

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

**United Way of Metropolitan Dallas, Inc. and
United Way Foundation of Metropolitan Dallas**

June 30, 2020 and 2019

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GRANT THORNTON LLP

1717 Main St., Suite 1800
Dallas, TX 75201-4657

D +1 214 561 2300

F +1 214 561 2370

S [linkd.in/grantthorntonus](https://www.linkedin.com/company/grantthorntonus)

twitter.com/grantthorntonus

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**Board of Directors**

United Way of Metropolitan Dallas, Inc. and
United Way Foundation of Metropolitan Dallas

Report on the financial statements

We have audited the accompanying consolidated financial statements of United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas (collectively, "United Way"), which comprise the consolidated statements of financial position as of June 30, 2020 and 2019, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to United Way's preparation and fair presentation of the consolidated 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 United Way'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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of United Way as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters*Supplementary information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Consolidating Statement of Financial Position and Consolidating Statement of Activities as of and for the year ended June 30, 2020 are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.



Dallas, Texas
November 2, 2020

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,

	<u>2020</u>	<u>2019</u>
ASSETS		
Cash and cash equivalents	\$ 8,288,295	\$ 4,253,725
Pledges receivable, net (Note B)		
Campaign pledges receivable	7,201,751	10,734,217
Other pledges receivable	<u>8,774,806</u>	<u>6,369,472</u>
Total pledges receivable, net	15,976,557	17,103,689
Prepaid expenses and accounts receivable	434,626	210,821
Investments, at fair value (Note C)	49,942,898	52,747,509
Beneficial interests held in trusts (Note C and D)	9,659,354	10,073,058
Land, building and equipment, net (Note E)	5,340,410	5,675,606
Note receivable	350,000	-
Other assets	<u>876,591</u>	<u>712,162</u>
Total assets	<u><u>\$ 90,868,731</u></u>	<u><u>\$ 90,776,570</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 1,375,305	\$ 1,628,873
Grants and allocations payable (Note G)	7,382,500	7,368,965
Note payable	1,398,300	-
Donor designations payable	<u>1,826,482</u>	<u>2,784,904</u>
Total liabilities	11,982,587	11,782,742
Net assets		
Without donor restriction	30,133,002	27,605,362
With donor restriction	<u>48,753,142</u>	<u>51,388,466</u>
Total net assets	<u>78,886,144</u>	<u>78,993,828</u>
Total liabilities and net assets	<u><u>\$ 90,868,731</u></u>	<u><u>\$ 90,776,570</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

CONSOLIDATED STATEMENT OF ACTIVITIES

As of June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Gross campaign results (Note N)	\$ 7,607,571	\$ 24,809,405	\$ 32,416,976
Less donor designations	254,482	(13,402,738)	(13,148,256)
Less provision for uncollectible pledges	-	(1,847,605)	(1,847,605)
	<hr/>	<hr/>	<hr/>
Net campaign contributions	7,862,053	9,559,062	17,421,115
Designations contributed from other campaigns	188,636	33,763	222,399
Other contributions	2,104,503	15,273,470	17,377,973
Contributed goods and services (Note F)	438,966	-	438,966
Grant revenue	-	3,875,728	3,875,728
Program service fees	998,847	-	998,847
Interest and dividends	767,943	490,696	1,258,639
Net realized and unrealized gain on investments	376,439	272,636	649,075
Change in value of beneficial interests held in trusts	-	(413,704)	(413,704)
Other income (loss)	90,251	(151,214)	(60,963)
Net assets released for satisfaction of time restrictions	18,923,370	(18,923,370)	-
Net assets released for satisfaction of purpose restrictions	12,652,391	(12,652,391)	-
	<hr/>	<hr/>	<hr/>
Total public support and revenue	44,403,399	(2,635,324)	41,768,075
Grants and expenses			
Program services			
Gross distributions to agencies	38,629,217	-	38,629,217
Less: donor designations to agencies	(14,031,284)	-	(14,031,284)
Net allocations granted to agency programs	24,597,933	-	24,597,933
Other program expenses	7,742,605	-	7,742,605
	<hr/>	<hr/>	<hr/>
Total program services	32,340,538	-	32,340,538
Supporting services			
Fundraising	6,804,611	-	6,804,611
Management and general	2,730,610	-	2,730,610
	<hr/>	<hr/>	<hr/>
Total supporting services	9,535,221	-	9,535,221
Total expenses	41,875,759	-	41,875,759
	<hr/>	<hr/>	<hr/>
Change in net assets	2,527,640	(2,635,324)	(107,684)
Net assets, beginning of year	27,605,362	51,388,466	78,993,828
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Net assets, end of year	<u>\$ 30,133,002</u>	<u>\$ 48,753,142</u>	<u>\$ 78,886,144</u>

