

**UNITED WAY
FOR GREATER AUSTIN**

**Financial Statements
as of and for the Years Ended
June 30, 2019 and 2018 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:

Report on the Financial Statements

We have audited the accompanying financial statements of United Way for Greater Austin (“United Way ATX”) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

“A Registered Investment Advisor”

This firm is not a CPA firm

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.

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 United Way ATX as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, United Way ATX adopted Financial Accounting Standards Board Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2019. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019 on our consideration of United Way ATX's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of United Way ATX's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way ATX's internal control over financial reporting and compliance.



Austin, Texas
November 25, 2019

UNITED WAY FOR GREATER AUSTIN

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019 AND 2018

	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,255,304	\$ 1,145,729
Cash and cash equivalents restricted for CFC (Note 15) and grants	440,454	282,985
Investments	1,248,310	1,198,637
Grants and contracts receivable	682,416	582,245
Pledges receivable, net	1,870,901	1,953,207
Prepaid expenses and other assets	54,233	79,014
Total current assets	6,551,618	5,241,817
PROPERTY AND EQUIPMENT, net	760,843	655,269
ENDOWMENT INVESTMENTS	595,541	573,098
TOTAL ASSETS	\$ 7,908,002	\$ 6,470,184
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 235,559	\$ 193,675
Accrued expenses	666,335	428,875
Deferred revenue	597,929	121,385
Note payable, current portion	83,151	-
Designations due to others	548,024	675,001
Total current liabilities	2,130,998	1,418,936
NOTE PAYABLE, long term portion	1,414,085	-
LINE OF CREDIT	-	207,236
Total liabilities	3,545,083	1,626,172
NET ASSETS:		
Without donor restrictions, undesignated	2,379,048	3,015,612
Without donor restrictions, Board-designated - operating reserve	1,000,251	962,513
With donor restrictions	983,620	865,887
Total net assets	4,362,919	4,844,012
TOTAL LIABILITIES AND NET ASSETS	\$ 7,908,002	\$ 6,470,184

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Total amounts raised	\$ 7,732,274	1,320,825	9,053,099
Less donor designations	(3,317,235)	-	(3,317,235)
Less allowance for uncollectible pledges	(227,496)	-	(227,496)
Grants and contracts	3,586,595	181,818	3,768,413
In-kind contributions	94,914	-	94,914
Total support	7,869,052	1,502,643	9,371,695
Service fee income	611,798	-	611,798
Interest and dividends	65,338	22,443	87,781
Unrealized and realized loss on investments, net of expenses	(9,332)	-	(9,332)
Other income	1,424	-	1,424
Net assets released from restrictions	1,407,353	(1,407,353)	-
Total revenues, gains, and other support	9,945,633	117,733	10,063,366
EXPENSES:			
Program services:			
Gross funds awarded/distributed	4,783,235	-	4,783,235
Less donor designations	(3,317,235)	-	(3,317,235)
Net funds awarded/distributed	1,466,000	-	1,466,000
Other program services:			
Education	3,273,436	-	3,273,436
Navigation Center	4,105,758	-	4,105,758
Financial Stability	525,877	-	525,877
Total program services	9,371,071	-	9,371,071
Supporting services:			
Management and general	598,923	-	598,923
Fundraising	574,465	-	574,465
Total supporting services	1,173,388	-	1,173,388
Total expenses	10,544,459	-	10,544,459
CHANGE IN NET ASSETS	(598,826)	117,733	(481,093)
NET ASSETS, beginning of year	3,978,125	865,887	4,844,012
NET ASSETS, end of year	\$ 3,379,299	983,620	4,362,919

