

**UNITED WAY – GALVESTON
COUNTY MAINLAND, INC.**

FINANCIAL STATEMENTS

**Years Ended December 31, 2020 and 2019
With Independent Auditors' Report**

**UNITED WAY – GALVESTON
COUNTY MAINLAND, INC.**

FINANCIAL STATEMENTS

Years Ended December 31, 2020 and 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Way - Galveston County Mainland, Inc.
Texas City, Texas

We have audited the accompanying financial statements of United Way - Galveston County Mainland, 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 - Galveston County Mainland, 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 Schedule of Cash and Investments, Schedule of Promises to Give, Schedule of Allocations to Participating Agencies, Schedule of Grants Paid to Participating Agencies, and Schedule of Expenses – Budgeted and Actual 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 - Galveston County Mainland, Inc.'s 2019 financial statements, and our report dated August 13, 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
August 5, 2021

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 732,996	\$ 1,002,554
Investments	976,491	1,144,195
Prepaid items	5,444	13,457
Receivables:		
Unconditional promises to give, net	1,291,185	1,216,032
Other receivables	1,000	-
Total current assets	<u>3,007,116</u>	<u>3,376,238</u>
Property and equipment:		
Land	42,930	42,930
Buildings and improvements	482,424	479,342
Furniture and equipment	116,176	111,526
Vehicles	32,843	15,000
	<u>674,373</u>	<u>648,798</u>
Less: accumulated depreciation	<u>(159,811)</u>	<u>(142,918)</u>
Total property and equipment, net	514,562	505,880
Other assets:		
Deposits	800	800
Total other assets	<u>800</u>	<u>800</u>
Total assets	<u>\$ 3,522,478</u>	<u>\$ 3,882,918</u>
Liabilities and Net Assets		
Accounts payable	\$ 9,400	\$ 15,199
Allocations payable to participating agencies	1,105,008	1,520,331
Designations payable	233,892	88,819
Grants payable	50,000	50,000
Total current liabilities	<u>1,398,300</u>	<u>1,674,349</u>
Grants payable, net of current portion	<u>-</u>	<u>50,000</u>
Total liabilities	1,398,300	1,724,349
Net assets:		
Without donor restrictions:		
Fixed assets	514,562	505,880
Board designated	350,000	350,000
Operating	(7,862)	(149,781)
Total without donor restrictions	<u>856,700</u>	<u>706,099</u>
With donor restrictions	<u>1,267,478</u>	<u>1,452,470</u>
Total net assets	<u>2,124,178</u>	<u>2,158,569</u>
Total liabilities and net assets	<u>\$ 3,522,478</u>	<u>\$ 3,882,918</u>

See accompanying notes to the financial statements.

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2020 and Comparative Totals for 2019

	Without donor restrictions	With donor restrictions	Totals	
			2020	2019
Revenues, Gains, and Other Support				
Support:				
Gross campaign results (2020/2021)	\$ -	\$ 2,158,042	\$ 2,158,042	\$ -
Less: donor designations	-	(239,420)	(239,420)	-
Less: provisions for uncollectible	-	(379,603)	(379,603)	-
Net campaign revenues (2020/2021)	-	1,539,019	1,539,019	-
Gross campaign results (2019/2020)	1,956,160	(1,956,160)	-	1,956,160
Less: donor designations	(112,984)	112,984	-	(112,984)
Less: provisions for uncollectible	(119,165)	119,165	-	(119,165)
Net contributions received in prior year, released from restriction in current year	1,724,011	(1,724,011)	-	1,724,011
Total campaign results	1,724,011	(184,992)	1,539,019	1,724,011
Additional support from				
Other contributions	77,533	-	77,533	107,093
Contributed vehicles	17,843	-	17,843	-
Service fees	577	-	577	771
Grants	16,010	-	16,010	6,000
Net unrealized gain on investments	14,933	-	14,933	14,208
Investment income	19,519	-	19,519	14,245
Governmental grant (PPP)	71,000	-	71,000	-
Total revenues, gains, and other support	1,941,426	(184,992)	1,756,434	1,866,328
Expenses				
Program services:				
Direct aid	1,458,203	-	1,458,203	1,878,814
Less: donor designations	(239,420)	-	(239,420)	(112,984)
Other program services	444,798	-	444,798	474,004
Total program services	1,663,581	-	1,663,581	2,239,834
Supporting services:				
Management and general	74,607	-	74,607	84,678
Fund raising	52,637	-	52,637	104,440
Total supporting services	127,244	-	127,244	189,118
Total expenses	1,790,825	-	1,790,825	2,428,952
Change in net assets	150,601	(184,992)	(34,391)	(562,624)
Net assets, beginning	706,099	1,452,470	2,158,569	2,721,193
Net assets, ending	\$ 856,700	\$ 1,267,478	\$ 2,124,178	\$ 2,158,569

