

**United
Way**



United Way of South Texas
Serving Hidalgo and Starr Counties

**Audited Annual
Financial Report**

Year Ended December 31, 2018



Oscar R. González, CPA
&
Associates, PLLC
Certified Public Accountant

UNITED WAY OF SOUTH TEXAS, INC.

DECEMBER 31, 2018

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CHRIS JULIAN

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JEANETTE AHLENIUS

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President &
Chief Professional Officer

THELMA GARZA

Past President &
Chief Professional Officer

UNITED WAY OF SOUTH TEXAS, INC.
AUDITED ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

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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, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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, 2018, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Oscar R. Gonzalez CPA & Associates PLLC

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

September 25, 2019

BASIC FINANCIAL STATEMENTS

UNITED WAY OF SOUTH TEXAS, INC.
STATEMENT OF NET POSITION
DECEMBER 31, 2018

| | 2018 | Total |
|---|---------------------|---------------------|
| Assets | | |
| Cash and Cash Equivalents | \$ 1,082,669 | \$ 1,082,669 |
| Investments-Certificates of Deposit | 640,700 | 640,700 |
| Accounts Receivable | 46,798 | 46,798 |
| Unconditional Promise to Give: | | |
| Contribution Receivable | 1,532,116 | 1,532,116 |
| Prepaid Expenses | 97,971 | 97,971 |
| Cash - Restricted | 27,265 | 27,265 |
| Property and Equipment | 1,724,643 | 1,724,643 |
| Total Assets | <u>\$ 5,152,162</u> | <u>\$ 5,152,162</u> |
| Liabilities | | |
| Accounts Payable | \$ 98,430 | \$ 98,430 |
| Accrued Compensation Expenses | 11,176 | 11,176 |
| Deferred Revenue | 70,819 | 70,819 |
| Due to Partners | 61,052 | 61,052 |
| Due to Agencies - From Restricted Sources | 27,265 | 27,265 |
| Total Liabilities | <u>\$ 268,742</u> | <u>\$ 268,742</u> |
| Net Assets | | |
| Without Donor Restrictions | 3,627,127 | 3,627,127 |
| With Donor Restrictions | 1,256,293 | 1,256,293 |
| Total Net Assets | <u>4,883,420</u> | <u>4,883,420</u> |
| Total Liabilities and Net Assets | <u>\$ 5,152,162</u> | <u>\$ 5,152,162</u> |

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, 2018

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

| | 2018 | Total |
|--|-----------|-----------|
| Revenues and Gains | | |
| Contributions | \$ 33,489 | \$ 33,489 |
| Program Service Fees | 3,421 | 3,421 |
| In-Kind Contributions | 355,224 | 355,224 |
| Total Revenues and Gains | | |
| Without Donor Restrictions | 392,134 | 392,134 |
| Net Assets Released from Restrictions | | |
| Restrictions Satisfied by Expenditures Incurred | 1,987,422 | 1,987,422 |
| Total Net Assets Released from Restrictions | 1,987,422 | 1,987,422 |
| Total Revenue, Gains, and Other | | |
| Support Without Donor Restrictions | 2,379,556 | 2,379,556 |
| Equity Transfers | (150,000) | (150,000) |
| Expenses | | |
| Program Services | 2,250,654 | 2,250,654 |
| Support Services | | |
| Management and General Administrative | 178,370 | 178,370 |
| Fund-Raising | 269,948 | 269,948 |
| Total Expenses | 2,698,972 | 2,698,972 |
| Increase (Decrease) in Net Assets | | |
| Without Donor Restrictions | (469,416) | (469,416) |

CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:

| | | |
|--|--------------|--------------|
| Contributions | | |
| Campaign Pledges | 1,893,502 | 1,893,502 |
| Grants | 93,920 | 93,920 |
| Net Assets Released from Restrictions | (1,987,422) | (1,987,422) |
| Increase (Decrease) in Net Assets | | |
| With Donor Restrictions | - | - |
| Equity Transfer | 150,000 | 150,000 |
| Change in Net Assets | (319,416) | (319,416) |
| Net Assets, Beginning of Year | 5,207,475 | 5,207,475 |
| Prior Period Adjustment | (4,639) | (4,639) |
| Total Net Assets, End of Year | \$ 4,883,420 | \$ 4,883,420 |

