

**UNITED WAY OF GREATER BAYTOWN
AREA AND CHAMBERS COUNTY**

**Report on Audits of Financial Statements
For The Years Ended June 30, 2018 and 2017**

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UNITED WAY OF GREATER BAYTOWN AREA AND CHAMBERS COUNTY
FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

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Independent Auditor's Report

To the Board of Directors
United Way of Greater Baytown Area and Chambers County

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Greater Baytown Area and Chambers County, which comprise the statement of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the 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 the 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in financial statements. The procedures selected depend on the auditor's judgement, 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 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 Greater Baytown Area and Chambers County as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Effect of Adopting New Accounting Standard

As discussed in Note 2, the Organization adopted the Financial Accounting Standards Board's Accounting Standards update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities* as of and for the year ended June 30, 2018. The requirements of the ASU have been applied retrospectively to all periods presented. Our opinion is not modified with respect to this matter.

Other Matter

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of changes in cash and investments on page 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Rogers", with a long horizontal line extending to the right.

Baytown, Texas
November 19, 2018

UNITED WAY OF GREATER BAYTOWN AREA AND CHAMBERS COUNTY
STATEMENT OF FINANCIAL POSITION
June 30, 2018 and 2017

| | 2018 | 2017 |
|---|---------------------|---------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$ 2,647,593 | \$ 2,299,068 |
| Receivables: | | |
| Pledges | 1,496,467 | 1,467,190 |
| Other | 34,502 | 5,611 |
| (Less Allowance for Uncollectables) | (418,003) | (262,638) |
| Deposits and Other | 100 | 100 |
| Prepaid Expense | 35,804 | 23,591 |
| Property and Equipment, Net | 73,303 | 78,834 |
| TOTAL ASSETS | \$ 3,869,766 | \$ 3,611,756 |
| LIABILITIES | | |
| Grants Payable | \$ 2,006,440 | \$ 2,143,014 |
| Payroll Taxes and Other Payables | 27,213 | 54,756 |
| TOTAL LIABILITIES | 2,033,653 | 2,197,770 |
| NET ASSETS | | |
| Without Restrictions: | | |
| Board Designated | 128,620 | 232,303 |
| Undesignated | 1,147,679 | 1,181,683 |
| With Restrictions | 559,814 | - |
| TOTAL NET ASSETS | 1,836,113 | 1,413,986 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 3,869,766 | \$ 3,611,756 |

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF GREATER BAYTOWN AREA AND CHAMBERS COUNTY
STATEMENT OF ACTIVITIES
For the Years Ended June 30, 2018 and 2017

