

NORTH TEXAS AREA UNITED WAY, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

FOR THE YEARS ENDED MARCH 31, 2020 AND 2019

NORTH TEXAS AREA UNITED WAY, INC.

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Independent Auditor's Report

The Board of Directors
North Texas Area United Way, Inc.
Wichita Falls, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of North Texas Area United Way, Inc. (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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 North Texas Area United Way, Inc. 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.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2020, on our consideration of North Texas Area United Way, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Texas Area United Way, Inc.'s internal control over financial reporting and compliance.

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
July 14, 2020

FINANCIAL STATEMENTS

NORTH TEXAS AREA UNITED WAY, INC.

STATEMENTS OF FINANCIAL POSITION MARCH 31, 2020 AND 2019

| | 2020 | 2019 (Restated) |
|--|---------------------|---------------------|
| <u>ASSETS</u> | | |
| Cash and cash equivalents | \$ 352,318 | \$ 213,824 |
| Investments | 1,124,975 | 229,554 |
| Pledges receivable, net | 100,394 | 201,185 |
| Grants receivable | 398,631 | 415,628 |
| Other receivables | 4,096 | 1,921 |
| Beneficial interest in assets held by others | 63,232 | 73,331 |
| Property and equipment, net | <u>358,874</u> | <u>370,985</u> |
| Total assets | <u>\$ 2,402,520</u> | <u>\$ 1,506,428</u> |
| <u>LIABILITIES</u> | | |
| Accounts payable | \$ 173,477 | \$ 163,505 |
| Accrued expenses | 49,542 | 16,183 |
| Agency allocations payable | 261,675 | 271,848 |
| Donor designations payable | <u>56,074</u> | <u>62,638</u> |
| Total liabilities | <u>540,768</u> | <u>514,174</u> |
| <u>NET ASSETS</u> | | |
| Without donor restrictions: | | |
| Unappropriated | 1,671,098 | 850,361 |
| Board appropriated | 39,728 | 50,343 |
| With donor restrictions | <u>150,926</u> | <u>91,550</u> |
| Total net assets | <u>1,861,752</u> | <u>992,254</u> |
| Total liabilities and net assets | <u>\$ 2,402,520</u> | <u>\$ 1,506,428</u> |

The accompanying Notes are an integral part of these financial statements.

NORTH TEXAS AREA UNITED WAY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED MARCH 31, 2020

| | Without Donor Restrictions | With Donor Restrictions | Totals |
|--|-------------------------------|----------------------------|--------------|
| Public support and revenue: | | | |
| Gross campaign results | \$ 391,197 | \$ - | \$ 391,197 |
| Less donor designations | (1,506) | - | (1,506) |
| Less provision for uncollectible pledges | (48,432) | - | (48,432) |
| Net campaign revenue | 341,259 | - | 341,259 |
| Other public support | 219,473 | 118,500 | 337,973 |
| Governmental grants | 2,160,467 | - | 2,160,467 |
| Special events, net | 4,500 | - | 4,500 |
| Investment return | (76,182) | - | (76,182) |
| Change in value of beneficial interest in assets held by others | (10,099) | - | (10,099) |
| Oil and gas lease bonus | 27,081 | - | 27,081 |
| Miscellaneous income | 2,506 | - | 2,506 |
| Sale of mineral interests | 976,341 | - | 976,341 |
| Net assets released from restrictions | 59,124 | (59,124) | - |
| Total public support and revenue | 3,704,470 | 59,376 | 3,763,846 |
| Expenses: | | | |
| Program services: | | | |
| Community impact - education | 2,258,927 | - | 2,258,927 |
| Community impact - health | 44,164 | - | 44,164 |
| Community impact - income | 314,409 | - | 314,409 |
| Supporting services: | | | |
| Management and general | 204,370 | - | 204,370 |
| Fundraising | 49,614 | - | 49,614 |
| Unallocated payments to affiliates | 22,864 | - | 22,864 |
| Total expenses | 2,894,348 | - | 2,894,348 |
| Change in net assets | 810,122 | 59,376 | 869,498 |
| Net assets at beginning of year | 900,704 | 91,550 | 992,254 |
| Net assets at end of year | \$ 1,710,826 | \$ 150,926 | \$ 1,861,752 |

The accompanying Notes are an integral part of these financial statements.

NORTH TEXAS AREA UNITED WAY, INC.

STATEMENT OF ACTIVITIES YEAR ENDED MARCH 31, 2019

| | (Restated) | | |
|--|-------------------------------|----------------------------|------------|
| | Without Donor Restrictions | With Donor Restrictions | Totals |
| Public support and revenue: | | | |
| Gross campaign results | \$ 527,788 | \$ - | \$ 527,788 |
| Less donor designations | (63,005) | - | (63,005) |
| Less provision for uncollectible pledges | (25,898) | - | (25,898) |
| Net campaign revenue | 438,885 | - | 438,885 |
| Other public support | 224,175 | 67,490 | 291,665 |
| Governmental grants | 2,079,160 | - | 2,079,160 |
| Service fees | (25) | - | (25) |
| Special events, net | 25,552 | - | 25,552 |
| Investment return | 2,614 | - | 2,614 |
| Change in value of beneficial interest in assets held by others | (54) | - | (54) |
| Oil and gas lease bonus | 84,823 | - | 84,823 |
| Miscellaneous income | 1,363 | - | 1,363 |
| Net assets released from restrictions | 46,316 | (46,316) | - |
| Total public support and revenue | 2,902,809 | 21,174 | 2,923,983 |
| Expenses: | | | |
| Program services: | | | |
| Community impact - education | 2,096,275 | - | 2,096,275 |
| Community impact - health | 46,890 | - | 46,890 |
| Community impact - income | 325,073 | - | 325,073 |
| Supporting services: | | | |
| Management and general | 255,487 | - | 255,487 |
| Fundraising | 100,342 | - | 100,342 |
| Unallocated payments to affiliates | 27,885 | - | 27,885 |
| Total expenses | 2,851,952 | - | 2,851,952 |
| Change in net assets | 50,857 | 21,174 | 72,031 |
| Net assets at beginning of year, as originally stated | 849,847 | 30,558 | 880,405 |
| Prior period adjustment | - | 39,818 | 39,818 |
| Net assets at beginning of year, as restated | 849,847 | 70,376 | 920,223 |
| Net assets at end of year | \$ 900,704 | \$ 91,550 | \$ 992,254 |

The accompanying Notes are an integral part of these financial statements.

