

UNITED WAY OF GALVESTON, INC.

FINANCIAL STATEMENTS

**Years Ended December 31, 2020 and 2019
with Report of Independent Auditors**

UNITED WAY OF GALVESTON, INC.

FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
United Way of Galveston, Inc.
Galveston, Texas

We have audited the accompanying financial statements of United Way of Galveston, Inc. (a nonprofit organization), 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 ("GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Galveston, Inc. as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with GAAP.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Allocations and Designations to Agencies and Schedule of Overhead Rate, 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 GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the United Way of Galveston, Inc.'s 2019 financial statements, and our report dated September 8, 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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
September 8, 2021

UNITED WAY OF GALVESTON, INC.
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 665,236	\$ 1,126,121
Investments	599,633	601,791
Receivables:		
Pledges receivable, net of allowance for uncollectible pledges of \$30,000	573,921	564,945
SECC reimbursement	16,005	26,209
Inventory	11,025	11,025
Total assets	\$ 1,865,820	\$ 2,330,091
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 7,702	\$ 16,980
Allocations payable to participating agencies	77,819	59,927
Designations payable - Community (2019/2020)	-	147,838
Designations payable - SECC UWG (2019/2020)	-	212,326
Designations payable - Community (2020/2021)	83,829	-
Designations payable - SECC UWG (2020/2021)	168,600	-
Paycheck Protection Program loan	35,990	-
Total liabilities	373,940	437,071
Net assets:		
Without donor restrictions:		
Inventory	11,025	11,025
Board designated	-	50,000
Operating	1,233,572	1,226,210
Total without donor restrictions	1,244,597	1,287,235
With donor restrictions	247,283	605,785
Total net assets	1,491,880	1,893,020
Total liabilities and net assets	\$ 1,865,820	\$ 2,330,091

See accompanying notes to financial statements.

UNITED WAY OF GALVESTON, INC.

STATEMENTS OF ACTIVITIES

Year Ended December 31, 2020

(with comparative totals for the Year Ended December 31, 2019)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>2019</u>
Revenue, gains, and other support:				
Gross campaign results (2020/2021)	\$ -	\$ 751,150	\$ 751,150	\$ -
Less donor designations - Community	-	(83,829)	(83,829)	-
Less donor designations - SECC	-	(207,488)	(207,488)	-
Less donor designations - SECC United Way	-	(168,600)	(168,600)	-
Less provisions for uncollectibles	-	(20,708)	(20,708)	-
Net campaign revenues (2020/2021)	<u>-</u>	<u>270,525</u>	<u>270,525</u>	<u>-</u>
Gross campaign results (2019/2020)	915,409	(915,409)	-	915,409
Less donor designations - Community	(147,838)	147,838	-	(147,838)
Less donor designations - SECC	(302,160)	302,160	-	(302,160)
Less donor designations - SECC United Way	(212,326)	212,326	-	(212,326)
Less recovery for uncollectibles	(20,071)	20,071	-	(20,071)
Net contributions received in prior year, released from restriction in current year	<u>233,014</u>	<u>(233,014)</u>	<u>-</u>	<u>233,014</u>
Total campaign results	233,014	37,511	270,525	233,014
Additional support from				
Prior years	108,981	-	108,981	265,080
Other contributions	34,126	-	34,126	50,398
Other income	72,447	-	72,447	24,025
Galveston County recovery	-	580,464	580,464	-
Census 2020	200,000	-	200,000	-
GRF vision 2039	-	160,000	160,000	900,827
Net unrealized gain (loss) on investments	(750)	-	(750)	2,359
Investment income	16,102	-	16,102	22,160
Total revenue, gains, and other support	<u>663,920</u>	<u>777,975</u>	<u>1,441,895</u>	<u>1,497,863</u>
Expenses:				
Program services				
Allocations to agencies	523,766	-	523,766	740,832
(Less donor designations)	(252,429)	-	(252,429)	(360,164)
Galveston County recovery	-	634,050	634,050	24,218
UTMB employee relief	-	-	-	(327)
Census 2020	132,747	-	132,747	-
GRF vision 2039	-	502,427	502,427	487,125
Other program services	228,638	-	228,638	249,704
Total program services	<u>632,722</u>	<u>1,136,477</u>	<u>1,769,199</u>	<u>1,141,388</u>
Supporting services				
Management and general	58,023	-	58,023	94,236
Fundraising	15,813	-	15,813	25,452
Total supporting services	<u>73,836</u>	<u>-</u>	<u>73,836</u>	<u>119,688</u>
Total expenses	<u>706,558</u>	<u>1,136,477</u>	<u>1,843,035</u>	<u>1,261,076</u>
Change in net assets	(42,638)	(358,502)	(401,140)	236,787
Net assets at beginning of year	<u>1,287,235</u>	<u>605,785</u>	<u>1,893,020</u>	<u>1,656,233</u>
Net assets at end of year	<u>\$ 1,244,597</u>	<u>\$ 247,283</u>	<u>\$ 1,491,880</u>	<u>\$ 1,893,020</u>

See accompanying notes to financial statements.