| | 2018 | | | 2017 | | |
|---|-------------------------|----------------------|---------------------|-------------------------|----------------------|---------------------|
| | Without Restrictions | With Restrictions | Total | Without Restrictions | With Restrictions | Total |
| PUBLIC SUPPORT AND REVENUE | | | | | | |
| Gross campaign results | \$ 2,827,863 | \$ 294,506 | \$ 3,122,369 | \$ 3,177,150 | \$ - | \$ 3,177,150 |
| Less Donor designations | (389,138) | | (389,138) | (600,095) | - | (600,095) |
| Provisions for uncollectible pledges | (233,430) | | (233,430) | (68,934) | - | (68,934) |
| Net campaign revenue | 2,205,295 | 294,506 | 2,499,801 | 2,508,121 | - | 2,508,121 |
| Grant revenue | - | 381,506 | 381,506 | - | - | - |
| Service contract | 96,360 | | 96,360 | - | - | - |
| Other contributions/income | 43,508 | | 43,508 | 82,637 | - | 82,637 |
| Investment income | 1,547 | | 1,547 | 4,381 | - | 4,381 |
| Net rental income | 6,333 | | 6,333 | 9,820 | - | 9,820 |
| | 2,353,043 | 676,012 | 3,029,055 | 2,604,959 | - | 2,604,959 |
| Net Assets Released From Donor Restrictions | 116,198 | (116,198) | - | - | - | - |
| TOTAL REVENUE | 2,469,241 | 559,814 | 3,029,055 | 2,604,959 | - | 2,604,959 |
| EXPENSES | | | | | | |
| Program services | | | | | | |
| Gross grants awarded | 2,006,440 | - | 2,006,440 | 2,138,412 | - | 2,138,412 |
| Less donor designations | (386,247) | - | (386,247) | (600,095) | - | (600,095) |
| Net grants awarded | 1,620,193 | - | 1,620,193 | 1,538,317 | - | 1,538,317 |
| Other program services | 639,952 | - | 639,952 | 360,082 | - | 360,082 |
| Supporting services | 306,575 | - | 306,575 | 389,298 | - | 389,298 |
| United Way Worldwide | 40,208 | - | 40,208 | 43,508 | - | 43,508 |
| TOTAL EXPENSES | 2,606,928 | - | 2,606,928 | 2,331,205 | - | 2,331,205 |
| INCREASE (DECREASE) IN NET ASSETS | (137,687) | 559,814 | 422,127 | 273,754 | - | 273,754 |
| NET ASSETS, BEGINNING OF PERIOD | 1,413,986 | - | 1,413,986 | 1,140,232 | - | 1,140,232 |
| NET ASSETS, END OF PERIOD | \$ 1,276,299 | \$ 559,814 | \$ 1,836,113 | \$ 1,413,986 | \$ - | \$ 1,413,986 |

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF GREATER BAYTOWN AREA & CHAMBERS COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2018 and 2017

| EXPENSES | 2018 | | | | Total |
|--------------------------------------|---------------------|----------------------------------|-------------------|------------------|---------------------|
| | Program Services | Supporting Services | | | |
| | Program Services | Organizational Administration | Fundraising | UWW Dues | |
| Grants Awarded | \$ 2,006,440 | | | | 2,006,440 |
| (Less Donor Designations) | (386,247) | | | | (386,247) |
| Subtotal | 1,620,193 | - | - | - | 1,620,193 |
| Community Impact Programs | 392,704 | - | - | | 392,704 |
| Special Events | 17,860 | 1,280 | 17,204 | | 36,344 |
| Salaries | 130,752 | 29,963 | 87,680 | - | 248,395 |
| Payroll Taxes | 15,563 | 2,671 | 8,136 | - | 26,370 |
| Employee Benefits | 32,947 | 6,356 | 19,364 | - | 58,667 |
| Professional Fees | 1,348 | 58,042 | 18,136 | - | 77,526 |
| Supplies | 2,097 | 635 | 1,713 | - | 4,445 |
| Printing and Copying | 9,372 | 2,563 | 9,156 | - | 21,091 |
| Postage and Shipping | 69 | 66 | 2,269 | - | 2,404 |
| Telephone and Networks | 5,593 | 1,488 | 4,588 | - | 11,669 |
| Marketing | 8,064 | 2,162 | 7,168 | - | 17,394 |
| Occupancy | 6,235 | 1,672 | 5,093 | - | 13,000 |
| Travel | 2,381 | 616 | 2,346 | - | 5,343 |
| Insurance | 4,850 | - | - | - | 4,850 |
| Miscellaneous | 2,969 | 713 | 7,693 | - | 11,375 |
| Board and Staff Development | 3,281 | 880 | 2,680 | - | 6,841 |
| Equipment Rental and Maintenance | 3,867 | 1,037 | 3,159 | - | 8,063 |
| Dues and Subscriptions | - | - | 46 | - | 46 |
| Depreciation Expense | - | - | - | - | - |
| | 639,952 | 110,144 | 196,431 | - | 946,527 |
| United Way Worldwide Dues | - | - | - | 40,208 | 40,208 |
| TOTAL FUNCTIONAL EXPENSES | \$ 2,260,145 | \$ 110,144 | \$ 196,431 | \$ 40,208 | \$ 2,606,928 |

