

United Way of Waco-McLennan County and Subsidiary

Independent Auditor's Report and Consolidated Financial Statements

December 31, 2021

United Way of Waco-McLennan County and Subsidiary
December 31, 2021

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Independent Auditor's Report

Board of Directors
United Way of Waco-McLennan County
Waco, Texas

Opinion

We have audited the consolidated financial statements of United Way of Waco-McLennan County and Subsidiary (Organization), which comprise the consolidated statements of financial position as of December 31, 2021, and the related consolidated statement of activities, functional expenses and cash flow for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of United Way of Waco-McLennan County as of December 31, 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are required to be independent of United Way of Waco-McLennan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Waco's ability to continue as a going concern within one year after the date that these consolidated financial statements are available to be issued or within one year after the date that these consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Waco's ability to continue as a going concern for a reasonable period of time.

Supplementary Information

Our audit were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules listed in the table of contents 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS,LLP

Fort Worth, Texas
June 30, 2022

United Way of Waco-McLennan County and Subsidiary
Consolidated Statement of Financial Position
December 31, 2021

Assets

Cash and cash equivalents	\$ 1,058,836
Short-term certificates of deposit	233,928
Campaign pledges receivable	454,573
Other receivables	50,877
Other assets	1,759
Investments at fair value	798,208
Property and equipment, net	15,492
Restricted cash	10,740
Restricted short-term certificates of deposit	62,681
Beneficial interest in assets held by others	<u>3,394</u>

Total assets	<u><u>\$ 2,690,488</u></u>
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Liabilities and Net Assets

Liabilities

Accounts payable	\$ 8,355
Donor designations payable	60,141
Accrued expenses and other liabilities	<u>12,350</u>

Total liabilities	<u>80,846</u>
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Net Assets

Without donor restrictions	1,997,401
With donor restrictions	307,241
Board designated funds	<u>305,000</u>

Total net assets	<u>2,609,642</u>
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Total liabilities and net assets	<u><u>\$ 2,690,488</u></u>
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United Way of Waco-McLennan County and Subsidiary
Consolidated Statement of Activities
Year Ended December 31, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Public Support and Revenues			
Contributions	\$ 1,147,450	\$ 80,830	\$ 1,228,280
Grant revenue	7,738	282,213	289,951
Net investment income	30,706	-	30,706
Other income	5,380	-	5,380
Net assets released from restrictions	236,557	(236,557)	-
Total public support and revenues	<u>1,427,831</u>	<u>126,486</u>	<u>1,554,317</u>
Expenses			
Program expenses:			
Funds distributed to agencies	127,003	-	127,003
Child Well Being	162,374	-	162,374
Women United	8,975	-	8,975
Total program expenses	<u>298,352</u>	<u>-</u>	<u>298,352</u>
Support expenses:			
Management and general	347,414	-	347,414
Fundraising	182,034	-	182,034
Total support expenses	<u>529,448</u>	<u>-</u>	<u>529,448</u>
Total program and support expenses	<u>827,800</u>	<u>-</u>	<u>827,800</u>
Change in Net Assets	600,031	126,486	726,517
Net Assets, Beginning of Year	<u>1,702,370</u>	<u>180,755</u>	<u>1,883,125</u>
Net Assets, End of Year	<u>\$ 2,302,401</u>	<u>\$ 307,241</u>	<u>\$ 2,609,642</u>

United Way of Waco-McLennan County and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2021

	Program Expenses			Support Expenses			Total Expenses
	Distribution to Local Agencies	Child Well Being	Women United	Total Program Expenses	Management and General	Fundraising	
Salaries and wages	\$ 92,138	\$ 128,209	\$ 2,873	\$ 223,219	\$ 119,664	\$ 129,485	\$ 472,368
Payroll taxes and employee benefits	13,660	16,909	1,335	31,905	15,980	35,551	83,436
Total salaries, wages and related expenses	105,798	145,118	4,208	255,124	135,644	165,036	555,804
Distribution to local agencies and allocations	7,737	-	4,652	12,389	-	-	12,389
Professional fees	-	4,500	-	4,500	80,431	-	84,931
Data processing	-	-	-	-	6,702	-	6,702
Office supplies	-	-	-	-	2,799	137	2,936
Telephone expense	255	355	8	618	2,938	100	3,656
Program materials and events	8,658	-	-	8,658	-	-	8,658
Advertising and promotion	-	-	-	-	13,526	64	13,590
Occupancy	2,332	3,245	73	5,650	26,834	912	33,396
Rental and maintenance	229	318	7	554	3,301	89	3,944
Printing and publication	-	890	-	890	-	14,454	15,344
Auto and mileage allowance	-	-	-	-	400	-	400
Property insurance	346	482	11	839	4,000	122	4,961
Technology and software	675	128	-	803	19,682	184	20,669
Membership dues	-	-	-	-	41,937	175	42,112
Other	450	6,610	-	7,060	3,199	556	10,815
Depreciation and amortization	523	728	16	1,267	6,021	205	7,493
	\$ 127,003	\$ 162,374	\$ 8,975	\$ 298,352	\$ 347,414	\$ 182,034	\$ 827,800

