UNITED WAY OF SMITH COUNTY
TYLER, TEXAS

FINANCIAL STATEMENTS

MARCH 31, 2020 AND 2019

UNITED WAY OF SMITH COUNTY
MARCH 31, 2020 AND 2019

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HENRY & PETERS
CERTIFIED PUBLIC ACCOUNTANTS | EST. 1929

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, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Henry & Peters P.C.

Tyler, Texas
August 19, 2020

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UNITED WAY OF SMITH COUNTY
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2020 AND 2019

	2020	2019 (restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 1,111,882	$ 940,966
Restricted cash - Care Fund	789,900	435,834
Total cash and cash equivalents	1,901,782	1,376,800
Current portion of pledges receivable, net	801,609	860,053
Grant receivables	58,103	57,762
Prepaid expenses and other current assets	97	8,696
Total current assets	2,761,591	2,303,311
PROPERTY AND EQUIPMENT, net	2,875,618	2,951,004
OTHER ASSETS		
Pledges receivable, net of current portion	217,643	348,560
Beneficial interest in assets held by others	116,456	172,614
Total assets	$ 5,971,308	$ 5,775,489
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 17,970	$ 14,573
Agency allocations payable	167,988	158,030
Donor designations payable	109,310	102,434
Accrued payroll and related benefits	22,995	33,306
Line of credit	721,900	870,900
Other current liabilities	4,050	16,580
Total current liabilities	1,044,213	1,195,823
NET ASSETS		
Without donor restrictions:		
Unrestricted	3,520,739	3,471,218
Board designated	616,456	672,614
Total net assets without donor restrictions	4,137,195	4,143,832
With donor restrictions	789,900	435,834
Total net assets	4,927,095	4,579,666
Total liabilities and net assets	$ 5,971,308	$ 5,775,489

UNITED WAY OF SMITH COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Gross campaign results	$ 1,515,962	$ -	$ 1,515,962
Less: donor designations	(109,310)	-	(109,310)
Net campaign contributions	1,406,652	-	1,406,652
Contributions - Capital Campaign	-	6,000	6,000
Contributions - Care Fund	-	429,888	429,888
Grants and other contribution revenue	400,580	54,000	454,580
Interest income	20,389	-	20,389
Special events and fundraisers	27,135	-	27,135
Other income	16,400	-	16,400
Change in value of beneficial interest	(5,209)	-	(5,209)
NET ASSETS RELEASED FROM RESTRICTIONS	135,822	(135,822)	-
Total revenues, gains and other support	2,001,769	354,066	2,355,835
EXPENSES			
Gross distributions to agencies	665,395	-	665,395
Less: donor designations payable to agencies	(102,434)	-	(102,434)
Net allocations granted to agencies	562,961	-	562,961
Other program services	1,002,134	-	1,002,134
Total program services	1,565,095	-	1,565,095
Supporting services	443,311	-	443,311
Total expenses	2,008,406	-	2,008,406
Change in net assets	(6,637)	354,066	347,429
NET ASSETS			
Beginning of period, as restated	4,143,832	435,834	4,579,666
End of period	$ 4,137,195	$ 789,900	$ 4,927,095

