

**UNITED WAY OF GALVESTON, INC.**

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2016  
With Independent Auditors' Report**



**UNITED WAY OF GALVESTON, INC.  
FINANCIAL STATEMENTS**

**Years Ended December 31, 2016**

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## **FINANCIAL SECTION**



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
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, 2016, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Galveston, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Allocations and Designations to Agencies and Schedule of Overhead Rate, is 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.

*Whitley Penn LLP*

October 19, 2017  
Houston, Texas



**UNITED WAY OF GALVESTON, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**December 31, 2016**

*Exhibit A-1*

	<u>2016</u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 1,218,776
Investments	130,966
Receivables:	
Pledges receivable, net of allowance for uncollectible pledges of \$70,000	432,056
SECC reimbursement	85,156
Inventory recognition pins	11,025
Total Assets	<u>\$ 1,877,979</u>
 <b>Liabilities and Net Assets</b>	
Current Liabilities:	
Accounts Payable	\$ 3,135
Designations Payable (2016-2017 Campaign)	264,356
Total Liabilities	<u>267,491</u>
Net Assets:	
Unrestricted:	
Inventory	11,025
Board Appropriated	90,000
Operating	1,374,356
Total Unrestricted	<u>1,475,381</u>
Temporarily Restricted	135,107
Total Net Assets	<u>1,610,488</u>
Total Liabilities and Net Assets	<u>\$ 1,877,979</u>

See accompanying notes to the financial statements.

**UNITED WAY OF GALVESTON, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2016**

*Exhibit A-2*

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>Revenues, Gains and Other Support</b>			
Support:			
Gross Campaign Results (2016/2017)	\$ -	\$ 768,907	\$ 768,907
Less Donor Designations - SECC	-	(369,444)	(369,444)
Less Donor Designations - SECC United Way	-	(264,356)	(264,356)
Net Campaign Revenues (2016/2017)	-	135,107	135,107
Gross Campaign Results (2015/2016)	803,200	(803,200)	-
Less Donor Designations	(351,515)	351,515	-
Less provisions for uncollectables	(70,000)	70,000	-
Net Contributions Received in Prior Year, Released from Restriction in Current Year	381,685	(381,685)	-
	381,685	(246,578)	135,107
Additional Campaign Contributions from			
Prior Years	229,245	-	229,245
Other Contributions	141,747	-	141,747
Other Income	11,612	-	11,612
Net Unrealized Gain (Loss) on Investments	346	-	346
Investment Income	2,221	-	2,221
Total Revenue and Other Support	766,856	(246,578)	520,278
<b>Expenses</b>			
Program Services:			
Direct Aid	528,181	-	528,181
Less Donor Designations	(264,356)	-	(264,356)
Non-Member Designations	5,386	-	5,386
Other Distributions	149,654	-	149,654
Other Program Services	164,317	-	164,317
Total Program Services	583,182	-	583,182
Supporting Services:			
Management and General	26,584	-	26,584
Fund Raising	41,956	-	41,956
Functional Expenses	68,540	-	68,540
Total Expenses	651,722	-	651,722
Change in Net Assets	115,134	(246,578)	(131,444)
Net Assets, Beginning	1,608,447	381,685	1,990,132
Prior period adjustment	(248,200)	-	(248,200)
Net Assets, Ending	\$ 1,475,381	\$ 135,107	\$ 1,610,488

See accompanying notes to the financial statements.

**UNITED WAY OF GALVESTON, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2016**

*Exhibit A-3*

**Cash Flows from Operating Activities:**

Change in Net Assets	\$ (131,444)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:	
Net Unrealized Gain (Loss) on Investments	(346)
Interest Earnings	(2,221)
(Increase) Decrease in Operating Assets:	
Pledges Receivable	285,350
Other Receivables	(8,129)
Prepaid Expenses	787
Increase (Decrease) in Operating Liabilities:	
Accounts Payable	(95,935)
Allocations Payable to Participating Agencies	(327,291)
Designations payable	(40,687)
Total Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities	<u>(188,472)</u>
Net Cash Provided (Used) by Operating Activities	(319,916)
<b>Cash flows from Investing Activities:</b>	
Interest Earnings	2,221
Unrealized Gain(Loss) on Investments	<u>346</u>
Cash flows from Investing Activities:	2,567
Net Increase (Decrease) in Cash and Cash Equivalents	(317,349)
Beginning Cash and Cash Equivalents	<u>1,536,125</u>
Ending Cash and Cash Equivalents	<u><u>\$ 1,218,776</u></u>

See accompanying notes to the financial statements.