United Way of Waco-McLennan County and Subsidiary
Consolidated Statement of Cash Flows
Year Ended December 31, 2021

Operating Activities	
Change in net assets	\$ 726,517
Items not requiring (providing) operating activities cash flows	
Depreciation and amortization	7,493
Realized and unrealized losses on investments	16,026
Change in beneficial interest in assets held by others	(291)
Changes in	
Contributions receivable	23,800
Other receivables and other assets	(52,176)
Accounts payable and accrued liabilities	(16,427)
Agencies and donor designation payables	<u>(539,810)</u>
Net cash provided by operating activities	<u>165,132</u>
Investing Activities	
Proceeds from certificates of deposit	151,955
Proceeds from sales of investments	48,936
Purchase of investments	(49,584)
Purchase of property and equipment	<u>(2,000)</u>
Net cash provided by investing activities	<u>149,307</u>
Increase in Cash and Cash Equivalents	314,439
Cash, Cash Equivalents and Restricted Cash, Beginning of Year	<u>755,137</u>
Cash, Cash Equivalents and Restricted Cash, End of Year	<u>\$ 1,069,576</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash to the Consolidated Statement of Financial Position	
Cash and cash equivalents	\$ 1,058,836
Restricted cash	<u>10,740</u>
Total cash, cash equivalents and restricted cash	<u>\$ 1,069,576</u>

United Way of Waco-McLennan County and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The accompanying consolidated financial statements include the accounts of United Way of Waco-McLennan County and Greater Waco United Fund Foundation (collectively, the “Organization”). United Way of Waco-McLennan County (“United Way”) is a non-profit organization with the primary purpose of raising voluntary contributions from local businesses, employees, and individuals. These funds are then allocated to member agencies as deemed necessary by the Governing Board. Greater Waco United Fund Foundation (the “Foundation”) operates under terms of a trust agreement between the Foundation and United Way. In general, the purpose is to provide an entity into which gifts, bequests and devises may be placed to be administered by a Board of Trustees for the benefit of United Way and, specifically, to have supplementary and reserve funds to satisfy the demands of their particular service and for capital improvements.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the United Way and the Foundation as described above. Control of these companies rests with the United Way through appointment of the board of directors. All significant intercompany transactions have been eliminated.

Use of Estimates

The preparation of the consolidated 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 of the consolidated financial statements and the reported amounts of revenues, expenses gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2021, cash equivalents consisted primarily of money market accounts with brokers.

At December 31, 2021, the Organization's cash accounts exceeded federally insured limits by approximately \$249,000.

Restricted Cash and Short-Term Certificates of Deposit

Restricted cash and short-term certificates of deposit for the Foundation represents contributions received that are restricted to investment in perpetuity.

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2021

Investments

Investments in certificates of deposit are valued at cost. Investments in equity investments having a readily determinable fair value are carried at fair value.

Net Investment Return

Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses.

Campaign Pledges Receivable

Campaign pledges receivable are stated at the net amount management expects to collect from outstanding balances. The Organization initially measures the receivables at the amount they expect to collect based on its assessment of the current status of individual accounts as well as historical collection percentages. A provision for bad debt expense and allowance for uncollectible accounts is made, if necessary, if collections are less than originally expected. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction of accounts receivable.

Employee Retention Credit (ERC)

In 2021, the Organization filed for refundable Employee Retention Credits authorized by *The Taxpayer Certainty and Disaster Tax Relief Act of 2020* for certain payroll periods in 2021. During the year ended December 31, 2021, the Organization filed for total amount of \$107,214, which \$56,636 was received in August 2021. At December 31, 2021, the Organization's ERC refundable credit receivable was \$50,877, which this amount has been reflected as an other receivable in the accompanying statement of financial position. The revenue of \$107,214 is reflected as grant revenue in the accompanying statement of activities.

Property and Equipment

Property and equipment acquisitions over \$5,000 are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are charged to expense on the straight-line basis over the estimated useful life of each asset.

