

United Way for Greater Austin

**Financial Statements
as of and for the Years Ended
June 30, 2022 and 2021 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 Audit of the Financial Statements

Opinion

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, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of United Way ATX and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

“A Registered Investment Advisor”

This firm is not a CPA firm

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way ATX's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 United Way ATX's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way ATX's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2022 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.

Maxwell Locke & Litter LLP

Austin, Texas
November 22, 2022

United Way for Greater Austin

Statements of Financial Position June 30, 2022 and June 30, 2021

	<u>2022</u>	<u>2021</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,199,805	\$ 5,741,496
Cash and cash equivalents restricted by grants	363,656	619,048
Investments	1,589,002	1,560,305
Government grants receivable	520,005	330,389
Grants and contracts receivable	173,934	1,582,754
Private grants receivable	605,360	292,043
Pledges receivable, net	1,908,846	1,220,395
Prepaid expenses and other assets	127,147	169,492
Total current assets	<u>20,487,755</u>	<u>11,515,922</u>
Property and equipment, net	41,917	647,797
Endowment investments	655,399	760,740
Total	<u>\$ 21,185,071</u>	<u>\$ 12,924,459</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 798,870	\$ 381,524
Accrued expenses	1,340,527	1,405,656
Due to affiliated organizations	-	72,433
Deferred revenue	1,573,826	3,181,481
Note payable, current portion	-	99,294
Designations due to others	112,654	68,192
Total current liabilities	<u>3,825,877</u>	<u>5,208,580</u>
Note payable, long-term portion	-	1,219,542
Total liabilities	<u>3,825,877</u>	<u>6,428,122</u>
Net assets:		
Without donor restrictions, undesignated	4,882,149	3,858,327
Without donor restrictions, Board-designated - operating reserve	1,095,854	1,270,646
Without donor restrictions, Board-designated - other	9,400,000	-
With donor restrictions	1,981,191	1,367,364
Total net assets	<u>17,359,194</u>	<u>6,496,337</u>
Total	<u>\$ 21,185,071</u>	<u>\$ 12,924,459</u>

See notes to financial statements.

United Way for Greater Austin

Statement of Activities

Year Ended June 30, 2022

(with summarized comparative totals for the year ended June 30, 2021)

	2022			2021 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues, gains and other support:				
Total amounts raised	\$ 5,832,067	-	5,832,067	8,357,197
Less donor designations	(432,276)	-	(432,276)	(592,214)
Less allowance for uncollectible pledges	(255,484)	-	(255,484)	(248,783)
Private grants	2,321,441	3,070,681	5,392,122	2,449,450
Government grants	1,975,845	-	1,975,845	2,558,349
Total support	9,441,593	3,070,681	12,512,274	12,523,999
Gain on sale of property and equipment	9,059,421	-	9,059,421	-
Grants and contracts	2,334,400	-	2,334,400	9,157,236
Paycheck Protection Program loan forgiveness	2,018,136	-	2,018,136	-
Inherent contribution (Note 3)	1,071,323	-	1,071,323	-
Service fee income	87,116	-	87,116	899,613
Interest and dividends	55,269	22,020	77,289	85,056
Unrealized and realized gain (loss) on investments, net of expenses	(254,850)	(127,361)	(382,211)	310,782
Other income	1,374	-	1,374	3,809
Net assets released from restrictions	2,351,513	(2,351,513)	-	-
Total revenues, gains, and other support	26,165,295	613,827	26,779,122	22,980,495
Expenses:				
Program services:				
Gross funds awarded/distributed	2,092,194	-	2,092,194	7,939,232
Less donor designations	(432,276)	-	(432,276)	(592,214)
Net funds awarded/distributed	1,659,918	-	1,659,918	7,347,018
Other program services:				
Education	6,258,525	-	6,258,525	12,049,748
Health	3,571,188	-	3,571,188	2,931,487
Financial stability	2,338,133	-	2,338,133	1,740,372
Total program services	13,827,764	-	13,827,764	24,068,625
Supporting services:				
Management and general	1,132,315	-	1,132,315	767,239
Fundraising	956,186	-	956,186	693,832
Total supporting services	2,088,501	-	2,088,501	1,461,071
Total expenses	15,916,265	-	15,916,265	25,529,696
Change in net assets	10,249,030	613,827	10,862,857	(2,549,201)
Net assets, beginning of year	5,128,973	1,367,364	6,496,337	9,045,538
Net assets, end of year	\$ 15,378,003	1,981,191	17,359,194	6,496,337

