



**Audited Annual
Financial Report**

Year Ended December 31, 2019

**Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants**

UNITED WAY OF SOUTH TEXAS, INC.
Audited Annual Financial Report
For the Year Ended December 31, 2019

TABLE OF CONTENTS

| | <u>PAGE</u> |
|-----------------------------------|-------------|
| I. INTRODUCTORY SECTION | |
| Officers and Directors | i |
| II. FINANCIAL SECTION | |
| Independent Auditor's Report | 1 - 2 |
| III. FINANCIAL STATEMENTS | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Cash Flows | 5 |
| IV. NOTES TO FINANCIAL STATEMENTS | 6 - 16 |
| V. SUPPLEMENTARY INFORMATION | |
| Schedule of Functional Expenses | 17 |

UNITED WAY OF SOUTH TEXAS, INC.

DECEMBER 31, 2019

BOARD OF DIRECTORS

EDNA GARCIA
Board Chair

CHRIS JULIAN
Community Relations Chair

JEANETTE AHLENIUS
Community Relations
Co- Chair

LEE JONES
Past Board Chair

LISA KILLION
Campaign Chair

D'UANDRE DRAIN
Campaign Co-Chair

TYLER STONE
Finance Co-Chair

FIDENCIO MERCADO
Fund Distribution Co-Chair

PAOLA E. CASTILLO
Fund Distribution Co-Chair

BLANCA I. VILLALOBOS
Finance Co-Chair

ELVIRA I. ALONZO
Board Member

DR PRISCILLA CANALES
Board Member

LISA GARZA
Board Member

MICHELLE QUIROZ
Board Member

LARRY C. GONZALEZ
Board Member

ROBERT ROSELL
Board Members

GERARDO PAZ
Board Member

LILLY LOPEZ-KILLELEA
President &
Chief Professional Officer

FINANCIAL SECTION



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Oscar R. González
Melissa González

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Way of South Texas, Inc.
McAllen, Texas

We have audited the accompanying financial statements of United Way of South Texas, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities 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. 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 South Texas, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Functional Expenses 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 audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Oscar R. Gonzalez, CPA & Associates PLLC

Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants
Pharr, Texas

September 4, 2020

FINANCIAL STATEMENTS

UNITED WAY OF SOUTH TEXAS, INC.
STATEMENT OF NET POSITION
DECEMBER 31, 2019

| | 2019 | Total |
|---|--------------|--------------|
| Assets | | |
| Cash and Cash Equivalents | \$ 819,740 | \$ 819,740 |
| Investments-Certificates of Deposit | 839,593 | 839,593 |
| Accounts Receivable | 4,998 | 4,998 |
| Unconditional Promise to Give: | | |
| Contribution Receivable | 1,557,756 | 1,557,756 |
| Prepaid Expenses | 91,912 | 91,912 |
| Cash - Restricted | 57,923 | 57,923 |
| Property and Equipment | 1,680,452 | 1,680,452 |
| Total Assets | \$ 5,052,374 | \$ 5,052,374 |
| Liabilities | | |
| Accounts Payable | \$ 81,927 | \$ 81,927 |
| Accrued Liabilities | 2,704 | 2,704 |
| Deferred Revenue | 3,000 | 3,000 |
| Due to Partners | - | - |
| Due to Agencies - From Restricted Sources | 158,052 | 158,052 |
| Total Liabilities | \$ 245,683 | \$ 245,683 |
| Net Assets | | |
| Without Donor Restrictions | 3,520,398 | 3,520,398 |
| With Donor Restrictions | 1,286,293 | 1,286,293 |
| Total Net Assets | 4,806,691 | 4,806,691 |
| Total Liabilities and Net Assets | \$ 5,052,374 | \$ 5,052,374 |