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

UNITED WAY of SOUTH TEXAS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Program Services</u> | <u>Management and General</u> | <u>United Way Fund-Raising</u> | <u>Agency Fund-Raising</u> | <u>Total</u> |
|---|-----------------------------|-----------------------------------|------------------------------------|--------------------------------|---------------------|
| Grants | | | | | |
| Allocation to Partner Agencies | \$ 1,258,040 | \$ - | \$ - | \$ - | \$ 1,258,040 |
| Community Impact | 188,653 | - | - | - | 188,653 |
| Special Projects | 148,131 | - | - | - | 148,131 |
| Designated Gifts | 12,924 | - | - | - | 12,924 |
| Total Grants | <u>1,607,748</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,607,748</u> |
| Expenses | | | | | |
| Advertising | 384 | - | - | - | 384 |
| Audit and Accounting Fees | 22,297 | 7,432 | 7,432 | - | 37,161 |
| Bank Fees | 1,793 | 598 | 598 | 30 | 3,019 |
| Campaign | 67,974 | - | 62,723 | 3,010 | 133,707 |
| Computer Maintenance | 1,024 | 1,024 | 1,365 | - | 3,413 |
| Conference and Trainings | 403 | 161 | 242 | - | 805 |
| Employee Health Insurance | 20,092 | 15,069 | 15,069 | - | 50,230 |
| Facility Maintenance | 10,294 | 5,147 | 1,716 | - | 17,157 |
| Insurances | 4,596 | 3,447 | 3,447 | - | 11,489 |
| Membership Dues | 29,372 | - | - | - | 29,372 |
| Mileage Allowance | - | 2,516 | - | 202 | 2,718 |
| Miscellaneous | 17 | 67 | 532 | - | 616 |
| Office Equipment | 225 | 113 | 38 | - | 375 |
| Payroll Taxes | 9,518 | 6,979 | 7,765 | 786 | 25,048 |
| Supplies | 7,448 | 3,724 | 7,448 | - | 18,620 |
| Telephone and Internet | 10,380 | 4,152 | 6,228 | - | 20,760 |
| Utilities | 7,063 | 2,825 | 4,238 | - | 14,126 |
| Wages | 124,722 | 87,098 | 96,901 | 9,804 | 318,524 |
| Operating Expense before Depreciation & In-kind Donations | 317,601 | 140,351 | 215,741 | 13,831 | 687,524 |
| Depreciation | 29,086 | 14,543 | 4,848 | - | 48,476 |
| In-kind Donations | 296,219 | 23,476 | 33,433 | 2,096 | 355,224 |
| Total Expenses | <u>\$ 2,250,654</u> | <u>\$ 178,370</u> | <u>\$ 254,021</u> | <u>\$ 15,927</u> | <u>\$ 2,698,972</u> |

See Independent Auditor's Report

UNITED WAY OF SOUTH TEXAS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

CASH FLOW FROM OPERATING ACTIVITIES:

| | | |
|--|------------------|------------------|
| Change in Net Assets | \$ (319,416) | |
| Adjustments to Reconcile Change in Net Assets to | | |
| Cash from Operating Activities | | |
| Depreciation | 48,476 | |
| Changes in Assets and Liabilities | | |
| Accounts Receivable | (42,626) | |
| Contributions Receivable | (6,584) | |
| Prepaid Expenses | 1,019 | |
| Accounts Payable | 11,716 | |
| Accrued Compensation Expenses | 200 | |
| Due to Partners | 18,974 | |
| Deferred Revenue | 36,910 | |
| Payroll Liability | <u>(158,831)</u> | |
| Net Cash From Operating Activities | | <u>(410,162)</u> |

CASH FLOW FROM INVESTMENT ACTIVITIES:

| | | |
|---|-----------------|-----------------|
| Purchase of Investments | <u>(28,967)</u> | |
| Net Cash Provided (Used) for Investing Activities | | <u>(28,967)</u> |

NET CHANGE IN CASH **(439,129)**

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR **1,549,063**

CASH AND CASH EQUIVALENTS AT END OF YEAR **\$ 1,109,934**

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, 2018

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. Due to the short-term nature of investments and receivables, historic cost is considered to approximate the current fair market value.

