

UNITED WAY OF GALVESTON, INC.

FINANCIAL STATEMENTS

**Years Ended December 31, 2019 and 2018
With Independent Auditors' Report**

UNITED WAY OF GALVESTON, INC.

FINANCIAL STATEMENTS

**Years Ended December 31, 2019 and 2018
With Independent Auditors' Report**

Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Cash Flows.....	5
Statements of Functional Expenses	6
Notes to the Financial Statements	7
Additional Financial Information	
Schedule of Allocations and Designations to Agencies.....	19
Schedule of Overhead Rate.....	20

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way of Galveston, Inc.
Galveston, Texas

We have audited the accompanying financial statements of United Way of Galveston, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, cash flows, and functional expenses for the year 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 ("GAAP"); 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 ("GAAS"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Galveston, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with GAAP.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Allocations and Designations to Agencies and Schedule of Overhead Rate, are presented for purposes of additional analysis and are 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the United Way of Galveston, Inc.'s 2018 financial statements, and our report dated August 9, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
September 8, 2020

UNITED WAY OF GALVESTON, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,126,121	\$ 978,243
Investments	601,791	598,211
Receivables:		
Pledges receivable, net of allowance for uncollectible pledges of \$30,000 and \$30,000, respectively	564,945	493,851
SECC reimbursement	26,209	28,991
Inventory	11,025	11,025
Total assets	\$ 2,330,091	\$ 2,110,321
 Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 16,980	\$ -
Allocations payable to participating agencies	59,927	51,362
Designations payable - Community (2019/2020)	147,838	-
Designations payable - SECC UWG (2019/2020)	212,326	265,809
Accrued expenses	-	136,917
Total liabilities	437,071	454,088
Net assets:		
Without donor restrictions:		
Inventory	11,025	11,025
Board designated	50,000	50,000
Operating	1,226,210	1,362,658
Total without donor restrictions	1,287,235	1,423,683
With donor restrictions	605,785	232,550
Total net assets	1,893,020	1,656,233
Total liabilities and net assets	\$ 2,330,091	\$ 2,110,321

See accompanying notes to financial statements.

UNITED WAY OF GALVESTON, INC.

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2019

(with comparative totals for the Year Ended December 31, 2018)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>2018</u>
Revenue, gains, and other support:				
Gross campaign results (2019/2020)	\$ -	\$ 915,409	\$ 915,409	\$ -
Less donor designations - Community	-	(147,838)	(147,838)	-
Less donor designations - SECC	-	(302,160)	(302,160)	-
Less donor designations - SECC United Way	-	(212,326)	(212,326)	-
Less provisions for uncollectibles	-	(20,071)	(20,071)	-
Net campaign revenues (2019/2020)	<u>-</u>	<u>233,014</u>	<u>233,014</u>	<u>-</u>
Gross campaign results (2018/2019)	825,565	(825,565)	-	825,565
Less donor designations - Community	(74,605)	74,605	-	(74,605)
Less donor designations - SECC	(298,666)	298,666	-	(298,666)
Less donor designations - SECC United Way	(208,252)	208,252	-	(208,252)
Less recovery for uncollectibles	5,548	(5,548)	-	5,548
Net campaign revenues (2018/2019)	<u>249,590</u>	<u>(249,590)</u>	<u>-</u>	<u>249,590</u>
Net contributions received in prior year, released from restriction in current year	<u>249,590</u>	<u>(249,590)</u>	<u>-</u>	<u>-</u>
Additional campaign contributions from				
Prior years	265,080	-	265,080	375,874
Other contributions	50,398	-	50,398	142,768
Other income	24,025	-	24,025	35,071
Galveston county recovery	-	-	-	1,116,268
GRF vision 2039	-	900,827	900,827	220,000
Net unrealized gain on investments	2,359	-	2,359	2,610
Investment income	22,160	-	22,160	13,957
Total revenue and other support	<u>613,612</u>	<u>884,251</u>	<u>1,497,863</u>	<u>2,156,138</u>
Expenses:				
Program services				
Allocations to agencies	740,832	-	740,832	616,960
(Less donor designations)	(360,164)	-	(360,164)	(282,857)
Galveston county recovery	-	24,218	24,218	1,240,509
UTMB employee relief	-	(327)	(327)	(915)
GRF vision 2039	-	487,125	487,125	301,288
Other program services	249,704	-	249,704	215,139
Total program services	<u>630,372</u>	<u>511,016</u>	<u>1,141,388</u>	<u>2,090,124</u>
Supporting services				
Management and general	94,236	-	94,236	99,323
Fund raising	25,452	-	25,452	24,903
Functional expenses	<u>119,688</u>	<u>-</u>	<u>119,688</u>	<u>124,226</u>
Total expenses	<u>750,060</u>	<u>511,016</u>	<u>1,261,076</u>	<u>2,214,350</u>
Change in net assets	(136,448)	373,235	236,787	(58,212)
Net assets at beginning of year	<u>1,423,683</u>	<u>232,550</u>	<u>1,656,233</u>	<u>1,714,445</u>
Net assets at end of year	<u>\$ 1,287,235</u>	<u>\$ 605,785</u>	<u>\$ 1,893,020</u>	<u>\$ 1,656,233</u>