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

UNITED WAY OF SOUTH TEXAS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | 2019 | Total |
|---|--------------|--------------|
| CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS: | | |
| Revenues and Gains | | |
| Contributions | \$ 141,008 | \$ 141,008 |
| Program Service Fees | 5,539 | 5,539 |
| Interest | 7,691 | 7,691 |
| In-Kind Contributions | 361,407 | 361,407 |
| Total Revenues and Gains | | |
| Without Donor Restrictions | 515,645 | 515,645 |
| Net Assets Released from Restrictions | | |
| Restrictions Satisfied by Expenditures Incurred | 1,879,640 | 1,879,640 |
| Total Net Assets Released from Restrictions | 1,879,640 | 1,879,640 |
| Total Revenue, Gains, and Other | | |
| Support Without Donor Restrictions | 2,395,285 | 2,395,285 |
| Equity Transfers | - | - |
| Expenses | | |
| Program Services | 2,127,184 | 2,127,184 |
| Support Services | | |
| Management and General Administrative | 172,686 | 172,686 |
| Fund-Raising | 276,704 | 276,704 |
| Total Expenses | 2,576,574 | 2,576,574 |
| Increase (Decrease) in Net Assets | | |
| Without Donor Restrictions | (181,289) | (181,289) |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS: | | |
| Contributions | | |
| Campaign Pledges | 1,831,140 | 1,831,140 |
| Grants | 48,500 | 48,500 |
| Net Assets Released from Restrictions | (1,879,640) | (1,879,640) |
| Increase (Decrease) in Net Assets | | |
| With Donor Restrictions | - | - |
| Equity Transfer | - | - |
| Change in Net Assets | (181,289) | (181,289) |
| Net Assets, Beginning of Year | 4,883,420 | 4,883,420 |
| Prior Period Adjustment | 104,560 | 104,560 |
| Total Net Assets, End of Year | \$ 4,806,691 | \$ 4,806,691 |

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

UNITED WAY OF SOUTH TEXAS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

| | | |
|--|----------|-----------------|
| Change in Net Assets | | \$ (181,289) |
| Adjustments to Reconcile Change in Net Assets to Cash from Operating Activities | | |
| Depreciation | | 49,105 |
| Changes in Assets and Liabilities | | |
| Accounts Receivable | 41,800 | |
| Contributions Receivable | (25,640) | |
| Prepaid Expenses | 6,059 | |
| Accounts Payable | (16,503) | |
| Accrued Compensation Expenses | (8,472) | |
| Deferred Revenue | (17,898) | |
| Due to Agencies - From Restricted Sources | 125,197 | |
| | | 104,543 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | | (27,642) |

CASH FLOW FROM INVESTMENT ACTIVITIES:

| | | |
|---|-----------|------------------|
| Purchase of Capital Assets | (4,914) | |
| Purchase of Investments | (206,583) | |
| Interest Received | 7,691 | |
| | | (203,806) |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | | (203,806) |

CASH FLOW FROM FINANCING ACTIVITIES:

| | | |
|--|--|-------------------|
| NET CHANGE IN CASH | | (231,448) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR - RESTATED | | 1,109,111 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | \$ 877,663 |

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

NOTES TO FINANCIAL STATEMENTS

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES

The accounting policies of the United Way of South Texas, Inc. (UWST, INC.) are based on accounting principles generally accepted in the United States of America. A summary of the significant accounting and reporting policies consistently applied in the preparation of the accompanying financial statements follows.

The following is a summary of the more significant policies.

Description of the Entity

The Hidalgo County United Way (HCUW) was incorporated as a nonprofit, charitable organization on May 1, 1979. The purpose of HCUW was to aid the local community in funding qualifying exempt organizations which provide human services needed throughout the community. HCUW's name was changed to the United Way of South Texas, Inc. (UWST, INC.) in 1998.

UWST, INC. has both individual and institutional members. Individual members serve without compensation and are to number between 18 and 24. They are elected by the Board of Directors and serve for no more than two consecutive three-year terms. Eight members of the Board constitute a quorum. Institutional members are those who apply for support and meet and agree to abide in accordance with the minimum standards and rules of conduct for agencies supported by UWST, INC.

UWST, INC. is funded by contributions pledged by businesses and their employees primarily through voluntary payroll deductions. The ability to raise support and revenues is dependent upon the ability of the citizens in the community to contribute and the quality of services provided by its agencies. Therefore, contributions are dependent upon various factors, such as economic growth, which affect the community as a whole.

Basis of Presentation

The financial statements of the UWST, INC. have been prepared on the accrual basis of accounting. Revenues and expenses are recognized and recorded when earned and or incurred.

Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the UWST, INC. considers all highly liquid investments with an original maturity of the three months or less to be cash equivalents.

Investments

The objectives of the investment policy of UWST, INC. are to preserve capital, assure safety of funds, maintain sufficient liquidity, maximize investment income through effective cash management and provide diversification of investments. The policy authorizes investments in obligations of the United States Treasury and those unconditionally guaranteed or insured by the full faith and credit of the United States, its agencies and instrumentalities; certificates of deposit insured by the FDIC; and money market mutual funds registered with and regulated by the Securities & Exchange Commission. The investment term varies by the type of investment, but no investment shall have a maturity in excess of two years. Investment income for 2019 was limited to interest earned on deposit accounts.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Promises to give

Contributions are recognized when the donor makes a promise to give to UWST, INC. that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. UWST, INC. uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Pledges Receivable

Pledges are normally withheld from employee earnings during the year following the commencement of the pledge. Matching pledges by employers are due each payroll. The fair value of pledges is assumed to be the amount pledged less the estimated uncollectible amount.

Cash Restricted to Purchase Property and Equipment

Cash restricted to purchase property and equipment has been restricted by donors and is not available for operating purposes.

Property and Equipment

UWST, INC. capitalizes property and equipment over \$500. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, UWST, INC. reports expirations of donor restrictions when the donated or acquired assets are placed in service. UWST, INC. reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three years for furniture and vehicles to forty years for buildings. Ancillary costs are included in the capitalized cost of the asset.

Classification of Net Assets

- *Net Assets with Donor Restrictions*: – net assets subject to donor-imposed restriction (donors include other types of contributors, including makers of certain grants).
- *Net Assets without Donor Restrictions*: – net assets not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants)

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

- Underwater Endowment Fund: - an endowment fund, which is donor-restricted, for which the fair value of the fund at the reporting date is less than either the amount of the original gift or the amount required to be maintained by the donor or by law that extends donor restrictions.
- Agency Assets and Liabilities: - are those held by UWST, INC. in a trustee capacity for other agencies. Agency funds are custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. These relate to the state campaign.

Contributed Services

Only specific amounts stipulated as per Statement of Financial Accounting Standards (SFAS) #116 have been reflected in the financial statements for donated services. UWST, INC. generally pays for services requiring specific expertise. UWST, INC. received services from 1,087 volunteers and a total of 12,463 volunteer hours during the year under audit.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

Income Taxes

UWST, INC. is exempt from federal income taxes under Section 501 (c) (3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, it has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509 (a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2019. Federal income tax and information returns for tax years 2017, 2018, and 2019 remain subject to examination by the Internal Revenue Services.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates. These assumptions affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements. Also affected are the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The UWST, INC.’s most significant estimate is the allowance for uncollectible pledges as described in Note 4. Estimates are also used for the functional allocation of costs, estimating the useful lives of assets for depreciation computation, and valuing in-kind donations.

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort, as well as depreciation and amortization and occupancy, which are allocated on a square footage basis. Telephone costs are allocated based on line counts by functional category.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Restricted and Unrestricted Revenue and Net Assets

Management has elected to hold restricted funds in a separate bank account reflecting the restriction despite the absence of any such known requirement. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as assets released from restriction.

Campaigns begin in the early fall each year and continue well into the following spring. Pledges received in the fall are considered temporarily restricted until the campaign is complete and a determination is made of allocations to the partner agencies.

NOTE 2 – STATE EMPLOYEE CHARITABLE CAMPAIGN

The State Employee Charitable Campaign (SECC) provides state employees with a convenient way to make voluntary, tax- deductible contributions to charities through payroll deduction, cash, or check. A combined campaign involves many charities offering employees broad choices in contributing. The various charities are organized under several different federations. A federation is an agency which collects donations from the SECC and distributes to the various charities designated by the donor.

The UWST, INC. acts as a federation for the SECC by collecting state employee donations and distributing them as specified by the donor. On December 31, 2019, UWST, INC. held \$57,671 of funds payable to various charities. Only amounts designated to United Way of South Texas or one of its partner agencies are included as contributions in this report. Other funds are held for or distributed to the designated charity.

