

**UNITED WAY OF SMITH COUNTY
TYLER, TEXAS**

FINANCIAL STATEMENTS

MARCH 31, 2019 AND 2018

**UNITED WAY OF SMITH COUNTY
MARCH 31, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
United Way of Smith County
Tyler, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Smith County (a nonprofit organization), which comprise the statements of financial position as of March 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Smith County as of March 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Henry + Peters, P.C.

Tyler, Texas
November 1, 2019

**UNITED WAY OF SMITH COUNTY
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2019 AND 2018**

	2019	2018
ASSETS		
Cash and interest-bearing deposits	\$ 938,940	\$ 1,035,254
Restricted cash	437,860	53,536
Investment in beneficial interest	172,614	185,836
Grant receivable	57,762	52,075
Pledges receivable, net of allowance for uncollectible pledges of \$66,058 in 2019 and \$77,412 in 2018	860,053	774,720
Pledges receivable, capital	348,560	581,710
Prepaid expenses	8,696	1,914
Property and equipment, net	2,951,004	2,788,880
Total assets	\$ 5,775,489	\$ 5,473,925
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 172,603	\$ 143,214
Accounts payable - capital	-	283,793
Compensated absences payable	33,306	29,949
Deferred revenue	16,580	28,706
Line of credit - capital	870,900	667,199
Other liabilities	-	545
Total liabilities	1,093,389	1,153,406
Net assets		
Without donor restrictions	4,246,266	4,266,983
With donor restrictions	435,834	53,536
Total net assets	4,682,100	4,320,519
Total liabilities and net assets	\$ 5,775,489	\$ 5,473,925

**UNITED WAY OF SMITH COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions - Annual Campaign	\$ 1,259,553	\$ -	\$ 1,259,553
Contributions - Capital Campaign	-	79,060	79,060
Contributions - Care Fund	-	416,435	416,435
Contributions - Other	28,116	9,000	37,116
Grants	354,988	-	354,988
Interest and dividends	17,865	3,923	21,788
In-kind gifts	25,149	-	25,149
Special events and fundraisers	19,795	-	19,795
Other income	66,658	-	66,658
Net realized and unrealized gain on beneficial interest	4,374	-	4,374
Loss on sale of fixed assets	(26,650)	-	(26,650)
Net assets released from restrictions:			
Satisfaction of program restrictions	47,060	(47,060)	-
Satisfaction of capital and equipment acquisition restrictions	79,060	(79,060)	-
Total revenues, gains and other support	<u>1,875,968</u>	<u>382,298</u>	<u>2,258,266</u>
EXPENSES			
Agencies	967,986	-	967,986
2-1-1	336,762	-	336,762
East Texas Center for Nonprofits	121,935	-	121,935
Care Fund	40,535	-	40,535
Management and general	133,160	-	133,160
Marketing	81,742	-	81,742
Fundraising	193,712	-	193,712
Payments to affiliates	20,853	-	20,853
Total expenses	<u>1,896,685</u>	<u>-</u>	<u>1,896,685</u>
CHANGE IN NET ASSETS	(20,717)	382,298	361,581
NET ASSETS			
Beginning of period	<u>4,266,983</u>	<u>53,536</u>	<u>4,320,519</u>
End of period	<u>\$ 4,246,266</u>	<u>\$ 435,834</u>	<u>\$ 4,682,100</u>