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF ACTIVITIES YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND			
OTHER SUPPORT:			
Total amounts raised	\$ 8,718,108	139,956	8,858,064
Less donor designations	(3,406,632)	-	(3,406,632)
Less allowance for uncollectible pledges	(249,833)	-	(249,833)
Grants and contracts	2,348,937	838,308	3,187,245
In-kind contributions	219,815	-	219,815
Total support	7,630,395	978,264	8,608,659
Service fee income	463,575	-	463,575
Interest and dividends	57,630	24,214	81,844
Unrealized and realized (loss) gain on investments, net of expenses	(1,396)	3,820	2,424
Other income	8,607	-	8,607
Net assets released from restrictions	975,243	(975,243)	-
Total revenues, gains, and other support	9,134,054	31,055	9,165,109
EXPENSES:			
Program services:			
Gross funds awarded/distributed	4,571,632	-	4,571,632
Less donor designations	(3,406,632)	-	(3,406,632)
Net funds awarded/distributed	1,165,000	-	1,165,000
Other program services:			
Education	2,344,608	-	2,344,608
Navigation Center	4,108,573	-	4,108,573
Financial Stability	397,469	-	397,469
Total program services	8,015,650	-	8,015,650
Supporting services:			
Management and general	560,008	-	560,008
Fundraising	380,250	-	380,250
Total supporting services	940,258	-	940,258
Total expenses	8,955,908	-	8,955,908
CHANGE IN NET ASSETS	178,146	31,055	209,201
NET ASSETS, beginning of year	3,799,979	834,832	4,634,811
NET ASSETS, end of year	\$ 3,978,125	865,887	4,844,012

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2019

	Program Services			Total Program Services	Supporting Services		Total Expenses
	Education	Navigation Center	Financial Stability		Management and General	Fundraising	
Personnel and contract labor costs	\$ 1,009,765	2,778,476	336,097	4,124,338	356,846	285,477	4,766,661
Subgrantee	1,525,507	-	-	1,525,507	-	-	1,525,507
Employee benefits	107,775	400,084	27,381	535,240	38,118	30,494	603,852
Professional fees	208,778	153,521	46,074	408,373	26,225	20,980	455,578
Payroll taxes	75,222	202,277	20,405	297,904	26,428	21,142	345,474
Equipment rental and maintenance	74,871	72,479	13,256	160,606	21,608	17,285	199,499
Occupancy	35,800	93,079	14,320	143,199	29,424	23,539	196,162
Office	31,690	109,319	6,392	147,401	12,508	10,006	169,915
Marketing	57,657	33,262	15,199	106,118	10,238	8,190	124,546
Affiliate dues	21,435	55,731	8,574	85,740	17,618	14,094	117,452
Food and beverage	20,641	41,850	13,553	76,044	13,102	10,482	99,628
In-kind	-	-	-	-	-	94,914	94,914
Depreciation	16,442	42,750	6,577	65,769	13,514	10,811	90,094
Travel and training	28,010	28,623	4,318	60,951	5,924	4,741	71,616
Printing	21,498	27,758	4,405	53,661	8,775	7,020	69,456
Photography and video	11,149	7,541	1,160	19,850	2,384	1,907	24,141
Insurance	4,242	11,030	1,697	16,969	3,487	2,789	23,245
Interest	1,714	4,455	685	6,854	1,408	1,127	9,389
Other	21,240	43,523	5,784	70,547	11,316	9,467	91,330
Total expenses before net funds awarded/distributed	3,273,436	4,105,758	525,877	7,905,071	598,923	574,465	9,078,459
Net funds awarded/distributed	980,000	-	486,000	1,466,000	-	-	1,466,000
Total expenses	<u>\$ 4,253,436</u>	<u>4,105,758</u>	<u>1,011,877</u>	<u>9,371,071</u>	<u>598,923</u>	<u>574,465</u>	<u>10,544,459</u>