At December 31, 2021, property and equipment consisted of software and furniture and fixtures at a cost of \$45,692 and accumulated depreciation of \$30,200, which is being depreciated over five to ten years.

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2021

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the year ended December 31, 2021.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Net assets with donor restrictions are subject to donor-imposed purpose or time restrictions. Some 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the Organization either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Organization overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

United Way of Waco-McLennan County and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2021

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment return having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

The Organization recognizes funds distributed to agencies when authorized by the Board of Directors and when the member agencies have met the conditions for distribution. Other expenses are recorded when incurred in accordance with the accrual basis of accounting.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributions of services also include services received from personnel of an affiliate. Contribution revenue of \$13,936 recognized from contributed services consisted of campaign materials.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Greater Waco United Fund Foundation, organized under section 501(c)(3) of the Internal Revenue Code, received notice from the IRS that its tax-exempt status had been revoked effective May 15, 2020 which was re-instated in August 30, 2021 retroactively. The Organization may be assessed penalties, interest and tax for the time period in the revoked status; however, management currently estimates that there would be no tax owed if the request for waived fees is approved.

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2021

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general, and fund-raising categories based on the direct agency allocations, percentages of employee's time and services between program, fund-raising, and management and general, and finally, allocation of occupancy by office square footage.

Note 2: Campaign Pledges Receivable

Campaign pledges receivable by fund-raising campaign that are due within one year at December 31, 2021 are as follows:

2021 Campaign	
Pledges receivable	\$ 449,787
Less: Allowance for uncollectible pledges	(53,974)
2021 Campaign	395,813
2020 Campaign	
Pledges receivable	\$ 117,520
Less: Allowance for uncollectible pledges	(58,760)
2020 Campaign	58,760
Total campaign pledges receivable	\$ 454,573

Note 3: Conditional Gifts

The Organization has received the following conditional promises to give at December 31, 2021 that are not recognized in the financial statements:

Conditional promise to give upon the completion of various milestones toward the engagement and inclusion of underserved families action plan	\$ 100,000
Conditional promise to give upon the completion of reports indicating satisfactory progress towards the planned outcomes	\$ 25,000

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2021

Note 4: Investments and Investment Return

Investments at December 31, 2021 consisted of the following:

	2021	
	Fair Value	Cost
Equity securities	\$ 776,923	\$ 372,263
Mutual funds	18,259	17,495
Real estate investment trust	3,026	10,655
	\$ 798,208	\$ 400,413

Total investment return is comprised of the following:

	2021
Interest and dividend income	\$ 46,732
Net realized and unrealized loss on investments	(16,026)
	\$ 30,706

Note 5: Beneficial Interest in Assets Held by Others

United Way transferred assets to Waco Foundation, a community foundation, designating itself as the beneficiary. The income earned (including net realized and unrealized appreciation) on the transferred assets will be paid at least annually to United Way. The income may, if both United Way and the Waco Foundation agree, remain and accumulate with the principal. Distributions of principal may be made at the sole discretion of Waco Foundation. It is intended that assets will be held for the benefit of United Way as long as the need for the fund exists. However, the assets are subject to the governing documents of Waco Foundation and the policies and procedures of its governing body. Consequently, the Waco Foundation has the right to substitute another beneficiary in the place of United Way without the approval of United Way. A beneficial interest in investments held by Waco Foundation of \$3,394 at December 31, 2021, has been recorded in the consolidated statement of financial position (estimated as the underlying fair value of the asset held), respectively.

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2021

Note 6: Net Assets with Donor Restrictions

Net Assets with Donor Restrictions

Net assets, with donor restrictions at December 31, 2021, are restricted for the following purposes or periods:

Net Assets with Donor Restrictions

Subject to appropriation and expenditure when a specified event occurs

Restricted by donors for

Prenatal to Three Initiative	\$ 11,438
Child Well-Being	38,914
Sustained capacity support	10,000
Women United	33,919
Diversity engagement and inclusion	79,629
Campaign pillar restrictions	50,170
	224,070

Endowments

Subject to NFP endowment spending policy and appropriation

General use	73,421
Child Well-Being	9,750
	83,171

\$ 307,241

The Foundation's net assets with donor restrictions for endowments at December 31, 2021, are restricted to investment in perpetuity, the income from which is available for distribution to United Way or various United Way agencies as approved by the Board of Trustees. The net assets resulted from contributions by the families of Mr. and Mrs. Jim Chase, Mr. and Mrs. James R. Clifton, and Mr. and Mrs. William L. Clifton, Jr., in honor of Mr. and Mrs. W. Lacy Clifton totaling \$62,681, and a contribution of \$10,740 from the estate of Anna Leigh Zimmerman. The endowments are invested according to the Foundation's general investment policy.