Approximate distributions made to various charities including UWST, INC. during the year ending December 31, 2019 was \$99,344 for the state campaign.

Distributions are made periodically during the campaign year with a final distribution being made once the campaign is complete and the administration fee is paid.

UWST, INC. is reimbursed for certain expenses involved in conducting the campaign. These expenses are incurred in one year and reimbursement is received the following year. Approximate balances pending reimbursement at December 31, 2019 are included in the receivables described in Note 3.

Expenses incurred and administrative fees for this campaign was approximately \$99,344 in expenses and \$19,663 for administrative fees respectively.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 – ACCOUNTS RECEIVABLE

The current unrestricted receivables consist of the following:

| | |
|-----------------------------------|----------|
| Community Development Block Grant | 4,998 |
| | \$ 4,998 |

NOTE 4 – PLEDGES RECEIVED AND OUTSTANDING

Pledges less an estimated provision for uncollectible amounts, are recorded as revenue in the year made. The provision for uncollectible pledges is based on the UWST, INC.'s collection policy and past experience. Collections are highly dependent on the continued employment of the donor.

| | | |
|--|--------------|--------------|
| Beginning pledge receivable | \$ 2,294,807 | |
| Pledges received during the year | 2,132,895 | |
| Collections | (1,787,854) | |
| Net write-off uncollectible receivables: | | |
| 2017 campaign year | (339,392) | |
| Pledges receivable - ending | | \$ 2,300,456 |
| Beginning allowance for uncollectible pledges receivable | \$ 762,691 | |
| Current year provision | 319,401 | |
| Write-off uncollectible pledges: | | |
| 2017 campaign year | (339,392) | |
| Less: Allowance for uncollectible pledges receivable - ending | | 742,700 |
| Net pledges receivable | | \$ 1,557,756 |

In addition to pledges, donations include those made for the special projects described in Note 11. Pledges are reported net of approximately \$319,401 of estimated uncollectible pledges. Based on past experience, this estimate represents approximately 15 percent of pledges received. Since actual results depend on economic conditions and the stability of employment of those making pledges, these results are being monitored to determine if results are comparable to this estimate. Uncollected pledges from the previous campaign at April 30 the following year are charged off.

Certain pledges are conditional pledges by employers to match those made by their employees. Hence, these pledges represent a higher credit risk. Total fund raising costs are \$ 264,815 and \$11,889 for the local and combined campaigns respectively plus a provision of \$319,400 for uncollectible pledges. Advertising costs are expensed when incurred; no advertising costs were capitalized.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 5 – PREPAID EXPENSES

Other current assets consist of prepaid expenses of approximately \$ 91,912 of allocations to be paid to partner agencies on January 2020.

NOTE 6 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

| | |
|--|----------------------------|
| Cash and cash equivalents | \$ 540,599 |
| Operating investments | 584,676 |
| Accounts receivable | 4,998 |
| Promises to give | <u>1,218,364</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u><u>\$ 2,348,637</u></u> |

As part of UWST, Inc.'s liquidity management, it invests cash in excess of daily requirements in short-term investments, typically CDs. Occasionally, the Board designates a portion of any operating surplus to its operating reserve, with was at December 31, 2019.

NOTE 7 – FIXED ASSETS

Fixed assets at December 31, 2019 consist of the following:

| | Balance 1/1/2019 | Additions | Deletions | Balance 12/31/2019 |
|--------------------------------------|----------------------------|---------------------------|--------------------|----------------------------|
| Land and Improvement | \$ 550,135 | \$ - | \$ - | \$ 550,135 |
| Building | 1,368,103 | - | - | 1,368,103 |
| Furniture, Fixtures and Equipment | 71,399 | 4,914 | - | 76,313 |
| | <u>1,989,637</u> | <u>4,914</u> | <u>-</u> | <u>1,994,551</u> |
| Less: Accumulated Depreciation | (264,994) | (49,105) | - | (314,099) |
| | <u><u>\$ 1,724,643</u></u> | <u><u>\$ (44,191)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 1,680,452</u></u> |

Depreciation charged for 2019 was \$49,105. Non-depreciable assets include the original cost of fully depreciated assets and land. These are carried at approximately \$ 104,619 and \$445,516 respectively at December 31, 2019.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (FASB ASC 825-10) require disclosure of the fair value information about financial instruments, whether or not recognized in the balance sheet. In case where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. UWST, INC. categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

- Level 1 inputs are quoted prices in active markets for identical assets.
- Level 2 inputs are significant other observable inputs.
- Level 3 inputs are significant unobservable inputs.

