

LUBBOCK AREA UNITED WAY, INC.

LUBBOCK, TEXAS

FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION

**FOR THE YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR 2019**

AND

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS

BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

LUBBOCK, TEXAS

LUBBOCK AREA UNITED WAY, INC.

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FOR THE YEAR ENDED DECEMBER 31, 2020
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BOLINGER, SEGARS, GILBERT & MOSS, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

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LUBBOCK, TEXAS 79423-1954

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, 2020, 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, 2020, 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 2019 financial statements, and our report dated April 20, 2020, 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, 2019, 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 21, 2021

LUBBOCK AREA UNITED WAY, INC.

Exhibit A

STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR 2019

ASSETS

	Current Funds	Endowment Fund	Custodian Fund SECC	Totals December 31,	
				2020	2019
Cash	\$ 1,958,116	\$ 34,342	\$ 117,646	\$ 2,110,104	\$ 1,620,544
Temporary Investments (CDs)	1,735,135			1,735,135	1,735,135
Investments		3,479,521		3,479,521	3,262,294
Pledges Receivable - Annual Campaign (Less Allowance for Uncollectibles of \$477,294)	3,651,583			3,651,583	4,034,384
Pledges Receivable - SECC Campaign (Less Allowance for Uncollectibles of \$36,149)			532,357	532,357	647,151
Interfund Other Receivable (Payable)	63,188	11,880	(75,068)		
Other Receivables	23,896			23,896	28,119
Other Prepaid Expenses	6,968		78,205	85,173	84,717
Total Current Assets	<u>\$ 7,438,886</u>	<u>\$ 3,525,743</u>	<u>\$ 653,140</u>	<u>\$ 11,617,769</u>	<u>\$ 11,412,344</u>
Land, Building, and Equipment - At Cost Net of Accumulated Depreciation of \$945,359	610,048			610,048	647,526
Total Assets	<u>\$ 8,048,934</u>	<u>\$ 3,525,743</u>	<u>\$ 653,140</u>	<u>\$ 12,227,817</u>	<u>\$ 12,059,870</u>

LIABILITIES

Accounts Payable	\$ 22,174	\$	\$ 1,452	\$ 23,626	\$ 17,555
Donor Designations Payable	712,751			712,751	655,245
Agency Designations Payable - SECC Campaign			559,395	559,395	698,563
Due to Participating Federations/Agencies	15,665		92,293	107,958	107,407
Deferred Rental Revenue	1,960			1,960	1,500
Deferred Compensation	111,882			111,882	96,386
Paycheck Protection Program Loan	146,200			146,200	
Total Liabilities	<u>\$ 1,010,632</u>	<u>\$ 0</u>	<u>\$ 653,140</u>	<u>\$ 1,663,772</u>	<u>\$ 1,576,656</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	7,400			7,400	5,708
Board Initiatives	53,223			53,223	53,223
Undesignated - Available for General Activities	1,838,819			1,838,819	2,035,729
Net Investment in Fixed Assets	610,048			610,048	647,526
Total Net Assets without Donor Restrictions	<u>\$ 2,589,490</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,589,490</u>	<u>\$ 2,822,186</u>
Net Assets with Donor Restrictions					
Restricted by Time or Donor for:					
Operating Budget	\$ 693,030	\$	\$	\$ 693,030	\$ 736,781
Future Campaigns	86,685			86,685	86,685
Designations from PY Campaign	141,629			141,629	5,910
Agency Allocations	3,527,468			3,527,468	3,527,468
Endowment		3,525,743		3,525,743	3,304,184
Total Net Assets with Donor Restrictions	<u>\$ 4,448,812</u>	<u>\$ 3,525,743</u>	<u>\$ 0</u>	<u>\$ 7,974,555</u>	<u>\$ 7,661,028</u>
Total Net Assets	<u>\$ 7,038,302</u>	<u>\$ 3,525,743</u>	<u>\$ 0</u>	<u>\$ 10,564,045</u>	<u>\$ 10,483,214</u>
Total Liabilities and Net Assets	<u>\$ 8,048,934</u>	<u>\$ 3,525,743</u>	<u>\$ 653,140</u>	<u>\$ 12,227,817</u>	<u>\$ 12,059,870</u>

See accompanying notes to financial statements.

LUBBOCK AREA UNITED WAY, INC.