See accompanying notes to financial statements

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

	Without Donor Restrictions	With Donor Restrictions	Total (restated)
REVENUES, GAINS AND OTHER SUPPORT			
Gross campaign results	$ 1,259,553	$ -	$1,259,553
Less: donor designations	(102,434)	-	(102,434)
Net campaign contributions	1,157,119	-	1,157,119
Contributions - Capital Campaign	-	79,060	79,060
Contributions - Care Fund	-	416,435	416,435
Grants and other contribution revenue	408,253	57,126	465,379
Interest income	12,873	3,923	16,796
Special events and fundraisers	19,795	-	19,795
Other income	18,532	-	18,532
Loss on disposal of property and equipment	(26,650)	-	(26,650)
Change in value of beneficial interest	6,278	-	6,278
NET ASSETS RELEASED FROM RESTRICTIONS	174,246	(174,246)	-
Total revenues, gains and other support	1,770,446	382,298	2,152,744
EXPENSES			
Gross distributions to agencies	655,357	-	655,357
Less: donor designations payable to agencies	(83,262)	-	(83,262)
Net allocations granted to agencies	572,095	-	572,095
Other program services	811,861	-	811,861
Total program services	1,383,956	-	1,383,956
Supporting services	426,379	-	426,379
Total expenses	1,810,335	-	1,810,335
Change in net assets	(39,889)	382,298	342,409
NET ASSETS			
Beginning of period - previously reported	4,266,983	53,536	4,320,519
Prior period adjustment - see note 3	(83,262)	-	(83,262)
End of period, as restated	$ 4,143,832	$ 435,834	$ 4,579,666

UNITED WAY OF SMITH COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED MARCH 31, 2020

		Program Services				Supporting Services		
	Total	Agencies	2-1-1	East Texas Center for Nonprofits	Care Fund	Management and general	Marketing	Fundraising
EXPENSES								
Gross distributions to agencies	$ 665,395	$ 665,395	$ -	$ -	$ -	$ -	$ -	$ -
Less: donor designations payable to agencies	(102,434)	(102,434)	-	-	-	-	-	-
Net allocations granted to agencies	562,961	562,961	-	-	-	-	-	-
Special events	6,153	-	-	-	-	-	-	6,153
United Way (National & State)	20,569	-	-	-	-	20,569	-	-
Distributions	72,956	-	-	-	72,956	-	-	-
Salaries	727,698	198,055	242,576	74,667	-	24,100	73,450	114,850
Payroll taxes	52,559	15,615	18,299	5,987	-	536	3,395	8,727
Employee benefits	75,967	13,587	46,876	988	-	617	3,909	9,990
Retirement expense	45,300	13,695	15,628	4,895	-	886	2,750	7,446
Professional fees	28,522	-	262	2,760	-	25,500	-	-
Advertising	4,153	149	465	254	-	-	5	3,280
Campaign expenses	41,552	-	-	-	-	31,308	-	10,244
Conferences and meetings	37,108	69	3,366	32,259	-	896	-	518
Depreciation	76,137	48,728	-	-	-	2,284	14,466	10,659
Equipment rental and maintenance	553	-	-	-	-	553	-	-
Insurance	11,237	5,105	600	112	-	2,693	1,491	1,236
Miscellaneous	39,302	67	7,382	5,620	-	2,937	-	23,296
Occupancy	34,752	-	5,137	4,097	-	25,518	-	-
Office supplies	2,588	64	979	701	-	844	-	-
Postage	1,092	106	84	5	-	517	-	380
Telephone	4,750	600	4,150	-	-	-	-	-
Computer/internet expense	19,231	6,210	2,347	3,366	-	5,774	883	651
Bad debt expense	143,266	143,266	-	-	-	-	-	-
Total expenses	$ 2,008,406	$ 1,008,277	$ 348,151	$ 135,711	$ 72,956	$ 145,532	$ 100,349	$ 197,430

See accompanying notes to financial statements

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
EXPENSES	(restated)							
Gross distributions to agencies	$ 655,357	$ 655,357	$ -	$ -	$ -	$ -	$ -	$ -
Less: donor designations payable to agencies	(83,262)	(83,262)	-	-	-	-	-	-
Net allocations granted to agencies	572,095	572,095	-	-	-	-	-	-
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	62,947	115	5,055	20,802	-	17,963	-	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
Bad debt expense	52,078	52,078	-	-	-	-	-	-
Total expenses	$ 1,810,335	$ 884,724	$ 336,762	$ 121,935	$ 40,535	$ 150,925	$ 81,742	$ 193,712