UNITED WAY OF GALVESTON, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (401,140)	\$ 236,787
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Net unrealized loss (gain) on investments	750	(2,359)
Changes in net assets and liabilities:		
Increase in pledges receivable	(8,976)	(71,094)
Decrease in other receivables	10,204	2,782
Decrease in accounts payable	(9,278)	(119,937)
Decrease (increase) in allocations and designations payable	(89,843)	102,920
Net cash provided by (used in) operating activities	(498,283)	149,099
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	35,990	-
Net cash provided by financing activities	35,990	-
Cash flows from investing activities:		
Proceeds from sale of investments	17,510	20,939
Purchase of investments	(16,102)	(22,160)
Net cash provided by (used in) investing activities	1,408	(1,221)
Net increase (decrease) in cash and cash equivalents	(460,885)	147,878
Cash and cash equivalents at beginning of year	1,126,121	978,243
Cash and cash equivalents at end year	\$ 665,236	\$ 1,126,121

See accompanying notes to financial statements.

UNITED WAY OF GALVESTON, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

(with comparative totals for the Year Ended December 31, 2019)

	<u>Direct aid</u>	<u>Other program services</u>	<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>	<u>2019</u>
Salaries and related expenses:						
Salaries and wages	\$ -	\$ 126,985	\$ 10,846	\$ 7,965	\$ 145,796	\$ 147,972
Employee benefits	-	18,615	1,590	1,168	21,373	20,657
Payroll taxes	-	10,278	878	645	11,801	11,551
Total salaries and related expenses	<u>-</u>	<u>155,878</u>	<u>13,314</u>	<u>9,778</u>	<u>178,970</u>	<u>180,180</u>
Other expenses:						
Allocations to agencies	523,766	-	-	-	523,766	740,832
(Less donor designations)	(252,429)	-	-	-	(252,429)	(360,164)
Galveston County recovery	634,050	-	-	-	634,050	24,218
UTMB employee relief	-	-	-	-	-	(327)
Census 2020	132,747	-	-	-	132,747	-
GRF vision 2039	502,427	-	-	-	502,427	487,125
Bank charges	-	366	-	-	366	383
Advertising	-	-	-	2,045	2,045	11,433
Community awareness	-	8,416	-	-	8,416	16,416
Insurance	-	3,621	309	227	4,157	4,242
Membership dues	-	2,011	172	126	2,309	1,440
Miscellaneous expenses	-	23,058	1,969	1,446	26,473	54,896
Occupancy expenses	-	18,658	1,594	1,170	21,422	20,595
Information technology	-	6,711	573	421	7,705	8,733
Office supplies	-	7,049	602	442	8,093	7,317
Postage and shipping	-	353	-	-	353	290
Professional fees	-	-	34,598	-	34,598	35,619
Telephone	-	2,517	215	158	2,890	2,951
SECC fees net of reimbursement	-	-	4,677	-	4,677	24,897
Total other expenses	<u>1,540,561</u>	<u>72,760</u>	<u>44,709</u>	<u>6,035</u>	<u>1,664,065</u>	<u>1,080,896</u>
Total expenses	<u>\$ 1,540,561</u>	<u>\$ 228,638</u>	<u>\$ 58,023</u>	<u>\$ 15,813</u>	<u>\$ 1,843,035</u>	<u>\$ 1,261,076</u>

See accompanying notes to financial statements.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

A. Organization and Nature of Activities

Organization

United Way of Galveston, Inc., a nonprofit organization, was incorporated in the State of Texas in 1923. The Internal Revenue Service has determined that the United Way of Galveston, Inc. (the "Organization") is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code as an Organization described in Section 501(c)(3). It is classified as a public charity under Section 170(b)(1)(A)(vi). Also, the Comptroller of Public Accounts of the State of Texas has determined that the Organization is qualified for exemption from state franchise tax.

