

LUBBOCK AREA UNITED WAY, INC.

LUBBOCK, TEXAS

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

**FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018**

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK AREA UNITED WAY, INC.
FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018

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CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report

Board of Directors
Lubbock Area United Way, Inc.
Lubbock, Texas

We have audited the accompanying financial statements of Lubbock Area United Way, Inc., which comprise the statement of financial position as of December 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 Lubbock Area United Way, Inc. as of December 31, 2019, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Lubbock Area United Way, Inc.'s 2018 financial statements, and our report dated April 17, 2019, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Accompanying Information

Our audit was conducted for the purpose of forming an opinion on the financial statements of Lubbock Area United Way, Inc. taken as a whole. The accompanying Comparison of Actual Revenues and Expenses with Operating Budget and Reconciliation of Budget Comparison to Financial Statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Bolinger, Segars, Gilbert & Moss LLP

Certified Public Accountants

Lubbock, Texas

April 20, 2020

LUBBOCK AREA UNITED WAY, INC.

Exhibit A

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018

ASSETS

	Current Funds	Endowment Fund	Custodian Fund SECC	Totals December 31,	
				2019	2018
Cash	\$ 1,507,749	\$ 29,980	\$ 82,815	\$ 1,620,544	\$ 1,541,152
Temporary Investments (CDs)	1,735,135			1,735,135	1,760,135
Investments		3,262,294		3,262,294	2,992,418
Pledges Receivable - Annual Campaign (Less Allowance for Uncollectibles of \$520,184)	4,034,384			4,034,384	4,081,699
Pledges Receivable - SECC Campaign (Less Allowance for Uncollectibles of \$45,428)			647,151	647,151	676,122
Interfund Other Receivable (Payable)	14,710	11,910	(26,620)		
Other Receivables	28,119			28,119	26,641
Other Prepaid Expenses	13,347		71,370	84,717	91,710
Total Current Assets	<u>\$ 7,333,444</u>	<u>\$ 3,304,184</u>	<u>\$ 774,716</u>	<u>\$ 11,412,344</u>	<u>\$ 11,169,877</u>
Land, Building, and Equipment - At Cost Net of Accumulated Depreciation of \$911,265	647,526			647,526	675,344
Total Assets	<u>\$ 7,980,970</u>	<u>\$ 3,304,184</u>	<u>\$ 774,716</u>	<u>\$ 12,059,870</u>	<u>\$ 11,845,221</u>

LIABILITIES

Accounts Payable	\$ 17,406	\$	\$ 149	\$ 17,555	\$ 15,667
Donor Designations Payable	655,245			655,245	697,424
Agency Designations Payable - SECC Campaign			698,563	698,563	816,921
Due to Participating Federations/Agencies	31,403		76,004	107,407	167,515
Deferred Rental Revenue	1,500			1,500	
Deferred Compensation	96,386			96,386	81,742
Total Liabilities	<u>\$ 801,940</u>	<u>\$ 0</u>	<u>\$ 774,716</u>	<u>\$ 1,576,656</u>	<u>\$ 1,779,269</u>

NET ASSETS

Net Assets without Donor Restrictions					
Designated by the Governing Board for:					
Capital Improvements	\$ 80,000	\$	\$	\$ 80,000	\$ 80,000
Casa de Amistad	5,708			5,708	7,229
Board Initiatives	53,223			53,223	53,223
Undesignated - Available for General Activities	2,041,639			2,041,639	1,851,910
Net Investment in Fixed Assets	647,526			647,526	675,344
Total Net Assets without Donor Restrictions	<u>\$ 2,828,096</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,828,096</u>	<u>\$ 2,667,706</u>
Net Assets with Donor Restrictions					
Restricted by Time or Donor for:					
Operating Budget	\$ 736,781	\$	\$	\$ 736,781	\$ 775,667
Future Campaigns	86,685			86,685	86,685
Agency Allocations	3,527,468			3,527,468	3,527,468
Endowment		3,304,184		3,304,184	3,008,426
Total Net Assets with Donor Restrictions	<u>\$ 4,350,934</u>	<u>\$ 3,304,184</u>	<u>\$ 0</u>	<u>\$ 7,655,118</u>	<u>\$ 7,398,246</u>
Total Net Assets	<u>\$ 7,179,030</u>	<u>\$ 3,304,184</u>	<u>\$ 0</u>	<u>\$ 10,483,214</u>	<u>\$ 10,065,952</u>
Total Liabilities and Net Assets	<u>\$ 7,980,970</u>	<u>\$ 3,304,184</u>	<u>\$ 774,716</u>	<u>\$ 12,059,870</u>	<u>\$ 11,845,221</u>

