

United Way of Waco-McLennan County and Subsidiary

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2019

United Way of Waco-McLennan County and Subsidiary
December 31, 2019

Contents

Independent Auditor’s Report1

Consolidated Financial Statements

Statement of Financial Position..... 3
Statement of Activities 4
Statement of Functional Expenses..... 5
Statement of Cash Flows 6
Notes to Financial Statements 7

Supplementary Information

Consolidating Statement of Financial Position 19
Consolidating Statement of Activities..... 20
Allocations to Agencies..... 21
Bridge Funding to Agencies..... 22

Independent Auditor's Report

Board of Directors
United Way of Waco-McLennan County
Waco, Texas

We have audited the accompanying consolidated financial statements of United Way of Waco-McLennan County and Subsidiary (Organization), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audit. We conducted our audit 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of United Way of Waco-McLennan County and Subsidiary, as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in *Note 2* to the consolidated financial statements, in 2019, the Organization elected to change its method of accounting for campaign contributions. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules and schedules of allocations to agencies and bridge funding to agencies, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

BKD, LLP

Waco, Texas
June 12, 2020

United Way of Waco-McLennan County and Subsidiary
Consolidated Statement of Financial Position
December 31, 2019

Assets

Cash and cash equivalents	\$ 1,065,176
Short-term certificates of deposit	384,058
Campaign pledges receivable	526,799
Other receivables	31,638
Investments at fair value	883,340
Property and equipment, net	28,421
Restricted cash	10,740
Restricted short-term certificates of deposit	62,681
Beneficial interest in assets held by others	<u>2,949</u>
Total assets	<u><u>\$ 2,995,802</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable	\$ 3,657
Agencies payable	720,000
Donor designations payable	40,264
Accrued expenses and other liabilities	<u>24,302</u>
Total liabilities	<u>788,223</u>

Net Assets

Without donor restrictions	1,713,127
With donor restrictions	<u>494,452</u>
Total net assets	<u>2,207,579</u>
Total liabilities and net assets	<u><u>\$ 2,995,802</u></u>

United Way of Waco-McLennan County and Subsidiary
Consolidated Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Contributions	\$ 1,647,614	\$ -	\$ 1,647,614
Net investment income	211,094	-	211,094
Other income	3,815	292,393	296,208
Net assets released from restrictions	120,592	(120,592)	-
Total public support and revenues	<u>1,983,115</u>	<u>171,801</u>	<u>2,154,916</u>
Expenses			
Program expenses:			
Funds distributed to agencies	1,721,396	-	1,721,396
Born Learning Initiative	18,658	-	18,658
Smart Babies	70,666	-	70,666
Women United	45,388	-	45,388
Other	3,266	-	3,266
Total program expenses	<u>1,859,374</u>	<u>-</u>	<u>1,859,374</u>
Support expenses:			
Management and general administration	353,591	-	353,591
Fundraising	164,409	-	164,409
Total support expenses	<u>518,000</u>	<u>-</u>	<u>518,000</u>
Total program and support expenses	<u>2,377,374</u>	<u>-</u>	<u>2,377,374</u>
Change in Net Assets	<u>(394,259)</u>	<u>171,801</u>	<u>(222,458)</u>
Net Assets, Beginning of Year, As Previously Reported	1,480,537	949,500	2,430,037
Change in Accounting Principle (Note 2)	<u>626,849</u>	<u>(626,849)</u>	<u>-</u>
Net Assets, Beginning of Year, As Restated	<u>2,107,386</u>	<u>322,651</u>	<u>2,430,037</u>
Net Assets, End of Year	<u>\$ 1,713,127</u>	<u>\$ 494,452</u>	<u>\$ 2,207,579</u>