Nature of Activities

The Organization invests in a broad array of services that focus on developing children and youth to their full potential, creating strong families and safe neighborhoods, sustaining senior independence and supporting people rebuilding their lives. The Organization's services touched over 22,000 lives in the community last year. In addition, the Organization connects people with services through 2-1-1 Texas in order to bring services closer to where people live.

The Organization's fundraising efforts include workplace campaigns, individual leadership giving programs, corporate giving, Organization grants, and special efforts to respond to emerging issues such as disaster recovery. Additionally, the Organization acts as the Local Campaign Manager for the local Galveston Area State Employees Charitable Campaign, soliciting funds from Texas State employees.

B. Summary of Significant Accounting Policies

A summary of the Organization's significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The accompanying financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Net assets of the Organization and changes therein are classified according to the existence or absence of donor-imposed restrictions and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations and may be designated for specific purposes by action of the Board of Directors.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies

Basis of Accounting – continued

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Association and/or the passage of time, or that are maintained in perpetuity by the Association. When a restriction expires, 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.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and all short-term investments with a maturity of three months or less when purchased.

Investments

Investments are reported at fair value. Investment return is reported in the statements of activities as an increase in net assets without donor restriction unless the use of income is limited to donor-imposed restrictions. Investments consist of certificates of deposit with a maturity of greater than three months when purchased.

Inventory

Inventory consists of recognition pins and is stated at the lower of cost or net realizable value.

Pledges Receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with restrictions by the donor are reported as increases in net assets without restriction if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restriction.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made, as well as other factors anticipated to affect collections.

Campaign Pledges and Designations

An annual fundraising campaign is conducted to obtain donations and pledges to fund the subsequent year's operations. Accordingly, a receivable is recorded at year end for outstanding campaign pledges with an allowance for amounts estimated to be uncollectable.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

Campaign Pledges and Designations – continued

Community-wide donations and pledges are recorded as donor restricted revenues in the campaign year and released into net assets without donor restriction as restrictions are satisfied in the subsequent year. Donor designated pledges are accounted for as a liability until disbursed to the designated agency. Those amounts are not accounted for as revenue by the Organization but are reported as part of campaign results from which the amounts are then deducted to arrive at campaign revenue.

Donor designated pledges are assessed a processing fee based on actual historical costs in accordance with United Way of America membership standards as outlined in their publication titled *United Way of America Implementation Requirements for Membership Standard M (cost deductions for designated Funds)*

Contributed Services

The amount of contributed services received in 2020 and 2019 was not material and therefore has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization.

Contributions

Contributions received are recorded as support with or without restriction depending on the existence and/or nature of any donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the statement of activities and changes in net assets as net assets released from restrictions. All contributions are considered to be available for without donor restrictions use unless specifically restricted by the donor.

Advertising costs

Advertising costs are expensed as incurred and amount to \$2,045 in 2020 and \$11,433 in 2019 and are included in the fundraising expenses on the statements of activities.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except on income derived from unrelated business activities. The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Organization files a federal Exempt Organization Business Tax Returns (Form 990), and no tax returns are currently under examination by any tax authorities. The Organization did not incur any penalties or interest during the years ended December 31, 2020 and 2019.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates and assumptions.

Summary of Financial Information for 2019

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute presentation conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Concentrations

All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation ("FDIC") up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category. Additionally, cash and securities held by a customer at a Security Investor Protection Corporation ("SIPC") member brokerage firm are protected up to \$500,000, which includes a limit of \$250,000 for cash.

The Organization maintains cash and certificates of deposit at a financial institution. At December 31, 2020, the company did not have any cash balances that were not insured by the FDIC. At December 31, 2019, the Organization had approximately \$301,395 of cash balances that were not insured by FDIC.

In addition, the Organization maintains cash and certificates of deposit held at a brokerage firm. At December 31, 2020 and 2019, respectively, the Organization had approximately \$483,933 and \$513,811 in cash and certificate of deposit balances that were not insured.

The Organization has not experienced any losses in such accounts and believes that future loss is mitigated by monitoring the balances at the financial institution and brokerage firm where the cash and certificates of deposit are being held.

Financial instruments also include pledges receivable amounting to \$573,921 and \$564,945 in 2020 and 2019, respectively, which, by their nature, are not collateralized. These receivables are due primarily from individuals and corporations.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

Fair Values of Financial Instruments

Generally accepted accounting principles require that certain assets and liabilities be reported at fair value and establish a hierarchy that prioritizes inputs used to measure fair value. 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. The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.
- Level 2: Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Organization had no level 3 assets or liabilities at December 31, 2020 and 2019.