Basis of Accounting

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.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

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 2018 was limited to interest earned on deposit accounts.

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.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting (continued)

Property and Equipment (continued)

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)
- 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 federal and the state campaigns.

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 approximately 1,198 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 September 30, 2018. Federal income tax and information returns for tax years 2016, 2017, and 2018 remain subject to examination by the Internal Revenue Services.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

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.

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.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 – SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In 2018, UWST, INC. adopted new statement of financial accounting standard issued by the Financial Accounting Standards Board (FASB):

- ASU 2016-14 – Presentation of Financial Statements of Not for Profit Entities.

ASU 2016-14 - Presentation of Financial Statements of Not for Profit Entities (NFP): The objective is flows, and liquidity. 1) Improve the use usefulness of information provided to donors, grantors, creditors, and other users of an NFP's financial statements, 2) Reduce complexities or costs for preparers or users of financial statements, or 3) both improve usefulness and reduce complexities or cost. Present on the face to of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. NFP will report amounts for new assets with donor restrictions and net assets without donor restrictions as well as the currently required amount for total net assets.

The requirements of this standard will take effect for most nonprofit organizations with annual reporting periods beginning after December 15, 2017, and for interim periods within year beginning after December 15, 2018.

The adoption of Statement No. ASU 2016-14 has impact on the organization's financial statements.

NOTE 2 – STATE AND FEDERAL EMPLOYEE CHARITABLE CAMPAIGNS

The State Employee Charitable Campaign (SECC) and the Combined Federal Campaign (CFC) provide state and federal 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 CFC and distributes to the various charities designated by the donor.

The UWST, INC. acts as a federation for the SECC and CFC by collecting state and federal employee donations and distributing them as specified by the donor. On December 31, 2018, UWST, INC. held \$27,265 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, 2018 were \$207,508 for the federal campaign and \$102,762 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.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 2 – STATE AND FEDERAL EMPLOYEE CHARITABLE CAMPAIGNS (CONTINUED)

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

Expenses incurred and administrative fees for these campaigns were approximately \$207,500 and \$102,762 in expenses and \$54,724 and \$17,615 for administrative fees respectively.

NOTE 3 – ACCOUNTS RECEIVABLE

The current unrestricted receivables consist of the following:

| | |
|-----------------------------------|------------------|
| City of McAllen | \$ 30,000 |
| SECC | 11,798 |
| Community Development Block Grant | 5,000 |
| | <u>\$ 46,798</u> |

Notes to the financials continue on next page.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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 | \$ | 2,260,126 |
| Pledges received during the year | | 2,246,363 |
| Collections | | (1,903,667) |
| Net write-off uncollectible receivables: | | |
| 2016 campaign year | | <u>(308,015)</u> |
| Pledges receivable - ending | \$ | 2,294,807 |
| Beginning allowance for uncollectible | | |
| pledges receivable | \$ | 734,594 |
| Current year provision | | 336,112 |
| Write-off uncollectible pledges: | | |
| 2016 campaign year | | <u>(308,015)</u> |
| Less: Allowance for uncollectible pledges | | |
| receivable - ending | | <u>762,691</u> |
| Net pledges receivable | \$ | <u><u>1,532,116</u></u> |

In addition to pledges, donations include those made for the special projects described in Note 11. Pledges are reported net of approximately \$336,112 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 \$ 254,021 and \$15,927 for the local and combined campaigns respectively plus a provision of \$336,440 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, 2018

NOTE 5 – PREPAID EXPENSES

Other current assets consist of prepaid expenses of approximately \$ 97,971 of allocations to be paid to partner agencies on January 2019.