See notes to financial statements.

United Way for Greater Austin

Statement of Activities Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Total amounts raised	\$ 8,307,972	49,225	8,357,197
Less donor designations	(592,214)	-	(592,214)
Less allowance for uncollectible pledges	(248,783)	-	(248,783)
Private grants	1,703,337	746,113	2,449,450
Government grants	2,558,349	-	2,558,349
Total support	11,728,661	795,338	12,523,999
Grants and contracts	9,157,236	-	9,157,236
Service fee income	899,613	-	899,613
Interest and dividends	59,055	26,001	85,056
Unrealized and realized gain on investments, net of expenses	197,734	113,048	310,782
Other income	3,809	-	3,809
Net assets released from restrictions	4,620,048	(4,620,048)	-
Total revenues, gains, and other support	26,666,156	(3,685,661)	22,980,495
Expenses:			
Program services:			
Gross funds awarded/distributed	7,939,232	-	7,939,232
Less donor designations	(592,214)	-	(592,214)
Net funds awarded/distributed	7,347,018	-	7,347,018
Other program services:			
Education	12,049,748	-	12,049,748
Health	2,931,487	-	2,931,487
Financial stability	1,740,372	-	1,740,372
Total program services	24,068,625	-	24,068,625
Supporting services:			
Management and general	767,239	-	767,239
Fundraising	693,832	-	693,832
Total supporting services	1,461,071	-	1,461,071
Total expenses	25,529,696	-	25,529,696
Change in net assets	1,136,460	(3,685,661)	(2,549,201)
Net assets, beginning of year	3,992,513	5,053,025	9,045,538
Net assets, end of year	\$ 5,128,973	1,367,364	6,496,337

See notes to financial statements.

United Way for Greater Austin

Statement of Functional Expenses

Year Ended June 30, 2022

(with summarized comparative totals for the year ended June 30, 2021)