The Organization has investments in certificates of deposit which are considered a Level 1.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs.

Reclassifications

Certain amounts in 2019 have been reclassified to conform to the 2020 presentation.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

C. Pledges Receivable and Allowance for Uncollectible Pledges

Pledges receivable consist of pledges to be used to fund the subsequent years operating budgets including allocations to participating agencies. The amount of \$30,000 for uncollectible pledges is considered sufficient based on historical data and expectations at December 31, 2020 and 2019, respectively. The pledges are reported at fair value because of the short-term nature of the receivables. The pledges are due within one year as follows:

	<u>2020</u>	<u>2019</u>
Pledges receivable 2018/2019	\$ -	\$ 92,283
Pledges receivable 2019/2020	126,303	502,662
Pledges receivable 2020/2021	477,618	-
Allowance for uncollectible	<u>(30,000)</u>	<u>(30,000)</u>
Net	<u>\$ 573,921</u>	<u>\$ 564,945</u>

D. Paycheck Protection Program loan

On March 27, 2020, the U.S. federal government enacted the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), which included provision for a Paycheck Protection Program (“PPP”) administered by the U.S. Small Business Administration (“SBA”). The PPP allows qualifying business to borrow up to \$10 million calculated based on qualifying payroll costs. PPP loans bear a fixed interest rate of 1% over a two-year term, are guaranteed by the federal government, and do not require collateral. The Paycheck Protection Program Flexibility Act of 2020 extended the deferral period for payments of principal, interest, and fees on all PPP loans to the date that SBA remits the borrower’s forgiveness amount to the lender. The loans may be forgiven, in part or whole, if the proceeds are used to retain and pay employees and for other qualifying expenditures. The Company applied for a PPP loan in the amount of \$35,990, which was approved by the SBA on April 7, 2020.

The Company has elected to account for the PPP loan in accordance with Accounting Standards Codification 470 – Debt. As such, the outstanding PPP loan amount of \$35,990 is reflected on the accompanying statement of financial position as of December 31, 2020. During March 2021, the Organization received formal forgiveness for the full amount of the loan of \$35,990.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

E. Designated Net Assets Without Donor Restriction

The Board of Directors has designated net assets without donor restriction as follows:

Inventory – the reserve is made up of inventory of campaign and promotional items that remain at year-end and are accounted for in the asset area as inventory and in the net asset area as a component of net assets without donor restriction based on their value at year-end.

Board Appropriated – During the year ended December 31, 2020 the Organization released board designated funds in the amount of \$50,000. These funds were utilized to aid a federally declared disaster in the Galveston or Galveston County area for COVID relief. The funds were used to meet immediate needs of residents in the event of a disaster.

Net assets without donor restriction are illustrated on page 3 of the financial statements.

F. Net Assets With Donor Restriction

The restrictions on net assets at the end of 2020 and 2019 relate to pledges receivable for the subsequent years' allocations to participating agencies and its operating budget. The amount with donor restrictions at December 31, 2020 and 2019 is \$247,283 and \$605,785, respectively.

G. Employee Benefits Plan

The Organization offered health and dental care coverage for all full-time employees. The Organization paid 100% of the premium for both health and dental coverage. Total premiums paid for 2020 and 2019 were \$21,373 and \$20,657, respectively.

H. Functional Allocation of Expenses

The costs of providing the 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. Such allocations, specifically for salaries and benefits, are determined by management based on estimates of time and effort. Generally, the Organization records its expenses based on direct allocation by assigning each expense to a functional category based on direct usage.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

I. Commitments and Contingencies

Leases

During the prior year, the Organization signed a two-year lease agreement commencing on July 1, 2019, and continuing through June 30, 2021, for approximately 903 square feet of office space with the Waverly Holding Company. The lease called for monthly rental payments of \$1,625 on or before the first of the month.

During 2021, the Organization renewed said lease agreement for an additional two-year period commencing on July 1, 2021 and continuing through June 30, 2023 and noted escalating monthly rental payments of \$1,670 and \$1,716 for years one and two, respectively. The new total lease obligations, excluding parking, for 2021, 2022, and 2023 are \$19,770, \$20,316, and \$10,296, respectively.

Rental expenses amount to \$21,422 in 2020 and \$20,595 in 2019.

