

UNITED WAY OF RUTHERFORD COUNTY, INC.

Financial Statements and Independent Auditors' Report
For the Years Ended December 31, 2024 and 2023

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



UNITED WAY OF RUTHERFORD COUNTY, INC.

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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, 2024 and 2023, 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, 2024 and 2023, 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 May 27, 2025, on our consideration of the United Way of Rutherford County, Inc.'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
May 27, 2025

UNITED WAY OF RUTHERFORD COUNTY, INC.

Statements of Financial Position
December 31, 2024 and 2023

Assets:	<u>2024</u>	<u>2023</u>
Current assets:		
Cash	\$ 591,284	\$ 331,635
Pledges receivable, net	16,910	25,566
Other receivables	231,248	228,306
Investments	4,698	4,608
Prepays	<u>14,352</u>	<u>11,822</u>
Total current assets	858,492	601,937
Property and equipment, net of accumulated depreciation of \$284,077 for 2024 and \$275,815 for 2023	<u>140,465</u>	<u>93,132</u>
Total assets	<u><u>\$ 998,957</u></u>	<u><u>\$ 695,069</u></u>
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable	\$ 5,180	\$ 9,209
Accrued liabilities	5,115	2,956
Designations payable	3,121	4,296
Refundable advance	<u>604,064</u>	<u>237,551</u>
Total current liabilities	<u>617,480</u>	<u>254,012</u>
Net assets:		
Without donor restrictions	272,903	276,912
With donor restrictions	<u>108,574</u>	<u>164,145</u>
Total net assets	<u><u>381,477</u></u>	<u><u>441,057</u></u>
Total liabilities and net assets	<u><u>\$ 998,957</u></u>	<u><u>\$ 695,069</u></u>

See accompanying notes to financial statements.

UNITED WAY OF RUTHERFORD COUNTY, INC.

Statements of Activities
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Net Assets Without Donor Restrictions:		
Support:		
Grants	\$ 1,412,130	\$ 1,403,331
Rental income	36,924	37,762
Interest income	1,336	(189)
Miscellaneous	264,279	262,911
	<u>1,714,669</u>	<u>1,703,815</u>
Net assets released from restrictions	<u>164,045</u>	<u>139,036</u>
	<u>1,878,714</u>	<u>1,842,851</u>
Expenses:		
Program services:		
Fund distribution	154,705	139,502
Member agency services	78,997	54,755
Community building services	103,039	71,419
Grant expenses	1,412,130	1,403,331
Supporting services:		
Management and general	68,693	47,613
Fund-raising	65,259	45,231
	<u>1,882,823</u>	<u>1,761,851</u>
Increase (decrease) in net assets without donor restrictions	<u>(4,109)</u>	<u>81,000</u>
Net Assets With Donor Restrictions:		
Contributions - campaign pledges	108,574	164,145
Net assets released from restrictions	<u>(164,045)</u>	<u>(139,036)</u>
Increase (decrease) in net assets with donor restrictions	<u>(55,471)</u>	<u>25,109</u>
Increase (decrease) in net assets	(59,580)	106,109
Net assets, beginning of year	<u>441,057</u>	<u>334,948</u>
Net assets, end of year	<u>\$ 381,477</u>	<u>\$ 441,057</u>

See accompanying notes to financial statements.

UNITED WAY OF RUTHERFORD COUNTY, INC.

Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (59,580)	\$ 106,109
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,264	6,343
Change in certain operating assets and liabilities:		
(Increase) decrease in pledges receivable	8,656	(8,643)
(Increase) decrease in other receivable	(2,942)	(67,000)
(Increase) decrease in prepaid expenses	(2,530)	(9,704)
Increase (decrease) in accounts payable	(4,029)	(3,554)
Increase (decrease) in accrued liabilities	2,159	(4,480)
Increase (decrease) in designations payable	(1,175)	(312)
Increase (decrease) in refundable advance	<u>366,513</u>	<u>(110,672)</u>
Net cash provided (used) by operating activities	<u>315,336</u>	<u>(91,913)</u>
Cash Flows from Investing Activities:		
Purchase of equipment	(55,597)	(2,377)
Change in investments	<u>(90)</u>	<u>475</u>
Net cash provided (used) by investing activities	<u>(55,687)</u>	<u>(1,902)</u>
Net increase (decrease) in cash	259,649	(93,815)
Cash, beginning of year	<u>331,635</u>	<u>425,450</u>
Cash, end of year	<u><u>\$ 591,284</u></u>	<u><u>\$ 331,635</u></u>

See accompanying notes to financial statements.