See accompanying notes to financial statements.

UNITED WAY OF GALVESTON, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 236,787	\$ (58,212)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Net unrealized gain on investments	(2,359)	(2,610)
Interest earnings	(22,160)	(13,957)
Changes in net assets and liabilities:		
Increase in pledges receivable	(71,094)	(66,506)
Decrease (increase) in other receivables	2,782	(3,968)
(Decrease) increase in accounts payable and accrued expenses	(119,937)	133,351
Increase (decrease) in allocations payable to participating agencies	8,565	(2,423)
Increase in designations payable	94,355	17,669
Net cash provided by operating activities	126,939	3,344
 Cash flows from investing activities:		
Proceeds from sale of investments	20,939	259,003
Net cash provided by investing activities	20,939	259,003
 Net increase in cash and cash equivalents	147,878	262,347
Cash and cash equivalents at beginning of year	978,243	715,896
 Cash and cash equivalents at end year	\$ 1,126,121	\$ 978,243

See accompanying notes to financial statements.

UNITED WAY OF GALVESTON, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2019

(with comparative totals for the Year Ended December 31, 2018)

	<u>Direct aid</u>	<u>Other program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>	<u>2018</u>
Salaries and related expenses:						
Salaries and wages	\$ -	\$ 122,775	\$ 17,798	\$ 7,399	\$ 147,972	\$ 128,227
Employee benefits	-	17,140	2,485	1,032	20,657	20,199
Payroll taxes	-	9,584	1,389	578	11,551	9,707
Total salaries and related expenses	<u>-</u>	<u>149,499</u>	<u>21,672</u>	<u>9,009</u>	<u>180,180</u>	<u>158,133</u>
Other expenses:						
Allocations to agencies	740,832	-	-	-	740,832	616,960
(Less donor designations)	(360,164)	-	-	-	(360,164)	(282,857)
Galveston county recovery	24,218	-	-	-	24,218	1,240,509
UTMB employee relief	(327)	-	-	-	(327)	(915)
GRF vision 2039	487,125	-	-	-	487,125	301,288
Bank charges	-	383	-	-	383	956
Advertising	-	-	-	11,433	11,433	13,046
Community awareness	-	16,416	-	-	16,416	16,977
Insurance	-	3,520	510	212	4,242	3,428
Membership dues	-	1,195	173	72	1,440	3,299
Miscellaneous expenses	-	45,548	6,603	2,745	54,896	33,192
Occupancy expenses	-	17,088	2,477	1,030	20,595	20,120
Information technology	-	7,246	1,050	437	8,733	7,133
Office supplies	-	6,071	880	366	7,317	8,266
Postage and shipping	-	290	-	-	290	439
Professional fees	-	-	35,619	-	35,619	34,372
Telephone	-	2,448	355	148	2,951	3,577
SECC fees net of reimbursement	-	-	24,897	-	24,897	36,427
Total other expenses	<u>891,684</u>	<u>100,205</u>	<u>72,564</u>	<u>16,443</u>	<u>1,080,896</u>	<u>2,056,217</u>
Total expenses	<u>\$ 891,684</u>	<u>\$ 249,704</u>	<u>\$ 94,236</u>	<u>\$ 25,452</u>	<u>\$ 1,261,076</u>	<u>\$ 2,214,350</u>

See accompanying notes to financial statements.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 and 2018

A. Organization and Nature of Activities

Organization

United Way of Galveston, Inc., a nonprofit organization, was incorporated in the State of Texas in 1923. The Internal Revenue Service has determined that the United Way of Galveston, Inc. (the "Organization") is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an Organization described in Section 501(c)(3). It is classified as a public charity under Section 170(b)(1)(A)(vi). Also, the Comptroller of Public Accounts of the State of Texas has determined that the Organization is qualified for exemption from state franchise tax.