See accompanying notes to the financial statements

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
	2020	2019
	<u> </u>	<u> </u>
Cash Flows from Operating Activities:		
Change in net assets	\$ (34,391)	\$ (562,624)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	16,893	21,566
Net unrealized gain on investments	(14,933)	(14,208)
Contributed vehicles	(17,843)	-
(Increase) decrease in operating assets:		
Unconditional promises to give	(75,153)	506,152
Other receivables	(1,000)	-
Prepaid expenses	8,013	7,819
Increase (decrease) in operating liabilities:		
Accounts payable	(5,799)	11,746
Allocations payable to participating agencies	(415,323)	(32,695)
Designations payable	145,073	(44,055)
Grants payable	(50,000)	65,083
	<u> </u>	<u> </u>
Total adjustments to reconcile change in net assets to net cash used in operating activities	(410,072)	521,408
Net cash used in operating activities	<u>(444,463)</u>	<u>(41,216)</u>
 Cash Flows from Investing Activities:		
Sale of investments	182,637	11,548
Purchase of property and equipment	(7,732)	(35,857)
Net cash provided by (used in) operating activities	<u>174,905</u>	<u>(24,309)</u>
 Net decrease in cash and cash equivalents	(269,558)	(65,525)
Beginning cash and cash equivalents	<u>1,002,554</u>	<u>1,068,079</u>
 Ending cash and cash equivalents	<u>\$ 732,996</u>	<u>\$ 1,002,554</u>

See accompanying notes to the financial statements

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

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

	Program Services			Supporting Services			Total Expenses	
	Direct	Other Program Services	Total	Management and General	Fund Raising	Total	2020	2019
Operating Expenses Before Depreciation								
Salaries and related expenses:								
Salaries and wages	\$ -	\$ 225,082	\$ 225,082	\$ 37,595	\$ 27,988	\$ 65,583	\$ 290,665	\$ 296,629
Employee benefits	-	39,117	39,117	6,534	4,864	11,398	50,515	68,815
Payroll taxes	-	17,334	17,334	2,896	2,155	5,051	22,385	22,930
Total salaries and related expenses	-	281,533	281,533	47,025	35,007	82,032	363,565	388,374
Other expenses:								
Allocations and grants to participating agencies	1,458,203	-	1,458,203	-	-	-	1,458,203	1,878,814
Less: donor designations	(239,420)	-	(239,420)	-	-	-	(239,420)	(112,984)
Bank charges	-	3,029	3,029	524	300	824	3,853	9,106
Campaign expenses - advertising	-	8,628	8,628	1,078	1,079	2,157	10,785	17,405
Campaign expenses - general	-	15,902	15,902	2,473	2,827	5,300	21,202	32,277
Conferences, conventions, and meetings	-	10,322	10,322	1,788	1,021	2,809	13,131	18,617
Community awareness	-	8,863	8,863	1,535	877	2,412	11,275	33,961
Insurance	-	8,252	8,252	1,429	816	2,245	10,497	11,185
Membership dues	-	35,560	35,560	6,160	3,517	9,677	45,237	39,459
Miscellaneous expenses	-	10,053	10,053	1,742	994	2,736	12,789	14,931
Occupancy expenses - general	-	534	534	92	53	145	679	632
Occupancy expenses - utilities	-	8,094	8,094	1,402	801	2,203	10,297	10,334
Office supplies	-	4,879	4,879	845	483	1,328	6,207	11,968
Postage and shipping	-	282	282	49	28	77	359	389
Professional fees	-	20,964	20,964	3,631	2,074	5,705	26,669	32,802
Repairs and maintenance	-	5,599	5,599	970	554	1,524	7,123	11,878
Telephone	-	9,025	9,025	1,563	893	2,456	11,481	8,238
Total other expenses	1,218,783	149,986	1,368,769	25,281	16,317	41,598	1,410,367	2,019,012
Total expenses before depreciation	1,218,783	431,519	1,650,302	72,306	51,324	123,630	1,773,932	2,407,386
Depreciation	-	13,279	13,279	2,301	1,313	3,614	16,893	21,566
Total expenses	\$ 1,218,783	\$ 444,798	\$ 1,663,581	\$ 74,607	\$ 52,637	\$ 127,244	\$ 1,790,825	\$ 2,428,952