NORTH TEXAS AREA UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MARCH 31, 2020

| | Program Services | | | Total |
|---|------------------|-----------|------------|--------------|
| | Community Impact | | | |
| | Education | Health | Income | |
| Gross allocations to agencies | \$ 143,042 | \$ 44,450 | \$ 38,843 | \$ 226,335 |
| Less donor designations | (979) | (286) | (241) | (1,506) |
| Net allocations to agencies | 142,063 | 44,164 | 38,602 | 224,829 |
| Grants to other entities | 1,002,107 | - | - | 1,002,107 |
| Salaries and wages | 608,924 | - | 156,851 | 765,775 |
| Payroll related taxes | 64,546 | - | 18,079 | 82,625 |
| Employee benefits | 79,859 | - | 18,338 | 98,197 |
| Total payroll and related expenses | 753,329 | - | 193,268 | 946,597 |
| Advertising | 4,441 | - | 4,750 | 9,191 |
| Professional fees | 26,385 | - | 7,152 | 33,537 |
| Supplies | 112,368 | - | 26,863 | 139,231 |
| Telephone | 21,627 | - | 2,231 | 23,858 |
| Postage and shipping | 1,831 | - | 318 | 2,149 |
| Occupancy | 63,991 | - | 21,010 | 85,001 |
| Maintenance of equipment | 24,227 | - | 4,701 | 28,928 |
| Printing and publications | 4,913 | - | 170 | 5,083 |
| Local meals and travel | 37,403 | - | 3,187 | 40,590 |
| Conferences and conventions | 23,250 | - | 896 | 24,146 |
| Insurance | 6,712 | - | 2,406 | 9,118 |
| Subscriptions and dues | 4,985 | - | 739 | 5,724 |
| Financial and material assistance | 6,284 | - | - | 6,284 |
| Miscellaneous | 883 | - | 270 | 1,153 |
| Awards/Recognition/Incentives | 8,765 | - | 4,400 | 13,165 |
| Depreciation expense | 13,363 | - | 3,446 | 16,809 |
| Total expenses before United Way Worldwide dues | 2,258,927 | 44,164 | 314,409 | 2,617,500 |
| United Way Worldwide dues | - | - | - | - |
| Total expenses | \$ 2,258,927 | \$ 44,164 | \$ 314,409 | \$ 2,617,500 |

The accompanying Notes are an integral part of these financial statements.

Supporting Services

| Management & General | Fundraising | Unallocated Payments to Affiliates | Total | Total Expenses |
|-------------------------|------------------|--|-------------------|---------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 226,335 |
| - | - | - | - | (1,506) |
| - | - | - | - | 224,829 |
| - | - | - | - | 1,002,107 |
| 91,380 | 33,530 | - | 124,910 | 890,685 |
| 6,456 | 3,719 | - | 10,175 | 92,800 |
| 9,515 | 2,948 | - | 12,463 | 110,660 |
| <u>107,351</u> | <u>40,197</u> | <u>-</u> | <u>147,548</u> | <u>1,094,145</u> |
| 16 | 18 | - | 34 | 9,225 |
| 84,085 | 791 | - | 84,876 | 118,413 |
| 787 | 1,798 | - | 2,585 | 141,816 |
| 435 | 393 | - | 828 | 24,686 |
| 71 | 61 | - | 132 | 2,281 |
| 701 | 582 | - | 1,283 | 86,284 |
| 2,309 | 2,285 | - | 4,594 | 33,522 |
| 13 | 1,304 | - | 1,317 | 6,400 |
| 689 | 515 | - | 1,204 | 41,794 |
| 64 | 394 | - | 458 | 24,604 |
| 495 | 448 | - | 943 | 10,061 |
| 23 | 19 | - | 42 | 5,766 |
| - | - | - | - | 6,284 |
| 5,449 | 47 | - | 5,496 | 6,649 |
| - | - | - | - | 13,165 |
| <u>1,882</u> | <u>762</u> | <u>-</u> | <u>2,644</u> | <u>19,453</u> |
| 204,370 | 49,614 | - | 253,984 | 2,871,484 |
| - | - | 22,864 | 22,864 | 22,864 |
| <u>\$ 204,370</u> | <u>\$ 49,614</u> | <u>\$ 22,864</u> | <u>\$ 276,848</u> | <u>\$ 2,894,348</u> |

NORTH TEXAS AREA UNITED WAY, INC.

STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MARCH 31, 2019

| | Program Services | | | Total |
|------------------------------------|------------------|-----------|------------|--------------|
| | Community Impact | | | |
| | Education | Health | Income | |
| Gross allocations to agencies | \$ 183,401 | \$ 58,861 | \$ 52,779 | \$ 295,041 |
| Less donor designations | (40,953) | (11,971) | (10,081) | (63,005) |
| Net allocations to agencies | 142,448 | 46,890 | 42,698 | 232,036 |
| Grants to other entities | 950,169 | - | - | 950,169 |
| Salaries and wages | 566,730 | - | 165,287 | 732,017 |
| Payroll related taxes | 74,922 | - | 22,296 | 97,218 |
| Employee benefits | 58,253 | - | 22,595 | 80,848 |
| Total payroll and related expenses | 699,905 | - | 210,178 | 910,083 |
| Advertising | 9,647 | - | 5,580 | 15,227 |
| Professional fees | 19,566 | - | 6,037 | 25,603 |
| Supplies | 68,725 | - | 12,959 | 81,684 |
| Telephone | 20,097 | - | 2,334 | 22,431 |
| Postage and shipping | 780 | - | 260 | 1,040 |
| Occupancy | 59,800 | - | 15,706 | 75,506 |
| Maintenance of equipment | 19,666 | - | 5,246 | 24,912 |
| Printing and publications | 1,075 | - | 838 | 1,913 |
| Local meals and travel | 45,670 | - | 4,439 | 50,109 |
| Conferences and conventions | 21,958 | - | 3,535 | 25,493 |
| Insurance | 5,767 | - | 2,370 | 8,137 |
| Subscriptions and dues | 5,387 | - | 700 | 6,087 |
| Financial and material assistance | 5,070 | - | 5,785 | 10,855 |
| Miscellaneous | 1,656 | - | 489 | 2,145 |
| Awards/Recognitions/Incentives | 5,155 | - | 1,913 | 7,068 |
| Depreciation expense | 13,734 | - | 4,006 | 17,740 |
| Total expenses before United Way | | | | |
| Worldwide dues | 2,096,275 | 46,890 | 325,073 | 2,468,238 |
| United Way Worldwide dues | - | - | - | - |
| Total expenses | \$ 2,096,275 | \$ 46,890 | \$ 325,073 | \$ 2,468,238 |

The accompanying Notes are an integral part of these financial statements.

Supporting Services

| <u>Management & General</u> | <u>Fundraising</u> | <u>Unallocated Payments to Affiliates</u> | <u>Total</u> | <u>Total Expenses</u> |
|-------------------------------------|--------------------|---|-------------------|---------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 295,041 |
| - | - | - | - | (63,005) |
| - | - | - | - | 232,036 |
| - | - | - | - | 950,169 |
| 158,642 | 34,901 | - | 193,543 | 925,560 |
| 18,496 | 4,526 | - | 23,022 | 120,240 |
| 22,185 | 4,517 | - | 26,702 | 107,550 |
| <u>199,323</u> | <u>43,944</u> | <u>-</u> | <u>243,267</u> | <u>1,153,350</u> |
| 156 | 4,841 | - | 4,997 | 20,224 |
| 43,548 | 6,737 | - | 50,285 | 75,888 |
| 1,735 | 12,492 | - | 14,227 | 95,911 |
| 761 | 936 | - | 1,697 | 24,128 |
| 597 | 254 | - | 851 | 1,891 |
| 1,132 | 1,402 | - | 2,534 | 78,040 |
| 2,348 | 4,968 | - | 7,316 | 32,228 |
| 77 | 3,126 | - | 3,203 | 5,116 |
| 59 | 994 | - | 1,053 | 51,162 |
| 114 | 17,058 | - | 17,172 | 42,665 |
| 758 | 938 | - | 1,696 | 9,833 |
| 48 | 55 | - | 103 | 6,190 |
| - | - | - | - | 10,855 |
| 1,854 | 834 | - | 2,688 | 4,833 |
| - | 50 | - | 50 | 7,118 |
| <u>2,977</u> | <u>1,713</u> | <u>-</u> | <u>4,690</u> | <u>22,430</u> |
| 255,487 | 100,342 | - | 355,829 | 2,824,067 |
| - | - | 27,885 | 27,885 | 27,885 |
| <u>\$ 255,487</u> | <u>\$ 100,342</u> | <u>\$ 27,885</u> | <u>\$ 383,714</u> | <u>\$ 2,851,952</u> |

NORTH TEXAS AREA UNITED WAY, INC.

STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2020 AND 2019

| | 2020 | 2019 (Restated) |
|--|-------------|--------------------|
| Cash flows from operating activities: | | |
| Change in net assets | \$ 869,498 | \$ 72,031 |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | | |
| Depreciation | 19,453 | 22,430 |
| Change in fair value of the investments | 103,260 | - |
| Change in value of beneficial interest in assets held by others | 10,099 | 54 |
| (Increase) decrease in operating assets: | | |
| Pledges receivable, net | 100,791 | (11,350) |
| Grants receivable | 16,997 | (7,311) |
| Other receivables | (2,175) | (1,921) |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | 9,972 | (17,665) |
| Accrued expenses | 33,359 | (8,214) |
| Agency allocations payable | (10,173) | (124,780) |
| Donor designations payable | (6,564) | 10,460 |
| Net cash provided (used) by operating activities | 1,144,517 | (66,266) |
| Cash flows from investing activities: | | |
| Payments for property and equipment | (7,342) | (11,867) |
| Purchases of investments | (1,107,079) | (2,283) |
| Redemption of investments | 108,398 | - |
| Net cash used by investing activities | (1,006,023) | (14,150) |
| Net increase (decrease) in cash and cash equivalents | 138,494 | (80,416) |
| Cash and cash equivalents at beginning of year | 213,824 | 294,240 |
| Cash and cash equivalents at end of year | \$ 352,318 | \$ 213,824 |

The accompanying Notes are an integral part of these financial statements.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020 AND 2019

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Texas Area United Way, Inc. (United Way), a Texas nonprofit corporation founded in 1924, is a voluntary health and welfare organization governed by a volunteer Board of Directors. Its mission is to improve lives by mobilizing the caring power of community.

The United Way accomplishes this mission by focusing on the building blocks of a good life – education that leads to a stable job, adequate income through retirement and good health. The organization addresses complex human service challenges in partnership with other funders, public and private organizations, and service providers resulting in quantifiable, sustainable responses that strengthen and improve communities in the Wichita Falls area. These activities may include, but are not limited to:

- Researching human service issues, conducting community planning, stakeholder meetings, surveys and assessments;
- Leveraging and distributing resources to community service providers;
- Measuring, tracking and articulating systemic, program, and client outcomes and results;
- Developing, formulating and influencing effective responses to human service issues through advocacy efforts, in accordance with all applicable federal and state statutes restricting activities of tax-exempt non-profits;
- Encouraging and facilitating partnerships, collaborations, and initiatives that reduce service duplication and fragmentation, share information, build linkages and otherwise unite citizens, and the public/private, and not-for-profit sectors to change systems to address root causes that will prevent the long term dependency on social service programs.