Exhibit B

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR 2019

	Without Donor Restrictions	With Donor Restrictions	Totals December 31,	
			2020	2019
REVENUE				
Public Support from Annual Campaign				
Current Year Campaign	\$	\$ 5,259,806	\$ 5,259,806	\$ 5,832,034
Less: South Plains State Employee Charitable				
Campaign Support for Other Organizations		(565,780)	(565,780)	(710,124)
Donor Designations		(467,306)	(467,306)	(548,878)
Provision for Uncollectible Pledges		(283,469)	(283,469)	(308,783)
Net Current Year Annual Campaign	\$	\$ 3,943,251	\$ 3,943,251	\$ 4,264,249
Net Assets Released from Restrictions				
Prior Year Campaign Contributions	4,322,355	(4,322,355)		
Less: Provision for Uncollectible Pledges	(193,825)	193,825		
Allocations in Excess of Current Campaign	(277,247)	277,247		
Allowance Recovery (Loss) for Prior Campaign Year	(65,062)		(65,062)	53,070
Additional Campaign Revenue from Prior Campaigns	65,248		65,248	66,254
Net Campaign Revenue	\$ 3,851,469	\$ 91,968	\$ 3,943,437	\$ 4,383,573
Other Public Support and Revenue				
Contributions and Endowment Pledges	\$	\$ 91,016	\$ 91,016	\$ 25,489
Other Revenue, Net of Related Expense	334,085		334,085	107,200
Investment Income (Loss), Net of Fees	175,567	130,543	306,110	426,991
Rent Income	115,012		115,012	104,716
Total Other Public Support and Revenue	\$ 624,664	\$ 221,559	\$ 846,223	\$ 664,396
Total Revenue	\$ 4,476,133	\$ 313,527	\$ 4,789,660	\$ 5,047,969
ALLOCATIONS, EXPENSES, AND LOSSES				
Allocations and Designations to Agencies	\$ 3,966,835	\$	\$ 3,966,835	\$ 3,965,955
Less: Donor Designations	(467,306)		(467,306)	(548,878)
Other Giving	25,000		25,000	
Total Allocations	\$ 3,524,529	\$ 0	\$ 3,524,529	\$ 3,417,077
Functional Expenses				
Community Services	\$ 75,253	\$	\$ 75,253	\$ 88,299
Community Impact	45,112		45,112	71,505
Supporting Services:				
Management and General	711,778		711,778	708,572
Fund Raising	352,157		352,157	345,254
Total Functional Expenses	\$ 1,184,300	\$ 0	\$ 1,184,300	\$ 1,213,630
Total Allocations and Expenses	\$ 4,708,829	\$ 0	\$ 4,708,829	\$ 4,630,707
CHANGE IN NET ASSETS	\$ (232,696)	\$ 313,527	\$ 80,831	\$ 417,262
NET ASSETS - BEGINNING OF YEAR	2,822,186	7,661,028	10,483,214	10,065,952
NET ASSETS - ENDING OF YEAR	\$ 2,589,490	\$ 7,974,555	\$ 10,564,045	\$ 10,483,214

See accompanying notes to financial statements.

LUBBOCK AREA UNITED WAY, INC.

Exhibit C

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
WITH COMPARATIVE TOTALS FOR 2019

	December 31,	
	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 80,831	\$ 417,262
Adjustments to Reconcile Change in Net Assets to Cash From Operating Activities		
Depreciation	54,034	52,709
Unrealized Gain on Investments	(14,110)	(305,478)
Changes in Assets and Liabilities		
Accounts Receivable	4,223	(1,478)
Prepaid Expenses	(456)	6,993
Pledges Receivable	497,595	76,286
Accounts Payable	6,071	1,888
Donor Designations Payable	(81,662)	(160,537)
Due to Participating Federations/Agencies	551	(60,108)
Deferred Rental Revenue	460	1,500
Deferred Compensation	15,496	14,644
Net Cash From Operating Activities	<u>\$ 563,033</u>	<u>\$ 43,681</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net Investment Activity	\$ (203,117)	\$ 35,602
Purchase of Equipment	<u>(16,556)</u>	<u>(24,891)</u>
Net Cash From Investing Activities	<u>\$ (219,673)</u>	<u>\$ 10,711</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Advance on Paycheck Protection Program Loan	<u>\$ 146,200</u>	<u>\$</u>
Net Cash From Financing Activities	<u>\$ 146,200</u>	<u>\$ 0</u>
NET CHANGE IN CASH	\$ 489,560	\$ 54,392
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>3,355,679</u>	<u>3,301,287</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,845,239</u>	<u>\$ 3,355,679</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, 2020
WITH COMPARATIVE TOTALS FOR 2019