Nature of Activities

The Organization invests in a broad array of services that focus on developing children and youth to their full potential, creating strong families and safe neighborhoods, sustaining senior independence and supporting people rebuilding their lives. The Organization's services touched over 22,000 lives in the community last year. In addition, the Organization connects people with services through 2-1-1 Texas in order to bring services closer to where people live.

The Organization's fundraising efforts include workplace campaigns, individual leadership giving programs, corporate giving, Organization grants, and special efforts to respond to emerging issues such as disaster recovery. Additionally, the Organization acts as the Local Campaign Manager for the local Galveston Area State Employees Charitable Campaign, soliciting funds from Texas State employees.

B. Summary of Significant Accounting Policies

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

Basis of Accounting – continued

Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- Net assets without donor restrictions – net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Directors.
- Net assets with donor restrictions – net assets subject to donor-imposed stipulations that specify a use for a contributed asset. When a donor stipulation has been satisfied the net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and all short-term investments with a maturity of three months or less when purchased.

Investments

Investments are reported at fair value. Investment return is reported in the statements of activities as an increase in net assets without donor restriction unless the use of income is limited to donor imposed restrictions. Investments consist of certificates of deposit with a maturity of greater than three months when purchased.

Inventory

Inventory consists of recognition pins and is stated at the lower of cost or net realizable value.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with restrictions by the donor are reported as increases in net assets without restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made, as well as other factors anticipated to affect collections.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Campaign Pledges and Designations

An annual fundraising campaign is conducted to obtain donations and pledges to fund the subsequent year's operations. Accordingly, a receivable is recorded at year end for outstanding campaign pledges with an allowance for amounts estimated to be uncollectable. Substantially all of the pledges receivables are from corporations and individuals.

Community-wide donations and pledges are recorded as donor restricted revenues in the campaign year and released into net assets without donor restriction as restrictions are satisfied in the subsequent year. Donor designated pledges are accounted for as a liability until disbursed to the designated agency. Those amounts are not accounted for as revenue by the Organization but are reported as part of campaign results from which the amounts are then deducted to arrive at campaign revenue.

Donor designated pledges are assessed a processing fee based on actual historical costs in accordance with United Way of America membership standards as outlined in their publication titled *United Way of America Implementation Requirements for Membership Standard M (cost deductions for designated Funds)*

Contributed Services

The amount of contributed services received in 2019 and 2018 was not material and therefore has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization.

Contributions

Contributions received are recorded as support with or without restriction depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities and changes in net assets as net assets released from restrictions. All contributions are considered to be available for without donor restrictions use unless specifically restricted by the donor.

Advertising costs

Advertising costs are expensed as incurred and amount to \$11,433 in 2019 and \$13,046 in 2018.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except on income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

Income Taxes – continued

The Organization files a federal Exempt Organization Business Tax Returns (Form 990), and no tax returns are currently under examination by any tax authorities. The Organization did not incur any penalties or interest during the years ended December 31, 2019 and 2018.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Summary of Financial Information for 2018

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute presentation conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Concentrations

All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation ("FDIC") up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category. Additionally, cash and securities held by a customer at a Security Investor Protection Corporation ("SIPC") member brokerage firm are protected up to \$500,000, which includes a limit of \$250,000 for cash.

The Organization maintains cash and certificates of deposit at a financial institution. At December 31, 2019 and 2018, the Organization had approximately \$301,395 and \$360,066, respectively of cash balances that were not insured by FDIC.

In addition, the Organization maintains cash and certificates of deposit held at a brokerage firm. At December 31, 2019 and 2018, respectively, the Organization had approximately \$513,811 and \$281,466 in cash and certificate of deposit balances that were not insured.

The Organization has not experienced any losses in such accounts and believes that future loss is mitigated by monitoring the balances at the financial institution and brokerage firm where the cash and certificates of deposit are being held.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

Concentrations - continued

Financial instruments also include pledges receivable amounting to \$564,945 and \$493,851 in 2019 and 2018, respectively, which, by their nature, are not collateralized. These receivables are due primarily from employees of the University of Texas Medical Branch (“UTMB”) and other local businesses (Note C).

Fair Values of Financial Instruments

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. 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. The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Organization had no level 3 assets or liabilities at December 31, 2019 and 2018.

The Organization has investments in certificates of deposit which are considered a Level 1.