**UNITED WAY OF SMITH COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Contributions - Annual Campaign	\$ 1,287,144	\$ -	\$ 1,287,144
Contributions - Capital Campaign	-	54,501	54,501
Contributions - Care Fund	-	67,765	67,765
Contributions - Other	44,372	9,805	54,177
Grants	368,617	-	368,617
Interest and dividends	11,620	-	11,620
In-kind gifts	112,954	-	112,954
Special events and fundraisers	-	23,279	23,279
Other income	6,903	-	6,903
Net realized and unrealized gain on beneficial interest	12,429	-	12,429
Gain on sale of fixed assets	377,981	-	377,981
Net assets released from restrictions:			
Satisfaction of program restrictions	1,843,841	(1,843,841)	-
Satisfaction of capital and equipment acquisition restrictions	978,932	(978,932)	-
Total revenues, gains and other support	<u>5,044,793</u>	<u>(2,667,423)</u>	<u>2,377,370</u>
EXPENSES			
Agencies	1,083,761	-	1,083,761
2-1-1	350,533	-	350,533
East Texas Center for Nonprofits	118,274	-	118,274
Care Fund	14,229	-	14,229
Management and general	112,649	-	112,649
Marketing	56,184	-	56,184
Fundraising	238,792	-	238,792
Payments to affiliates	22,295	-	22,295
Total expenses	<u>1,996,717</u>	<u>-</u>	<u>1,996,717</u>
CHANGE IN NET ASSETS	3,048,076	(2,667,423)	380,653
NET ASSETS			
Beginning of period	1,169,871	2,720,959	3,890,830
Restatement	49,036	-	49,036
End of period, as restated	<u>\$ 4,266,983</u>	<u>\$ 53,536</u>	<u>\$ 4,320,519</u>

**UNITED WAY OF SMITH COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2019**

	Program Services						Supporting Services			
	Total	Agencies	2-1-1	East Texas Center for Nonprofits		Care Fund	Management and general	Marketing	Fundraising	Payments to affiliates
EXPENSES										
Agency distributions	\$ 655,357	\$ 655,357	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special events	5,877	-	-	-	-	-	-	5,877	-	-
United Way (National & State)	20,853	-	-	-	-	-	-	-	-	20,853
Distributions	40,535	-	-	-	40,535	-	-	-	-	-
Salaries	678,117	187,067	236,546	66,806	-	6,228	63,445	118,025	-	-
Payroll taxes	49,393	13,971	18,121	5,170	-	459	2,907	8,765	-	-
Employee benefits	74,633	15,271	43,500	26	-	699	4,425	10,712	-	-
Retirement expense	51,231	15,083	17,673	5,676	-	498	3,154	9,147	-	-
Professional fees	23,013	-	280	3,258	-	19,475	-	-	-	-
Advertising	2,306	12	144	349	-	-	-	1,801	-	-
Campaign expenses	62,421	-	-	-	-	49,687	-	12,734	-	-
Conferences and meetings	18,670	225	2,865	13,202	-	1,965	-	413	-	-
Depreciation	30,004	19,202	-	-	-	900	5,701	4,201	-	-
Equipment rental and maintenance	70	-	-	-	-	70	-	-	-	-
Insurance	9,780	4,230	567	117	-	2,587	1,232	1,047	-	-
Miscellaneous	66,035	115	5,055	20,802	-	21,051	-	19,012	-	-
Occupancy	31,280	-	4,714	3,759	-	22,807	-	-	-	-
Office supplies	4,446	274	983	333	-	2,856	-	-	-	-
Postage	2,071	93	44	29	-	574	-	1,331	-	-
Telephone	5,500	600	4,900	-	-	-	-	-	-	-
Computer/internet expense	13,015	4,408	1,370	2,408	-	3,304	878	647	-	-
Pledge loss	52,078	52,078	-	-	-	-	-	-	-	-
Total expenses	\$ 1,896,685	\$ 967,986	\$ 336,762	\$ 121,935	\$ 40,535	\$ 133,160	\$ 81,742	\$ 193,712	\$ 20,853	\$ -