UNITED WAY OF RUTHERFORD COUNTY, INC.

**Statements of Functional Expenses
For the Year Ended December 31, 2024**

	Program Services				Supporting Services		
	Fund	Grant	Member	Community	Management	Fund	Total
	<u>Distribution</u>	<u>Expenses</u>	<u>Agency</u>	<u>Building</u>	<u>and</u>	<u>Raising</u>	
	<u>\$</u>	<u>\$</u>	<u>Services</u>	<u>Services</u>	<u>General</u>	<u>\$</u>	
Salaries	\$ 14,205	\$ -	\$ 40,839	\$ 53,268	\$ 35,512	\$ 33,737	\$ 177,561
Retirement-disability-life	1,899	-	5,459	7,121	4,747	4,510	23,736
Payroll taxes	1,185	-	3,406	4,442	2,961	2,813	14,807
Office expenses and supplies	1,777	-	5,110	6,666	4,444	4,222	22,219
Leasing-office equipment	357	-	1,027	1,340	893	849	4,466
Repairs and maintenance	1,396	-	4,012	5,233	3,489	3,314	17,444
Advertising-promotion	354	-	1,018	1,328	885	841	4,426
Printing	49	-	140	182	121	116	608
Committee-board meeting	135	-	388	506	337	320	1,686
Travel-mileage	542	-	1,558	2,033	1,355	1,287	6,775
Membership-annual dues	223	-	641	836	558	530	2,788
Insurance	281	-	809	1,055	703	668	3,516
Accounting fees	579	-	1,664	2,171	1,447	1,375	7,236
Telephone expense	167	-	481	627	418	397	2,090
Utilities	1,000	-	2,874	3,748	2,499	2,374	12,495
Other taxes and licenses	27	-	79	103	69	65	343
Depreciation	661	-	1,901	2,479	1,653	1,570	8,264
Cash allocations	96,759	-	-	-	-	-	96,759
Designations	30,999	-	-	-	-	-	30,999
Professional development	1,092	-	3,140	4,095	2,730	2,594	13,651
Community engagement	1,191	-	3,423	4,465	2,976	2,828	14,883
Uncollectible pledge expense	(530)	-	-	-	-	-	(530)
Grant expenses	-	1,412,130	-	-	-	-	1,412,130
Miscellaneous expenses	357	-	1,028	1,341	896	849	4,471
Total functional expenses	<u>\$ 154,705</u>	<u>\$ 1,412,130</u>	<u>\$ 78,997</u>	<u>\$ 103,039</u>	<u>\$ 68,693</u>	<u>\$ 65,259</u>	<u>\$ 1,882,823</u>

See accompanying notes to the financial statements.

UNITED WAY OF RUTHERFORD COUNTY, INC.

**Statements of Functional Expenses
For the Year Ended December 31, 2023**

	Program Services				Supporting Services		Total
	Fund Distribution	Grant Expenses	Member Agency Services	Community Building Services	Management and General	Fund Raising	
Salaries	\$ 10,330	\$ -	\$ 29,700	\$ 38,739	\$ 25,826	\$ 24,535	\$ 129,130
Retirement-disability-life	1,587	-	4,563	5,951	3,968	3,769	19,838
Payroll taxes	728	-	2,092	2,729	1,819	1,728	9,096
Office expenses and supplies	1,423	-	4,092	5,337	3,558	3,380	17,790
Leasing-office equipment	317	-	911	1,188	792	752	3,960
Repairs and maintenance	763	-	2,195	2,863	1,909	1,813	9,543
Advertising-promotion	403	-	1,158	1,511	1,007	957	5,036
Subscriptions	66	-	188	246	164	156	820
Committee-board meeting	80	-	229	299	199	189	996
Travel-mileage	269	-	773	1,009	673	639	3,363
Public relations	40	-	115	150	100	95	500
Membership-annual dues	88	-	252	329	219	208	1,096
Insurance	289	-	831	1,084	723	687	3,614
Accounting fees	562	-	1,616	2,108	1,405	1,335	7,026
Telephone expense	99	-	286	373	248	236	1,242
Utilities	781	-	2,245	2,928	1,952	1,854	9,760
Other taxes and licenses	27	-	78	102	68	64	339
Depreciation	507	-	1,459	1,903	1,269	1,205	6,343
Cash allocations	118,692	-	-	-	-	-	118,692
Uncollectible pledge expense	1,765	-	-	-	-	-	1,765
Grant expenses	-	1,403,331	-	-	-	-	1,403,331
Miscellaneous expenses	686	-	1,972	2,570	1,714	1,629	8,571
Total functional expenses	<u>\$ 139,502</u>	<u>\$ 1,403,331</u>	<u>\$ 54,755</u>	<u>\$ 71,419</u>	<u>\$ 47,613</u>	<u>\$ 45,231</u>	<u>\$ 1,761,851</u>