See accompanying notes to the financial statements

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020 and 2019

A. Organization, Nature of Activities

Organization

United Way - Galveston County Mainland, Inc., a nonprofit organization, was incorporated in the State of Texas in 1957. The Internal Revenue Service (“IRS”) has determined that the United Way - Galveston County Mainland, Inc. (the “Organization”) is exempt from Federal income tax under Section 501(a) of the Internal Revenue Code (the “Code”) as an Organization described in Section 501(c)(3). 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 is a nonprofit organization which raises and distributes funds to local non-profit organizations in Galveston County that provide family aid and services, healthcare, handicapped and special needs, youth character building, and senior citizen life enhancement support to those in need.

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.

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.

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of six months or less to be cash equivalents.

Investments

Investments consist of short- and long-term certificates of deposit which bear interest at rates ranging from .01% to .75%. These funds are subject to penalty if withdrawn prior to stated date of maturity.

Prepaid Expenses

Prepaid expenses consist of amounts paid for insurance covering future periods and campaign supplies purchased during the year that will be used in future periods.

Promises to Give

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 net assets without donor 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 restriction depending on the nature of the restrictions. When a restriction expires, net assets with donor restriction 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.

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 pledge receivables are from corporations and individuals.

Community-wide donations and pledges are recorded as donor restricted revenues in the campaign year and released into net assets without donor restriction 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 United Way 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)*.

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Property and Equipment

Property and equipment are carried at cost, if purchased, or if donated, at the estimated fair value at the date of donation. Property and equipment 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 net assets with donor restriction to net assets without donor restriction at that time. The Organization capitalizes all property and equipment in excess of \$1,000. Depreciation is provided on the straight-line method over the assets' estimated service lives. Expenditures for maintenance and repairs are charged to expense in the period in which they are incurred, and betterments are capitalized. The cost of assets sold or abandoned and the related accumulated depreciation are eliminated from the accounts and any gains or losses are reflected in the accompanying statement of activities of the respective period. The estimated useful lives of buildings and building improvements range from 15 to 40 years and the estimate useful lives of vehicles and office equipment range from 5 to 10 years.

Long-Lived Assets

Long-lived assets are required to be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows that the assets are expected to generate. If long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value and is recorded in the period the determination was made. Based upon management's assessment, there was no impairment of long-lived assets at December 31, 2020.

Contributed Services

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

Contributed Assets

Contributed assets are recorded at their estimated fair value (as determined by management) at the date of donation. During the year ended December 31, 2020, the company received two vehicles as donations valued at approximately \$17,000. The organization has capitalized these assets under vehicles in the statement of financial position. The organization did not receive any contributed assets meeting the Organization's capitalization policy during the year ended December 31, 2019.