**UNITED WAY OF SMITH COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2018**

	Program Services					Supporting Services				
	Total	Agencies	2-1-1	East Texas Center for Nonprofits		Care Fund	Management and general	Marketing	Fundraising	Payments to affiliates
				-	-					
EXPENSES										
Agency distributions	\$ 714,498	\$ 714,498	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special events	34,688	-	-	-	-	-	-	34,688	-	-
United Way (National & State)	22,295	-	-	-	-	-	-	-	-	22,295
Distributions	12,729	-	-	-	12,729	-	-	-	-	-
Salaries	657,812	185,767	235,492	72,663	-	6,167	39,059	118,664	-	-
Payroll taxes	49,794	13,913	17,957	5,669	-	458	2,900	8,897	-	-
Employee benefits	80,444	21,059	47,167	34	-	1,325	6,252	4,607	-	-
Retirement expense	46,833	15,254	17,037	5,962	-	715	4,528	3,337	-	-
Professional fees	21,791	-	266	2,975	-	18,550	-	-	-	-
Advertising	9,692	-	1,362	160	-	-	-	8,170	-	-
Campaign expenses	83,328	-	-	-	-	48,064	-	35,264	-	-
Conferences and meetings	31,259	350	9,411	13,991	-	1,861	-	5,646	-	-
Depreciation	8,118	5,195	-	-	-	244	1,542	1,137	-	-
Equipment rental and maintenance	1,542	-	-	-	-	1,542	-	-	-	-
Insurance	8,371	3,317	731	179	-	2,433	985	726	-	-
Miscellaneous	60,128	116	10,632	13,315	1,500	18,053	-	16,512	-	-
Occupancy	11,653	-	927	711	-	10,015	-	-	-	-
Office supplies	3,308	183	2,106	260	-	759	-	-	-	-
Postage	955	142	130	31	-	185	-	467	-	-
Telephone	6,000	600	5,400	-	-	-	-	-	-	-
Computer/internet expense	12,392	4,280	1,915	2,324	-	2,278	918	677	-	-
Pledge loss	119,087	119,087	-	-	-	-	-	-	-	-
Total expenses	\$ 1,996,717	\$ 1,083,761	\$ 350,533	\$ 118,274	\$ 14,229	\$ 112,649	\$ 56,184	\$ 238,792	\$ 22,295	

**UNITED WAY OF SMITH COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 361,581	\$ 380,653
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net asset restatement	-	49,036
Depreciation	30,004	8,118
Provision for bad debts	52,078	119,087
Donated assets	-	(91,787)
Pledge charge-offs	(63,432)	(115,031)
Net realized and unrealized gain on marketable securities and beneficial interest	(4,374)	(12,429)
Noncash investment income, net of expenses	(1,904)	(1,740)
Net loss (gain) on sales of property and equipment	26,650	(377,981)
Changes in assets and liabilities:		
(Increase) decrease in grant receivable	(5,687)	27,307
Decrease in pledges receivable	159,171	229,621
(Increase) decrease in prepaid expenses	(6,782)	7,198
(Decrease) increase in accounts payable	(254,404)	418,122
Increase in compensated absences payable	3,357	6,281
(Decrease) increase in deferred revenue	(12,126)	27,306
(Decrease) increase in other liabilities	(545)	495
Total adjustments	<u>(77,994)</u>	<u>293,603</u>
Net cash provided by operating activities	<u>283,587</u>	<u>674,256</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	-	(3,967)
Decrease in investment in beneficial interest	19,500	-
Property and equipment purchases	(675,762)	(1,359,405)
Proceeds from sales and disposals of property and equipment	456,984	459,570
Net cash used in investing activities	<u>(199,278)</u>	<u>(903,802)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	921,550	193,000
Payments on line of credit	(717,849)	-
Net cash provided by financing activities	<u>203,701</u>	<u>193,000</u>
Net increase (decrease) in cash and cash equivalents	288,010	(36,546)
CASH AND CASH EQUIVALENTS		
Beginning of period	<u>1,088,790</u>	<u>1,125,336</u>
End of period	<u>\$ 1,376,800</u>	<u>\$ 1,088,790</u>
SUPPLEMENTAL DISCLOSURES OF CASH ACTIVITIES		
Cash paid for interest	\$ 38,227	\$ 13,482
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Donated goods and services	\$ 25,149	\$ 21,167
Donated equipment	-	91,787

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF ACTIVITIES

United Way of Smith County (Organization) is a local fundraising organization comprised primarily of volunteers. The Organization raises funds through campaigns, fundraisers and special events, and in turn, allocates the funds raised to character-building, health-oriented and community-minded agencies. The allocation decisions are determined by United Way volunteers and are controlled by the community.