	2022							2021 Total
	Program Services				Supporting Services			
	Education	Health	Financial Stability	Total Program Services	Management and General	Fundraising	Total Expenses	
Personnel and contract labor costs	\$ 2,402,223	1,165,007	1,055,497	4,622,727	536,095	453,619	5,612,441	4,806,567
Subgrantee	1,940,115	1,359,691	330,120	3,629,926	-	-	3,629,926	9,482,578
Professional fees	733,334	380,542	360,644	1,474,520	190,482	161,177	1,826,179	612,922
Employee benefits	299,939	142,645	141,268	583,852	70,487	59,643	713,982	930,668
Technology	133,468	104,294	82,953	320,715	51,216	43,336	415,267	225,030
Payroll taxes	173,264	82,604	75,829	331,697	37,362	31,614	400,673	369,444
Occupancy	74,621	53,634	48,970	177,225	30,315	25,651	233,191	48,636
Supplies	123,609	47,664	31,206	202,479	14,331	12,126	228,936	452,366
Affiliate dues	50,199	36,080	32,943	119,222	20,393	17,256	156,871	171,455
Marketing	52,039	37,872	30,909	120,820	18,670	15,798	155,288	118,287
Events	39,577	23,677	21,618	84,872	13,383	11,324	109,579	46,025
Bad debt	31,117	22,365	20,420	73,902	12,641	10,696	97,239	50,074
Employee reimbursable	36,085	15,094	14,936	66,115	7,294	6,172	79,581	69,394
Insurance	24,776	17,808	16,259	58,843	10,065	8,517	77,425	31,059
Utilities	24,293	17,460	15,942	57,695	9,869	8,351	75,915	114,980
Bank fees	19,150	13,764	12,567	45,481	7,780	6,583	59,844	58,118
Professional development	38,469	5,711	9,205	53,385	3,051	2,582	59,018	262,743
Depreciation	15,697	11,282	10,301	37,280	6,377	5,396	49,053	121,921
Membership and subscription dues	14,500	10,686	9,483	34,669	5,870	4,967	45,506	43,887
Equipment rental and maintenance	11,845	8,514	7,773	28,132	4,812	4,072	37,016	37,863
Photography and video	6,944	4,991	4,557	16,492	2,821	2,387	21,700	64,043
Interest	4,722	3,394	3,099	11,215	1,918	1,623	14,756	21,717
Other	8,539	6,409	1,634	16,582	77,083	63,296	156,961	42,901
Total expenses before net funds awarded/distributed	6,258,525	3,571,188	2,338,133	12,167,846	1,132,315	956,186	14,256,347	18,182,678
Net funds awarded/distributed	1,034,852	-	625,066	1,659,918	-	-	1,659,918	7,347,018
Total expenses	<u>\$ 7,293,377</u>	<u>3,571,188</u>	<u>2,963,199</u>	<u>13,827,764</u>	<u>1,132,315</u>	<u>956,186</u>	<u>15,916,265</u>	<u>25,529,696</u>

See notes to financial statements.

United Way for Greater Austin

Statement of Functional Expenses Year Ended June 30, 2021

	Program Services			Total Program Services	Supporting Services		Total Expenses
	Education	Health	Financial Stability		Management and General	Fundraising	
Personnel and contract labor costs	\$ 2,135,015	1,099,104	753,983	3,988,102	438,641	379,824	4,806,567
Subgrantee	8,057,709	1,033,967	390,902	9,482,578	-	-	9,482,578
Professional fees	290,840	120,592	115,153	526,585	46,271	40,066	612,922
Employee benefits	375,420	226,030	152,209	753,659	94,865	82,144	930,668
Technology	96,408	56,088	33,005	185,501	21,185	18,344	225,030
Payroll taxes	165,710	83,141	59,101	307,952	32,956	28,536	369,444
Occupancy	15,768	13,486	8,203	37,457	5,991	5,188	48,636
Supplies	327,027	37,617	63,822	428,466	12,809	11,091	452,366
Affiliate dues	55,586	47,541	28,920	132,047	21,120	18,288	171,455
Marketing	51,327	26,931	19,269	97,527	11,126	9,634	118,287
Events	16,597	12,074	7,345	36,016	5,364	4,645	46,025
Bad debt	16,234	13,885	8,446	38,565	6,168	5,341	50,074
Employee reimbursable	30,472	16,071	10,900	57,443	6,405	5,546	69,394
Insurance	10,069	8,612	5,239	23,920	3,826	3,313	31,059
Utilities	37,277	31,882	19,394	88,553	14,163	12,264	114,980
Bank fees	18,842	16,115	9,803	44,760	7,159	6,199	58,118
Professional development	251,087	4,444	3,637	259,168	1,916	1,659	262,743
Depreciation	39,527	33,807	20,565	93,899	15,018	13,004	121,921
Membership and subscription dues	14,228	12,169	7,403	33,800	5,406	4,681	43,887
Equipment rental and maintenance	12,275	10,499	6,386	29,160	4,664	4,039	37,863
Interest	20,763	17,758	10,802	49,323	7,889	6,831	64,043
Photography and video	7,041	6,022	3,663	16,726	2,675	2,316	21,717
Other	4,526	3,652	2,222	10,400	1,622	30,879	42,901
Total expenses before net funds awarded/distributed	12,049,748	2,931,487	1,740,372	16,721,607	767,239	693,832	18,182,678
Net funds awarded/distributed	2,216,383	1,537,113	3,593,522	7,347,018	-	-	7,347,018
Total expenses	\$ 14,266,131	4,468,600	5,333,894	24,068,625	767,239	693,832	25,529,696

See notes to financial statements.