United Way holds itself and its partners accountable for achieving positive results in improving life outcomes for children, families and older adults and being transparent in reporting results to donors and the community at large.

In addition to the above activities, the United Way is the Local Campaign Manager (LCM) for the State Employee Charitable Campaign until October 31, 2018. As such, the United Way complies with the rules and regulations, audit and reporting requirements set forth by the governing entity for that campaign.

North Texas Area United Way, Inc. is a member in good standing with United Way Worldwide and, as such, meets rigorous branding, accounting, ethical, auditing and operating standards.

Basis of Presentation

The accompanying financial statements of the United Way are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2020 AND 2019

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Basis of Presentation (Cont'd.)

Contributions received are recorded as an increase in donor restricted net assets unless they are expended in the same year as the contribution. Accordingly, net assets of United Way and changes therein are classified and reported as follows:

Net Assets with Donor Restrictions – Net assets whose use is limited by donor-restricted time and/or purpose restrictions.

Net Assets without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations and the Board of Directors has discretionary control.

New Accounting Standards

United Way adopted the provisions of FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). This accounting standard is meant to help not-for-profit entities evaluate whether transactions should be accounted for as contributions or as exchange transactions and, if the transaction is identified as a contribution, whether it is conditional or unconditional. ASU 2018-08 clarifies how an organization determines whether a resource provider is receiving commensurate value in return for a grant. If the resource provider does receive commensurate value from the grant recipient, the transaction is an exchange transaction. If no commensurate value is received by the grant maker, the transfer is a contribution. ASU 2018-08 stresses that the value received by the general public as a result of the grant is not considered to be commensurate value received by the provider of the grant. Results for reporting the year ending March 31, 2020 are presented under FASB ASU 2018-08. The ASU has been applied retrospectively to all periods presented, with the effect on net assets of previously issued financial statements described in Note 13.

Cash and Cash Equivalents

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

Pledges Receivable

Unconditional promises to give are recorded as pledges receivable and contribution revenue when the promise is made. Pledges receivable and related contributions are initially recorded at their net realizable value based on amounts expected to be collected from donors. This valuation reflects net pledge revenue balances at a level which, in the judgment of management, is adequate to meet the present and potential risks of uncollectibility of the pledges receivable. Management calculates the provision for uncollectible pledges based on a 5 year historical average of uncollected pledges as a percentage of gross pledges, including donor designations. Specific accounts are written-off only upon notification from the donors that the pledges are no longer collectible. For the annual campaign, any remaining uncollectible pledge balances are written-off after two years.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2020 AND 2019

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Contributions

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions that are restricted by a 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.

The United Way solicits pledges from donors during its annual campaign held each fall. These pledges are solicited to provide support for the allocations to United Way agencies in the following year. Since the allocations for the following year are recognized as a current expense when made in the year the campaign is conducted, the United Way considers the support from these pledges to be released from restrictions during the reporting period.

Donor Designations

Included in the United Way's gross annual campaign pledges are pledges designated by donors for direct distribution to another beneficiary. Since those designated pledges constitute agency transactions, they are deducted from gross campaign results to arrive at net campaign revenue on the statement of activities. In addition, those same designated pledges are also deducted from gross allocations to agencies to arrive at net allocations to agencies shown on the statement of functional expenses and included in the statement of activities.

Donor designated pledges are assessed both a fundraising and a processing fee based on actual historical costs in accordance with United Way Worldwide membership standards as outlined in their publication titled *United Way Worldwide Implementation Requirements for Membership Standard M (Cost Deduction for Designated Funds)*.

United Way pledges received from donors who have elected to pay designated agencies directly or use a third-party administrator to make such payments are not included in pledges receivable, gross annual campaign pledges, or gross allocations to agencies because those donations are paid directly by the donor to the agency or third-party administrator for distribution to the designated agency.

Fair Value Measurements

Accounting principles generally accepted in the United States of America define fair value, establish a framework for measuring fair value, establish a fair value hierarchy based on the inputs used to measure fair value and specify disclosure requirements for fair value measurements. Furthermore, the Organization maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2020 AND 2019

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Fair Value Measurements (Cont'd.)

Observable inputs are inputs that market participants would use in pricing the asset or liability based on data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The fair value hierarchy is broken down into three levels based on the transparency of inputs as follows.

Level 1 – Quoted market prices are available in active markets for identical assets or liabilities as of the report date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Level 2 – Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. This includes investments for which quoted prices are available but that are traded less frequently and investments that are fairly valued using other securities, the parameters of which can be directly observed.

Level 3 – Includes assets or liabilities for which there is little to no pricing observability as of the report date. These are measured using management's best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation.

Investments

Investments are stated at fair value. The carrying amount of certificates of deposit approximates fair value due to the short maturity of those instruments. Investments with values that are based on quoted market prices in active markets are classified within Level 1 and include active listed equities. Investments that trade in markets that are not considered to be active, but that are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2 and include corporate bonds, mutual funds, and U.S. Government Agency bonds. The Organization has no investments classified within Level 3.

Property and Equipment

The United Way follows the policy of capitalizing, at cost, expenditures for property and equipment equal to or greater than \$500. Lesser expenditures and maintenance and repairs are expensed when incurred. If property and equipment is acquired by gift, it is recorded at fair market value at the date of the gift. Contributions of property and equipment are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, United Way reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2020 AND 2019

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Property and Equipment (Cont'd.)

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of assets, which are as follows:

| <u>Asset Class</u> | <u>Estimated Useful Lives</u> |
|----------------------------|-------------------------------|
| Computer equipment | 3 – 5 years |
| Furniture and fixtures | 5 – 10 years |
| Buildings and improvements | 5 – 40 years |

Refundable Grant Advances

United Way oftentimes receives advances of funds from grantors upon being awarded grants. Such advances are accounted for as a liability instead of contribution revenue when the grant instrument includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The liability is reduced and revenues recognized over the grant period as conditions are met.

