

June 12, 2019

To the Audit Committee of the Board of Directors  
United Way of Denton County, Inc.  
Denton, Texas

Dear Audit Committee Members:

We have audited the financial statements of United Way of Denton County, Inc. (the Organization) for the year ended March 31, 2019, and have issued our report thereon dated June 12, 2019. Professional standards require that we provide you the following information related to our audit.

**Our Responsibilities under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated May 2, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

1. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
2. As part of our audit, we considered the internal control of the Corporation. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
3. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter dated May 2, 2019.

## **Significant Audit Findings**

### **Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. The organization has adopted Accounting Standards Update (ASU) 2016-14, Not-for-profit Entities (Topic 958) for its March 31, 2019 financial statements. We noted no transaction entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the allowance for uncollectible pledges is based on historical collection rates and an analysis of the collectability of individual pledges. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Audit adjustments were made by us at the request of management and were related to the recording of depreciation expense, capital asset reclassification, reclassification of rental expenses, prepaid expenses and an adjustment to capital campaign pledges. Management is in agreement with the adjustments recorded.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated June 12, 2019.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Audit Committee of the Board of Directors and management of the Organization and is not intended to be and should not be used by anyone other than these specified parties.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay, P.C.  
Denton, Texas

**UNITED WAY OF DENTON COUNTY, INC.**

ANNUAL FINANCIAL REPORT

YEAR ENDED MARCH 31, 2019

**UNITED WAY OF DENTON COUNTY, INC.**  
**ANNUAL FINANCIAL REPORT**  
**March 31, 2019**

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Members:  
AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC  
ACCOUNTANTS  
TEXAS SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

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**HANKINS, EASTUP, DEATON,  
TONN & SEAY**  
A PROFESSIONAL CORPORATION  
CERTIFIED PUBLIC ACCOUNTANTS

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902 NORTH LOCUST  
P.O. BOX 977  
DENTON, TX 76202-0977

TEL. (940) 387-3563  
FAX (940) 383-4746

## **Independent Auditors' Report**

The Board of Directors  
United Way of Denton County, Inc.  
Denton, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of United Way of Denton County, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2019, and the related statements of activities, cash flows, and functional expenses 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 Denton County, Inc. as of March 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.

*Hankins, Eastup, Deaton, Tonn & Seay*

Hankins, Eastup, Deaton, Tonn & Seay, P.C.  
Denton, Texas

June 12, 2019

**UNITED WAY OF DENTON COUNTY, INC.**

**STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2019**

---

**ASSETS**

Current Assets:

|                             |                  |
|-----------------------------|------------------|
| Cash and cash equivalents   | \$ 868,844       |
| Operating investments       | 76,346           |
| Promises to give, net       | 1,306,076        |
| Accounts receivable - other | 42,109           |
| Prepaid expenses            | 14,110           |
| Total Current Assets        | <u>2,307,485</u> |

Property and Equipment

|                                |                  |
|--------------------------------|------------------|
| Land                           | 663,571          |
| Building                       | 2,673,267        |
| Office equipment and furniture | 368,132          |
| Less accumulated depreciation  | <u>(342,009)</u> |
| Net Property and Equipment     | <u>3,362,961</u> |

|              |                            |
|--------------|----------------------------|
| Total Assets | <u><u>\$ 5,670,446</u></u> |
|--------------|----------------------------|

**LIABILITIES AND NET ASSETS**

Current Liabilities:

|                                     |                  |
|-------------------------------------|------------------|
| Accounts payable                    | 77,404           |
| Deferred revenue                    | 54,495           |
| Designated funds payable            | 496,098          |
| Security deposits                   | 18,512           |
| Line of credit                      | 428,033          |
| Current portion of mortgage payable | 86,046           |
| Total Current Liabilities           | <u>1,160,588</u> |