United Way for Greater Austin

Statements of Cash Flows Years Ended June 30, 2022 and June 30, 2021

	2022	2021
Cash Flows from Operating Activities:		
Change in net assets	\$ 10,862,857	\$ (2,549,201)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Donated stock	(14,003)	(83,828)
Noncash contribution income from acquisition of assets and liabilities of United Way of Williamson County	(126,961)	-
Unrealized and realized losses (gains) on investments	354,989	(336,722)
Bad debt provision	255,484	311,594
Depreciation	49,053	121,921
Gain on sale of property and equipment	(9,059,421)	-
Paycheck Protection Program loan forgiveness	(2,018,136)	-
Changes in assets and liabilities that (used) provided cash:		
Government grants receivable	(189,616)	(24,669)
Grants and contracts receivable	1,408,820	(674,384)
Private grants receivable	(313,317)	456,336
Pledges receivable	(520,354)	83,696
Prepaid expenses and other assets	42,345	(106,267)
Accounts payable	(29,222)	(579,549)
Accrued expenses	(65,129)	677,989
Due to affiliated organizations	(72,433)	72,433
Deferred revenue	(1,607,655)	1,412,385
Designations due to others	(45,590)	10,496
Net cash used in operating activities	(1,088,289)	(1,207,770)
Cash Flows from Investing Activities:		
Purchases of investments	(65,568)	(83,640)
Proceeds from the sale of investments	41,226	109,768
Proceeds from sale of property and equipment	9,616,248	-
Purchases of property and equipment	-	(30,040)
Net cash provided by (used in) investing activities	9,591,906	(3,912)
Cash Flows from Financing Activities:		
Borrowings on Paycheck Protection Program loan	2,018,136	-
Payments on note payable	(1,318,836)	(95,249)
Borrowings on line of credit	-	500,000
Payments on line of credit	-	(500,000)
Net cash provided by (used in) financing activities	699,300	(95,249)
Net change in cash, cash equivalents, and restricted cash	9,202,917	(1,306,931)
Cash, cash equivalents, and restricted cash, beginning of year	6,360,544	7,667,475
Cash, cash equivalents, and restricted cash, end of year	\$ 15,563,461	\$ 6,360,544
Supplemental Disclosure-		
Interest paid on note payable	\$ 14,757	\$ 57,267

See notes to financial statements.

United Way for Greater Austin

Notes to Financial Statements Years Ended June 30, 2022 and 2021

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.

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 are unchanged due to these reclassifications.

Net Asset Classifications - 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:

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, 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 to a specific purpose and/or the passage of time, or which require them to be maintained permanently.

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.

Cash and Cash Equivalents and Restricted 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. Restricted cash and cash equivalents consist of cash specifically restricted as stipulated in certain grant agreements.

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.

Government Grants Receivable - Government grants receivable are recorded at the amount United Way ATX expects to receive from grantors. United Way ATX considers government grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been recorded.

Grants and Contracts Receivable - Grants and contracts receivable consists of reciprocal grant and contract agreements and are recorded based on contracted prices when United Way ATX has an unconditional right to payments under the contract. 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, 2022 or 2021, as management deemed all outstanding balances to be collectible.

Private Grants Receivable - Private grants receivable are recorded at fair value at the amount United Way ATX expects to receive from donors, which represents unconditional promises to give that generally have restrictions for time or purpose. No allowance for private grants had been recorded as, historically, United Way ATX has not experienced significant uncollectible amounts. Private grants receivable consists of amounts due in less than one year as of June 30, 2022 and 2021.