The accompanying notes are an integral part of these consolidated financial statements.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

CONSOLIDATED STATEMENT OF ACTIVITIES

As of June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue			
Gross campaign results (Note N)	\$ 186,248	\$ 49,912,426	\$ 50,098,674
Less donor designations	-	(25,931,381)	(25,931,381)
Less provision for uncollectible pledges	-	(1,588,864)	(1,588,864)
Net campaign contributions	186,248	22,392,181	22,578,429
Designations contributed from other campaigns	98,503	30,903	129,406
Other contributions	58,918	8,921,605	8,980,523
Contributed goods and services (Note F)	1,245,023	-	1,245,023
Grant revenue	-	3,726,977	3,726,977
Program service fees	1,151,282	-	1,151,282
Interest and dividends	860,556	441,856	1,302,412
Net realized and unrealized gain on investments	1,069,255	754,812	1,824,067
Change in value of beneficial interests held in trusts	-	239,924	239,924
Other income	16,641	-	16,641
Net assets released for satisfaction of time restrictions	24,392,338	(24,392,338)	-
Net assets released for satisfaction of purpose restrictions	9,661,802	(9,661,802)	-
Total public support and revenue	38,740,566	2,454,118	41,194,684
Grants and expenses			
Program services			
Gross distributions to agencies	48,086,241	-	48,086,241
Less: donor designations to agencies	(25,862,126)	-	(25,862,126)
Net allocations granted to agency programs	22,224,115	-	22,224,115
Other program expenses	7,231,994	-	7,231,994
Total program services	29,456,109	-	29,456,109
Supporting services			
Fundraising	8,082,429	-	8,082,429
Management and general	2,609,050	-	2,609,050
Total supporting services	10,691,479	-	10,691,479
Total expenses	40,147,588	-	40,147,588
Change in net assets	(1,407,022)	2,454,118	1,047,096
Net assets, beginning of year	29,012,384	48,934,348	77,946,732
Net assets, end of year	<u>\$ 27,605,362</u>	<u>\$ 51,388,466</u>	<u>\$ 78,993,828</u>

