

**UNITED WAY  
FOR GREATER AUSTIN**

**Financial Statements  
as of and for the Years Ended  
June 30, 2016 and 2015 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, 2016 and 2015, 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, 2016 and 2015, 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  
October 20, 2016

# UNITED WAY FOR GREATER AUSTIN

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	2016	2015
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 441,126	\$ 306,204
Investments	1,155,193	1,305,178
Accounts and contracts receivable	564,813	511,714
Pledges receivable, net	2,501,523	3,279,625
Prepaid expenses and other assets	50,571	109,281
Total current assets	4,713,226	5,512,002
PROPERTY AND EQUIPMENT, net	694,558	778,907
ENDOWMENT INVESTMENTS	552,457	804,436
<b>TOTAL ASSETS</b>	<b>\$ 5,960,241</b>	<b>\$ 7,095,345</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable	\$ 235,942	\$ 931,317
Accrued expenses and other current liabilities	202,437	105,543
Deferred revenue	34,365	39,952
Note payable, current portion	58,365	43,596
Community funds commitment	-	29,000
Designations due to others	937,544	1,104,358
Total current liabilities	1,468,653	2,253,766
NOTE PAYABLE, long term portion	231,180	301,205
Total liabilities	1,699,833	2,554,971
NET ASSETS:		
Unrestricted	3,218,442	3,032,589
Temporarily restricted	545,336	1,011,155
Permanently restricted	496,630	496,630
Total net assets	4,260,408	4,540,374
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,960,241</b>	<b>\$ 7,095,345</b>

See notes to financial statements.

# UNITED WAY FOR GREATER AUSTIN

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
Total amounts raised	\$ 12,127,078	678,723	-	12,805,801
Less amounts designated by donors for specific organizations	(6,477,821)	-	-	(6,477,821)
Less allowance for uncollectible pledges	(471,581)	-	-	(471,581)
Grants and contracts	2,472,350	-	-	2,472,350
In-kind donations	229,043	-	-	229,043
Total contributions	7,879,069	678,723	-	8,557,792
Service fee income	404,670	-	-	404,670
Unrealized and realized loss on investments, net of expenses	(53,323)	(59,985)	-	(113,308)
Interest and dividends	24,463	28,075	-	52,538
Other income	63,614	-	-	63,614
Net assets released from restrictions	1,112,632	(1,112,632)	-	-
Total revenues, gains and other support	9,431,125	(465,819)	-	8,965,306
<b>ALLOCATIONS AND EXPENSES:</b>				
Allocations to partner agencies	8,649,823	-	-	8,649,823
Less allocations funded through donor designations	(6,477,821)	-	-	(6,477,821)
Allocations to partner agencies	2,172,002	-	-	2,172,002
Program services:				
Navigation Center	3,338,715	-	-	3,338,715
Education	1,816,661	-	-	1,816,661
Income	321,523	-	-	321,523
Total allocations and program services	7,648,901	-	-	7,648,901
Supporting services:				
Fundraising	1,058,895	-	-	1,058,895
Management and general	537,476	-	-	537,476
Total supporting services	1,596,371	-	-	1,596,371
Total allocations and expenses	9,245,272	-	-	9,245,272
<b>CHANGE IN NET ASSETS</b>	185,853	(465,819)	-	(279,966)
<b>NET ASSETS, beginning of year</b>	3,032,589	1,011,155	496,630	4,540,374
<b>NET ASSETS, end of year</b>	\$ 3,218,442	545,336	496,630	4,260,408

See notes to financial statements.

# UNITED WAY FOR GREATER AUSTIN

## STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
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 gain 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
<b>ALLOCATIONS AND EXPENSES:</b>				
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
<b>CHANGE IN NET ASSETS</b>	(678,207)	137,602	-	(540,605)
<b>NET ASSETS, beginning of year</b>	3,710,796	873,553	496,630	5,080,979
<b>NET ASSETS, end of year</b>	\$ 3,032,589	1,011,155	496,630	4,540,374

See notes to financial statements.

