

**UNITED WAY OF  
TARRANT COUNTY**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2018  
(with Summarized Comparative Information  
for the Year Ended June 30, 2017)  
With Report of Independent Auditors**

**UNITED WAY OF  
TARRANT COUNTY**

**FINANCIAL STATEMENTS**

**Year Ended June 30, 2018  
(with Summarized Comparative Information  
for the Year Ended June 30, 2017)**

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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, 2018, 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 ("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, 2018, and the results of its activities and 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 March 27, 2019, 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  
March 27, 2019

**UNITED WAY OF TARRANT COUNTY**  
**STATEMENTS OF FINANCIAL POSITION**

	<b>June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b><u>Assets:</u></b>		
Cash and cash equivalents	\$ 1,446,604	\$ 2,736,282
Investments:		
Certificate of deposit	2,938,618	3,435,136
Mutual funds	1,778,124	1,624,856
Total investments, stated at fair value	4,716,742	5,059,992
Pledges receivable less allowance for uncollectible pledges of \$2,047,107 and \$1,913,283 at June 30, 2018 and 2017, respectively	3,927,751	5,088,261
Other receivables	1,177,960	1,004,341
Prepaid expenses	75,020	63,858
Beneficial interest in assets held by others	15,281,347	14,826,689
Property and equipment, net	116,085	96,483
Other assets	142,259	83,524
Total assets	\$ 26,883,768	\$ 28,959,430
<b><u>Liabilities and net assets:</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,893,550	\$ 1,086,382
Due to designated organizations	3,141,881	1,818,611
Accrued post-retirement benefits	161,700	336,722
Deferred revenue	1,210,699	1,182,296
Total liabilities	6,407,830	4,424,011
Net assets:		
Unrestricted	(238,788)	671,361
Unrestricted - board designated	11,922,389	12,968,152
Temporarily restricted	8,292,212	10,395,781
Permanently restricted	500,125	500,125
Total net assets	20,475,938	24,535,419
Total liabilities and net assets	\$ 26,883,768	\$ 28,959,430

See accompanying notes to financial statements.

UNITED WAY OF TARRANT COUNTY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017

	Unrestricted	Temporarily restricted	Permanently Restricted	Total Year Ended June 30, 2018	Comparative Total Year Ended June 30, 2017
<b><u>Revenues, gains and other support</u></b>					
Campaign contributions received in current year	\$ -	\$ 11,896,936	\$ -	\$ 11,896,936	\$ 13,540,074
Designations from other United Ways	-	173,514	-	173,514	410,240
Less donor designations	-	(3,263,340)	-	(3,263,340)	(4,135,980)
Less allowance for uncollectible pledges	-	(2,288,728)	-	(2,288,728)	(1,276,964)
Net contributions received in current year to be released from restriction in subsequent year	-	6,518,382	-	6,518,382	8,537,370
Campaign contributions received in prior year	13,540,074	(13,540,074)	-	-	-
Designations from other United Ways received in prior year	410,240	(410,240)	-	-	-
Less donor designations	(4,135,980)	4,135,980	-	-	-
Less allowance for uncollectible pledges	(1,276,964)	1,276,964	-	-	-
Net contributions received in prior year, released from restriction in current year	8,537,370	(8,537,370)	-	-	-
Net campaign revenues	8,537,370	(2,018,988)	-	6,518,382	8,537,370
Additional campaign contributions from prior years	836,145	-	-	836,145	2,500,956
Other contributions	10,791	-	-	10,791	79,951
Grants	8,972,678	-	-	8,972,678	9,439,199
Interest and dividend income	222,524	-	-	222,524	65,257
Changes in market value of assets held by others	1,092,259	57,403	-	1,149,662	2,019,793
Realized and unrealized gain (loss) on investments	(70,305)	-	-	(70,305)	168,661
Rental income	408,587	-	-	408,587	486,237
Other	207,398	-	-	207,398	53,942
Other net assets released from restrictions	141,984	(141,984)	-	-	-
<b>Total revenues, gains and other support</b>	<b>20,359,431</b>	<b>(2,103,569)</b>	<b>-</b>	<b>18,255,862</b>	<b>23,351,366</b>
<b><u>Expenses</u></b>					
Program services:					
Allocations & Community Impact	7,954,571	-	-	7,954,571	8,175,894
Homelessness	3,151,264	-	-	3,151,264	3,163,838
211 Information & Referral	267,945	-	-	267,945	1,007,381
Area Agency on Aging	6,066,977	-	-	6,066,977	5,890,993
Service Centers	485,341	-	-	485,341	572,664
Total program services	17,926,098	-	-	17,926,098	18,810,770
Support services:					
Fund Raising	2,124,974	-	-	2,124,974	2,384,916
Management & General	2,264,271	-	-	2,264,271	1,956,810
Total support services	4,389,245	-	-	4,389,245	4,341,726
<b>Total expenses</b>	<b>22,315,343</b>	<b>-</b>	<b>-</b>	<b>22,315,343</b>	<b>23,152,496</b>
Change in net assets	(1,955,912)	(2,103,569)	-	(4,059,481)	198,870
Net assets at beginning of year	13,639,513	10,395,781	500,125	24,535,419	24,336,549
Net assets at end of year	<u>\$ 11,683,601</u>	<u>\$ 8,292,212</u>	<u>\$ 500,125</u>	<u>\$ 20,475,938</u>	<u>\$ 24,535,419</u>