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF GREATER BAYTOWN AREA & CHAMBERS COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2018 and 2017

| EXPENSES | 2017 | | | | Total |
|----------------------------------|---------------------|-------------------------------|-------------------|------------------|---------------------|
| | Program Services | Supporting Services | | | |
| | Program Services | Organizational Administration | Fundraising | UWW Dues | |
| Grants Awarded | \$ 2,138,412 | \$ - | \$ - | \$ - | \$ 2,138,412 |
| (Less Donor Designations) | (600,095) | - | - | - | (600,095) |
| Subtotal | <u>1,538,317</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,538,317</u> |
| Community Impact Programs | 128,578 | - | - | - | 128,578 |
| Special Events | | | 26,062 | | 26,062 |
| Salaries | 138,902 | 77,103 | 109,190 | - | 325,195 |
| Payroll Taxes | 13,302 | 3,567 | 10,867 | - | 27,736 |
| Employee Benefits | 32,088 | 8,604 | 26,213 | - | 66,905 |
| Professional Fees | 1,191 | 50,299 | 1,052 | - | 52,542 |
| Supplies | 1,879 | 504 | 1,535 | - | 3,918 |
| Printing and Copying | - | - | 26,872 | - | 26,872 |
| Postage and Shipping | 204 | 55 | 167 | - | 426 |
| Telephone and networks | 14,043 | 3,766 | 11,472 | - | 29,281 |
| Marketing | 8,448 | 1,927 | 6,770 | - | 17,145 |
| Occupancy | 6,235 | 1,672 | 5,093 | - | 13,000 |
| Travel | 4,657 | 1,249 | 3,805 | - | 9,711 |
| Insurance | 1,438 | 386 | 1,175 | - | 2,999 |
| Miscellaneous | 1,516 | 406 | 1,241 | - | 3,163 |
| Board and Staff Development | 3,869 | 1,037 | 3,161 | - | 8,067 |
| Equipment Rental and Maintenance | 3,172 | 850 | 2,591 | - | 6,613 |
| Dues and Subscriptions | 560 | 150 | 457 | - | 1,167 |
| Depreciation Expense | - | - | - | - | - |
| | <u>360,082</u> | <u>151,575</u> | <u>237,723</u> | <u>-</u> | <u>749,380</u> |
| United Way Worldwide Dues | - | - | - | 43,508 | 43,508 |
| TOTAL FUNCTIONAL EXPENSES | <u>\$ 1,898,399</u> | <u>\$ 151,575</u> | <u>\$ 237,723</u> | <u>\$ 43,508</u> | <u>\$ 2,331,205</u> |

The accompanying notes are an integral part of the financial statements.

UNITED WAY OF GREATER BAYTOWN AREA & CHAMBERS COUNTY
STATEMENT OF CASH FLOWS
For the Years Ended June 30, 2018 and 2017

| | 2018 | 2017 |
|---|---------------------|---------------------|
| CASH FLOWS OPERATING ACTIVITIES: | | |
| Increase in Net Assets | \$ 422,127 | \$ 273,754 |
| Adjustments to Reconcile Change in Net Assets to Cash Provided by Operating Activities | | |
| Depreciation | 5,531 | 4,669 |
| Change in Assets and Liabilities: | | |
| Net Pledges Receivable | 126,088 | (22,537) |
| Other Receivable | (28,891) | (5,611) |
| Prepaid Expense | (12,213) | (5,527) |
| Accounts and Other Payables | (27,543) | 49,754 |
| Grants | (136,574) | 129,264 |
| Net Cash Provided by Operating Activities | 348,525 | 423,766 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of Fixed Assets | - | (7,929) |
| Redemption of Investments | - | 200,000 |
| Net Cash Provided by Investing Activities | - | 192,071 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 348,525 | 615,837 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 2,299,068 | 1,683,231 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 2,647,593 | \$ 2,299,068 |
| Cash paid during the year for: | | |
| Interest | - | - |
| Income taxes | \$ - | \$ - |

The accompanying notes are an integral part of the financial statements.

