

***UNITED WAY OF RUTHERFORD COUNTY, INC.***

**Financial Statements and Independent Auditors' Report  
For the Years Ended December 31, 2022 and 2021**

**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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UNITED WAY OF RUTHERFORD COUNTY, INC.

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Table of Contents

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	<u>Page(s)</u>
Independent Auditors' Report	1-2
Financial Statements of United Way of Rutherford County, Inc For the Years Ended December 31, 2022 and 2021:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6-7
Notes to the Financial Statements	8-13
<b>Compliance Section:</b>	
Independent Auditors' Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <u>Government Auditing Standards</u>	14-15

**Lowdermilk Church & Co., L.L.P.**  
*Certified Public Accountants*

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**Independent Auditors' Report**

To the Board of Directors of  
United Way of Rutherford County, Inc.  
Spindale, North Carolina

**Opinion**

We have audited the accompanying financial statements of United Way of Rutherford County, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Rutherford County, Inc. as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Way of Rutherford 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 Rutherford 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.

## **Auditors' Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of United Way of Rutherford 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 Rutherford 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report, dated July 17, 2023, on our consideration of the United Way of Rutherford County'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 the United Way of Rutherford County'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 the United Way of Rutherford County's internal control over financial reporting and compliance.

*Lowdermilk Church & Co., L.L.P.*

Morganton, North Carolina  
July 17, 2023

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**UNITED WAY OF RUTHERFORD COUNTY, INC.**

**Statements of Financial Position  
December 31, 2022 and 2021**

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<b>Assets:</b>	<u><b>2022</b></u>	<u><b>2021</b></u>
Current assets:		
Cash	\$ 425,450	\$ 309,539
Pledges receivable, net	16,923	70,322
Other receivables	161,306	31,409
Investments	5,083	3,736
Prepays	<u>2,118</u>	<u>3,682</u>
Total current assets	610,880	418,688
Property and equipment, net of accumulated depreciation of \$272,715 for 2022 and \$266,006 for 2021	<u>97,097</u>	<u>103,807</u>
Total assets	<u><u>\$ 707,977</u></u>	<u><u>\$ 522,495</u></u>
<b>Liabilities and Net Assets:</b>		
Current liabilities:		
Accounts payable	\$ 12,762	\$ 18,979
Accrued liabilities	7,436	1,574
Designations payable	4,608	4,937
Deferred revenue	<u>348,223</u>	<u>249,488</u>
Total current liabilities	<u>373,029</u>	<u>274,978</u>
Net assets:		
Without donor restrictions	104,615	106,548
With donor restrictions	<u>230,333</u>	<u>140,969</u>
Total net assets	<u>334,948</u>	<u>247,517</u>
Total liabilities and net assets	<u><u>\$ 707,977</u></u>	<u><u>\$ 522,495</u></u>

*See accompanying notes to financial statements.*

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**UNITED WAY OF RUTHERFORD COUNTY, INC.**

**Statements of Activities  
For the Years Ended December 31, 2022 and 2021**

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	<u>2022</u>	<u>2021</u>
<b>Net Assets Without Donor Restrictions:</b>		
Support:		
Grants	\$ 1,077,053	\$ 403,587
Rental income	36,236	28,153
Interest income	577	1,257
Miscellaneous	278,263	96,200
	<u>1,392,129</u>	<u>529,197</u>
Net assets released from restrictions	<u>140,969</u>	<u>142,953</u>
	<u>1,533,098</u>	<u>672,150</u>
Expenses:		
Program services:		
Fund distribution	147,994	105,385
Member agency services	54,672	51,303
Community building services	71,312	66,917
Grant expenses	1,077,053	403,587
Supporting services:		
Management and general	47,540	44,613
Fund-raising	45,164	42,381
	<u>1,443,735</u>	<u>714,185</u>
Increase (decrease) in net assets without donor restrictions	<u>89,363</u>	<u>(42,035)</u>
<b>Net Assets With Donor Restrictions:</b>		
Contributions - campaign pledges	139,036	140,969
Net assets released from restrictions	<u>(140,969)</u>	<u>(142,953)</u>
Increase (decrease) in net assets with donor restrictions	<u>(1,933)</u>	<u>(1,984)</u>
Increase (decrease) in net assets	87,430	(44,019)
Net assets, beginning of year	<u>247,518</u>	<u>291,537</u>
Net assets, end of year	<u>\$ 334,948</u>	<u>\$ 247,518</u>

