

**UNITED WAY
FOR GREATER AUSTIN**

**Financial Statements
as of and for the Years Ended
June 30, 2015 and 2014 and
Independent Auditors' Report**



UNITED WAY FOR GREATER AUSTIN

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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, 2015 and 2014, 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, 2015 and 2014, 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.

Maxwell Locke + Ritter LLP

Austin, Texas
September 23, 2015

UNITED WAY FOR GREATER AUSTIN

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

| | 2015 | 2014 |
|--|---------------------|---------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 306,204 | \$ 660,413 |
| Investments | 1,305,178 | 1,310,668 |
| Accounts and contracts receivable | 511,714 | 428,408 |
| Pledges receivable, net | 3,279,625 | 2,923,489 |
| Prepaid expenses and other assets | 109,281 | 54,089 |
| Total current assets | 5,512,002 | 5,377,067 |
| PROPERTY AND EQUIPMENT, net | 778,907 | 828,274 |
| ENDOWMENT INVESTMENTS | 804,436 | 807,233 |
| TOTAL ASSETS | \$ 7,095,345 | \$ 7,012,574 |
| LIABILITIES AND NET ASSETS | | |
| Current liabilities: | | |
| Accounts payable | \$ 931,317 | \$ 65,962 |
| Accrued expenses and other current liabilities | 105,543 | 107,464 |
| Deferred revenue | 39,952 | - |
| Note payable, current portion | 43,596 | 45,152 |
| Community funds commitment | 29,000 | 244,000 |
| Designations due to others | 1,104,358 | 1,116,795 |
| Total current liabilities | 2,253,766 | 1,579,373 |
| NOTE PAYABLE, long term portion | 301,205 | 352,222 |
| Total liabilities | 2,554,971 | 1,931,595 |
| NET ASSETS: | | |
| Unrestricted | 3,032,589 | 3,710,796 |
| Temporarily restricted | 1,011,155 | 873,553 |
| Permanently restricted | 496,630 | 496,630 |
| Total net assets | 4,540,374 | 5,080,979 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 7,095,345 | \$ 7,012,574 |

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2015

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------|---------------------------|---------------------------|-------------|
| REVENUES, GAINS AND OTHER SUPPORT: | | | | |
| Total amounts raised | \$ 13,665,851 | 849,213 | - | 14,515,064 |
| Less amounts designated by donors for specific organizations | (8,381,668) | - | - | (8,381,668) |
| Less allowance for uncollectible pledges | (81,182) | - | - | (81,182) |
| Grants and contracts | 2,040,940 | - | - | 2,040,940 |
| In-kind donations | 111,344 | - | - | 111,344 |
| Total contributions | 7,355,285 | 849,213 | - | 8,204,498 |
| Service fee income | 408,142 | - | - | 408,142 |
| Unrealized and realized loss on investments, net of expenses | (62,663) | (23,383) | - | (86,046) |
| Interest and dividends | 59,361 | 20,586 | - | 79,947 |
| Other income | 83,383 | - | - | 83,383 |
| Net assets released from restrictions | 708,814 | (708,814) | - | - |
| Total revenues, gains and other support | 8,552,322 | 137,602 | - | 8,689,924 |
| ALLOCATIONS AND EXPENSES: | | | | |
| Allocations to partner agencies | 10,578,670 | - | - | 10,578,670 |
| Less allocations funded through donor designations | (8,381,668) | - | - | (8,381,668) |
| Allocations to partner agencies | 2,197,002 | - | - | 2,197,002 |
| Program services: | | | | |
| Navigation Center | 3,316,946 | - | - | 3,316,946 |
| Education | 1,159,929 | - | - | 1,159,929 |
| Income | 258,135 | - | - | 258,135 |
| Total allocations and program services | 6,932,012 | - | - | 6,932,012 |
| Supporting services: | | | | |
| Fundraising | 1,677,287 | - | - | 1,677,287 |
| Management and general | 621,230 | - | - | 621,230 |
| Total supporting services | 2,298,517 | - | - | 2,298,517 |
| Total allocations and expenses | 9,230,529 | - | - | 9,230,529 |
| CHANGE IN NET ASSETS | (678,207) | 137,602 | - | (540,605) |
| NET ASSETS, beginning of year | 3,710,796 | 873,553 | 496,630 | 5,080,979 |
| NET ASSETS, end of year | \$ 3,032,589 | 1,011,155 | 496,630 | 4,540,374 |

