

**UNITED WAY
FOR GREATER AUSTIN**

**Financial Statements
as of and for the Years Ended
June 30, 2017 and 2016 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, 2017 and 2016, 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, 2017 and 2016, 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 14, 2017

UNITED WAY FOR GREATER AUSTIN

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 947,414	\$ 441,126
Investments	1,335,118	1,155,193
Accounts and contracts receivable	381,325	564,813
Pledges receivable, net	2,404,433	2,501,523
Prepaid expenses and other assets	39,542	50,571
Total current assets	5,107,832	4,713,226
PROPERTY AND EQUIPMENT, net	713,235	694,558
ENDOWMENT INVESTMENTS	505,796	552,457
TOTAL ASSETS	\$ 6,326,863	\$ 5,960,241
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 236,635	\$ 235,942
Accrued expenses and other current liabilities	121,770	202,437
Deferred revenue	1,975	34,365
Note payable, current portion	61,352	58,365
Designations due to others	1,100,294	937,544
Total current liabilities	1,522,026	1,468,653
NOTE PAYABLE, long term portion	170,026	231,180
Total liabilities	1,692,052	1,699,833
NET ASSETS:		
Unrestricted	3,799,979	3,218,442
Temporarily restricted	338,202	545,336
Permanently restricted	496,630	496,630
Total net assets	4,634,811	4,260,408
TOTAL LIABILITIES AND NET ASSETS	\$ 6,326,863	\$ 5,960,241

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 amounts designated by donors for specific organizations	(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 donations	1,025,974	-	-	1,025,974
Total contributions	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
ALLOCATIONS AND EXPENSES:				
Allocations to partner agencies	5,444,543	-	-	5,444,543
Less allocations funded through donor designations	(4,320,291)	-	-	(4,320,291)
Allocations to partner agencies	1,124,252	-	-	1,124,252
Program services:				
Navigation Center	3,300,568	-	-	3,300,568
Education	1,625,646	-	-	1,625,646
Financial Stability	509,447	-	-	509,447
Total allocations and program services	6,559,913	-	-	6,559,913
Supporting services:				
Fundraising	843,048	-	-	843,048
Management and general	1,289,123	-	-	1,289,123
Total supporting services	2,132,171	-	-	2,132,171
Total allocations and 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 ACTIVITIES YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS AND OTHER SUPPORT:				
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
ALLOCATIONS AND EXPENSES:				
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
Financial Stability	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
CHANGE IN NET ASSETS	185,853	(465,819)	-	(279,966)
NET ASSETS, beginning of year	3,032,589	1,011,155	496,630	4,540,374
NET ASSETS, end of year	\$ 3,218,442	545,336	496,630	4,260,408

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2017

	Allocations	Navigation Center	Education	Financial Stability	Total Allocations and Program Services	Fundraising	Management and General	Total Allocations and Expenses
Professional personnel costs	\$ -	2,248,826	847,785	135,286	3,231,897	512,634	150,924	3,895,455
Allocations to partner agencies	1,124,252	-	-	-	1,124,252	-	-	1,124,252
In-kind expense	-	-	-	-	-	25,974	1,000,000	1,025,974
Support to community programs	-	-	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
Office expenses	-	95,672	117,492	5,687	218,851	14,699	2,857	236,407
Rental and maintenance of equipment	-	127,852	43,612	3,979	175,443	28,075	27,909	231,427
Professional fees and contracts	-	111,145	19,907	2,220	133,272	23,524	12,919	169,715
Payments to affiliates	-	73,569	33,703	3,147	110,419	16,392	22,687	149,498
Occupancy	-	48,145	22,056	2,060	72,261	10,728	14,847	97,836
Marketing	-	31,532	13,141	946	45,619	13,929	6,663	66,211
Printing and publications	-	14,584	16,875	747	32,206	18,239	4,368	54,813
Training and travel	-	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
Photography and video	-	6,749	4,006	374	11,129	2,304	2,081	15,514
Interest expense	-	6,570	3,010	281	9,861	1,464	2,026	13,351
Bad debt expense	-	-	-	-	-	13,072	-	13,072
Other expense	-	25,426	9,811	706	35,943	57,920	4,120	97,983
Total expenses before depreciation and amortization	1,124,252	3,260,031	1,607,076	507,713	6,499,072	834,016	1,276,622	8,609,710
Depreciation and amortization	-	40,537	18,570	1,734	60,841	9,032	12,501	82,374
Total allocations and expenses	\$ 1,124,252	3,300,568	1,625,646	509,447	6,559,913	843,048	1,289,123	8,692,084