Other Liabilities:

|  |                  |
|--|------------------|
| Mortgage payable, net of current portion | <u>2,699,814</u> |
| Total Other Liabilities                  | <u>2,699,814</u> |

Net Assets:

|                            |                  |
|----------------------------|------------------|
| Without donor restrictions | 672,319          |
| With donor restrictions    | <u>1,137,725</u> |
| Total Net Assets           | <u>1,810,044</u> |

|                                  |                            |
|----------------------------------|----------------------------|
| Total Liabilities and Net Assets | <u><u>\$ 5,670,446</u></u> |
|----------------------------------|----------------------------|

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



**UNITED WAY OF DENTON COUNTY, INC.**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2019

|   | <u>Without<br/>Donor<br/>Restrictions</u> | <u>With<br/>Donor<br/>Restrictions</u> | <u>Total</u>        |
|---|---|--|---------------------|
| Public Support and Revenue:                                       |   |  |                     |
| Campaign Results:   |   |  |                     |
| Gross campaign results  | \$ 832,860                                | \$ 1,138,412                           | \$ 1,971,272        |
| Gross campaign results in prior year<br>released from restriction | <u>1,274,886</u>                          | <u>(1,274,886)</u>                     | <u>-</u>            |
| Total Campaign Results  | <u>2,107,746</u>                          | <u>(136,474)</u>                       | <u>1,971,272</u>    |
| Loss on uncollectible promises to give                            | <u>(163,169)</u>                          | <u>-</u>                               | <u>(163,169)</u>    |
| Net Campaign Revenue  | <u>1,944,577</u>                          | <u>(136,474)</u>                       | <u>1,808,103</u>    |
| Other Revenue:  |   |  |                     |
| Special events  | 137,638                                   | -                                      | 137,638             |
| Other contributions and grants                                    | 200,134                                   | 6,374                                  | 206,508             |
| Other contributions released from restrictions                    | 7,061                                     | (7,061)                                | -                   |
| Service fees  | 35,344                                    | -                                      | 35,344              |
| Rental income (net of \$132,798 rental expenses)                  | 43,249                                    | -                                      | 43,249              |
| Interest income   | 3,807                                     | -                                      | 3,807               |
| Total Other Revenue   | <u>427,233</u>                            | <u>(687)</u>                           | <u>426,546</u>      |
| Total Public Support and Revenue                                  | <u>2,371,810</u>                          | <u>(137,161)</u>                       | <u>2,234,649</u>    |
| Expenses and Losses:  |   |  |                     |
| Program Services:   |   |  |                     |
| Funds awarded/distributed   | 1,160,461                                 | -                                      | 1,160,461           |
| Community capacity building                                       | 611,101                                   | -                                      | 611,101             |
| Community education   | 136,798                                   | -                                      | 136,798             |
| I&R research  | 20,564                                    | -                                      | 20,564              |
| VITA  | 131,454                                   | -                                      | 131,454             |
| Project blueprint   | 26,538                                    | -                                      | 26,538              |
| Total Program Services  | <u>2,086,915</u>                          | <u>-</u>                               | <u>2,086,915</u>    |
| Supporting Services:  |   |  |                     |
| Organizational administration                                     | 185,524                                   | -                                      | 185,524             |
| Campaign  | 395,357                                   | -                                      | 395,357             |
| Total Supporting Services   | <u>580,881</u>                            | <u>-</u>                               | <u>580,881</u>      |
| Loss on disposition of property                                   | 243,306                                   | -                                      | 243,306             |
| Federal income tax  | 9,889                                     | -                                      | 9,889               |
| Total Expenses and Losses   | <u>2,920,991</u>                          | <u>-</u>                               | <u>2,920,991</u>    |
| Change in Net Assets  | (549,181)                                 | (137,161)                              | (686,342)           |
| Net Assets, Beginning of Year                                     | 1,221,500                                 | 1,274,886                              | 2,496,386           |
| Net Assets, End of Year   | <u>\$ 672,319</u>                         | <u>\$ 1,137,725</u>                    | <u>\$ 1,810,044</u> |