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2014

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------|---------------------------|---------------------------|-------------|
| REVENUES, GAINS AND OTHER SUPPORT: | | | | |
| Total amounts raised | \$ 13,283,573 | 1,532,351 | - | 14,815,924 |
| Less amounts designated by donors for specific organizations | (8,417,433) | - | - | (8,417,433) |
| Less allowance for uncollectible pledges | (311,353) | - | - | (311,353) |
| Grants and contracts | 2,440,338 | - | - | 2,440,338 |
| In-kind donations | 177,605 | - | - | 177,605 |
| Total contributions | 7,172,730 | 1,532,351 | - | 8,705,081 |
| Service fee income | 319,429 | - | - | 319,429 |
| Unrealized and realized gain on investments, net of expenses | 82,316 | 74,131 | - | 156,447 |
| Interest and dividends | 52,714 | 14,852 | - | 67,566 |
| Other income | 23,720 | - | - | 23,720 |
| Net assets released from restrictions | 1,180,110 | (1,180,110) | - | - |
| Total revenues, gains and other support | 8,831,019 | 441,224 | - | 9,272,243 |
| ALLOCATIONS AND EXPENSES: | | | | |
| Allocations to partner agencies | 10,609,433 | - | - | 10,609,433 |
| Less allocations funded through donor designations | (8,417,433) | - | - | (8,417,433) |
| Allocations to partner agencies | 2,192,000 | - | - | 2,192,000 |
| Program services: | | | | |
| Navigation Center | 3,226,724 | - | - | 3,226,724 |
| Education | 1,229,888 | - | - | 1,229,888 |
| Income | 325,849 | - | - | 325,849 |
| Total allocations and program services | 6,974,461 | - | - | 6,974,461 |
| Supporting services: | | | | |
| Fundraising | 1,276,967 | - | - | 1,276,967 |
| Management and general | 429,587 | - | - | 429,587 |
| Total supporting services | 1,706,554 | - | - | 1,706,554 |
| Total allocations and expenses | 8,681,015 | - | - | 8,681,015 |
| CHANGE IN NET ASSETS | 150,004 | 441,224 | - | 591,228 |
| NET ASSETS, beginning of year | 3,560,792 | 432,329 | 496,630 | 4,489,751 |
| NET ASSETS, end of year | \$ 3,710,796 | 873,553 | 496,630 | 5,080,979 |

