

**UNITED WAY
FOR GREATER AUSTIN**

**Financial Statements
as of and for the Years Ended
June 30, 2018 and 2017 and
Independent Auditors' Report**



UNITED WAY FOR GREATER AUSTIN

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9
SUPPLEMENTARY INFORMATION-	
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	20



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way for Greater Austin:

We have audited the accompanying financial statements of United Way for Greater Austin ("UWATX") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UWATX as of June 30, 2018 and 2017, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2018, on our consideration of UWATX'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 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 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 UWATX's internal control over financial reporting and compliance.



Austin, Texas
November 26, 2018

UNITED WAY FOR GREATER AUSTIN

STATEMENTS OF FINANCIAL POSITION JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,145,729	\$ 753,708
Cash and cash equivalents restricted for CFC (Note 14) and grants	282,985	193,706
Investments	1,198,637	1,335,118
Accounts and contracts receivable	582,245	381,325
Pledges receivable, net	1,953,207	2,404,433
Prepaid expenses and other assets	79,014	39,542
Total current assets	5,241,817	5,107,832
PROPERTY AND EQUIPMENT, net	655,269	713,235
ENDOWMENT INVESTMENTS	573,098	505,796
TOTAL ASSETS	\$ 6,470,184	\$ 6,326,863
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 193,675	\$ 236,635
Accrued expenses	428,875	121,770
Deferred revenue	121,385	1,975
Note payable, current portion	-	61,352
Designations due to others	675,001	1,100,294
Total current liabilities	1,418,936	1,522,026
NOTE PAYABLE, long term portion	-	170,026
LINE OF CREDIT	207,236	-
Total liabilities	1,626,172	1,692,052
NET ASSETS:		
Unrestricted	3,015,612	2,697,907
Board-designated - operating reserve	962,513	1,102,072
Temporarily restricted	369,257	338,202
Permanently restricted	496,630	496,630
Total net assets	4,844,012	4,634,811
TOTAL LIABILITIES AND NET ASSETS	\$ 6,470,184	\$ 6,326,863

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Total amounts raised	\$ 8,718,108	139,956	-	8,858,064
Less donor designations	(3,406,632)	-	-	(3,406,632)
Less allowance for uncollectible pledges	(249,833)	-	-	(249,833)
Grants and contracts	2,348,937	838,308	-	3,187,245
In-kind contributions	219,815	-	-	219,815
Total support	7,630,395	978,264	-	8,608,659
Service fee income	463,575	-	-	463,575
Unrealized and realized (loss) gain on investments, net of expenses	(1,396)	3,820	-	2,424
Interest and dividends	57,630	24,214	-	81,844
Other income	8,607	-	-	8,607
Net assets released from restrictions	975,243	(975,243)	-	-
Total revenues, gains, and other support	9,134,054	31,055	-	9,165,109
EXPENSES:				
Program services:				
Gross funds awarded/distributed	4,571,632	-	-	4,571,632
Less donor designations	(3,406,632)	-	-	(3,406,632)
Net funds awarded/distributed	1,165,000	-	-	1,165,000
Other program services:				
Navigation Center	3,341,698	-	-	3,341,698
Education	1,825,429	-	-	1,825,429
Financial Stability	514,698	-	-	514,698
Total program services	6,846,825	-	-	6,846,825
Supporting services:				
Fundraising	1,646,114	-	-	1,646,114
Management and general	462,969	-	-	462,969
Total supporting services	2,109,083	-	-	2,109,083
Total expenses	8,955,908	-	-	8,955,908
CHANGE IN NET ASSETS	178,146	31,055	-	209,201
NET ASSETS, beginning of year	3,799,979	338,202	496,630	4,634,811
NET ASSETS, end of year	\$ 3,978,125	369,257	496,630	4,844,012