See accompanying notes to financial statements.

**UNITED WAY OF TARRANT COUNTY**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018 WITH COMPARATIVE TOTALS FOR 2017**

	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, 2018 TOTAL FUNCTIONAL EXPENSES	June 30, 2017 TOTAL FUNCTIONAL EXPENSES
<b>Operating Expenses</b>											
Salaries and wages	\$ 568,185	\$ 296	\$ 136,718	\$ 1,364,435	\$ 45,263	\$ 2,114,897	\$ 1,031,719	\$ 684,566	\$ 1,716,285	\$ 3,831,182	\$ 5,164,891
Employee benefits	79,278	12	63,744	269,814	10,700	423,548	149,817	156,798	306,615	730,163	904,246
Payroll taxes	52,008	170	24,465	86,015	2,106	164,764	84,923	64,983	149,906	314,670	365,414
	<u>699,471</u>	<u>478</u>	<u>224,927</u>	<u>1,720,264</u>	<u>58,069</u>	<u>2,703,209</u>	<u>1,266,459</u>	<u>906,347</u>	<u>2,172,806</u>	<u>4,876,015</u>	<u>6,434,551</u>
Professional fees	151,414	-	24,733	317,198	36,025	529,370	291,408	320,693	612,101	1,141,471	1,398,283
Supplies	7,197	-	134	14,396	3,404	25,131	7,162	21,579	28,741	53,872	105,578
Telephone	25,272	-	9,787	43,414	7,840	86,313	9,809	25,240	35,049	121,362	107,644
Postage and shipping	720	-	1,402	1,146	-	3,268	897	1,091	1,988	5,256	15,107
Occupancy	50,011	-	75	111,337	184,035	345,458	91,539	207,494	299,033	644,491	801,965
Outside printing	3,538	-	-	5,308	-	8,846	40,702	286	40,988	49,834	64,701
Local transportation	8,635	-	468	26,056	570	35,729	14,441	3,056	17,497	53,226	64,161
Conferences and training	6,215	-	1,625	25,838	-	33,678	12,996	6,482	19,478	53,156	106,594
Meetings-community/agency	58,944	-	407	4,688	-	64,039	52,681	28,606	81,287	145,326	200,908
Community promotion	2,667	-	-	500	-	3,167	43,728	-	43,728	46,895	151,397
Subscriptions	8,757	-	864	-	-	9,621	7,620	12,268	19,888	29,509	12,124
Membership dues	1,211	-	124	10,309	-	11,644	5,216	34,417	39,633	51,277	42,787
Awards	268	-	-	82	-	350	40	745	785	1,135	2,266
Equipment/buildings-maintenance/rental	19,125	-	3,000	30,014	194,625	246,764	9,647	44,482	54,129	300,893	239,317
Insurance and miscellaneous	138,715	-	-	3,221	-	141,936	8,345	59,871	68,216	210,152	37,627
Payments to affiliated organizations	-	-	-	-	-	-	255,923	28,437	284,360	284,360	288,871
Depreciation	179	-	399	4,704	773	6,055	6,361	34,198	40,559	46,614	68,280
Specific Assistance	12,620	350	-	-	-	12,970	-	-	-	12,970	-
	<u>495,488</u>	<u>350</u>	<u>43,018</u>	<u>598,211</u>	<u>427,272</u>	<u>1,564,339</u>	<u>858,515</u>	<u>828,945</u>	<u>1,687,460</u>	<u>3,251,799</u>	<u>3,707,610</u>
<b>Total operating expenses</b>	<b>1,194,959</b>	<b>828</b>	<b>267,945</b>	<b>2,318,475</b>	<b>485,341</b>	<b>4,267,548</b>	<b>2,124,974</b>	<b>1,735,292</b>	<b>3,860,266</b>	<b>8,127,814</b>	<b>10,142,161</b>
Allocations/grants net of designations	6,759,612	3,150,436	-	3,748,502	-	13,658,550	-	528,979	528,979	14,187,529	13,010,335
<b>Total functional expenses</b>	<b>\$ 7,954,571</b>	<b>\$ 3,151,264</b>	<b>\$ 267,945</b>	<b>\$ 6,066,977</b>	<b>\$ 485,341</b>	<b>\$ 17,926,098</b>	<b>\$ 2,124,974</b>	<b>\$ 2,264,271</b>	<b>\$ 4,389,245</b>	<b>\$ 22,315,343</b>	<b>\$ 23,152,496</b>