See accompanying notes to financial statements.

LUBBOCK AREA UNITED WAY, INC.

Exhibit B

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018

	Without Donor Restrictions	With Donor Restrictions	Totals December 31,	
			2019	2018
REVENUE				
Public Support from Annual Campaign				
Current Year Campaign	\$	\$ 5,832,034	\$ 5,832,034	\$ 6,012,332
Less: Greater West Texas State Employee Charitable				
Campaign Support for Other Organizations		(710,124)	(710,124)	(869,989)
Donor Designations		(548,878)	(548,878)	(530,136)
Provision for Uncollectible Pledges		(308,783)	(308,783)	(309,072)
Net Current Year Annual Campaign	\$	\$ 4,264,249	\$ 4,264,249	\$ 4,303,135
Net Assets Released from Restrictions				
Prior Year Campaign Contributions	4,514,537	(4,514,537)		
Less: Provision for Uncollectible Pledges	(211,402)	211,402		
Allowance Recovery for Prior Campaign Year	53,070		53,070	188,816
Additional Campaign Revenue from Prior Campaigns	66,254		66,254	107,762
Net Campaign Revenue	\$ 4,422,459	\$ (38,886)	\$ 4,383,573	\$ 4,599,713
Other Public Support and Revenue				
Contributions and Endowment Pledges	\$	\$ 25,489	\$ 25,489	\$ 9,793
Other Revenue, Net of Related Expense	107,200		107,200	76,695
Loss on Disposal of Assets			0	(449)
Investment Income (Loss), Net of Fees	156,722	270,269	426,991	(88,443)
Rent Income	104,716		104,716	96,224
Total Other Public Support and Revenue	\$ 368,638	\$ 295,758	\$ 664,396	\$ 93,820
Total Revenue	\$ 4,791,097	\$ 256,872	\$ 5,047,969	\$ 4,693,533
ALLOCATIONS, EXPENSES, AND LOSSES				
Allocations and Designations to Agencies	\$ 3,965,955	\$	\$ 3,965,955	\$ 4,007,243
Less: Donor Designations	(548,878)		(548,878)	(530,136)
Other Giving			0	14,120
Total Allocations	\$ 3,417,077	\$ 0	\$ 3,417,077	\$ 3,491,227
Functional Expenses				
Community Services	\$ 88,299	\$	\$ 88,299	\$ 48,292
Community Impact	71,505		71,505	211,080
Supporting Services:				
Management and General	708,572		708,572	633,095
Fund Raising	345,254		345,254	349,694
Total Functional Expenses	\$ 1,213,630	\$ 0	\$ 1,213,630	\$ 1,242,161
Total Allocations and Expenses	\$ 4,630,707	\$ 0	\$ 4,630,707	\$ 4,733,388
CHANGE IN NET ASSETS	\$ 160,390	\$ 256,872	\$ 417,262	\$ (39,855)
NET ASSETS - BEGINNING OF YEAR	2,667,706	7,398,246	10,065,952	10,105,807
NET ASSETS - ENDING OF YEAR	\$ 2,828,096	\$ 7,655,118	\$ 10,483,214	\$ 10,065,952

See accompanying notes to financial statements.

LUBBOCK AREA UNITED WAY, INC.