United Way of Waco-McLennan County and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program Expenses					Total Program Expenses	Support Expenses		
	Distribution to Local Agencies	Born Learning Initiative	Smart Babies	Women United	Other		Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 106,869	\$ 8,909	\$ 53,816	\$ 24,099	\$ -	\$ 193,693	\$ 124,471	\$ 131,190	\$ 449,354
Payroll taxes and employee benefits	11,228	667	5,042	2,668	-	19,605	10,472	15,629	45,706
Total salaries, wages and related expenses	<u>118,097</u>	<u>9,576</u>	<u>58,858</u>	<u>26,767</u>	<u>-</u>	<u>213,298</u>	<u>134,943</u>	<u>146,819</u>	<u>495,060</u>
Distributions to local agencies and allocations	1,576,790	-	-	6,000	-	1,582,790	-	-	1,582,790
Professional fees	-	-	-	-	-	-	90,213	-	90,213
Data processing	-	-	-	-	-	-	8,180	-	8,180
Office supplies	752	-	-	72	372	1,196	5,481	255	6,932
Telephone expense	473	39	238	107	-	857	2,990	514	4,361
Program materials and events	7,226	6,522	-	9,843	417	24,008	-	-	24,008
Advertising/promotion	-	-	-	-	-	-	11,673	-	11,673
Occupancy	3,964	330	1,996	894	-	7,184	25,044	4,308	36,536
Rental and maintenance	409	34	206	92	-	741	3,120	445	4,306
Printing and publications	-	1,245	-	-	-	1,245	661	7,269	9,175
Auto and mileage allowance	30	41	353	-	-	424	1,209	522	2,155
Property insurance	587	49	295	132	-	1,063	3,731	614	5,408
Technology	457	-	-	-	-	457	37,348	27	37,832
Membership dues	-	-	-	-	-	-	18,186	175	18,361
Other	11,606	738	8,214	1,254	2,477	24,289	6,287	2,369	32,945
Depreciation and amortization	1,005	84	506	227	-	1,822	4,525	1,092	7,439
	<u>\$ 1,721,396</u>	<u>\$ 18,658</u>	<u>\$ 70,666</u>	<u>\$ 45,388</u>	<u>\$ 3,266</u>	<u>\$ 1,859,374</u>	<u>\$ 353,591</u>	<u>\$ 164,409</u>	<u>\$ 2,377,374</u>

United Way of Waco-McLennan County and Subsidiary
Consolidated Statement of Cash Flows
Year Ended December 31, 2019

Operating Activities	
Change in net assets	\$ (222,458)
Items not requiring (providing) operating activities cash flows	
Depreciation and amortization	7,439
Realized and unrealized gains on investments	(160,519)
Change in beneficial interest in assets held by others	(320)
Contribution of investment assets	(387,214)
Changes in	
Campaign pledges receivable	100,050
Other receivables	26,130
Accounts payable and accrued liabilities	(42,330)
Agencies and donor designation payables	<u>670,083</u>
Net cash used in operating activities	<u>(9,139)</u>
Investing Activities	
Proceeds from redemption of certificates of deposit	302,480
Purchases of certificates of deposit	(292,480)
Proceeds from sales of investments	393,006
Purchase of investments	<u>(727)</u>
Net cash provided by investing activities	<u>402,279</u>
Increase in Cash and Cash Equivalents	393,140
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	<u>682,776</u>
Cash, Cash Equivalents and Restricted Cash, End of Year	<u>\$ 1,075,916</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash to the Consolidated Statement of Financial Position	
Cash and cash equivalents	\$ 1,065,176
Restricted cash	<u>10,740</u>
Total cash, cash equivalents and restricted cash	<u>\$ 1,075,916</u>

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The accompanying consolidated financial statements include the accounts of United Way of Waco-McLennan County and Greater Waco United Fund Foundation (collectively, the “Organization”). United Way of Waco-McLennan County (“United Way”) is a non-profit organization with the primary purpose of raising voluntary contributions from local businesses, employees, and individuals. These funds are then allocated to member agencies as deemed necessary by the Governing Board. Greater Waco United Fund Foundation (the “Foundation”) operates under terms of a trust agreement between the Foundation and United Way. In general, the purpose is to provide an entity into which gifts, bequests and devises may be placed to be administered by a Board of Trustees for the benefit of United Way and, specifically, to have supplementary and reserve funds to satisfy the demands of their particular service and for capital improvements.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the United Way and the Foundation as described above. Control of these companies rests with the United Way through appointment of the board of directors. All significant intercompany transactions have been eliminated.

