated with endowment funds, including quasi-endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization has interpreted the Florida Uniform Management of Institutional Funds Act as requiring the preservation of the fair value of the original gift as of the gift date of 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 restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk constraints.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds could fall below the level that the donor or law requires the Organization to retain as a fund of perpetual duration. Any such deficiencies of this nature would be reported in net assets with donor restriction. During the year ended September 30, 2022, there were no such deficiencies.

Endowment net assets consist of the following as of September 30, 2022:

	<u>Board Designated Endowment</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 173,349	\$ 173,349
Board-designated endowment funds	<u>10,779,787</u>	<u>-</u>	<u>10,779,787</u>
Total endowment funds	<u>\$ 10,779,787</u>	<u>\$ 173,349</u>	<u>\$ 10,953,136</u>

Changes in the endowment net assets for the year ended September 30, 2022, consisted of the following:

	<u>Board Designated Endowment</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 12,563,581	\$ 202,692	\$ 12,766,273
Investment return, net	(1,722,512)	21,701	(1,700,811)
Receipts / contributions	398,324	-	398,324
Appropriation for operating expenditures	<u>(459,606)</u>	<u>(51,044)</u>	<u>(510,650)</u>
Endowment net assets, end of year	<u>\$ 10,779,787</u>	<u>\$ 173,349</u>	<u>\$ 10,953,136</u>

***For The Year Ended September 30, 2022***

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**12. Retirement Plan**

The Organization has a 401(k) plan which is available to all non-limited duration employees who have been with the Organization at least three months. After one year of service, the Organization contributes 5% of the employee's total compensation and 50% of the employee's contribution up to a limit of 6% of compensation. Contributions totaled \$188,000 for the year ended September 30, 2022, and are included with employee benefits in the Statement of Functional Expenses..

**13. Operating Leases**

The Organization leases office space for its headquarters in West Palm Beach, Florida under a non-cancelable agreement extending through 2026. The following is a schedule of future minimum lease payments required under the above operating lease as of September 30, 2022:

2023	\$ 159,012
2024	163,020
2025	167,115
2026	<u>127,665</u>
Total minimum lease obligation	<u>\$ 616,812</u>

Rent expense on the lease for the year ended September 30, 2022 was \$182,044, and is included with occupancy in the Statement of Functional Expenses.

**14. Contingencies**

The Organization receives grants from various sources to supplement its programs. Grant income represents 58% of total revenues and support for the year ended September 30, 2022. Any loss of funding could have a negative impact on community services provided by the Organization. These grants require the fulfillment of certain conditions as set forth in the instrument of a grant. Failure to fulfill the conditions, or failure to continue to fulfill them, could result in the return of the funds to grantors. Although this circumstance is a possibility, management believes that any potential loss would not have a material adverse effect on the financial statements.

**15. Concentrations and Credit Risk**

The Organization maintains most of its cash balances at one financial institution. Cash accounts at this institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. As of September 30, 2022, the Organization's cash balances held at financial institutions exceeded FDIC insured limits by approximately \$1,307,500.

Credit risk for pledges receivable is concentrated as well because substantially all of the balances are receivable from individuals/companies located within the same geographic region. Additionally, campaign pledges received from one (1) donor comprised of 28% of the total gross campaign contributions for the year ended September 30, 2022, and 67% of total pledges receivable as of September 30, 2022.

The Organization receives most of its grant income from one (1) grantor. Grant income received from this grantor comprised of 60% of total grant income for the year ended September 30, 2022, and 0% of total grants receivable as of September 30, 2022.

*For The Year Ended September 30, 2022*

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**16. Subsequent Events**

Management has evaluated subsequent events through February 23, 2023, the date on which the financial statements were available to be issued, and determined there were no further disclosures required to be presented in these financial statements.