

**UNITED WAY OF
TARRANT COUNTY**

FINANCIAL STATEMENTS

**Year Ended June 30, 2020
(with Summarized Comparative Information
for the Year Ended June 30, 2019)
With Report of Independent Auditors**

**UNITED WAY OF
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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
United Way of Tarrant County

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Tarrant County, which comprise the statement of financial position as of June 30, 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.

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 and the standards applicable to the 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 United Way of Tarrant County as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with GAAP.

Report on Summarized Comparative Information

We have previously audited the United Way of Tarrant County's June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2020, on our consideration of United Way of Tarrant County'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 United Way of Tarrant County's internal control over financial reporting and compliance.

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

Fort Worth, Texas
October 29, 2020

UNITED WAY OF TARRANT COUNTY
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2020	2019
<u>Assets:</u>		
Cash and cash equivalents	\$ 2,418,741	\$ 1,102,518
Restricted cash	5,000,000	-
Investments:		
Certificate of deposit	1,229,019	2,480,268
Mutual funds	2,136,106	1,944,760
Total investments, stated at fair value	3,365,125	4,425,028
Pledges receivable less allowance for uncollectible pledges of \$1,342,706 and \$2,300,401 at June 30, 2020 and 2019, respectively	2,885,785	4,517,144
Other receivables	1,207,046	1,988,397
Prepaid expenses	110,375	79,673
Beneficial interest in assets held by others	7,307,612	9,446,362
Property and equipment, net	244,908	259,908
Other assets	78,980	104,979
Total assets	\$ 22,618,572	\$ 21,924,009
 <u>Liabilities and net assets:</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 2,128,429	\$ 1,929,415
Due to designated organizations	2,369,477	3,759,202
Refundable advance	1,080,312	-
Funds held for City of Fort Worth	5,000,000	-
Accrued post-retirement benefits	178,280	171,176
Deferred revenue	37,368	356,379
Total liabilities	10,793,866	6,216,172
Net assets (deficiency):		
Without donor restrictions:		
Undesignated	(1,856,240)	408,459
Board designated	5,806,619	7,797,441
With donor restrictions	7,874,327	7,501,937
Total net assets	11,824,706	15,707,837
Total liabilities and net assets	\$ 22,618,572	\$ 21,924,009

See accompanying notes to financial statements.

UNITED WAY OF TARRANT COUNTY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019

	Without Donor Restrictions	With Donor Restrictions	Total Year Ended June 30, 2020	Comparative Total Year Ended June 30, 2019
<u>Revenues, gains, and other support</u>				
Gross campaign results	\$ 1,567,742	\$ 10,351,222	\$ 11,918,964	\$ 13,607,697
Less donor designations	(944,580)	(3,782,985)	(4,727,565)	(4,712,014)
Less allowance for uncollectible pledges	-	(740,153)	(740,153)	(1,374,685)
Net campaign contributions	623,162	5,828,084	6,451,246	7,520,998
Designations contributed from other campaigns	-	129,152	129,152	104,385
Other contributions	112,838	1,591,124	1,703,962	115,023
Grants	9,451,514	-	9,451,514	9,780,842
Net investment return	192,771	-	192,771	486,115
Changes in market value of assets held by others	14,501	(1,698)	12,803	639,346
Rental income	492,105	-	492,105	498,395
Other	130,983	-	130,983	37,262
Net assets released for satisfaction of time restrictions	5,852,896	(5,852,896)	-	-
Net assets released for satisfaction of purpose restrictions	1,321,376	(1,321,376)	-	-
Total revenues, gains, and other support	18,192,146	372,390	18,564,536	19,182,366
<u>Expenses</u>				
Program services:				
Allocations & Community Impact	6,230,355	-	6,230,355	7,478,376
COVID-19 Response	1,466,610	-	1,466,610	-
Homelessness	-	-	-	3,218,933
Veterans	772,922	-	772,922	535,741
Area Agency on Aging	8,941,470	-	8,941,470	6,946,746
Service Centers	492,106	-	492,106	600,156
Total program services	17,903,463	-	17,903,463	18,779,952
Support services:				
Fund Raising	2,397,704	-	2,397,704	2,217,305
Management & General	2,146,500	-	2,146,500	2,953,210
Total support services	4,544,204	-	4,544,204	5,170,515
Total expenses	22,447,667	-	22,447,667	23,950,467
Change in net assets	(4,255,521)	372,390	(3,883,131)	(4,768,101)
Net assets at beginning of year	8,205,900	7,501,937	15,707,837	20,475,938
Net assets at end of year	<u>\$ 3,950,379</u>	<u>\$ 7,874,327</u>	<u>\$ 11,824,706</u>	<u>\$ 15,707,837</u>

See accompanying notes to financial statements.