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED JUNE 30, 2018

	Program Services			Total Program Services	Supporting Services		Total Expenses
	Education	Navigation Center	Financial Stability		Management and General	Fundraising	
Personnel and contract labor costs	\$ 1,059,139	2,687,833	197,037	3,944,009	216,557	196,870	4,357,436
Subgrantee expense	613,089	107,080	103,019	823,188	-	-	823,188
Employee benefits	100,847	359,976	13,607	474,430	22,520	20,473	517,423
Professional fees	40,351	112,475	5,570	158,396	12,926	11,751	183,073
Payroll taxes	75,665	182,884	9,578	268,127	15,116	13,741	296,984
Equipment rental and maintenance	92,490	130,586	12,785	235,861	23,677	21,525	281,063
Occupancy	31,183	48,039	5,057	84,279	11,735	10,668	106,682
Office	47,099	134,024	6,354	187,477	14,376	13,069	214,922
Marketing	57,293	33,147	6,996	97,436	7,882	7,165	112,483
Affiliate dues	38,465	59,256	6,238	103,959	14,475	13,159	131,593
Food and beverage	14,632	16,351	4,883	35,866	3,779	3,435	43,080
In-kind	58,460	90,060	9,480	158,000	22,000	39,815	219,815
Depreciation	21,232	32,708	3,443	57,383	7,990	7,264	72,637
Travel and training	30,331	14,334	4,201	48,866	2,163	1,966	52,995
Printing	18,797	22,809	2,209	43,815	5,127	4,661	53,603
Photography and video	944	1,454	153	2,551	355	323	3,229
Insurance	5,336	8,220	865	14,421	2,008	1,825	18,254
Interest	2,629	4,049	426	7,104	989	899	8,992
Bad debt	-	-	-	-	163,529	-	163,529
Other	36,626	63,288	5,568	105,482	12,804	11,641	129,927
Total expenses before net funds awarded/distributed	2,344,608	4,108,573	397,469	6,850,650	560,008	380,250	7,790,908
Net funds awarded/distributed	965,000	-	200,000	1,165,000	-	-	1,165,000
Total expenses	<u>\$ 3,309,608</u>	<u>4,108,573</u>	<u>597,469</u>	<u>8,015,650</u>	<u>560,008</u>	<u>380,250</u>	<u>8,955,908</u>

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (481,093)	\$ 209,201
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	90,094	72,637
Bad debt provision	359,089	413,362
Donated stock	42,678	-
Unrealized gain on investments	(12,788)	(25,864)
Changes in assets and liabilities that provided (used) cash:		
Grants and contracts receivable	(100,171)	(200,920)
Pledges receivable	(276,783)	37,864
Prepaid expenses and other assets	24,781	(39,472)
Accounts payable	41,884	(42,960)
Accrued expenses	237,460	307,105
Deferred revenue	476,544	119,410
Designations due to others	(126,977)	(425,293)
Net cash provided by operating activities	274,718	425,070
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(706,501)	(171,932)
Proceeds from the sale of investments	604,495	266,975
Purchases of property and equipment	(195,668)	(14,671)
Net cash (used in) provided by investing activities	(297,674)	80,372
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on note payable	-	(231,378)
Borrowings on note payable	1,290,000	-
Borrowings on line of credit	-	207,236
Net cash provided by (used in) financing activities	1,290,000	(24,142)
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,267,044	481,300
CASH AND CASH EQUIVALENTS, beginning of year	1,428,714	947,414
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 2,695,758</u>	<u>\$ 1,428,714</u>
SUPPLEMENTAL DISCLOSURE-		
Interest paid on note payable	<u>\$ 9,389</u>	<u>\$ 8,992</u>

See notes to financial statements.

UNITED WAY FOR GREATER AUSTIN

NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2019 AND 2018

1. ORGANIZATION

United Way for Greater Austin (“United Way ATX”) brings people, ideas, and resources together to fight poverty in our community. Since 1924, United Way ATX has been dedicated to providing families and individuals in need with the tools and resources they need to thrive. The needs in our Greater Austin area have changed over time, so we’ve adapted our support to stay ahead of emerging needs and help as many people as possible. United Way ATX continues to believe that every person deserves the opportunity to thrive and is passionate about solving our community’s biggest challenges.

