

**UNITED WAY OF
TARRANT COUNTY**

FINANCIAL STATEMENTS

**Year Ended June 30, 2017
(with Summarized Comparative Information
for the Year Ended June 30, 2016)
With Report of Independent Auditors**

**UNITED WAY OF
TARRANT COUNTY**

FINANCIAL STATEMENTS

**Year Ended June 30, 2017
(with Summarized Comparative Information
for the Year Ended June 30, 2016)**

Table of Contents

REPORT OF INDEPENDENT AUDITORS	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses.....	5
Statements of Cash Flows	6
Notes to Financial Statements	7

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
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, 2017, and the related statements of activities and changes in net assets, 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; 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, 2017, and the results of its activities and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of United Way of Tarrant County for the year ended June 30, 2016, before the restatement described in Note M, were audited by us and in our report dated November 2, 2016, we expressed an unmodified opinion on those statements.

As discussed in Note M to the financial statements, certain errors were identified during the year resulting in the overstatement of unrestricted net assets and understatement of temporarily restricted net assets as of June 30, 2016. Accordingly amounts reported for unrestricted and temporarily net assets have been restated in the 2016 financial statements. As part of our audit of the June 30, 2017 financial statements, we also audited the adjustments described in Note M that were applied to restate the 2016 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017, 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
November 14, 2017

UNITED WAY OF TARRANT COUNTY
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2017	2016
<u>Assets:</u>	(Restated)	
Cash	\$ 2,736,282	\$ 2,381,726
Investments:		
Certificate of deposit	3,435,136	5,056,935
Mutual funds	1,624,856	1,425,720
Total investments, stated at fair value	5,059,992	6,482,655
Beneficial interest in assets held by others	14,826,689	13,487,412
Pledges receivable less allowance for uncollectible pledges of \$1,913,283 and \$1,962,884 at June 30, 2017 and 2016, respectively	5,088,261	6,229,733
Other receivables	1,004,341	1,239,720
Prepaid expenses	63,858	1,065,089
Property and equipment, net	96,483	144,472
Other assets	83,524	95,827
Total assets	\$ 28,959,430	\$ 31,126,634
 <u>Liabilities and net assets:</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,086,382	\$ 942,862
Due to designated organizations	1,818,611	2,894,717
Accrued post-retirement benefits	336,722	349,151
Deferred revenue	1,182,296	2,603,355
Total liabilities	4,424,011	6,790,085
Net assets:		
Unrestricted	671,361	1,019,220
Unrestricted - board designated	12,968,152	11,583,197
Temporarily restricted	10,395,781	11,234,007
Permanently restricted	500,125	500,125
Total net assets	24,535,419	24,336,549
Total liabilities and net assets	\$ 28,959,430	\$ 31,126,634

See accompanying notes to financial statements.