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2016

	Allocations	Navigation Center	Education	Financial Stability	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
In-kind expense	-	104,985	45,961	4,048	154,994	25,415	48,634	229,043
Support to community programs	-	-	453,828	149,384	603,212	-	-	603,212
Employee benefits	-	223,965	83,658	9,833	317,456	53,675	20,716	391,847
Payroll taxes	-	142,935	62,368	8,826	214,129	57,263	15,596	286,988
Office expenses	-	81,533	37,506	2,713	121,752	3,937	5,836	131,525
Rental and maintenance of equipment	-	99,031	39,547	3,912	142,490	18,565	38,937	199,992
Professional fees and contracts	-	210,393	95,772	9,012	315,177	76,570	67,929	459,676
Payments to affiliates	-	61,183	26,299	2,317	89,799	13,354	28,343	131,496
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
Training and travel	-	17,724	23,119	1,544	42,387	6,885	1,190	50,462
Food and beverage	-	8,392	22,056	2,369	32,817	18,813	2,760	54,390
Photography and video	-	590	641	229	1,460	2,055	169	3,684
Insurance	-	6,295	2,706	238	9,239	1,374	2,916	13,529
Interest expense	-	7,850	3,374	297	11,521	1,713	3,637	16,871
Bad debt expense	-	-	-	-	-	110,583	-	110,583
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

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 374,403	\$ (279,966)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	82,374	84,349
Bad debt provision	476,505	582,164
Unrealized (gain) loss on investments, net of expenses	(72,125)	113,308
Changes in assets and liabilities that provided (used) cash:		
Accounts and contracts receivable	183,488	(53,099)
Pledges receivable	(379,415)	195,938
Prepaid expenses and other assets	11,029	58,710
Accounts payable	693	(695,375)
Accrued expenses and other current liabilities	(80,667)	96,894
Deferred revenue	(32,390)	(5,587)
Community funds commitment	-	(29,000)
Designations due to others	162,750	(166,814)
Net cash provided by (used in) operating activities	726,645	(98,478)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(101,051)	-
Net (purchases) sales of investments	(61,139)	288,656
Net cash (used in) provided by investing activities	(162,190)	288,656
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	(58,167)	(55,256)
Borrowings on line of credit	-	250,000
Payments on line of credit	-	(250,000)
Net cash used in financing activities	(58,167)	(55,256)
NET CHANGE IN CASH AND CASH EQUIVALENTS	506,288	134,922
CASH AND CASH EQUIVALENTS, beginning of year	441,126	306,204
CASH AND CASH EQUIVALENTS, end of year	\$ 947,414	\$ 441,126
SUPPLEMENTAL DISCLOSURE-		
Interest paid on note payable	\$ 13,351	\$ 16,871

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2017 AND 2016

1. ORGANIZATION

United Way for Greater Austin (“UWATX”) brings people, ideas and resources together to fight poverty in our community. We drive 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.

Investments - Investments, including endowment investments, are carried at fair value based on quoted market prices and are reported in the statements of financial position. Any changes in fair value of investments are reported in the statements of activities as unrealized gains or losses. Realized gains and losses are recorded as the difference between historical cost and the proceeds received from the sale of the investment.

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 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 at June 30, 2017 or 2016, 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 historical collections performance for each campaign by year.

The allowance for uncollectible pledges receivable at June 30, 2017 and 2016 was \$1,764,889 and \$1,326,972, respectively. 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 management and general expenses in the statement of activities.

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 and amortization 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, 2017 or 2016.

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, 2017 and 2016, \$1,124,252 and \$2,172,002, 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 and 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 (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 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 - 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 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, 2017 or 2016. 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 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 new 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 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. 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 at June 30:

	<u>2017</u>	<u>2016</u>
Equities - domestic mutual funds	\$ 526,216	\$ 406,337
Fixed income - domestic mutual funds	509,546	330,140
Other complimentary strategies funds	327,960	136,245
Equities - international mutual funds	179,077	166,735
Real asset and commodity funds	155,313	176,964
Fixed income - international mutual funds	94,758	56,265
Cash and money market	48,044	434,964
Total investments	<u>\$ 1,840,914</u>	<u>\$ 1,707,650</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 gains (losses) consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 64,112	\$ 52,538
Unrealized gains (losses) on investments, net	93,043	(94,533)
Expenses	<u>(20,918)</u>	<u>(18,775)</u>
Total investment gains (losses)	<u>\$ 136,237</u>	<u>\$ (60,770)</u>