NOTE 6 – FIXED ASSETS

Fixed assets at December 31, 2018 consist of the following:

| | Balance 1/1/2018 | Additions | Deletions | Balance 12/31/2018 |
|--------------------------------------|---------------------|--------------------|-------------|-----------------------|
| Land and Improvement | \$ 550,135 | \$ - | \$ - | \$ 550,135 |
| Building | 1,368,103 | - | - | 1,368,103 |
| Furniture, Fixtures and Equipment | 71,399 | | - | 71,399 |
| | 1,989,637 | - | - | 1,989,637 |
| Less: Accumulated Depreciation | (216,519) | (48,476) | - | (264,994) |
| | <u>\$ 1,773,118</u> | <u>\$ (48,476)</u> | <u>\$ -</u> | <u>\$ 1,724,643</u> |

Depreciation charged for 2018 was \$48,476. 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, 2018.

NOTE 7 – 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 \$320,526 according to United Way of America guidelines and occupational employment statistics for tax preparers. Other in-kind donations were valued at \$34,698. The aggregate total for the year was \$355,224.

NOTE 8 – GRANTS

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

| | |
|------------------|---------------------|
| Campaign Pledges | \$ 1,893,500 |
| IRS | 60,000 |
| VITA | 28,922 |
| Latina Hope | 5,000 |
| | <u>\$ 1,987,422</u> |

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 9 – 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 2018 and commitments to agencies for 2019 based on the success of 2018 campaign are as follows:

| | 2018 Award | Pending 2019 Award |
|--|---------------------|--------------------------|
| American Red Cross | \$ 57,600 | \$ 47,532 |
| Aurora House Foundation | 35,000 | 31,281 |
| BGC Alamo | 38,860 | - |
| BGC Edinburg | 146,158 | 146,158 |
| BGC McAllen | 123,015 | 123,015 |
| BGC Mission | 68,300 | 64,829 |
| BGC Pharr | 85,500 | 84,608 |
| RGV Boy Scouts | 55,966 | 55,966 |
| CASA | 23,774 | 23,380 |
| Children's Advocacy | 37,087 | 37,087 |
| Girls Scouts Tip of Texas | 60,100 | 59,785 |
| Goodwill | 45,000 | 45,000 |
| Hidalgo Youth Center | 32,000 | 32,000 |
| Mercedes Recreation Center | 40,700 | 40,700 |
| Palmer Drug Abuse Programs | 77,000 | 76,918 |
| Salvation Army | 117,421 | 117,421 |
| Serving Children & Adolescent | 25,000 | 25,000 |
| Silver Ribbon | 35,000 | 34,735 |
| Starr County Victims of Domestic Violence | 35,000 | 35,000 |
| Su Casa Esperanza | 44,250 | 43,332 |
| Women Together | 75,308 | 75,308 |
| | <u>\$ 1,258,040</u> | <u>\$ 1,199,057</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, 2018

NOTE 9 – AWARDS (CONTINUED)

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

| | |
|---------------------------------|------------------|
| CIG Starr County Hospital | \$ 1,125 |
| CIG - Comfort House | 30,000 |
| Valley Aids Council CIG | 5,000 |
| Juvenile Diabetes | 15,800 |
| CIG Habitat for Humanity | 6,328 |
| CIG Palmer Drug Abuse Program | 23,500 |
| CIG Children's Advocacy Center | 22,300 |
| CIG Goodwill Industries | 17,265 |
| CIG City of Rio Grande City | 2,250 |
| CIG Friends of the RGC Public | 2,250 |
| CIG Roma High School Business | 1,125 |
| CIG Girls Scouts of Greater STX | 12,960 |
| CIG BGC of Pharr | 8,000 |
| CIG Precinct 1 Food Bank | 375 |
| CIG Precinct 4 Food Bank | 375 |
| CIG Precinct 3 Food Bank | 1,875 |
| CIG Precinct 2 Food Bank | 375 |
| CIG City of Roma | 1,500 |
| CIG - Starr Co. Victims of Dom | 3,750 |
| CIF/ Silver Ribbon Comm PTRS | 15,000 |
| CIF/Aurora House Foundation | 17,500 |
| | <u>\$188,653</u> |