UNITED WAY OF TARRANT COUNTY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently Restricted</u>	<u>Total Year Ended June 30, 2017</u>	<u>Comparative Total Year Ended June 30, 2016</u>
<u>Revenues, gains and other support</u>					
Campaign contributions received in current year	\$ -	\$ 13,540,074	\$ -	\$ 13,540,074	\$ 15,331,021
Designations from other United Ways	-	410,240	-	410,240	540,745
Less donor designations	-	(4,135,980)	-	(4,135,980)	(5,193,076)
Less allowance for uncollectible pledges	-	(1,276,964)	-	(1,276,964)	(1,348,772)
Net contributions received in current year to be released from restriction in subsequent year	-	8,537,370	-	8,537,370	9,329,918
Campaign contributions received in prior year	15,331,021	(15,331,021)	-	-	-
Designations from other United Ways received in prior year	540,745	(540,745)	-	-	-
Less donor designations	(5,193,076)	5,193,076	-	-	-
Less allowance for uncollectible pledges	(1,348,772)	1,348,772	-	-	-
Net contributions received in prior year, released from restriction in current year	9,329,918	(9,329,918)	-	-	-
Net campaign revenues	9,329,918	(792,548)	-	8,537,370	9,329,918
Additional campaign contributions from prior years	2,500,956	-	-	2,500,956	1,328,101
Other contributions	79,951	-	-	79,951	58,934
Grants	9,439,199	-	-	9,439,199	10,733,980
Interest and dividend income	65,257	-	-	65,257	42,450
Changes in market value of assets held by others	1,928,445	91,348	-	2,019,793	(180,443)
Changes in market value of investments	168,661	-	-	168,661	-
Rental income	486,237	-	-	486,237	475,268
Other	53,942	-	-	53,942	79,372
Other net assets released from restrictions	137,026	(137,026)	-	-	-
Total revenues, gains and other support	24,189,592	(838,226)	-	23,351,366	21,867,580
<u>Expenses</u>					
Program services:					
Allocations & Community Impact	8,175,894	-	-	8,175,894	8,621,156
Homelessness	3,163,838	-	-	3,163,838	3,097,230
211 Information & Referral	1,007,381	-	-	1,007,381	1,111,838
Area Agency on Aging	5,890,993	-	-	5,890,993	6,415,588
Service Centers	572,664	-	-	572,664	480,972
CHIMES	-	-	-	-	770,994
Total program services	18,810,770	-	-	18,810,770	20,497,778
Support services:					
Fund Raising	2,384,916	-	-	2,384,916	2,314,165
Management & General	1,956,810	-	-	1,956,810	1,616,538
Total support services	4,341,726	-	-	4,341,726	3,930,703
Total expenses	23,152,496	-	-	23,152,496	24,428,481
Change in net assets	1,037,096	(838,226)	-	198,870	(2,560,901)
Net assets at beginning of year	14,187,518	9,648,906	500,125	24,336,549	26,897,450
Reclassification adjustment (Note M)	(1,585,101)	1,585,101	-	-	-
Net assets at beginning of year, as restated	12,602,417	11,234,007	500,125	24,336,549	26,897,450
Net assets at end of year	\$ 13,639,513	\$ 10,395,781	\$ 500,125	\$ 24,535,419	\$ 24,336,549

See accompanying notes to financial statements.

UNITED WAY OF TARRANT COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

	Allocations & Community Impact	Homelessness	211 Information & Referral	Area Agency on Aging	Service Centers	Total Program Services	Fund Raising	Management & General	Total Supporting Services	June 30, 2017 TOTAL FUNCTIONAL EXPENSES	June 30, 2016 TOTAL FUNCTIONAL EXPENSES
Operating Expenses											
Salaries and wages	\$ 879,300	\$ 42,926	\$ 608,964	\$ 1,461,368	\$ 42,897	\$ 3,035,455	\$ 1,414,851	\$ 714,585	\$ 2,129,436	\$ 5,164,891	\$ 5,219,221
Employee benefits	138,420	839	131,876	290,671	9,049	570,855	189,923	143,468	333,391	904,246	975,523
Payroll taxes	60,896	3,179	56,242	128,740	4,202	253,259	108,251	3,904	112,155	365,414	401,613
	<u>1,078,616</u>	<u>46,944</u>	<u>797,082</u>	<u>1,880,779</u>	<u>56,148</u>	<u>3,859,569</u>	<u>1,713,025</u>	<u>861,957</u>	<u>2,574,982</u>	<u>6,434,551</u>	<u>6,596,357</u>
Professional fees	352,846	27,000	129,386	188,265	42,009	739,506	186,009	472,768	658,777	1,398,283	666,337
Supplies	63,172	-	872	18,208	3,076	85,328	7,180	13,070	20,250	105,578	87,735
Telephone	19,596	-	20,848	40,452	3,335	84,231	9,494	13,919	23,413	107,644	125,375
Postage and shipping	2,050	-	64	2,126	-	4,240	7,177	3,690	10,867	15,107	19,327
Occupancy	69,175	-	16,600	155,630	328,468	569,873	119,683	112,409	232,092	801,965	823,194
Outside printing	5,303	-	2,490	6,759	-	14,552	49,789	360	50,149	64,701	87,023
Local transportation	11,292	-	4,270	27,532	268	43,362	18,926	1,873	20,799	64,161	67,939
Conferences and training	7,240	-	7,314	35,702	-	50,256	24,263	32,075	56,338	106,594	132,916
Meetings-community/agency	83,144	-	858	10,922	-	94,924	58,064	47,920	105,984	200,908	173,921
Community promotion	2,443	-	-	2,805	-	5,248	146,090	59	146,149	151,397	181,018
Subscriptions	40	-	1,393	-	-	1,433	5,412	5,279	10,691	12,124	19,695
Membership dues	6,771	-	14,654	125	-	21,550	10,095	11,142	21,237	42,787	64,086
Awards	568	-	-	1,202	-	1,770	496	-	496	2,266	3,669
Equipment/buildings-maintenance/rental	28,671	-	10,808	30,194	138,959	208,632	19,503	11,182	30,685	239,317	287,915
Insurance and miscellaneous	4,890	-	-	1,523	-	6,413	-	31,214	31,214	37,627	84,747
Payments to affiliated organizations	-	-	-	-	-	-	-	288,871	288,871	288,871	218,550
Depreciation	1,203	-	742	7,202	401	9,548	9,710	49,022	58,732	68,280	80,582
	<u>658,404</u>	<u>27,000</u>	<u>210,299</u>	<u>528,647</u>	<u>516,516</u>	<u>1,940,866</u>	<u>671,891</u>	<u>1,094,853</u>	<u>1,766,744</u>	<u>3,707,610</u>	<u>3,124,029</u>
Total operating expenses	1,737,020	73,944	1,007,381	2,409,426	572,664	5,800,435	2,384,916	1,956,810	4,341,726	10,142,161	9,720,386
Allocations/grants net of designations	6,438,874	3,089,894	-	3,481,567	-	13,010,335	-	-	-	13,010,335	14,708,095
Total functional expenses	\$ 8,175,894	\$ 3,163,838	\$ 1,007,381	\$ 5,890,993	\$ 572,664	\$ 18,810,770	\$ 2,384,916	\$ 1,956,810	\$ 4,341,726	\$ 23,152,496	\$ 24,428,481