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

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

New Accounting Pronouncement

The FASB Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606), was effective during 2019, which supersedes nearly all existing revenue recognition guidance under GAAP. The core principle of this ASU is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services. The new revenue guidance defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing GAAP.

The guidance requires improved disclosures to help users of the financial statements better understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization assessed the new standard and determined that it was not applicable to the Organization, as the Organization’s sources of revenue are cash donations, pledged donations, in-kind donations, and grant contributions. Therefore, there is no impact on the financial statements.

During 2019, the Organization adopted FASB ASU No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This ASU aims to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Specifically, this ASU assists entities in: (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Non-for-Profit Entities (Topic 958), or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The Organization adopted this guidance on January 1, 2019. There is no adjustment necessary to beginning net assets as a result of the adoption.

C. Pledges Receivable and Allowance for Uncollectible Pledges

Pledges receivable consist of pledges to be used to fund the subsequent years operating budgets including allocations to participating agencies. The current amount of \$30,000 and \$30,000 for uncollectible pledges is considered sufficient based on historical data and expectations at December 31, 2019 and 2018, respectively. The pledges are reported at fair value because of the short term nature of the receivables. The pledges are due within one year as follows.

	<u>2019</u>	<u>2018</u>
Pledges receivable 2017/2018	\$ -	\$ 112,230
Pledges receivable 2018/2019	92,283	411,621
Pledges receivable 2019/2020	502,662	-
Allowance for uncollectible	<u>(30,000)</u>	<u>(30,000)</u>
Net	<u>\$ 564,945</u>	<u>\$ 493,851</u>

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

D. Designated Net Assets Without Donor Restriction

The Board of Directors has designated net assets without donor restriction as follows:

Inventory – the reserve is made up of inventory of campaign and promotional items that remain at year-end and are accounted for in the asset area as inventory and in the net asset area as a component of net assets without donor restriction based on their value at year-end.

Board Appropriated – The reserve in the amount of \$50,000 used to fund a disaster relief fund as part of a Memo of Understanding between the Organization and The Galveston County Recovery Fund. These funds would be utilized in the event of a federally declared disaster in Galveston or Galveston County. The funds would be used to meet immediate needs of residents in the event of a disaster.

Net assets without donor restriction are illustrated on page 3 of the financial statements.

E. Net Assets With Donor Restriction

The restrictions on net assets at the end of 2019 and 2018 relate to pledges receivable for the subsequent years' allocations to participating agencies and its operating budget. The amount with donor restrictions at December 31, 2019 and 2018 is \$605,785 and \$232,550, respectively.

F. Employee Benefits Plan

The Organization offered health and dental care coverage for all full time employees. The Organization paid 100% of the premium for both health and dental coverage. Total premiums paid for 2019 and 2018 were \$20,657 and \$20,199, respectively.

G. Functional Allocation of Expenses

The costs of providing the programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations, specifically for salaries and benefits, are determined by management based on estimates of time and effort. Generally, the Organization records its expenses based on direct allocation by assigning each expense to a functional category based on direct usage.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

H. Commitments and Contingencies

Leases

During the year, the Organization signed a two-year lease agreement commencing on July 1, 2019, and continuing through June 30, 2021, for approximately 903 square feet of office space with the Waverly Holding Company. The lease calls for monthly rental payments on or before the first of the month. Monthly payments beginning on July 1, 2019, were \$1,625. Total lease obligations, excluding parking, for 2020 and 2021 are \$19,500 and \$9,750 respectively.

Rental expenses amount to \$20,595 in 2019 and \$20,120 in 2018.

I. Donor Designations

Designations payable include amounts held in custody by the Organization and pledges receivable which are payable to donor specific agencies as a result of campaigns run by the Organization (“Custodial Funds”). The United Way acts as an agent for the State Employees Charitable Campaign (“SECC”) and in accordance with Financial Accounting Standards Board Accounting Standards Codification 958-905 (formally SFAS 116 paragraph 9) does not record contribution revenue or allocation expense on the statements of activities. Any undistributed custodial funds as of the end of the period are recorded on the statements of financial position. In addition, designations payable includes campaign contributions from donors that have designated all or part of their contributions to specific agencies. For accounting purposes, these specific donor designations are not considered to be part of the total public support and are deducted from the campaign amount available to the Organization.