BASIS OF FINANCIAL STATEMENT PRESENTATION

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-profit Entities* in preparing the financial statements. Under ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met by action of the Organization that expire with the passage of time or require them to be maintained permanently by the Organization. Generally, donors of these assets permit the Organization to use all or part of the income earned on any related investment for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions.

SUPPORT AND REVENUES

Unconditional promises to give are recorded as received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. In connection with its annual campaign, donors may designate specific United Way agencies as pass-through recipients. Since such specific designations have historically been less than actual agency allocations, these designations are accounted for in net assets without donor restrictions and are not separately identified by pass-through recipient agencies. Contributions also include capital campaign pledges which are also designated as net assets with donor restrictions until the restriction is released.

Donated property is recorded at estimated fair value at date of receipt. The Organization receives certain volunteer services which are not measurable and, therefore, have been excluded from the financial statements.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include interest-bearing deposits other than those subject to permanent restrictions.

PLEDGES RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE PLEDGES

The Organization maintains pledges receivable from donors and donor companies. The allowance for uncollectible pledges is based on historical write-offs and any known write-offs that are likely to occur from major donor companies.

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FUNCTIONAL EXPENSES

The Organization allocated its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated according to their natural expenditure classification and based on an analysis of personnel time and space utilized for the related activities. Other expenses that are common to several functions are allocated as deemed appropriate. As presented in Note 10, the Organization's principal program and support services include:

Agencies

The Organization runs annual campaigns to raise money to be allocated to local agencies for the benefit of community programs.

2-1-1

2-1-1 East Texas is a free, anonymous information and referral service that is available to anyone, 7 days per week, 24 hours each day. The service helps to connect people with critical social services and charitable programs that are available in the local community.

East Texas Center for Nonprofits

The East Texas Center for Nonprofits is a professional resource in partnership with nonprofits in 14 counties in East Texas to create a community of excellence. The Center offers leadership training, coaching and mentoring for the East Texas nonprofit community.

Care Fund

The Care Fund is a fund established by a local company and administered by United Way of Smith County to help the company's employees in times of serious need for qualifying events and expenses.

Marketing

The Organization employs staff to generate public awareness of services provided by United Way of Smith County.

Fundraising

The Organization employs staff to generate public awareness of collection efforts of United Way of Smith County for annual campaign contributions.

Payments to Affiliates

United Way of Smith County pays membership dues of 1% of campaign revenue to United Way Worldwide (UWW). This membership provides the Organization with access to major companies who have chosen United Way as their charitable giving partner as well as advertising advantages across the country.

INVESTMENTS

Investments include marketable securities with readily determinable fair values and certificates of deposit which are carried at fair value in the statement of financial position. Realized and unrealized gains and losses are included in the change in net assets. Additionally, certain investments are being held at East Texas Communities Foundation for the benefit of United Way of Smith County. The assets have been reported at current fair value in the accompanying financial statements. For more information about these beneficial interests, refer to Note 2 - Investments.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term, and such changes could materially affect the investment value.

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

PROPERTY AND EQUIPMENT

The Organization follows the practice of capitalizing all expenditures in excess of \$1,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Computers and other short-lived assets purchased with grant monies are expensed at the time of purchase. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

The following summarizes the classes and estimated useful lives of property and equipment:

	<u>Estimated Useful Lives</u>
Buildings	31.5 years
Building improvements	15 - 39 years
Furniture and fixtures	5 - 7 years
Computer equipment	3 - 5 years
Equipment	5 - 7 years

ESTIMATES

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FEDERAL INCOME TAX

United Way of Smith County is an Organization exempt from Federal income tax under the Internal Revenue Code Section 501(c)(3). Accordingly, the Organization files Form 990, "Return of Organization Exempt from Income Tax" annually.

Management considers the likelihood of changes by taxing authorities in its filed income tax returns, and discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed income tax returns that require disclosure in the accompanying financial statements. The Organization's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

RESTATEMENT OF NET ASSETS

Liabilities, revenues, gains and other support as of March 31, 2018 were restated to properly reflect the accounting and administration of the Care Fund, resulting in \$49,036 of additional net assets.

