

United Way for Greater Austin

**Financial Statements
as of and for the Years Ended
June 30, 2021 and 2020 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 (a nonprofit organization) ("United Way ATX"), which comprise the statements of financial position as of June 30, 2021 and 2020, 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, 2021 and 2020, 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 15, 2021 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.

A handwritten signature in blue ink that reads "Maxwell Locke & Ritter LLP". The signature is written in a cursive, flowing style.

Austin, Texas
November 15, 2021

United Way for Greater Austin

Statements of Financial Position June 30, 2021 and 2020

	2021	2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,741,496	\$ 7,114,605
Cash and cash equivalents restricted by grants	619,048	552,870
Investments	1,560,305	1,304,932
Government grants receivable	330,389	305,720
Grants and contracts receivable	1,582,754	908,370
Private grants receivable	292,043	748,379
Current portion of pledges receivable, net	1,220,395	1,498,307
Prepaid expenses and other assets	169,492	63,225
Total current assets	11,515,922	12,496,408
Long-term portion of pledges receivable, net	-	117,378
Property and equipment, net	647,797	739,678
Endowment investments	760,740	621,691
Total	<u>\$ 12,924,459</u>	<u>\$ 13,975,155</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 381,524	\$ 961,073
Accrued expenses	1,405,656	727,667
Due to affiliated organizations	72,433	-
Deferred revenue	3,181,481	1,769,096
Note payable, current portion	99,294	95,248
Designations due to others	68,192	57,696
Total current liabilities	5,208,580	3,610,780
Note payable, long-term portion	1,219,542	1,318,837
Total liabilities	6,428,122	4,929,617
Net assets:		
Without donor restrictions, undesignated	3,858,327	2,948,350
Without donor restrictions, Board-designated - operating reserve	1,270,646	1,044,163
With donor restrictions	1,367,364	5,053,025
Total net assets	6,496,337	9,045,538
Total	<u>\$ 12,924,459</u>	<u>\$ 13,975,155</u>

See notes to financial statements.

United Way for Greater Austin

Statement of Activities

Year Ended June 30, 2021

(with summarized comparative totals for the year ended June 30, 2020)

	2021			2020 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues, gains and other support:				
Total amounts raised	\$ 8,278,492	49,225	8,327,717	12,085,645
Less donor designations	(592,214)	-	(592,214)	(1,942,960)
Less allowance for uncollectible pledges	(248,783)	-	(248,783)	(421,875)
Government grants	2,558,349	-	2,558,349	1,553,740
Private grants	1,703,337	746,113	2,449,450	3,261,757
In-kind contributions	29,480	-	29,480	50,562
Total support	11,728,661	795,338	12,523,999	14,586,869
Grants and contracts	9,157,236	-	9,157,236	4,081,032
Service fee income	899,613	-	899,613	883,491
Interest and dividends	59,055	26,001	85,056	111,507
Unrealized and realized gain on investments, net of expenses	197,734	113,048	310,782	13,793
Other income	3,809	-	3,809	1,578
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	19,678,270
Expenses:				
Program services:				
Gross funds awarded/distributed	7,939,232	-	7,939,232	5,741,742
Less donor designations	(592,214)	-	(592,214)	(1,942,960)
Net funds awarded/distributed	7,347,018	-	7,347,018	3,798,782
Other program services:				
Education	12,049,748	-	12,049,748	4,761,321
Health	2,931,487	-	2,931,487	3,768,904
Financial stability	1,740,372	-	1,740,372	1,657,750
Total program services	24,068,625	-	24,068,625	13,986,757
Supporting services:				
Management and general	767,239	-	767,239	563,603
Fundraising	693,832	-	693,832	445,291
Total supporting services	1,461,071	-	1,461,071	1,008,894
Total expenses	25,529,696	-	25,529,696	14,995,651
Change in net assets	1,136,460	(3,685,661)	(2,549,201)	4,682,619
Net assets, beginning of year	3,992,513	5,053,025	9,045,538	4,362,919
Net assets, end of year	\$ 5,128,973	1,367,364	6,496,337	9,045,538

See notes to financial statements.