Pledges Receivable - United Way ATX conducts its annual campaign of each calendar year to raise support for its mission in the subsequent calendar 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. All pledges receivable are due within one year.

The allowance for uncollectible pledges receivable as of June 30, 2022 and 2021 is disclosed in Note 7. 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 \$2,500 and a useful life greater than one year. Depreciation is calculated using the straight-line method over the following estimated useful lives:

Furniture and equipment	3 years
Buildings and improvements	25 years

Land is not depreciated. 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 at the asset group level 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 group exceeds fair value, if the carrying amount of the asset group 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. 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 as designations due to others in the statements of financial position.

Board-Designated Net Assets - United Way ATX had Board-designated net assets included in cash and cash equivalents and investments. As of June 30, 2022, the Board-designated net assets were set aside for an operating reserve of \$1,095,854, building funds of \$7,300,000, and community impact grants of \$2,100,000. As of June 30, 2021, the Board-designated net assets were set aside for an operating reserve of \$1,270,646.

Total Amounts Raised, Private Grants, and Government Grants Revenues - Contributions, including total amounts raised, private grants, and government grants 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. United Way ATX recognizes contributions when cash, securities, other assets, or unconditional promises to give are received. 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, defined as those with a measurable performance or other barrier and a right to return, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Government grant revenues consist of contracts received from federal, state, and local governments that 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. 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. In-kind contributions were not significant to the financial statements during the years ended June 30, 2022 and 2021.

Revenue Recognition - Revenue is recognized when promised services are transferred to partner agencies, non-partner agencies, and grantors in an amount that reflects the consideration to which United Way ATX expects to be entitled in exchange for those services by following a five-step process, (1) identify the contract with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price, and (5) recognize revenue when or as United Way ATX satisfies a performance obligation.

Grants and contracts are recognized when services are provided and the performance obligations are satisfied.

Service fees are assessed for providing fundraising, administrative, and processing services to partner agencies, non-partner agencies, and certain grantors as per agreement. Service fees are recorded as revenue once designated amounts are paid to partner and non-partner agencies, or as services are performed related to grants and contract agreements. The performance obligations are satisfied as designated amounts are paid or as the services are rendered.

Payments received in advance of the satisfaction of performance obligations are recorded as deferred revenue until the revenue recognition criteria are met.

The following table presents earned revenue streams disaggregated by timing of revenue recognition during the years ended June 30:

	<u>2022</u>	<u>2021</u>
Revenue recognized over time	\$ 2,378,009	\$ 9,958,654
Revenue recognized at a point in time	<u>43,507</u>	<u>98,195</u>
Total revenue	<u>\$ 2,421,516</u>	<u>\$ 10,056,849</u>

The timing of revenue recognition, billings, and cash collections resulted in grants and contracts receivable totaling \$908,370 and deferred revenue totaling \$12,200 as of June 30, 2020.

Costs to Obtain or Fulfill Contracts - As performance obligations in United Way ATX's contracts with customers are satisfied over a period of one year or less, United Way ATX applies the practical expedient to expense costs to obtain a contract as incurred. United Way ATX does not incur significant fulfillment costs requiring capitalization.

Net Funds Awarded/Distributed - United Way ATX annually distributes funds into the community through Community Investment Grants to their partner agencies, relief funds for disasters and community crises, as well as other strategic community investments that align with their mission to fight poverty. For the years ended June 30, 2022 and 2021, \$1,659,918 and \$7,347,018, respectively, were awarded to non-profit and for-profit organizations within the community. The statements of activities reflects these amounts as net funds/awarded distributed.

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, 2022 and 2021. 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 tax examinations currently in process.