*See accompanying notes to financial statements.*

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**UNITED WAY OF RUTHERFORD COUNTY, INC.**

**Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

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	<u>2022</u>	<u>2021</u>
<b>Cash Flows From Operating Activities:</b>		
Change in net assets	\$ 87,430	\$ (44,019)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,709	7,499
Change in certain operating assets and liabilities:		
(Increase) decrease in pledges receivable	53,399	(22,682)
(Increase) decrease in other receivable	(129,897)	(12,253)
(Increase) decrease in prepaid expenses	1,564	667
Increase (decrease) in accounts payable	(6,215)	4,001
Increase (decrease) in accrued liabilities	5,862	(2,112)
Increase (decrease) in designations payable	(329)	(1,737)
Increase (decrease) in deferred revenue	<u>98,735</u>	<u>79,921</u>
Net cash provided (used) by operating activities	<u>117,258</u>	<u>9,285</u>
<b>Cash Flows from Investing Activities:</b>		
Change in investments	<u>(1,347)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(1,347)</u>	<u>-</u>
Net increase (decrease) in cash	115,911	9,285
Cash, beginning of year	<u>309,539</u>	<u>300,254</u>
Cash, end of year	<u>\$ 425,450</u>	<u>\$ 309,539</u>

*See accompanying notes to financial statements.*

**UNITED WAY OF RUTHERFORD COUNTY, INC.**

**Statements of Functional Expenses  
For the Year Ended December 31, 2022**

	Program Services				Supporting Services		Total
	Fund Distribution	Grant Expenses	Member Agency Services	Community Building Services	Management and General	Fund Raising	
Salaries	\$ 9,819	\$ -	\$ 28,230	\$ 36,822	\$ 24,548	\$ 23,321	\$ 122,740
Retirement-disability-life	978	-	2,812	3,667	2,445	2,323	12,225
Payroll taxes	841	-	2,418	3,155	2,103	1,998	10,515
Health insurance	-	-	-	-	-	-	-
Office expenses and supplies	1,404	-	4,037	5,265	3,510	3,335	17,551
Leasing-office equipment	327	-	940	1,226	817	776	4,086
Repairs and maintenance	926	-	2,663	3,474	2,316	2,200	11,579
Advertising-promotion	504	-	1,450	1,892	1,261	1,198	6,305
Public relations	69	-	199	260	173	165	866
Committee-board meeting	-	-	-	-	-	-	-
Travel-milage	163	-	468	611	407	387	2,036
Conferences-conventions	-	-	-	-	-	-	-
Membership-annual dues	937	-	2,693	3,512	2,342	2,224	11,708
Insurance	233	-	669	873	582	553	2,910
Accounting fees	538	-	1,547	2,018	1,345	1,278	6,726
Telephone expense	300	-	863	1,125	750	713	3,751
Utilities	854	-	2,454	3,201	2,134	2,027	10,670
Other taxes and licenses	39	-	112	146	97	92	486
Deprcciation	537	-	1,543	2,013	1,342	1,274	6,709
Cash allocations	105,094	-	-	-	-	-	105,094
Uncollectible pledge expense	23,883	-	-	-	-	-	23,883
Grant expenses	-	1,077,053	-	-	-	-	1,077,053
Miscellaneous expenses	548	-	1,574	2,052	1,368	1,300	6,842
<b>Total functional expenses</b>	<b>\$ 147,994</b>	<b>\$ 1,077,053</b>	<b>\$ 54,672</b>	<b>\$ 71,312</b>	<b>\$ 47,540</b>	<b>\$ 45,164</b>	<b>\$ 1,443,735</b>

See accompanying notes to the financial statements.