	Community Services				Community Impact	Management and General	Fund Raising	Totals	
	Community Status Report	Emergency Food and Shelter	Casa de Amistad	Total				December 31,	
								2020	2019
Salaries	\$ 37,840	\$ 1,608	\$	\$ 39,448	\$ 20,508	\$ 324,351	\$ 205,369	\$ 589,676	\$ 613,678
Employee Benefits, Taxes, and Fees	10,450	444		10,894	5,663	89,573	56,715	162,845	169,372
Total Salaries and Related Expenses	\$ 48,290	\$ 2,052	\$ 0	\$ 50,342	\$ 26,171	\$ 413,924	\$ 262,084	\$ 752,521	\$ 783,050
Professional Fees	6,000			6,000		20,592		26,592	29,495
Insurance						23,162		23,162	22,339
Supplies					169	7,740	2,730	10,639	19,370
Telephone					656	4,445	1,959	7,060	6,706
Postage and Shipping	12			12	49	152	8,267	8,480	8,871
Occupancy Expense			11,582	11,582		42,538		54,120	56,361
Maintenance and Rental of Equipment					527	21,228	2,634	24,389	33,298
Printing and Publications					2,184	1,408	12,914	16,506	31,577
Travel						563	32	595	4,899
Conferences and Meetings					599	5,483	2,116	8,198	6,849
Software Maintenance					3,165	9,987	36,664	49,816	43,431
Membership Dues					100	93,493	1,330	94,923	77,108
Awards						1,360		1,360	989
Property Taxes						22,041		22,041	15,589
Other						27,404	2,460	29,864	20,989
Total Expenses Before Depreciation	\$ 54,302	\$ 2,052	\$ 11,582	\$ 67,936	\$ 33,620	\$ 695,520	\$ 333,190	\$ 1,130,266	\$ 1,160,921
Depreciation Expense			7,317	7,317	11,492	16,258	18,967	54,034	52,709
Total Expenses	\$ 54,302	\$ 2,052	\$ 18,899	\$ 75,253	\$ 45,112	\$ 711,778	\$ 352,157	\$ 1,184,300	\$ 1,213,630

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 fundraising campaign is conducted each year to raise financial 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 2021 allocations are awarded subsequent to year end. Therefore, these contributions will be released from net assets with donor restrictions in 2021 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 2021. Therefore, the allocation expense related to the 2020 campaign will be recognized in 2021. The allocations expense recognized in 2020 relates to the 2019 campaign. In contrast, donor designations are recognized as an 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 the 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 8.

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 8 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 and spending 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, 2020. The Organization is no longer subject to U.S. federal tax examinations by federal taxing authorities for years before 2017.

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, 2019 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 the presentation in the 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

The Organization has adopted *Revenue from Contracts with Customers, Topic 606* (ASU No. 2014-09).

The Organization receives revenue from tenants for rental revenue. Rent is billed and recorded at the beginning of every month. Deferred rental revenue on the statement of financial position consists of \$1,960 of deferred rent. This is rent collected for January 2021 that will be recognized at the time the rental obligation has been satisfied. All other rental obligations have been satisfied as of December 31, 2020.

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 \$477,294, 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
2019 Campaigns	\$ 5,832,034	\$ 513,724	\$ 193,825	\$ 319,899
2020 Campaigns	5,259,806	3,615,153	283,469	3,331,684
	<u>\$ 11,091,840</u>	<u>\$ 4,128,877</u>	<u>\$ 477,294</u>	<u>\$ 3,651,583</u>

3. Fixed Assets and Depreciation

The Organization capitalized fixed assets with a value of \$1,000 and a useful life of two years or more. Fixed assets 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 \$16,556 were capitalized. Depreciation is provided over the estimated useful lives of the assets on a straight-line basis at annual rates of 3% for buildings and 7% to 33% for other equipment. Depreciation expense for the year ended December 31, 2020, was \$54,034.