Use of Estimates

The preparation of the consolidated 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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Significant estimates include the collectability of campaign pledges receivable and the adequacy of the related allowance for uncollectible pledges. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2019, cash equivalents consisted primarily of money market accounts with brokers.

At December 31, 2019, the Organization’s cash accounts exceeded federally insured limits by approximately \$271,000.

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

Restricted Cash and Short-Term Certificates of Deposit

Restricted cash and short-term certificates of deposit for the Foundation represents contributions received that are restricted to investment in perpetuity.

Investments and Net Investment Return

Investments in certificates of deposit are valued at cost. Investments in equity investments having a readily determinable fair value are carried at fair value.

Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses.

Campaign Pledges Receivable

Campaign pledges receivable are stated at the net amount management expects to collect from outstanding balances. The Organization initially measures the receivables at the amount they expect to collect based on its assessment of the current status of individual accounts as well as historical collection percentages. A provision for bad debt expense and allowance for uncollectible accounts is made, if necessary, if collections are less than originally expected. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction of accounts receivable.

Property and Equipment

Property and equipment acquisitions over \$5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is charged to expense on the straight-line basis over the estimated useful life of each asset.

At December 31, 2019, property and equipment consisted of software at a cost of \$43,691 and accumulated depreciation of \$15,270, which is being depreciated over five to ten years.

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended December 31, 2019.

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed purpose or time restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restriction and then released from restriction.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Conditional contributions and investment return having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

United Way of Waco-McLennan County and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2019

The Organization recognizes funds distributed to agencies when authorized by the Board of Directors and when the member agencies have met the conditions for distribution. Other expenses are recorded when incurred in accordance with the accrual basis of accounting. During 2019, the Organization changed the timing of distributions to local agencies, therefore, bridge funding was provided to local agencies.

Donated Services

A substantial number of volunteers have donated hours to the United Way's program services during the year; however, these donated services are not reflected in the consolidated financial statements since the services do not require specialized skills.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general, and fund raising categories based on the direct agency allocations, percentages of employee's time and services between program, fund-raising, and management and general, and finally, allocation of occupancy by office square footage.

Note 2: Change in Accounting Principle

On January 1, 2019, the Organization changed its method for accounting for campaign contributions in revenue without donor restrictions. Previously, the Organization considered campaign contributions to have an implicit time restriction, and according to their policy, recognized as contributions with donor restrictions and then released from restriction. The new method of accounting was adopted to better reflect contribution revenue of the Organization where the donor did not specify a time restriction. The beginning net assets at January 1, 2019 have been adjusted to apply the new method retrospectively. The change had no effect on previously reported change in net assets.

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

Note 3: Campaign Pledges Receivable

Campaign pledges receivable by fund-raising campaign that are due within one year at December 31, 2019 are as follows:

2019 Campaign	\$ 439,463
2018 Campaign	<u>87,336</u>
Total campaign pledges receivable	<u>\$ 526,799</u>

Note 4: Investments and Investment Return

Investments at December 31, 2019 consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>
Equity securities	\$ 866,141	\$ 435,567
Mutual funds	<u>17,199</u>	<u>16,807</u>
	<u>\$ 883,340</u>	<u>\$ 452,374</u>

Total investment return is comprised of the following:

Interest and dividend income	\$ 50,575
Net realized and unrealized gains on investments	<u>160,519</u>
	<u>\$ 211,094</u>

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

Note 5: Beneficial Interest in Assets Held by Others

United Way transferred assets to Waco Foundation, a community foundation, designating itself as the beneficiary. The income earned (including net realized and unrealized appreciation) on the transferred assets will be paid at least annually to United Way. The income may, if both United Way and the Waco Foundation agree, remain and accumulate with the principal. Distributions of principal may be made at the sole discretion of Waco Foundation. It is intended that assets will be held for the benefit of United Way as long as the need for the fund exists. However, the assets are subject to the governing documents of Waco Foundation and the policies and procedures of its governing body. Consequently, the Waco Foundation has the right to substitute another beneficiary in the place of United Way without the approval of United Way. A beneficial interest in investments held by Waco Foundation of \$2,949 and at December 31, 2019, has been recorded in the consolidated statement of financial position (estimated as the underlying fair value of the asset held), respectively.