RECLASSIFICATION

Certain reclassifications have been made in the prior year's financial statements to conform to the current year's presentation. Due to the adoption of ASU 2016-14, "*Presentation of Financial Statements of Non-for-Profit Entities*" (Topic 958) on April 1, 2018, the fiscal year ended March 31, 2018 has been reclassified to conform to current year's presentation. ASU 2016-14 was issued to provide more relevant information by reducing the number of classes of net assets from three to two and required the presentation of expenses in both natural and functional classifications among other improvements. The guidance was to be applied on the retrospective basis, resulting in \$1,688,845 of net assets previously reported as temporarily restricted as of March 31, 2018 being reclassified under the new presentation as without donor restrictions. These reclassification had no impact on total net assets.

UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. The update applies to all entities that are required under existing U.S. GAAP to make disclosures about recurring or nonrecurring fair value measurements. The following disclosure requirements are modified with this update: (1) in lieu of a rollforward for Level 3 fair value measurements, a nonpublic entity is required to disclose transfers into and out of Level 3 of the fair value hierarchy and purchases and issues of Level 3 assets and liabilities; (2) for investments in certain entities that calculate net asset value, an entity is required to disclose the timing of liquidation of an investee's assets and the date when restrictions from redemption might lapse *only* if the investee has communicated the timing to the entity or announced the timing publicly; and (3) the amendments clarify that the measurement uncertainty disclosure is to communicate information about the uncertainty in measurement as of the reporting date. In addition, the amendments eliminate "at a minimum" from the phrase "an entity shall disclose at a minimum" to promote the appropriate exercise of discretion by entities when considering fair value measurement disclosures and to clarify that materiality is an appropriate consideration of entities and their auditors when evaluating disclosure requirements. The ASU is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The Organization's management is in the process of evaluating the impact of this accounting guidance and currently plans to implement this standard beginning April 1, 2020.

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This update is to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. The update is to help characterize grants and similar contracts with resource providers (i.e. foundation, a government agency, or other, but not the general public) as either exchange transactions or contributions and in determining whether a contribution is conditional when applying revenue recognition guidance. The ASU is effective for annual periods beginning after December 15, 2019. Early adoption is permitted. The Organization's management is in the process of evaluating the impact of this accounting guidance and currently plans to implement this standard beginning April 1, 2020.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This update requires lessees to recognize assets and liabilities for leases with lease terms of more than 12 months and disclose key information about leasing arrangements. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as finance or operating lease. The update is effective for reporting periods beginning after December 15, 2020 for non-public entities with early adoption permitted.

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers*. This ASU defers the effective date of ASU 2014-09, *Revenue from Contracts with Customers*, for non-public entities to annual reporting periods after December 15, 2018 with early implementation permitted for annual reporting periods after December 15, 2016. ASU 2014-09 supersedes the revenue recognition requirements in ASC Topic 605, *Revenue Recognition*, and establishes a new five step process for revenue recognition. The Organization adopted the guidance on April 1, 2019. Management does not expect any significant impact to the financials.

NOTE 2 - INVESTMENTS

Investments in beneficial interest are stated at fair value. Balances as of March 31, 2019 and 2018 were \$172,614 and \$185,836, respectively.

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018**

NOTE 2 - INVESTMENTS - CONTINUED

The following is a breakdown of the investment income related to the above investments:

	<u>2019</u>	<u>2018</u>
Interest and dividends	\$ 4,992	\$ 4,827
Net realized and unrealized gain	4,374	12,429
Total investment income	<u>\$ 9,366</u>	<u>\$ 17,256</u>

Interest and dividends reported on the statement of activities also includes income on interest-bearing deposits of \$16,796 and \$6,793 for the years ended March 31, 2019 and 2018, respectively.

Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

NOTE 3 - CONCENTRATIONS OF CREDIT AND RISK

The Organization's major source of receivables is from pledges made by local companies and their employees. As of March 31, 2019, approximately \$557,000 or 44% of outstanding pledges receivable, including capital campaign pledges, could be attributed to one company and one foundation, comprised of employee pledges of approximately \$150,000 and corporate pledges of approximately \$407,000. For the year ended March 31, 2018, approximately \$835,000 or 58% of outstanding pledges receivable, including capital campaign pledges, could be attributed to one company and two foundations, comprised of employee pledges of approximately \$150,000 and corporate pledges of approximately \$685,000.

The Organization maintains deposits in excess of federally insured limits. As of March 31, 2019, the total cash balance in excess of federally insured limits was approximately \$879,000. The Organization also utilizes sweep accounts which sweep funds outside of the bank to a Federated government obligation money market fund which in turn invests in short term U. S. government bonds and is approved for school districts and other municipalities as their investments are lower risk. Management monitors the financial stability of institutions in which the Organization has uninsured cash balances.

NOTE 4 - PLEDGES RECEIVABLE

The following tables summarize the Organization's pledges receivable at March 31:

	<u>2019</u>	<u>2018</u>
2018 General Campaign	\$ 917,482	\$ -
2017 General Campaign	8,629	851,203
2016 General Campaign	-	929
Capital Campaign	348,560	581,710
Total gross pledges	<u>1,274,671</u>	<u>1,433,842</u>
Allowance for uncollectible pledges	<u>(66,058)</u>	<u>(77,412)</u>
Pledges receivable, net	<u>\$ 1,208,613</u>	<u>\$ 1,356,430</u>
Gross pledges due in:		
Less than one year	\$ 1,058,005	\$ 1,084,258
One to five years	216,666	349,584
More than five years	-	-
	<u>\$ 1,274,671</u>	<u>\$ 1,433,842</u>

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018**

NOTE 4 - PLEDGES RECEIVABLE - CONTINUED

A summary of the changes in the allowance is as follows:

	2019	2018
Beginning of year balance	\$ 77,412	\$ 73,356
Provision	52,078	119,087
Charge-offs	(63,432)	(115,031)
End of year balance	\$ 66,058	\$ 77,412

NOTE 5 - RESTRICTIONS ON NET ASSETS

The Board of Directors has designated a portion of the funds for operating, allocation and sustainability reserves. Unrestricted-board designated net assets totaled \$672,614 and \$685,836 for the years ended March 31, 2019 and 2018, respectively.

In February 2018, a local company established a Care Fund with United Way to assist its employees in time of serious need. The employer and its employees may make donations to the Care Fund. United Way serves as administrator and manages, reviews and distributes funds based on the recommendations of the established committee composed of United Way volunteers. United Way has full control and authority over the use of the donated funds within the guidelines of the established fund. A portion of the donations were allocated to cover administrative expenses as outlined in the Care Fund agreement. The United Way earned administrative fees of \$4,500 and \$1,500 for the years ended March 31, 2019 and 2018, respectively. Gifts to this donor advised fund are tax deductible and irrevocable.

Restricted net assets were comprised of the following:

	2019	2018
Care Fund	\$ 426,834	\$ 53,536
ETCN Grant	9,000	-
	\$ 435,834	\$ 53,536

Net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrences of other events specified by donors:

	2019	2018
Purpose restrictions accomplished:		
Purchase of equipment and capital improvements	\$ 79,060	\$ 978,932
Satisfaction of program restrictions	47,060	1,843,841
	\$ 126,120	\$ 2,822,773

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018**

NOTE 6 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at cost, less accumulated depreciation at March 31:

	<u>2019</u>	<u>2018</u>
Land	\$ 127,320	\$ 608,411
Buildings	2,835,627	587,032
Furniture and fixtures	60,893	48,831
Computer equipment	83,627	83,627
Equipment	22,996	26,578
Construction in progress	-	1,584,895
	<u>3,130,463</u>	<u>2,939,374</u>
Less: accumulated depreciation	<u>(179,459)</u>	<u>(150,494)</u>
Net property and equipment	<u>\$ 2,951,004</u>	<u>\$ 2,788,880</u>

Depreciation expense totaled \$30,004 and \$8,118 for the years ended March 31, 2019 and 2018, respectively.