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Total amounts raised	\$ 9,087,412	518,950	-	9,606,362
Less donor designations	(4,320,291)	-	-	(4,320,291)
Less allowance for uncollectible pledges	(463,433)	-	-	(463,433)
Grants and contracts	2,624,247	-	-	2,624,247
In-kind contributions	1,025,974	-	-	1,025,974
Total support	7,953,909	518,950	-	8,472,859
Service fee income	332,437	-	-	332,437
Unrealized and realized gain on investments, net of expenses	44,709	27,416	-	72,125
Interest and dividends	44,200	19,912	-	64,112
Other income	124,954	-	-	124,954
Net assets released from restrictions	773,412	(773,412)	-	-
Total revenues, gains, and other support	9,273,621	(207,134)	-	9,066,487
EXPENSES:				
Program Services:				
Gross funds awarded/distributed	5,444,541	-	-	5,444,541
Less donor designations	(4,320,291)	-	-	(4,320,291)
Net funds awarded/distributed	1,124,250	-	-	1,124,250
Other program services:				
Navigation Center	3,300,568	-	-	3,300,568
Education	1,625,646	-	-	1,625,646
Financial Stability	509,447	-	-	509,447
Total program services	6,559,911	-	-	6,559,911
Supporting services:				
Fundraising	843,049	-	-	843,049
Management and general	1,289,124	-	-	1,289,124
Total supporting services	2,132,173	-	-	2,132,173
Total expenses	8,692,084	-	-	8,692,084
CHANGE IN NET ASSETS	581,537	(207,134)	-	374,403
NET ASSETS, beginning of year	3,218,442	545,336	496,630	4,260,408
NET ASSETS, end of year	\$ 3,799,979	338,202	496,630	4,634,811

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2018

	Navigation Center	Education	Financial Stability	Total Program Services	Fundraising	Management and General	Total Expenses
Personnel and contract labor costs	\$ 2,306,676	890,189	129,094	3,325,959	896,289	135,188	4,357,436
Program grant expenses	-	420,002	348,927	768,929	54,260	-	823,189
Employee benefits	319,683	81,379	6,798	407,860	95,817	13,746	517,423
Payroll taxes	154,185	63,568	4,890	222,643	65,408	8,933	296,984
Equipment rental and maintenance	136,086	70,358	4,847	211,291	41,077	28,696	281,064
In-kind expenses	-	-	-	-	19,815	200,000	219,815
Office expenses	88,652	16,254	523	105,429	106,227	3,267	214,923
Professional fees	102,666	49,358	1,615	153,639	17,386	12,047	183,072
Bad debt expense	-	-	-	-	163,529	-	163,529
Affiliate dues	57,101	35,023	1,305	93,429	21,630	16,534	131,593
Other expense	30,713	15,492	534	46,739	77,487	5,702	129,928
Marketing	15,899	74,482	5,020	95,401	12,732	4,348	112,481
Occupancy	46,291	28,393	1,058	75,742	17,535	13,404	106,681
Depreciation	31,519	19,332	720	51,571	11,939	9,127	72,637
Printing	19,689	16,193	411	36,293	12,137	5,174	53,604
Travel and training	10,330	27,085	4,649	42,064	9,432	1,498	52,994
Food and beverage	9,629	10,606	4,020	24,255	17,164	1,662	43,081
Insurance	7,704	4,725	176	12,605	3,418	2,231	18,254
Interest expense	3,902	2,393	89	6,384	1,478	1,130	8,992
Photography and video	973	597	22	1,592	1,354	282	3,228
Total expenses before net funds awarded/distributed	3,341,698	1,825,429	514,698	5,681,825	1,646,114	462,969	7,790,908
Net funds awarded/distributed	-	965,000	200,000	1,165,000	-	-	1,165,000
Total expenses	\$ 3,341,698	2,790,429	714,698	6,846,825	1,646,114	462,969	8,955,908