See accompanying notes to financial statements.

UNITED WAY OF TARRANT COUNTY

STATEMENTS OF CASH FLOWS

	Years ended June 30,	
	2017	2016
	<hr/>	<hr/>
Cash flows from operating activities:		
Change in net assets	\$ 198,870	\$ (2,560,901)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Pension adjustment	(21,769)	16,645
Loss on retirement of fixed assets	-	947
Changes in market value of assets held by others	(2,019,793)	180,443
Depreciation	68,280	80,582
Changes in market value of investments	(168,661)	24,017
Changes in operating assets and liabilities:		
Pledges receivable	1,141,472	1,611,912
Other receivables	235,379	547,053
Prepaid expenses	1,001,231	(450,573)
Other assets	12,303	158,233
Accounts payable and accrued expenses	143,520	(734,148)
Due to designated organizations	(1,076,106)	(206,463)
Accrued post-retirement benefits	9,340	10,845
Deferred revenue	(1,421,059)	322,840
Net cash used in operating activities	<hr/> (1,896,993)	<hr/> (998,568)
Investing activities:		
Purchases of property and equipment	(20,291)	(25,514)
Additions to beneficial interest in assets held by others	-	(22,722)
Distributions from beneficial interest in assets held by others	680,516	643,639
Sale of investments	3,541,323	5,352,737
Purchase of investments	(1,949,999)	(5,444,751)
Net cash provided by investing activities	<hr/> 2,251,549	<hr/> 503,389
Net change in cash	354,556	(495,179)
Cash at beginning of year	<hr/> 2,381,726	<hr/> 2,876,905
Cash at end of year	<hr/> <hr/> \$ 2,736,282	<hr/> <hr/> \$ 2,381,726

See accompanying notes to financial statements.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2017 and 2016

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 unrestricted dollars. Allocations are committed to community partner agencies and impact partners at the beginning of each fiscal year in July.

United Way of Tarrant County administers the following programs:

Community Fund

Unrestricted donations are accumulated and divided into two main areas. The first benefits our 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 unrestricted Community Fund dollars 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 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 transportation, veteran services, homelessness, and aging and disability services.