United Way ATX unites the community around collective goals, strategically invests in partners, and executes proven programs that make a real difference for children and families. United Way ATX accomplishes this in the focus areas of education, health, and financial stability.

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”).

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.

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

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

Without Donor Restrictions - These net assets are not subject to donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their use is restricted by explicit donor stipulation or by law. Net assets without donor restrictions are those currently available for use by United Way ATX, or at the discretion of the Board of Directors (the “Board”) for United Way ATX’s use.

With Donor Restrictions - These net assets are subject to donor-imposed stipulations, which limit their use by United Way ATX to a specific purpose and/or the passage of time, or which require them to be maintained permanently.

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

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

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

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

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

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

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

Grants and Contracts Receivable - Grants and contracts receivable are recorded at the value of the revenue earned, at the amount United Way ATX expects to collect on grants and other governmental contracts. United Way ATX 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. United Way ATX had no allowance for uncollectible grants and contracts receivables as of June 30, 2019 or 2018, as management deemed all outstanding balances to be collectible.

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

The allowance for uncollectible pledges receivable as of June 30, 2019 and 2018 is disclosed in Note 6. 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 statements of activities.

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

Buildings and improvements	25 years
Furniture and equipment	3 years

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

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

Designations Due to Others/Donor Designations - United Way ATX, as part of its annual campaign, raises and collects amounts that donors have designated to be distributed to various partner agencies, non-partner agencies, and other United Ways (Note 13). Contributions designated by the donor for a specific unrelated organization are recognized as reductions to campaign results and gross funds awarded/distributed. These designations are agency transactions that do not represent income to United Way ATX and are recorded net of administrative fees at June 30 as designations due to others in the statements of financial position.

Board-Designated Net Assets - United Way ATX has Board-designated net assets of \$1,000,251 and \$962,513 set aside as an operating reserve as of June 30, 2019 and 2018, respectively, that are included in investments. These ensure that adequate operating reserves are available and cannot be spent without prior Board approval.

Total Amounts Raised, Grants, and Contracts - Contributions, including total amounts raised and certain grants and contracts, are recorded at their fair value and are considered to be available for general operations of United Way ATX unless specifically restricted by the donor. Unconditional promises to give cash and other assets are reported as net assets with donor restrictions, if they are received with donor stipulations that limit the use of donated assets. When donor restrictions expire, that is, when a stipulated time restriction ends or restricted purpose is accomplished, the related restricted net assets are reclassified to net assets without donor restrictions. This is reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire within the fiscal year in which the contributions are received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Revenues from contracts received from federal, state, and local governments are earned based on United Way ATX incurring allowable costs or providing services. Therefore, revenue is recognized as those costs are incurred or the services are provided. Payments received prior to incurring allowable costs or providing services on governmental contracts is deferred when received and recognized as revenue when earned.

In-kind Contributions - Services, materials, facilities, and other in-kind contributions are recorded at their fair value on the date they are received. Donated services are recognized as contributions during the period services are rendered if the services (a) create or enhance non-financial assets and (b) require specialized skills, are performed by individuals with those skills, and would otherwise be purchased by United Way ATX (see Note 12). A substantial number of volunteers contribute significant amounts of time to United Way ATX in the allocation process, campaign efforts, and community program efforts. The financial statements do not reflect the value of these volunteer hours as contributions since such services do not meet the recognition criteria.

Net Funds Awarded/Distributed - United Way ATX annually determines amounts to be awarded and subsequently distributed to its partner agencies from the pledges received without donor restrictions during the annual campaign as part of its Community Investment Grants Program. These amounts are in addition to specific donor designations. For the years ended June 30, 2019 and 2018, \$1,466,000 and \$1,165,000, respectively, were awarded and distributed to partner agencies and reflected as net funds awarded/distributed in the statements of the activities.