# UNITED WAY FOR GREATER AUSTIN

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2016

	Allocations	Navigation Center	Education	Income	Total Allocations and Program Services	Fundraising	Management and General	Total Allocations and Expenses
Professional personnel costs	\$ -	2,212,970	848,168	119,809	3,180,947	532,255	233,362	3,946,564
Allocations to partner agencies	2,172,002	-	-	-	2,172,002	-	-	2,172,002
Support to community programs	-	-	453,828	149,384	603,212	-	-	603,212
Professional fees and contracts	-	210,393	95,772	9,012	315,177	76,570	67,929	459,676
Employee benefits	-	223,965	83,658	9,833	317,456	53,675	20,716	391,847
Payroll taxes	-	142,936	62,368	8,826	214,130	57,263	15,596	286,989
In-kind expense	-	104,984	45,961	4,048	154,993	25,415	48,634	229,042
Rental and maintenance of equipment	-	99,031	39,547	3,912	142,490	18,565	38,937	199,992
Office expenses	-	81,533	37,506	2,713	121,752	3,937	5,836	131,525
Payments to affiliates	-	61,183	26,299	2,317	89,799	13,354	28,343	131,496
Bad debt expense	-	-	-	-	-	110,583	-	110,583
Occupancy	-	46,369	19,931	1,756	68,056	10,121	21,480	99,657
Marketing	-	36,223	17,764	1,503	55,490	24,905	14,807	95,202
Printing and publications	-	17,607	9,488	1,133	28,228	42,006	7,737	77,971
Food and beverage	-	8,392	22,056	2,369	32,817	18,813	2,760	54,390
Training and travel	-	17,724	23,119	1,544	42,387	6,885	1,190	50,462
Interest expense	-	7,850	3,374	297	11,521	1,713	3,637	16,871
Insurance	-	6,295	2,706	238	9,239	1,374	2,916	13,529
Photography and video	-	590	641	229	1,460	2,055	169	3,684
Other expense	-	21,424	7,605	1,114	30,143	50,840	5,246	86,229
Total expenses before depreciation and amortization	2,172,002	3,299,469	1,799,791	320,037	7,591,299	1,050,329	519,295	9,160,923
Depreciation and amortization	-	39,246	16,870	1,486	57,602	8,566	18,181	84,349
Total allocations and expenses	\$ 2,172,002	3,338,715	1,816,661	321,523	7,648,901	1,058,895	537,476	9,245,272

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 Allocations and 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
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
In-kind expense	-	44,235	33,234	2,786	80,255	15,605	15,484	111,344
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	<u>\$ 2,197,002</u>	<u>3,316,946</u>	<u>1,159,929</u>	<u>258,135</u>	<u>6,932,012</u>	<u>1,677,287</u>	<u>621,230</u>	<u>9,230,529</u>

See notes to financial statements.

# UNITED WAY FOR GREATER AUSTIN

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (279,966)	\$ (540,605)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	84,349	80,210
Bad debt provision	110,583	-
Unrealized loss on investments, net of expenses	113,308	86,046
Changes in assets and liabilities that provided (used) cash:		
Accounts and contracts receivable	(53,099)	(83,306)
Pledges receivable	667,519	(356,136)
Prepaid expenses and other assets	58,710	(55,192)
Accounts payable	(695,375)	865,355
Accrued expenses and other current liabilities	96,894	(1,921)
Deferred revenue	(5,587)	39,952
Community funds commitment	(29,000)	(215,000)
Designations due to others	(166,814)	(12,437)
Net cash used in operating activities	(98,478)	(193,034)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	-	(30,843)
Net sales (purchases) of investments	288,656	(77,759)
Net cash provided by (used in) investing activities	288,656	(108,602)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on note payable	(55,256)	(52,573)
Borrowings on line of credit	250,000	-
Payments on line of credit	(250,000)	-
Net cash used in financing activities	(55,256)	(52,573)
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	134,922	(354,209)
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	306,204	660,413
<b>CASH AND CASH EQUIVALENTS, end of year</b>	\$ 441,126	\$ 306,204
<b>SUPPLEMENTAL DISCLOSURE-</b>		
Interest paid on note payable	\$ 16,872	\$ 18,944

See notes to financial statements.