UNITED WAY OF TARRANT COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020 WITH COMPARATIVE TOTALS FOR 2019

	Allocations & Community Impact	COVID-19 Response	Veterans	Area Agency on Aging	Service Centers	Total Program Services	Fund Raising	Management & General	Total Supporting Services	June 30, 2020 TOTAL FUNCTIONAL EXPENSES	June 30, 2019 TOTAL FUNCTIONAL EXPENSES
Operating Expenses											
Salaries and wages	\$ 570,717	\$ -	\$ 313,761	\$ 1,712,538	\$ 51,794	\$ 2,648,810	\$ 1,087,946	\$ 1,068,696	\$ 2,156,642	\$ 4,805,452	\$ 4,127,982
Employee benefits	101,983	-	29,613	372,406	13,092	517,094	175,226	161,532	336,758	853,852	738,664
Payroll taxes	50,599	-	27,375	135,237	3,811	217,022	88,788	81,603	170,391	387,413	357,334
	<u>723,299</u>	<u>-</u>	<u>370,749</u>	<u>2,220,181</u>	<u>68,697</u>	<u>3,382,926</u>	<u>1,351,960</u>	<u>1,311,831</u>	<u>2,663,791</u>	<u>6,046,717</u>	<u>5,223,980</u>
Professional fees	185,162	-	14,496	283,847	1,925	485,430	347,342	273,747	621,089	1,106,519	1,753,294
Supplies	6,571	-	4,292	4,970	738	16,571	2,640	22,989	25,629	42,200	66,442
Telephone	2,889	-	1,935	11,128	17,787	33,739	9,252	48,045	57,297	91,036	77,938
Postage and shipping	689	-	7	1,096	-	1,792	959	5,235	6,194	7,986	14,213
Occupancy	72,903	-	13,679	179,090	183,796	449,468	213,185	20,659	233,844	683,312	612,995
Outside printing	63	-	3,632	12,480	-	16,175	6,266	1,516	7,782	23,957	37,551
Local transportation	3,468	-	7,821	27,209	1,227	39,725	14,334	3,359	17,693	57,418	64,605
Conferences and training	10,874	-	2,873	20,921	-	34,668	8,206	12,701	20,907	55,575	80,123
Meetings-community/agency	22,784	-	3,344	14,746	-	40,874	159,439	22,732	182,171	223,045	309,267
Community promotion	5,922	-	-	6,731	-	12,653	54,499	-	54,499	67,152	91,764
Subscriptions	2,952	-	-	-	1,635	4,587	27,736	7,401	35,137	39,724	21,497
Membership dues	1,775	-	-	6,254	-	8,029	3,370	16,061	19,431	27,460	29,379
Awards	-	-	-	-	-	-	-	-	-	-	1,780
Equipment/buildings-maintenance/rental	14,004	-	1,606	19,221	198,303	233,134	11,407	180,801	192,208	425,342	429,538
Insurance and miscellaneous	24,828	-	89	1,243	17,429	43,589	70,606	54,765	125,371	168,960	506,861
Payments to affiliated organizations	91,135	-	-	10,400	-	101,535	113,918	98,729	212,647	314,182	224,056
Depreciation	1,237	-	-	2,047	569	3,853	2,585	65,929	68,514	72,367	52,787
Specific assistance	-	-	-	-	-	-	-	-	-	-	28,248
	<u>447,256</u>	<u>-</u>	<u>53,774</u>	<u>601,383</u>	<u>423,409</u>	<u>1,525,822</u>	<u>1,045,744</u>	<u>834,669</u>	<u>1,880,413</u>	<u>3,406,235</u>	<u>4,402,338</u>
Total operating expenses	1,170,555	-	424,523	2,821,564	492,106	4,908,748	2,397,704	2,146,500	4,544,204	9,452,952	9,626,318
Allocations/grants net of designations	5,059,800	1,466,610	348,399	6,119,906	-	12,994,715	-	-	-	12,994,715	14,324,149
Total functional expenses	\$ 6,230,355	\$ 1,466,610	\$ 772,922	\$ 8,941,470	\$ 492,106	\$ 17,903,463	\$ 2,397,704	\$ 2,146,500	\$ 4,544,204	\$ 22,447,667	\$ 23,950,467

See accompanying notes to financial statements.

UNITED WAY OF TARRANT COUNTY

STATEMENTS OF CASH FLOWS

	Years ended June 30,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (3,883,131)	\$ (4,768,101)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Adjustment for accrued post-retirement benefits	(2,712)	(340)
Loss on disposal of property and equipment	2,868	5,514
Changes in market value of assets held by others	(12,803)	(639,346)
Depreciation	72,367	52,787
Realized and unrealized gain on investments	(149,214)	(111,501)
Allowance for uncollectible pledges expense	740,153	1,374,685
Changes in operating assets and liabilities:		
Pledges receivable	891,206	(1,964,078)
Other receivables	781,351	(810,437)
Prepaid expenses	(30,702)	(4,653)
Other assets	25,999	37,280
Accounts payable and accrued expenses	199,014	35,865
Due to designated organizations	(1,389,725)	617,321
Accrued post-retirement benefits	9,816	9,816
Deferred revenue	(319,011)	(854,320)
Refundable advance	1,080,312	-
Funds held for City of Fort Worth	5,000,000	-
Net cash provided by (used in) operating activities	<u>3,015,788</u>	<u>(7,019,508)</u>
Investing activities:		
Purchase of property and equipment	(60,235)	(202,124)
Distributions from beneficial interest in assets held by others	2,151,553	6,474,331
Sale of investments	1,246,203	502,089
Purchase of investments	(37,086)	(98,874)
Net cash provided by investing activities	<u>3,300,435</u>	<u>6,675,422</u>
Net change in cash, cash equivalents, and restricted cash	6,316,223	(344,086)
Cash, cash equivalents, and restricted cash at beginning of year	<u>1,102,518</u>	<u>1,446,604</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 7,418,741</u>	<u>\$ 1,102,518</u>
Cash reconciliation:		
Cash and cash equivalents	\$ 2,418,741	\$ 1,102,518
Restricted cash	5,000,000	-
Cash, cash equivalents, and restricted cash	<u>\$ 7,418,741</u>	<u>\$ 1,102,518</u>

See accompanying notes to financial statements.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2020 and 2019

NOTE A. NATURE OF BUSINESS

The United Way of Tarrant County (the “Organization” or “United Way”) is a not-for-profit organization whose mission is to improve lives across our diverse communities by prioritizing needs in education, income, and health, forming innovative and effective partnerships with other organizations, and strategically raising and investing resources to make lasting change. The Organization started in 1922, when a group of Fort Worth’s community leaders gathered to consolidate the fundraising efforts of several local charities.

Through an annual fundraising campaign conducted primarily by volunteers, the Organization raises money from individuals and organizations to make possible services provided both by the Organization and by other area partners and not-for-profit health and human service organizations. A significant portion of the Organization’s funds are derived from contributions of residents and businesses in the Tarrant County area. United Way community development volunteers allocate dollars without restrictions. Allocations are committed to community partner agencies and impact partners at the beginning of each fiscal year in July.