See accompanying notes to financial statements.

**UNITED WAY OF TARRANT COUNTY**

**STATEMENTS OF CASH FLOWS**

	<b>Years ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
	<hr/>	<hr/>
Cash flows from operating activities:		
Change in net assets	\$ (4,059,481)	\$ 198,870
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Adjustment for accrued post-retirement benefits	(184,947)	(21,769)
Changes in market value of assets held by others	(1,149,662)	(2,019,793)
Depreciation	46,614	68,280
Realized and unrealized gain (loss) on investments	70,305	(168,661)
Changes in operating assets and liabilities:		
Pledges receivable	1,160,510	1,141,472
Other receivables	(173,619)	235,379
Prepaid expenses	(11,162)	1,001,231
Other assets	(58,735)	12,303
Accounts payable and accrued expenses	807,168	143,520
Due to designated organizations	1,323,270	(1,076,106)
Accrued post-retirement benefits	9,925	9,340
Deferred revenue	28,403	(1,421,059)
Net cash used in operating activities	<hr/> (2,191,411) <hr/>	<hr/> (1,896,993) <hr/>
Investing activities:		
Purchases of property and equipment	(66,216)	(20,291)
Distributions from beneficial interest in assets held by others	695,004	680,516
Sale of investments	1,228,789	3,541,323
Purchase of investments	(955,844)	(1,949,999)
Net cash provided by investing activities	<hr/> 901,733 <hr/>	<hr/> 2,251,549 <hr/>
Net change in cash	(1,289,678)	354,556
Cash and cash equivalents at beginning of year	<hr/> 2,736,282 <hr/>	<hr/> 2,381,726 <hr/>
Cash and cash equivalents at end of year	<hr/> <u>\$ 1,446,604</u> <hr/>	<hr/> <u>\$ 2,736,282</u> <hr/>

See accompanying notes to financial statements.



## UNITED WAY OF TARRANT COUNTY

### NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2018 and 2017

#### 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.

During the year ended June 30, 2018, the Organization experienced a decrease in its annual fundraising campaign contributions as well as an increase in its allowance for uncollectible pledges. This ultimately resulted in a decrease in the change in net assets, a deficit in its unrestricted net assets, and cash used in operations. Management believes there is adequate liquidity to continue its operations at the current level based on its current assets and investments and the availability of funds which could be released from board designated unrestricted net assets.

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 (“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.

##### **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 and changes in net assets. See Note E for fair value of the Organization’s investments.

##### **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 market 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, 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.

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, 2018, and will become unrestricted at July 1, 2018, to support operations throughout the fiscal year ending June 30, 2019.

**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 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.

## 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 U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2017, 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, 2018, approximately 53,000 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 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, 2018 and 2017, was \$44,792 and \$151,413, respectively.