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

Program expenses are incurred for the following programs:

- 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 - involves convening and collaborating with child advocates, parents and caregivers to build early childhood 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.
- Community Investment Grants - involves providing funding to United Way ATX agencies for their continuing community assistance programs.

Federal Income Taxes - United Way ATX is a nonprofit organization that is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code; except to the extent of any unrelated business income. United Way ATX did not incur any significant tax liabilities due to unrelated business income during the years ended June 30, 2019 or 2018. United Way ATX 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 last examinations currently in process.

Recently Adopted Accounting Pronouncement - In August 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity’s liquidity, financial performance, and cash flows. The guidance requires presentation on the face of the statement 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 previously required three classes of net assets, unrestricted, temporarily restricted, and permanently restricted. Entities are also required to provide enhanced disclosures about liquidity, Board-designated amounts, and expense by both their natural and functional classification. The standard was effective for fiscal years beginning after December 15, 2017. During the year ended June 30, 2019, management implemented the new standard, the effect of which is reflected in the financial statements and within the footnotes.

As of June 30, 2018, reclassifications driven by the adoption of ASU 2016-14 consisted of amounts previously reported as unrestricted and temporarily and permanently restricted net assets, which are now presented as net assets without donor restrictions and with donor restrictions, respectively.

Recently Issued Accounting Pronouncements - In May 2014 and August 2015, the FASB issued 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. United Way ATX is currently evaluating the impact the standard will have on its financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires the recognition of lease assets and lease liabilities by lessees for all leases, including leases previously classified as operating leases, and modifies the classification criteria and accounting for sales-type and direct financing leases by lessors. Leases continue to be classified as finance or operating leases by lessees and both classifications require the recognition of a right-of-use asset and a lease liability, initially measured at the present value of the lease payments in the 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, 2020 and early adoption is permitted. United Way ATX is currently evaluating the impact the standard will have on its financial statements.

3. CONCENTRATIONS OF CREDIT RISK

Financial instruments which potentially subject United Way ATX to concentrations of credit risk consist principally of cash and cash equivalents, investments, and receivables. United Way ATX 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. United Way ATX does not maintain collateral for its receivables. Three grantors comprised 80% and two grantors comprised 86% of grant and contracts receivables as of June 30, 2019 and 2018, respectively. During the years ended June 30, 2019 and 2018, three grantors accounted for 84% and four grantors accounted for 79% of total grants and contracts revenue, respectively.

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

As of June 30, 2019, United Way ATX's financial assets available to management for general expenditure within one year were as follows:

Cash and cash equivalents	\$ 2,255,304
Investments	1,248,310
Grants and contracts receivable	682,416
Pledges receivable, net	<u>1,870,901</u>
	6,056,931
Less amounts unavailable for general expenditure within one year:	
Designations due to others	(548,024)
Board-designated operating reserve	<u>(1,000,251)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 4,508,656</u>

United Way ATX invests its funds in liquid investments to meet its cash flow requirements and minimize interest rate risk. In addition, the United Way ATX's Board-designated net assets without restrictions could be made available by the Board for current operations to manage unanticipated liquidity needs. United Way ATX also has an available line of credit of \$500,000 (Note 8).

Net assets with donor restrictions that are temporarily restricted as to purpose have not been removed from the balance disclosed as available for general expenditure within one year, as those restrictions can or will be met as part of general operations within the next year.