J. Risks and Uncertainties

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States of America. Efforts implemented by local and national governments, as well as businesses, including temporary closures, are expected to have adverse impacts on local, national, and global economies. Although the disruption is currently expected to be temporary, there is uncertainty around the duration and the related economic impact. Therefore, while management expects this matter to have an impact on the Organization's operations, including possible decrease in government grant funding, contribution revenue, and collectability of receivables, the impact to the Organization's results of operations and financial position cannot be reasonably estimated at this time.

K. Donor Designations

Designations payable include amounts held in custody by the Organization and pledges receivable which are payable to donor specific agencies as a result of campaigns run by the Organization ("Custodial Funds"). The United Way acts as an agent for the State Employees Charitable Campaign ("SECC") and in accordance with Financial Accounting Standards Board Accounting Standards Codification 958-905 (formally SFAS 116 paragraph 9) does not record contribution revenue or allocation expense on the statements of activities. Any undistributed custodial funds as of the end of the period are recorded on the statements of financial position. In addition, designations payable includes campaign contributions from donors that have designated all or part of their contributions to specific agencies. For accounting purposes, these specific donor designations are not considered to be part of the total public support and are deducted from the campaign amount available to the Organization.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

K. Donor Designations – continued

Donor designations made through the Organization's current year community campaign are not considered to be part of the total public support and are deducted from the gross campaign results in the statements of activities. At December 31, 2020 and 2019 this amounts to \$83,829 and \$147,838, respectively. Any undistributed custodial funds as of the end of the period gets recorded as a payable on the statements of financial position. At December 31, 2020 and 2019 this amounts to \$83,829 and \$147,838, respectively.

Donor designations made through the current year's SECC campaign not received by or designated to either the Organization or its agencies are removed from pledges receivable on the statements of financial position and deducted from gross campaign results and excluded from allocations to agencies on the statements of activities. At December 31, 2020 and 2019 this amounts to \$207,488 and \$302,160, respectively.

Donor designations made through the current year's SECC campaign that are designated to the Organization's agencies are deducted from gross campaign results and allocations to agencies on the statements of activities with any undistributed custodial funds as of the end of the period recorded as a payable on the statements of financial position. At December 31, 2020 and 2019 this amounts to \$168,600 and \$212,326, respectively.

Only non-designated pledges or those designated specifically to the Organization made through either the current year's community or SECC campaign are included in the net campaign results net of provision for uncollectibles in the statements of activities. At December 31, 2020 and 2019 this amounts to \$270,525 and \$233,014, respectively.

Donor designations made through the SECC that are designated to the Organization's agencies in a previous year and remain undistributed as of the end of the period are included in the allocations payable to participating agencies on the statements of financial position. At December 31, 2020 and 2019 this amounts to \$77,819 and \$59,927, respectively.

Both designated and non-designated pledges made in the current year related to a previous year's campaign are included in the additional campaign contributions from prior years on the statements of activities. At December 31, 2020 and 2019 this amounts to \$108,981 and \$265,080, respectively.

L. Related Parties

The Organization manages and performs fundraising and administrative functions for the SECC. As a result, the SECC's campaign is included in the gross campaign results of the Organization on the statements of activities.

Included in the gross campaign results on the statements of activities are donor designated pledges to the Organization and its agencies raised through the SECC campaign of \$204,226 and \$263,555 of which \$14,944 and \$27,447 are designated to the Organization with the remainder of designations going towards the Organization's agencies as of December 31, 2020 and 2019, respectively.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

L. Related Parties - continued

The Organization is a beneficiary of these donor designated pledges net of all allocated expenses which include administrative fees, pass thru pledges and upfront costs generated by the SECC. As of December 31, 2020, and 2019 the net donor designated pledges amount to \$181,911 and \$237,670 of which \$13,311 and \$24,705, respectively are allocated to the Organization with the remainder of designations of \$168,600 and \$212,326 going towards the Organization's agencies. These amounts are presented on the statements of activities.

Donor designated pledges outstanding to both the Organization and its agencies net of all allocated expenses raised through the SECC campaign relative to the 2019/2020 and 2020/2021 campaign amount to \$79,726 and \$181,911, respectively as at December 31, 2020 and relative to the 2018/2019 and 2019/2020 campaign amount to \$62,885 and \$237,031, respectively as at December 31, 2019 and are included in pledges receivable on the statements of financial position.

As mentioned above, the SECC withholds allocated expenses on the payment of the Organization and its agencies' donor designated pledges. At December 31, 2020 and 2019 the amount recognized by the Organization is \$20,682 and \$51,106, respectively.

As a result of the Organization managing the SECC campaign, the SECC offers the Organization reimbursement based on actual expenditures incurred relative to the campaign. At December 31, 2020 and 2019 the reimbursement from the SECC was \$16,005 and \$26,209 respectively, and is presented on the statements of financial position.