In the regard, the derived fair value estimates cannot be sustained by comparison to independent markets and, cases could not be realized in immediate settlement of the instruments. Certain financial instruments and all nonfinancial instruments are excluded from these disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of UWST, INC.

The following methods and assumptions were used by UWST, INC. in estimating its fair value disclosure for financial instruments:

Cash and Cash Equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents is the fair value.

Time deposits: Fair values of certificates of deposit are at cost plus accrued interest.

Accounts Receivable – The carrying amount approximates fair value because of the short maturity of these instruments.

Payable and Accruals: The carrying amounts approximate fair value because of the short maturity period.

| Financial Assets: | Carrying Amount | Fair Value |
|--|----------------------------|-----------------------|
| Cash and Cash Equivalents | \$ 819,740 | \$ 819,740 |
| Investments | 839,593 | 839,593 |
| Accounts Receivable, net | 4,998 | 4,998 |
| Contribution Receivable | 1,557,756 | 1,557,756 |
| Prepaid Expense | 91,912 | 91,912 |
| Cash - Restricted | 57,923 | 57,923 |
| Financial Liabilities: | | |
| Accounts Payable | \$ 81,927 | \$ 81,927 |
| Accrued Liabilities | 2,704 | 2,704 |
| Deferred Revenue | 3,000 | 3,000 |
| Due to Agencies - From Restricted Sources | 158,052 | 158,052 |

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 – RESTRICTED ASSETS

The primary restricted assets for 2019 are pledges obtained in the fall as a part of the campaign to be completed in the spring as described in Note 1. These pledges provide funding for operations for the subsequent year. The Board may periodically designate certain amounts to be transferred to restricted assets. Board designated restrictions at December 31, 2019 are as follows:

| | |
|-------------------------------|---------------------|
| Operating Reserve | \$ 1,151,293 |
| Building | 35,000 |
| Emergency & Natural Disasters | <u>100,000</u> |
| | <u>\$ 1,286,293</u> |

NOTE 10 – PRIOR PERIOD ADJUSTMENT

As of December 31, 2019, the following prior period adjustment was posted to the financial statements:

| | <u>Amount</u> |
|---|-------------------|
| To correct deferred revenue not recognized in prior year | \$ 49,920 |
| To void outstanding checks and deposits from prior year | (823) |
| To clear amounts allocated to partners but not disbursed from prior year. | <u>55,463</u> |
| Total Prior Period Adjustment | <u>\$ 104,560</u> |

NOTE 11 – GRANTS

Grants were received to assist in the implementation of the following programs:

| | |
|------------------|---------------------|
| Campaign Pledges | \$ 1,831,140 |
| VITA | 43,500 |
| Latina Hope | <u>5,000</u> |
| | <u>\$ 1,879,640</u> |

NOTE 12 – IN-KIND DONATIONS

A substantial number of volunteers donated significant amounts of time to UWST, INC. Donated services are used in fund-raising, administration, training, monitoring partner agencies, and providing services in the VITA Program. Amounts included in the financial statements for such services relate to the training of loaned executives, facilitating the board retreat and the VITA Program. These services were valued at \$316,934 according to United Way of America guidelines and occupational employment statistics for tax preparers. Other in-kind donations were valued at \$44,473. The aggregate total for the year was \$361,407.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 13 – AWARDS

Community Impact Grants are one-time awards that are made to agencies that could be new in the area or experiencing an unusual need. These awards may be made at various times during the year. A portion of these grants may not be funded at year end.