In conjunction with the relocation of the United Way offices during 2018, the Organization sold land and/or buildings resulting in a net loss of \$24,107 in 2019 and a gain of \$348,314 in 2018.

NOTE 7 - DONOR-DESIGNATED ENDOWMENT FUNDS

The Organization’s two endowments consist of various funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The investment in beneficial interest represents investments held by East Texas Communities Foundation (ETCF) and consists primarily of mutual funds, equity investments, and fixed income investments. These assets have been reported in the accompanying financial statements in accordance with ASC 958-605-50, subsections 4-6, *Transfer of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others* at current fair market value as determined by ETCF. That beneficial interest balance as of March 31, 2019 was \$172,614 and was considered unrestricted. These funds are managed according to the holding Organization’s guidelines. Generally, the Organization may withdraw up to 5% of the funds in any year, but could request to withdraw these funds at any time.

The Organization is subject to the Uniform Prudent Management of Institutional Funds Act (“TX UPMIFA”). In accordance with the TX UPMIFA, the Organization 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 the Organization, and (7) the Organization’s investment policies.

INTERPRETATION OF RELEVANT LAW

The Board of Directors of the Organization has interpreted the TX UPMIFA 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.

As a result of this interpretation, the Organization would consider the fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment that are required to be maintained in perpetuity made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The Organization has interpreted TX UPMIFA to permit spending from underwater funds in accordance with prudent measures required under the law. The fund is not currently underwater.

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018**

NOTE 7 - DONOR-DESIGNATED ENDOWMENT FUNDS - CONTINUED

INVESTMENT RETURN OBJECTIVES, RISK PARAMETERS AND STRATEGIES

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long-term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make annual distributions, while growing the funds if possible.

Actual returns in any given year may vary from the amount expected. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

SPENDING POLICY

The Organization has a policy of appropriating for distribution each year those funding requests which in total shall not exceed the accrued interest and other realized returns on investments of the Organization. In establishing this policy, the Organization considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor-restrictions, and the possible effects of inflation. The Organization expects the current spending policy to allow its endowment funds to grow at a nominal rate annually, which is consistent with the Organization's objective to maintain the purchasing power of the endowment assets as well as to provide additional real growth through investment return.

The following summarizes the changes in the investment in beneficial interest for the years ended March 31:

	<u>2019</u>	<u>2018</u>
Balance, beginning of year	\$ 185,836	\$ 167,700
Interest and dividends	4,992	4,816
Net realized and unrealized gain	4,375	12,429
Investment and administrative expenses	(3,089)	(3,076)
Contributions	-	3,967
Withdrawals	(19,500)	-
Balance, end of year	<u>\$ 172,614</u>	<u>\$ 185,836</u>

NOTE 8 - ACCOUNTS PAYABLE

The following summarizes accounts payable balances for the years ended March 31:

	<u>2019</u>	<u>2018</u>
Campaign payable	\$ 156,383	\$ 120,768
Campaign giveaway payable	-	10,000
Construction payable	-	283,793
Credit card payable	4,205	4,952
Other accounts payable	12,015	7,494
	<u>\$ 172,603</u>	<u>\$ 427,007</u>

The 2017 Campaign allocated payments to the agencies, which totaled \$156,383 at March 31, 2019, were paid monthly during April, May and June 2019. The 2016 Campaign allocated payments to the agencies, which totaled \$120,768 at March 31, 2018, were paid monthly during April, May and June 2018.

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018**

NOTE 9 - EAST TEXAS CENTER FOR NONPROFITS' GRANTS

The Organization has special grant monies contributed by donors and restricted for nonprofit development programs. For the years ended March 31, 2019 and 2018, the nonprofit development programs provided capacity building resources through professional and organizational development training, consulting services, conferences, onsite library and research center, and others. The Organization has allocated a portion of these grants to cover administrative expenses as agreed to by donors.

