

United Way for Greater Austin

**Financial Statements
as of and for the Years Ended
June 30, 2020 and 2019 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, 2020 and 2019, 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, 2020 and 2019, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2020 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 16, 2020

United Way for Greater Austin

Statements of Financial Position June 30, 2020 and 2019

	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,114,605	\$ 2,255,304
Cash and cash equivalents restricted by grants	552,870	440,454
Investments	1,304,932	1,248,310
Grants and contracts receivable	1,962,469	682,416
Current portion of pledges receivable, net	1,498,307	1,870,901
Prepaid expenses and other assets	63,225	54,233
Total current assets	12,496,408	6,551,618
Long-term portion of pledges receivable, net	117,378	-
Property and equipment, net	739,678	760,843
Endowment investments	621,691	595,541
Total Assets	\$ 13,975,155	\$ 7,908,002
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 961,073	\$ 235,559
Accrued expenses	727,667	666,335
Deferred revenue	1,769,096	597,929
Note payable, current portion	95,248	83,151
Designations due to others	57,696	548,024
Total current liabilities	3,610,780	2,130,998
Note payable, long-term portion	1,318,837	1,414,085
Total liabilities	4,929,617	3,545,083
Net assets:		
Without donor restrictions, undesignated	2,948,350	2,379,048
Without donor restrictions, Board-designated - operating reserve	1,044,163	1,000,251
With donor restrictions	5,053,025	983,620
Total net assets	9,045,538	4,362,919
Total Liabilities and Net Assets	\$ 13,975,155	\$ 7,908,002

See notes to financial statements.

United Way for Greater Austin

Statement of Activities

Year Ended June 30, 2020

(with summarized comparative totals for the year ended June 30, 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues, Gains and Other Support:				
Total amounts raised	\$ 8,191,015	7,156,387	15,347,402	9,053,099
Less donor designations	(1,942,960)	-	(1,942,960)	(3,317,235)
Less allowance for uncollectible pledges	(421,875)	-	(421,875)	(227,496)
Grants and contracts	5,613,813	20,959	5,634,772	3,768,413
In-kind contributions	50,562	-	50,562	94,914
Total support	11,490,555	7,177,346	18,667,901	9,371,695
Service fee income	883,491	-	883,491	611,798
Interest and dividends	89,312	22,195	111,507	87,781
Unrealized and realized gain (loss) on investments, net of expenses	9,838	3,955	13,793	(9,332)
Other income	1,578	-	1,578	1,424
Net assets released from restrictions	3,134,091	(3,134,091)	-	-
Total revenues, gains, and other support	15,608,865	4,069,405	19,678,270	10,063,366
Expenses:				
Program services:				
Gross funds awarded/distributed	5,741,742	-	5,741,742	4,804,235
Less donor designations	(1,942,960)	-	(1,942,960)	(3,317,235)
Net funds awarded/distributed	3,798,782	-	3,798,782	1,487,000
Other program services:				
Education	4,761,321	-	4,761,321	3,386,998
Health	3,768,904	-	3,768,904	2,566,473
Financial stability	1,657,750	-	1,657,750	1,894,566
Total program services	13,986,757	-	13,986,757	9,335,037
Supporting services:				
Management and general	563,603	-	563,603	521,159
Fundraising	445,291	-	445,291	688,263
Total supporting services	1,008,894	-	1,008,894	1,209,422
Total expenses	14,995,651	-	14,995,651	10,544,459
Change in Net Assets	613,214	4,069,405	4,682,619	(481,093)
Net Assets, beginning of year	3,379,299	983,620	4,362,919	4,844,012
Net Assets, end of year	\$ 3,992,513	5,053,025	9,045,538	4,362,919

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	4,804,235	-	4,804,235
Less donor designations	(3,317,235)	-	(3,317,235)
Net funds awarded/distributed	1,487,000	-	1,487,000
Other program services:			
Education	3,386,998	-	3,386,998
Health	2,566,473	-	2,566,473
Financial stability	1,894,566	-	1,894,566
Total program services	9,335,037	-	9,335,037
Supporting services:			
Management and general	521,159	-	521,159
Fundraising	688,263	-	688,263
Total supporting services	1,209,422	-	1,209,422
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 Functional Expenses