UNITED WAY OF GALVESTON, INC.  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**For the Year Ended December 31, 2016**

*Exhibit A-4*

	<u>Direct Aid</u>	<u>Other Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
<b>Operating Expenses Before Depreciation</b>					
Salaries and Related Expenses:					
Salaries and wages	\$ -	\$ 83,226	\$ 26,384	\$ 21,848	\$ 131,458
Employee Benefits	-	7,202	2,283	1,891	11,376
Payroll Taxes	-	7,834	2,483	2,057	12,374
Total Salaries and Related Expenses	-	98,262	31,150	25,796	155,208
Other Expenses:					
Allocations to agencies	528,181	-	-	-	528,181
(Less donor designations)	(264,356)	-	-	-	(264,356)
Non-member designations	5,386	-	-	-	5,386
Other allocations	149,654	-	-	-	149,654
Bank Charges	-	1,195	-	-	1,195
Advertising	-	12,650	-	5,421	18,071
Public Relations	-	3,463	-	-	3,463
Community Awareness	-	9,536	-	-	9,536
Insurance	-	2,759	874	724	4,357
Membership Dues	-	1,719	545	451	2,715
Miscellaneous expenses	-	8,134	2,578	2,135	12,847
Occupancy Expenses	-	12,493	3,960	3,279	19,732
Information Technology	-	3,794	1,264	1,264	6,322
Office Supplies	-	4,157	1,318	1,091	6,566
Postage and Shipping	-	181	58	48	287
Professional Fees	-	-	25,508	-	25,508
Repairs and Maintenance	-	3,434	1,089	901	5,424
Telephone	-	2,540	846	846	4,232
SECC Reimbursement of Expenses	-	-	(42,606)	-	(42,606)
Total Other Expenses	418,865	66,055	(4,566)	16,160	496,514
Total Expenses	<u>\$ 418,865</u>	<u>\$ 164,317</u>	<u>\$ 26,584</u>	<u>\$ 41,956</u>	<u>\$ 651,722</u>

See accompanying notes to the financial statements.

# UNITED WAY OF GALVESTON, INC.

## NOTES TO THE FINANCIAL STATEMENTS

### A. Organization, Nature of Activities and Significant Accounting Policies

#### 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

United Way of Galveston, Inc. 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. United Way of Galveston, Inc. services touched over 75,000 lives in the community last year. In addition, United Way of Galveston, Inc. connects people with services through 2-1-1 Texas in order to bring services closer to where people live.

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

#### 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 statement of activities as an increase in unrestricted net assets unless the use of income is limited to donor imposed restrictions.

#### 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 the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

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.

**UNITED WAY OF GALVESTON, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**A. Organization, Nature of Activities and Significant Accounting Policies (continued)**

**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. Substantially all of the pledges receivables are from corporations and individuals.

Community-wide donations and pledges are recorded as temporarily restricted revenues in the campaign year and released into unrestricted net assets as time 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)*

**Property and Equipment and Depreciation**

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Purchased property and equipment are recorded at cost and depreciated over their useful life on a straight-line basis. The Organization capitalizes all property and equipment purchased in excess of \$1,000.

At present, the Organization does not have any depreciable assets.

**Contributed Services**

The amount of contributed services received in 2016 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.

**UNITED WAY OF GALVESTON, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**A. Organization, Nature of Activities and Significant Accounting Policies (continued)**

**Contributions**

The Organization has adopted *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-310-50-1, "Accounting for Contributions Received and Contributions Made."* In accordance with FASB ASC 958-310-50-1, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under FASB ASC 958-310-50-1, contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction.