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. Accordingly, 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:

- Education Focus Area - Success in life begins with a quality education. That's why United Way ATX ensures children get a healthy start in life and are ready to succeed in kindergarten and beyond.
- Health Focus Area - A person's zip code should not determine their access to quality healthcare. United Way ATX connects people with affordable healthcare, healthy foods, and basic needs support, so everyone has an opportunity to thrive.
- Financial Stability Focus Area - Families and individuals face financial obstacles that prevent them from reaching their full potential. We fight to ensure everyone in our community has the resources and opportunities they need to build a strong financial foundation and thrive.

Recently Issued Accounting Pronouncement - In February 2016, the FASB issued Accounting Standards Update 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, 2021 and early adoption is permitted. United Way ATX is currently evaluating the impact the standard will have on its financial statements.

3. Business Combination

On December 14, 2021, United Way ATX entered into an Agreement and Plan of Merger to obtain control over United Way of Williamson County (“Wilco”) by acquiring its assets and assuming its liabilities effective January 1, 2022. Wilco was a Texas nonprofit corporation that shared a similar mission with United Way ATX. The business combination allows United Way ATX to better and more efficiently serve its regional community. No cash or other consideration was transferred by United Way ATX to Wilco as part of the transaction. The business combination will be treated as an acquisition for accounting purposes and, accordingly, United Way ATX recognized an inherent contribution measured as the excess of assets acquired over liabilities assumed (at their carrying amounts immediately before the acquisition date).

The following table summarizes the amounts of the identifiable assets acquired and liabilities assumed that were recognized at the acquisition date.

Assets:	
Cash and cash equivalents	\$ 944,362
Investments	240,000
Pledges and grants receivable	<u>423,581</u>
Total assets	1,607,943
Liabilities:	
Accounts payable and accrued liabilities	(446,568)
Designations due to others	<u>(90,052)</u>
Total liabilities	<u>(536,620)</u>
Inherent Contribution Received	<u><u>\$ 1,071,323</u></u>

Management considers its measurement of estimated fair value using the market approach, including the amount assigned to the inherent contribution, to be the best available measure of the fair value of the assets acquired. Because of the inherent uncertainties in estimating fair value, it is at least reasonably possible that the estimates of the fair value of the assets will change in the near term.

4. 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. Concentrations of receivables and revenue as of and for the years ended June 30, 2022 and 2021 were as follows:

Account	2022 Number of Donors/ Grantors	2022 Concentration	2021 Number of Donors/ Grantors	2021 Concentration
Government grants receivable	2	100%	2	100%
Grants and contracts receivable	1	93%	2	97%
Private grants receivable	4	89%	5	100%
Pledges receivable	1	15%	2	39%
Total amounts raised revenue	1	17%	1	10%
Government grants revenue	3	100%	3	100%
Private grants revenue	2	58%	1	52%
Grants and contracts revenue	3	98%	3	93%

5. Liquidity and Availability of Financial Assets

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

	2022	2021
Cash and cash equivalents	\$ 15,199,805	\$ 5,741,496
Investments	1,589,002	1,560,305
Government grants receivable	520,005	330,389
Grants and contracts receivable	623,934	1,582,754
Private grants receivable	155,360	292,043
Pledges receivable, net	1,908,846	1,220,395
	19,996,952	10,727,382
Less amounts unavailable for general expenditure within one year:		
Designations due to others	(112,654)	(68,192)
Board-designated operating reserve	(1,095,854)	(1,270,646)
Board-designated other	(9,400,000)	-
Total financial assets available to management for general expenditure within one year	\$ 9,388,444	\$ 9,388,544

United Way ATX invests its funds in liquid investments to meet its cash flow requirements and minimize interest rate risk. In addition, 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.

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.