During November 2019, the Organization named a new president and CEO, after the previous CEO retired. The new president and CEO previously served as the executive vice president and chief operating officer for the Organization.

United Way of Tarrant County administers the following programs:

Community Fund

Contributions without donor restrictions are accumulated and divided into two main areas. The first benefits the Organization’s community partner agency core services. Since its inception, the Organization helped fundraise for partner agencies throughout the community. The Organization has dozens of partner agencies to which United Way volunteers allocate a portion of Community Fund dollars without donor restrictions for specific programs at each agency. The second area supports the Organization’s impact initiatives, which focus on education, financial stability, and healthy aging and independent living.

Donor-Designated Funds

Donors have the option to designate contributions to the agency of their choice, including 42 community partner agencies, to a specific impact initiative, or to other United Ways and their partner agencies. The Organization remits collected contributions both monthly and quarterly to the designated organizations.

Other Programs

The Organization also administers various programs consisting of local, state, and federal grants for veteran services, homelessness, and aging and disability services. During 2020, the Organization had program activities related to COVID-19 pandemic response.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE 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 financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and, accordingly, reflect all significant receivables, payables, and other liabilities. Revenues are recognized when earned and expenditures are recognized when incurred.

Use of Estimates

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

Cash and Cash Equivalents

The Organization considers all certificates of deposit, commercial paper, money market funds, and U.S. government securities with original maturities of three months or less when purchased to be cash and cash equivalents.

The Organization maintains its operating bank accounts primarily at one financial institution. The Federal Deposit Insurance Corporation (“FDIC”) insures accounts at this financial institution. The Organization maintains its cash in bank deposit accounts which, at times, may exceed FDIC limits. The Organization has not experienced any losses in such accounts.

Restricted Cash

The Organization has restricted cash related to an agreement with the City of Fort Worth (the “City”), whereby the City has contracted with the Organization to distribute funds to Fort Worth area businesses as part of the Small Business Stabilization Grant Program. The Organization is responsible for disbursing the funds to applicants once a final funding recommendation is received from the City. As of June 30, 2020, the Organization had received \$5,000,000 from the City, which is recorded as restricted cash, and no disbursements had been made as of that date. The offsetting liability is presented on the statement of financial position as Funds Held for the City of Fort Worth.

Investments

Investments are comprised of certificates of deposit and mutual funds and are reported at fair value with realized and unrealized gains and losses included in the accompanying statement of activities. See Note D and E for fair value of the Organization’s investments.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Beneficial Interest in Assets Held by Others

Beneficial interests in assets held by others represent investments held by the North Texas Community Foundation (“NTXCF”) which are comprised of mutual funds and pooled accounts. The fair value of the mutual funds is determined primarily by reference to quoted market prices. Pooled accounts are comprised of broad asset category types, such as common stock, mutual funds, and cash equivalents. The underlying holdings are all based on unadjusted quoted market prices. Realized and unrealized gains and losses are included in the accompanying statement of activities as changes in market value of assets held by others.

Property and Equipment

The Organization capitalizes expenditures for property and equipment in excess of \$500 with useful lives of one year or more at cost, if purchased, or estimated fair value, if donated. Depreciation is computed on the straight-line method with a pro-rated expense taken in the year of acquisition. Estimated useful lives for purposes of calculating depreciation vary from three to ten years.

Contributions and Revenue Recognition

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

Contributions received are recorded as without donor restriction or with donor support depending on the existence and/or nature of any donor restrictions. Some donor restrictions are temporary in nature; those will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities as net assets released from restrictions.

The Organization conducts an annual fundraising campaign for the following fiscal year’s operations. Thus, campaign contributions are treated as contributions with donor restrictions in the year of the campaign and are reclassified to net assets without donor restrictions the year following the campaign when the time restriction is expired and funds will be used to fund agency allocations, community impact grants, and the Organization’s programs and supporting services.

The most recent fundraising campaign is restricted at June 30, 2020, and will be reclassified from net assets with donor restrictions to net assets without donor restrictions at July 1, 2020, to support operations throughout the fiscal year ending June 30, 2021.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contributions and Revenue Recognition – continued

In establishing the annual allowance for uncollectible pledges, management evaluates the adequacy of the allowance for uncollectible pledges based on a several factors including collection history of previous fundraising campaigns, the aging of the accounts, and other specific information known to management that may affect collectability. Pledges not collected approximately twelve months after the Organization concludes its annual fundraising campaign become delinquent and are written off during the subsequent six to nine months.

A portion of the Organization’s revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. See Note O – *Payroll Protection Program and Economic Injury Disaster Loan Advance* for discussion of refundable advances recorded in the accompanying statement of financial position as of June 30, 2020.

Endowment Funds and Spend Policies

The Alexis De Tocqueville Leadership Endowment Fund

The Organization established an endowment fund with the NTXCF, the Alexis De Tocqueville Leadership Endowment Fund (“ADT Leadership Fund”), using the proceeds of a donor-restricted gift. The purpose of the gift was to establish a perpetual endowment to fund programs and services specified in the original gift instrument. The gift received is reported in net assets with donor restrictions and accumulated in investment funds managed by NTXCF. Annual fund distributions made to the Organization from NTXCF are expended on programs or services that fulfill the fund’s mission and satisfy donor restrictions. The annual distribution shall not exceed 5% of the previous twelve quarters average of the ending net assets of the fund calculated at December 31 of each year.