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

**UNITED WAY OF DENTON COUNTY, INC.**

STATEMENT OF CASH FLOWS  
MARCH 31, 2019

Cash Flows from Operating Activities:

|  |                  |
|--|------------------|
| Change in net assets   | \$ (686,342)     |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities: |                  |
| Depreciation expense   | 117,842          |
| (Increase) decrease in pledges receivable  | (339,782)        |
| (Increase) decrease in accounts receivable - other   | 2,457            |
| (Increase) decrease in prepaid expenses  | (688)            |
| Increase (decrease) in deferred revenue  | 54,495           |
| Increase (decrease) in security deposits   | 18,512           |
| Increase (decrease) in accounts payable  | 61,668           |
| Increase (decrease) in designated funds payable  | 295,747          |
|  | <u>(476,091)</u> |

Cash Flows from Investing Activities:

|                                       |                    |
|---------------------------------------|--------------------|
| Acquisition of property and equipment | (3,018,089)        |
| (Increase) decrease in investments    | 139,004            |
|                                       | <u>(2,879,085)</u> |

Cash Flows from Financing Activities:

|  |                  |
|--|------------------|
| Increase in mortgage payable                 | 2,785,860        |
| Increase in loan payable                     | 428,033          |
| (Decrease) in Real estate obligation payable | (150,000)        |
|  | <u>3,063,893</u> |

Net Increase (Decrease) in Cash and Cash Equivalents (291,283)

Cash and Cash Equivalents, Beginning of Year 1,160,127

Cash and Cash Equivalents, End of Year \$ 868,844

Supplemental Data:

|                            |                   |
|----------------------------|-------------------|
| Cash paid for interest     | <u>\$ 119,908</u> |
| Cash paid for income taxes | <u>\$ -</u>       |