Exhibit C

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018**

	December 31,	
	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 417,262	\$ (39,855)
Adjustments to Reconcile Change in Net Assets to Cash From Operating Activities		
Depreciation	52,709	54,363
Unrealized (Gain) Loss on Investments	(305,478)	221,582
Loss on Disposal of Assets		449
Changes in Assets and Liabilities		
Accounts Receivable	(1,478)	(4,993)
Prepaid Expenses	6,993	(7,361)
Pledges Receivable	76,286	(209,683)
Accounts Payable	1,888	5,664
Donor Designations Payable	(160,537)	(74,061)
Due to Participating Federations/Agencies	(60,108)	(69,625)
Deferred Rental Revenue	1,500	
Deferred Compensation	14,644	14,607
Net Cash From Operating Activities	<u>\$ 43,681</u>	<u>\$ (108,913)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Proceeds from Investments	\$ 35,602	\$ (5,426)
Purchase of Equipment	<u>(24,891)</u>	<u>(33,589)</u>
Net Cash From Investing Activities	<u>\$ 10,711</u>	<u>\$ (39,015)</u>
NET CHANGE IN CASH	\$ 54,392	\$ (147,928)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,301,287</u>	<u>3,449,215</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,355,679</u>	<u>\$ 3,301,287</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid During the Year for:		
Interest	<u>\$ 0</u>	<u>\$ 0</u>
Income Taxes	<u>\$ 0</u>	<u>\$ 0</u>

See accompanying notes to financial statements.

LUBBOCK AREA UNITED WAY, INC.

Exhibit D

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
WITH COMPARATIVE TOTALS FOR 2018

	Community Services				Management and General	Fund Raising	Totals	
	Community Status Report	Emergency Food and Shelter	Casa de Amistad	Community Impact			December 31, 2019	2018
Salaries	\$ 44,596	\$ 1,677	\$	\$ 25,403	\$ 337,333	\$ 204,669	\$ 613,678	\$ 644,325
Employee Benefits, Taxes, and Fees	12,308	463		7,011	93,102	56,488	169,372	188,704
Total Salaries and Related Expenses	\$ 56,904	\$ 2,140	\$ 0	\$ 32,414	\$ 430,435	\$ 261,157	\$ 783,050	\$ 833,029
Professional Fees	7,349			7,349	22,146		29,495	31,218
Insurance					22,339		22,339	18,012
Supplies				3,999	8,331	7,040	19,370	21,184
Telephone				760	3,720	2,226	6,706	7,969
Postage and Shipping	12			88	2,309	6,462	8,871	12,650
Occupancy Expense			13,982	529	42,379		56,361	59,166
Maintenance and Rental of Equipment				16,716	30,123	2,646	33,298	24,866
Printing and Publications				55	2,336	12,525	31,577	20,751
Travel				2,011	3,315	1,529	4,899	1,380
Conferences and Meetings				3,768	2,283	2,555	6,849	8,303
Software Maintenance				100	14,503	25,160	43,431	33,949
Membership Dues				45	75,538	1,470	77,108	80,760
Awards					471	473	989	1,209
Property Taxes					15,589		15,589	15,539
Other					17,166	3,823	20,989	17,813
Total Before Depreciation	\$ 64,265	\$ 2,140	\$ 13,982	\$ 60,485	\$ 692,983	\$ 327,066	\$ 1,160,921	\$ 1,187,798
Depreciation Expense			7,912	11,020	15,589	18,188	52,709	54,363
Total Expenses	\$ 64,265	\$ 2,140	\$ 21,894	\$ 71,505	\$ 708,572	\$ 345,254	\$ 1,213,630	\$ 1,242,161

See accompanying notes to financial statements.

LUBBOCK AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Lubbock Area United Way, Inc. (the Organization) is a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization analyzes local needs, brings together resources to address priority issues, and invests in programs that will bring about long-term changes in the community.