5. INVESTMENTS

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

	<u>2019</u>	<u>2018</u>
Equities	\$ 736,825	\$ 699,009
Fixed income	659,670	533,576
Other complimentary strategies funds	269,247	320,475
Cash and money market	111,017	61,388
Real asset and commodity funds	<u>67,062</u>	<u>157,287</u>
Total investments	<u>\$ 1,843,851</u>	<u>\$ 1,771,735</u>

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

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 87,781	\$ 81,844
Unrealized and realized gains on investments, net	12,788	25,864
Investment fees	<u>(22,120)</u>	<u>(23,440)</u>
Total investment gains	<u>\$ 78,449</u>	<u>\$ 84,268</u>

6. PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Pledges receivable expected to be collected in less than one year	\$ 2,654,880	\$ 2,601,177
Allowance for uncollectible pledges	<u>(783,979)</u>	<u>(647,970)</u>
Pledges receivable, net	<u>\$ 1,870,901</u>	<u>\$ 1,953,207</u>

7. PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Buildings and improvements	\$ 2,462,496	\$ 2,349,097
Furniture and equipment	<u>1,359,593</u>	<u>1,277,325</u>
	3,822,089	3,626,422
Accumulated depreciation	<u>(3,170,066)</u>	<u>(3,079,973)</u>
Land	<u>108,820</u>	<u>108,820</u>
Total property and equipment, net	<u>\$ 760,843</u>	<u>\$ 655,269</u>

8. NOTE PAYABLE AND LINE OF CREDIT

United Way ATX had the following debt arrangements as of June 30:

	<u>2019</u>	<u>2018</u>
Line of credit with a financial institution up to \$1,500,000 dated January 3, 2018, and modified after the end of the draw period (“Note”) on November 1, 2018, payable in monthly principal payments amortized over 144 months plus interest payments equal to 2.35% plus the Treasury Securities Rate, as defined, until January 1, 2023 (4.61% and 4.15% at June 30, 2019 and 2018, respectively); secured by property of UWATX	\$ 1,497,236	\$ 207,236
Less current portion	<u>83,151</u>	<u>-</u>
Long-term portion	<u>\$ 1,414,085</u>	<u>\$ 207,236</u>

Future maturities of the Note as of June 30, 2019 were as follows:

2020	\$ 83,151
2021	95,248
2022	99,294
2023	<u>1,219,543</u>
	<u>\$ 1,497,236</u>

The Note contains various covenants, including the requirement to maintain certain financial ratios. Failure to comply with the covenants could result in the debt being called by the lender as well as the interest rate per annum increasing by an additional 3%.

United Way ATX has a \$500,000 line of credit with a financial institution. The line of credit is secured by all of United Way ATX’s property, matured October 2019 and was renewed with a maturity date of January 15, 2021. The line of credit bore interest at 3.95% plus LIBOR through October 2019 and was renewed at 3.38% plus LIBOR. As of June 30, 2019 and 2018, there were no outstanding advances on the line of credit.

9. ENDOWMENT FUND

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

United Way ATX has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to result in high yields while assuming a moderate level of investment risk. The long-term return objectives of the funds should be to preserve capital, provide consistent asset growth that exceeds the rate of inflation, and minimize the exposure of the endowment's capital to risk and volatility. The spending policy allows the Board to determine amounts appropriated for expenditure which are calculated as the excess returns, net of investment fees, for the prior 12-quarter rolling average, as defined. The withdraw from the endowment funds may not exceed 4% of the average market value.

Changes in endowment net assets with donor restrictions were as follows during the years ended June 30:

	<u>2019</u>	<u>2018</u>
Endowment net assets, beginning of year	\$ 573,098	\$ 505,796
Interest and dividends	26,899	24,214
Unrealized and realized (loss) gain on investments, net of expenses	(4,456)	3,820
Other	-	93,989
Appropriations for expenditure	-	(54,721)
Endowment net assets, end of year	<u>\$ 595,541</u>	<u>\$ 573,098</u>

Descriptions of the amounts classified as donor-restricted net assets were as follows as of June 30:

	<u>2019</u>	<u>2018</u>
Permanently donor-restricted net assets-		
The portion of 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 donor-restricted net assets-		
The portion of perpetual endowment funds subject to a restriction under TUPMIFA	<u>\$ 98,911</u>	<u>\$ 76,468</u>