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

**UNITED WAY OF DENTON COUNTY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Years Ended March 31, 2019

|  | Program Services    |                             |                     |              |            |                   | Support Services              |            |                        | Total        |
|--|---------------------|-----------------------------|---------------------|--------------|------------|-------------------|-------------------------------|------------|------------------------|--------------|
|  | Allocation Services | Community Capacity Building | Community Education | I&R Research | VITA       | Project Blueprint | Organizational Administration | Campaign   | Total Support Services |              |
| Allocations and Awards                 | \$ 1,078,100        | \$ -                        | \$ -                | \$ -         | \$ -       | \$ -              | \$ -                          | \$ -       | \$ -                   | \$ 1,078,100 |
| Total Allocations and Awards           | 1,078,100           | -                           | -                   | -            | -          | -                 | -                             | -          | -                      | 1,078,100    |
| Salaries and wages                     | 20,619              | 322,948                     | 29,701              | 7,210        | 77,311     | 9,932             | 111,935                       | 256,040    | 367,975                | 835,696      |
| Payroll taxes                          | 2,097               | 29,361                      | 4,020               | 561          | 6,097      | 764               | 7,125                         | 13,536     | 20,661                 | 63,561       |
| Employee benefits                      | 3,737               | 46,912                      | 9,537               | 326          | 8,966      | 5,098             | 15,012                        | 22,352     | 37,364                 | 111,940      |
| Total payroll expenses                 | 26,453              | 399,221                     | 43,258              | 8,097        | 92,374     | 15,794            | 134,072                       | 291,928    | 426,000                | 1,011,197    |
| Contract services                      | 1,700               | 9,180                       | -                   | 850          | 2,550      | 170               | 1,900                         | 1,350      | 3,250                  | 17,700       |
| Supplies                               | 1,291               | 26,526                      | 7,963               | 13           | 2,089      | 3,155             | 5,318                         | 8,326      | 13,643                 | 54,680       |
| Postage and shipping                   | 229                 | 941                         | 7,182               | 9            | 1,138      | 44                | 429                           | 6,405      | 6,833                  | 16,376       |
| Telephone and networks                 | 3,947               | 23,374                      | 6,488               | 1,640        | 4,669      | 1,636             | 4,629                         | 5,631      | 10,261                 | 52,015       |
| Occupancy                              | 4,203               | 27,766                      | 1,770               | 2,515        | 6,115      | 622               | 14,129                        | 6,840      | 20,969                 | 63,960       |
| Equipment rental and maintenance       | 1,408               | 4,858                       | 711                 | 516          | 1,909      | 145               | 1,368                         | 1,943      | 3,311                  | 12,858       |
| Printing                               | 165                 | 2,557                       | 10,906              | 1,724        | -          | -                 | 301                           | 20,059     | 20,360                 | 35,712       |
| Website and Videos                     | 171                 | 445                         | 693                 | 43           | 71         | 14                | 68                            | 844        | 912                    | 2,349        |
| Marketing                              | -                   | -                           | 33,193              | -            | 215        | -                 | -                             | 5,912      | 5,912                  | 39,320       |
| Travel                                 | 405                 | 8,511                       | 5,609               | -            | 3,137      | -                 | -                             | 2,812      | 2,812                  | 20,474       |
| Conferences and meetings               | -                   | 10,585                      | 1,157               | -            | 708        | -                 | 128                           | 583        | 711                    | 13,161       |
| Insurance                              | 667                 | 2,486                       | 437                 | 639          | 1,095      | 181               | 1,371                         | 1,966      | 3,337                  | 8,842        |
| Awards                                 | -                   | -                           | -                   | -            | 64         | 494               | -                             | 1,755      | 1,755                  | 2,313        |
| Dues                                   | 259                 | 3,140                       | 5,856               | 148          | 1,168      | 73                | 296                           | 2,288      | 2,584                  | 13,228       |
| Other                                  | -                   | 761                         | 89                  | -            | -          | -                 | 3,379                         | 8,141      | 11,520                 | 12,370       |
| Special events                         | 93                  | 185                         | 193                 | -            | 468        | 92                | 93                            | 2,042      | 2,135                  | 3,166        |
| Homelessness expenses                  | -                   | 8,161                       | -                   | -            | -          | -                 | -                             | -          | -                      | 8,161        |
| Veterans program expenses              | -                   | 28,923                      | -                   | -            | -          | -                 | -                             | -          | -                      | 28,923       |
| United Way Worldwide dues              | 1,383               | 3,797                       | 4,705               | 1,383        | 1,383      | 1,383             | 4,380                         | 5,071      | 9,451                  | 23,485       |
| United Way of Texas dues               | 289                 | 1,012                       | 1,445               | 145          | 289        | 145               | 867                           | 1,156      | 2,023                  | 5,348        |
| Total Expenses                         | 42,663              | 562,429                     | 131,655             | 17,722       | 119,442    | 23,948            | 172,728                       | 375,052    | 547,779                | 1,445,638    |
| Before Depreciation                    |                     |                             |                     |              |            |                   |                               |            |                        |              |
| Interest Expense                       | 5,833               | 24,966                      | 3,450               | 2,842        | 8,625      | 50                | 8,563                         | 5,066      | 13,629                 | 59,395       |
| Depreciation of Property and Equipment | 33,865              | 23,706                      | 1,693               | -            | 3,387      | 2,540             | 4,233                         | 15,239     | 19,472                 | 84,663       |
| Total Expenses                         | \$ 1,160,461        | \$ 611,101                  | \$ 136,798          | \$ 20,564    | \$ 131,454 | \$ 26,538         | \$ 185,524                    | \$ 395,357 | \$ 580,881             | \$ 2,667,796 |

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

# UNITED WAY OF DENTON COUNTY, INC.

## NOTES TO THE FINANCIAL STATEMENTS MARCH 31, 2019

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### **NOTE 1 – Nature of Activities and Significant Accounting Policies**

The nature of activities and summary of significant accounting policies of United Way of Denton County, Inc. (the Organization) is presented to assist in understanding the Organization's financial statements. Management of the Organization is responsible for the accuracy and internal consistency of the preparation of the financial statements and notes contained in this annual report.