See accompanying notes to financial statements

UNITED WAY OF SMITH COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

	2020	2019 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 347,429	$ 342,409
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	76,137	30,004
Bad debt expense	143,266	52,078
Net change in beneficial interest in assets held by others	5,209	(6,278)
Loss on disposal of property and equipment	-	26,650
Changes in assets and liabilities:		
Pledges receivable	46,095	95,739
Grant receivables	(341)	(5,687)
Prepaid expenses and other current assets	8,599	(6,782)
Accounts payable	3,397	(254,404)
Agency allocations	9,958	-
Donor designations payable	6,876	19,172
Accrued payroll and related benefits	(10,311)	3,357
Other current liabilities	(12,530)	(12,671)
Total adjustments	276,355	(58,822)
Net cash provided by operating activities	623,784	283,587
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from beneficial interest receivable	50,949	19,500
Capital expenditures	(751)	(675,762)
Proceeds from disposal of property and equipment	-	456,984
Net cash provided (used) by investing activities	50,198	(199,278)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	-	921,550
Payments on line of credit	(149,000)	(717,849)
Net cash (used) provided by financing activities	(149,000)	203,701
Net increase in cash and cash equivalents	524,982	288,010
CASH AND CASH EQUIVALENTS		
Beginning of period	1,376,800	1,088,790
End of period	$ 1,901,782	$ 1,376,800
SUPPLEMENTAL DISCLOSURES OF CASH ACTIVITIES		
Cash paid for interest	$ 31,308	$ 38,227

UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 1 - ORGANIZATION

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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").

FINANCIAL STATEMENTS PRESENTATION

The Organization follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 958-210-50-3, *Not-for-Profit Entities* in preparing the financial statements. Under the provisions of this standard, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Organization and changes therein, are classified and reported as follows:

<u>Net assets without donor restrictions</u> – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

<u>Net assets with donor restrictions</u> – Net assets that are subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization, or by the passage of time.

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. Expirations of donor restricted-contributions (i.e. when the donor-stipulated purposes have been fulfilled and/or when the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

CONTRIBUTIONS

Annual campaigns are conducted to raise support for allocation to participating agencies. Pledges are recorded as received and allowances are made for amounts estimated as uncollectible. Unless specifically restricted by the donor, all pledges are considered to be available for unrestricted use.

Contributions received are distinguished as unrestricted or restricted support, depending on the existence or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction is satisfied or expires (that is, when a stipulated time restriction and/or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions. The Organization considers campaign contributions received without specific donor restrictions to be unrestricted regardless of the year in which funds are allocated.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

DONOR DESIGNATIONS

Annual campaign gifts in which the Organization agrees to transfer the gift to another beneficiary as designated by the donor constitute agency transactions and are deduction from gross campaign results to arrive at contribution revenue. In accordance with United Way Worldwide membership requirements these designations are presented as part of gross campaign results and gross agency distributions on the accompanying financial statements, but are then deducted to arrive at the Organizations actual revenue and expense to be reported under U.S. GAAP.

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.

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:

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

BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

The Organization accounts for assets held by other entities on its behalf 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, which specifies that such transfers are recognized as a beneficial interest receivable at the fair value of the assets.

AGENCY ALLOCATIONS

Annual campaigns are conducted from June to January (campaign period) to raise support for programs. Program funds are allocated to participating agencies in the fiscal year that begins April 1 following the campaign period. Allocations committed to agencies, but unpaid by the fiscal year end are included as agency allocations payable on the accompanying financial statements.

DONATED ASSETS AND SERVICES

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received. The Organization receives certain volunteer services which are not measurable, and therefore, have been excluded from the financial statements.

NOTE 2 - 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.

The Organization's principal program 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 the Organization to help the company's employees in times of serious need for qualifying events and expenses.