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2015

| | Allocations | Navigation Center | Education | Income | Total Allocations and Program Services | Fundraising | Management and General | Total Expenses |
|---|--------------|----------------------|-----------|---------|---|-------------|---------------------------|-------------------|
| Professional personnel costs | \$ - | 2,035,625 | 391,428 | 127,449 | 2,554,502 | 976,581 | 233,243 | 3,764,326 |
| Allocations to partner agencies | 2,197,002 | - | - | - | 2,197,002 | - | - | 2,197,002 |
| Support to community programs | - | 68,328 | 455,802 | 39,519 | 563,649 | - | - | 563,649 |
| Professional fees and contracts | - | 232,573 | 80,108 | 13,346 | 326,027 | 107,627 | 94,557 | 528,211 |
| Marketing | - | 160,596 | 32,705 | 29,560 | 222,861 | 102,736 | 82,042 | 407,639 |
| Employee benefits | - | 223,076 | 39,151 | 11,612 | 273,839 | 96,914 | 19,740 | 390,493 |
| Payroll taxes | - | 133,538 | 28,143 | 9,504 | 171,185 | 71,931 | 15,984 | 259,100 |
| Rental and maintenance of equipment | - | 73,619 | 19,835 | 4,054 | 97,508 | 33,905 | 36,060 | 167,473 |
| In-kind expense | - | 44,235 | 33,234 | 2,786 | 80,255 | 15,605 | 15,484 | 111,344 |
| Payments to affiliates | - | 59,248 | 11,939 | 3,731 | 74,918 | 28,206 | 33,280 | 136,404 |
| Office expenses | - | 80,248 | 11,714 | 794 | 92,756 | 29,326 | 6,448 | 128,530 |
| Occupancy | - | 48,574 | 9,788 | 3,059 | 61,421 | 23,125 | 27,285 | 111,831 |
| Training and travel | - | 33,101 | 10,113 | 3,686 | 46,900 | 30,701 | 4,660 | 82,261 |
| Food and beverage | - | 14,986 | 8,502 | 1,746 | 25,234 | 40,395 | 5,094 | 70,723 |
| Printing and publications | - | 8,744 | 2,896 | 1,257 | 12,897 | 33,498 | 3,615 | 50,010 |
| Interest expense | - | 8,229 | 1,658 | 518 | 10,405 | 3,917 | 4,622 | 18,944 |
| Photography and video | - | 4,324 | 1,411 | 618 | 6,353 | 6,966 | 2,260 | 15,579 |
| Insurance | - | 5,661 | 1,141 | 357 | 7,159 | 2,695 | 3,180 | 13,034 |
| Other expense | - | 47,401 | 13,340 | 2,345 | 63,086 | 56,574 | 14,106 | 133,766 |
| Total expenses before depreciation and amortization | 2,197,002 | 3,282,106 | 1,152,908 | 255,941 | 6,887,957 | 1,660,702 | 601,660 | 9,150,319 |
| Depreciation and amortization | - | 34,840 | 7,021 | 2,194 | 44,055 | 16,585 | 19,570 | 80,210 |
| Total allocations and expenses | \$ 2,197,002 | 3,316,946 | 1,159,929 | 258,135 | 6,932,012 | 1,677,287 | 621,230 | 9,230,529 |

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2014

| | Allocations | Navigation Center | Education | Income | Total Allocations and Program Services | Fundraising | Management and General | Total Expenses |
|---|--------------|----------------------|-----------|---------|---|-------------|---------------------------|-------------------|
| Professional personnel costs | \$ - | 1,889,307 | 377,774 | 133,823 | 2,400,904 | 905,710 | 194,953 | 3,501,567 |
| Allocations to partner agencies | 2,192,000 | - | - | - | 2,192,000 | - | - | 2,192,000 |
| Support to community programs | - | 450,960 | 467,550 | 112,598 | 1,031,108 | - | - | 1,031,108 |
| Professional fees and contracts | - | 173,185 | 40,870 | 6,383 | 220,438 | 56,584 | 42,218 | 319,240 |
| Marketing | - | 33,112 | 8,714 | 9,039 | 50,865 | 41,132 | 15,958 | 107,955 |
| Employee benefits | - | 182,713 | 33,534 | 14,129 | 230,376 | 84,001 | 14,922 | 329,299 |
| Payroll taxes | - | 125,678 | 25,585 | 9,662 | 160,925 | 66,349 | 13,600 | 240,874 |
| Rental and maintenance of equipment | - | 81,443 | 46,417 | 4,281 | 132,141 | 21,230 | 21,925 | 175,296 |
| In-kind expense | - | 33,633 | 90,351 | 2,655 | 126,639 | 32,357 | 18,609 | 177,605 |
| Payments to affiliates | - | 56,266 | 13,326 | 4,442 | 74,034 | 27,152 | 29,614 | 130,800 |
| Office expenses | - | 23,205 | 14,222 | 7,193 | 44,620 | 15,010 | 5,022 | 64,652 |
| Occupancy | - | 47,817 | 11,325 | 3,775 | 62,917 | 22,870 | 25,167 | 110,954 |
| Training and travel | - | 29,023 | 20,705 | 6,918 | 56,646 | 30,362 | 3,985 | 90,993 |
| Food and beverage | - | 17,635 | 7,810 | 3,168 | 28,613 | 51,329 | 5,429 | 85,371 |
| Printing and publications | - | 8,460 | 1,803 | 1,584 | 11,847 | 46,348 | 2,705 | 60,900 |
| Interest expense | - | 9,301 | 2,203 | 734 | 12,238 | 4,406 | 4,895 | 21,539 |
| Photography and video | - | 5,847 | 1,385 | 562 | 7,794 | 5,820 | 3,077 | 16,691 |
| Insurance | - | 5,560 | 1,317 | 439 | 7,316 | 2,634 | 2,926 | 12,876 |
| Bad debt recoveries | - | - | - | - | - | (158,383) | - | (158,383) |
| Other expense | - | 24,246 | 58,050 | 2,148 | 84,444 | 8,161 | 9,143 | 101,748 |
| Total expenses before depreciation and amortization | 2,192,000 | 3,197,391 | 1,222,941 | 323,533 | 6,935,865 | 1,263,072 | 414,148 | 8,613,085 |
| Depreciation and amortization | - | 29,333 | 6,947 | 2,316 | 38,596 | 13,895 | 15,439 | 67,930 |
| Total allocations and expenses | \$ 2,192,000 | 3,226,724 | 1,229,888 | 325,849 | 6,974,461 | 1,276,967 | 429,587 | 8,681,015 |