Nature of Activities – The United Way of Denton County, Inc. serves as a catalyst to facilitate the organized effort of the community to identify and address the existing and emerging human needs of its people. The Organization is supported primarily through donor contributions.

Basis of Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Financial statements presented follow the requirements of Accounting Standards Update (ASU) 2016-14, Not-for-profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*.

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

We report contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is 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 and reported in the statements of activities as net assets released from restrictions.

Revenue and Revenue Recognition – Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash held in checking and money market accounts.

**UNITED WAY OF DENTON COUNTY, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2019

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**NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies - Continued**

Operating Investments – Operating investments consist of a non-brokered certificate of deposit. The certificate of deposit is a one-year certificate that will mature in the next fiscal year. The certificate of deposit is reported at carrying value (cost), which approximates fair value.

Support and Promises to Give – Annual campaigns are conducted to raise support for allocation to participating agencies in the current and subsequent year. The Organization is also conducting a capital campaign soliciting contributions and pledges to be used to build or purchase a new building. Unconditional promises to give are recognized as revenue when the promise to give is made, in accordance with GAAP. All support is considered available for unrestricted use or temporarily restricted due to time restrictions, unless specifically restricted by the donor. Promises to give are recorded as received, and allowances are provided for amounts estimated as uncollectable. The allowance for uncollectible pledges is established by the United Way Management based on past collection experience and current economic conditions.

Some capital campaign promises to give are to be paid over time periods ranging from one to five years.

Donor restricted pass-through pledges are not recognized as revenue as the Organization acts only as an intermediary between the donor and the ultimate beneficiary as required by FASB ASC 958-605, Not-For-Profit Entities-Revenue Recognition. The SECC campaign and all specific donor donations to designated agencies fall under this designation.

Contributions – The Organization's success in conducting its mission is highly dependent on attracting committed volunteers. A substantial number of volunteers have donated significant amounts of their time in the Organization's management and fund raising campaigns during the year; however, these donated services are not reflected in the financial statements since the services do not require specialized skills. Donated property and professional services are recorded at their estimated fair value as of the date of the donation.

Property and Equipment – Property and equipment are stated at cost, or if donated, the approximate fair value as of the date of the donation, less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, which range from 3 to 30 years. Expenditures for the new construction, major renewals and replacements, and equipment are capitalized. Land is not being depreciated.

Income Taxes – The Organization is a not-for-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and from Texas franchise and sales and use taxes. In addition, contributions to the Organization qualify for the charitable contribution deduction under IRC Section 170(b)(1)(A). United Way of Denton County, Inc. has been classified as an organization that is not a private foundation under IRC Section 509(a)(2).

**UNITED WAY OF DENTON COUNTY, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2019

**NOTE 1 – Nature of Activities and Summary of Significant Accounting Policies - Continued**

The Organization applies the provisions of FASB ASC 74, *Income Taxes* related to the accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. This standard also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. For the year ended March 31, 2019, the organization does not believe it currently holds any uncertain tax positions, therefore no recognition of uncertain tax positions is reflected in the financial statements. There was unrelated business income (rental income) for the year ended March 31, 2019, and as a result, an income tax provision of \$9,889 has been recorded.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs – Advertising costs are expensed as incurred.

**NOTE 2 – Promises to Give**

Receivables from promises to give at March 31, 2019 consisted of the following promises and the expected time of collection:

|  |                     |
|--|---------------------|
| Receivable in one year or less           | \$ 1,247,778        |
| Receivable in two to five years          | <u>231,019</u>      |
|  | 1,478,797           |
| Less allowance for uncollectible amounts | (163,169)           |
| Less discount to present value           | <u>(9,552)</u>      |
| Promises to give, net                    | <u>\$ 1,306,076</u> |

\$329,274 of the net receivables are promises to give to the Organization's capital building campaign.