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2017

	Navigation Center	Education	Financial Stability	Total Program Services	Fundraising	Management and General	Total Expenses
Personnel and contract labor costs	\$ 2,248,826	847,785	135,286	3,231,897	512,634	150,924	3,895,455
Program grant expenses	-	308,095	327,122	635,217	-	-	635,217
Employee benefits	267,640	78,814	12,418	358,872	37,032	8,337	404,241
Payroll taxes	168,238	64,061	10,271	242,570	38,233	11,450	292,253
Equipment rental and maintenance	127,852	43,612	3,979	175,443	28,075	27,909	231,427
In-kind expenses	-	-	-	-	25,974	1,000,000	1,025,974
Office expenses	95,672	117,492	5,687	218,851	14,699	2,857	236,407
Professional fees	111,145	19,907	2,220	133,272	23,524	12,919	169,715
Bad debt expense	-	-	-	-	13,073	-	13,073
Affiliate dues	73,569	33,703	3,147	110,419	16,392	22,688	149,499
Other expense	25,426	9,811	706	35,943	57,920	4,120	97,983
Marketing	31,532	13,141	946	45,619	13,929	6,663	66,211
Occupancy	48,145	22,056	2,060	72,261	10,728	14,847	97,836
Depreciation	40,537	18,570	1,734	60,841	9,032	12,501	82,374
Printing	14,584	16,875	747	32,206	18,239	4,368	54,813
Travel and training	20,119	8,516	1,556	30,191	4,951	1,897	37,039
Food and beverage	5,934	12,513	569	19,016	12,098	1,061	32,175
Insurance	8,030	3,679	344	12,053	2,748	2,476	17,277
Interest expense	6,570	3,010	281	9,861	1,464	2,026	13,351
Photography and video	6,749	4,006	374	11,129	2,304	2,081	15,514
Total expenses before net funds awarded/distributed	3,300,568	1,625,646	509,447	5,435,661	843,049	1,289,124	7,567,834
Net funds awarded/distributed	-	984,250	140,000	1,124,250	-	-	1,124,250
Total expenses	\$ 3,300,568	2,609,896	649,447	6,559,911	843,049	1,289,124	8,692,084

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 209,201	\$ 374,403
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	72,637	82,374
Bad debt provision	413,362	476,505
Unrealized gain on investments, net of expenses	(2,424)	(72,125)
Changes in assets and liabilities that provided (used) cash:		
Accounts and contracts receivable	(200,920)	183,488
Pledges receivable	37,864	(379,415)
Prepaid expenses and other assets	(39,472)	11,029
Accounts payable	(42,960)	693
Accrued expenses	307,105	(80,667)
Deferred revenue	119,410	(32,390)
Designations due to others	(425,293)	162,750
Net cash provided by operating activities	448,510	726,645
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(14,671)	(101,051)
Net sales (purchases) of investments	71,603	(61,139)
Net cash provided by (used in) investing activities	56,932	(162,190)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(231,378)	(58,167)
Borrowings on line of credit	207,236	-
Net cash used in financing activities	(24,142)	(58,167)
NET CHANGE IN CASH AND CASH EQUIVALENTS	481,300	506,288
CASH AND CASH EQUIVALENTS, beginning of year	947,414	441,126
CASH AND CASH EQUIVALENTS, end of year	\$ 1,428,714	\$ 947,414
SUPPLEMENTAL DISCLOSURE-		
Interest paid on note payable	\$ 8,993	\$ 13,351

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2018 AND 2017

1. ORGANIZATION

United Way for Greater Austin (“UWATX”) brings people, ideas and resources together to fight poverty in the greater Austin area. UWATX drives impact by investing in efforts that address the immediate needs of families in poverty as well as lead collaborative initiatives that remove barriers to economic prosperity and build long term pathways out of poverty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

Classification of Net Assets - Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted - Net assets that are not restricted by donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets.

Temporarily Restricted - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of UWATX and/or the passage of time. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Permanently Restricted - Net assets subject to donor-imposed stipulations that they be maintained permanently by UWATX. These net assets are not available for use in operations and limitations neither expire by passage of time nor can be fulfilled or otherwise removed by actions of UWATX. The earnings from permanently restricted net assets are included in temporarily restricted net assets.

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

Cash and Cash Equivalents - UWATX considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Fair Value Measurements - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

Level 1 - Inputs based on quoted market prices in active markets for identical assets or liabilities. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 - Unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value: 1) market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities, 2) cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost), and 3) income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Investments - Investments, including endowment investments, are reported in the statements of financial position and are carried at fair value based on quoted market prices. Investment transactions are recorded on the trade date and investment income is recorded when earned. Unrealized gains or losses are recorded for the change in fair value of investments between reporting periods. Realized gains and losses are recorded as the difference between historical cost and the proceeds received from the sale of an investment.

Accounts and Contracts Receivable - Accounts and contracts receivable are recorded at the value of the revenue earned, at the amount UWATX expects to collect on grants and other governmental contracts. UWATX continually monitors the credit worthiness of each account and recognizes allowances for estimated bad debts on accounts that are no longer estimated to be collectible. UWATX had no allowance for uncollectible receivables as of June 30, 2018 or 2017, as management deemed all outstanding balances to be collectible.