The amount of the above mentioned SECC allocated expenses net of the reimbursement from SECC is \$4,677 and \$24,897 and is presented on the statements of functional expenses at December 31, 2020 and 2019 respectively.

M. Liquidity and Availability of Resources

The Organization has \$1,607,512 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$665,236, investments of \$599,633 which mature within one year of the financial statement date, and receivables of \$589,926. These amounts are reduced by net assets with donor restrictions of \$247,283 which are subject to the restrictions specified by the donor and make them unavailable for general expenditure. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

At December 31, 2019, the Organization had \$1,713,281 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditure consisting of cash and cash equivalents of \$1,126,121, investments of \$601,791 which mature within one year of the financial statement date, and receivables of \$591,154. These amounts are reduced by net assets with donor restrictions of \$605,785 which are subject to the restrictions specified by the donor and make them unavailable for general expenditure.

UNITED WAY OF GALVESTON, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

N. Subsequent Events

In preparing the financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through September 8, 2021, the date the financial statements were available for issuance.

During 2021, as mentioned in Note D, the Organization received forgiveness for the full amount of the Paycheck Protection Program loan.

ADDITIONAL FINANCIAL INFORMATION

UNITED WAY OF GALVESTON, INC.

SCHEDULES OF ALLOCATIONS AND DESIGNATIONS TO AGENCIES

For the Year Ended December 31,

	<u>2020</u>	<u>2019</u>
Member Agencies Designations		
ADA Womens Center	\$ 21,614	\$ 25,420
American Red Cross	-	1,849
Boy Scouts of America	10,483	45,778
Boys & Girls Club of Greater Houston	37,837	35,587
Boys & Girls Club of Galveston	-	1,136
CASA of Galveston County	20,747	21,263
Catholic Charities	22,084	123,899
Child Advocacy Center of Galveston	16,690	30,288
Children's Center	-	53
Family Service Center	40,540	47,077
Galveston College Foundation	8,582	10,567
Galveston County - Big Brothers & Big Sister	15,213	27,821
Galveston County Food Bank	65,974	38,601
Galveston Island Meals on Wheels	21,091	21,344
GISD Education Foundation	19,133	18,459
Libbie's Place	6,836	17,661
Lone Star Legal Aid	15,789	16,046
Moody Early Childhood Center	29,204	36,559
NAMI Gulf Coast	20,138	15,643
Resource & Crisis Center	28,072	42,037
Salvation Army	36,878	35,062
St. Vincent's House	24,068	41,398
Sunshine Center, Inc.	20,389	31,682
Teen Health Center	23,948	15,947
Y.M.C.A. - Galveston Family	-	3
Total Member Designations	<u>505,310</u>	<u>701,180</u>
Non-Member Designations	<u>18,456</u>	<u>39,652</u>
Total Member and Non-Member Designations	<u>\$ 523,766</u>	<u>\$ 740,832</u>

UNITED WAY OF GALVESTON, INC.

SCHEDULE OF OVERHEAD RATE

For the Year Ended December 31, 2020
(with comparative totals for the Year Ended December 31, 2019)

	United Way of Galveston, Inc.	Allowance for Uncollectible Pledges	Donor Designated Pledges	Adjusted Total	2019
Functional Expenses					
Management and general	\$ 58,023	\$ -	\$ -	\$ 58,023	\$ 94,236
Fundraising	15,813	-	-	15,813	25,452
Total Expenses	\$ 73,836	\$ -	\$ -	\$ 73,836	\$ 119,688
Revenue					
2020-2021 Campaign	\$ 270,525	\$ 20,708	\$ 252,429	\$ 543,662	\$ -
2019-2020 Campaign	108,981	-	-	108,981	613,249
2018-2019 Campaign	-	-	-	-	265,080
Other revenue	1,046,287	-	-	1,046,287	977,609
Investment income	16,102	-	-	16,102	22,160
Total Revenue	\$ 1,441,895	\$ 20,708	\$ 252,429	\$ 1,715,032	\$ 1,878,098
				4.31%	6.37%

Note: The overhead rate is equal to functional expenses less program cost divided by total revenues, including the custodian funds. The Organization has calculated its overhead rate using the Gross Method, as established by a committee of Chief Financial Officers of United Ways from throughout the country, under which functional expenses less program costs are divided by total public support and other revenues without deductions of an allowance for uncollectible pledges and donor designated pledges.