6. Investments

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

	<u>2022</u>	<u>2021</u>
Fixed income	\$ 977,241	\$ 871,282
Equities	950,436	1,281,803
Certificates of deposit	240,000	-
Cash and money market	45,470	52,116
Real asset and commodity funds	31,254	51,247
Other complimentary strategies funds	-	64,597
Total investments	<u>\$ 2,244,401</u>	<u>\$ 2,321,045</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 (losses) consisted of the following during the years ended June 30:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 77,289	\$ 85,056
Unrealized and realized gains (losses) on investments, net	(354,989)	336,722
Investment fees	(27,222)	(25,940)
Total investment gains (losses)	<u>\$ (304,922)</u>	<u>\$ 395,838</u>

7. Pledges Receivable

Pledges receivable consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Pledges receivable, gross	\$ 2,496,324	\$ 1,948,302
Less allowance for uncollectible pledges	(587,478)	(727,907)
Pledges receivable, net	<u>\$ 1,908,846</u>	<u>\$ 1,220,395</u>

8. Property and Equipment

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

	<u>2022</u>	<u>2021</u>
Furniture and equipment	\$ 1,447,528	\$ 1,447,528
Buildings and improvements	-	2,493,907
	<u>1,447,528</u>	<u>3,941,435</u>
Accumulated depreciation	(1,405,611)	(3,402,458)
Land	-	108,820
Total property and equipment, net	<u>\$ 41,917</u>	<u>\$ 647,797</u>

In September 2021, United Way ATX sold its office building and related land for a sale price of approximately \$9.6 million. As a result of the sale, net of the carrying value and direct selling costs incurred, United Way ATX reported a gain of \$9,059,421.

9. Borrowing Arrangements

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

	<u>2022</u>	<u>2021</u>
Line of credit with a financial institution (“Note”) up to \$1,500,000, payable in monthly principal payments amortized over 144 months from November 1, 2018 plus interest payments equal to 2.35% plus the Treasury Securities Rate, as defined, until maturity of January 1, 2023 (4.11% at June 30, 2021); secured by property of United Way ATX	\$ -	\$ 1,318,836
Less current portion	-	<u>99,294</u>
Long-term portion	<u>\$ -</u>	<u>\$ 1,219,542</u>

United Way ATX had a \$500,000 line of credit with a financial institution. The line of credit was secured by all of United Way ATX’s property and bore interest at 3.94% plus LIBOR.

In October 2021, United Way ATX paid off the Note early and closed the line of credit. As of June 30, 2021, there were no outstanding advances on the line of credit.

10. 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 withdrawal from the endowment funds may not exceed 4% of the average market value. There were no deficiencies for donor-restricted endowment funds as of June 30, 2022 and 2021.

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

	<u>2022</u>	<u>2021</u>
Endowment net assets, beginning of year	\$ 760,740	\$ 621,691
Interest and dividends	22,020	26,001
Unrealized and realized gain (loss) on investments, net of expenses	<u>(127,361)</u>	<u>113,048</u>
Endowment net assets, end of year	<u>\$ 655,399</u>	<u>\$ 760,740</u>

11. Net Assets with Donor Restrictions

Net assets with donor restrictions have temporary and permanent restrictions that consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Permanent restrictions-		
Donor-restricted endowment funds	\$ 496,630	\$ 496,630
Temporary restrictions:		
Health	488,011	22,085
Education	336,569	241,422
Earnings not yet appropriated for expenditure on donor restricted perpetual endowments	158,769	264,110
Financial Stability	118,160	143,410
Community Impact	71,960	29,819
All Together ATX	11,092	49,225
Time restricted	<u>300,000</u>	<u>120,663</u>
Total	<u>\$ 1,981,191</u>	<u>\$ 1,367,364</u>

12. Commitments and Contingencies

Lease Agreements - United Way ATX leases office equipment under operating leases that expire in 2023. Rent expense totaled \$37,016 and \$37,863 during the years ended June 30, 2022 and 2021, respectively. Future minimum rental payments as of June 30, 2022 were \$46,401 due during the year ended June 30, 2023.

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 private grants 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.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the world. While the disruption is currently expected to be temporary, there is uncertainty around the severity and duration. Therefore, while this issue may negatively impact United Way ATX's business, results of operations, and financial position, the related financial impact cannot be reasonably estimated at this time. United Way ATX is actively managing the business to maintain its cash flow and management believes that United Way ATX has adequate liquidity.