Note 6: Net Assets with Donor Restrictions

Net Assets with Donor Restrictions

Net assets, with donor restrictions at December 31, 2019, are restricted for the following purposes or periods:

Net Assets with Donor Restrictions

Subject to appropriation and expenditure when a specified event occurs

Restricted by donors for

Born Learning Initiative	\$ 45,297
Salary support and marketing	191,855
Smart Babies	117,778
Women United	34,974
Technology	31,127
	421,031

Endowments

Subject to NFP endowment spending policy and appropriation

General use	73,421
	\$ 494,452

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

The Foundation's net assets with donor restrictions at December 31, 2019, are restricted to investment in perpetuity, the income from which is available for distribution to United Way or various United Way agencies as approved by the Board of Trustees. The net assets resulted from contributions by the families of Mr. and Mrs. Jim Chase, Mr. and Mrs. James R. Clifton, and Mr. and Mrs. William L. Clifton, Jr., in honor of Mr. and Mrs. W. Lacy Clifton totaling \$62,681, and a contribution of \$10,740 from the estate of Anna Leigh Zimmerman. The endowments are invested according to the Foundation's general investment policy.

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Satisfaction of purpose restrictions	
Born Learning Initiative	\$ 8,446
Salary support and marketing	851
Smart Babies	73,947
Women United	16,908
Technology	18,873
Other	<u>1,567</u>
	<u>\$ 120,592</u>

Note 7: Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments.

The following table reflects the Organization's financial assets as of December 31, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor-restrictions. As a federated fundraising organization, United Way also receives significant contributions each year from donors, which are available to meet annual cash needs for general expenditures. Allocations to agencies are paid monthly over a 12-month period. During that same 12-month period, additional contributions are received from donors.

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

Financial assets at year end	
Cash and cash equivalents	\$ 1,065,176
Short-term certificates of deposit	384,058
Campaign pledges receivable	526,799
Other receivables	31,638
Investments	883,340
Restricted cash	10,740
Restricted short-term certificates of deposit	62,681
Beneficial interest in assets held by others	<u>2,949</u>
Total financial assets at year end	2,967,381
Donor imposed restrictions	
Restricted funds	(421,031)
Endowments	<u>(73,421)</u>
Net financial assets after donor imposed restrictions	<u>2,472,929</u>
Less	
Agencies payable	(720,000)
Donor designation payable	<u>(40,264)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,712,665</u></u>

Note 8: Operating Leases

In August 2017, the Organization signed a 60-month noncancellable operating lease for office space for monthly rent of \$2,059. The Organization took possession of the space in February 2018. The lease contains two renewal options for three years each. The leases require the Organization to pay all executory costs such as taxes, maintenance, and insurance. During 2019, rent expense under this agreement totaled \$24,712.

Future minimum lease payments under operating leases are:

2020	\$ 24,712
2021	24,712
2022	24,712
2023	<u>4,118</u>
	<u><u>\$ 78,254</u></u>

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

Note 9: Retirement Plan

The Organization has a SIMPLE IRA plan that covers substantially all employees. The plan allows employees to contribute up to an annually defined maximum as allowed by the Internal Revenue Code. United Way makes an annual contribution based on the gross compensation of eligible plan participants. During 2019, the Organization matched up to 3%, of the gross compensation of eligible plan participants. Benefits to participating employees are limited to the vested amounts of their individual account balances. Employees become vested at 20% per year and are fully vested at the end of five years. Pension expense for 2019 was \$6,471.

Note 10: Disclosures About Fair Value of Assets and Liabilities

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 measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of 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 supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2019:

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

	Total	Quoted Prices in Active Markets for Identical	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Equity securities	\$ 866,141	\$ 866,141	\$ -	\$ -
Mutual funds	17,199	17,199	-	-
Total investments	<u>883,340</u>	<u>883,340</u>	-	-
Beneficial interest in assets held by others	<u>2,949</u>	<u>-</u>	<u>-</u>	<u>2,949</u>
Total assets	<u>\$ 886,289</u>	<u>\$ 883,340</u>	<u>\$ -</u>	<u>\$ 2,949</u>

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2019. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization did not have any Level 2 or 3 investments at December 31, 2019.