Donor designations made through the Organization’s current year community campaign are not considered to be part of the total public support and are deducted from the gross campaign results in the statements of activities. At December 31, 2019 and 2018 this amounts to \$147,838 and \$74,605, respectively. Any undistributed custodial funds as of the end of the period gets recorded as a payable on the statements of financial position. At December 31, 2019 and 2018 this amounts to \$147,838 and \$0, respectively.

Donor designations made through the current year’s SECC campaign not received by or designated to either the Organization or its agencies are removed from pledges receivable on the statements of financial position and deducted from gross campaign results and excluded from allocations to agencies on the statements of activities. At December 31, 2019 and 2018 this amounts to \$302,160 and \$298,666, respectively.

Donor designations made through the current year’s SECC campaign that are designated to the Organization’s agencies are deducted from gross campaign results and allocations to agencies on the statements of activities with any undistributed custodial funds as of the end of the period recorded as a payable on the statements of financial position. At December 31, 2019 and 2018 this amounts to \$212,326 and \$208,252, respectively.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

I. Donor Designations - continued

Only non-designated pledges or those designated specifically to the Organization made through either the current year's community or SECC campaign are included in the net campaign results net of provision for uncollectibles in the statements of activities. At December 31, 2019 and 2018 this amounts to \$233,014 and \$249,590, respectively.

Donor designations made through the SECC that are designated to the Organization's agencies in a previous year and remain undistributed as of the end of the period are included in the allocations payable to participating agencies on the statements of financial position. At December 31, 2019 and 2018 this amounts to \$59,927 and \$51,362, respectively.

Both designated and non-designated pledges made in the current year related to a previous year's campaign are included in the additional campaign contributions from prior years on the statements of activities. At December 31, 2019 and 2018 this amounts to \$265,080 and \$375,874, respectively.

J. Related Parties

The Organization manages and performs fundraising and administrative functions for the SECC. As a result, the SECC's campaign is included in the gross campaign results of the Organization on the statements of activities.

Included in the gross campaign results on the statements of activities are donor designated pledges to the Organization and its agencies raised through the SECC campaign of \$263,555 and \$265,809 of which \$27,447 and \$33,059 are designated to the Organization with the remainder of designations going towards the Organization's agencies as of December 31, 2019 and 2018, respectively.

The Organization is a beneficiary of these donor designated pledges net of all allocated expenses which include administrative fees, pass thru pledges and upfront costs generated by the SECC. As of December 31, 2019 and 2018 the net donor designated pledges amount to \$237,031 and \$237,670 of which \$24,705 and \$29,418, respectively are allocated to the Organization with the remainder of designations of \$212,326 and \$208,252 going towards the Organization's agencies. These amounts are presented on the statements of activities.

Donor designated pledges outstanding to both the Organization and its agencies net of all allocated expenses raised through the SECC campaign amount to \$299,916 and \$295,888 at December 31, 2019 and 2018 respectively, and are included in pledges receivable on the statements of financial position.

As mentioned above, the SECC withholds allocated expenses on the payment of the Organization and its agencies' donor designated pledges. At December 31, 2019 and 2018 the amount recognized by the Organization is \$51,106 and \$65,393, respectively.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

J. Related Parties – continued

As a result of the Organization managing the SECC campaign, the SECC offers the Organization reimbursement based on actual expenditures incurred relative to the campaign. At December 31, 2019 and 2018 the reimbursement from the SECC was \$26,209 and \$28,991 respectively, and is presented on the statements of financial position.

The amount of the above mentioned SECC allocated expenses net of the reimbursement from SECC is \$24,897 and \$36,427 and is presented on the statements of functional expenses at December 31, 2019 and 2018 respectively.

K. Liquidity and Availability of Resources

The Organization has \$1,717,275 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$1,126,121 and accounts receivable of \$591,154. These amounts are reduced by net assets with donor restrictions of \$605,785 which are subject to the restrictions specified by the donor and make them unavailable for general expenditure. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

L. Subsequent Events

In preparing the financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through September 8, 2020, the date the financial statements were available for issuance.