**UNITED WAY OF RUTHERFORD COUNTY, INC.**

**Statements of Functional Expenses  
For the Year Ended December 31, 2021**

	Program Services				Supporting Services		Total
	Fund Distribution	Grant Expenses	Member Agency Services	Community Building Services	Management and General	Fund Raising	
Salaries	\$ 9,985	\$ -	\$ 28,706	\$ 37,443	\$ 24,962	\$ 23,713	\$ 124,809
Retirement-disability-life	1,399	-	4,022	5,246	3,498	3,324	17,489
Payroll taxes	639	-	1,837	2,396	1,597	1,517	7,986
Health insurance	88	-	254	332	221	210	1,105
Office expenses and supplies	483	-	1,388	1,811	1,207	1,147	6,036
Leasing-office equipment	436	-	1,253	1,634	1,090	1,035	5,448
Repairs and maintenance	582	-	1,673	2,183	1,455	1,382	7,275
Advertising-promotion	278	-	800	1,043	696	661	3,478
Subscriptions	39	-	113	148	98	93	491
Committee-board meeting	66	-	190	248	165	157	826
Travel-mileage	57	-	165	215	144	136	717
Conferences-conventions	289	-	832	1,085	724	687	3,617
Membership-annual dues	333	-	958	1,250	833	792	4,166
Insurance	259	-	744	970	647	614	3,234
Accounting fees	480	-	1,380	1,800	1,200	1,140	6,000
Telephone expense	260	-	748	975	650	618	3,251
Utilities	675	-	1,941	2,532	1,688	1,604	8,440
Other taxes and licenses	29	-	84	109	73	69	364
Depreciation	600	-	1,725	2,250	1,500	1,425	7,500
Cash allocations	83,932	-	-	-	-	-	83,932
Uncollectible pledge expense	3,610	-	-	-	-	-	3,610
Grant expenses	-	403,586	-	-	-	-	403,586
Miscellaneous expenses	866	-	2,490	3,247	2,165	2,057	10,825
Total functional expenses	\$ 105,385	\$ 403,586	\$ 51,303	\$ 66,917	\$ 44,613	\$ 42,381	\$ 714,185

See accompanying notes to the financial statements.

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UNITED WAY OF RUTHERFORD COUNTY, INC.

Notes to the Financial Statements  
For the Years Ended December 31, 2022 and 2021

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1. Summary of Significant Accounting Policies

**Organization** - United Way of Rutherford County, Inc. is a not-for-profit organization that promotes and supports the efficient, effective and economical provision of human services through its organizational members.

**Financial Statement Presentation** - United Way of Rutherford County, Inc. reports in compliance with FASB ASC 958-205, *Not-for-Profit Entities: Presentation of Financial Statements*. Under these provisions, net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of United Way of Rutherford County, Inc., and changes therein, are classified and reported as follows:

**Net Assets Without Donor Restrictions** - Net assets that are not subject to, or are no longer subject to, donor-imposed restrictions and are available for current operations.

**Net Assets With Donor Restrictions** - Net assets that are stipulated by donors or grantors for specific operating purposes or that are time restricted. When donor restrictions expire, that is, when a stipulated time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. However, if the restriction expires during the same accounting period in which the gift was received, the contribution is reported as an increase in net assets with donor restrictions.

**Use of Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Income Taxes** - The Organization is a not-for-profit association that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization is also a public charity under the IRC Sections 509(a)(1) and 170(b)(1)(A)(vi). This allows for donations to the Organization to be deductible as charitable contributions on income tax returns.

**Cash and Cash Equivalents** - The Organization classifies cash and cash equivalents as cash on hand, cash in checking and unrestricted savings accounts, and certificates of deposit, all short-term, highly liquid investments that are both readily convertible into cash and so close to maturity that the risk of change in value because of interest rate fluctuations is insignificant, and investments with original maturities of three months or less.

**Risks and Uncertainties** - The Organization maintains its cash and temporary investments at financial institutions that are insured by the Federal Deposit Insurance Corporation up to \$250,000. The balance of these deposits, at times, may exceed the insured amounts.

**Property and Equipment** - Property and equipment are recorded at cost. Minor additions are expensed in the period acquired. Depreciation is provided using the straight-line method over the estimated useful lives of the assets.

**Contributions** - Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions in the statement of activities as net assets released from restrictions.