Net Assets Without Donor Restrictions

Net assets without donor restrictions at December 31 have been designated for the following purposes:

Net Assets without Donor Restrictions

Designated by the board for Prenatal to Three Initiative	\$ 5,000
Designated by the board for 2022 grants	300,000
	305,000
	\$ 305,000

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2021

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Satisfaction of purpose restrictions	
Prenatal to Three Initiative	\$ 13,563
Child Well-Being	50,757
Sustained capacity support	40,000
Women United	4,652
Diversity engagement and inclusion	20,371
Employee Retention Credit	<u>107,214</u>
	<u><u>\$ 236,557</u></u>

Note 7: Liquidity and Availability

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds and other short-term investments.

The following table reflects the Organization’s financial assets as of December 31, 2021, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of donor-restrictions. As a federated fundraising organization, United Way also receives significant contributions each year from donors, which are available to meet annual cash needs for general expenditures. Grants awarded in 2020 were paid monthly through June 2021. During 2021, the board did not award any grants to agencies.

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2021

Financial assets at year end	
Cash and cash equivalents	\$ 1,058,836
Short-term certificates of deposit	233,928
Campaign pledges receivable	454,573
Other receivables	50,877
Investments	798,208
Restricted cash	10,740
Restricted short-term certificates of deposit	62,681
Beneficial interest in assets held by others	<u>3,394</u>
Total financial assets at year end	2,673,237
Donor imposed restrictions	
Restricted funds	(224,070)
Endowments	<u>(83,171)</u>
Net financial assets after donor imposed restrictions	<u>2,365,996</u>
Less	
Internal designation: board designated	(305,000)
External restriction: donor designation payable	<u>(60,141)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 2,000,855</u></u>

Note 8: Operating Leases

In August 2017, the Organization signed a 60-month noncancelable operating lease for office space for monthly rent of \$2,059. The Organization took possession of the space in February 2018. The lease contains two renewal options for three years each. The leases require the Organization to pay all executory costs such as taxes, maintenance, and insurance. During 2021, rent expense under this agreement totaled \$24,712.

Future minimum lease payments under operating leases are:

2022	\$	24,712
2023		<u>4,118</u>
		<u><u>\$ 28,830</u></u>

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2021

Note 9: Retirement Plan

The Organization has a SIMPLE IRA plan that covers substantially all employees. The plan allows employees to contribute up to an annually defined maximum as allowed by the Internal Revenue Code. United Way makes an annual contribution based on the gross compensation of eligible plan participants. During 2021, the Organization matched up to 3%, of the gross compensation of eligible plan participants. Benefits to participating employees are limited to the vested amounts of their individual account balances. Employees become vested at 20% per year and are fully vested at the end of five years. Pension expense for 2021 was \$8,105.

Note 10: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2021

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2021:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investments				
Equity securities	\$ 776,923	\$ 776,923	\$ -	\$ -
Mutual funds	18,259	18,259	-	-
Real estate investment trust	3,026	3,026	-	-
Total investments	798,208	798,208	-	-
Beneficial interest in assets held by others	3,394	-	-	3,394
Total assets	\$ 801,602	\$ 798,208	\$ -	\$ 3,394

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2021. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Organization did not have any Level 2 or 3 investments at December 31, 2021.

Beneficial Interest in Assets Held by Others

Fair value is estimated based on the underlying assets of the interest. Due to the perpetual nature of the interest, it is classified within Level 3 of the hierarchy.

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2021

Note 11: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Investments

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying consolidated statement of financial position.

Contributions

For 2021, one donor contributed approximately 15 percent of total revenue. At December 31, 2021, receivables from the donor was approximately 30 percent of total receivables.

Note 12: Future Change in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the consolidated statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statement of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating, or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

United Way of Waco-McLennan County and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2021

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

On September 17, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, Topic 958: *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The standard requires contributed nonfinancial assets to be presented on a separate line item in the statement of activities, segregated apart from contributions of cash and other financial assets. Additionally, disclosure requirements have been amended to require a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets, as well as specific disclosure requirements for each category recognized.

The standard is effective and should be applied on a retrospective basis for the Foundation's fiscal year ending December 31, 2022. Early adoption is permitted.

Note 13: Subsequent Events

Subsequent events have been evaluated through June 30, 2022, which is the date the financial statements were available to be issued.