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2015 AND 2014

| | 2015 | 2014 |
|---|--------------|------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in net assets | \$ (540,605) | \$ 591,228 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 80,210 | 67,930 |
| Bad debt recoveries | - | (158,383) |
| Unrealized (loss) gains on investments, net of expenses | 86,046 | (156,447) |
| Changes in assets and liabilities that provided (used) cash: | | |
| Accounts and contracts receivable | (83,306) | (5,208) |
| Pledges receivable | (356,136) | 465,770 |
| Prepaid expenses and other assets | (55,192) | (12,275) |
| Accounts payable | 865,355 | (10,572) |
| Accrued expenses and other current liabilities | (1,921) | 5,847 |
| Deferred revenue | 39,952 | (25,500) |
| Community funds commitment | (215,000) | 244,000 |
| Designations due to others | (12,437) | (392,153) |
| Net cash (used in) provided by operating activities | (193,034) | 614,237 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of property and equipment | (30,843) | (45,813) |
| Net purchases of investments | (77,759) | (62,453) |
| Net cash used in investing activities | (108,602) | (108,266) |
| CASH FLOWS FROM FINANCING ACTIVITIES- | | |
| Payments on note payable | (52,573) | (49,979) |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (354,209) | 455,992 |
| CASH AND CASH EQUIVALENTS, beginning of year | 660,413 | 204,421 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 306,204 | \$ 660,413 |
| SUPPLEMENTAL DISCLOSURES: | | |
| Interest paid on note payable | \$ 18,944 | \$ 21,539 |

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2015 AND 2014

1. ORGANIZATION

The United Way for Greater Austin (“UWATX”) was organized to inspire, lead and unite an eclectic community of philanthropists including individuals, nonprofits, businesses, and governments to overcome barriers to economic opportunities and ensure Greater Austin continues to thrive.

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 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 - Net assets that are not restricted by donor-imposed stipulations.

Temporarily restricted net assets - 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 - 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 to be used to further UWATX’s mission including carrying out health and human services programs for those persons present or living in Central Texas and 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.

Investments - Investments, including endowment investments, are carried at fair value based on quoted market prices. Any changes in fair value are reported in the statements of activities as unrealized or realized gains or losses.

Fair Value Measurements - UWATX measures and discloses fair value measurements in accordance with the authoritative literature. 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 UWATX'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.

Accounts and Contracts Receivable - Accounts and contracts receivable are recorded at the value of the revenue earned, at the amount UWATX expects to collect. 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 at June 30, 2015 or 2014, because management estimates that the receivables are collectible.

Pledges Receivable - UWATX conducts its annual campaign in the last quarter of each calendar year to raise support for allocations to 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 prior history. For the years ended June 30, 2015 and 2014 pledges were primarily from donors in the central Texas area and all pledges were due within one year.

Although, UWATX has not experienced material uncollectable amounts in the past, an allowance for pledges receivable has been established. The allowance for uncollectible pledges receivable at June 30, 2015 and 2014 was \$1,138,678 and \$849,535, respectively.