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

B. Summary of Significant Accounting Policies – continued

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 unrestricted use unless specifically restricted by the donor

Grants Payable

Grants payable are unconditional promises to give that are expected to be paid within one year and are recorded at net realizable value. Unconditional promises to give that are expected to be paid in future years are recorded at the present value of their estimated future cash flows. The premiums on those amounts are not material to the overall financial statements and therefore have not been accounted for. Conditional promises to give are not included as an expense until the conditions are met.

As of December 31, 2020, grants payable consisted of an unconditional promise to give in the amount of \$50,000 which is to be paid within one year. As of December 31, 2019, grants payable consisted of unconditional promises to give in the amount of \$100,000.

Advertising Costs

Advertising costs are expensed as incurred and amounted to \$10,785 in 2020 and \$17,405 in 2019.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the 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.

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.

UNITED WAY - GALVESTON COUNTY MAINLAND, 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 GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations

Financial instruments that potentially subject the Organization to credit risk include cash balances at banks, which exceeded the related federal deposit insurance by \$111,132 in 2020 and \$51,723 in 2019. The Organization does not require its financial institution to pledge collateral for its deposits in excess of FDIC insured amounts. Financial instruments also include pledges receivable amounting to \$1,291,185 and \$1,216,032 in 2020 and 2019, respectively, which, by their nature, are not collateralized. The Organization derives a substantial amount of contributions from the employees of local oil and chemical companies. Any significant change in this industrial environment could materially affect the Organization's financial position (Note C).

Fair Values Measurements

GAAP establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

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.

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

B. Summary of Significant Accounting Policies – continued

Fair Values Measurements – continued

The Organization only has certificates of deposit which are valued at the principal plus accrued interest which approximates fair value. The Organization did not have any Level 2 or 3 assets or liabilities at December 31, 2020 or 2019.

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 and minimize the use of unobservable inputs.

Paycheck Protection Program

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 amounts granted 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 amounts granted to the date that SBA remits the recipient's forgiveness amount to the lender. The amounts granted may be forgiven, in part or whole, if the proceeds are used to retain and pay employees and for other qualifying expenditures.

The Company has elected to account for the PPP amounts granted in accordance with Accounting Standards Codification 958 – 605 Not-For-Profit Conditional Contributions Received, which states that conditional contributions are substantially met or explicitly waived. In cases where conditions are met over time or in stages, contributions should be recognized as qualifying expenses are incurred. Under this model, the proceeds received from the PPP are recognized as a refundable advance until the conditions for forgiveness are substantially met. The recipient would subsequently recognize contribution revenue as it incurs qualifying PPP expenses (mortgage, rent, utilities, & payroll). As such, the amount of \$71,000 is reflected as a governmental grant on the statement of activities for the year ended December 31, 2020 as the full amount had been utilized on qualifying expenses during 2020. During April 2021, the Organization received formal forgiveness for the amount granted amounting to \$71,000.

Reclassifications

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

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

C. Unconditional Promises to Give

Unconditional promises to give consist of pledges to be used to fund the subsequent years operating budgets including allocations to participating agencies. The promises are due within one year as follows:

	<u>2020</u>	<u>2019</u>
Pledges Receivable	\$ 1,404,895	\$ 1,302,621
Allowance for Uncollectible	<u>(113,710)</u>	<u>(86,589)</u>
Net	<u>\$ 1,291,185</u>	<u>\$ 1,216,032</u>

D. Allowance for Uncollectible Promises to Give

The allowance for uncollectible pledges reflected on the financial statements is an estimate based upon historical data and amounted to \$113,710 in 2020 and \$86,589 in 2019. It is at least reasonably possible that a change in the estimate could occur in the near term.

Bad debt expense, which is offset against current year contribution revenue, amounted to \$379,603 in 2020 and \$119,165 in 2019. The increase in bad debt is a result of both an increase in uncollectible promises to give from prior year and the allowance for uncollectible promises to give during the year.