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 standards generally accepted in the United States of America ("US 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 US 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.

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. The carrying value of certificates of deposit approximates fair value. The fair value of mutual funds is determined primarily by reference to quoted market prices.

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 and changes in net assets as changes in fair value of assets held by others.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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. 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

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Time and purpose restricted contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction or fulfillment of the purpose restriction. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor.

In establishing the annual allowance for uncollectible pledges, the Organization starts with the most recent three year average pledge write off (write offs as a percent of pledges) along with any estimated unused allowances from prior years and increases or decreases the allowance based upon management’s opinion of current economic conditions which would affect the adequacy of the allowance. 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.

The Organization conducts an annual fund raising campaign for the following fiscal year’s operations. Thus, campaign contributions are treated as temporarily restricted in the year of the campaign and are transferred to unrestricted 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 fund raising campaign is restricted at June 30, 2017, and will become unrestricted at July 1, 2017 to support operations throughout the fiscal year ending June 30, 2018.

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 permanent endowment to fund programs and services specified in the original gift instrument. The gift received is reported in permanently restricted net assets 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 fund calculated at December 31 of each year.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Endowment Funds and Spend Policies – continued

The Legacy Fund

The Organization established a quasi-endowment fund with the NTXCF, the Legacy Fund, using unrestricted net assets previously held by the Organization. Gifts received for the fund are reported in unrestricted net assets 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 fund calculated at December 31 of each year.

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 US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, 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, 2017, approximately 40,373 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 activities and changes in net assets. 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 fund-raising 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.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Advertising

Advertising costs are expensed as incurred. Advertising expense for the years ended June 30, 2017 and 2016 was \$151,413 and \$181,018, respectively.

Subsequent Events

Management has evaluated all subsequent events and transactions for potential recognition or disclosure through November 14, 2017, the date the financial statements were available for issuance.

NOTE C. PLEDGES RECEIVABLE

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

	2017	2016
Within one year	\$ 7,001,544	\$ 8,192,617
Allowance for uncollectible pledges	(1,913,283)	(1,962,884)
Total pledges receivable	\$ 5,088,261	\$ 6,229,733

NOTE D. INVESTMENTS

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

	2017		2016	
	Fair Value	Cost	Fair Value	Cost
Certificates of deposit	\$ 3,435,136	\$ 3,434,109	\$ 5,056,935	\$ 5,047,274
Mutual funds	1,624,856	1,458,147	1,425,720	1,410,148
	\$ 5,059,992	\$ 4,892,256	\$ 6,482,655	\$ 6,457,422

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE E. FAIR VALUE MEASUREMENTS

US 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.

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, 2017 or 2016.

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, 2017 and 2016.

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.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE E. FAIR VALUE MEASUREMENTS – CONTINUED

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, 2017:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance as of June 30, 2017
Beneficial interest in assets held by others:			
Mutual funds – balanced funds	\$ -	\$ 14,826,689	\$ 14,826,689
Investments:			
Certificates of deposit	-	3,435,136	3,435,136
Mutual funds	1,624,856	-	1,624,856
Total	\$ 1,624,856	\$ 18,261,825	\$ 19,886,681

The following tables set forth by level, within the fair value hierarchy, the Organization’s assets at fair value as of June 30, 2016:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance as of June 30, 2016
Beneficial interest in assets held by others:			
Mutual funds – balanced funds	\$ -	\$ 13,487,412	\$ 13,487,412
Investments:			
Certificates of deposit	-	5,056,935	5,056,935
Mutual funds	1,425,720	-	1,425,720
Total	\$ 1,425,720	\$ 18,544,347	\$ 19,970,067

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE F. PROPERTY AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Leasehold improvements	\$ 275,905	\$ 273,357
Equipment	<u>276,956</u>	<u>259,213</u>
Total property and equipment	552,861	532,570
Less accumulated depreciation	<u>(456,378)</u>	<u>(388,098)</u>
Property and equipment, net	<u>\$ 96,483</u>	<u>\$ 144,472</u>

The Organization had depreciation expense of approximately \$68,000 and \$81,000 for the years ended June 30, 2017 and 2016, 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 \$265,000 and \$270,000 for the years ended June 30, 2017 and 2016, respectively.