# UNITED WAY FOR GREATER AUSTIN

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2016 AND 2015

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### 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 (“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 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** - 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, 2016 or 2015, 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 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.

Although, UWATX has not experienced material uncollectable amounts in the past, an allowance for uncollectible pledges receivable has been established. The allowance for uncollectible pledges receivable at June 30, 2016 and 2015 was \$1,326,972 and \$1,138,678, 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, 2016 or 2015.

**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.

**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, 2016 and 2015, \$2,172,002 and \$2,197,002, respectively, was allocated to partner agencies. The outstanding amounts to be paid to these partner agencies are recorded as a liability. Included in allocations funded through donor designations in the statements of activities are donations received by UWATX to be designated to others as well as community dollars where UWATX is a campaign manager and UWATX does not collect cash donations. In instances where dollars are reported from the community that do not pass through UWATX, UWATX assumed sales and marketing responsibilities, incurred expenses related to running the campaign, and the company's worksite is in the Greater Austin area.

**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.

**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.

**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:

- Support allocated to agencies - 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 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.

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 organization that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code; except as it relates to any unrelated business income. UWATX did not incur any significant tax liabilities due to unrelated business income for the years ended June 30, 2016 or 2015. 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 2013 and subsequent tax years remain subject to examination by the Internal Revenue Service.

**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 new standard will have on its financial statements.

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 early adoption is permitted. 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.

In April 2015 and August 2015, the FASB issued ASU No. 2015-03, *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, and No. 2015-15, *Interest - Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements Amendments to SEC Paragraphs Pursuant to Staff Announcement at June 18, 2015 EITF Meeting*, which amends the presentation of debt issuance costs and requires debt issuance costs related to a recognized debt liability to be presented in the statement of financial position as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, rather than as a deferred charge presented as an asset. The presentation of debt issuance costs associated with line of credit arrangements is unchanged, regardless of whether there are outstanding borrowings on the line of credit arrangement. The recognition and measurement guidance for debt issuance costs was not affected by this amendment and the guidance will be applied retrospectively to each statement of financial position presented with applicable disclosures for a change in accounting principle upon adoption. The standard is effective for fiscal years beginning after December 15, 2015 and early adoption is permitted. Due to the change in requirements for reporting debt issuance costs, presentation and disclosure of debt issuance costs will be different than under current standards.

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 statement of financial position. Interest on the lease liability and amortization of the right-of-use asset are recognized separately in the statement 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, however 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

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, 2016 or 2015.

### 4. INVESTMENTS

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

	<u>2016</u>	<u>2015</u>
Cash and money market	\$ 434,964	\$ 57,369
Equities - domestic mutual funds	406,337	601,792
Fixed income - domestic mutual funds	330,140	541,564
Real asset and commodity funds	176,964	198,615
Equities - international mutual funds	166,735	327,696
Other complementary strategies funds	136,245	209,824
Fixed income - international mutual funds	56,265	172,754
Total investments	<u>\$ 1,707,650</u>	<u>\$ 2,109,614</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 losses consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 52,538	\$ 79,947
Unrealized losses on investments, net	(94,533)	(61,421)
Expenses	<u>(18,775)</u>	<u>(24,625)</u>
Total investment losses	<u>\$ (60,770)</u>	<u>\$ (6,099)</u>

### 5. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Pledges receivable expected to be collected in less than one year	\$ 3,828,495	\$ 4,418,303
Allowance for uncollectible pledges to UWATX	(1,305,847)	(930,718)
Allowance for uncollectible pledges to designated organizations	<u>(21,125)</u>	<u>(207,960)</u>
Pledges receivable, net	<u>\$ 2,501,523</u>	<u>\$ 3,279,625</u>



## 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2016</u>	<u>2015</u>
Buildings and improvements	\$ 2,240,105	\$ 2,240,105
Furniture and equipment	<u>1,270,592</u>	<u>1,270,592</u>
	3,510,697	3,510,697
Accumulated depreciation and amortization	(2,924,959)	(2,840,610)
Land	<u>108,820</u>	<u>108,820</u>
Total property and equipment, net	<u>\$ 694,558</u>	<u>\$ 778,907</u>

## 7. NOTE PAYABLE AND LINE OF CREDIT

UWATX had the following note payable at June 30:

	<u>2016</u>	<u>2015</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 January 2, 2021.	\$ 289,545	\$ 344,801
Less current portion	<u>(58,365)</u>	<u>(43,596)</u>
Long-term portion	<u>\$ 231,180</u>	<u>\$ 301,205</u>

Future maturities of the note payable at June 30, 2016 were as follows:

	<u>Amount</u>
2017	\$ 58,365
2018	61,352
2019	64,490
2020	67,790
2021	<u>37,548</u>
	<u>\$ 289,545</u>

UWATX had a \$250,000 revolving line of credit with a bank, which bore interest at a variable rate (4.75% at June 30, 2015) and was secured by UWATX's investments; the line matured during the year ended June 30, 2016. The \$250,000 revolving line of credit did not have an outstanding balance at June 30, 2015. On January 21, 2016, UWATX entered into a line of credit with another bank for up to \$500,000, which bears interest at 4.3% plus LIBOR (4.75% at June 30, 2016) and is secured by all of UWATX's property. The line of credit matures on January 26, 2017. At June 30, 2016, 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 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, 2016:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ -	\$ 307,806	\$ 496,630	\$ 804,436
Interest and dividends	-	28,075	-	28,075
Unrealized and realized loss on investments, net of expenses	-	(59,985)	-	(59,985)
Appropriations for expenditure	-	(220,069)	-	(220,069)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 55,827</u>	<u>\$ 496,630</u>	<u>\$ 552,457</u>

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 gain 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>

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

	<u>2016</u>	<u>2015</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>\$ 55,827</u>	<u>\$ 307,806</u>

## 9. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2016</u>	<u>2015</u>
Success by Six	\$ 288,893	\$ 468,480
Earnings not yet appropriated for expenditure on donor restricted perpetual endowments	55,827	307,806
Financial Stability	200,616	215,470
Education	-	15,041
Other	-	4,358
	<u>\$ 545,336</u>	<u>\$ 1,011,155</u>

## 10. LEASES

UWATX leases office equipment under an operating lease that expires in September 2018. Rent expense totaled \$58,497 and \$58,171 during the years ended June 30, 2016 and 2015, respectively.

Future minimum rental payments were as follows at June 30, 2016:

2017	\$ 50,280
2018	47,880
2019	<u>7,980</u>
Total	<u>\$ 106,140</u>

## 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>2016</u>	<u>2015</u>
Donated software and other services	\$ 193,158	\$ 31,999
Advertising and market research services	30,000	71,702
Food and beverage	907	1,862
Other	4,978	5,781
Total	<u>\$ 229,043</u>	<u>\$ 111,344</u>

## 12. ALLOCATIONS FUNDED THROUGH DONOR DESIGNATIONS

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

	<u>2016</u>	<u>2015</u>
Designations to other 501(c)(3) organizations	\$ 5,245,828	\$ 7,212,367
Designations to other United Ways	686,729	586,709
Designations to partner agencies	<u>545,264</u>	<u>582,592</u>
Total allocations funded through donor designations	<u>\$ 6,477,821</u>	<u>\$ 8,381,668</u>

## 13. CONDITIONAL PROMISES TO GIVE

During the year ended June 30, 2012, 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. This conditional promise to give 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 for the year ended June 30, 2015. There was no balance remaining that could be earned through matching on this conditional grant after June 30, 2015.

## 14. PAYMENTS TO AFFILIATES

During the years ended June 30, 2016 and 2015, UWATX recorded expenses for amounts due to affiliates that represent dues to United Way Worldwide (“UWW”) of \$131,497 and \$118,285, respectively and dues to United Way of Texas of \$18,119 for the year ended June 30, 2015. UWATX did not incur any expense due to other affiliates during the years ended June 30, 2016 and 2015.

## 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 and are recorded as unrestricted net assets.

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, 2016 and 2015.

#### **17. RELATED PARTY TRANSACTIONS**

Total contributions from the Board for the years ended June 30, 2016 and 2015 were \$76,087 and \$113,451, respectively.

#### **18. SUBSEQUENT EVENTS**

UWATX has evaluated subsequent events through October 20, 2016 (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.