E. Property and Equipment and Depreciation

Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives of the assets. At December 31, 2019 and 2020, the costs of such assets were as follows:

	<u>Balance 12/31/19</u>	<u>Additions</u>	<u>Balance 12/31/20</u>
Land	\$ 42,930	\$ -	\$ 42,930
Buildings and improvements	479,342	3,082	482,424
Furniture, fixtures, and equipment	111,526	4,650	116,176
Vehicles	<u>15,000</u>	<u>17,843</u>	<u>32,843</u>
Total cost	648,798	25,575	674,373
Less accumulated depreciation	<u>(142,918)</u>	<u>(16,893)</u>	<u>(159,811)</u>
	<u>\$ 505,880</u>	<u>\$ 8,682</u>	<u>\$ 514,562</u>

Depreciation expense totaled \$16,893 for the year ended December 31, 2020 and \$21,566 for the year ended December 31, 2019.

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

F. Designated Net Assets without Donor Restriction

In 1986 and 1987, the Organization designated \$450,000 of its net assets for use on the mainland of Galveston County with approval by the Board of Directors. In 2005, the Organization designated an additional \$25,000 of its net assets for use in case of natural disasters on the mainland of Galveston County, with approval of the Board of Directors, bringing the total Board Designated net assets to \$475,000. In 2015, the Board of Directors reduced this allocation to \$350,000 and is reflected for both years.

G. Net Assets with Donor Restrictions

The restrictions on net assets at the end of 2020 and 2019 relate to promises to give for the subsequent years' allocations to participating agencies and its operating budget and amounted to \$1,267,478 in 2020 and \$1,452,470 in 2019.

H. Accumulated Unpaid Vacation, Sick Pay and Other Employee Benefit Amounts

Accumulated unpaid vacation, sick pay, and other employee benefit amounts are not accrued in the accompanying statements because the amount is not considered to be significant.

I. Deferred Compensation Plan (Section 403 (B))

All full-time employees with at least one year of service may elect to participate in the Organization's Deferred Compensation Plan. The plan's retirement benefit is funded through tax-deferred contributions made by the participating employee and made on behalf of the employee by the Organization. Each participating employee must contribute a minimum of 2% and may contribute up to 9% of their annual salary. The Organization contributes 9% on behalf of each participating employee. The employee is immediately vested in all contributions to the plan. Upon separation from service, employees may elect to receive all tax-deferred contributions, plus interest earned, in either a lump sum cash payment or in monthly distributions. Contributions made by the Organization on behalf of employees amounted to \$24,939 in 2020 and \$28,193 in 2019.

J. Administrative Fees

The Organization charges a 15% service fee to non-member agencies that receive designated pledges from donors as part of the annual campaign. These service fees amounted to \$577 in 2020 and \$771 in 2019.

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

K. Campaign Expenses – General and Advertising

Campaign expenses - General are made up of the following:

	<u>2020</u>	<u>2019</u>
Catering	\$ 692	\$ 2,763
Campaign supplies and promotional items	21,202	32,277
Other campaign expenses	<u>10,093</u>	<u>14,642</u>
Total	<u>\$ 31,987</u>	<u>\$ 49,682</u>

L. 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.

M. Commitments and Contingencies

Leases

During the year ended December 31, 2019, the Organization entered into an operating lease for office equipment. The lease requires monthly lease payments of \$210 for a term of sixty months and is non-cancelable.

At December 31, 2020, the aggregate minimum lease payments are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2021	\$ 2,522
2022	2,522
2023	2,522
2024	2,312
Thereafter	<u>-</u>
	<u>\$ 9,878</u>

Rental expenses amounted to \$2,262 in 2020 and \$4,048 in 2019.

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

N. 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.

O. Liquidity and Availability of Resources

The Organization has \$1,733,194 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 \$732,996, unconditional promises to give of \$1,291,185, and investments of \$976,491 which mature within one year of the financial statement date. These amounts are reduced by net assets with donor restrictions of \$1,267,478 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 \$1,910,311 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 \$1,002,554, unconditional promises to give of \$1,216,032, and investments of \$1,144,195 which mature within one year of the financial statement date. These amounts are reduced by net assets with donor restrictions of \$1,452,470 which are subject to the restrictions specified by the donor and make them unavailable for general expenditure.