**Revenue** - Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-9, *Revenue from Contracts with Customers*. The Organization adopted the requirements of the new standard effective January 1, 2020. The Organization's services are contractually defined with private agencies to provide services to individuals, and revenue is recognized when those services are rendered. In addition, contributions and other income are recognized at a single point in time when they are received. Rental revenue relates to short-term leases of office space and is recognized on a monthly basis.

**Functional Allocation of Expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities.

Costs are allocated between fund-raising, management, and general or program services based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

**Donated Services and Property** - The Organization received certain donated services. No amounts have been reflected in the statements for such services, because there is no objective basis available to measure the value of such services. Donated property is recorded at fair market value at the time of donation.

**Designations Payable** - The Organization recognizes the fair value of assets received from a donor as a liability when those assets will be transferred to another organization. The liability is classified as designations payable on the statement of financial position.

## 2. Liquidity and Availability of Resources

The Organization monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Organization has the following financial assets that could readily be made available within one year of the balance sheet to fund expenses without limitations:

Cash	\$ 425,450
Other receivables	161,306
Investments	14,774
	<hr/>
	\$ 601,530

## 3. Pledges Receivable

Pledges receivable is presented net of an allowance for uncollectible pledges of \$35,696 for 2022 and \$23,883 for 2021. All are considered due within one year.

**4. Investments**

Investments consist of 160 shares of stock in an insurance company that were received by the Organization as demutualization compensation from the insurance company. Investments are carried at cost or fair market value on the date received on the books of the Organization. The value of the stock when received was \$3,736. The value of the stock at December 31, 2022 was \$13,427 and at December 31, 2021 was \$11,573. In addition the Organization receive 17 shares of stock by way of a donation in a prior year, the value of this stock at December 31, 2022 was \$1,347.

**5. Property and Equipment**

	<u>2022</u>	<u>2021</u>
Land	\$ 15,250	\$ 15,250
Parking lot	30,900	30,900
Building and improvements	252,478	252,478
Furniture, fixtures, and office equipment	<u>71,185</u>	<u>71,185</u>
	369,813	369,813
Less accumulated depreciation	<u>(272,716)</u>	<u>(266,006)</u>
	<u>\$ 97,097</u>	<u>\$ 103,807</u>

Depreciation expense was \$6,709 and \$7,500 for the year ending December 31, 2022 and 2021, respectively.

**6. Pension Plan**

The United Way of Rutherford County, Inc. sponsors a pension plan for its eligible employees. The Organization contributes 15% of each participating employee's salary. Contributions of \$12,225 and \$17,489 were made in 2022 and 2021, respectively.

**7. Net Assets**

Net assets with donor restrictions at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
Contributions - campaign pledges	<u>\$ 230,333</u>	<u>\$ 140,969</u>

Net assets were released from restrictions as follows:

	<u>2022</u>	<u>2021</u>
Contributions - campaign pledges (time restriction expired)	<u>\$ 140,969</u>	<u>\$ 142,953</u>

**8. Overhead Percentages**

Overhead percentages for the years ended December 31, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>
Program services	94%	88%
Management and general	3%	6%
Fund-raising	3%	6%
	<u>100%</u>	<u>100%</u>

**9. Fair Value Measurements**

Fair values of assets measured on a recurring basis at December 31, 2021 are as follows:

	<b>Fair Value</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>
Investments	<u>\$ 14,774</u>	<u>\$ 14,774</u>

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions.

**10. Pledges Receivable—Fair Value Election**

Pledges receivable are reported at net realizable value if, at the time the pledge is made, payment is expected to be received in one year or less. Pledges receivable that are expected to be collected in more than one year are reported at fair value initially, and in subsequent periods, because the Organization elected that measure in accordance with FASB ASC 820 Fair Value Measurements. Management believes that the use of fair value reduces the cost of measuring pledges receivable to give in periods subsequent to their receipt and provides equal or better information to users of its financial statements than if those pledges were measured using present value techniques and historical discount rates.