Supplementary Information

United Way of Waco-McLennan County and Subsidiary
Consolidating Statement of Financial Position
December 31, 2021

	United Way of Waco-McLennan County	Greater Waco United Fund Foundation	Eliminations	Total
Assets				
Cash and cash equivalents	\$ 528,486	\$ 530,350	\$ -	\$ 1,058,836
Short-term certificates of deposit	110,000	123,928	-	233,928
Campaign pledges receivable	454,573	-	-	454,573
Related party receivables	62,458	-	(62,458)	-
Other receivables	50,877	-	-	50,877
Other assets	1,759	-	-	1,759
Investments at fair value	-	798,208	-	798,208
Property and equipment	15,492	-	-	15,492
Restricted cash	-	10,740	-	10,740
Restricted short-term certificates of deposit	-	62,681	-	62,681
Beneficial interest in assets held by others	3,394	-	-	3,394
	<u>1,227,039</u>	<u>1,525,907</u>	<u>(62,458)</u>	<u>2,690,488</u>
Total assets	<u>\$ 1,227,039</u>	<u>\$ 1,525,907</u>	<u>\$ (62,458)</u>	<u>\$ 2,690,488</u>
Liabilities and Net Assets				
Liabilities				
Accounts payable	\$ 8,355	\$ 62,458	\$ (62,458)	\$ 8,355
Donor designations payable	60,141	-	-	60,141
Accrued expenses and other liabilities	12,350	-	-	12,350
	<u>80,846</u>	<u>62,458</u>	<u>(62,458)</u>	<u>80,846</u>
Total liabilities	<u>80,846</u>	<u>62,458</u>	<u>(62,458)</u>	<u>80,846</u>
Net Assets				
Without donor restrictions	607,373	1,390,028	-	1,997,401
With donor restrictions	233,820	73,421	-	307,241
Board designated funds	305,000	-	-	305,000
	<u>1,146,193</u>	<u>1,463,449</u>	<u>-</u>	<u>2,609,642</u>
Total net assets	<u>1,146,193</u>	<u>1,463,449</u>	<u>-</u>	<u>2,609,642</u>
Total liabilities and net assets	<u>\$ 1,227,039</u>	<u>\$ 1,525,907</u>	<u>\$ (62,458)</u>	<u>\$ 2,690,488</u>

United Way of Waco-McLennan County and Subsidiary
Consolidating Statement of Activities
December 31, 2021

	United Way of Waco- McLennan County	Greater Waco United Fund Foundation	Eliminations	Consolidated Total
Public Support and Revenues				
Without Donor Restrictions				
Contributions	\$ -	\$ 6,365	\$ -	\$ 6,365
Campaign contributions	1,141,085	-	-	1,141,085
Grant revenue	7,737	-	-	7,737
Net investment income	2,272	28,434	-	30,706
Other income	49,319	-	(43,939)	5,380
Net assets released from restrictions	236,557	-	-	236,557
Total public support and revenues without donor restrictions	<u>1,436,970</u>	<u>34,799</u>	<u>(43,939)</u>	<u>1,427,830</u>
Expenses:				
Program expenses:				
Funds distributed to agencies	127,003	43,939	(43,939)	127,003
Child Well Being	162,374	-	-	162,374
Women United	8,975	-	-	8,975
Support expenses:				
Management and general administration	334,963	12,451	-	347,414
Fundraising	182,034	-	-	182,034
Total expenses	<u>815,349</u>	<u>56,390</u>	<u>(43,939)</u>	<u>827,800</u>
Increase (decrease) in net assets without donor restrictions	<u>621,621</u>	<u>(21,591)</u>	<u>-</u>	<u>600,030</u>
Public Support and Revenues				
With Donor Restrictions				
Contributions	9,750	-	-	9,750
Campaign contributions	71,080	-	-	71,080
Grant revenue	282,214	-	-	282,214
Other contributions	-	-	-	-
Net assets released from restrictions	<u>(236,557)</u>	<u>-</u>	<u>-</u>	<u>(236,557)</u>
Increase in net assets with donor restrictions	<u>126,487</u>	<u>-</u>	<u>-</u>	<u>126,487</u>
Change in Net Assets	748,108	(21,591)	-	726,517
Net Assets, Beginning of Year	<u>398,085</u>	<u>1,485,040</u>	<u>-</u>	<u>1,883,125</u>
Net Assets, End of Year	<u>\$ 1,146,193</u>	<u>\$ 1,463,449</u>	<u>\$ -</u>	<u>\$ 2,609,642</u>