Agency Allocations Payable

Agency allocations payable represent amounts that are due to United Way's network of agencies. United Way records agency allocations payable upon approval by the Board of Directors.

Contributed Goods and Services

Donated materials are reflected as contributions in the accompanying financial statements at their estimated fair values at date of receipt. The United Way recognized donated materials valued at \$14,277 and \$3,684 during the years ended March 31, 2020 and 2019, respectively. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. The United Way recognized donated services valued at \$67,449 and \$56,213 during the years ended March 31, 2020 and 2019, respectively.

In addition to the above, a number of volunteers donated a total of 5,603 and 5,043 hours of time to the United Way's many activities during the years ended March 31, 2020 and 2019, respectively, with 4,633 and 4,313 hours received for the VITA program in those years, respectively. No amounts have been reflected in the financial statements for these contributed services because the nature of the services does not meet the specified criteria for recognition. However, management estimates the fair value of the services received to be \$132,010 and \$126,579 for the years ended March 31, 2020 and 2019, respectively, based on the hours received and standard volunteer rates published by independent outside organizations.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2020 AND 2019

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Functional Expenses

Expenses are summarized and categorized based on their functional classification as either program services or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. However, many expenses relate to more than one function and must be allocated using a reasonable methodology. Those expenses are allocated to the various functions and programs based on the timesheet study method recommended by the United Way Worldwide. Under that method, each employee's salary and related costs are allocated to the various functions based on the hours worked in each functional classification by that employee. All other indirect expenses are allocated to the functional categories based on the percentage of time spent in the aggregate by all employees in each functional classification.

Advertising Costs

Advertising costs are expensed as incurred by or donated to the United Way.

Income Taxes

United Way is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. United Way qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Concentrations of Credit Risk

United Way has deposits with financial institutions in the form of cash and certificates of deposit. Those deposits exceeded insured limits by \$29,608 at March 31, 2020 as well as several times throughout the fiscal year with the largest excess of insured limits of \$192,272 on January 9, 2020. Those deposits did not exceed insured limits at March 31, 2019.

Contractual Restrictions on Cash and Cash Equivalents

Certain grants and the governmental campaigns described in Note 8 require that the United Way maintain separate bank accounts for each of those activities. The amounts in those separate bank accounts had a total bank balance of \$51,592 and book balance of \$51,592 as of March 31, 2020. As of March 31, 2019, those accounts had a total bank balance of \$25,003 and book balance of \$25,003.

Subsequent Events

The date to which events occurring after March 31, 2020, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is July 14, 2020, which is the date on which the financial statements were available to be issued.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2020 AND 2019

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - INVESTMENTS

Investments are held by an external investment management firm. Market value and unrealized appreciation (depreciation) of investments over original cost at March 31, 2020 and 2019 is summarized as follows:

March 31, 2020:

| | Original Cost | Market Value | Unrealized Appreciation (Depreciation) Over Cost |
|---------------------------------|--------------------|--------------------|---|
| NM FDIC insured deposit program | \$ 7,485 | \$ 7,485 | \$ - |
| Money market funds | 54,104 | 54,104 | - |
| Certificates of deposit | 71,716 | 71,716 | - |
| Mutual funds | 986,349 | 901,939 | (84,410) |
| Exchange-traded products | 108,581 | 89,731 | (18,850) |
| Total investments | \$1,228,235 | \$1,124,975 | (\$103,260) |

March 31, 2019:

| | Original Cost | Market Value | Unrealized Appreciation (Depreciation) Over Cost |
|--------------------------|------------------|------------------|---|
| Money market funds | \$ 54,036 | \$ 54,036 | \$ - |
| Certificates of deposit | 175,518 | 175,518 | - |
| Total investments | \$229,554 | \$229,554 | \$ - |

Investment return for the years ended March 31, 2020 and 2019 is summarized as follows:

| | 2020 | 2019 |
|---|--------------------|-----------------|
| Dividend and interest income | \$ 23,444 | \$ 2,614 |
| Realized gains (losses) on sales/maturities | 8,360 | - |
| Unrealized gain (loss) on investments | (103,389) | - |
| Investment expense | (4,597) | - |
| Total investment return | (\$ 76,182) | \$ 2,614 |

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2020 AND 2019

NOTE 3 - PLEDGES RECEIVABLE

Pledges receivable (all due within one year) consist of the following at March 31, 2020:

| | <u>Pledges Due</u> | <u>Less Allowance for Uncollectible Accounts</u> | <u>Pledges Receivable Balance</u> |
|------------------------------|--------------------|--|---|
| Campaign pledges receivable: | | | |
| 2019 United Way campaign | \$127,670 | (\$27,276) | \$100,394 |

Pledges receivable (all due within one year) consist of the following at March 31, 2019:

| | <u>Pledges Due</u> | <u>Less Allowance for Uncollectible Accounts</u> | <u>Pledges Receivable Balance</u> |
|------------------------------|-------------------------|--|---|
| Campaign pledges receivable: | | | |
| 2018 United Way campaign | \$200,339 | (\$32,741) | \$167,598 |
| 2018 governmental campaigns | <u>37,465</u> | <u>(3,878)</u> | <u>33,587</u> |
| Totals | <u>\$237,804</u> | <u>(\$36,619)</u> | <u>\$201,185</u> |

NOTE 4 - GRANTS RECEIVABLE

Grants receivable consist of the following at March 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---------------------------|-------------------------|-------------------------|
| Receivable for: | | |
| 2-1-1 Program | \$ 22,256 | \$ 37,312 |
| VITA Program | 41,425 | 39,636 |
| HOPES | 66,153 | 69,294 |
| Texas Home Visiting | 222,954 | 232,467 |
| Texas School Readiness | 41,855 | 21,595 |
| University of North Texas | <u>3,988</u> | <u>15,324</u> |
| Totals | <u>\$398,631</u> | <u>\$415,628</u> |

All amounts are scheduled to be collected within one year. Management does not consider there to be any significant risk associated with collection of these balances.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2020 AND 2019

NOTE 5 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In September 2004, the United Way transferred \$25,000 to the Wichita Falls Area Community Foundation (Foundation) to establish a fund to provide current income and long-term protection for the United Way. Under the terms of the agreement, the United Way may withdraw and use the investment return generated by the transferred assets for its charitable purposes in accordance with the spending rate established by the Foundation. The United Way may withdraw from the fund amounts in excess of the established spending rate in any year as determined by the Board of Directors of the Foundation provided one of the following conditions is met: (1) the distribution is for the purpose of enabling the United Way to acquire or renovate a capital asset; (2) the United Way is faced with unexpected financial needs that are not likely to recur, and the distribution will enable the United Way to meet those needs. However, such distributions may not exceed 75% of corpus in any one year.