P. Subsequent Events

In preparing the financial statements, management has evaluated all subsequent events and transactions for potential recognition or disclosure through August 5, 2021, the date the financial statements were available for issuance.

During 2021, the Organization has applied for a second PPP grant in the amount of \$79,935, which was approved by the SBA in February 2021. The Organization has used the full proceeds received from the PPP in accordance with the provisions of the CARES Act and therefore expects to receive full forgiveness of the amount granted. The Organization has also elected to account for the proceeds received from the second PPP grant in accordance with Accounting Standards Codification 958-605 Not-For-Profit Conditional Contributions Received.

SUPPLEMENTARY INFORMATION

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

SCHEDULE OF CASH AND INVESTMENTS

	December 31,	
	2020	2019
Cash in Banks and Savings and Loan Associations		
Amoco Federal Credit Union, Texas City, Texas	\$ 2,323	\$ 20,036
Amoco Federal Credit Union, Texas City, Texas - Harvey Fund	1,365	14,479
Regions Bank, Texas City, Texas	4,235	162,205
TDECU, Texas City, Texas	105,295	254,141
Texas First Bank, Texas City, Texas	85,978	13,963
Moody National Bank, Texas City, Texas	35,858	45,269
Mainland Bank, Texas City, Texas	2,626	12,357
BBVA Compass Bank, Texas City, Texas	258,178	243,245
Amegy Bank of Texas, Texas City, Texas	237,052	236,844
Petty cash	86	15
Total cash in banks and savings and loan associations	<u>732,996</u>	<u>1,002,554</u>
Investments		
Bank of America, Texas City, Texas	34,937	214,914
Moody National Bank of Texas, Texas City, Texas	100,028	100,028
Amoco Federal Credit Union, Texas City, Texas	227,265	227,265
Prosperity Bank, Hitchcock, Texas	135,858	133,305
Mainland Bank, Texas City, Texas	99,909	100,001
Merrill Lynch, Galveston, Texas	109,843	109,974
Texas First Bank, Texas City, Texas	268,651	258,708
Total investments	<u>976,491</u>	<u>1,144,195</u>
Total cash and investments in banks	<u>\$ 1,709,487</u>	<u>\$ 2,146,749</u>

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

SCHEDULE OF PROMISES TO GIVE

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

	December 31,	
	<u>2020</u>	<u>2019</u>
Promises to Give		
Promises to give for 2019 allocation year	\$ -	\$ 230,645
Promises to give for 2020 allocation year	108,767	1,071,976
Promises to give for 2021 allocation year	1,296,128	-
Total promises to give	<u>1,404,895</u>	<u>1,302,621</u>
Less: Estimated Uncollectible Promises to Give		
Estimated uncollectible promises to give for 2019 allocation year	-	(86,589)
Estimated uncollectible promises to give for 2020 allocation year	<u>(113,710)</u>	<u>-</u>
Total estimated uncollectible promises to give	<u>(113,710)</u>	<u>(86,589)</u>
Net promises to give	<u>\$ 1,291,185</u>	<u>\$ 1,216,032</u>