Property and Equipment - Purchases of land, buildings and improvements, and furniture and equipment are recorded at cost. Donated assets are recorded at their estimated fair market value at the date of donation. UWATX capitalizes all fixed assets with a cost or donated value greater than or equal to \$2,000 and a useful life greater than one year. Depreciation expense 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, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense 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. If the estimated fair value of an asset is less than its carrying amount, an impairment loss is recognized based on the fair value of the asset. Management believes there had been no impairment of such assets as of June 30, 2015 or 2014.

Community Funds Commitment and Allocations to Partner Agencies - UWATX annually determines the amounts to be allocated and subsequently distributed to its partner agencies from the undesignated pledges received during the annual campaign as part of its Community Investment Program. For the years ended June 30, 2015 and 2014, \$2,197,002 and \$2,192,000, respectively, was allocated to partner agencies. The outstanding amounts to be paid to these partner agencies are recorded as a liability. At June 30, 2015 and 2014 the community funds commitment liability was \$29,000 and \$244,000, respectively.

Designations Due to Others - 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. These designations do not represent income to UWATX but are recorded net of administrative fees as a liability at year end. In-kind contributions that are designated to be distributed to specific agencies are not recorded as revenue in these financial statements.

Deferred Revenue - Payments received prior to incurring allowable costs or providing services on governmental contracts is deferred when received and recognized as revenue when earned.

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 at 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.

Contributed Services - Contributions of services are recognized at their estimated fair market value if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation. 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 services as contributions in the financial statements since such services do not meet these criteria.

Functional Expense Allocation - The costs of providing various program services, fundraising and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Program expenses are incurred for the following 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 and Youth - involves convening and collaborating with child advocates, parents and caregivers to build early childhood and middle school initiatives.
- Income 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.
- Support allocated to agencies - involves providing funding to UWATX agencies for their continuing community assistance programs.

Expenses incurred on the navigation center, education, and income focus areas are presented as program services in the statements of activities.

Income Taxes - UWATX is a non-profit corporation that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code; except to the extent of unrelated business income, if any. UWATX did not incur any significant tax liabilities due to unrelated business income for the years ended June 30, 2015 or 2014. 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. The fiscal year 2012 and subsequent tax years remain subject to examination by the Internal Revenue Service.

Recently Issued Accounting Pronouncements - In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, which supersedes 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 for fiscal years beginning after December 15, 2017, and is to be applied retrospectively, with early application permitted for fiscal years beginning after December 15, 2016. UWATX is in the process of evaluating the impact the new standard will have on its financial statement.

In August 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements - Going Concern*, which provides guidance about management's responsibility to evaluate on an annual basis whether there is substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are available to be issued and to provide certain related footnote disclosures. The standard is effective for fiscal years ending after December 15, 2016, and due to the change in requirements for reporting, presentation and disclosure of future evaluations of the entity's ability to continue as a going concern may be different than under current standards.

3. CONCENTRATIONS

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. Management believes no significant risk exists with respect to cash and cash equivalents. 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 and does not believe significant risk existed at June 30, 2015 or 2014.

4. INVESTMENTS

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

| | 2015 | 2014 |
|---|---------------------|---------------------|
| Equities - domestic mutual funds | \$ 601,792 | \$ 530,495 |
| Fixed income - domestic mutual funds | 541,564 | 530,799 |
| Equities - international mutual funds | 327,696 | 306,033 |
| Other complementary strategies funds | 209,824 | 228,124 |
| Real asset and commodity funds | 198,615 | 192,654 |
| Fixed income - international mutual funds | 172,754 | 210,058 |
| Cash and money market | 57,369 | 119,738 |
| Total investments | <u>\$ 2,109,614</u> | <u>\$ 2,117,901</u> |

Investments were measured at fair value using the market approach and inputs were considered to be Level 1 under the fair value hierarchy. Investment earnings consisted of the following at June 30:

| | 2015 | 2014 |
|--|-------------------|-------------------|
| Interest and dividends | \$ 79,947 | \$ 67,566 |
| Unrealized (losses) gains on investments | (61,421) | 180,167 |
| Expenses | (24,625) | (23,720) |
| Total investment (losses) earnings | <u>\$ (6,099)</u> | <u>\$ 224,013</u> |

5. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at June 30:

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Pledges receivable expected to be collected in less than one year | \$ 4,418,303 | \$ 3,773,024 |
| Allowance for uncollectible pledges to UWATX | (930,718) | (573,515) |
| Allowance for uncollectible pledges to designated organizations | <u>(207,960)</u> | <u>(276,020)</u> |
| Pledges receivable, net | <u>\$ 3,279,625</u> | <u>\$ 2,923,489</u> |

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

| | <u>2015</u> | <u>2014</u> |
|-----------------------------------|-------------------|-------------------|
| Buildings and improvements | \$ 2,240,105 | \$ 2,240,105 |
| Furniture and equipment | <u>1,270,592</u> | <u>1,239,749</u> |
| | 3,510,697 | 3,479,854 |
| Accumulated depreciation | (2,840,610) | (2,760,400) |
| Land | <u>108,820</u> | <u>108,820</u> |
| Total Property and equipment, net | <u>\$ 778,907</u> | <u>\$ 828,274</u> |

7. NOTE PAYABLE AND LINE OF CREDIT

UWATX had the following note payable at June 30:

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Mortgage note payable to a financial institution dated March 2, 2012 payable in monthly installments plus interest at a fixed rate of 5%, secured by land, building, improvements, and furniture and equipment. Balance due March 2, 2022. | \$ 344,801 | \$ 397,374 |
| Less current portion | <u>(43,596)</u> | <u>(45,152)</u> |
| Long-term portion | <u>\$ 301,205</u> | <u>\$ 352,222</u> |

Future maturities of the note payable at June 30, 2015 were as follows:

| | <u>Amount</u> |
|------------|-------------------|
| 2016 | \$ 43,596 |
| 2017 | 49,890 |
| 2018 | 52,443 |
| 2019 | 55,126 |
| 2020 | 57,946 |
| Thereafter | 85,800 |
| | <u>\$ 344,801</u> |

At June 30, 2015, UWATX had a \$250,000 revolving line of credit with a bank, which bears interest at a variable rate (4.75% and 4.00% at June 30, 2015 and 2014, respectively) and is secured by UWATX's investments. The line matures on December 25, 2015. At June 30, 2015 and 2014, 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 of UWATX ("the Board") interprets the Texas Uniform Prudent Management of Institutional Funds Act ("TUPMIFA") as requiring the preservation of the purchasing power (real value) of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UWATX classifies as permanently restricted net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts to the permanent endowment, (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (4) the portion of investment return added to the permanent endowment to maintain its purchasing power. For purposes of determining that portion, each year UWATX adjusts permanently restricted net assets by an amount determined to be reasonable for use in the operations but also provide for the change in the average Consumer Price Index. If the endowment assets earn investment returns beyond the amount necessary to maintain the endowment assets' real value, that excess is maintained in temporarily restricted net assets until appropriated for expenditure. In accordance with TUPMIFA, UWATX considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the organization and the donor-restricted endowment fund;
- The general economic conditions;
- The possible effect of inflation or deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the organization; and
- The investment policies of the organization.

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.

Changes in endowment net assets were as follows for the year ended June 30, 2015:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment net assets, beginning of year | \$ - | \$ 310,603 | \$ 496,630 | \$ 807,233 |
| Interest and dividends | - | 20,586 | - | 20,586 |
| Unrealized and realized loss on investments, net of expenses | - | (23,383) | - | (23,383) |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 307,806</u> | <u>\$ 496,630</u> | <u>\$ 804,436</u> |

Changes in endowment net assets were as follows for the year ended June 30, 2014:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Endowment net assets, beginning of year | \$ - | \$ 221,620 | \$ 496,630 | \$ 718,250 |
| Interest and dividends | - | 14,852 | - | 14,852 |
| Unrealized and realized gain on investments, net of expenses | - | 74,131 | - | 74,131 |
| Endowment net assets, end of year | <u>\$ -</u> | <u>\$ 310,603</u> | <u>\$ 496,630</u> | <u>\$ 807,233</u> |