Year Ended June 30, 2020

(with summarized comparative totals for the year ended June 30, 2019)

	2020							2019 Total
	Program Services				Supporting Services			
	Education	Health	Financial Stability	Total Program Services	Management and General	Fundraising	Total Expenses	
Personnel and contract labor costs	\$ 1,591,417	1,786,272	905,512	4,283,201	340,709	243,364	4,867,274	4,768,442
Subgrantee	2,168,577	976,070	205,293	3,349,940	-	-	3,349,940	1,504,007
Professional fees	176,820	233,178	120,717	530,715	38,562	24,657	593,934	455,577
Employee benefits	165,562	202,244	95,031	462,837	31,203	26,002	520,042	603,852
Payroll taxes	142,283	140,395	87,210	369,888	29,423	21,016	420,327	345,475
Technology	54,541	84,521	32,358	171,420	14,075	8,999	194,494	149,712
Utilities	20,080	89,335	13,443	122,858	9,533	6,095	138,486	136,273
Supplies	78,917	18,149	26,027	123,093	2,722	1,742	127,557	96,044
Affiliate dues	34,611	32,979	21,064	88,654	19,457	12,441	120,552	128,482
Professional development	91,174	10,420	8,013	109,607	2,565	1,640	113,812	59,576
Depreciation	31,716	30,221	19,303	81,240	17,830	11,401	110,471	90,094
Events	33,047	23,660	20,527	77,234	13,380	8,555	99,169	73,455
Marketing	30,701	28,441	18,022	77,164	10,646	6,807	94,617	36,308
Bank and investment fees	29,517	28,869	24,134	82,520	3,360	2,149	88,029	109,503
Interest	17,749	16,913	10,802	45,464	9,978	6,380	61,822	9,390
In-kind	-	-	-	-	-	50,562	50,562	94,914
Occupancy	14,185	13,569	9,070	36,824	7,346	4,697	48,867	143,088
Equipment rental and maintenance	17,876	15,784	14,835	48,495	-	-	48,495	49,787
Membership and subscription dues	30,180	6,921	5,703	42,804	1,907	1,219	45,930	23,426
Employee reimbursable	16,312	15,846	6,412	38,570	3,029	1,937	43,536	31,258
Insurance	5,960	5,960	5,960	17,880	3,674	2,940	24,494	23,244
Photography and video	5,813	5,544	3,477	14,834	3,212	2,054	20,100	24,139
Food and beverage	3,548	2,913	4,390	10,851	579	370	11,800	99,629
Postage and shipping	735	700	447	1,882	413	264	2,559	1,784
Total expenses before net funds awarded/distributed	4,761,321	3,768,904	1,657,750	10,187,975	563,603	445,291	11,196,869	9,057,459
Net funds awarded/distributed	1,665,866	685,465	1,447,451	3,798,782	-	-	3,798,782	1,487,000
Total expenses	\$ 6,427,187	4,454,369	3,105,201	13,986,757	563,603	445,291	14,995,651	10,544,459

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	Health	Financial Stability		Management and General	Fundraising	
Personnel and contract labor costs	\$ 1,667,853	1,246,996	1,283,284	4,198,133	316,772	253,537	4,768,442
Subgrantee expense	835,997	668,010	-	1,504,007	-	-	1,504,007
Professional fees	187,981	94,144	85,539	367,664	17,696	70,217	455,577
Employee benefits	204,988	171,967	165,592	542,547	34,058	27,247	603,852
Payroll taxes	123,724	90,350	89,546	303,620	23,253	18,602	345,475
Technology	59,806	36,938	26,801	123,545	14,177	11,990	149,712
Utilities	39,449	39,449	39,449	118,347	9,959	7,967	136,273
Supplies	29,909	21,673	18,166	69,748	9,545	16,751	96,044
Affiliate dues	31,264	31,264	31,264	93,792	19,272	15,418	128,482
Professional development	26,691	14,848	11,331	52,870	3,607	3,099	59,576
Depreciation	21,923	21,923	21,923	65,769	13,514	10,811	90,094
Events	20,597	15,741	9,479	45,817	251	27,387	73,455
Marketing	33,734	24,927	18,121	76,782	10,284	22,437	109,503
Bank and investment fees	8,835	8,835	8,835	26,505	5,446	4,357	36,308
Interest	2,285	2,285	2,285	6,855	1,408	1,127	9,390
In-kind	-	-	-	-	-	94,914	94,914
Occupancy	34,818	34,818	34,818	104,454	21,463	17,171	143,088
Equipment rental and maintenance	11,502	11,502	11,492	34,496	6,886	8,405	49,787
Membership and subscription dues	6,680	6,745	6,648	20,073	1,863	1,490	23,426
Employee reimbursable	10,290	7,052	7,310	24,652	2,409	4,197	31,258
Insurance	5,656	5,656	5,656	16,968	3,487	2,789	23,244
Photography and video	9,880	3,181	2,281	15,342	1,406	7,391	24,139
Food and beverage	12,800	7,833	14,410	35,043	4,196	60,390	99,629
Postage and shipping	336	336	336	1,008	207	569	1,784
Total expenses before net funds awarded/distributed	3,386,998	2,566,473	1,894,566	7,848,037	521,159	688,263	9,057,459
Net funds awarded/distributed	1,001,000	-	486,000	1,487,000	-	-	1,487,000
Total expenses	\$ 4,387,998	2,566,473	2,380,566	9,335,037	521,159	688,263	10,544,459