The accompanying notes are an integral part of these consolidated financial statements.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	Program services			Supporting services			2020 Total
	Community investment	Special initiatives	Total	Fundraising	Management and general	Total	
Gross distributions to agencies	\$ 35,950,538	\$ 2,678,679	\$ 38,629,217	\$ -	\$ -	\$ -	\$ 38,629,217
Less donor designations to agencies	(14,031,284)	-	(14,031,284)	-	-	-	(14,031,284)
Net allocations granted to agency programs	21,919,254	2,678,679	24,597,933	-	-	-	24,597,933
Salaries and wages	2,024,335	1,063,701	3,088,036	3,679,999	1,464,353	5,144,352	8,232,388
Employee benefits	350,284	231,305	581,589	726,324	254,945	981,269	1,562,858
Professional fees	465,521	406,440	871,961	510,155	462,545	972,700	1,844,661
Supplies	7,793	1,889	9,682	3,963	6,287	10,250	19,932
Telephone	19,024	3,862	22,886	24,857	9,203	34,060	56,946
Postage	2,605	2,261	4,866	5,325	709	6,034	10,900
Occupancy	106,296	45,386	151,682	34,196	16,691	50,887	202,569
Equipment rental and maintenance	202,901	26,938	229,839	192,380	112,509	304,889	534,728
Media and printing	629,024	99,539	728,563	664,796	2,780	667,576	1,396,139
Mileage reimbursement	6,708	8,080	14,788	8,510	2,053	10,563	25,351
Travel	21,749	10,597	32,346	7,748	8,765	16,513	48,859
Conferences & meetings	67,200	96,188	163,388	268,327	13,110	281,437	444,825
Awards	14,184	7,865	22,049	20,599	15,101	35,700	57,749
Subscriptions and dues	426,476	106,320	532,796	100,879	47,866	148,745	681,541
Insurance	1,484	2,298	3,782	422,548	67,017	489,565	493,347
Other fees	423,671	266,931	690,602	16,357	106	16,463	707,065
Bad Debt Expense	-	-	-	-	203,330	203,330	203,330
Depreciation expense	502,212	91,538	593,750	117,648	43,240	160,888	754,638
Total	\$ 27,190,721	\$ 5,149,817	\$ 32,340,538	\$ 6,804,611	\$ 2,730,610	\$ 9,535,221	\$ 41,875,759

The accompanying notes are an integral part of these consolidated financial statements.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

Year ended June 30, 2019

	Program services			Supporting services			2019 Total
	Community investment	Special initiatives	Total	Fundraising	Management and general	Total	
Gross distributions to agencies	\$ 42,394,346	\$ 5,691,895	\$ 48,086,241	\$ -	\$ -	\$ -	\$ 48,086,241
Less donor designations to agencies	(25,862,126)	-	(25,862,126)	-	-	-	(25,862,126)
Net allocations granted to agency programs	16,532,220	5,691,895	22,224,115	-	-	-	22,224,115
Salaries and wages	2,013,704	1,083,450	3,097,154	3,795,226	1,437,963	5,233,189	8,330,343
Employee benefits	311,964	235,712	547,676	640,263	180,030	820,293	1,367,969
Professional fees	559,115	489,204	1,048,319	1,346,294	657,826	2,004,120	3,052,439
Supplies	7,159	12,111	19,270	9,909	7,634	17,543	36,813
Telephone	30,619	3,868	34,487	42,233	16,881	59,114	93,601
Postage	163	2,855	3,018	10,072	549	10,621	13,639
Occupancy	133,110	57,442	190,552	50,634	17,060	67,694	258,246
Equipment rental and maintenance	105,046	83,292	188,338	229,428	94,691	324,119	512,457
Media and printing	205,990	218,335	424,325	677,740	3,965	681,705	1,106,030
Mileage reimbursement	6,689	21,165	27,854	17,527	1,377	18,904	46,758
Travel	19,667	55,051	74,718	18,081	22,090	40,171	114,889
Conferences & meetings	(92,681)	355,349	262,668	660,218	32,969	693,187	955,855
Awards	5,365	4,585	9,950	19,802	13,298	33,100	43,050
Subscriptions and dues	318,899	139,763	458,662	122,682	66,537	189,219	647,881
Insurance	38,636	22,458	61,094	306,792	4,789	311,581	372,675
Other fees	45,965	228,456	274,421	216	5,826	6,042	280,463
Depreciation expense	355,882	153,606	509,488	135,312	45,565	180,877	690,365
Total	<u>\$ 20,597,512</u>	<u>\$ 8,858,597</u>	<u>\$ 29,456,109</u>	<u>\$ 8,082,429</u>	<u>\$ 2,609,050</u>	<u>\$ 10,691,479</u>	<u>\$ 40,147,588</u>