10. NET ASSETS WITH TEMPORARY DONOR RESTRICTIONS

Net assets with temporary donor restrictions were restricted for the following purposes as of June 30:

	<u>2019</u>	<u>2018</u>
Education	\$ 377,597	\$ 289,925
Earnings not yet appropriated for expenditure on donor restricted perpetual endowments	98,911	76,468
Financial Stability	<u>10,482</u>	<u>2,864</u>
	<u>\$ 486,990</u>	<u>\$ 369,257</u>

11. COMMITMENTS AND CONTINGENCIES

Lease Agreements - United Way ATX leases office equipment under operating leases that expire in April 2023. Rent expense totaled \$42,057 and \$50,993 during the years ended June 30, 2019 and 2018, respectively.

Future minimum rental payments were as follows as of June 30, 2019:

2020	\$ 34,224
2021	34,224
2022	33,504
2023	<u>27,800</u>
Total	<u>\$ 129,752</u>

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

12. 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>2019</u>	<u>2018</u>
Goods and services for events	\$ 39,452	\$ -
Freelancing event services	30,000	-
Other	25,462	19,815
Consulting services	-	200,000
Total	<u>\$ 94,914</u>	<u>\$ 219,815</u>

13. DONOR DESIGNATIONS

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

	<u>2019</u>	<u>2018</u>
Designations to other 501(c)(3) organizations	\$ 2,896,950	\$ 2,937,990
Designations to partner agencies	313,283	150,704
Designations to other United Ways	107,002	317,938
Total donor designations	<u>\$ 3,317,235</u>	<u>\$ 3,406,632</u>

14. PAYMENTS TO AFFILIATES

During the years ended June 30, 2019 and 2018, United Way ATX recorded expenses for amounts due to affiliates that represent dues to United Way Worldwide (“UWW”) of \$105,653 and \$119,084, respectively, and dues to United Way of Texas of \$11,550 and \$12,509 during the years ended June 30, 2019 and 2018, respectively.

15. CAMPAIGN CONTRIBUTIONS

United Way ATX currently serves as the designated fiscal agent for State Employee Charitable Campaign (“SECC”) public sector campaign.

As fiscal agent, United Way ATX manages the financial activities of the public sector campaigns, including the collection and distribution of funds. Activity from these campaigns is reflected in the accompanying financial statements. Amounts raised for SECC are included in total amounts raised, from which are deducted donor designations to agencies other than United Way ATX. Amounts collected for others and not yet distributed are recorded as designations due to others and are recorded as net assets without donor restrictions.

United Way ATX participates in the SECC local campaign 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). United Way ATX’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

United Way ATX 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, 2019 and 2018.

17. RELATED PARTY TRANSACTIONS

Certain members of the Board contributed \$127,876 and \$84,156 to United Way ATX during the years ended June 30, 2019 and 2018, respectively.

18. CONDITIONAL PROMISES TO GIVE

During the year ended June 30, 2019, three donors pledged approximately \$1,480,000 to be paid over two years, conditioned upon satisfactory achievement of agreed upon key performance metrics. Since these pledges represent conditional promises to give, they will be recorded as contribution revenue in the period that the pledge conditions are met. During the year ended June 30, 2019, approximately \$83,000 was recorded as grants and contracts revenue in the statements of activities when metrics were met.

During the year ended June 30, 2018, two donors pledged approximately \$380,000 to be paid over two years, conditioned upon satisfactory achievement of agreed upon key performance metrics. Since these pledges represent conditional promises to give, they will be recorded as contribution revenue in the period that the pledge conditions are met. During the years ended June 30, 2019 and 2018, approximately \$223,000 and \$93,000, respectively, were recorded as grants and contracts revenue in the statements of activities when metrics were met.

19. SUBSEQUENT EVENTS

United Way ATX has evaluated subsequent events through November 25, 2019 (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.