When estimating the fair value of pledges receivable, management considers pledges of \$100,000 or more individually. The relationship with the donor, the donor's past history of making timely payments, and the donor's overall creditworthiness are considered and incorporated into a fair value measurement computed using present value techniques. Pledges receivable less than \$100,000 are measured in the aggregate using present value techniques that consider historical trends of collection, the type of donor (individual or corporation), general economic conditions in the geographic area in which the majority of the Organization's donors live, the Organization's policies concerning enforcement of promises to give, and market interest rate assumptions for individuals (currently 3%) or corporations (currently 3%). The interest element resulting from amortization of the discount for the time value of money, computed using the effective interest rate method, is reported as contribution revenue.

The table below presents information about pledges receivable cash at December 31, 2022:

Carrying amount	\$ 16,923
Fair value estimate	16,923
Measurement basis	Level 3
Contribution revenue	104,175
Total changes included in the statement of activities	\$ 104,175

The table below presents information about the changes in pledges receivable for the year ended December 31, 2022:

Beginning balance	\$ 70,322
New pledges	114,347
Collections	(143,863)
Write offs and allowance adjustment	<u>(23,883)</u>
Ending balance	<u>\$ 16,923</u>

The table below presents information about pledges receivable cash at December 31, 2021:

Carrying amount	\$ 70,322
Fair value estimate	70,322
Measurement bases	Level 3
Contribution revenue	140,969
Total Changes included in the statement of activities	\$ 140,969

The table below presents information about the changes in pledges receivable for the year ended December 31, 2021:

Beginning balance	\$ 47,641
New pledges	139,686
Collections	(120,614)
Write offs and allowance adjustment	<u>3,609</u>
Ending balance	<u>\$ 70,322</u>

## 11. Commitments and Contingencies

### Uncertain Tax Positions

FASB ASC 740-10, Accounting for Uncertainty in Income Taxes, clarifies the accounting for uncertainty in income tax positions. Based on an evaluation of uncertain tax positions, management is required to measure potential tax liabilities that could have a risk of greater than a 50% likelihood of being realized upon settlement. As of December 31, 2022, management has determined that the Organization has no such risk and, therefore, no liabilities have been recorded for uncertain tax positions.

## 12. Recently Issued Accounting Standards

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets. The Organization adopted the requirements of the new standard effective January 1, 2022. The Organization has adjusted the presentation of its financial statements accordingly, the changes had no effect on net assets at December 31, 2021.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, Leases which became effective during 2022. The Organization adopted the requirements of the new standard effective January 1, 2022. The Organization has adjusted the presentation of its financial statements accordingly, the changes had no effect on net assets at December 31, 2021.

### 13. Subsequent Events

Management has evaluated subsequent events through July 17, 2023, the date on which the financial statements were available to be issued. During the period from the end of the year, and through this date, no circumstances occurred that would require recognition or disclosure in these financial statements.

**Independent Auditors' Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial Statements  
Performed In Accordance With *Government Auditing Standards***

To the Board of Directors of  
United Way of Rutherford County, Inc.  
Spindale, North Carolina

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 Rutherford County, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 17, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered United Way of Rutherford County, Inc.'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 Rutherford County, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of United Way of Rutherford County, Inc.'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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described below that we consider to be significant deficiencies.



### Inadequate Segregation of Duties

- Condition: The size of the Organization's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties.
- Effect: Material misstatements could occur, whether due to fraud or error, and not be detected on a timely basis.
- Response: The Board of Directors will remain involved in the financial affairs of the Organization to provide oversight.

### Preparation of the Financial Statements

- Condition: Lowdermilk Church & Co., LLP (the independent auditors) prepared the draft financial statements for the Organization. As with most smaller organizations, this becomes necessary due to the cost benefit of either outsourcing or hiring personnel with the expertise to prepare financial statements in conformity with generally accepted accounting principles.
- Effect: If the organization prepared the financial statements, they may not be prepared in accordance with generally accepted accounting principles (GAAP).
- Response: The Board of Directors and management will continue services with the independent accountants to prepare the financial statements in accordance with generally accepted accounting principles.

### **Report on Compliance and Other Matters**

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

### **United Way of Rutherford County, Inc.'s Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on United Way of Rutherford County, Inc.'s response to the findings identified in our audit and described above. United Way of Rutherford County, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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.

*Lowdermilk Church & Co., L.L.P.*

Morganton, North Carolina  
July 17, 2023