United Way for Greater Austin

Statement of Activities Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Total amounts raised	\$ 7,086,162	4,999,483	12,085,645
Less donor designations	(1,942,960)	-	(1,942,960)
Less allowance for uncollectible pledges	(421,875)	-	(421,875)
Government grants	1,553,740	-	1,553,740
Private grants	1,104,853	2,156,904	3,261,757
In-kind contributions	50,562	-	50,562
Total support	7,430,482	7,156,387	14,586,869
Grants and contracts	4,060,073	20,959	4,081,032
Service fee income	883,491	-	883,491
Interest and dividends	89,312	22,195	111,507
Unrealized and realized gain on investments, net of expenses	9,838	3,955	13,793
Other income	1,578	-	1,578
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
Expenses:			
Program services:			
Gross funds awarded/distributed	5,741,742	-	5,741,742
Less donor designations	(1,942,960)	-	(1,942,960)
Net funds awarded/distributed	3,798,782	-	3,798,782
Other program services:			
Education	4,761,321	-	4,761,321
Health	3,768,904	-	3,768,904
Financial stability	1,657,750	-	1,657,750
Total program services	13,986,757	-	13,986,757
Supporting services:			
Management and general	563,603	-	563,603
Fundraising	445,291	-	445,291
Total supporting services	1,008,894	-	1,008,894
Total expenses	14,995,651	-	14,995,651
Change in net assets	613,214	4,069,405	4,682,619
Net assets, beginning of year	3,379,299	983,620	4,362,919
Net assets, end of year	\$ 3,992,513	5,053,025	9,045,538

See notes to financial statements.

United Way for Greater Austin

Statement of Functional Expenses

Year Ended June 30, 2021

(with summarized comparative totals for the year ended June 30, 2020)

	2021							2020 Total
	Program Services				Supporting Services			
	Education	Health	Financial Stability	Total Program Services	Management and General	Fundraising	Total Expenses	
Subgrantee	\$ 8,057,709	1,033,967	390,902	9,482,578	-	-	9,482,578	3,349,940
Personnel and contract labor costs	2,135,015	1,099,104	753,983	3,988,102	438,641	379,824	4,806,567	4,867,274
Employee benefits	375,420	226,030	152,209	753,659	94,865	82,144	930,668	520,042
Professional fees	290,840	120,592	115,153	526,585	46,271	40,066	612,922	593,934
Supplies	327,027	37,617	63,822	428,466	12,809	11,091	452,366	127,557
Payroll taxes	165,710	83,141	59,101	307,952	32,956	28,536	369,444	420,327
Professional development	251,087	4,444	3,637	259,168	1,916	1,659	262,743	113,812
Technology	96,408	56,088	33,005	185,501	21,185	18,344	225,030	194,494
Affiliate dues	55,586	47,541	28,920	132,047	21,120	18,288	171,455	120,552
Depreciation	39,527	33,807	20,565	93,899	15,018	13,004	121,921	110,470
Marketing	51,327	26,931	19,269	97,527	11,126	9,634	118,287	94,617
Utilities	37,277	31,882	19,394	88,553	14,163	12,264	114,980	138,486
Bank fees	18,842	16,115	9,803	44,760	7,159	6,199	58,118	88,029
Employee reimbursable	30,472	16,071	10,900	57,443	6,405	5,546	69,394	43,536
Interest	20,763	17,758	10,802	49,323	7,889	6,831	64,043	61,822
Bad debt	16,234	13,885	8,446	38,565	6,168	5,341	50,074	-
Occupancy	15,768	13,486	8,203	37,457	5,991	5,188	48,636	48,867
Events	16,597	12,074	7,345	36,016	5,364	4,645	46,025	99,170
Membership and subscription dues	14,228	12,169	7,403	33,800	5,406	4,681	43,887	45,930
Equipment rental and maintenance	12,275	10,499	6,386	29,160	4,664	4,039	37,863	48,495
Insurance	10,069	8,612	5,239	23,920	3,826	3,313	31,059	24,494
In-kind	-	-	-	-	-	29,480	29,480	50,562
Photography and video	7,041	6,022	3,663	16,726	2,675	2,316	21,717	20,100
Postage and shipping	4,259	3,424	2,083	9,766	1,521	1,317	12,604	2,559
Food and beverage	267	228	139	634	101	82	817	11,800
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	11,196,869
Net funds awarded/distributed	2,216,383	1,537,113	3,593,522	7,347,018	-	-	7,347,018	3,798,782
Total expenses	\$ 14,266,131	4,468,600	5,333,894	24,068,625	767,239	693,832	25,529,696	14,995,651

See notes to financial statements.