Beneficial Interest in Assets Held by Others

Fair value is estimated based on the underlying assets of the interest. Due to the perpetual nature of the interest, it is classified within Level 3 of the hierarchy.

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

Note 11: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Contributions

For 2019, the top three donors contributed approximately 34% of total revenue. At December 31, 2019, receivables from one of these donors was 55% of total receivables.

Investments

The Organization invests in various investment securities. 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 at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated statement of financial position.

Note 12: Future Change in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the consolidated statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statement of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2019

Note 13: Subsequent Event

As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of activities and cash flows of the Foundation. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act. On April 24, 2020, the Organization received a loan in the amount of \$83,400 pursuant to the Paycheck Protection Program. The Organization anticipates using all of the proceeds to make eligible payments and, therefore, expects substantially all of the loan will be forgiven. If all of the loan is not forgiven, the unforgiven portion bears interest at 1% with the first payment due November 24, 2020. The loan would mature on April 24, 2022.

Subsequent events have been evaluated through June 12, 2020, which is the date the financial statements were available to be issued.

Supplementary Information

United Way of Waco-McLennan County and Subsidiary
Consolidating Statement of Financial Position
December 31, 2019

	United Way of Waco-McLennan County	Greater Waco United Fund Foundation	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 545,104	\$ 520,072	\$ -	\$ 1,065,176
Short-term certificates of deposit	260,130	123,928	-	384,058
Campaign pledges receivable	526,799	-	-	526,799
Other receivables	85,867	13	(54,242)	31,638
Investments at fair value	-	883,340	-	883,340
Property and equipment	28,421	-	-	28,421
Restricted cash	-	10,740	-	10,740
Restricted short-term certificates of deposit	-	62,681	-	62,681
Beneficial interest in assets held by others	2,949	-	-	2,949
	<u>1,449,270</u>	<u>1,600,774</u>	<u>(54,242)</u>	<u>2,995,802</u>
Total assets	<u>\$ 1,449,270</u>	<u>\$ 1,600,774</u>	<u>\$ (54,242)</u>	<u>\$ 2,995,802</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 3,657	\$ 54,242	\$ (54,242)	\$ 3,657
Agencies payable	720,000	-	-	720,000
Donor designations payable	40,264	-	-	40,264
Accrued expenses and other liabilities	24,302	-	-	24,302
	<u>788,223</u>	<u>54,242</u>	<u>(54,242)</u>	<u>788,223</u>
Total liabilities	<u>\$ 788,223</u>	<u>\$ 54,242</u>	<u>\$ (54,242)</u>	<u>\$ 788,223</u>
Net Assets				
Without donor restrictions	\$ 240,016	\$ 1,473,111	\$ -	\$ 1,713,127
With donor restrictions	421,031	73,421	-	494,452
	<u>661,047</u>	<u>1,546,532</u>	<u>-</u>	<u>2,207,579</u>
Total net assets	<u>661,047</u>	<u>1,546,532</u>	<u>-</u>	<u>2,207,579</u>
Total liabilities and net assets	<u>\$ 1,449,270</u>	<u>\$ 1,600,774</u>	<u>\$ (54,242)</u>	<u>\$ 2,995,802</u>

United Way of Waco-McLennan County and Subsidiary
Consolidating Statement of Activities
Year Ended December 31, 2019