NOTE 10 - ALLOCATION OF JOINT COSTS

During the years ended March 31, 2019 and 2018, the Organization conducted activities that included requests for contributions, as well as program and management and general components. Those activities included general campaign activities, special events and nonprofit development programs. The costs of conducting those activities included a total of \$335,184 and \$301,624 of joint costs for the years ended March 31, 2019 and 2018, respectively, which are not specifically attributable to particular components of the activities.

Joint costs were allocated as follows using the Full-time Employee Equivalent Method:

	2019	2018
Agencies	\$ 194,496	\$ 189,252
2-1-1	4,714	891
East Texas Center for Nonprofits	3,759	711
Management and General	31,925	13,185
Marketing	57,742	56,184
Fundraising	42,548	41,401
	\$ 335,184	\$ 301,624

NOTE 11 - EMPLOYEE BENEFIT PLAN

The Organization sponsors a defined contribution employee benefit plan that covers all full-time employees with at least one year of service. An employee could elect to defer up to \$18,500 of their total compensation for the years ended March 31, 2019 and 2018. This amount increases by \$6,000 once the employee reaches age 50. Employer contributions to the plan are at the discretion of the Board of Directors. During the years ended March 31, 2019 and 2018, the Organization elected to provide a discretionary contribution of 8% of all participants' salaries plus a match of the lesser of 25% of participant contributions or 0.25% of participant's salary. Employer contributions totaled \$51,231 and \$46,833 for years ended March 31, 2019 and 2018, respectively. An employee fully vests immediately as of the date of their participation in the plan.

NOTE 12 - OPERATING LEASES

The Organization leased a postage machine under an operating lease in 2019 and 2018. There are no minimum future lease payments under an operating lease having remaining terms in excess of one year as of March 31, 2019 as this lease is no longer in place. Lease expense, including leases having terms of less than one year, totaled \$70 and \$1,154 for the years ended March 31, 2019 and 2018, respectively.

NOTE 13 - MARKETING, FUNDRAISING AND MANAGEMENT AND GENERAL EXPENSE RATIO

The marketing, fundraising and management and general expense ratio was approximately 18% and 17% for years ended March 31, 2019 and 2018, respectively. The numerator for this ratio is calculated by adding the total marketing, fundraising and management and general expenses for the period. The denominator is total revenue.

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018**

NOTE 14 - LINES OF CREDIT

In June 2013, the Organization renewed a \$500,000, closed end line of credit at 2.5%, secured by a certificate of deposit, with monthly interest-only payments. This line was utilized to purchase land for the future site of the Organization, and a capital campaign was conducted to raise the funds to pay off the note upon maturity. The line of credit renewed in June 2018. The outstanding balance totaled \$-0- and \$474,199 at March 31, 2019 and 2018, respectively, as the line was paid off in 2019.

The Organization entered into a \$1,800,000 line of credit agreement with a regional financial institution in July 2017 to pay for real estate improvements. The line of credit is secured by real estate and has an interest rate of 4.30% with interest only payments and a single balloon payment due when the loan matures on February 27, 2021. Advances outstanding on the line of credit totaled \$870,000 and \$193,000 as of March 31, 2019 and 2018, respectively.

NOTE 15 - FAIR VALUE MEASUREMENT

ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 defines fair value as 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. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of March 31:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
2019				
Beneficial interest	\$ 172,614	\$ -	\$ -	\$ 172,614
Total	<u>\$ 172,614</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 172,614</u>
2018				
Beneficial interest	\$ 185,836	\$ -	\$ -	\$ 185,836
Total	<u>\$ 185,836</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 185,836</u>

See Note 7 for additional information regarding the investment in beneficial interest.

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2019 AND 2018**

NOTE 16 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Financial assets available to meet cash needs for general expenditure within one year as of March 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end	\$ 2,815,789	\$ 2,683,131
Less those unavailable for general expenditures within one year, due to:		
Donor-restricted for Care Fund disbursements	426,834	53,536
Grant restrictions	<u>9,000</u>	<u>-</u>
	435,834	53,536
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 2,379,955</u>	<u>\$ 2,629,595</u>

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 1, 2019, the date on which the financial statements were available to be issued.