United Way of Greater Baytown Area and Chambers County

*Notes To Financial Statements
For the Years Ended June 30, 2018 and 2017*

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

United Way of Greater Baytown Area and Chambers County (“United Way”) is a federated fundraising organization originally chartered in 1946 as the East Harris Community Chest. United Way is governed by a volunteer Board of Directors. The stated mission of United Way is “develop, promote and support solutions designed to meet targeted community needs.”

The financial statements of United Way have been prepared on the accrual basis of accounting for not-for-profit organizations and accordingly, reflect all significant receivables, payables, and other liabilities. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Classification of Net Assets

United Way reports contributions of cash and pledges as support with restrictions if they are received with donor stipulations that limit the use of those assets. When the applicable restriction expires (i.e., the time restrictions end or the purpose restriction is fulfilled) net assets with restrictions are reclassified to net assets without restrictions and are reported in the statement of activities as net assets released from restrictions. Contributions with no explicit donor stipulations are reported as revenues without restrictions, which increase net assets without restrictions.

Recognition of Revenues and Expenses

United Way conducts its annual campaign to raise funds for its program initiatives, distribution of funds and awarding of grants to eligible agencies beginning in the first quarter of the subsequent fiscal year. Pledges made in the campaign are recorded as revenue in the year in which the pledge is received. In addition, United Way increases or reduces campaign revenue and receivables for any excess or shortfall in collections of amounts raised in prior year’s campaigns. Also, grants made to local and area agencies are recorded as expenses in the year in which the grants are approved by the board of directors.

Pledges received in the campaign are recorded in the balance sheet as receivables, with an estimated uncollectible amount being established based on a historical average of collections to gross campaign pledges. The pledges are due within one year. Receivables are primarily from individuals employed by companies in the Baytown/East Harris and Chambers County areas and are due within one year. The cost of the campaign is included in fundraising expense in the year the campaign begins.

United Way of Greater Baytown Area and Chambers County

Notes To Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ended June 30, 2018, it is estimated that 5.24% of pledges for that campaign year will not be collectible. In addition, estimates for prior year are adjusted if pledge collections are better or worse than expected. For the years ended June 30, 2018 and 2017 the provision for uncollectible pledges was computed as follows:

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|------------------|
| Provisions related to current year pledges | \$ 186,000 | \$ 184,606 |
| Adjustments of prior year estimates | 47,430 | (115,672) |
| Net provision | <u>\$ 233,430</u> | <u>\$ 68,934</u> |

Pledges receivable include outstanding amounts from the current year and prior year campaigns. United Way's policy is to include an allowance for uncollectible pledges for the current year campaign as described above. An allowance for uncollectible pledges of the prior year campaign pledges is also provided. Pledges receivable and the corresponding allowance for uncollectible pledges as of June 30, 2018, are as follows:

| | <u>Pledge Receivable</u> | <u>Allowance for Uncollectible Pledges</u> |
|-----------------------|------------------------------|--|
| Current year campaign | \$ 1,166,044 | \$ 186,000 |
| Prior year campaign | 330,423 | 232,003 |
| Net provision | <u>\$ 1,496,467</u> | <u>\$ 418,003</u> |

United Way received approximately 45% and 53% of its total pledge contributions from ExxonMobil, its affiliates and employees in each of the years ending in June 30, 2018 and 2017, respectively.

Designated Contributions

Contributions designated by donors to be paid to specific agencies or other United Ways are considered agency transactions. Such designated contributions are reflected, net of a provision for uncollectible amounts, in the accompanying statements of activities as part of the total amount raised in the campaigns but are not considered to be part of United Way's campaign revenue for financial reporting purposes and are, therefore, deducted to reflect the United Way's net campaign revenue.

Service Contract

United Way records service contract revenue at the time qualified participant expense is incurred. Amounts received under service contracts that will be expended in the next fiscal year in accordance with the contract period are recorded as deferred revenue.