United Way for Greater Austin

Statement of Functional Expenses Year Ended June 30, 2020

	Program Services			Supporting Services			Total Expenses
	Education	Health	Financial Stability	Total Program Services	Management and General	Fundraising	
Subgrantee	\$ 2,168,577	976,070	205,293	3,349,940	-	-	3,349,940
Personnel and contract labor costs	1,591,417	1,786,272	905,512	4,283,201	340,709	243,364	4,867,274
Employee benefits	165,562	202,244	95,031	462,837	31,203	26,002	520,042
Professional fees	176,820	233,178	120,717	530,715	38,562	24,657	593,934
Supplies	78,917	18,149	26,027	123,093	2,722	1,742	127,557
Payroll taxes	142,283	140,395	87,210	369,888	29,423	21,016	420,327
Professional development	91,174	10,420	8,013	109,607	2,565	1,640	113,812
Technology	54,541	84,521	32,358	171,420	14,075	8,999	194,494
Affiliate dues	34,611	32,979	21,064	88,654	19,457	12,441	120,552
Depreciation	31,716	30,221	19,303	81,240	17,830	11,400	110,470
Marketing	30,701	28,441	18,022	77,164	10,646	6,807	94,617
Utilities	20,080	89,335	13,443	122,858	9,533	6,095	138,486
Bank fees	29,517	28,869	24,134	82,520	3,360	2,149	88,029
Employee reimbursable	16,312	15,846	6,412	38,570	3,029	1,937	43,536
Interest	17,749	16,913	10,802	45,464	9,978	6,380	61,822
Occupancy	14,185	13,569	9,070	36,824	7,346	4,697	48,867
Events	33,047	23,660	20,527	77,234	13,380	8,556	99,170
Membership and subscription dues	30,180	6,921	5,703	42,804	1,907	1,219	45,930
Equipment rental and maintenance	17,876	15,784	14,835	48,495	-	-	48,495
Insurance	5,960	5,960	5,960	17,880	3,674	2,940	24,494
In-kind	-	-	-	-	-	50,562	50,562
Photography and video	5,813	5,544	3,477	14,834	3,212	2,054	20,100
Postage and shipping	735	700	447	1,882	413	264	2,559
Food and beverage	3,548	2,913	4,390	10,851	579	370	11,800
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
Net funds awarded/distributed	1,665,866	685,465	1,447,451	3,798,782	-	-	3,798,782
Total expenses	\$ 6,427,187	4,454,369	3,105,201	13,986,757	563,603	445,291	14,995,651

See notes to financial statements.

United Way for Greater Austin

Statements of Cash Flows Years Ended June 30, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities:		
Change in net assets	\$ (2,549,201)	\$ 4,682,619
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Donated stock	(83,828)	(87,912)
Unrealized and realized gains on investments	(336,722)	(37,092)
Bad debt provision	311,594	484,686
Depreciation	121,921	110,470
Changes in assets and liabilities that (used) provided cash:		
Government grants receivable	(24,669)	(305,720)
Grants and contracts receivable	(674,384)	(279,912)
Private grants receivable	456,336	(694,421)
Pledges receivable	83,696	(229,470)
Prepaid expenses and other assets	(106,267)	(8,992)
Accounts payable	(579,549)	725,514
Accrued expenses	677,989	61,332
Due to affiliated organizations	72,433	-
Deferred revenue	1,412,385	1,171,167
Designations due to others	10,496	(490,328)
Net cash (used in) provided by operating activities	(1,207,770)	5,101,941
Cash Flows from Investing Activities:		
Purchases of investments	(83,640)	(68,979)
Proceeds from the sale of investments	109,768	111,211
Purchases of property and equipment	(30,040)	(89,305)
Net cash used in investing activities	(3,912)	(47,073)
Cash Flows from Financing Activities:		
Payments on note payable	(95,249)	(83,151)
Borrowings on line of credit	500,000	500,000
Payments on line of credit	(500,000)	(500,000)
Net cash used in financing activities	(95,249)	(83,151)
Net change in cash, cash equivalents, and restricted cash	(1,306,931)	4,971,717
Cash, cash equivalents, and restricted cash, beginning of year	7,667,475	2,695,758
Cash, cash equivalents, and restricted cash, end of year	<u>\$ 6,360,544</u>	<u>\$ 7,667,475</u>
Supplemental Disclosure-		
Interest paid on note payable	<u>\$ 57,267</u>	<u>\$ 61,822</u>

See notes to financial statements.