**Advertising costs**

Advertising costs are expensed as incurred. For the year ended December 31, 2016 advertising expenses were \$18,071 .

**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's federal Exempt Organization Business Tax Returns (Form 990) for 2015, 2014 and 2013 are subject to examination by the IRS, generally for three years after they are filed.

**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.

**Financial Statement Presentation**

The Organization has adopted Statement of *Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-225-45, "Other Presentation Matters"*. Under FASB ASC 958-225-45, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

**UNITED WAY OF GALVESTON, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**A. Organization, Nature of Activities and Significant Accounting Policies (continued)**

**Concentrations**

Financial instruments that potentially subject the Organization to credit risk include cash balances at banks, at year-end, cash balances did not exceed FDIC coverage, with the exception of accounts with Merrill Lynch which exceeded FDIC coverage of \$250,000 by \$755,497. The Organization purchased CD's with a total value of \$565,917 for collateral coverage.

Financial instruments also include pledges receivable amounting to \$432,056 in 2016, which, by their nature, are not collateralized. These receivables are due primarily from employees of the University of Texas Medical Branch (UTMB) and other local businesses (Note B).

**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, 2016

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.



**UNITED WAY OF GALVESTON, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**B. 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 current amount of \$70,000 for uncollectible pledges is considered sufficient based on historical data and expectations at December 31, 2016. The pledges are due within one year as follows.

	<u>2016</u>
Pledges receivable 2015.2016 campaign	\$ 130,123
Pledges receivable 2016.2017 campaign	371,933
Allowance for uncollectible	<u>(70,000)</u>
Net	<u>\$ 432,056</u>

**C. Property and Equipment and Depreciation**

No assets are set up for depreciation at this time.

**D. Designated Unrestricted Net Assets**

The Board of Directors has designated unrestricted net assets 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 unrestricted net assets based on their value at year-end.

Board Appropriated - This reserve was appropriated by the Board for two separate functions. The first reserve is to place \$32,069 with the Houston Community Foundation to be pooled with the multibillion dollar corpus of the Foundation. The money is held in trust on behalf of the United Way of Galveston, Inc. with the opportunity to earn a higher return on the money, as well as receiving assistance for the Foundation in various areas of the United Way of Galveston, Inc. The second reserve in the amount of \$50,000 used to fund a disaster relief fund as part of a Memo of Understanding between the United Way of Galveston, Inc. and The Galveston County Recovery Fund. These funds would be utilized in the event of a federally declared disaster in Galveston or Galveston County. The funds would be used to meet immediate needs of residents in the event of a disaster.

Unrestricted net assets are illustrated on page 3 of the financial statements.

**E. Restrictions on Net Assets**

The restrictions on net assets at the end of 2016 relate to pledges receivable for the subsequent years' allocations to participating agencies and its operating budget. The amount restricted at December 31, 2016 is \$135,107.

**F. 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 2016 were \$11,376 .

**UNITED WAY OF GALVESTON, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**G. 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.

**H. Commitments and Contingencies**

**Leases**

The Organization renewed its two-year lease agreement commencing July 1, 2015 through June 30, 2017 for approximately 903 square feet of office space with the Waverly Holding Company. The lease calls for monthly rental payments on or before the first of the month. The renewal calls for a 3% increase for each of the two years of the lease obligation. Monthly payments for 2015-2016 are \$1,490 and increase to \$1,586 for 2016-2017. The lease obligation for 2017 is \$9,516.

Rental expenses amounted to \$19,732 in 2016.

**I. Related Parties**

The Organization performs fundraising and administrative functions for the area State Employees Charitable Campaign (SECC) and is reimbursed for expenses based on actual expenditures incurred relative to the campaign.

The results of the SECC campaign are then included in results of the corresponding United Way campaign and amounts designated by donors to member or non-member agencies are included in donor designations. Accordingly, only amounts pledged through the SECC campaign, which are available to the Organization for general allocations and costs, are included in the net campaign results.