During the years ended March 31, 2020 and 2019, 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 $400,418 and $335,184 of joint costs for the years ended March 31, 2020 and 2019, 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:

	2020	2019
Agencies	$ 234,450	$ 194,496
2-1-1	5,137	4,714
East Texas Center for Nonprofits	4,097	3,759
Management and General	35,847	31,925
Marketing	69,601	57,742
Fundraising	51,286	42,548
	$ 400,418	$ 335,184

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

FEDERAL INCOME TAX

The Organization is exempt from federal income tax, except to the extent the entity has unrelated business income, under 501(c)(3) of the Internal Revenue Code ("Code") and is classified as other than a private foundation within the meaning of Section 509(a). Accordingly, no provision for federal income tax has been recorded in the accompanying financial statements.

In accordance with FASB ASC 740, *Income Taxes*, management has evaluated the Organization's tax positions and concluded that the Organization has taken no uncertain tax positions that required adjustments to the financial statements to comply with the provisions of this guidance. The Organizations tax returns are subject to examination by the Internal Revenue Services, generally for three years from the date of filing.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The amendments in this update clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. It also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. This is important because such classification affects the timing of contribution revenue and expense recognition. The update is effective for annual periods beginning after December 15, 2019. The Organization plans to adopt this standard beginning on April 1, 2020.

RECLASSIFICATION

Certain amounts in the 2019 financial statements have been reclassified to conform to the presentation in 2020.

NOTE 3 - ADOPTION OF NEW ACCOUNTING STANDARD

In August 2015, The FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606)*. This ASU supersedes the revenue recognition requirements in ASC Topic 605, Revenue Recognition, and establishes a new five step process for revenue recognition, which places an increased focus on issues related to determining whether a contribution is conditional when applying guidance in Subtopic 958-605, Not-for-Profit Entities—Revenue Recognition. Historically these challenges have resulted in diverse application of pass-through contributions. The Organization adopted the guidance on April 1, 2019. The application of ASC 606 has resulted in pass-through contributions, previously recognized as revenue, being removed from net assets and properly recognized as a “donor designations payable” liability until paid.

A summary of the changes driven by the adoption of ASU 2015-14 as of April 1, 2019 is presented below:

	2019 (previously reported)	2019 (restated)	Change
Net assets - Beginning of year	4,320,519	4,237,257	(83,262)
Donor designations payable	-	102,434	102,434
Net assets - End of period	4,682,100	4,579,666	(102,434)
Contributions - Annual Campaign	1,259,553	1,157,119	(102,434)
Agencies expenses	655,357	572,095	(83,262)

NOTE 4 - 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. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

	2020	2019
Financial assets at year-end	$ 1,971,594	$ 1,858,781
Less: those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions	(789,900)	(435,834)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,181,694	$ 1,422,947

UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2020 AND 2019

NOTE 5 - PLEDGES RECEIVABLE

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

	2020	2019
2019 General Campaign	$ 948,019	$ -
2018 General Campaign	5,216	917,482
2017 General Campaign	-	8,629
Capital Campaign	217,643	348,560
Total gross pledges	1,170,878	1,274,671
Allowance for uncollectible pledges	(151,626)	(66,058)
Pledges receivable, net	$ 1,019,252	$ 1,208,613
Gross pledges due in:		
Less than one year	$ 801,609	$ 860,053
One to five years	217,643	348,560
	$ 1,019,252	$ 1,208,613

NOTE 6 - PROPERTY AND EQUIPMENT

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

	2020	2019
Land	$ 127,320	$ 127,320
Buildings	2,835,627	2,835,627
Furniture and fixtures	61,643	60,893
Computer equipment	83,627	83,627
Equipment	22,996	22,996
	3,131,213	3,130,463
Less: accumulated depreciation	(255,595)	(179,459)
Property and equipment, net	$ 2,875,618	$ 2,951,004

Depreciation expense totaled $76,137 and $30,004 for the years ended March 31, 2020 and 2019, respectively.