Basis of Accounting

The Organization prepares its financial statements on the accrual basis of accounting, and accordingly, the financial statements reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Organization is required to classify net assets and revenues, expenses, gains and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

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. Donor-imposed restrictions are released when a restriction expires, that is, when stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net assets without donor restrictions: Net assets not subject to donor-imposed restrictions. Net assets without donor restrictions are currently available for operating purposes under the direction of the board, designated by the board for specific use, or invested in property and equipment.

Functional Allocation of Expenses

The costs of providing programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Functional expenses have been allocated between community services and supporting services based on an analysis of personnel time and space utilized for the related activities.

Fund Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts are maintained in accordance with the principles of fund accounting. Accordingly, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with the nature and purpose of such funds. The assets, liabilities, and net assets are reported in self-balancing fund groups.

LUBBOCK AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Contributions

The annual campaign is conducted in the fall of the year to raise support for payment of allocations to participating agencies in the subsequent year. Pledges are considered unconditional promises. These pledges, less an allowance for uncollectible accounts, are recorded as net assets with or without donor restrictions depending on the existence and nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions.

The restriction on the pledges received is a time restriction since the pledges received in the fall of the year are for the expenses and the allocations to be paid in the following year. As a result, the pledges are recorded with donor restrictions when received. The 2020 allocations are awarded subsequent to year end. Therefore, these contributions will be released from net assets with donor restrictions in 2020 in order to cover those allocations.

Allocations and Designations

The allocations consist of amounts allocated by the Organization and amounts designated to specific agencies by the donors.

The Organization allocated amounts to the agencies in February 2020. Therefore, the allocation expense related to the 2019 campaign will be recognized in 2020. The allocations expense recognized in 2019 relates to the 2018 campaign. In contrast, donor designations are recognized as expense the year of the campaign.

Endowment Fund

The Organization has adopted a Planned Giving and Endowment Program and related policy. Pledges are recorded when made by the donor if it is considered an unconditional promise. The pledges are solicited for the purpose of creating a principal balance to fund the endowment. These pledges are considered to be restricted by donor. The earnings on the principal balance are distributed based on any restrictions imposed by the donor. If the donor has not imposed restrictions, the pledge is considered to be without donor restrictions. The assets of the Endowment Fund are maintained by the Organization in various financial instruments, including money market accounts, mutual funds, government securities, and other investments as authorized by the Board of Directors. These funds are separate from the endowment maintained by the Community Foundation of West Texas as disclosed in Note 7.

Fair Value Investments

The Organization has adopted a generally accepted financial accounting standard which provides a framework for measuring fair value under accounting standards generally accepted in the United States of America. The standard defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market

LUBBOCK AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

participants on the measurement date. The standard requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. The standard also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

These levels, defined by the valuation techniques are described below:

Level 1 – Inputs include quoted prices in active markets for identical assets.

Level 2 – Inputs include available indirect information, such as quoted prices for similar assets in active markets, or quoted prices for identical or similar assets in markets that are not active.

Level 3 – Inputs are subjective and generally based on the entity's own assumptions on how knowledgeable parties would price assets and are developed using the best information available in the circumstances.

See Note 7 for a detail of endowment investments and their fair value.

The Organization's management has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions, (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of applicable donor gift instrument at the time the accumulation is added to the fund. The donor-restricted endowment fund is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the Organization and the donor-restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Organization, and (7) the investment policies of the Organization.

Uncertain Tax Positions

The Organization has adopted the "uncertain tax positions" provisions of accounting principles generally accepted in the United States of America. The primary tax position of the Organization is its filing status as a tax exempt entity. The Organization determined that it is more likely than not that its tax position would be sustained upon examination by the Internal Revenue Service (IRS), or other State taxing authority. There were no penalties or interest related to income taxes recognized during the year ended December 31, 2019. The Organization is no longer subject to U.S. federal tax examinations by federal taxing authorities for years before 2016.

Capital Expenditures

Capital expenditures and depreciation for land, buildings, and equipment are recorded in the current fund and are reflected as equity in fixed assets.

LUBBOCK AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash and temporary cash investments to be cash and cash equivalents.