See notes to financial statements.

United Way for Greater Austin

Statements of Cash Flows Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 4,682,619	\$ (481,093)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Donated stock	(87,912)	42,678
Unrealized and realized gain on investments	(37,092)	(12,788)
Bad debt provision	484,686	359,089
Depreciation	110,470	90,094
Changes in assets and liabilities that provided (used) cash:		
Grants and contracts receivable	(1,280,053)	(100,171)
Pledges receivable	(229,470)	(276,783)
Prepaid expenses and other assets	(8,992)	24,781
Accounts payable	725,514	41,884
Accrued expenses	61,332	237,460
Deferred revenue	1,171,167	476,544
Designations due to others	(490,328)	(126,977)
Net cash provided by operating activities	5,101,941	274,718
Cash Flows from Investing Activities:		
Purchases of investments	(68,979)	(706,501)
Proceeds from the sale of investments	111,211	604,495
Purchases of property and equipment	(89,305)	(195,668)
Net cash used in investing activities	(47,073)	(297,674)
Cash Flows from Financing Activities:		
Payments on note payable	(83,151)	-
Borrowings on line of credit	500,000	1,290,000
Payments on line of credit	(500,000)	-
Net cash (used in) provided by financing activities	(83,151)	1,290,000
Net Change in Cash, Cash Equivalents, and Restricted Cash	4,971,717	1,267,044
Cash, Cash Equivalents, and Restricted Cash, beginning of year	2,695,758	1,428,714
Cash, Cash Equivalents, and Restricted Cash, end of year	<u>\$ 7,667,475</u>	<u>\$ 2,695,758</u>
Supplemental Disclosure-		
Interest paid on note payable	<u>\$ 61,822</u>	<u>\$ 9,389</u>

See notes to financial statements.

United Way for Greater Austin

Notes to Financial Statements Years Ended June 30, 2020 and 2019

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”).

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 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.

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 were unchanged due to these reclassifications.

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

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, 2020 or 2019, as management deemed all outstanding balances to be collectible.

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.

The allowance for uncollectible pledges receivable as of June 30, 2020 and 2019 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

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 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 \$1,044,163 and \$1,000,251 set aside as an operating reserve as of June 30, 2020 and 2019, respectively, that are included in investments.

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. 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.

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. 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.

Service Fee Income - 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.

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.

Costs to Obtain or Fulfill Contracts - United Way ATX recognizes an asset for the incremental costs to obtain a contract if United Way ATX expects to recover those costs through the margin inherent in the contract. When the amortization period of the asset that United Way ATX otherwise would have recognized is one year or less, United Way ATX applies the practical expedient to expense costs to obtain a contract as incurred. United Way ATX recognizes an asset for the incremental costs to fulfill a contract, such as direct labor, if the costs relate directly to an existing or specific anticipated contract, generate or enhance resources that United Way ATX will use to satisfy performance obligations in the future, and if United Way ATX expects to recover those costs through the margin inherent in the contract. Management has not identified any costs to obtain or fulfill contracts which meet the criteria for 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, 2020 and 2019, \$3,798,782 and \$1,487,000, respectively, were awarded to non-profit and for-profit organizations within the community. The statement 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, 2020 or 2019. 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.
- Navigation Center - This service spans all three of our focus areas by providing a central access point for anyone in need of various community resources from both the public and private sectors.