At the time of the transfer, the United Way granted variance power to the Foundation. That power gives the Foundation the right to distribute the investment return to another not-for-profit organization of its choice if the United Way ceases to exist or if the governing board of the Foundation determines that support of the United Way is no longer possible or practical of accomplishment. Under the terms of the agreement, however, such power does not become effective earlier than at least thirty days after the Foundation notifies the United Way in writing of (1) its intent to exercise such power and (2) the manner in which the Foundation proposes to vary the purposes, uses or methods of administration of the fund.

At March 31, 2020 and 2019, the fund had a value of \$63,232 and \$73,331, respectively, which is reported in the statements of financial position as beneficial interest in assets held by others.

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|---|-------------------|-------------------|
| Land | \$ 98,758 | \$ 98,758 |
| Property and equipment being depreciated: | | |
| Building and improvements | 491,787 | 491,787 |
| Furniture and fixtures | 31,073 | 33,426 |
| Computer equipment | <u>91,015</u> | <u>91,995</u> |
| Total property and equipment | 712,633 | 715,966 |
| Less accumulated depreciation | <u>(353,759)</u> | <u>(344,981)</u> |
| Property and equipment, net | <u>\$358,874</u> | <u>\$370,985</u> |

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2020 AND 2019

NOTE 7 - NET ASSETS WITHOUT DONOR RESTRICTION

Net assets without donor restriction consist of the following at March 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> |
|--|---------------------|-------------------|
| Unappropriated – available for general use | \$ <u>1,671,098</u> | \$ <u>850,361</u> |
| Board appropriated for specific purposes: | | |
| VITA Program | 10,225 | 33,943 |
| 2-1-1 Program | 18,022 | 7,626 |
| Texas School Readiness | 11,481 | 8,424 |
| University of North Texas | <u>-</u> | <u>350</u> |
| Total board appropriations | <u>39,728</u> | <u>50,343</u> |
| Total net assets without donor restriction | <u>\$1,710,826</u> | <u>\$900,704</u> |

NOTE 8 - NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction consist of the following as of March 31, 2020 and 2019:

| | <u>2020</u> | <u>2019</u> <u>(Restated)</u> |
|--|------------------|----------------------------------|
| TRIAD Program | \$ 25,166 | \$26,315 |
| VITA Program | 15,000 | - |
| THV, HOPES, HIPPY – Family Support Program | 106,260 | 65,235 |
| ECC Event – “Fighting ACEs” | <u>4,500</u> | <u>-</u> |
| Total | <u>\$150,926</u> | <u>\$91,550</u> |

Net assets were released from restriction in 2020 and 2019 through the United Way incurring the following expenditures:

| | <u>2020</u> | <u>2019</u> <u>(Restated)</u> |
|--|-----------------|----------------------------------|
| Race for the Stars | \$ - | \$ 5,998 |
| THV, HOPES, HIPPY – Family Support Program | 57,974 | 33,451 |
| TRIAD Program | 1,150 | 6,367 |
| Prosperity Hub | <u>-</u> | <u>500</u> |
| Total | <u>\$59,124</u> | <u>\$46,316</u> |

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2020 AND 2019

NOTE 9 - GOVERNMENTAL CAMPAIGNS

Under contractual agreement, the United Way conducts a local fundraising campaign in the Wichita Falls area on behalf of the State Employee Charitable Campaign (through October 31, 2018). Through this governmental campaign, donors designate their gifts to a wide variety of charitable organizations and the United Way distributes the campaign proceeds accordingly. Because the United Way acts as an agent for these campaigns, it cannot recognize contribution revenue or allocation expense on the statement of activities related to these transactions.

For presentation purposes, specific donor designations to the United Way's agencies are included in gross annual campaign pledges and gross allocations to agencies, and then deducted from each to reflect amounts actually available for use by the United Way.

As of March 31, 2020 and 2019, cash balances held on behalf of the governmental campaign and maintained in a separate bank account totaled \$51,592 and \$25,003, respectively. Pledges receivable and donor designations payable related to the governmental campaign are \$0 and \$56,074, respectively as of March 31, 2020, and \$33,587 and \$62,638 respectively as of March 31, 2019.

For its administration of the State Employee Charitable Campaign (through October 31, 2018), the United Way charges administrative fees to the governmental campaign in accordance with the contractual agreement governing that campaign. These fees totaled \$0 and (\$5,756) (after a refund of \$7,547 of prior year fees) for the years ended March 31, 2020 and 2019, respectively.

NOTE 10 - EMPLOYEE BENEFIT PLANS

Tax-Sheltered Annuity Program

All employees of United Way are eligible to participate in a tax-sheltered annuity program. Participating employees agree to a reduced salary and the United Way then pays the difference into the annuity plan on behalf of the employees. Income tax on these amounts is deferred until participants receive proceeds from the annuity. Currently, no employees are participating in this program.