In January 2020, Vision Galveston received their official 501c3 status. Since 2018, United Way of Galveston served as their Fiscal Agent and accepted grants and signed contracts associated with those grants on their behalf while they awaited their IRS determination. Therefore, in March 2020, the Organization transferred, to Vision Galveston, the remaining designated funds less an authorized balance of \$500 for use towards any outstanding invoices to be paid on behalf of Vision Galveston.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States of America. Efforts implemented by local and national governments, as well as businesses, including temporary closures, are expected to have adverse impacts on local, national, and global economies. Although the disruption is currently expected to be temporary, there is uncertainty around the duration and the related economic impact. Therefore, while management expects this matter to have an impact on the Organization's operations, including possible decrease in government grant funding, contribution revenue, and collectability of receivables, the impact to the Organization's results of operations and financial position cannot be reasonably estimated at this time.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

L. Subsequent Events – continued

On March 27, 2020, the U.S. federal government enacted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), which includes provision for a Paycheck Protection Program (“PPP”) administered by the U.S. Small Business Administration (“SBA”). The PPP allows qualifying businesses to borrow up to \$10 million calculated based on qualifying payroll costs. PPP loans bear a fixed interest rate of 1% over a five-year term, are guaranteed by the federal government, and do not require collateral. The loans may be forgiven, in part or whole, if the proceeds are used to retain and pay employees and for other qualifying expenditures. The Organization has applied for a PPP loan in the amount of \$35,990, which was approved by the SBA in April 2020. The Organization expects to use the full proceeds of the PPP loan in accordance with the provisions of the CARES Act.

ADDITIONAL FINANCIAL INFORMATION

UNITED WAY OF GALVESTON, INC.

SCHEDULE OF ALLOCATIONS AND DESIGNATIONS TO AGENCIES

For the Year Ended December 31, 2019

(with comparative totals for the Year Ended December 31, 2018)

	2019	2018
	<u> </u>	<u> </u>
Member Agencies Designations		
Access Care of Coastal Texas	\$ -	\$ 2,785
ADA Womens Center	25,420	29,318
American Red Cross	1,849	8,249
Boy Scouts of America	45,778	28,566
Boys & Girls Club of Greater Houston	35,587	10,581
Boys & Girls Club of Galveston	1,136	-
CASA of Galveston County	21,263	14,000
Catholic Charities	123,899	114,579
Child Advocacy Center of Galveston	30,288	19,502
Children's Center	53	9,047
Communities in Schools	-	1,241
Family Service Center	47,077	44,285
Galveston College Foundation	10,567	11,808
Galveston County - Big Brothers & Big Sister	27,821	19,248
Galveston County Food Bank	38,601	51,674
Galveston Island Meals on Wheels	21,344	23,858
GISD Education Foundation	18,459	24,745
Libbie's Place	17,661	14,366
Lone Star Legal Aid	16,046	10,520
Moody Early Childhood Center	36,559	35,760
NAMI Gulf Coast	15,643	15,166
Resource & Crisis Center	42,037	33,260
Salvation Army	35,062	40,175
St. Vincent's House	41,398	5,047
Sunshine Center, Inc.	31,682	24,570
Teen Health Center	15,947	14,929
Y.M.C.A. - Galveston Family	3	4,755
Total Member Designations	<u>701,180</u>	<u>612,034</u>
Non-Member Designations	<u>39,652</u>	<u>4,926</u>
Total Member and Non-Member Designations	<u><u>\$ 740,832</u></u>	<u><u>\$ 616,960</u></u>

UNITED WAY OF GALVESTON, INC.

SCHEDULE OF OVERHEAD RATE

For the Year Ended December 31, 2019
(with comparative totals for the Year Ended December 31, 2018)

	United Way of Galveston, Inc.	Allowance for Uncollectible Pledges	Donor Designated Pledges	Adjusted Total	2018
Functional Expenses					
Management and general	\$ 94,236	\$ -	\$ -	\$ 94,236	\$ 99,323
Fundraising	25,452	-	-	25,452	24,903
Total Expenses	\$ 119,688	\$ -	\$ -	\$ 119,688	\$ 124,226
Revenue					
2019-2020 Campaign	\$ 233,014	\$ 20,071	\$ 360,164	\$ 613,249	\$ -
2018-2019 Campaign	265,080	-	-	265,080	526,899
2017-2018 Campaign	-	-	-	-	375,874
Other revenue	977,609	-	-	977,609	1,516,717
Investment income	22,160	-	-	22,160	13,957
Total Revenue	\$ 1,497,863	\$ 20,071	\$ 360,164	\$ 1,878,098	\$ 2,433,447
				6.37%	5.10%

Note: The overhead rate is equal to functional expenses less program cost divided by total revenues, including the custodian funds. The Organization has calculated its overhead rate using the Gross Method, as established by a committee of Chief Financial Officers of United Ways from throughout the country, under which functional expenses less program costs are divided by total public support and other revenues without deductions of an allowance for uncollectible pledges and donor designated pledges.