Pledges Receivable - UWATX conducts its annual campaign in the last quarter of each calendar year to raise support for participating agencies in the subsequent fiscal year. Unconditional promises to give are recorded at fair value if expected to be collected in one year and at net present value if expected to be collected in more than one year. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Receivables from contributions are recorded as revenue when the pledge is received and an allowance is recorded for amounts estimated to be uncollectible based upon historical collections performance for each campaign by year.

The allowance for uncollectible pledges receivable as of June 30, 2018 and 2017 are disclosed in Note 5. The provision for bad debt related to the current year campaign is reflected net of total amounts raised, and the provision for bad debt related to previous years' campaigns are reflected in fundraising expenses in the statement of activities.

Property and Equipment - Property and equipment are recorded at cost if purchased and at fair value on the date of receipt if donated. UWATX capitalizes all acquisitions of property and equipment with a cost or donated value in excess of \$2,000 and a useful life greater than one year. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Buildings and improvements	25 years
Furniture and equipment	3 years

Maintenance and repairs that do not improve or extend the useful life of the respective asset are expensed as incurred.

Impairment of Long-Lived Assets - Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the amount recorded may not be recoverable. An impairment loss is recognized by the amount in which the carrying amount of the asset exceeds fair value, if the carrying amount of the asset is not recoverable.

Designations Due to Others/Donor Designations - UWATX, as part of its annual campaign, raises and collects amounts that donors have designated to be distributed to various partner agencies, non-partner agencies, and other United Ways (Note 12). Contributions designated by the donor for a specific unrelated organization are recognized as reductions to campaign results and gross funds awarded/distributed. These designations are agency transactions that do not represent income to UWATX and are recorded net of administrative fees at June 30 as designations due to others in the statements of financial position.

Board-Designated Net Assets - UWATX has board designated net assets of \$962,513 and \$1,102,072 set aside as an operating reserve as of June 30, 2018 and 2017, respectively, that are included in investments. These ensure that adequate operating reserves are available and cannot be spent without prior board approval.

Net Funds Awarded/Distributed - UWATX annually determines amounts to be awarded and subsequently distributed to its partner agencies from the unrestricted pledges received during the annual campaign as part of its Community Investment Grants Program. These amounts are in addition to specific donor designations. For the years ended June 30, 2018 and 2017, \$1,165,000 and \$1,124,250, respectively, were awarded and distributed to partner agencies and reflected as net funds awarded/distributed in the statements of the activities.

Contributions, Grants, and Contracts - Contributions, including certain grants, are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value on the date of the contribution. Revenues from contracts received from federal, state, and local governments are earned based on UWATX incurring allowable costs or providing services. Therefore, revenue is recognized as those costs are incurred or the services are provided. Payments received prior to incurring allowable costs or providing services on governmental contracts is deferred when received and recognized as revenue when earned.

In-kind Donations - Services, materials, facilities, and other in-kind contributions are recorded at their fair value on the date they are received. Donated services are recognized as contributions during the period services are rendered if the services (a) create or enhance non-financial assets and (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by UWATX (see Note 11). A substantial number of volunteers contribute significant amounts of time to UWATX in the allocation process, campaign efforts, and community program efforts. The financial statements do not reflect the value of these volunteer hours as contributions since such services do not meet the recognition criteria.

Functional Expense Allocation - The accompanying financial statements present expenses by function and natural classification. Natural expenses directly attributable to a specific functional area are reported as expenses of those functional areas. Certain costs have been allocated among the program and supporting services using a variety of cost allocation techniques, such as time and effort.

Program expenses are incurred for the following programs:

- Community Investment Grants - involves providing funding to UWATX agencies for their continuing community assistance programs.
- Navigation Center Focus Area - involves providing a central access point for an array of community resources, and a service that provides one-call access to non-profit and government resources to help navigate the complex system of health and human services.
- Education Focus Area - Success By Six - involves convening and collaborating with child advocates, parents and caregivers to build early childhood and middle school initiatives.
- Financial Stability Focus Area - involves leading and participating in local initiatives to connect low-income individuals to services such as job training, educational programs and financial coaching.