Notes to the financials continue on next page.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10 – 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 | \$ 18,053 |
| Day of Caring | 21,752 |
| Transportation | 35,450 |
| Emergency Grant | 20,000 |
| Voluntary Management | 12,828 |
| Integrated Database | 2,763 |
| Marketing and Youth | 20,665 |
| Other | 16,620 |
| | <u>\$148,131</u> |

NOTE 11 – 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 year of employment. There are no withdrawal or transfer restrictions. Contributions to the plan during 2018 were approximately \$20,402 with about \$2,858 of that amount being related to the VITA program.

Notes to the financials continue on next page.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 12 – RESTRICTED ASSETS

The primary restricted assets for 2018 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. Board designated restrictions at December 31, 2018 are as follows:

| | |
|-------------------------------|---------------------|
| Operating Reserve | \$ 1,151,293 |
| Building | 5,000 |
| Emergency & Natural Disasters | <u>100,000</u> |
| | <u>\$ 1,256,293</u> |

NOTE 13 – CONCENTRATION OF CREDIT RISK

Financial instruments that periodically potentially subject UWST, INC. to credit risk include cash balances at banks. At December 31, 2018, no UWST, INC. bank balance exceeded federally insured limits or that allowed by the investment policy.

NOTE 14 – RELATED PARTIES

In the normal course of business, UWST, INC. had substantial deposits at December 31, 2018 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 \$966,883 for the 2018 campaign. Contributions received from the state and federal combined campaigns were approximately \$34,108 and \$6,560 respectively.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Commitments for continued funding to the various partner agencies contingent upon the success of the 2018 campaign are enumerated in Note 10.

Approximately \$56,733 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.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 16 - 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. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- 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.

UNITED WAY OF SOUTH TEXAS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 16 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

| Financial Assets: | Carrying Amount | Fair Value |
|--|----------------------------|-----------------------|
| Cash and Cash Equivalents | \$ 1,082,669 | \$1,082,669 |
| Investments | 640,700 | 640,700 |
| Accounts Receivable, net | 46,798 | 46,798 |
| Contribution Receivable | 1,532,116 | 1,532,116 |
| Prepaid Expense | 97,971 | 97,971 |
| Cash -Restricted- | 27,265 | 27,265 |
| Financial Liabilities: | | |
| Accounts Payable | \$ 98,430 | \$98,430 |
| Accrued Liabilities | 11,176 | 11,176 |
| Deferred Revenue | 70,819 | 70,819 |
| Due to Partners | 61,052 | 61,052 |
| Due to Agencies - From Restricted Sources | 27,265 | 27,265 |

NOTE 17 - SUBSEQUENT EVENTS

For the purpose of reporting subsequent events, management has considered events occurring up to September 25, 2019, the date of the report was available to be issued.

In the subsequent period an agreement was executed with the City of McAllen allowing UWST, INC. to receive reimbursements from their Transportation Voucher Program funded by the U.S. Secretary of Transportation. The reimbursements are limited to 50 percent of the vouchers used with a limit of \$30,000 for each of the years ending September 30, 2019, and 2020.

United Way of South Texas is a designated beneficiary of mineral rights funds that are distributed and managed by BP Energy. The company contacted United Way of South TX in May, 2019, to advise the organization that BP Energy had been holding funds for 20 years, as their contact information, address and organization EIN number were incorrect. After providing clarification and the requested documents, BP Energy released the holdings. A check in the amount of \$77,424 was received on August 1, 2019. The Board Chair and Finance Chair recommend that the funds be invested in existing programs and that approximately \$30,000 be added to the Building Fund to help cover future major expenses.