United Way for Greater Austin

Notes to Financial Statements Years Ended June 30, 2021 and 2020

1. Organization

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation - The financial statements are presented in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”).

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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.

Reclassifications - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. Total net assets and change in 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.

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 are recorded at the value of the revenue earned, at the amount United Way ATX expects to collect on reciprocal grant and contract agreements. 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, 2021 or 2020, 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, 2021 and 2020.

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, 2021 and 2020 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 had Board-designated net assets set aside as an operating reserve that were included in investments.

Total Amounts Raised, Government Grants, and Private Grants Revenues - Contributions, including total amounts raised, government grants, and private 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.

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 year ended June 30, 2021:

Revenue recognized over time	\$ 9,958,654
Revenue recognized at a point in time	<u>98,195</u>
Total revenue	<u><u>\$ 10,056,849</u></u>

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, 2021 and 2020, \$7,347,018 and \$3,798,782, 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, 2021 or 2020. 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.

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. Concentrations of receivables and revenue as of and for the years ended June 30, 2021 and 2020 were as follows:

Account	2021	2021	2020	2020
	Number of Grantors	Concentration	Number of Grantors	Concentration
Government grants receivable	2	100%	2	100%
Grants and contracts receivable	2	97%	2	91%
Private grants receivable	5	100%	1	93%
Pledges receivable	2	39%	1	10%
Government grants revenue	3	100%	2	100%
Private grants revenue	1	52%	3	47%
Grants and contracts revenue	3	93%	3	89%

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:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 5,741,496	\$ 7,114,605
Investments	1,560,305	1,304,932
Government grants receivable	330,389	305,720
Grants and contracts receivable	1,582,754	908,370
Private grants receivable	292,043	748,379
Current portion of pledges receivable, net	<u>1,220,395</u>	<u>1,498,307</u>
	10,727,382	11,880,313
Less amounts unavailable for general expenditure within one year:		
Designations due to others	(68,192)	(57,696)
Board-designated operating reserve	<u>(1,270,646)</u>	<u>(1,044,163)</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 9,388,544</u>	<u>\$ 10,778,454</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>2021</u>	<u>2020</u>
Equities	\$ 1,281,803	\$ 872,119
Fixed income	871,282	864,998
Other complimentary strategies funds	64,597	67,414
Cash and money market	52,116	64,429
Real asset and commodity funds	<u>51,247</u>	<u>57,663</u>
Total investments	<u>\$ 2,321,045</u>	<u>\$ 1,926,623</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>2021</u>	<u>2020</u>
Interest and dividends	\$ 85,056	\$ 111,507
Unrealized and realized gains on investments, net	336,722	37,092
Investment fees	<u>(25,940)</u>	<u>(23,299)</u>
Total investment gains	<u>\$ 395,838</u>	<u>\$ 125,300</u>

6. Pledges Receivable

Pledges receivable consisted of the following as of June 30:

	<u>2021</u>	<u>2020</u>
Amounts due in:		
Less than one year	\$ 1,948,302	\$ 2,310,346
One to five years	<u>-</u>	<u>125,000</u>
	1,948,302	2,435,346
Less allowance for uncollectible pledges	(727,907)	(812,039)
Less discount to net present value	<u>-</u>	<u>(7,622)</u>
Pledges receivable, net	<u>\$ 1,220,395</u>	<u>\$ 1,615,685</u>

7. Property and Equipment

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

	<u>2021</u>	<u>2020</u>
Buildings and improvements	\$ 2,493,907	\$ 2,493,907
Furniture and equipment	<u>1,447,528</u>	<u>1,417,487</u>
	3,941,435	3,911,394
Accumulated depreciation	(3,402,458)	(3,280,536)
Land	<u>108,820</u>	<u>108,820</u>
Total property and equipment, net	<u>\$ 647,797</u>	<u>\$ 739,678</u>

8. Borrowing Arrangements

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

	<u>2021</u>	<u>2020</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 and 2020); secured by property of United Way ATX	\$ 1,318,836	\$ 1,414,085
Less current portion	<u>99,294</u>	<u>95,248</u>
Long-term portion	<u>\$ 1,219,542</u>	<u>\$ 1,318,837</u>

Future maturities of the Note as of June 30, 2021 were as follows:

2022	\$ 99,294
2023	<u>1,219,542</u>
	<u>\$ 1,318,836</u>

The Note contains various financial 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 March 22, 2022. The line of credit bore interest at 3.95% plus LIBOR through March 2021 and was renewed at 3.94% plus LIBOR. As of June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Endowment net assets, beginning of year	\$ 621,691	\$ 595,541
Interest and dividends	26,001	22,195
Unrealized and realized gain on investments, net of expenses	<u>113,048</u>	<u>3,955</u>
Endowment net assets, end of year	<u>\$ 760,740</u>	<u>\$ 621,691</u>

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

	<u>2021</u>	<u>2020</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>\$ 264,110</u>	<u>\$ 125,061</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>2021</u>	<u>2020</u>
Permanent restrictions -		
Donor-restricted endowment funds	\$ 496,630	\$ 496,630
Temporary restrictions:		
Earnings not yet appropriated for expenditure on		
donor restricted perpetual endowments	264,110	125,061
Education	241,422	204,705
Financial Stability	143,410	78,191
Time restricted	120,663	243,480
All Together ATX	49,225	3,150,912
Community Impact	29,819	83,330
Health	22,085	670,716
Total	<u>\$ 1,367,364</u>	<u>\$ 5,053,025</u>

11. Commitments and Contingencies

Lease Agreements - United Way ATX leases office equipment under operating leases that expire in 2024. Rent expense totaled \$37,863 and \$41,135 during the years ended June 30, 2021 and 2020, respectively.

Future minimum rental payments were as follows as of June 30, 2021:

2022	\$ 31,704
2023	26,564
2024	144
Total	<u>\$ 58,412</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 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.

12. In-Kind Donations

Non-cash (in-kind) donations included as revenue in the statements of activities consisted of the following during the years ended June 30:

	<u>2021</u>	<u>2020</u>
Advertising	\$ 29,480	\$ -
Goods and services for events	-	44,558
Other	-	6,004
Total	<u>\$ 29,480</u>	<u>\$ 50,562</u>

13. Donor Designations

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

	<u>2021</u>	<u>2020</u>
Designations to other 501(c)(3) organizations	\$ 454,958	\$ 1,762,324
Designations to other United Ways	137,256	180,636
Total donor designations	<u>\$ 592,214</u>	<u>\$ 1,942,960</u>

14. Payments to Affiliates

During the years ended June 30, 2021 and 2020, United Way ATX recorded expenses for amounts due to affiliates that represent dues to United Way Worldwide (“UWW”) of \$130,217 and \$108,207, respectively, and dues to United Way of Texas of \$12,346 during each of the years ended June 30, 2021 and 2020.

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, 2021 and 2020.

16. Related Party Transactions

Certain members of the Board contributed \$191,743 and \$219,968 to United Way ATX during the years ended June 30, 2021 and 2020, 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 is administered by the U.S. Small Business Administration (“SBA”). The 2020 PPP loan has a fixed interest rate of 1% and matures in 2 years. The 2020 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 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. As the performance obligations have not been met as of June 30, 2021, the 2020 PPP loan is recorded in deferred revenue in the statements of financial position. United Way ATX is currently in the process of applying for forgiveness of the 2020 PPP loan.

In February 2021, United Way ATX received an additional \$966,022 PPP loan (the “2021 PPP Loan”). The 2021 PPP Loan has similar terms as described above for the 2020 PPP Loan, except that the maturity period is five years. United Way ATX accounted for the 2021 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. As the performance obligations have not been met as of June 30, 2021, the 2021 PPP loan is recorded in deferred revenue in the statements of financial position.

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, 2021 and 2020, these conditional promises to give totaled \$1,140,697 and \$1,162,205, respectively, and were not recorded to the financial statements except for payments received in advance of \$912,979 and \$672,199 were recorded to deferred revenue as of June 30, 2021 and 2020, respectively.

18. Subsequent Events

United Way ATX has evaluated subsequent events through November 15, 2021, the date the financial statements were available to be issued.

In September 2021, United Way ATX sold its office building and related land for a sale price of \$9,615,000 less closing costs of \$529,043 and payoff of the note payable (see Note 8) of \$1,334,379 which resulted in total proceeds on the sale of \$7,751,578. In conjunction with the sale, United Way ATX entered into a two-year, non-cancelable operating lease agreement with the seller to leaseback a portion of its office facilities at a rate of \$13,500 per month.