Simplified Employee Pension Plan

The United Way also has a noncontributory simplified employee pension plan in which all employees are eligible to participate. The United Way contributes five percent of the eligible employee's salary to the plan. In addition to the plan, the United Way also contributes one percent of the president's salary to a secondary plan. The contributions for the years ended March 31, 2020 and 2019 totaled \$31,861 and \$37,831, respectively.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2020 AND 2019

NOTE 11 - CONCENTRATIONS

The United Way is dependent upon its annual campaign held in the Wichita Falls, Texas area for a significant portion of its support and revenue. That campaign accounted for 9% and 15% of United Way's total public support and revenue for the years ended March 31, 2020 and 2019, respectively. Also, United Way received one governmental grant from a single grantor that comprised 40% and 47% of the total public support and revenue for the years ended March 31, 2020 and 2019, respectively. A significant decrease in these sources of public support and revenue could have a material adverse effect on the United Way.

NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

United Way's working capital and cash flows have limited seasonal variations during the year; however, it does vary depending on occupancy levels and services sold. Monthly cash outflows vary each year based on staffing levels and specific maintenance projects. United Way has been managing liquidity with its own resources – current year operations and available net assets.

The following reflects United Way's financial assets as of the statement of financial position date, reduced by amounts not available for general use within one year of the statement of financial position date because of contractual or donor-imposed restrictions or internal designations.

March 31, 2020

| | |
|--|--------------------|
| Cash and cash equivalents | \$ 352,318 |
| Investments | 1,124,975 |
| Pledges receivable, net (to be collected in less than one year) | 100,394 |
| Grants receivable (to be collected in less than one year) | 398,631 |
| Other receivables (to be collected in less than one year) | 4,096 |
| Beneficial interest in assets held by others | <u>63,232</u> |
| Total financial assets | 2,043,646 |
| Less those unavailable for general expenditures within one year due to: | |
| Donor restricted – TRIAD Program | (25,166) |
| Donor restricted – THV, HOPES, HIPPY – Family Support Program | (106,260) |
| Donor restricted – VITA Program | (15,000) |
| Donor restricted – ECC Event – “Fighting ACEs” | <u>(4,500)</u> |
| Financial assets available to meet cash needs for expenditures within one year | <u>\$1,892,720</u> |

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2020 AND 2019

NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONT'D.)

March 31, 2019 (Restated)

| | |
|--|------------------------|
| Cash and cash equivalents | \$ 213,824 |
| Certificates of deposit | 229,554 |
| Pledges receivable, net (to be collected in less than one year) | 201,185 |
| Grants receivable (to be collected in less than one year) | 415,628 |
| Other receivables (to be collected in less than one year) | 1,921 |
| Beneficial interest in assets held by others | <u>73,331</u> |
| Total financial assets | 1,135,443 |
| Less those unavailable for general expenditures within one year due to: | |
| Donor restricted – TRIAD Program | (26,315) |
| Donor restricted – THV, HOPES, HIPPIY – Family Support Program | <u>(65,235)</u> |
| Financial assets available to meet cash needs for expenditures within one year | <u>\$1,043,893</u> |

NOTE 13 - PRIOR PERIOD ADJUSTMENTS

As described in Note 1, United Way adopted the provisions of FASB ASU 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958). The adoption of the ASU resulted in an increase of \$39,818 in the beginning net assets with donor restrictions for the year ended March 31, 2019 from \$30,558 to \$70,376.

The adoption of the ASU also resulted in the restatement of the comparative statements of financial position and activities presented alongside the March 31, 2020 financial statements. The adoption of the ASU resulted in an increase of \$67,490 in the revenue from other public support with donor restrictions from \$0 to \$67,490 and an increase of \$39,818 in the net assets released from restrictions from \$6,498 to \$46,316 in the comparative statement of activities for the year ended March 31, 2019. The adoption of the ASU also resulted in a decrease of \$67,490 in the balance of refundable grant advances from \$67,490 to \$0 in the comparative statement of financial position at March 31, 2019. The net effect was an increase of \$67,490 to the ending net assets with donor restrictions at March 31, 2019 from \$24,060 to \$91,550.

NOTE 14 - SUBSEQUENT EVENTS

COVID-19

Beginning in December 2019, a novel coronavirus, now designated SAR-CoV2 which causes the disease COVID-19 was declared a global pandemic by the World Health Organization. The symptoms of COVID-19 can range from severe illness and can cause complications including death. On March 13, 2020, the Governor of the State of Texas issued a proclamation certifying that COVID-19 poses an imminent threat of disaster in Texas and declared a state of disaster for all counties in Texas. A state of disaster requires that certain emergency protective measures be taken pursuant to the Texas Disaster Act of 1975 relating to Emergency Management and Public Health, pursuant to Chapter 418 of the Texas Government Code.

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2020 AND 2019

NOTE 14 - SUBSEQUENT EVENTS (CONT'D.)

The financial impact on the United Way as a result of efforts to combat the spread of COVID-19 is not known at this time but there is a possibility of a decline in public support to pre-pandemic charitable causes as funds are directed toward COVID-19 relief and less charitable giving occurs due to general economic decline as a result of lockdown requirements imposed by governments in an effort to reduce the spread of the disease. However, the federal government passed the CARES Act in March 2020 to provide economic relief, including a Paycheck Protection Program. On April 7, 2020, United Way received funding through a note payable to JPMorgan Chase Bank, N.A. for \$207,500. This is a Paycheck Protection Program note payable administered through the Small Business Administration (SBA). The note calls for interest of .98% payable in eighteen monthly installments, including interest, of \$11,617 starting November 7, 2020 and a final payment due on April 7, 2022. However, the United Way may apply to the SBA for forgiveness of the principal amount due on the loan that is used for the limited purposes that qualify for forgiveness under SBA requirements. At this time, the United Way plans on complying with the SBA requirements and filing for debt forgiveness for the entire amount.

INTERNAL CONTROL AND COMPLIANCE SECTION



EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

The Board of Directors
North Texas Area United Way, Inc.
Wichita Falls, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Texas Area United Way, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Texas Area United Way, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Texas Area United Way, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of North Texas Area United Way, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Texas Area United Way, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Texas Area United Way, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
July 14, 2020



EDGIN, PARKMAN, FLEMING & FLEMING, PC

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A. PAUL FLEMING, CPA

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

The Board of Directors
North Texas Area United Way, Inc.
Wichita Falls, Texas

Report on Compliance for the Major Federal Program

We have audited North Texas Area United Way, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on North Texas Area United Way, Inc.'s major federal program for the year ended March 31, 2020. North Texas Area United Way, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for North Texas Area United Way, Inc.'s major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about North Texas Area United Way, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of North Texas Area United Way, Inc.'s compliance.