**J. 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 for the State Employee Charitable Campaign (Custodial Funds). The United Way acts as an agent for this campaign and in accordance with FASB ASC 958-905 (formally SFAS 116 paragraph 9) does not record contribution revenue or allocation expense on the Statement of Activities. Any undistributed custodial funds as of the end of the period are recorded on the statement 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.

Donor designations at December 31, 2016 amounted to \$264,356. This amount consists of donor designations made through the State Employees Charitable Contribution Campaign.

**UNITED WAY OF GALVESTON, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**K. Prior Period Adjustment**

The financial statements have been adjusted to reflect the recognition of the campaign expense in the correct year for the donor designations. The net impact of the correction was a \$248,200 decrease in beginning unrestricted net assets.

**L. Subsequent Events**

Management has evaluated all subsequent events and transactions for potential recognition or disclosure through September 26, 2017, the date the financial statements were available for issuance.

United Way Galveston would like to disclose the following - (1) On September 1<sup>st</sup> the United Way of Galveston agreed to serve as the fiscal agent of the Galveston County Recovery Fund. An undetermined amount of funds will be collected and disbursed by United Way of Galveston. United Way of Galveston estimates the amount of funds collected and disbursed to be approximately \$1.5M. (2) On September 1<sup>st</sup> the United Way of Galveston agreed to serve as the fiscal agent of the UTMB Employee Relief Fund. An undetermined amount of funds will be collected and disbursed by the United Way of Galveston. United Way of Galveston estimates the amount of funds collected and disbursed to be approximately \$150,000.

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**ADDITIONAL FINANCIAL INFORMATION**

**UNITED WAY OF GALVESTON, INC.**  
**SCHEDULE OF ALLOCATIONS AND DESIGNATIONS TO AGENCIES**  
**For the Year Ended December 31, 2016**

*Exhibit B-1*

	<u>2016</u>
<b>Member Agencies Designations</b>	
Access Care of Coastal Texas	\$ 5,070
Galveston Island Meals on Wheels	25,000
American Red Cross	1,053
ADA Womens Center	19,246
Advocacy Center	27,484
Boys & Girls Club of Galveston	35,000
Boy Scouts of America	19,938
Children's Center	13,351
Communities in Schools	279
Family Service Center	40,000
Galveston County - Big Brothers Big Sisters	15,741
Galveston College Foundation	7,103
GISD Education Foundation	19,146
Galveston County Food Bank	53,381
Libbie's Place	19,888
NAMI Gulf Coast	10,000
St. Vincent's House	43,875
Salvation Army	42,631
Catholic Charities	24,000
Sunshine Supportive Employment	20,000
United Way of Texas (Affiliate)	6,307
Y.M.C.A. - Galveston Family	15,023
Resource & Crisis Center	50,000
Teen Health Center	14,665
<b>Total Member Designations</b>	<u>528,181</u>
<b>Non-Member Designations</b>	5,386
<b>Total Member and Non-Member Designations</b>	<u><u>\$ 533,567</u></u>

**UNITED WAY OF GALVESTON, INC.**  
**SCHEDULE OF OVERHEAD RATE**  
**For the Year Ended December 31, 2016**

*Exhibit B-2*

	<b>United Way of Galveston, Inc.</b>	<b>Custodial Funds</b>	<b>Eliminations</b>	<b>Adjusted Total</b>
<b>Functional Expenses</b>				
Management and general	\$ 26,584			\$ 26,584
Fundraising	41,956			41,956
<b>Total Expenses</b>	<b>\$ 68,540</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 68,540</b>
<b>Revenue</b>				
2015-2016 Campaign	\$ 444,794	\$ 587,661	\$ (351,515)	\$ 680,940
Other revenue	153,705			153,705
Investment income	2,221			2,221
<b>Total Revenue</b>	<b>\$ 600,720</b>	<b>\$ 587,661</b>	<b>\$ (351,515)</b>	<b>\$ 836,866</b>

8.19%

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. Program costs include an allocation of 40% of administrative expenses based on the Full-Time Equivalent Employee Method.