The Legacy Fund

The Organization established a quasi-endowment fund with the NTXCF, the Legacy Fund, using net assets without donor restrictions previously held by the Organization. Gifts received for the fund are reported in net assets without donor restrictions and accumulated in investment funds managed by NTXCF. Annual distributions made to the Organization from NTXCF are expended on programs or services that fulfill the Organization’s initiatives. Annual distribution made to the Organization from NTXCF shall not exceed 5% of the previous twelve quarters average of the ending net assets of the fund calculated at December 31 of each year. During the year ended June 30, 2020, the Board approved an extraordinary distribution to provide additional operating funds from the Legacy Fund.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Comparative Financial Statements

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 a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Donated Assets and Services

The Organization recognizes donated property as a contribution at its estimated fair value at the date of the gift. A substantial number of volunteers have donated significant amounts of their time and services to the activities of the Organization without compensation. For the year ended June 30, 2020, approximately 20,000 hours were donated. The value of donated services is not recognized as a contribution since no objective basis is available to measure the value of such services and generally they do not require specialized skills.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Salaries and related payroll expenses are recorded based on actual segregation of personnel by program or supporting services benefited. Distribution of all other expenses is based on actual usage or management's estimates of usage applicable to the various programs and supporting services benefited. All salary, overhead, and miscellaneous costs attributable to fundraising efforts are recorded as operating expenses in the period incurred.

Portions of management and general and technology expenses have been allocated to program expenses, within the statement of functional expenses, based upon the full-time equivalent employee method. The full-time equivalent employee method uses a premise that every employee has an associated overhead cost.

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2020 and 2019, was \$67,152 and \$90,513, respectively.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recent Accounting Pronouncements

During 2020, the Organization adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which supersedes nearly all existing revenue recognition guidance under U.S. 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 considerations 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 U.S. GAAP. The Organization adopted this guidance on July 1, 2019, and the guidance was applied to contracts at the application date. There was no adjustment necessary to beginning net assets as a result of the adoption.

During 2020, 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 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 *Not-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 July 1, 2019. There was no adjustment necessary to beginning net assets as a result of the adoption.

During 2020, the Organization adopted FASB ASU No. 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*. This ASU requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The Organization adopted this guidance on July 1, 2019. The presentation of the prior year cash flow statement was retroactively adjusted as a result of this adoption.

Reclassifications

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

Subsequent Events

Management has evaluated all subsequent events and transactions for potential recognition or disclosure through October 29, 2020, the date the financial statements were available for issuance.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE C. PLEDGES AND OTHER RECEIVABLES

All pledges receivable as of June 30 are expected to be received as follows:

	2020	2019
Within one year	\$ 4,228,491	\$ 6,817,545
Allowance for uncollectible pledges	(1,342,706)	(2,300,401)
Total pledges receivable	\$ 2,885,785	\$ 4,517,144

At June 30, 2020 and 2019, the Organization had other receivables of \$1,207,046 and \$1,988,397, respectively, which are primarily due from various agencies related to grant revenue earned during the fiscal year.

NOTE D. INVESTMENTS

The fair values and related costs of investments as of June 30 are summarized as follows:

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
Certificates of deposit	\$ 1,229,019	\$ 1,229,019	\$ 2,480,268	\$ 2,480,268
Mutual funds	2,136,106	1,839,625	1,944,760	1,797,492
	\$ 3,365,125	\$ 3,068,644	\$ 4,425,028	\$ 4,277,760

NOTE E. FAIR VALUE MEASUREMENTS

U.S. GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

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

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE E. FAIR VALUE MEASUREMENTS – CONTINUED

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 June 30, 2020 or 2019.

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 and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2020 and 2019.

Mutual funds – balanced funds: The fair value of the mutual funds is determined primarily by reference to quoted market prices. Pooled accounts are comprised of broad asset category types, such as common stock, mutual funds, and cash equivalents. The underlying holdings are all based on unadjusted quoted market prices.

Certificates of deposit: Valued at the principal plus accrued interest, which approximates fair value.

Mutual funds: Valued at unadjusted quoted market prices in an active market.

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

The following tables set forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2020:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance as of June 30, 2020
Beneficial interest in assets held by others:			
Mutual funds – balanced funds	\$ -	\$ 7,307,612	\$ 7,307,612
Investments:			
Certificates of deposit	-	1,229,019	1,229,019
Mutual funds	2,136,106	-	2,136,106
Total	\$ 2,136,106	\$ 8,536,631	\$ 10,672,737

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE E. FAIR VALUE MEASUREMENTS – CONTINUED

The following tables set forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of June 30, 2019:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance as of June 30, 2019
	<u> </u>	<u> </u>	<u> </u>
Beneficial interest in assets held by others:			
Mutual funds – balanced funds	\$ -	\$ 9,446,362	\$ 9,446,362
Investments:			
Certificates of deposit	-	2,480,268	2,480,268
Mutual funds	<u>1,944,760</u>	<u>-</u>	<u>1,944,760</u>
Total	<u>\$ 1,944,760</u>	<u>\$ 11,926,630</u>	<u>\$ 13,871,390</u>

NOTE F. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment as of June 30,:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 264,797	\$ 262,821
Equipment	<u>428,897</u>	<u>377,616</u>
Total property and equipment	693,694	640,437
Less accumulated depreciation	<u>(448,786)</u>	<u>(380,529)</u>
Property and equipment, net	<u>\$ 244,908</u>	<u>\$ 259,908</u>

The Organization had depreciation expense of approximately \$72,000 and \$53,000 for the years ended June 30, 2020 and 2019, respectively.

NOTE G. BENEFIT PLANS

Effective November 1, 2003, the Organization established a 403(b) plan available to all employees who worked at least 1,000 hours. The Organization has elected to make a base contribution of 4% of each employee’s annual salary. In addition, the Organization elected to match employee contributions, dollar for dollar, up to a maximum of 4% of annual salary. The Organization made employer contributions of approximately \$307,000 and \$244,000 for the years ended June 30, 2020 and 2019, respectively.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE H. POST-RETIREMENT BENEFITS OTHER THAN PENSION

The Organization sponsors an unfunded defined benefit post-retirement plan (the “Plan”) that provides life insurance benefits to retirees who meet specific eligibility requirements upon termination of active service. Effective January 1, 2005, the Organization suspended the post-retirement life insurance benefit for employees hired after December 31, 2004.