United Way of Greater Baytown Area and Chambers County

Notes To Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment is recorded at cost or at estimated fair market value at date of donation. Property and equipment is depreciated using straight-line and accelerated methods over their estimated useful lives of 3 to 25 years.

Functional Expenses

United Way follows guidelines established by United Way Worldwide’s “Functional Expenses and Overhead Reporting Standards” for allocating costs among functional expense categories. In general, where a specific cost can be identified with a particular function, the cost is charged directly to that function. If costs cannot be identified directly with specific functional categories, those costs are allocated among functional categories based on various statistical bases.

Federal Tax Status

United Way is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and is classified as a public charity in accordance with Sections 509(a)(1) and 170(b)(1)(A)(vi).

Statement of Cash Flows

“Cash and cash equivalents” in the statement of cash flows includes only cash which is subject to immediate withdrawal.

Use of Estimates

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

NOTE 2 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

For the year ended June 30, 2018, United Way adopted the Financial Accounting Standards Board’s Accounting Standards Update (ASU) No. 2016-14- *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements for Not-For-Profit Entities*. This update addresses the complexity and understandability of net asset classifications, deficiencies in information about liquidity and the availability of resources, and the lack of consistency in the type of information about expenses and investment return disclosed by not-for-profit entities. The guidance also enhances disclosures about board designated amounts and the composition of net assets without donor restrictions.

United Way of Greater Baytown Area and Chambers County

Notes To Financial Statements

For the Years Ended June 30, 2018 and 2017

NOTE 2 – ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT (continued)

The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

NOTE 3 – NET ASSETS WITH DONOR RESTRICTIONS

Hurricane Harvey had a significant impact on the Greater Baytown Area and Chambers County business and residential communities in August 2017. United Way has provided leadership and resources to organize disaster relief in these areas. United Way created the Baytown Area and Chambers County Disaster Recovery Partnership (BACC-DR) to help mobilize volunteers and resources for disaster relief.

BACC-DR is an unincorporated organization comprised of volunteers. Its mission is to assist in identifying the unmet needs of those affected by Hurricane Harvey and other future disasters, and to coordinate access to resources that would provide relief. United Way provides fund-raising, financial management, recordkeeping and administrative support to BACC-DR under the terms of a sponsorship agreement. United Way has the right to withhold funds raised for the mission of BACC-DR if the supported activities are not in line with the stated mission or United Way's tax-exempt status.

United Way has received grants and campaign pledges restricted for Hurricane Harvey disaster assistance by the donors and grantors. Net assets with donor restrictions amounting to \$ 559,814 as of June 30, 2018 reflect these time and purpose donor restrictions. Substantially all of the net assets with donor restrictions are intended to be used to fund the disaster relief efforts of BACC-DR.

NOTE 4 – BOARD DESIGNATED NET ASSETS

The Board of Directors of United Way has agreed that a portion of the net assets without restrictions be designated for certain projects. These represent net assets that may be allocated to a member agency or that relate to programs carried on by United Way itself to accomplish the designated purpose. During the year ended June 30, 2018, the designated expenses included allocations to a member agency amounting to \$198,000. The total designated expenses are included in other program services in the accompanying statement of activities.

United Way of Greater Baytown Area and Chambers County

Notes To Financial Statements

For the Years Ended June 30, 2018 and 2017

NOTE 4 – BOARD DESIGNATED NET ASSETS (continued)

A description of these programs is as follows:

| Program | Balance, July 1, 2017 | Designations Net | Expenses | Balance, June 30, 2018 |
|---------------------------------|----------------------------------|-----------------------------|---------------------|-----------------------------------|
| Kindergarten | \$ 102,446 | \$ (102,446) | \$ - | \$ - |
| Clothing for School Children | 19,200 | 40,800 | (48,000) | 12,000 |
| Community Impact | 2,459 | 10,241 | (30) | 12,670 |
| Day of Caring | 10,164 | 34,836 | (23,446) | 21,554 |
| Stamp Out Hunger | 1,104 | 3,396 | (3,604) | 896 |
| Day of Action | 1,000 | 500 | - | 1,500 |
| Childcare Expansion | 95,930 | (15,755) | (175) | 80,000 |
| Hurricane Harvey Recovery | - | 150,000 | (150,000) | - |
| Total | \$ 232,303 | \$ 121,571 | \$ (225,255) | \$ 128,620 |