The accompanying notes are an integral part of these consolidated financial statements.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ (107,684)	\$ 1,047,096
Adjustments to reconcile change in net assets to net cash by provided (used in) by operating activities		
Proceeds from contributions restricted for long-term purposes	(325,019)	(1,608,758)
Depreciation	754,638	690,365
Net realized and unrealized gain on investments	(649,075)	(1,824,067)
Life insurance premiums expense	954,249	290,120
Change in value of beneficial interests held in trusts	413,704	(239,924)
Changes in operating assets and liabilities:		
Campaign pledges receivable	3,532,466	(2,095,178)
Other pledges receivable	(2,405,334)	420,479
Prepaid expenses and accounts receivable	(223,805)	(134,896)
Other assets	135,611	(24,300)
Accounts payable and accrued expenses	(253,568)	(756,984)
Grants and allocations payable	13,535	(1,351,992)
Donor designations payable	(958,422)	(1,753,970)
	<u>881,296</u>	<u>(7,342,009)</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchases of investments	(10,164,155)	(9,708,009)
Proceeds from sales or maturities of investments	13,617,841	11,607,604
Purchase of note receivable	(350,000)	-
Purchase of life insurance policy	(1,254,289)	(479,257)
Purchase/disposal of equipment and building improvements	(419,442)	(360,254)
	<u>1,429,955</u>	<u>1,060,084</u>
Net cash provided by investing activities		
Cash flows from financing activities		
Proceeds from note payable	1,398,300	-
Proceeds from contributions restricted for long-term purposes	325,019	1,608,758
	<u>1,723,319</u>	<u>1,608,758</u>
Net cash provided by financing activities		
Net increase (decrease) in cash and cash equivalents	4,034,570	(4,673,167)
Cash and cash equivalents, beginning of year	<u>4,253,725</u>	<u>8,926,892</u>
Cash and cash equivalents, end of year	<u>\$ 8,288,295</u>	<u>\$ 4,253,725</u>

The accompanying notes are an integral part of these consolidated financial statements.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2020 and 2019

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

United Way of Metropolitan Dallas, Inc. (the "United Way"), a Texas nonprofit corporation founded in 1961, is a voluntary health and welfare organization governed by a volunteer Board of Directors (the "Board"). United Way is a community-based social change organization that believes in the power of unity to create lasting change. For over 90 years, United Way has led the charge to strengthen education, income and health - the building blocks of opportunity. In education, United Way seeks to give kids a strong start, provide quality out-of-school time, and strong pathways through high-school to college and career. In income, United Way invests in programs that help North Texans get and keep better jobs, establish savings, and hold on to more of what they earn. In health United Way creates, leads and invests in programs that enable residents to get and stay healthy. In the past year, United Way impacted the lives of over 1 Million North Texans.

United Way Foundation of Metropolitan Dallas (the "Foundation"), a Texas nonprofit corporation, was founded in 1999 exclusively for the purpose of receiving gifts, grants, and bequests in order to establish an endowment fund for the long-term benefit of United Way. The Foundation operates an endowment, consisting of both donor-restricted endowment funds and unrestricted board-designated endowment funds. The Foundation is governed by a volunteer Board of Directors (the "Foundation Board"), which is appointed by the Board of Directors of United Way. The Foundation Board's intent is to treat all gifts to the Foundation as a permanent endowment whereby the corpus of these gifts is held in perpetuity and only the earnings are spent. For reporting purposes, the Foundation is consolidated in United Way's financial statements. Inter-entity transactions have been eliminated in the consolidated financial statements.

Income Taxes

Both United Way and the Foundation are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Thus, no provision for income taxes is included in the accompanying consolidated financial statements.

United Way and the Foundation follow the accounting guidance for accounting for uncertainty in income taxes. United Way and the Foundation recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. United Way and the Foundation applied the uncertain tax position guidance to all tax positions for which the statute of limitations remained open and determined there were no material unrecognized tax benefits as of that date. United Way and the Foundation do not believe there is any uncertainty with respect to the tax position which would result in a material change to the financial statements.