**NOTE 3 – Property and Equipment**

Property and equipment consist of the following at March 31, 2019:

|                                |                     |
|--------------------------------|---------------------|
|                                | <u>2019</u>         |
| Land                           | \$ 663,571          |
| Building                       | 2,673,267           |
| Office furniture and equipment | 368,132             |
| Less accumulated depreciation  | <u>(342,009)</u>    |
| Total                          | <u>\$ 3,362,961</u> |

**UNITED WAY OF DENTON COUNTY, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2019

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**NOTE 4 – Loss on Disposition of Property**

In 2015, the Organization acquired approximately 5 acres of land pursuant to an agreement to build a building to house the offices of the Organization and to make office space available to the seller of the property.

In May 2018, the Organization decided to no longer pursue the construction due to costs higher than anticipated. The property was deeded back to the original seller, and the Organization recorded a loss on disposition of the property of \$243,306 representing architect and engineering fees incurred on the project.

**NOTE 5 – Contributions – Donated Services and Materials**

A substantial number of unpaid volunteers have made significant contributions of their time to the Organization's activities during the years. The value of this contributed time is not reflected in these statements. The contributions of services are recognized only if the services received (a) create or enhance non-financial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

**NOTE 6 – Designated Funds Payable**

The State Employee Charitable Contribution program (SECC) is the only authorized charitable fundraising drive in the State workplace. The United Way serves as the Local Campaign Manager for the SECC campaign. The Organization acts as an intermediary between the donor and the ultimate beneficiary. The SECC funds and designated funds collected through the United Way Campaign are not recognized as revenue by the Organization, but are reported as a designated payable in the statement of the financial position.

**NOTE 7 – Liquidity and Availability**

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

|                           |                     |
|---------------------------|---------------------|
| Cash and cash equivalents | \$ 868,844          |
| Accounts receivable       | 42,109              |
| Operating investments     | 76,346              |
| Promises to give          | <u>796,376</u>      |
|                           | <u>\$ 1,783,675</u> |

**NOTE 8 – Line of Credit**

We have a \$500,000 unsecured, revolving line of credit with a bank. Borrowings under the line bear interest at 4.5% and is payable monthly. Accrued interest and principal are due at maturity (June 19, 2019). The agreement requires us to comply with certain financial and non-financial covenants. Borrowings under the line of credit were \$428,033 as of March 31, 2019.

**UNITED WAY OF DENTON COUNTY, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 9 – Mortgage Payable**

Mortgage payable consist of the following at March 31, 2109

Note payable, due in monthly installments of \$19,188,  
including interest at 5.25% to May 27, 2026 with  
a final payment of \$2,065,917 due on June 27, 2026.

The note payable is secured by land and building. \$ 2,785,860

\$ 2,785,860

Future maturities of notes payable are as follows:

Years Ending March 31,

|            |                     |
|------------|---------------------|
| 2020       | \$ 86,046           |
| 2021       | 90,673              |
| 2022       | 95,550              |
| 2023       | 100,689             |
| 2024       | 106,104             |
| Thereafter | <u>2,306,796</u>    |
|            | <u>\$ 2,785,860</u> |

**NOTE 10 – Lease Commitments**

The Organization leases certain office equipment under operating leases expiring through July 2021. Minimum future rental payments under non-cancelable operating leases having remaining terms in excess of one year as of March 31, 2019 are as follows:

|            |                  |
|------------|------------------|
| 03/31/2019 | \$ 9,661         |
| 03/31/2020 | 9,661            |
| 03/31/2021 | 9,661            |
| 03/31/2022 | <u>3,036</u>     |
| Totals     | <u>\$ 32,019</u> |

Rent expense under operating leases was \$28,386 for the year ended March 31, 2019.