NOTE 5 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

United Way has a policy to structure its financial assets to be available as its grants to local agencies, general expenditures and other obligations become due. The finance committee employs a liability coverage ratio to assure that liquid funds are available as obligations come due. United Way uses a conservative approach to investing funds in excess of a minimum of three months expenses in conservative investments including insured certificate of deposits and money market accounts and direct obligations of the U.S. Government and its agencies. United Way is confident in its liquidity and availability of financial assets and does not utilize a line of credit or other financing.

The following presents United Way’s financial assets as of June 30, 2018, reduced by board designated funds, donor-imposed restrictions and contractual obligations within one year of the balance sheet date:

| | |
|--|-------------------------|
| Financial Assets as of June 30, 2018 | \$ 3,760,559 |
| Contractual or Donor Imposed Restrictions: | (559,814) |
| Board Designated Funds | <u>(128,620)</u> |
| Financial Assets Available to Meet Cash Needs for General Obligations in One Year | <u>\$ 3,072,125</u> |

United Way of Greater Baytown Area and Chambers County

*Notes To Financial Statements
For the Years Ended June 30, 2018 and 2017*

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 and 2017 consisted of the following:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|------------------|------------------|
| Furniture and equipment | \$ 8,841 | \$ 8,841 |
| Leasehold improvements | 183,437 | 183,437 |
| | <u>192,278</u> | <u>192,278</u> |
| Less: Accumulated depreciation | (118,975) | (113,444) |
| Property and equipment, net | <u>\$ 73,303</u> | <u>\$ 78,834</u> |

NOTE 7 – DONATED SERVICES

A substantial number of volunteers have donated significant amounts of their time in the United Way’s annual campaign; however, the value of these donated services is not reflected in the financial statements since they do not meet the criteria for recognition as contributed services.

NOTE 8 – GRANTS TO AGENCIES AND PROGRAM SERVICES

Program service community impact awards made during the years ended June 30, 2018 and 2017 were allocated as follows:

| | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|----------------------------------|--------------------------|--------------------------|
| Program services: | | |
| Rehabilitation services | \$ 218,300 | \$ 284,540 |
| Adult, Family and Youth Services | 863,983 | 925,180 |
| Child Welfare | 685,080 | 644,230 |
| Community Services | 148,519 | 189,462 |
| General Health Services | 90,558 | 80,000 |
| General | | <u>15,000</u> |
| Gross funds awarded/distributed | <u>\$ 2,006,440</u> | <u>\$ 2,138,412</u> |

NOTE 9 – PENSION PLAN

United Way has a Simplified Employee Pension (SEP) Plan, covering all eligible employees. United Way contributes 7% of eligible participants salaries to the SEP Plan. United Way contributions to this pension arrangement amounted to \$14,379 and \$9,757 for the years ended June 30, 2018 and 2017, respectively.

United Way of Greater Baytown Area and Chambers County

Notes To Financial Statements
For the Years Ended June 30, 2018 and 2017

NOTE 10 – LEASES

In May 1989, United Way executed a 99-year lease and management contract with a United Way agency (a local non-profit organization) for the use of land and all buildings. United Way uses the facility as a service center for various affiliated agencies. Under the terms of the agreement, United Way is to collect all rents and pay all maintenance costs associated with the property, but is to pay no rent to the owner. The estimated fair rental value of the office space occupied by United Way amounting to approximately \$13,000 for each of the years ended June 30, 2018 and 2017 is included in rent revenue and occupancy expense in the accompanying statement of activities.