Change in Accounting Principle for Recently Adopted Accounting Pronouncement - In May 2014, the FASB issued Accounting Standards Updates ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*, and most industry-specific guidance included in the ASC. The standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. It also provides guidance on accounting for costs incurred to obtain or fulfill contracts with customers and establishes disclosure requirements which are more extensive than those required under prior U.S. GAAP. United Way ATX adopted Topic 606 on January 1, 2019 and elected the modified retrospective transition method of adoption using the completed contract practical expedient. United Way ATX performed an assessment of its contracts with customers and did not identify any changes to the timing or amount of its revenue recognition under Topic 606 compared to prior U.S. GAAP. There was no impact to net assets or changes in net assets as of January 1, 2019 or to the statements of financial position or the statements of activities, functional expenses, or cash flows as of and for the year ended June 30, 2020 as a result of applying the new guidance.

Recently Issued Accounting Pronouncement - 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, 2021 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. One donor comprised 10% of pledges receivables as of June 30, 2020. Three grantors comprised 79% and 80% of grant and contracts receivables as of June 30, 2020 and 2019, respectively. During the years ended June 30, 2020 and 2019, four grantors accounted for 86% and four grantors accounted for 84% of total grants and contracts revenue, respectively.

4. 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:

	2020	2019
Cash and cash equivalents	\$ 7,114,605	\$ 2,255,304
Investments	1,304,932	1,248,310
Grants and contracts receivable	1,962,469	682,416
Current portion of pledges receivable, net	1,498,307	1,870,901
	11,880,313	6,056,931
Less amounts unavailable for general expenditure within one year:		
Designations due to others	(57,696)	(548,024)
Board-designated operating reserve	(1,044,163)	(1,000,251)
Total financial assets available to management for general expenditure within one year	<u>\$ 10,778,454</u>	<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>2020</u>	<u>2019</u>
Equities	\$ 872,119	\$ 736,825
Fixed income	864,998	659,670
Other complimentary strategies funds	67,414	269,247
Cash and money market	64,429	111,047
Real asset and commodity funds	<u>57,663</u>	<u>67,062</u>
Total investments	<u>\$ 1,926,623</u>	<u>\$ 1,843,851</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>2020</u>	<u>2019</u>
Interest and dividends	\$ 111,507	\$ 87,781
Unrealized and realized gains on investments, net	37,092	12,788
Investment fees	<u>(23,299)</u>	<u>(22,120)</u>
Total investment gains	<u>\$ 125,300</u>	<u>\$ 78,449</u>

6. Pledges Receivable

Pledges receivable consisted of the following as of June 30:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 2,310,346	\$ 2,654,880
One to five years	<u>125,000</u>	<u>-</u>
	2,435,346	2,654,880
Less allowance for uncollectible pledges	(812,039)	(783,979)
Less discount to net present value	<u>(7,622)</u>	<u>-</u>
Pledges receivable, net	<u>\$ 1,615,685</u>	<u>\$ 1,870,901</u>

7. Property and Equipment

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

	<u>2020</u>	<u>2019</u>
Buildings and improvements	\$ 2,493,907	\$ 2,462,496
Furniture and equipment	1,417,487	1,359,593
	3,911,394	3,822,089
Accumulated depreciation	(3,280,536)	(3,170,066)
Land	108,820	108,820
Total property and equipment, net	<u>\$ 739,678</u>	<u>\$ 760,843</u>

8. Note Payable and Line of Credit

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

	<u>2020</u>	<u>2019</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% and 4.61% at June 30, 2020 and 2019, respectively); secured by property of United Way ATX	\$ 1,414,085	\$ 1,497,236
Less current portion	<u>95,248</u>	<u>83,151</u>
Long-term portion	<u>\$ 1,318,837</u>	<u>\$ 1,414,085</u>

Future maturities of the Note as of June 30, 2020 were as follows:

2021	\$ 95,248
2022	99,294
2023	<u>1,219,543</u>
	<u>\$ 1,414,085</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, and matures on 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, 2020 and 2019, 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 withdrawal 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>2020</u>	<u>2019</u>
Endowment net assets, beginning of year	\$ 595,541	\$ 573,098
Interest and dividends	22,195	26,899
Unrealized and realized gain (loss) on investments, net of expenses	3,955	(4,456)
Appropriations for expenditure	-	-
Endowment net assets, end of year	<u>\$ 621,691</u>	<u>\$ 595,541</u>

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

	<u>2020</u>	<u>2019</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>\$ 125,061</u>	<u>\$ 98,911</u>

10. 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>2020</u>	<u>2019</u>
Permanent restrictions -		
Donor-restricted endowment funds	\$ 496,630	\$ 496,630
Temporary restrictions:		
All Together ATX	3,150,912	-
Health	670,716	-
Time restricted	243,480	-
Education	204,704	377,597
Earnings not yet appropriated for expenditure on donor restricted perpetual endowments	125,062	98,911
Community Impact	83,330	-
Financial Stability	<u>78,191</u>	<u>10,482</u>
Total	<u>\$ 5,053,025</u>	<u>\$ 983,620</u>

11. Commitments and Contingencies

Lease Agreements - United Way ATX leases office equipment under operating leases that expire in April 2023. Rent expense totaled \$41,135 and \$42,057 during the years ended June 30, 2020 and 2019, respectively.

Future minimum rental payments were as follows as of June 30, 2020:

2021	\$ 31,974
2022	33,504
2023	<u>27,800</u>
Total	<u>\$ 93,278</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.

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 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.

In April 2020, United Way ATX received a \$1,052,114 loan under the Paycheck Protection Program (the “PPP”) which was created through the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) and is administered by the U.S. Small Business Administration (“SBA”). The PPP loan has a fixed interest rate of 1% and matures in 2 years. The PPP loan is 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 the United Way ATX meets all necessary criteria as defined by the SBA. United Way ATX accounted for the 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 performance obligations have not been met as of June 30, 2020 and is recorded in deferred revenue in the statements of financial position.

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:

	2020	2019
Goods and services for events	\$ 44,558	\$ 39,452
Freelancing event services	-	30,000
Other	6,004	25,462
Total	<u>\$ 50,562</u>	<u>\$ 94,914</u>

13. Donor Designations

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

	2020	2019
Designations to other 501(c)(3) organizations	\$ 1,762,324	\$ 2,896,950
Designations to partner agencies	-	313,283
Designations to other United Ways	180,636	107,002
Total donor designations	<u>\$ 1,942,960</u>	<u>\$ 3,317,235</u>

14. Payments to Affiliates

During the years ended June 30, 2020 and 2019, United Way ATX recorded expenses for amounts due to affiliates that represent dues to United Way Worldwide (“UWW”) of \$108,207 and \$105,653, respectively, and dues to United Way of Texas of \$12,346 and \$11,550 during the years ended June 30, 2020 and 2019, respectively.

15. Campaign Contributions

During the year ended June 30, 2019, United Way ATX served as the designated fiscal agent for the State Employee Charitable Campaign (“SECC”) public sector campaign.

As fiscal agent, United Way ATX managed the financial activities of the public sector campaigns, including the collection and distribution of funds. Activity from these campaigns, for the year ended June 30, 2019, is reflected in the accompanying financial statements. Amounts raised for the 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.

United Way ATX participated 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.

Effective July 1, 2019, United Way ATX no longer serves as the designated fiscal agent for the SECC.

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, 2020 and 2019.

17. Related Party Transactions

Certain members of the Board contributed \$219,968 and \$127,876 to United Way ATX during the years ended June 30, 2020 and 2019, respectively.

18. Conditional Promises to Give

During the year ended June 30, 2020, one donor pledged approximately \$635,000 to be paid over two years, conditioned upon satisfactory achievement of agreed upon key performance metrics. Since this pledge represents a conditional promise to give, it will be recorded as grants and contracts revenue in the period that the pledge conditions are met. During the year ended June 30, 2020, no amount was recorded as grants and contracts revenue in the statements of activities as no metrics were met.

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 grants and contracts revenue in the period that the pledge conditions are met. During the years ended June 30, 2020 and June 30, 2019, approximately \$867,000 and \$83,000, 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 16, 2020 (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.