Awards for 2019 and commitments to agencies for 2020 based on the success of 2019 campaign are as follows:

| | 2019 Award | Pending 2020 Award |
|--|---------------------|--------------------------|
| American Red Cross | \$ 47,532 | \$ 47,532 |
| Aurora House Foundation | 31,281 | 31,281 |
| BGC Edinburg | 146,158 | 146,158 |
| BGC McAllen | 123,015 | 123,015 |
| BGC Mission | 64,830 | 54,024 |
| BGC Pharr | 84,608 | 84,608 |
| RGV Boy Scouts | 55,966 | 55,966 |
| CASA | 23,380 | 23,380 |
| Children's Advocacy | 37,087 | 37,087 |
| Girls Scouts Tip of Texas | 59,785 | 49,821 |
| Goodwill | 45,000 | 22,500 |
| Hidalgo Youth Center | 32,000 | 26,667 |
| Mercedes Recreation Center | 40,700 | 33,917 |
| Palmer Drug Abuse Programs | 76,918 | 76,918 |
| Salvation Army | 117,422 | 108,347 |
| Serving Children & Adolescent | 25,000 | 25,000 |
| Silver Ribbon | 34,735 | 34,735 |
| Starr County Victims of Domestic Violence | 35,000 | 35,000 |
| Su Casa Esperanza | 43,332 | 43,332 |
| Women Together | 75,308 | 75,308 |
| | <u>\$ 1,199,057</u> | <u>\$ 1,134,596</u> |

UWST, INC. serves as grantor to certain partner agencies who receive annual funding on a regular basis.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 13 – AWARDS (CONTINUED)

Community impact grants were made for the following agencies or projects.

| | |
|--------------------------------|------------------|
| CIG - Comfort House | \$ 30,000 |
| CIG City of Rio Grande City | 1,500 |
| CIG Friends of the RGC Public | 2,250 |
| CIG Roma High School Buisness | 1,125 |
| CIG Precinct 1 Food Bank | 500 |
| CIG Precinct 4 Food Bank | 500 |
| CIG Precinct 3 Food Bank | 2,000 |
| CIG Precinct 2 Food Bank | 500 |
| CIG City of Roma | 1,500 |
| CIG - Starr Co. Victims of Dom | 4,250 |
| CIF Other | 14,848 |
| | <u>\$ 58,973</u> |

NOTE 14 – SPECIAL PROJECTS

UWST, INC. initiates, coordinates, and provides financial support for numerous special projects during the year. Funds either designated from UWST, INC.'s budget or raised for these special projects are as follows:

| | |
|----------------------------|------------------|
| In Style Shopping | \$ 22,545 |
| Day of Caring | 9,220 |
| Transportation | 27,098 |
| Emergency Grant | - |
| Education Council Drop Out | 36,792 |
| Voluntary Management | 4,665 |
| Integrated Database | - |
| Marketing and Youth | 20,498 |
| Twelve Days of Christmas | 5,499 |
| Other | 60,950 |
| | <u>\$187,267</u> |

NOTE 15 – RETIREMENT PLAN

During 1996, UWST, INC.'s Board approved the establishment of a Simplified Employee Pension Plan. The Plan covers all employees who are at least twenty-one years of age, have performed service for UWST, INC. in at least one year of the immediately preceding five calendar years, and have received at least \$396 in compensation for services during the current year. UWST, INC. contributed 7 percent of compensation for each eligible employee. Employees may contribute up to 12 percent. The UWST, INC. is not required to make contributions each year. However, if the UWST, INC. does so, contributions must be made for all eligible employees. Vesting is full after one

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 15 – RETIREMENT PLAN (Continued)

year of employment. There are no withdrawal or transfer restrictions. Contributions to the plan during 2019 were approximately \$21,583 with about \$2,029 of that amount being related to the VITA program.

NOTE 16 – CONCENTRATION OF CREDIT RISK

Financial instruments that periodically potentially subject UWST, INC. to credit risk include cash balances at banks. At December 31, 2019, no UWST, INC. bank balance exceeded federally insured limits or that allowed by the investment policy.

NOTE 17 – RELATED PARTIES

In the normal course of business, UWST, INC. had substantial deposits at December 31, 2019 totaling at banks in which certain board members were involved in management.

Related party employers collect and frequently provide a match for employee donations. Related party pledges included in the top ten donors amounted to approximately \$990,594 for the 2019 campaign. Contributions received from the state combined campaigns were approximately \$28,796.