	United Way of Waco-McLennan County	Greater Waco United Fund Foundation	Eliminations	Consolidated Total
Public Support and Revenues				
Without Donor Restrictions				
Contributions	\$ -	\$ 393,579	\$ -	\$ 393,579
Campaign contributions	1,254,035	-	-	1,254,035
Net investment income	2,402	208,692	-	211,094
Other income	51,990	-	(48,175)	3,815
Net assets released from restrictions	120,592	-	-	120,592
Total public support and revenues without donor restrictions	<u>1,429,019</u>	<u>602,271</u>	<u>(48,175)</u>	<u>1,983,115</u>
Expenses:				
Program expenses:				
Funds distributed to agencies	1,721,396	48,175	(48,175)	1,721,396
Born Learning Initiative	18,658	-	-	18,658
Smart Babies	70,666	-	-	70,666
Women United	45,388	-	-	45,388
Other	3,266	-	-	3,266
Support expenses:				
Management and general administration	353,591	-	-	353,591
Fundraising	164,409	-	-	164,409
Total expenses	<u>2,377,374</u>	<u>48,175</u>	<u>(48,175)</u>	<u>2,377,374</u>
Increase (decrease) in net assets without donor restrictions	<u>(948,355)</u>	<u>554,096</u>	<u>-</u>	<u>(394,259)</u>
Public Support and Revenues				
With Donor Restrictions				
Other contributions	292,393	-	-	292,393
Net assets released from restrictions	<u>(120,592)</u>	<u>-</u>	<u>-</u>	<u>(120,592)</u>
Increase in net assets with donor restrictions	<u>171,801</u>	<u>-</u>	<u>-</u>	<u>171,801</u>
Change in Net Assets	(776,554)	554,096	-	(222,458)
Net Assets, Beginning of Year	<u>1,437,601</u>	<u>992,436</u>	<u>-</u>	<u>2,430,037</u>
Net Assets, End of Year	<u>\$ 661,047</u>	<u>\$ 1,546,532</u>	<u>\$ -</u>	<u>\$ 2,207,579</u>

United Way of Waco-McLennan County and Subsidiary
Allocations to Agencies
Year Ended December 31, 2019

Agency	Budgeted Allocation	Actual	Actual Over (Under) Allocation
Distributions to local agencies and allocations:			
Advocacy Center for Crime Victims and Children	\$ 55,000	\$ 55,000	\$ -
American Gateways	40,000	40,000	-
Baylor Scott & White Central Texas Foundation	50,000	50,000	-
Care Net Pregnancy Center of Central Texas	25,000	25,000	-
Caritas of Waco	47,380	47,380	-
CASA of McLennan County	43,111	43,111	-
Christian Men's Job Corp's Waco	15,000	15,000	-
Christian Women's Job Corps of McLennan County	15,000	15,000	-
Communities In Schools of the Heart of Texas	106,528	106,528	-
Compassion Ministries of Waco	50,000	50,000	-
Family Abuse Center	93,859	93,859	-
Friends for Life	20,857	20,857	-
Girl Scouts of Central Texas	13,246	13,246	-
Grassroots Community Development	25,000	25,000	-
Greater Waco Legal Services	50,000	50,000	-
Heart of Texas Community Health Center	65,000	65,000	-
Heart of Texas Goodwill Industries	49,390	49,390	-
Heart of Texas Region MHMR	83,500	83,500	-
Meals on Wheels	35,000	35,000	-
STARRY Counseling - Waco	56,520	56,520	-
Talitha Koum Institute	68,245	68,245	-
The Arc of McLennan County	61,507	61,507	-
The Cove, Heart of Texas	40,000	40,000	-
The Salvation Army - Waco, TX	20,000	20,000	-
Women United Scholarship	6,000	6,000	-
Waco Habitat for Humanity	20,854	20,854	-
YMCA of Central Texas	50,000	50,000	-
	<u>\$ 1,205,997</u>	<u>\$ 1,205,997</u>	<u>\$ -</u>

United Way of Waco-McLennan County and Subsidiary
Bridge Funding to Agencies
Year Ended December 31, 2019

Agency	Actual
Bridge Funding to local agencies and allocations:	
Advocacy Center for Crime Victims and Children	\$ 35,085
Alzheimer's Association-North Texas	2,083
Boys & Girls Clubs of Central Texas	13,000
Care Net Pregnancy Center of Central Texas	4,167
Caritas of Waco	19,658
CASA of McLennan County	18,335
Community Cancer Assn	41,667
Compassion Ministries of Waco	26,667
EOAC	4,167
Family Abuse Center	39,223
Family Counseling & Children's Services	41,667
Family Health Center	28,667
Girl Scouts of Central Texas	2,083
Heart of Texas Region MHMR	16,573
The Arc of McLennan County	31,667
The Salvation Army - Waco, TX	10,417
YMCA of Central Texas	41,667
	\$ 376,793