Comparative Totals

The financial information for the year ended December 31, 2018 is presented for comparative purposes only and is not intended to be a complete financial statement presentation.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform with presentation in current year financial statements.

Use of Estimates in the Preparation of Financial Statements

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 of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue from Contracts with Customers

In 2014, the FASB issued *Revenue from Contracts with Customers, Topic 606* (ASU No. 2014-09), which provides a new framework for the recognition of revenue. The Organization implemented the guidance on a modified retrospective basis on January 1, 2019. Results for the reporting periods beginning after December 31, 2018 are presented in accordance with Topic 606, while prior period results have not been adjusted and continue to be reported in accordance with prior guidance.

The Organization receives revenue from tenants for rental revenue. Rent is billed and recorded at the beginning of every month. All rental obligations have been satisfied as of December 31, 2019.

Concentrations of Credit Risk

Pledges receivable are due from contributors concentrated in Lubbock, Texas, and the immediate surrounding area.

The Organization maintains cash and short-term investments in several local financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, the balance in these accounts exceeded the insured limits.

LUBBOCK AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

2. Pledges Receivable

The Pledges Receivable – annual campaign is net of an allowance for uncollectibles of \$520,184, which is considered to be adequate to cover future uncollected pledges.

Pledges receivable by annual campaign and the associated allowances for uncollectibles are as follows:

	Total Campaign Income	Pledges Receivable	Allowance for Uncollectibles	Net Pledges Receivable
2018 Campaigns	\$ 6,012,332	\$ 551,719	\$ 211,401	\$ 340,318
2019 Campaigns	5,832,034	4,002,849	308,783	3,694,066
	<u>\$ 11,844,366</u>	<u>\$ 4,554,568</u>	<u>\$ 520,184</u>	<u>\$ 4,034,384</u>

3. Fixed Assets and Depreciation

Fixed assets with a two-year life or more are recorded at cost. Donated assets are valued at their fair market value at the date of the gift. Fixed assets purchased during the year for \$24,891 were capitalized. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis at annual rates of three percent for buildings and 10% to 25% for other equipment. Depreciation expense for the year ended December 31, 2019, was \$52,709.

The cost and accumulated depreciation as of December 31, 2019, are as follows:

	Cost	Accumulated Depreciation	Net Book Value
Land - Casa de Amistad	\$ 20,000	\$	\$ 20,000
Building - Casa de Amistad	236,038	216,043	19,995
Land - 1655 Main	177,592		177,592
Building - 1655 Main	751,357	522,770	228,587
Land - Parking Lot - 1655 Main	56,352		56,352
Paving - Parking Lot - 1655 Main	6,158	6,158	0
Land - Parking Lot - 2201 19th Street	48,907		48,907
Paving - Parking Lot - 2201 19th Street	8,255	8,255	0
Office Furniture and Equipment	207,978	115,685	92,293
Computer Software	46,154	42,354	3,800
	<u>\$ 1,558,791</u>	<u>\$ 911,265</u>	<u>\$ 647,526</u>

LUBBOCK AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

4. Board Designated Funds

The Casa de Amistad designated fund includes the operation of the Casa de Amistad office building. The donor of the property stipulated that the property continue to be used for the benefit of the Organization's agencies and other non-profit organizations. Any revenues generated by the property are designated to be used to cover future expenses of the fund. The net assets of the fund are \$5,708 at year end.

5. Custodian Fund – SECC

The State Employees Charitable Campaign (SECC), a program initiated by the State of Texas in 1994, is conducted by the Organization in the South Plains area. The net assets do not belong to the Organization and are reflected as due to participating federations/agencies on the statement of financial position.