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

| | <u>2015</u> | <u>2014</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>\$ 307,806</u> | <u>\$ 310,603</u> |

9. TEMPORARILY RESTRICTED NET ASSETS

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

| | <u>2015</u> | <u>2014</u> |
|--|---------------------|-------------------|
| Success by Six | \$ 468,480 | \$ 347,382 |
| Earnings not yet appropriated for expenditure on donor restricted perpetual endowments | 307,806 | 310,603 |
| Financial Stability | 215,470 | 81,844 |
| Education | 15,041 | 125,224 |
| Other | 4,358 | 8,500 |
| | <u>\$ 1,011,155</u> | <u>\$ 873,553</u> |

10. LEASES

UWATX leases office equipment under an operating lease that expires in September 2018. Rent expense totaled \$58,171 and \$42,213 for the years ended June 30, 2015 and 2014, respectively.

Future minimum rental payments were as follows at June 30, 2015:

| | |
|-------|-------------------|
| 2016 | \$ 41,652 |
| 2017 | 41,652 |
| 2018 | <u>31,239</u> |
| Total | <u>\$ 114,543</u> |

11. IN-KIND DONATIONS

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

| | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Advertising and market research services | \$ 71,702 | \$ 72,310 |
| Donated equipment and software | 31,999 | 82,385 |
| Food and beverage | 1,862 | 2,066 |
| Other | 5,781 | 20,844 |
| Total | <u>\$ 111,344</u> | <u>\$ 177,605</u> |

12. ALLOCATIONS FUNDED THROUGH DONOR DESIGNATIONS

Allocations funded through donor designations were as follows for the years ended June 30:

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Designations to other 501(c)(3) organizations | \$ 7,212,367 | \$ 7,441,418 |
| Designations to other United Ways | 586,709 | 548,608 |
| Designations to partner agencies | <u>582,592</u> | <u>427,407</u> |
| Total allocations funded through donor designations | <u>\$ 8,381,668</u> | <u>\$ 8,417,433</u> |

13. CONDITIONAL PROMISES TO GIVE

A private foundation pledged \$1,000,000 for the Success by Six program to be gifted over four years at \$250,000 each year. Of the annual \$250,000 gift, \$50,000 was unrestricted and the balance of \$200,000 was conditioned on receiving new gifts from other donors of any dollar amount pledged to the Success by Six program, which the private foundation matched dollar for dollar up to \$200,000. Since this pledge represented a conditional promise to give, it was recorded as contribution revenue as the pledge conditions were met. Revenue earned and funds received from the private foundation in relationship to the conditions being met totaled \$200,000 in each of the years ended June 30, 2015 and 2014. There is no balance remaining that may be earned through matching on this conditional grant.

14. PAYMENTS TO AFFILIATES

During the years ended June 30, 2015 and 2014, UWATX recorded expenses for amounts due to affiliates that represent dues to United Way Worldwide (“UWW”) of \$118,285 and \$114,310, respectively and dues to United Way of Texas of \$18,119 and \$15,730, respectively. UWATX did not incur any expense due to other affiliates during the year ended June 30, 2015. Dues to other affiliates were \$760 during the year ended June 30, 2014.

15. CAMPAIGN CONTRIBUTIONS

UWATX serves as the designated fiscal agent for the Combined Federal Campaign (“CFC”) and State Employee Charitable Campaign (“SECC”) public sector campaigns.

As fiscal agent, UWATX manages these campaigns and administers their financial activities, including the collection and distribution of funds. Activity from these campaigns is reflected in the accompanying financial statements. Amounts raised are included in total amounts raised, from which are deducted designations to agencies other than UWATX. Amounts collected for others and not yet distributed are recorded as designations due to others.

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.

16. 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, 2015 and 2014.

17. SUBSEQUENT EVENTS

UWATX has evaluated subsequent events through September 23, 2015 (the date the financial statements were available to be issued) and no events have occurred from the statement of financial position date through that date that would impact the financial statements.