Opinion on the Major Federal Program

In our opinion, North Texas Area United Way, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2020.

Report on Internal Control over Compliance

The management of North Texas Area United Way, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered North Texas Area United Way, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of North Texas Area United Way, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Edgin, Parkman, Fleming & Fleming, PC

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas
July 14, 2020

NORTH TEXAS AREA UNITED WAY, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED MARCH 31, 2020

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to the financial statements noted? Yes X No

2. Federal Awards

Internal control over major program:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported under 2 CFR Section 200.516(a)? Yes X No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| 93.870 | Maternal, Infant and Early Childhood Home Visiting Program |

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

NORTH TEXAS AREA UNITED WAY, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D.)
FOR THE YEAR ENDED MARCH 31, 2020**

B. Financial Statement Findings

None

C. Federal Award Findings and Questioned Costs

None

NORTH TEXAS AREA UNITED WAY, INC.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED MARCH 31, 2020**

There were no findings or questioned costs in the prior year.

NORTH TEXAS AREA UNITED WAY, INC.

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED MARCH 31, 2020**

No corrective action plan is required since there were no current year findings or questioned costs.

NORTH TEXAS AREA UNITED WAY, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED MARCH 31, 2020

| Federal Grantor / Pass-Through Grantor / Program Title | Federal CFDA Number | Pass-Through Grantor Number | Federal Expenditures | Amounts Provided to Subrecipients |
|---|---------------------------|-----------------------------------|-------------------------|---|
| <u>U. S. Department of Agriculture:</u> | | | | |
| Passed Through Texas Health and Human Services Commission: | | | | |
| Food Stamps | 10.561 | 529-16-0006-00009G | \$ 5,424 | \$ - |
| Food Stamps | 10.561 | 529-16-0006-00009H | 9,642 | - |
| Total CFDA Number 10.561 | | | <u>15,066</u> | <u>-</u> |
| Total U. S. Department of Agriculture | | | <u>15,066</u> | <u>-</u> |
| <u>U. S. Department of Treasury:</u> | | | | |
| Direct Program: | | | | |
| Volunteer Income Tax Assistance (VITA) Matching Grant Program | 21.009 | 19VITA0168 | 67,789 | - |
| Total U. S. Department of Treasury | | | <u>67,789</u> | <u>-</u> |
| <u>U. S. Department of Health and Human Services:</u> | | | | |
| Passed Through Texas Health and Human Services Commission: | | | | |
| Maternal, Infant and Early Childhood Home Visiting Program | 93.870 | X10MC30550-01-00 | 720,777 | 422,552 |
| Maternal, Infant and Early Childhood Home Visiting Program | 93.870 | X10MC32222 | 780,842 | 487,006 |
| Total CFDA Number 93.870 | | | <u>1,501,619</u> | <u>909,558</u> |
| Temporary Assistance for Needy Families | 93.558 | 529-16-0006-00009G | 5,424 | - |
| Temporary Assistance for Needy Families | 93.558 | 529-16-0006-00009H | 9,642 | - |
| Total CFDA Number 93.558 | | | <u>15,066</u> | <u>-</u> |
| Refugee and Entrant Assistance | 93.566 | 529-16-0006-00009G | 5,424 | - |
| Refugee and Entrant Assistance | 93.566 | 529-16-0006-00009H | 9,642 | - |
| Total CFDA Number 93.566 | | | <u>15,066</u> | <u>-</u> |
| Child Care and Development Block Grant | 93.575 | 529-16-0006-00009G | 2,074 | - |
| Child Care and Development Block Grant | 93.575 | 529-16-0006-00009H | 3,299 | - |
| Total CFDA Number 93.575 | | | <u>5,373</u> | <u>-</u> |
| Children's Health Insurance Program | 93.767 | 529-16-0006-00009G | 5,424 | - |
| Children's Health Insurance Program | 93.767 | 529-16-0006-00009H | 9,642 | - |
| Total CFDA Number 93.767 | | | <u>15,066</u> | <u>-</u> |
| Medical Assistance Program | 93.778 | 529-16-0006-00009G | 5,424 | - |
| Medical Assistance Program | 93.778 | 529-16-0006-00009H | 9,642 | - |
| Total CFDA Number 93.778 | | | <u>15,066</u> | <u>-</u> |
| Total U.S. Department of Health and Human Services | | | <u>1,567,256</u> | <u>909,558</u> |
| <u>U. S. Corporation for National and Community Service:</u> | | | | |
| Passed Through University of North Texas: | | | | |
| AmeriCorps | 94.006 | GF40025-11 | 8,398 | - |
| AmeriCorps | 94.006 | GF40128-8 | 4,325 | - |
| Total CFDA Number 94.006 | | | <u>12,723</u> | <u>-</u> |
| Total U. S. Corporation for National and Community Service | | | <u>12,723</u> | <u>-</u> |
| Totals | | | <u>\$ 1,662,834</u> | <u>\$ 909,558</u> |

NORTH TEXAS AREA UNITED WAY, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED MARCH 31, 2020

Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the North Texas Area United Way, Inc. (United Way) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the United Way, it is not intended to and does not present the financial position, changes in net assets or cash flows of the United Way.

Note 2 - FEDERAL ASSISTANCE RECONCILIATION

Statement of Activities:

| | |
|--|--------------------|
| Governmental grants | \$2,160,467 |
| Less non-federal governmental grants | (497,633) |
| Total per Schedule of Expenditures of Federal Awards | <u>\$1,662,834</u> |

Note 3 - DE MINIMIS INDIRECT COST RATE

United Way elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.