6. Net Assets with Donor Restrictions

At December 31, 2019, net assets with donor restrictions consisted of the following:

	Balance 1/1/2019	Net Current Year Campaign	Released from Restrictions	Balance 12/31/2019
Campaign Income Restricted for:				
Allocations to Agencies	\$ 3,527,468	\$ 3,527,468	\$ (3,527,468)	\$ 3,527,468
Operating Budget	775,667	736,781	(775,667)	736,781
Future Campaigns	86,685			86,685
Endowment	3,008,426	295,758		3,304,184
	<u>\$ 7,398,246</u>	<u>\$ 4,560,007</u>	<u>\$ (4,303,135)</u>	<u>\$ 7,655,118</u>

7. Endowment Funds

The Organization's Endowment Funds consist of long-term investments in corporate bonds and mutual funds held by Plains Capital Bank (PCB) and other funds held by Community Foundation of West Texas (CFWT). The value of all of these endowments less the amounts appropriated to the general funds of the Organization are presented as net assets with donor restrictions. The amount contributed to the general fund during the year amounted to \$98,916. Net investment activity is shown in net assets with donor restrictions net of the distributions to the operating fund. A set percentage is used to transfer amounts to net assets without donor restrictions annually regardless of the amount of investment income earned.

LUBBOCK AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Values in these endowment funds, accumulated unrealized gains or losses, and valuation level as described in Note 1 are shown below:

	<u>Cost</u>	<u>Market</u>	<u>Unrealized Gain (Loss)</u>	<u>Level</u>
PCB - Endowment Fund Agency				
Cash and Cash Equivalents	\$ 36,567	\$ 36,567	\$	Cost
Mutual Funds	168,931	176,484	7,553	1
Equities	297,910	322,027	24,117	1
PCB - Operating Endowment Fund				
Cash and Cash Equivalents	217,601	217,601		Cost
Mutual Funds	709,077	728,330	19,253	1
Equities	1,317,508	1,419,621	102,113	1
Private Investments	48,174	31,246	(16,928)	2
CFWT - Endowment Fund	68,704	68,704		2
CFWT - Agency Fund	116,129	116,129		2
Cash Surrender Value of Life Insurance	95,153	145,585	50,432	2
	<u>\$ 3,075,754</u>	<u>\$ 3,262,294</u>	<u>\$ 186,540</u>	

Community Foundation of West Texas does not provide cost information on its statements. Therefore, the cost above is shown as the same as the market value. The Life Insurance Policies held by the Endowment Fund are recorded at their Cash Surrender Value which approximates market value.

Changes in Endowment Fund Net Assets for the fiscal year ended December 31, 2019:

Endowment Net Assets, Beginning of Year	\$ <u>3,008,426</u>
Contributions	\$ <u>25,489</u>
Investment Activity:	
Investment Income	\$ 61,438
Management Fees	(13,646)
Realized Gain on Investments	15,915
Unrealized Gain on Investments	305,478
Distribution of Earnings	<u>(98,916)</u>
Total Net Investment Income	\$ <u>270,269</u>
Endowment Net Assets, End of Year	\$ <u><u>3,304,184</u></u>

LUBBOCK AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

10. Retirement Benefits

Through a 403(b) Thrift Plan, maintained by Mutual of America Life Insurance Company, the Organization provides retirement benefits to its employees. The Organization made contributions to the plan totaling \$42,805 in 2019 which is funded through semi-monthly contributions. Employees must be 21 years of age with six months of service to be eligible to receive employer contributions. In addition, employees may voluntarily contribute to their individual accounts via semi-monthly payroll deductions.

11. Deferred Compensation

During the year ended December 31, 2013, the Organization established a non-qualified post-retirement benefit plan for the Chief Executive Officer to be funded at a maximum of \$12,600 per year until the earlier of his reaching retirement age or his retirement. In addition, each year, earnings of 3% per annum on the total accumulated amount, excluding any current year contributions, are added to this liability. At December 31, 2019, the balance of this liability is \$96,386 and is reflected as a liability on the statement of financial position.

12. Donated Services

Due to the nature of the Organization's operations, a substantial number of volunteers provide significant amounts of time for the program services and fund-raising campaigns for the Organization. These volunteer services are not of the nature of services required to be recorded and reflected in the financial statements.