The Plan’s funded status and other pertinent information related to the Plan as of June 30 is set forth in the following table:

	2020	2019
Benefit obligation	\$ (178,280)	\$ (171,176)
Fair value of Plan assets	-	-
Funded status	\$ (178,280)	\$ (171,176)
Accrued benefit obligation	\$ (178,280)	\$ (171,176)
Accumulated benefit cost recognized in the statements of financial position	\$ 178,280	\$ 171,176
Net periodic benefit costs	\$ (9,982)	\$ (10,303)
Employer contributions	9,816	9,816
Fair value of Plan assets	-	-
Weighted-average assumptions:		
Discount rate	3.15%	3.92%
Rate of compensation increase	3.00%	3.00%
Expected return on Plan assets	-	-
Actuarial (gain)/loss on benefit obligation	-	-
Benefit payments	9,816	9,816

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid according to the Plan year-end June 30:

Fiscal Year	Amount
2021	\$ 11,026
2022	10,682
2023	10,326
2024	9,959
2025	9,582
2026-2029	41,943

The Organization expects to make contributions to the Plan approximating \$11,000 for the next fiscal year.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE I. FEDERAL INCOME TAXES

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, as an organization other than a private foundation. Therefore, no provision for income taxes is made in the accompanying financial statements. The Organization follows U.S. GAAP, which prescribes a comprehensive model for the financial statement recognition, measurement, presentation, and disclosure of uncertain tax positions taken or expected to be taken in income tax returns. Management believes that it has not taken a tax position that, if challenged, would have a material effect on the Organization's financial statements.

The Organization files a Form 990 in the United States federal jurisdiction and no tax returns are currently under examination by any tax authorities. The Organization has not incurred any penalties or interest during the years ended June 30, 2020 and 2019.

NOTE J. RELATED-PARTY TRANSACTIONS

From time to time, the Organization purchases goods or services from entities affiliated with various committee members or volunteers. Management believes these transactions have been conducted on an arms-length basis and no preferential treatment has been afforded the Organization or the vendors.

During 2019, the Organization paid \$753,560 to school districts whose legal representative also serves on the Organization's Board of Directors. No such amounts were paid during 2020. In addition, during 2020 and 2019, the Organization paid \$37,000 and \$103,071, respectively, to a college district whose legal representative also serves on the Organization's Board of Directors. During 2019, the Organization contributed \$907,446 to two partner agencies whose board members also serve on the Organization's Board of Directors. No contributions were made in 2020 to these partner agencies. During 2020, the Organization contributed \$2,034 to a city whose board member also serves on the Organization's Board of Directors. During 2019, the Organization contributed \$614,372 to a school district and agency whose board members also serve on the Organization's Board of Directors. The Organization purchased services for \$300,731 and \$2,536 during 2020 and 2019, respectively, from a company owned by a member of the Organization's Board of Directors. The Organization purchased services of \$92,041 from a city whose employee serves on the Organization's Board of Directors. The Organization purchased services of \$140,203 from a council whose employee serves on the Organization's Board of Directors.

At June 30, 2020 the Organization had a payable of \$115,398, which is recorded within accounts payable, and at June 30, 2019, a receivable of \$187,557, which is recorded within other receivables, on the accompanying statements of financial position, from a not-for-profit organization for which three of the Organization's executive officers serve as board members. The Organization's Executive Vice President and Chief Financial Officer also serves as the Treasurer for this not-for-profit organization.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE J. RELATED-PARTY TRANSACTIONS – CONTINUED

Additionally, at June 30, 2020 and 2019, the Organization also had a receivable of \$11,819 and \$13,314 respectively, due from another not-for-profit organization for which three of the Organization’s executive officers serve as board members, which is also included within other receivables on the accompanying statement of financial position. The Organization’s Executive Vice President and Chief Financial Officer also serves as the Vice President-Secretary and Treasurer for this not-for-profit organization.

NOTE K. LEASES

The Organization enters into various lease agreements for the use of office space and equipment. Rent expense under these lease agreements was approximately \$477,000 and \$438,000 for the years ended June 30, 2020 and 2019, respectively. Approximate future annual minimum lease payments due under these lease agreements at June 30, 2020, are as follows:

2021	\$ 460,000
2022	463,000
2023	474,000
2024	453,000
2025	<u>189,000</u>
Total	<u>\$ 2,039,000</u>

NOTE L. RENTAL INCOME

The Organization operates and maintains four outlying service centers, which are either leased or owned. The Board of Directors has designated the associated net assets for the purpose of operating and maintaining these facilities. Three of the centers are leased from the City of Arlington under operating leases involving nominal consideration, none of which expire before the year 2024. The facilities are subleased to various benefit and service providers.

The Organization’s rental revenues are received from not-for-profit organizations, herein referred to as tenants, under non-cancelable operating leases. During the years ended June 30, 2020 and 2019, approximately \$492,000 and \$498,000, respectively, of rental revenue was generated from tenants. The tenant leases typically provide for minimum rent, charges for all operating costs of the buildings, and are adjusted as building expenses increase from year to year. Future annual minimum rentals on non-cancelable tenant operating leases at June 30, 2020, are approximately as follows:

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE L. RENTAL INCOME – CONTINUED

2021	\$ 430,000
2022	428,000
2023	409,000
2024	396,000
2025	285,000
Thereafter	<u>332,000</u>
Total	<u><u>\$ 2,280,000</u></u>

NOTE M. NET ASSETS

The Organization’s Board of Directors has designated net assets, from net assets without donor restrictions, for the following purposes as of June 30,:

	2020	2019
Board designated endowment fund:		
Legacy Fund	\$ 4,277,809	\$6,253,034
Other board designated amounts:		
Barnett Shale Fund	983,783	966,538
Women’s Fund	<u>545,027</u>	<u>577,869</u>
Total board designated net assets	<u><u>\$ 5,806,619</u></u>	<u><u>\$7,797,441</u></u>

Net assets with donor restrictions are restricted for the following purposes or periods at June 30,:

	2020	2019
Subject to the passage of time:		
For periods after July 1, 2020 and 2019, respectively	\$ 5,317,816	\$ 5,852,896
Subject to purpose restrictions	1,055,518	-
Subject to spending policy and appropriation:		
Barnett Shale Fund	506,598	577,494
Women’s Fund	306,531	348,761
ADT Leadership Fund	187,739	222,661
Endowment – held in perpetuity		
ADT Leadership Fund	<u>500,125</u>	<u>500,125</u>
Total net assets with donor restrictions	<u><u>\$ 7,874,327</u></u>	<u><u>\$ 7,501,937</u></u>

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE M. NET ASSETS – CONTINUED

Net assets were released from time restrictions by the passage of time or released from donor restrictions by incurring expenses that satisfy the restricted purposes specified by the donors as follows for the years ended June 30,:

	<u>2020</u>	<u>2019</u>
Time restricted contributions	\$ 5,852,896	\$ 6,518,382
Barnett Shale Fund	70,896	76,329
Women’s Fund	42,230	47,393
ADT Leadership Fund	33,098	36,075
Purpose restricted contributions	1,175,152	-
Homelessness	-	500,000
	<u>\$ 7,174,272</u>	<u>\$ 7,178,179</u>

The Organization established two funds with NTXCF, the Barnett Shale Fund and the Women’s Fund. Gifts received for both funds are reported in net assets with donor restrictions and accumulated in investment funds managed by NTXCF. Annual fund distributions made to the Organization from NTXCF are expended on programs or services that fulfill the funds’ mission and satisfy donor restrictions. The annual distribution shall not exceed 5% of the previous twelve quarters average of the ending net assets of the funds calculated at December 31 of each year.

At June 30, 2020 and 2019, the beneficial interest in assets held by others is comprised of the following funds which are disclosed by board designation and donor restriction below:

	<u>2020</u>	<u>2019</u>
Board designated endowment fund:		
Legacy Fund	\$ 4,277,809	\$ 6,253,034
Other board designated amounts:		
Barnett Shale Fund	983,783	966,538
Women’s Fund	545,027	577,869
With donor restrictions:		
Barnett Shale Fund	506,598	577,494
Women’s Fund	306,531	348,761
ADT Leadership Fund	687,864	722,786
Total beneficial interest in assets held by others	<u>\$ 7,307,612</u>	<u>\$ 9,446,482</u>

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE N. ENDOWMENT FUNDS

The Organization’s endowments consist of a quasi-endowment fund, the Legacy Fund, and a donor-restricted endowment fund, the ADT Leadership Fund. As required by U.S. GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Organization operates under the Texas Uniform Prudent Management of Institution Funds Act (“TUPMIFA”). The Board of Directors has interpreted TUPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as donor restricted the original value of the gift received to establish the ADT Leadership Fund, which is required to be held in perpetuity. The remaining portion of the donor-restricted endowment fund that is not to be held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by TUPMIFA. The Organization classifies the Legacy Fund as net assets without donor restrictions, as it has been designated as a quasi-endowment by the Board of Directors.

Investment Return Objectives

The Organization has adopted investment and spending policies, approved by the Board of Directors, for endowments and board designated funds which function as endowments that attempt to provide a predictable stream of funding for the Organization’s operations while maintaining the purchasing power of those endowment assets over the long term. The investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which meets the annual distribution requirements within acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and fixed securities within mutual funds, that is intended to result in a consistent, inflation-protected rate of return that has sufficient liquidity to make annual distributions for operations. The following table presents the endowment net assets composition by type and fund at June 30, 2020:

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions	Total
Donor-restricted endowment ADT Leadership Fund	\$ -	\$ 687,864	\$ 687,864
Board-designated endowment Legacy Fund	4,277,809	-	4,277,809
Endowment Net Assets, June 30, 2020	<u>\$ 4,277,809</u>	<u>\$ 687,864</u>	<u>\$ 4,965,673</u>

UNITED WAY OF TARRANT COUNTY
NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE N. ENDOWMENT FUNDS – CONTINUED

The following table represents the changes in endowment net assets at June 30:

	Net Assets Without Donor Restrictions	Net Assets with Donor Restrictions	Total
Endowment Net Assets, June 30, 2018	\$10,487,884	\$ 723,978	\$11,211,862
Contributions	-	-	-
Changes in market value of assets held by others	494,685	34,883	529,568
Release from Board designation	(4,175,271)	-	(4,175,271)
Amounts appropriated for expenditure	<u>(554,264)</u>	<u>(36,075)</u>	<u>(590,339)</u>
Endowment Net Assets, June 30, 2019	\$ 6,253,034	\$ 722,786	\$ 6,975,820
Contributions	-	-	-
Changes in market value of assets held by others	30,098	(1,823)	28,275
Release from Board designation	(1,603,107)	-	(1,603,107)
Amounts appropriated for expenditure	<u>(402,216)</u>	<u>(33,099)</u>	<u>(435,315)</u>
Endowment Net Assets, June 30, 2020	<u>\$ 4,277,809</u>	<u>\$ 687,864</u>	<u>\$ 4,965,673</u>

During the years ended June 30, 2020 and 2019, the Board of Directors approved resolutions to release approximately \$1,603,000 and \$4,175,000, respectively, from the board designated endowment fund to underwrite a portion of the Organization's operating costs for the year.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE O. COMMITMENTS AND CONTINGENCIES

Litigation

From time to time, the Organization may be involved in various suits and claims arising in the normal course of business. In management’s opinion, the ultimate outcome of these items will not have a material adverse effect on the Organization’s financial position or changes in net assets.