The cost and accumulated depreciation as of December 31, 2020, are as follows:

	Cost	Accumulated Depreciation	Net Book Value
Land - Casa de Amistad	\$ 20,000	\$	\$ 20,000
Building - Casa de Amistad	236,038	223,361	12,677
Land - 1655 Main	177,592		177,592
Building - 1655 Main	741,607	533,158	208,449
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	214,344	129,673	84,671
Computer Software	46,154	44,754	1,400
	<u>\$ 1,555,407</u>	<u>\$ 945,359</u>	<u>\$ 610,048</u>

LUBBOCK AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

4. Paycheck Protection Program Loan

The Organization secured a loan with First Bank and Trust on April 10, 2020 through the Paycheck Protection Program (PPP) as part of the United States Treasury's response to the COVID-19 pandemic. The note payable matures on April 10, 2022 and has an interest rate of 1.00%. There was no interest expense for the year ended December 31, 2020. The outstanding balance at December 31, 2020 was \$146,200. Principal and interest payments will not be required for six months following the date of the disbursement; however, interest will continue to accrue. Loan proceeds are to be used on payroll costs, mortgage interest payments, rent payments, utility payments, and interest payments on any other debt obligations prior to COVID-19. The loan will be forgiven if loan proceeds are used to pay the approved costs during the twenty-four week period following the loan disbursement. The Organization must also maintain employee and compensation levels and at least 60.00% of the loan proceeds must be used for payroll costs in order for it to be forgiven.

The Organization has applied for forgiveness of the PPP loan.

5. 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 \$7,400 at year end.

6. 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.

7. Net Assets with Donor Restrictions

At December 31, 2020, net assets with donor restrictions consisted of the following:

	<u>Balance</u> <u>1/1/2020</u>	<u>Net Current</u> <u>Year Campaign</u>	<u>Released from</u> <u>Restrictions</u>	<u>Balance</u> <u>12/31/2020</u>
Campaign Income Restricted for:				
Allocations to Agencies	\$ 3,527,468	\$ 3,527,468	\$ (3,527,468)	\$ 3,527,468
Operating Budget	736,781	693,030	(736,781)	693,030
Designations from PY Campaign	5,910		135,719	141,629
Future Campaigns	86,685			86,685
Endowment	<u>3,304,184</u>	<u>221,559</u>		<u>3,525,743</u>
	<u>\$ 7,661,028</u>	<u>\$ 4,442,057</u>	<u>\$ (4,128,530)</u>	<u>\$ 7,974,555</u>

LUBBOCK AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

8. 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 \$132,459. 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.

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	\$ 34,393	\$ 34,393	\$	Cost
Mutual Funds	249,855	258,318	8,463	1
Equities	335,173	352,733	17,560	1
PCB - Operating Endowment Fund				
Cash and Cash Equivalents	157,173	157,173		Cost
Mutual Funds	941,602	970,804	29,202	1
Equities	1,253,258	1,324,553	71,295	1
Private Investments	43,978	17,596	(26,382)	2
CFWT - Endowment Fund	72,086	72,086		2
CFWT - Agency Fund	123,655	123,655		2
Cash Surrender Value of Life Insurance	95,153	168,210	73,057	2
	<u>\$ 3,306,326</u>	<u>\$ 3,479,521</u>	<u>\$ 173,195</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.

LUBBOCK AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Changes in Endowment Fund Net Assets for the fiscal year ended December 31, 2020:

Endowment Net Assets, Beginning of Year	\$	<u>3,304,184</u>
Contributions	\$	<u>91,017</u>
Investment Activity:		
Investment Income	\$	53,770
Management Fees		(13,896)
Realized Gain on Investments		209,017
Unrealized Gain on Investments		14,110
Distribution of Earnings		<u>(132,459)</u>
Total Net Investment Income	\$	<u>130,542</u>
Endowment Net Assets, End of Year	\$	<u><u>3,525,743</u></u>

9. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of December 31, 2020, reduced by amounts not available for general use within one year, due to contractual or donor-imposed restrictions or internal designations.

Cash	\$	2,110,104
Temporary Investments (CDs)		1,735,135
Investments		3,479,521
Pledges Receivable - Annual Campaign		3,651,583
Pledges Receivable - SECC Campaign		532,357
Other Receivables		23,896
Other Prepaid Expenses		85,173
Land, Building, and Equipment		<u>610,048</u>
Total Financial Assets	\$	<u>12,227,817</u>
Less contractual or donor-imposed restrictions:		
Cash	\$	(750,211)
Cash - Endowment		(34,342)
Cash - SECC		(117,646)
Investments - Endowment		(3,479,521)
Pledges Receivable - Annual Campaign		(3,331,684)
Pledges Receivable - SECC Campaign		(532,357)
Other Prepaid Expenses		(85,173)
Board-Designated Net Assets		(140,623)
Net Investment in Fixed Assets		<u>(610,048)</u>
Financial Assets Available to Meet Cash Needs for Expenditures Within One Year	\$	<u><u>3,146,212</u></u>

LUBBOCK AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

Lubbock Area United Way, Inc. is supported by contributions. Due to donor restriction requirements to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, some financial assets may not be available for general expenditures within one year. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term certificates of deposit. In the event of an unanticipated liquidity need, the Organization has reserve funds on hand to meet at least 90 days of normal operating expense.