See accompanying notes to the financial statements.

UNITED WAY OF RUTHERFORD COUNTY, INC.

Notes to the Financial Statements For the Years Ended December 31, 2024 and 2023

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	\$ 591,284
Other receivables	231,248
Investments	14,063
	<u>\$ 836,595</u>

3. Pledges Receivable

Pledges receivable is presented net of an allowance for uncollectible pledges of \$2,000 for 2024 and 2023. 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, 2024 was \$13,101 and at December 31, 2023 was \$12,587. In addition, the Organization received 17 shares of stock by way of a donation in a prior year, the value of this stock at December 31, 2024 was \$962 and at December 31, 2023 was \$872.

5. Property and Equipment

	2024	2023
Land	\$ 15,250	\$ 15,250
Parking lot	30,900	30,900
Building and improvements	252,478	252,478
Furniture, fixtures, vehicles and office equipment	125,914	70,318
	<u>424,542</u>	<u>368,946</u>
Less accumulated depreciation	(284,077)	(275,814)
	<u>\$ 140,465</u>	<u>\$ 93,132</u>

Depreciation expense was \$8,264 and \$6,343 for the year ending December 31, 2024 and 2023, 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 \$23,737 and \$19,838 were made in 2024 and 2023, respectively.

7. Net Assets

Net assets with donor restrictions at December 31, 2024 and 2023 consist of the following:

	2024	2023
Contributions - campaign pledges	<u>\$ 108,574</u>	<u>\$ 164,145</u>

Net assets were released from restrictions as follows:

	2024	2023
Contributions - campaign pledges (time restriction expired)	<u>\$ 164,045</u>	<u>\$ 139,036</u>

8. Overhead Percentages

Overhead percentages for the years ended December 31, 2024 and 2023 were as follows:

	2024	2023
Program services	93%	95%
Management and general	4%	3%
Fund-raising	3%	2%
	<u>100%</u>	<u>100%</u>

9. Fair Value Measurements

Fair values of assets measured on a recurring basis at December 31, 2024 are as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Investments	\$ 14,063	\$ 14,063

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, 2024:

Carrying amount	\$ 16,910
Fair value estimate	16,910
Measurement basis	Level 3
Contribution revenue	108,574
Total changes included in the statement of activities	\$ 108,574

The table below presents information about the changes in pledges receivable for the year ended December 31, 2024:

Beginning balance	\$ 25,566
New pledges	171,289
Collections	(177,997)
Write offs and allowance adjustment	(1,948)
Ending balance	<u>\$ 16,910</u>

The table below presents information about pledges receivable cash at December 31, 2023:

Carrying amount	\$ 25,566
Fair value estimate	25,566
Measurement bases	Level 3
Contribution revenue	164,145
Total Changes included in the statement of activities	\$ 164,145

The table below presents information about the changes in pledges receivable for the year ended December 31, 2023:

Beginning balance	\$ 16,923
New pledges	156,145
Collections	(145,737)
Write offs and allowance adjustment	(1,765)
Ending balance	<u>\$ 25,566</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, 2023, management has determined that the Organization has no such risk and, therefore, no liabilities have been recorded for uncertain tax positions.

12. Subsequent Events

Management has evaluated subsequent events through May 27, 2025, 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.

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

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**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, 2024, 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 May 27, 2025.

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
May 27, 2025