Income Taxes - UWATX is a non-profit organization that is tax-exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; except to the extent of any unrelated business income. UWATX did not incur any significant tax liabilities due to unrelated business income during the years ended June 30, 2018 or 2017. UWATX files Form 990 tax returns in the U.S. federal jurisdiction, and is subject to routine examinations of its tax returns; however, there are no examinations currently in process.

Reclassifications - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. Total net assets and changes in net assets are unchanged due to these reclassifications.

Recently Issued Accounting Pronouncements - In May 2014 and August 2015, the FASB issued Accounting Standards Updates (“ASU”) No. 2014-09 and No. 2015-14, *Revenue from Contracts with Customers*, which supersede the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The standard is effective retrospectively for fiscal years beginning after December 15, 2018 and early adoption is permitted. UWATX is currently evaluating the impact the standard will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the statements of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statements of activities for finance leases and as a single lease cost recognized on the straight-line basis over the lease term for operating leases. The standard is effective using a modified retrospective approach for fiscal years beginning after December 15, 2019 and early adoption is permitted. UWATX is currently evaluating the impact the standard will have on its financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, which requires presentation on the face of the statements of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The standard also requires the presentation on the face of the statements of activities the amount of the change in each of these two classes of net assets. The standard will no longer require the presentation or disclosure of the indirect method of reporting cash flows if an entity elects to use the direct method. It will be required for an entity to provide enhanced disclosures about liquidity in the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. UWATX is currently evaluating the impact the standard will have on its financial statements.

3. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject UWATX to concentrations of credit risk consist principally of cash and cash equivalents, investments, and receivables. UWATX places its cash and cash equivalents with a limited number of high quality financial institutions and may exceed the amount of insurance provided on such deposits. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the near-term could materially affect the amounts reported in the statements of financial position. UWATX does not maintain collateral for its receivables.

4. INVESTMENTS

Investments, including endowment investments, consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Equities	\$ 699,009	\$ 705,293
Fixed income	533,576	604,304
Other complimentary strategies funds	320,475	327,960
Real asset and commodity funds	157,287	155,313
Cash and money market	61,388	48,044
Total investments	<u>\$ 1,771,735</u>	<u>\$ 1,840,914</u>

Investments were measured at fair value using the market approach and inputs were considered to be Level 1 under the fair value hierarchy. Net investment gains consisted of the following during the years ended June 30:

	<u>2018</u>	<u>2017</u>
Interest and dividends	\$ 81,844	\$ 64,112
Unrealized and realized gains on investments, net	25,864	93,043
Investment fees	(23,440)	(20,918)
Total investment gains	<u>\$ 84,268</u>	<u>\$ 136,237</u>

5. PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Pledges receivable expected to be collected in less than one year	\$ 2,601,177	\$ 4,169,322
Allowance for uncollectible pledges	(647,970)	(1,764,889)
Pledges receivable, net	<u>\$ 1,953,207</u>	<u>\$ 2,404,433</u>

During the year ended June 30, 2018, two donors pledged approximately \$380,000 to be paid over two years, conditioned upon satisfactory achievement of agreed upon key performance metrics. Since these pledges represent conditional promises to give, they will be recorded as contribution revenue in the period that the pledge conditions are met. During the year ended June 30, 2018, approximately \$93,000 was recorded as revenue in the statements of activities when metrics were met.

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2018</u>	<u>2017</u>
Buildings and improvements	\$ 2,349,097	\$ 2,334,424
Furniture and equipment	1,277,325	1,277,324
	3,626,422	3,611,748
Accumulated depreciation	(3,079,973)	(3,007,333)
Land	108,820	108,820
Total property and equipment, net	<u>\$ 655,269</u>	<u>\$ 713,235</u>

7. NOTE PAYABLE AND LINE OF CREDIT

UWATX had the following debt arrangements as of June 30:

	<u>2018</u>	<u>2017</u>
Mortgage note payable to a financial institution dated March 2, 2012 payable in monthly principal and interest installments at a fixed rate of 5%; maturing on January 2, 2021; secured by land, building, improvements, and furniture and equipment; repaid during the year ended June 30, 2018	\$ -	\$ 231,378
Line of credit with a financial institution up to \$1,500,000 dated January 3, 2018 payable in monthly interest only payments equal to the 2.17% plus Libor Rate, as defined, until June 30, 2019 (4.15% at June 30, 2018), and principal and interest payments thereafter through maturity of January 1, 2023 at a variable interest rate of 2.2% plus the Treasury Securities Rate, as defined; secured by property of UWATX (Note 17)	207,236	-
Less current portion	<u>-</u>	<u>(61,352)</u>
Long-term portion	<u>\$ 207,236</u>	<u>\$ 170,026</u>

Future maturities of the line of credit as of June 30, 2018 were as follows:

2020	\$ 12,455
2021	14,138
2022	14,736
2023	165,907
	<u>\$ 207,236</u>

On January 21, 2016, UWATX entered into a line of credit with a bank for up to \$500,000, which bears interest at 4.30% plus LIBOR and is secured by all of UWATX's property. The line of credit was renewed on January 19, 2017, bears interest at 4.62% plus LIBOR (5.93% at June 30, 2018), matures on October 1, 2019, and is secured by all of UWATX's property. At June 30, 2018 and 2017, there were no outstanding advances.

8. ENDOWMENT FUND

UWATX's endowment consists solely of donor-restricted funds, which are restricted for the purpose of furthering UWATX's mission. The Board of Directors ("the Board") interprets the Texas Uniform Prudent Management of Institutional Funds Act ("TUPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. Permanently restricted net assets are classified at the original value of gifts donated to the permanent endowment, plus the original value of subsequent gifts to the permanent endowment. The earnings portion of the donor-restricted endowment fund is classified as temporarily restricted net assets until those funds are appropriated for expenditure by UWATX in a manner consistent with the standard of prudence prescribed by TUPMIFA. In accordance with TUPMIFA, UWATX considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of UWATX, and (7) UWATX's investment policies.

UWATX has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to result in high yields while assuming a moderate level of investment risk. The long term return objectives of the funds should be to preserve capital, provide consistent asset growth that exceeds the rate of inflation, and minimize the exposure of the endowment's capital to risk and volatility. The spending policy allows the Board to determine amounts appropriated for expenditure which are calculated as the excess returns, net of investment fees, for the most recent calendar year that exceeds the 25-year rate of inflation.

Changes in endowment net assets were as follows during the year ended June 30, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 9,166	\$ 496,630	\$ 505,796
Interest and dividends	-	24,214	-	24,214
Unrealized and realized gain on investments, net of expenses	-	3,820	-	3,820
Other	-	93,989	-	93,989
Appropriations for expenditure	-	(54,721)	-	(54,721)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 76,465</u>	<u>\$ 496,630</u>	<u>\$ 573,098</u>

Changes in endowment net assets were as follows during the year ended June 30, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 55,827	\$ 496,630	\$ 552,457
Interest and dividends	-	19,912	-	19,912
Unrealized and realized gain on investments, net of expenses	-	27,416	-	27,416
Appropriations for expenditure	-	(93,989)	-	(93,989)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 9,166</u>	<u>\$ 496,630</u>	<u>\$ 505,796</u>

Descriptions of the amounts classified as permanently restricted and temporarily restricted net assets (endowment only) were as follows as of June 30:

	<u>2018</u>	<u>2017</u>
Permanently restricted net assets- The portion of donor restricted perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or by TUPMIFA	<u>\$ 496,630</u>	<u>\$ 496,630</u>
Temporarily restricted net assets- The portion of donor restricted perpetual endowment funds without purpose restrictions under TUPMIFA	<u>\$ 76,465</u>	<u>\$ 9,166</u>

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets were restricted for the following purposes as of June 30:

	<u>2018</u>	<u>2017</u>
Success by Six	\$ 289,925	\$ 188,545
Earnings not yet appropriated for expenditure on donor restricted perpetual endowments	76,465	9,166
Financial Stability	2,867	120,491
Technology acquisition	-	20,000
	<u>\$ 369,257</u>	<u>\$ 338,202</u>

10. COMMITMENTS AND CONTINGENCIES

Lease Agreements - UWATX leases office equipment under operating leases that expire in April 2023. Rent expense totaled \$50,993 and \$66,243 during the years ended June 30, 2018 and 2017, respectively.