**Recent Accounting Pronouncements**

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. ASU 2016-14 is effective for years beginning after December 15, 2017 with early adoption permitted. Management is currently evaluating the impact of ASU 2016-14 on the Organization’s financial statements, which will be adopted in the year ending June 30, 2019.

**Subsequent Events**

Management has evaluated all subsequent events and transactions for potential recognition or disclosure through March 27, 2019, the date the financial statements were available for issuance.

**NOTE C. PLEDGES AND OTHER RECEIVABLES**

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

	<u>2018</u>	<u>2017</u>
Within one year	\$ 5,974,858	\$ 7,001,544
Allowance for uncollectible pledges	<u>(2,047,107)</u>	<u>(1,913,283)</u>
Total pledges receivable	<u>\$ 3,927,751</u>	<u>\$ 5,088,261</u>

At June 30, 2018 and 2017, the Organization had other receivables of \$1,177,960 and \$1,004,341, respectively, which are primarily due from various agencies related to grant revenue earned during the fiscal year.

**UNITED WAY OF TARRANT COUNTY**

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE D. INVESTMENTS**

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

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Certificates of deposit	\$ 2,938,618	\$ 2,938,618	\$ 3,435,136	\$ 3,434,109
Mutual funds	1,778,124	1,647,125	1,624,856	1,458,147
	<u>\$ 4,716,742</u>	<u>\$ 4,585,743</u>	<u>\$ 5,059,992</u>	<u>\$ 4,892,256</u>

**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.

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, 2018 or 2017.

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, 2018 and 2017.

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.

**UNITED WAY OF TARRANT COUNTY**

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE E. FAIR VALUE MEASUREMENTS – CONTINUED**

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, 2018:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Balance as of June 30, 2018
Beneficial interest in assets held by others:			
Mutual funds – balanced funds	\$ -	\$ 15,281,347	\$ 15,281,347
Investments:			
Certificates of deposit	-	2,938,618	2,938,618
Mutual funds	1,778,124	-	1,778,124
<b>Total</b>	<b>\$ 1,778,124</b>	<b>\$ 18,219,965</b>	<b>\$ 19,998,089</b>

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
<b>Total</b>	<b>\$ 1,624,856</b>	<b>\$ 18,261,825</b>	<b>\$ 19,886,681</b>

**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>2018</u>	<u>2017</u>
Leasehold improvements	\$ 307,258	\$ 275,905
Equipment	<u>310,582</u>	<u>276,956</u>
Total property and equipment	617,840	552,861
Less accumulated depreciation	<u>(501,755)</u>	<u>(456,378)</u>
Property and equipment, net	<u>\$ 116,085</u>	<u>\$ 96,483</u>

The Organization had depreciation expense of approximately \$47,000 and \$68,000 for the years ended June 30, 2018 and 2017, 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 \$215,000 and \$265,000 for the years ended June 30, 2018 and 2017, respectively.

**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.



**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:

	<u>2018</u>	<u>2017</u>
Benefit obligation	\$ (161,700)	\$ (336,722)
Fair value of Plan assets	-	-
Funded status	<u>\$ (161,700)</u>	<u>\$ (336,722)</u>
Accrued benefit obligation	<u>\$ (161,700)</u>	<u>\$ (336,722)</u>
Accumulated benefit cost recognized in the statements of financial position	<u>\$ 161,700</u>	<u>\$ 336,722</u>
Net periodic benefit costs	\$ 7,256	\$ 12,429
Employer contributions	9,925	9,340
Fair value of Plan assets	-	-
Weighted-average assumptions:		
Discount rate	3.32%	4.44%
Rate of compensation increase	3.00%	3.00%
Expected return on Plan assets	-	-
Actuarial (gain)/loss on benefit obligation	-	-
Benefit payments	9,925	9,340

A change in life insurance carriers during the Plan year resulted in a gain of approximately \$190,000 in 2018, thus reducing future commitments. The Organization expects to contribute approximately \$11,000 to the Plan in fiscal year 2019. The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid according to the Plan year-end June 30:

<u>Fiscal Year</u>	<u>Amount</u>
2019	\$ 11,339
2020	11,047
2021	10,743
2022	10,427
2023	10,099
2024-2027	45,221