Paycheck Protection Program

During 2020, the Organization entered into a loan agreement issued by the Small Business Administration (“SBA”) under the Paycheck Protection Program (“PPP”) that consists of a forgivable loan that matures on April 5, 2022, and incurs interest at 0.98%. The Organization would not be liable for repayment of the loan provided that all SBA loan proceeds are used only for qualified expenditures as specified in the loan application. At June 30, 2020, the balance on the loan was \$1,070,312.

Management believes that the conditions under the SBA loan agreement have not been met or explicitly waived; therefore, the loan proceeds were recorded as a refundable advance at June 30, 2020, in the accompanying statements of financial position.

Management expects to apply for the formal loan forgiveness of the SBA loan in fiscal 2021, at which time the Organization would then reduce the refundable advance and recognize the contribution. However, the PPP may be subject to audits by the SBA or their representatives. Any disallowed costs, paid for using the proceeds of the SBA loan, if any, may constitute a liability of the Organization. At June 30, 2020, the Organization believes they are in compliance with the SBA loan program, and disallowed costs, if any, would not be significant to the accompanying financial statements.

Economic Injury Disaster Loan Advance

During 2020, the Organization received an Economic Injury Disaster Loan (“EIDL”) advance, which was a grant program offered together with the EIDL loan program by the SBA. The amount of the EIDL advance was determined by the number of employees indicated on the EIDL application: \$1,000/employee, up to a maximum of \$10,000. During the year ended June 30, 2020, the EIDL advance received by the Organization was \$10,000 and the balance is recorded as a refundable advance in the accompanying statement of financial position at June 30, 2020.

As noted by the SBA, entities who received an EIDL advance in addition to the PPP loan will have the amount of the EIDL advance subtracted from the forgiveness of the amount of their PPP loan. Subsequent to June 30, 2020, the SBA forgave the Organization’s EIDL advance of \$10,000.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE O. COMMITMENTS AND CONTINGENCIES – CONTINUED

Risks and Uncertainties

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 activities, the continuing impact to the results of operations and financial position cannot be reasonably estimated at this time.

NOTE P. AVAILABILITY AND LIQUIDITY

The following reflects the Organization’s financial assets which are available to meet general expenditures over the next twelve months at June 30,:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents and restricted cash	\$ 7,418,741	\$ 1,102,518
Investments	3,365,125	4,425,028
Pledges receivable, net	2,885,785	4,517,144
Other receivables	1,207,046	1,988,397
Beneficial interest in assets held by others	7,307,612	9,446,362
Total financial assets	22,184,309	21,479,449
Less amounts subject to contractual or donor-restriction:		
Restricted cash	5,000,000	-
Purpose restricted	1,055,518	-
Beneficial interest in assets held by others with donor restrictions:		
Barnett Shale Fund	506,598	577,494
Women’s Fund	306,531	348,761
ADT Leadership Fund	687,864	722,786
Financial assets available to meet general expenditures over the next twelve months	\$14,627,798	\$19,830,408

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE P. AVAILABILITY AND LIQUIDITY – CONTINUED

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in certificates of deposits and mutual funds. The board designated endowment, which is recorded within beneficial interest in assets held by others in the accompanying statements of financial position, of \$4,277,809 and \$6,253,034 at June 30, 2020 and 2019, respectively, is subject to an annual distribution not to exceed 5% as described in Note B or subject to board approval for extraordinary distributions. Although the Organization does not intend to spend from the board designated endowment (other than amounts appropriated for general expenditure as part of our Board's annual budget approval and appropriation), these amounts could be made available if necessary and are therefore, included in the financial assets available above. Donor-restricted endowment funds and certain other net assets with time and purpose restrictions are generally not available for general expenditure and are therefore not included in the amount above.

UNITED WAY OF TARRANT COUNTY
FEDERAL AND STATE SINGLE AUDIT REPORT
For the Year Ended June 30, 2020

UNITED WAY OF TARRANT COUNTY
FEDERAL AND STATE SINGLE AUDIT REPORT

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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***

To the Board of Directors of
United Way of Tarrant County

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 United Way of Tarrant County (the “Organization”), which comprise the statement of financial position as of June 30, 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 October 29, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization’s internal control over financial reporting (“internal control”) as a basis for designing 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 the Organization’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’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 Organization’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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the Organization'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 financial statements. 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 the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Fort Worth, Texas
October 29, 2020

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL AND STATE PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE,
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
REQUIRED BY THE *UNIFORM GUIDANCE AND STATE OF TEXAS UNIFORM GRANT
MANAGEMENT STANDARDS***

To the Board of Directors of
United Way of Tarrant County

Report on Compliance for Each Major Federal and State Program

We have audited the United Way of Tarrant County’s (the “Organization”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and *State of Texas Uniform Grant Management Standards* (“UGMS”) that could have a direct and material effect on each of the Organization’s major federal and state programs for the year ended June 30, 2020. The Organization’s major federal and state programs are 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 and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization’s major federal and state programs 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* (the “Uniform Guidance”) and UGMS. Those standards and the Uniform Guidance and UGMS 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 and state program occurred. An audit includes examining, on a test basis, evidence about the Organization’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 each major federal and state program. However, our audit does not provide a legal determination of the Organization’s compliance.

Opinion on Each Major Federal and State Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of the Organization 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 the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and UGMS, 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 the Organization'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 or state 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 or state 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 or state 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 and UGMS. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards

We have audited the financial statements of United Way of Tarrant County as of and for the year ended June 30, 2020, and have issued our report thereon dated October 29, 2020, which contained an unmodified opinion on those financial statements. 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 and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and UGMS 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 schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the financial statements as a whole.