Rental charges to affiliated entities are based on an allocation of estimated operating costs of the property. During the years ended June 30, 2018 and 2017 net rental income, including the fair rental value of the space occupied by United Way, consisted of the following:

| | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|--------------------------|--------------------------|--------------------------|
| Revenues: | | |
| Rents | \$ 42,328 | \$ 40,328 |
| Total Revenues | <u>42,328</u> | <u>40,328</u> |
| Expenses: | | |
| Utilities | 10,376 | 9,771 |
| Repairs & Maintenance | 17,321 | 15,835 |
| Insurance | 2,767 | 233 |
| Depreciation | 5,531 | 4,669 |
| Total Expense | <u>35,995</u> | <u>30,508</u> |
| Net Rental Income | <u>\$ 6,333</u> | <u>\$ 9,820</u> |

United Way leases its copier under the terms of an agreement that requires base rent of \$365 per month and expires on May 31, 2022. Total rental expense, including maintenance charges, amounts to \$8,063 and \$6,613 for the years ended June 30, 2018 and 2017, respectively.

Future minimum rental payments under the lease are as follows:

| | |
|------|------------------|
| 2019 | 4,380 |
| 2020 | 4,380 |
| 2021 | 4,380 |
| 2022 | 4,015 |
| | <u>\$ 13,155</u> |

United Way of Greater Baytown Area and Chambers County

*Notes To Financial Statements
For the Years Ended June 30, 2018 and 2017*

NOTE 11 – CONCENTRATION OF CREDIT RISK

United Way maintains bank accounts at two institutions insured by the Federal Deposit Insurance Corporation (“FDIC”) and one institution insured by the National Credit Union Administration (“NCUA”). Cash in these accounts is insured up to \$250,000 per institution. As of June 30, 2018, the carrying amount of the Organization’s deposits was \$2,647,593 and the bank balance was \$2,675,324. Bank balances in those accounts exceeded the FDIC and NCUA coverage as of June 30, 2018.

NOTE 12 – CAMPAIGN RESULTS

Campaign results decreased in fiscal 2018 from 2017. Contributions by donors to the campaign were collected by other United Ways during the years ended June 30, 2018 and 2017. These contributions amounted to \$135,951 and \$197,985 for the years ended June 30, 2018 and 2017, respectively. These contributions are passed through to United Way and are included in gross campaign results.

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events were evaluated through November 19, 2018 which is the date the financial statements were available to be issued.

Subsequent to June 30, 2018, United Way received approval of two grants from The American National Red Cross totaling \$593,466. These grants are restricted to funding for project management, labor and materials to repair property in connection with the disaster recovery described in Note 3 to these financial statements as well as meet the unmet needs of disaster victims.

Supplementary Information

UNITED WAY OF GREATER BAYTOWN AREA & CHAMBERS COUNTY
STATEMENT IN CHANGES OF CASH AND INVESTMENTS
For the Years Ended June 30, 2018 and 2017

| | <u>June 30, 2018</u> | <u>June 30, 2017</u> |
|--------------------------------|----------------------|----------------------|
| CASH & INVESTMENTS | | |
| BEGINNING OF PERIOD | \$ 2,299,068 | \$1,883,231 |
| RECEIPTS: | | |
| Pledges collected | 3,429,348 | 3,084,871 |
| Other contributions and grants | 110,799 | 82,637 |
| Investment income | 1,547 | 4,381 |
| Rental income collected | 42,328 | 40,328 |
| | <u>3,584,022</u> | <u>3,212,217</u> |
| DISBURSEMENTS: | | |
| Program services paid | 2,858,250 | 2,330,614 |
| Support services paid | 346,783 | 432,006 |
| Purchase fixed assets | - | 7,929 |
| Rental expenses paid | 30,464 | 25,831 |
| | <u>3,235,497</u> | <u>2,796,380</u> |
| CASH & INVESTMENTS, | | |
| END OF PERIOD | <u>\$ 2,647,593</u> | <u>\$2,299,068</u> |