13. Donor Designations

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

	<u>2022</u>	<u>2021</u>
Designations to other 501(c)(3) organizations	\$ 373,045	\$ 454,958
Designations to other United Ways	<u>59,231</u>	<u>137,256</u>
Total donor designations	<u>\$ 432,276</u>	<u>\$ 592,214</u>

14. Payments to Affiliates

During the years ended June 30, 2022 and 2021, United Way ATX recorded expenses for amounts due to affiliates that represent dues to United Way Worldwide (“UWW”) of \$144,377 and \$130,217, respectively, and dues to United Way of Texas of \$11,853 and \$12,346 during the years ended June 30, 2022 and 2021, respectively.

15. 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, 2022 and 2021.

16. Related Party Transactions

Certain members of the Board contributed \$257,436 and \$191,743 to United Way ATX during the years ended June 30, 2022 and 2021, respectively.

17. Conditional Promises to Give

In April 2020, United Way ATX received a \$1,052,114 loan under the Paycheck Protection Program (the “2020 PPP Loan”) which was created through the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and was administered by the U.S. Small Business Administration (“SBA”). The 2020 PPP Loan had a fixed interest rate of 1% and matured in 2 years. The 2020 PPP Loan was eligible for forgiveness by the SBA for the portion of loan proceeds used for payroll costs and other designated operating expenses (as defined) for up to eight weeks or, at the discretion of the borrower, twenty-four weeks (the “Covered Period”), provided at least 60% of loan proceeds are used for payroll costs and United Way ATX meets all necessary criteria as defined by the SBA. United Way ATX accounted for the 2020 PPP Loan as a conditional grant with two performance criteria including incurring qualifying expenses that will be forgiven as well as obtaining formal forgiveness from the SBA. The 2020 PPP Loan had a balance of \$1,052,114 as of June 30, 2021, which was classified as deferred revenue in the statements of financial position. In March 2022, the SBA granted forgiveness for the 2020 PPP Loan. United Way ATX recognized income associated with the 2020 PPP Loan totaling \$1,052,114 during the year ended June 30, 2022.

In February 2021, United Way ATX received an additional \$966,022 PPP loan (the “2021 PPP Loan”). The 2021 PPP Loan had similar terms as described above for the 2020 PPP Loan, except that the maturity period was five years. The 2021 PPP Loan had a balance of \$966,022 as of June 30, 2021, which was classified as deferred revenue in the statements of financial position. In March 2022, the SBA granted forgiveness for the 2021 PPP Loan. United Way ATX recognized income associated with the 2021 PPP Loan totaling \$966,022 during the year ended June 30, 2022.

United Way ATX also receives other conditional promises to give that are generally recorded to grants and contracts revenue and private grants revenue when the conditions are substantially met, which generally involves satisfactory achievement of agreed upon key performance metrics. As of June 30, 2022 and 2021, these conditional promises to give totaled \$4,736,538 and \$1,140,697, respectively, and were not recorded to the financial statements except for payments received in advance of \$1,456,410 and \$912,979 were recorded to deferred revenue as of June 30, 2022 and 2021, respectively.

18. Subsequent Events

United Way ATX has evaluated subsequent events through November 22, 2022, the date the financial statements were available to be issued.

In July 2022, an Agreement and Plan of Merger (the “Agreement”) was entered into between United Way ATX and Children’s Optimal Health (“COH”). Upon the effective date of the Agreement, COH ceased and United Way ATX continued as the surviving non-profit corporation.

In October 2022, an office lease was signed with a related party. The lease includes an in-kind component as monthly payments are below market value. Future minimum rental payments are as follows:

2023	\$ 128,205
2024	170,940
2025	170,940
2026	170,940
2027	170,940
Thereafter	<u>42,735</u>
Total	<u><u>\$ 854,700</u></u>