United Way and the Foundation are subject to federal and state income taxes to the extent they have unrelated business income. In accordance with the guidance for uncertainty in income taxes, management has evaluated their material tax positions and determined that there are no material income tax effects with respect to its financial statements. Management has determined that there is no material unrelated business income to report for United Way or the Foundation and has filed unrelated business income tax returns since 2018. Therefore, tax years remain open for years prior to 2018 in which an income tax return has not been filed.

United Way and the Foundation recognize any interest and penalties related to income taxes. There was no interest related to income taxes that has been accrued or recognized as of and for the years ended June 30, 2020 and 2019. There were nominal penalties related to income taxes recognized as of and for the years ended June 30, 2020 and 2019.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Basis of Presentation

The accompanying consolidated financial statements of United Way are prepared on the accrual basis of accounting.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and all short-term investments with maturity dates of three months or less when purchased. United Way places its cash with high quality financial institutions which cash balances, at times, may exceed federally insured limits. United Way has not experienced any losses on such accounts.

Pledges Receivable

Unconditional promises to give are recorded as pledges receivable and contribution revenue when the promise is made. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Pledges receivable and related contributions are initially recorded at their net realizable value based on amounts expected to be collected from donors. This valuation reflects net pledge balances at a level which, in the judgment of management, is adequate to meet the present and potential risks of uncollectibility of the pledges receivable. Management's judgment is based on a variety of factors, which include experience related to charge offs and recoveries, previous collection history and scrutiny of individual accounts. Specific accounts are written off only upon notification from donors that the pledges are no longer collectible. For the annual campaign, any remaining uncollectible pledge balances are written off after two years.

Life Insurance Policy

As part of a planned giving program called United Way Life, sponsored by United Way Worldwide, the Foundation has purchased 37 life insurance policies on behalf of donors. Seventeen and eight new policies were purchased during fiscal years ended June 30, 2020 and 2019, respectively. The Foundation is the beneficiary of these policies. This program allows donors to utilize life insurance to accomplish their philanthropic objectives by enabling the donors to create a future legacy that will endow their annual gift into perpetuity. The donor contributes an amount sufficient to cover half of the annual premiums and the Foundation matches the donation for a full premium payment for each policy. Additionally, donors may provide funds for the Foundation's match premiums. The cash surrender value of the policy is included in other assets in the consolidated statements of financial position. The difference between the premium paid and the cash surrender value of the policy is expensed as fundraising expenses in the consolidated statements of activities.

Contributions

Restricted contributions are recorded at their estimated fair value when received or made rather than in the period for which the pledges are designated. Unconditional promises to give are recorded as revenue when the promise is made.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

To determine the net realizable value of contributions from the annual fundraising campaign, a loss provision is calculated as a percentage of gross campaign results, including donor designations. As described above, management assesses the risks of uncollectibility to determine a reasonable loss provision. If actual collection results differ significantly from expectations, contributions in a subsequent period may be adjusted accordingly.

Per United Way policy, all campaign contributions in the current and future campaign years are restricted by time in the absence of a purpose restriction. The current campaign year fundraises for a future budgetary period, and therefore funds raised are spent in the following fiscal year and thus are considered time restricted within net assets.

Donor Designations

Annual campaign gifts in which United Way agrees to transfer the gift to another beneficiary as designated by the donor constitute agency transactions and are deducted from gross campaign results to arrive at contribution revenue. In accordance with United Way Worldwide membership requirements, these designations are presented as part of gross campaign results and gross agency distributions on the consolidated statements of activities, but are then deducted to arrive at United Way's actual revenue and expense under accounting principles generally accepted in the United States of America ("US GAAP").

United Way pledges received from donors who have elected to use third-party pledge administrators to process the designation payments on their behalf are included in gross campaign results and gross agency distributions, in accordance with United Way Worldwide membership requirements. They are not included in pledges receivable or designations payable because those donations are paid directly by the donor to the third-party administrator to remit to the designated agencies.

Investments

Investments are carried at fair value, which is determined based on quoted market prices. Realized and unrealized gains and losses are reflected in the consolidated statements of activities. Gains and losses on sales transactions are recorded when realized based on the original cost (amortized in the case of bonds) of the investments sold based on the specific identification method. Earnings from investments are recorded as interest and dividends and are reflected in the consolidated statements of activities.