Whitley Penn LLP

Fort Worth, Texas
October 29, 2020

**UNITED WAY OF TARRANT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2020**

I. Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements notes?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors’ report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

Name of Federal Program or Cluster	CFDA Numbers
U.S. Department of Health and Human Services – Aging Cluster:	
Title III, Part B, Grants for Supportive Services and Senior Centers	93.044
Title III, Part C, Nutrition Services	93.045
Nutrition Services Incentive Program	93.053
Alzheimer’s Disease Program Initiative	93.470
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**UNITED WAY OF TARRANT COUNTY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (continued)
 For the Year Ended June 30, 2020**

I. Summary of Auditor’s Results – *continued*

State Awards

Internal control over major programs:

Material weakness(es) identified? No

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

Type of auditors’ report issued on compliance with major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with UGMS? No

Identification of major programs:

Name of State Program	State Contract Number
Texas Health and Human Services Commission State General Revenue	539-16-0009-00001
Dollar threshold used to distinguish between type A and type B programs?	\$300,000
Auditee qualified as low-risk auditee	No

**UNITED WAY OF TARRANT COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – (continued)
For the Year Ended June 30, 2020**

II. Financial Statement Findings

None reported

III. Federal and State Award Findings and Questioned Costs

None reported

**UNITED WAY OF TARRANT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Other Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
U. S. Department of Health and Human Services Passed Through Texas Health and Human Services Commission				
Aging Cluster				
Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	539-16-0009-00001	\$ 333,240	\$ 2,123,573
Title III, Part C1, Nutrition Services - Congregate Meals	93.045	539-16-0009-00001	731,588	911,910
Title III, Part C2, Nutrition Services - Home Delivered Meals	93.045	539-16-0009-00001	1,526,021	2,021,027
Total CFDA Number 93.045			<u>2,257,609</u>	<u>2,932,937</u>
Nutrition Services Incentive Program	93.053	539-16-0009-00001	398,615	398,615
Total Aging Cluster			<u>2,989,464</u>	<u>5,455,125</u>
Other U.S. Department of Health and Human Services Programs				
Title III, Part E, National Family Caregiver Support	93.052	539-16-0009-00001	-	774,261
Title III, Part D, Disease Prevention and Health Promotion Services	93.043	539-16-0009-00001	22,290	88,356
Title VII, Chapter 3 – Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	539-16-0009-00001	-	15,293
Title VII, Chapter 2 – Long-Term Care Ombudsman Services for Older Individuals	93.042	539-16-0009-00001	-	79,812
Medicare Enrollment Assistance Program	93.071	539-16-0009-00001	-	13,482
State Health Insurance Assistance Program	93.324	539-16-0009-00001	-	171,915
Money Follows the Person Rebalancing Demonstration	93.791	539-16-0009-00001	-	31,636
Texas Takes on Dementia	93.051	529-17-0118-00001	-	41,651
Total Passed Through Texas Health and Human Services Commission			<u>3,011,754</u>	<u>6,671,531</u>

**UNITED WAY OF TARRANT COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS – (continued)
For the Year Ended June 30, 2020**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Other Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF)	93.761		40,000	271,455
Empowering Older Adults and Adults with Disabilities Through Chronic Disease Self-Management Education Programs (PPHF)	93.734		-	1,400
Emergency Management Performance Grants	97.042		-	27,561
Alzheimer's Disease Initiative: Specialized Supportive Services Project (ADI-SSS) thru Prevention and Public Health Funds	93.763		-	33,850
Alzheimer's Disease Program Initiative	93.470		131,860	329,718
PPHR Geriatric Education Centers	93.969		30,000	74,586
U. S. Department of Housing and Urban Development Passed Through the City of Arlington Community Development Block Grant	14.218	M08-MC-480212	-	39,732
U.S. Department of the Treasury Internal Revenue Service (IRS) Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009		9,000	128,293
TOTAL FEDERAL AWARDS			3,222,614	7,578,126
Texas Department of Housing and Community Affairs Texas Homeless Housing and Services Program-Housing Trust Fund	N/A	63150002046	59,199	59,199
Texas Health and Human Services Commission State General Revenue	N/A	539-16-0009-00001	127,849	454,343
TOTAL STATE AWARDS			187,048	513,542
TOTAL EXPENDITURES OF FEDERAL AND STATE AWARDS			\$ 3,409,662	\$ 8,091,668

UNITED WAY OF TARRANT COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2020

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal and state awards (the “Schedule”) includes the federal and state grant activity of United Way of Tarrant County under programs of the federal and state government for the year ended June 30, 2020. 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* (“Uniform Guidance”) and *State of Texas Uniform Grant Management Standards* (“UGMS”). Because the Schedule presents only a selected portion of the operations of United Way of Tarrant County, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of United Way of Tarrant County.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. See Note B of the notes to the financial statements for United Way of Tarrant County’s significant accounting policies. These expenditures are reported on United Way of Tarrant County’s fiscal year-end, which is from July 1, 2019 to June 30, 2020. Expenditure reports to funding agencies are prepared based on award periods. Such expenditures are recognized following the cost principles in the Uniform Guidance and UGMS, wherein certain types of expenditures are not allowable or are limited as to reimbursement. United Way of Tarrant County has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**UNITED WAY OF TARRANT COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2019**

Federal regulations, Title 2 U.S. *Code of Federal Regulations* § 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

The Summary Schedule of Prior Audit Findings for the year ended June 30, 2020, has been prepared to address these responsibilities.

I. Status of Prior Year Findings and Questioned Costs

Finding #2019-001: Lack of Effective Tracking of Campaign Pledge Revenue and Pledge Receivable Balances	Status: Resolved
Finding #2019-002: Lack of Effective Investment Activity Reconciliations	Status: Resolved
Finding #2019-003: Texas Homeless Housing and Services Program – Housing Trust Fund and Bond (Contract 63180002761 & 63196010009); L. Financial Reporting and Performance Reporting	Status: Resolved