5. PLEDGES RECEIVABLE

Pledges receivable consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Pledges receivable expected to be collected in less than one year	\$ 4,169,322	\$ 3,828,495
Allowance for uncollectible pledges to UWATX	<u>(1,764,889)</u>	<u>(1,326,972)</u>
Pledges receivable, net	<u>\$ 2,404,433</u>	<u>\$ 2,501,523</u>

6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2017</u>	<u>2016</u>
Buildings and improvements	\$ 2,334,424	\$ 2,240,105
Furniture and equipment	<u>1,277,324</u>	<u>1,270,592</u>
	3,611,748	3,510,697
Accumulated depreciation and amortization	(3,007,333)	(2,924,959)
Land	<u>108,820</u>	<u>108,820</u>
Total property and equipment, net	<u>\$ 713,235</u>	<u>\$ 694,558</u>

7. NOTE PAYABLE AND LINE OF CREDIT

UWATX had the following note payable at June 30:

	<u>2017</u>	<u>2016</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.	\$ 231,378	\$ 289,545
Less current portion	<u>(61,352)</u>	<u>(58,365)</u>
Long-term portion	<u>\$ 170,026</u>	<u>\$ 231,180</u>

Future maturities of the note payable at June 30, 2017 were as follows:

	<u>Amount</u>
2018	\$ 61,352
2019	64,490
2020	67,790
2021	<u>37,746</u>
	<u>\$ 231,378</u>

On January 21, 2016, UWATX entered into a line of credit with a bank for up to \$500,000, which bore interest at 4.30% plus LIBOR (4.75% at June 30, 2016) and was secured by all of UWATX's property. The line of credit was renewed in January 19, 2017 before its maturity date. The renewed line of credit bears interest at 4.62% plus LIBOR (5.83% at June 30, 2017) and is secured by all of UWATX's property. At June 30, 2017 and 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 and cannot exceed 3.5% of the five year moving average of the market value of the endowment fund returns.

Changes in endowment net assets were as follows for 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>

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 gain 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>

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

	<u>2017</u>	<u>2016</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>\$ 9,166</u>	<u>\$ 55,827</u>

9. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2017</u>	<u>2016</u>
Success by Six	\$ 188,545	\$ 288,893
Financial Stability	120,491	200,616
Technology acquisition	20,000	-
Earnings not yet appropriated for expenditure on donor restricted perpetual endowments	<u>9,166</u>	<u>55,827</u>
	<u>\$ 338,202</u>	<u>\$ 545,336</u>

10. LEASES

UWATX leases office equipment under operating leases that expire in July 2021. Rent expense totaled \$66,243 and \$58,497 during the years ended June 30, 2017 and 2016, respectively.

Future minimum rental payments were as follows at June 30, 2017:

2018	\$ 48,744
2019	9,276
2020	864
2021	<u>576</u>
Total	<u>\$ 59,460</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>2017</u>	<u>2016</u>
Consulting services	\$ 1,000,000	\$ 193,158
Advertising and market research services	25,097	30,000
Food and beverage	-	907
Other	<u>-</u>	<u>4,978</u>
Total	<u>\$ 1,025,974</u>	<u>\$ 229,043</u>

12. ALLOCATIONS FUNDED THROUGH DONOR DESIGNATIONS

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

	<u>2017</u>	<u>2016</u>
Designations to other 501(c)(3) organizations	\$ 3,947,866	\$ 5,245,828
Designations to partner agencies	233,039	545,264
Designations to other United Ways	<u>139,386</u>	<u>686,729</u>
Total allocations funded through donor designations	<u>\$ 4,320,291</u>	<u>\$ 6,477,821</u>

13. PAYMENTS TO AFFILIATES

During the years ended June 30, 2017 and 2016, UWATX recorded expenses for amounts due to affiliates that represent dues to United Way Worldwide (“UWW”) of \$135,073 and \$131,497, respectively, and dues to United Way of Texas of \$14,425 and \$0 for the years ended June 30, 2017 and 2016, respectively.

14. 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.

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, 2017 and 2016.

16. RELATED PARTY TRANSACTIONS

Total contributions from the Board for the years ended June 30, 2017 and 2016 were \$47,849 and \$76,087, respectively.

17. SUBSEQUENT EVENTS

UWATX has evaluated subsequent events through September 14, 2017 (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.