**NOTE 11 – Functionalized Expenses**

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and depreciation, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.



**UNITED WAY OF DENTON COUNTY, INC.**

NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2019

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**NOTE 12 – Retirement Plan**

The Organization's retirement plan is administered by the United Way. It is a defined contribution retirement plan described under Section 403(b) of the Internal Revenue Service Code. It is a defined contribution retirement plan which provides retirement benefits for all employees who normally work more than twenty hours per week. The Organization contributed amounts during the year ended March 31, 2019 equal to a maximum of six percent of the eligible employees' gross salaries. Contributions for the year ended March 31, 2019 were \$40,427. Under the plan, participant accounts are one-hundred percent vested at all times.

**NOTE 13 – Net Assets with Donor Restrictions**

Net assets are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. As of March 31, 2019, net assets with donor restrictions were as follows:

|  |                     |
|--|---------------------|
| Annual campaign promises to give, net    | \$ 796,376          |
| Capital campaign contributions           | 329,275             |
| Barriers fund contributions              | <u>12,074</u>       |
| Total net assets with donor restrictions | <u>\$ 1,137,725</u> |

**NOTE 14 – Concentration of Credit and Market Risk**

The Organization maintains various bank accounts that may from time to time contain balances in excess of federally insured limits. The Organization manages this risk by maintaining the deposits with high quality financial institutions.

The Organization has various receivables as of March 31, 2019. The Organization consider its risk of loss from receivables (net of allowance for uncollectible amounts) to be minimal.

The Organization received approximately 56% of its contributions from fifteen companies and/or their employees for the 2018 pledge campaign year.

**NOTE 15 – Rental Income**

In June 2018, the Organization purchased the building in which the Organization's offices are located. The Organization occupies fifty percent of the building and rents the remaining 50% to other tenants. The Organization received \$176,047 in rental income during the fiscal year ended March 31, 2019. The rental income is reported in the statement of activities net of \$132,798 of rental expenses. The rental expenses incurred are as follows:

|                          |                   |
|--------------------------|-------------------|
| Interest expense         | \$ 60,513         |
| Property management fees | 17,065            |
| Property taxes           | 10,771            |
| Insurance                | 3,533             |
| Maintenance              | 5,493             |
| Other expenses           | 2,245             |
| Depreciation             | <u>33,178</u>     |
| Total                    | <u>\$ 132,798</u> |

**UNITED WAY OF DENTON COUNTY, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2019**

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**NOTE 16 – Financial Instruments**

Accounts receivable – The amounts reported in the accompanying statements of financial position as accounts receivable approximate fair value because of the short maturities of those instruments.

Receivables from promises to give – The amounts reported in the accompanying statements of financial position as receivables from promises to give approximate fair value because of the short maturities of those instruments.

Accounts payable and other amounts payable – The carrying amounts reported in the accompanying statements of the financial position for accounts payable and other amounts payable approximate fair value.

The carrying amounts and fair value of the United Way’s financial instruments at March 31, 2019 are as follows:

|  | <u>Carrying<br/>Amount</u> | <u>Fair<br/>Value</u> |
|--|----------------------------|-----------------------|
| Financial Assets:                          |                            |                       |
| Cash and cash equivalents                  | \$ 868,844                 | \$ 868,844            |
| Operating Investments                      | 76,346                     | 76,346                |
| Promises to give, net                      | 1,306,076                  | 1,306,076             |
| Other                                      | 42,109                     | 42,109                |
| Financial liabilities:                     |                            |                       |
| Accounts payable and other amounts payable | 1,074,542                  | 1,074,542             |
| Long-term mortgage payable                 | 2,785,860                  | 2,785,860             |

**NOTE 17 – Subsequent Events**

Management has evaluated the impact of all subsequent events on the Organization through June 12, 2019, the date of financial statements issuance.