NOTE H. POST-RETIREMENT BENEFITS OTHER THAN PENSION

The Organization sponsors an unfunded defined benefit post-retirement 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.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE H. POST-RETIREMENT BENEFITS OTHER THAN PENSION – CONTINUED

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

	2017	2016
Benefit obligation	\$ (336,722)	\$ (349,151)
Fair value of Plan assets	-	-
Funded status	\$ (336,722)	\$ (349,151)
Accrued benefit obligation	\$ (336,722)	\$ (349,151)
Accumulated benefit cost recognized in the statements of financial position	\$ 336,722	\$ 349,151
Net periodic benefit costs	\$ 12,429	\$ 11,961
Employer contributions	9,340	10,729
Fair value of Plan assets	-	-
Weighted-average assumptions:		
Discount rate	4.44%	3.32%
Rate of compensation increase	3.00%	3.00%
Expected return on plan assets	-	-
Actuarial (gain)/loss on benefit obligation	-	-
Benefit payments	9,340	10,729

The Organization expects to contribute approximately \$22,000 to the plan in fiscal year 2018. 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
2018	\$ 22,311
2019	22,636
2020	23,501
2021	23,070
2022	22,950
2023-2027	105,721

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. Therefore, no provision for income taxes is made in the accompanying financial statements. As of June 30, 2017, the Organization’s tax years 2014 to 2016 remain subject to examination.

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 2017 and 2016, the Organization paid \$245 and \$7,911, respectively, to a school district whose Board member and superintendent also serves on the Board of Directors; \$95,000 and \$98,249, respectively, to a college district whose executive also serves on the Board of Directors, and contributed \$601,834 and \$699,350 to four partner agencies whose board members serve on the Board of Directors.

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 \$431,000 and \$446,000 for the years ended June 30, 2017 and 2016, respectively. Approximate future annual minimum lease payments due under these lease agreements at June 30, 2017, are as follows:

2018	\$ 414,000
2019	404,000
2020	412,000
2021	414,000
2022	416,000
Thereafter	<u>1,056,000</u>
Total	<u><u>\$ 3,116,000</u></u>

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

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, 2017 and 2016, approximately \$486,000 and \$475,000, 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, 2017, are as follows:

2018	\$	374,000
2019		315,000
2020		174,000
2021		75,000
2022		66,000
Thereafter		194,000
Total		\$ 1,198,000

NOTE M. RESTRICTED NET ASSETS

During the year ended June 30, 2017, management identified that temporarily restricted net assets related to time restricted contributions were understated by approximately \$1,585,000 as of June 30, 2016; therefore, a reclassification adjustment for this amount was recorded between unrestricted net assets and temporarily restricted net assets.

The effects of this adjustment is summarized as follows on the statement of financial position as of June 30, 2016:

	As Previously Reported	Adjustment	Restated Balance
Unrestricted net assets	\$ 2,604,321	\$(1,585,101)	\$ 1,019,220
Time restricted contributions temporarily restricted net assets	7,744,817	1,585,101	9,329,918
Total temporarily restricted net assets	9,648,906	1,585,101	11,234,007

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE M. RESTRICTED NET ASSETS – CONTINUED

In addition, during 2016, net assets released from restriction were overstated by approximately \$515,000. These effects of this adjustment are summarized as follows on the other net assets released from restrictions for the year ended June 30, 2016:

	As Previously Reported	Adjustment	Restated Balance
	<u> </u>	<u> </u>	<u> </u>
Other net assets released from restrictions	\$ 639,984	\$ (515,495)	\$ 124,489
Total net assets released from restrictions	11,442,769	(515,495)	10,927,274

Restricted net assets consist of the following at June 30, 2017:

	Unrestricted – board designated	Temporarily Restricted	Permanently Restricted	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Time restricted contributions	\$ -	\$ 8,537,370	\$ -	\$ 8,537,370
Barnett Shale Fund	765,005	723,130	-	1,488,135
Women's Fund	466,528	436,410	-	902,938
ADT Leadership Fund	-	198,871	500,125	698,996
Legacy Fund	11,736,619	-	-	11,736,619
Homelessness	-	500,000	-	500,000
Net assets	<u>\$ 12,968,152</u>	<u>\$ 10,395,781</u>	<u>\$ 500,125</u>	<u>\$ 23,864,058</u>

Restricted net assets, considering the reclassification discussed above, consist of the following at June 30, 2016:

	Unrestricted – board designated	Temporarily Restricted (as restated)	Permanently Restricted	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Time restricted contributions	\$ -	\$ 9,329,918	\$ -	\$ 9,329,918
Barnett Shale Fund	558,169	791,663	-	1,349,832
Women's Fund	370,737	473,207	-	843,944
ADT Leadership Fund	-	139,219	500,125	639,344
Legacy Fund	10,654,291	-	-	10,654,291
Homelessness	-	500,000	-	500,000
Net assets	<u>\$ 11,583,197</u>	<u>\$ 11,234,007</u>	<u>\$ 500,125</u>	<u>\$ 23,217,329</u>

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE M. RESTRICTED 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:

	2017	2016 (as restated)
Time restricted contributions	\$ 9,329,918	\$ 10,802,785
ADT Leadership Fund	31,696	30,947
Barnett Shale Fund	68,533	64,027
Women's Fund	36,797	29,515
	<u>\$ 9,466,944</u>	<u>\$ 10,927,274</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 temporary restricted net assets 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.

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 US 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 endowments funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted the original value of the gift received to establish the ADT Leadership Fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets 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 as unrestricted the Legacy Fund, which has been designated as a quasi-endowment by the Board of Directors.

UNITED WAY OF TARRANT COUNTY

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE N. ENDOWMENT FUNDS – CONTINUED

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, 2017:

	<u>Unrestricted net assets</u>	<u>Temporarily restricted net assets</u>	<u>Permanently restricted net assets</u>	<u>Total</u>
Donor restricted endowment funds	\$ -	\$ 198,871	\$ 500,125	\$ 698,996
Board designated endowment funds	<u>11,736,619</u>	<u>-</u>	<u>-</u>	<u>11,736,619</u>
Endowment Net Assets, June 30, 2017	<u>\$ 11,736,619</u>	<u>\$ 198,871</u>	<u>\$ 500,125</u>	<u>\$ 12,435,615</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:

	<u>Unrestricted net assets</u>	<u>Temporarily restricted net assets</u>	<u>Permanently restricted net assets</u>	<u>Total</u>
Endowment Net Assets, June 30, 2015	\$ 11,329,985	\$ 176,208	\$ 500,125	\$ 12,006,318
Contributions	2,889	-	-	2,889
Changes in market value of assets held by others	(140,432)	(7,349)	-	(147,781)
Amounts appropriated for expenditure	<u>(538,151)</u>	<u>(29,640)</u>	<u>-</u>	<u>(567,791)</u>
Endowment Net Assets, June 30, 2016	\$ 10,654,291	\$ 139,219	\$ 500,125	\$ 11,293,635
Contributions	-	-	-	-
Changes in market value of assets held by others	1,625,818	91,348	-	1,717,166
Amounts appropriated for expenditure	<u>(543,490)</u>	<u>(31,696)</u>	<u>-</u>	<u>(575,186)</u>
Endowment Net Assets, June 30, 2017	<u>\$ 11,736,619</u>	<u>\$ 198,871</u>	<u>\$ 500,125</u>	<u>\$ 12,435,615</u>

NOTE O. COMMITMENTS AND CONTINGENCIES

Litigation

The Company is 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.

Other

During the year ended June 30, 2017, the Organization incurred severance and retirement costs of approximately \$167,000 related to the elimination of certain positions. The amounts will be paid in fiscal year 2018 and therefore, the costs have been recorded in accounts payable and accrued expenses in the accompanying statements of financial position at June 30, 2017. Additionally, subsequent to June 30, 2017, the Organization approved the elimination of certain other positions and therefore expects to incur additional severance and retirement costs in 2018.