13. Restricted Campaign Revenue

During the year ended December 31, 2007, the Organization received a large gift from an anonymous donor. This gift was not intended to all be used in the current year campaign. The donor designated this contribution to be applied to future campaigns at the discretion of the Board of Directors. These funds are invested in certificates of deposit at Wells Fargo Bank. Annual earnings from the investment are available, at the Board's discretion, to be used for the Organization's strategic initiatives. As of December 31, 2019, the principal balance available for future campaigns is \$86,685.

LUBBOCK AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

14. Subsequent Events

The Organization's management has evaluated subsequent events through April 20, 2020, the date which the financial statements were available for issue. No events have occurred up to that date that would require adjustment to, or disclosure in, the financial statements.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared states of emergency. It is anticipated that these impacts will continue for some time. There has been no material financial impact to the Organization's operations to date. Future potential impacts may include a delay or failure to collect pledge commitments, which could result in an increase in pledge loss. Another potential impact could include a decline in the fair market value of investments. The future effects of these issues are unknown.

ACCOMPANYING INFORMATION

LUBBOCK AREA UNITED WAY, INC.

Schedule 1

COMPARISON OF ACTUAL REVENUES AND EXPENSES WITH OPERATING BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2019

	2018 <u>Actual</u>	2019 <u>Actual</u>	2019 <u>Budget</u>	2019 Budget Variance Favorable (Unfavorable)
OPERATING REVENUES				
Loaned Executive Revenue	\$ 34,329	\$ 29,986	\$ 27,000	\$ 2,986
Campaign Event Sponsorship	29,220	25,040	30,000	(4,960)
Kickoff Revenue	22,975	23,680	22,000	1,680
Annual Meeting Revenue	13,970	13,155	14,000	(845)
Donor Choice Processing Fees	52,438	57,300	61,411	(4,111)
Operating Endowment Earnings	69,930	69,729	69,479	250
Interest Income	32,202	53,542	32,000	21,542
Other Income	12,462	40,415		40,415
Total Operating Revenues	<u>\$ 267,526</u>	<u>\$ 312,847</u>	<u>\$ 255,890</u>	<u>\$ 56,957</u>
OPERATING EXPENSES				
Payroll and Benefits	\$ 833,029	\$ 783,050	\$ 858,976	\$ 75,926
Campaign Expenses	81,280	74,082	86,500	12,418
Marketing and Communication	21,858	33,414	14,050	(19,364)
Meetings and Conferences	26,717	25,961	27,600	1,639
Professional Services	64,060	73,647	61,960	(11,687)
Utility Expenses	5,015	5,215	5,400	185
Office Operations	34,438	32,936	30,786	(2,150)
Financial Expenses	20,384	25,649	14,456	(11,193)
Total Operating Expenses	<u>\$ 1,086,781</u>	<u>\$ 1,053,954</u>	<u>\$ 1,099,728</u>	<u>\$ 45,774</u>
Total Operating Budget	<u>\$ (819,255)</u>	<u>\$ (741,107)</u>	<u>\$ (843,838)</u>	<u>\$ 102,731</u>

LUBBOCK AREA UNITED WAY, INC.

Schedule 2

OPERATING FUND
RECONCILIATION OF BUDGET COMPARISON TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

REVENUES

Total Revenues - Schedule 1	\$ 312,847
Unbudgeted Revenues:	
Endowment Contributions and Pledges	25,489
Building Rental Income	104,716
Investment Income Other Than General Fund	156
Operating Endowment Income Reported in Endowment Fund	270,269
Operating Endowment Income Reported in General Fund	33,296
Expenses Shown Net of Other Revenue - Exhibit B	<u>(82,377)</u>
Total Other Public Support and Revenue - Exhibit B	<u>\$ 664,396</u>

EXPENSES

Total Expenses - Schedule 1	\$ 1,053,954
Unbudgeted Expenses:	
Building Expenses	100,739
Depreciation Expense	52,709
Casa Expenses	13,982
United Way Dues	74,623
Expenses Shown Net of Other Revenue - Exhibit B	<u>(82,377)</u>
Total Functional Expenses - Exhibit B	<u>\$ 1,213,630</u>