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

SCHEDULE OF ALLOCATIONS TO PARTICIPATING AGENCIES

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

	December 31,	
	2020	2019
Local Agencies		
ADA Women's Center	\$ 54,000	\$ 60,000
Advocacy Center of Children of Galveston County	19,900	19,900
City of Texas City Senior Program	34,000	34,000
Family Services Center	120,000	160,000
Galveston County Food Bank	100,000	110,000
Gulf Coast Center	10,000	37,500
Hitchcock Family Welfare	78,000	78,000
Hospice Care Team	25,000	25,000
Independence Village	35,000	35,000
Interfaith Caring Ministries	51,500	51,500
M. I. Lewis Social Service Center	170,000	174,000
Mainland Children's Partnership	15,000	17,000
Resource Crisis Center of Galveston County	54,000	60,000
Santa Fe Family Service	60,000	60,000
Special Friends	13,500	15,500
Sunshine Center	42,500	50,000
The Arc of the Gulf Coast	17,000	20,000
The Children's Center	63,000	75,000
Total local agencies	<u>962,400</u>	<u>1,082,400</u>
Area-Wide Agencies		
Adapt Foundation - Brazos Place	-	15,000
American Red Cross	10,000	35,500
Bay Area Council Boy Scouts of America	37,000	40,000
Big Brothers & Big Sisters Gulf Coast	49,000	58,000
Catholic Charities of the Archdiocese of Galveston - Houston	100,000	120,000
CASA of Galveston County	35,000	35,000
DePelchin Children's Center	5,000	25,000
Girl Scouts of San Jacinto Council	10,000	21,250
Lone Star Legal Aid	30,500	30,500
NAMI Gulf Coast	30,000	45,000
The Salvation Army	70,000	101,500
Total area-wide agencies	<u>376,500</u>	<u>526,750</u>
Total allocations to participating agencies	1,338,900	1,609,150
Allocations, Special Allocations, and Grants		
Special allocations to other United Ways and/or programs	86,972	39,049
Designated Grants	31,500	150,000
Disaster Recovery Grant - Harvey	5,790	108,517
Grants from Funds Available for Distribution	7,200	25,431
Total allocations, special allocations, and grants	131,462	322,997
Decrease in budgeted allocations	<u>(12,159)</u>	<u>(53,333)</u>
Total allocations to participating agencies	<u>\$ 1,458,203</u>	<u>\$ 1,878,814</u>

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.
SCHEDULE OF GRANTS PAID TO PARTICIPATING AGENCIES

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

	December 31,	
	2020	2019
Operating Grants		
ADA Women's Center	\$ 5,000	\$ -
City of Santa Fe Resiliency Center	-	7,500
Hitchcock ISD Foundation	-	7,931
Independence Village	2,200	-
SFISD Education Foundation	-	10,000
Total operating grants	7,200	25,431
 Total grants to participating agencies	\$ 7,200	\$ 25,431

UNITED WAY - GALVESTON COUNTY MAINLAND, INC.

SCHEDULE OF EXPENSES - BUDGETED AND ACTUAL

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

	2020			2019
	Budget	Actual	(Over) / Under	
Expenses (Excluding Allocations and Grants)				
Salaries and wages	\$ 298,000	\$ 290,665	\$ 7,335	\$ 296,629
Employee benefits	74,820	50,515	24,305	68,815
Payroll taxes	22,797	22,385	412	22,930
Bank charges	300	3,853	(3,553)	9,106
Campaign expenses - advertising	3,400	10,785	(7,385)	17,405
Campaign expenses - general	16,546	21,202	(4,656)	32,277
Conferences, conventions, and meetings	13,000	13,131	(131)	18,617
Community awareness	14,911	11,275	3,636	33,961
Insurance	9,054	10,497	(1,443)	11,185
Membership dues / affiliated organizations	26,475	45,237	(18,762)	39,459
Web and application server	8,000	12,789	(4,789)	14,931
Occupancy expenses	6,688	679	6,009	632
Occupancy expenses - utilities	10,541	10,297	244	10,334
Office supplies	13,121	6,207	6,914	11,968
Postage and shipping	229	359	(130)	389
Professional fees	20,409	26,669	(6,260)	32,802
Repairs and maintenance	6,477	7,123	(646)	11,878
Telephone	7,633	11,481	(3,848)	8,238
Purchase equipment	2,000	-	2,000	-
Depreciation	23,000	16,893	6,107	21,566
Miscellaneous / contingency	17,000	-	17,000	-
Total expenses (excluding allocations and grants)	\$ 594,401	\$ 572,042	\$ 22,359	\$ 663,122

Recapitulation of total expenses as reported on the Statement of Activities for the year ended December 31, 2020 and 2019.

	2020	2019
Expenses other than allocations and grants	\$ 572,042	\$ 663,122
Allocations and grants to participating agencies	1,458,203	1,878,814
Less: donor designations	(239,420)	(112,984)
Total expenses	\$ 1,790,825	\$ 2,428,952