NOTE 7 - BENEFICIAL INTEREST RECEIVABLE

The following summarizes the changes in the investment in beneficial interest in funds held at the East Texas Communities Foundation ("ETCF") for the years ended March 31:

	2020	2019
Balance, beginning of year	$ 172,614	$ 185,836
Interest and dividends	4,901	4,992
Net realized and unrealized gain	(7,915)	4,375
Investment and administrative expenses	(2,195)	(3,089)
Withdrawals	(50,949)	(19,500)
Balance, end of year	$ 116,456	$ 172,614

NOTE 8 - ENDOWMENT FUNDS

The beneficial interest represents board designated endowment funds held at ETCF and consist primarily of mutual funds, equity investments, and fixed income investments. These funds are managed according to the Organization's guidelines. ETCF has not been granted variance power by the Organization. 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.

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.

NOTE 9 - FAIR VALUE MEASUREMENT

The Financial Accounting Standards Board Accounting Standards Codification 820, *Fair Value Measurements and Disclosure,* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identifiable assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 methodologies used by the Organization for assets measured at fair value may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

	2020 (Level 3)	2019 (Level 3)
Beneficial interest in assets held by others	$ 116,456	$ 172,614

NOTE 10 - LINE OF CREDIT

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 2.8% 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 $721,900 and $870,000 as of March 31, 2020 and 2019, respectively.

NOTE 11 - BOARD DESIGNATED NET ASSETS

The Board of Directors has designated a portion of net assets without donor restrictions for the following purposes as of March 31:

	2020	2019
Reserve fund	$ 616,456	$ 672,614

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS

In February 2018, a local company established a Care Fund with the Organization to assist its employees in time of serious need. The employer and its employees may make donations to the Care Fund. The Organization serves as administrator and manages, reviews and distributes funds based on the recommendations of the established committee composed of volunteers. The Organization 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 Organization earned administrative fees of $16,580 and $4,500 for the years ended March 31, 2020 and 2019, respectively. Gifts to this donor advised fund are tax deductible and irrevocable.

Restricted net assets were comprised of the following:

	2020	2019
Care Fund	$ 789,900	$ 426,834
ETCN	-	9,000
	$ 789,900	$ 435,834

NOTE 13 - 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, 2020 and 2019. 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, 2020 and 2019, 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 $45,300 and $51,231 for years ended March 31, 2020 and 2019, respectively. An employee fully vests immediately as of the date of their participation in the plan.

NOTE 14 - CONTINGENCIES AND CONCENTRATIONS

The Organization maintains cash in accounts with federally insured banks. At times, the balances in these accounts may be in excess of federally insured limits. The Organization has not experienced any loss in such accounts, and it does not believe it is exposed to any significant risk on cash.

The Organization is subject to certain claims and contingencies that arise in the normal course of accomplishing its mission. None of these, in the opinion of management, are expected to have a material adverse effect on the financial position, activities or cash flows of the Organization.

NOTE 15 - SUBSEQUENT EVENTS

Subsequent to the financial statement date but before the financials were available to be issued, the World Health Organization declared the novel strain of coronavirus (“COVID-19”) a global pandemic and recommended containment and mitigation measures worldwide. As a result of the COVID-19 virus pandemic, there has been disruption in businesses and markets world-wide. Current economic and financial market conditions related to the COVID-19 virus pandemic could adversely affect the Organization’s results of operations in future periods. While the long-term effects are unknown, Management believes that it has the resources to handle its current obligations.

On March 27, 2020, President Trump signed into law the “Coronavirus Aid, Relief, and Economic Security (“CARES Act”). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits and deferment of employer social security payments. Additionally, the CARES Act appropriated funds for loans under the U.S. Small Business Administration Paycheck Protection Programs. The loans are potentially forgivable if certain conditions are met. The Organization elected to apply for and has received a Paycheck Protection Program loan of approximately $165,000 and expects that it will meet the requirements for loan forgiveness.

The Organization has evaluated subsequent events through August 19, 2020, the date on which the financial statements were available to be issued.