10. Maintained Endowment Funds – Community Foundation of West Texas

Three separate endowment funds have been set up at the Community Foundation of West Texas. These assets are reflected on the records of the Community Foundation of West Texas and not included in the statement of financial position for Lubbock Area United Way, Inc. The earnings on these funds are to be distributed based on any restrictions of the donors. The Organization received distributions of earnings amounting to \$6,545 during 2020.

11. 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 \$44,938 in 2020 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.

12. 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, 2020, the balance of this liability is \$111,882 and is reflected as a liability on the statement of financial position.

13. 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.

LUBBOCK AREA UNITED WAY, INC.

NOTES TO FINANCIAL STATEMENTS

14. 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. 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, 2020, the principal balance available for future campaigns is \$86,685.

15. Subsequent Events

The Organization's management has evaluated subsequent events through April 21, 2021, 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.

ACCOMPANYING INFORMATION

LUBBOCK AREA UNITED WAY, INC.

Schedule 1

COMPARISON OF ACTUAL REVENUES AND EXPENSES WITH OPERATING BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2020

	2019 <u>Actual</u>	2020 <u>Actual</u>	2020 <u>Budget</u>	2020 Budget Variance Favorable (Unfavorable)
OPERATING REVENUES				
Loaned Executive Revenue	\$ 29,986	\$ 11,500	\$ 27,000	\$ (15,500)
Campaign Event Sponsorship	25,040	27,000	30,000	(3,000)
Kickoff Revenue	23,680		22,000	(22,000)
Annual Meeting Revenue	13,155	14,610	15,000	(390)
Donor Choice Processing Fees	57,300	57,300	61,411	(4,111)
Operating Endowment Earnings	69,729	92,967	92,967	0
Interest Income	53,542	47,253	42,000	5,253
Other Income	40,415	268,467		268,467
Total Operating Revenues	\$ <u>312,847</u>	\$ <u>519,097</u>	\$ <u>290,378</u>	\$ <u>228,719</u>
OPERATING EXPENSES				
Payroll and Benefits	\$ 783,050	\$ 752,521	\$ 842,313	\$ 89,792
Campaign Expenses	74,082	35,735	87,600	51,865
Marketing and Communication	33,414	17,697	13,200	(4,497)
Meetings and Conferences	25,961	22,479	29,400	6,921
Professional Services	73,647	79,012	60,600	(18,412)
Utility Expenses	5,215	5,116	4,380	(736)
Office Operations	32,936	20,758	30,786	10,028
Financial Expenses	25,649	38,201	22,050	(16,151)
Total Operating Expenses	\$ <u>1,053,954</u>	\$ <u>971,519</u>	\$ <u>1,090,329</u>	\$ <u>118,810</u>
Total Operating Budget	\$ <u>(741,107)</u>	\$ <u>(452,422)</u>	\$ <u>(799,951)</u>	\$ <u>347,529</u>

LUBBOCK AREA UNITED WAY, INC.

Schedule 2

OPERATING FUND
RECONCILIATION OF BUDGET COMPARISON TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

REVENUES

Total Revenues - Schedule 1	\$	519,097
Unbudgeted Revenues:		
Endowment Contributions and Pledges		91,016
Building Rental Income		115,012
Investment Income Other Than General Fund		892
Operating Endowment Income Reported in Endowment Fund		130,543
Operating Endowment Income Reported in General Fund		34,454
Expenses Shown Net of Other Revenue - Exhibit B		<u>(44,791)</u>
Total Other Public Support and Revenue - Exhibit B	\$	<u>846,223</u>

EXPENSES

Total Expenses - Schedule 1	\$	971,519
Unbudgeted Expenses:		
Building Expenses		99,636
Depreciation Expense		54,034
Casa Expenses		11,582
United Way Dues		92,320
Expenses Shown Net of Other Revenue - Exhibit B		<u>(44,791)</u>
Total Functional Expenses - Exhibit B	\$	<u>1,184,300</u>