NOTE 18 – COMMITMENTS AND CONTINGENCIES

Commitments for continued funding to the various partner agencies contingent upon the success of the 2019 campaign are enumerated in Note 10.

Approximately \$192,088 of pledges received are matching pledges made by employers. The collection of these pledges is contingent on both the continued employment of the employee and the ability of the employer to fund the commitment.

NOTE 19 – SUBSEQUENT EVENTS

For the purpose of reporting subsequent events, management has considered events occurring up to September 4, 2020, the date of the report was available to be issued.

The COVID-19 pandemic sweeping across the country has resulted in mandatory closure of many businesses resulting in layoffs of much of the workforce. The economic effects of those closures are not yet known but could potentially affect collectability of future revenue pledges of the organization due to the significant economic impact on unemployment of the organizations' donors.

A COVID Community Fund was established in March 2020, UWST, Inc. contributed \$20,000 and has received various donations from corporations and individuals totaling to date \$255,450. Of this amount, \$95,000 has been spent for COVID related expenditures.

SUPPLEMENTARY INFORMATION

UNITED WAY OF SOUTH TEXAS, INC.
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

| | Program Services | Management and General | United Way Fund - Raising | Agency Fund - Raising | Total |
|---|---------------------|------------------------------|---------------------------------|-----------------------------|---------------------|
| Grants | | | | | |
| Allocation to Partner | | | | | |
| Agencies | \$ 1,199,057 | \$ - | \$ - | \$ - | \$ 1,199,057 |
| Emergency Grants | 23,100 | - | - | - | 23,100 |
| Community Impact | 58,973 | - | - | - | 58,973 |
| Special Projects | 187,267 | - | - | - | 187,267 |
| Designated Gifts | 2,045 | - | - | - | 2,045 |
| Total Grants | <u>1,470,442</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,470,442</u> |
| Expenses | | | | | |
| Audit and Accounting Fees | 24,427 | 8,143 | 8,143 | - | 40,713 |
| Bank Fees | 2,006 | 573 | 287 | - | 2,866 |
| Campaign | - | - | 81,401 | - | 81,401 |
| Computer Maintenance | 2,347 | 1,174 | 391 | - | 3,912 |
| Conference and Trainings | 2,363 | 1,418 | 945 | - | 4,726 |
| Contract Labor | 805 | 805 | 1,072 | - | 2,682 |
| Employee Health Insurance | 22,261 | 16,695 | 16,695 | - | 55,651 |
| Facility Maintenance | 5,916 | 2,958 | 986 | - | 9,860 |
| FEMA Expense | 1,809 | - | - | - | 1,809 |
| Insurances | 5,860 | 2,930 | 977 | - | 9,767 |
| Latina Hope | 13,300 | - | - | - | 13,300 |
| Membership Dues | 26,341 | 437 | 1,158 | - | 27,936 |
| Mileage Allowance | - | 1,870 | - | - | 1,870 |
| Miscellaneous | 1,993 | 181 | 1,449 | - | 3,623 |
| Office Equipment | 1,517 | 759 | 253 | - | 2,529 |
| Payroll Taxes | 8,922 | 6,527 | 7,278 | 751 | 23,478 |
| Postage | 968 | 387 | 580 | - | 1,935 |
| Supplies | 5,160 | 2,580 | 5,160 | - | 12,900 |
| Telephone and Internet | 7,779 | 3,111 | 4,667 | - | 15,557 |
| Utilities | 6,215 | 2,486 | 3,729 | - | 12,430 |
| VITA | 75,064 | - | - | - | 75,064 |
| Wages | 110,813 | 81,067 | 90,400 | 9,331 | 291,611 |
| Operating Expense before Depreciation & In-kind Donations | 325,866 | 134,101 | 225,571 | 10,082 | 695,620 |
| Depreciation | 29,463 | 14,732 | 4,910 | - | 49,105 |
| In-kind Donations | 301,413 | 23,853 | 34,334 | 1,807 | 361,407 |
| Total Expenses | <u>\$ 2,127,184</u> | <u>\$ 172,686</u> | <u>\$ 264,815</u> | <u>\$ 11,889</u> | <u>\$ 2,576,574</u> |

See Independent Auditors' Report.