**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 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, 2018 and 2017. As of June 30, 2018, the Organization's tax years 2015 to 2017 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 2018 and 2017, the Organization paid \$753,560 and \$245, respectively, to a school district whose legal representative also serves on the Organization's Board of Directors, and paid \$111,271 and \$95,000, respectively, to a college district whose legal representative also serves on the Organization's Board of Directors. The Organization also contributed \$87,978 during 2018 to two partner agencies and \$601,834 during 2017 to four partner agencies whose board members also serve on the Organization's 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 for both the years ended June 30, 2018 and 2017. Approximate future annual minimum lease payments due under these lease agreements at June 30, 2018, are as follows:

2019	\$ 442,000
2020	456,000
2021	459,000
2022	462,000
2023	473,000
Thereafter	<u>640,000</u>
Total	<u>\$ 2,932,000</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, 2018 and 2017, approximately \$409,000 and \$486,000, 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, 2018, are approximately as follows:

2019	\$ 366,000
2020	251,000
2021	164,000
2022	156,000
2023	130,000
Thereafter	<u>493,000</u>
 Total	 <u><u>\$ 1,560,000</u></u>

**NOTE M. BOARD DESIGNATED AND RESTRICTED NET ASSETS**

Board designated and restricted net assets consist of the following at June 30, 2018:

	<u>Unrestricted – Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Time restricted contributions	\$ -	\$ 6,518,382	\$ -	\$ 6,518,382
Barnett Shale Fund	875,221	653,823	-	1,529,044
Women's Fund	559,284	396,154	-	955,438
ADT Leadership Fund	-	223,853	500,125	723,978
Legacy Fund	10,487,884	-	-	10,487,884
Homelessness	-	500,000	-	500,000
 Net assets	 <u><u>\$ 11,922,389</u></u>	 <u><u>\$ 8,292,212</u></u>	 <u><u>\$ 500,125</u></u>	 <u><u>\$20,714,726</u></u>

**UNITED WAY OF TARRANT COUNTY**

**NOTES TO FINANCIAL STATEMENTS – CONTINUED**

**NOTE M. BOARD DESIGNATED AND RESTRICTED NET ASSETS – CONTINUED**

Board designated and restricted net assets consist of the following at June 30, 2017:

	Unrestricted – Board Designated	Temporarily Restricted	Permanently Restricted	Total
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>

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>2018</u>	<u>2017</u>
Time restricted contributions	\$ 8,537,370	\$ 9,329,918
ADT Leadership Fund	69,307	68,533
Barnett Shale Fund	32,421	31,696
Women’s Fund	40,256	36,797
	<u>\$ 8,679,354</u>	<u>\$ 9,466,944</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.

**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 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.

*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, 2018:

	<b>Unrestricted net assets</b>	<b>Temporarily restricted net assets</b>	<b>Permanently restricted net assets</b>	<b>Total</b>
Donor-restricted endowment funds	\$ -	\$ 223,853	\$ 500,125	\$ 723,978
Board-designated endowment funds	10,487,884	-	-	10,487,884
<b>Endowment Net Assets, June 30, 2018</b>	<b>\$10,487,884</b>	<b>\$ 223,853</b>	<b>\$ 500,125</b>	<b>\$11,211,862</b>

**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, 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	\$11,736,619	\$ 198,871	\$ 500,125	\$12,435,615
Contributions	-	-	-	-
Changes in market value of assets held by others	889,285	57,403	-	946,688
Release from Board designation	(1,585,000)	-	-	(1,585,000)
Amounts appropriated for expenditure	<u>(553,020)</u>	<u>(32,421)</u>	<u>-</u>	<u>(585,441)</u>
Endowment Net Assets, June 30, 2018	<u>\$10,487,884</u>	<u>\$ 223,853</u>	<u>\$ 500,125</u>	<u>\$11,211,862</u>

During the year ended June 30, 2018, the Board of Directors approved a resolution to release \$1,585,000 from unrestricted board designated 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*

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. These costs were recorded in accounts payable and accrued expenses in the statements of financial position at June 30, 2017, and were paid during fiscal year 2018. No severance or retirement costs were incurred during the year ended June 30, 2018.