Future minimum rental payments were as follows as of June 30, 2018:

2019	\$ 34,224
2020	34,224
2021	34,224
2022	33,504
2023	<u>27,800</u>
Total	<u>\$ 163,976</u>

Contracts with Grantors - UWATX receives a government grant that is subject to review and audit by a government agency. UWATX is also funded by grants and contracts that are subject to review and audit by the grantor agencies. These contracts have certain compliance requirements and, should audits by the government or grantor agencies disclose any areas of substantial noncompliance, UWATX may be required to refund any disallowed costs.

11. IN-KIND DONATIONS

Non-cash (in-kind) donations included as revenue in the statements of activities consisted of the following during the years ended June 30:

	<u>2018</u>	<u>2017</u>
Consulting services	\$ 200,000	\$ 1,000,000
Advertising and market research services	-	25,097
Other	<u>19,815</u>	<u>-</u>
Total	<u>\$ 219,815</u>	<u>\$ 1,025,974</u>

12. DONOR DESIGNATIONS

Donor designations were as follows during the years ended June 30:

	<u>2018</u>	<u>2017</u>
Designations to other 501(c)(3) organizations	\$ 2,937,990	\$ 3,947,866
Designations to partner agencies	150,704	233,039
Designations to other United Ways	<u>317,938</u>	<u>139,386</u>
Total donor designations	<u>\$ 3,406,632</u>	<u>\$ 4,320,291</u>

13. PAYMENTS TO AFFILIATES

During the years ended June 30, 2018 and 2017, UWATX recorded expenses for amounts due to affiliates that represent dues to United Way Worldwide (“UWW”) of \$119,084 and \$135,073, respectively, and dues to United Way of Texas of \$12,509 and \$14,425 for the years ended June 30, 2018 and 2017, respectively.

14. CAMPAIGN CONTRIBUTIONS

UWATX currently serves as the designated fiscal agent for State Employee Charitable Campaign (“SECC”) public sector campaign. UWATX previously served as the designated fiscal agent for the Combined Federal Campaign (“CFC”) public sector campaign. Campaign year 2016 was the last year UWATX managed the financial activities of the CFC campaign.

As fiscal agent, UWATX manages the financial activities of the public sector campaigns, including the collection and distribution of funds. Activity from these campaigns is reflected in the accompanying financial statements. Amounts raised for SECC are included in total amounts raised, from which are deducted donor designations to agencies other than UWATX. Amounts collected for others and not yet distributed are recorded as designations due to others and are recorded as unrestricted net assets. Amounts collected for CFC not yet distributed are included as restricted cash.

UWATX participates in the CFC and the SECC local campaigns along with other organizations as a federation. A federation is defined as a group of voluntary charitable human health and welfare organizations created to supply common fundraising, administrative, and management services to its constituent members. A federation must have at least 15 member organizations (other than itself). UWATX’s federation honors designations made to each member organization by distributing a proportionate share of receipts based on donor designations to each member.

15. RETIREMENT PLAN

UWATX offers its employees the opportunity to enroll in a 403(b) plan. This tax deferred annuity plan allows employees, at their option, to make contributions using payroll deductions. There were no employer contributions during the years ended June 30, 2018 and 2017.

16. RELATED PARTY TRANSACTIONS

Certain members of the Board contributed \$84,156 and \$47,849 to UWATX during the years ended June 30, 2018 and 2017, respectively.

17. SUBSEQUENT EVENTS

UWATX has evaluated subsequent events through November 26, 2018 (the date the financial statements were available to be issued). On November 1, 2018, UWATX modified the amortization period used for the calculation of principal and interest payments for the line of credit with a financial institution for up to \$1,500,000 (Note 7) to 12 years and the maturity date of January 1, 2023 did not change.

SUPPLEMENTARY INFORMATION



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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 for Greater Austin:

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 for Greater Austin (“UWATX”), which comprise the statement of financial position as of June 30, 2018, 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 November 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered UWATX’s internal control over financial reporting (internal control) to determine the 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 UWATX’s internal control. Accordingly, we do not express an opinion on the effectiveness of UWATX’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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

“A Registered Investment Advisor”

This firm is not a CPA firm

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UWATX'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Austin, Texas
November 26, 2018