Land, Building and Equipment

Land, building and equipment are stated at cost if purchased and at fair value at the date of donation if donated. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets (5 to 30 years for building and improvements and 3 to 10 years for furniture and equipment). Effective for the year ended June 30, 2020, United Way updated their capitalization threshold from \$1,000 to \$5,000. United Way fully depreciated and wrote off all assets below the \$5,000 threshold. United Way generally capitalizes all expenditures for land, buildings and equipment in excess of \$5,000.

Net Assets Without Donor Restrictions

Net assets without donor restrictions are currently available net assets for operating purposes under the direction of the board, designated by the board for specific use, donor advised funds, or invested in property and equipment.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Net Assets with Donor Restrictions

Contributions received from third parties with donor stipulations that limit the use of the donated assets, including specific or implied time restrictions inherent in pledges to give cash or other assets in the future, or are restricted such that the original gift (or principal) must be maintained in perpetuity, such as a permanent endowment fund are reported as net assets with donor restriction in the accompanying consolidated financial statements. When the applicable restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished (including accrual of the related obligation), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions. Contributions received with temporary restrictions which are satisfied in the same reporting period are accounted for as described above and are included in net assets released from restrictions in the accompanying consolidated statements of activities. For contributions maintained in perpetuity, only the investment return on the original principal is available for use according to donor restrictions.

Contributed Goods and Services

Contributed goods are reflected as contributions in the accompanying consolidated financial statements at their estimated fair values at date of receipt. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. A number of volunteers have donated significant time and effort to United Way's fundraising campaign and its grant allocation process. The dollar value of these contributed services is not reflected in the consolidated financial statements because the nature of the services does not meet the specified criteria for recording.

Functional Expenses

Expenses are summarized and categorized based on their functional classification as either program services or supporting services in the consolidated statements of functional expenses. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. However, many expenses relate to more than one function and must be allocated among the program and supporting services benefited. United Way records expenses to departments and programs to facilitate the functionalization between Management & General, Fundraising, and Program Services. United Way has a class of programs with expenses that relate only to Program Services. When a program has expenses that cross the functional categories, their expenses are allocated based on department. United Way has several departments with expenses directly apportioned to the three functional categories. United Way indirectly allocates expenses from four departments, for depreciation and for dues paid to United Way Worldwide and United Ways of Texas.

Marketing department expenses support Fundraising and Program Services and are allocated evenly between these two functional areas. Human Resources and Information Technology expenses are allocated between each of the functional categories based on proportional headcount. United Way allocates the expenses for the Building Operations department, depreciation and dues by using the proportion of the total expenses reported in each functional category compared to the allocation base of total overall expenses, net of these amounts.

Advertising

United Way expenses advertising costs as incurred. Advertising costs were approximately \$60,344 and \$71,091 for the years ended June 30, 2020 and 2019, respectively. Advertising expense was allocated in the media and printing line of the consolidated statements of functional expenses.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Risk and Uncertainty

The ongoing COVID pandemic, which began in the spring of 2020, has created some uncertainty related to the collectability of receivables and investment returns. In addition, ongoing costs to operate and maintain financial stability may vary over time. United Way and the Foundation have included the best estimate for accounts receivable allowances and other amounts in the consolidated financial statements as of June 30, 2020 given the facts known at the time.

Recent Accounting Pronouncements

In June 21, 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard is intended to clarify whether a contract or agreement should be accounted for as a contribution or as an exchange transaction. It also provides a framework for determining whether a contribution is conditional or unconditional which will impact the timing of revenue recognition. The new standard is effective for annual periods beginning after December 15, 2018. United Way implemented this standard and determined there was no material impact on the consolidated financial statements and results of operations.

In May 2014, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. United Way implemented this standard and determined there was no material impact on the consolidated financial statements and results of operations.

In February 2016, FASB issued ASU 2016-02, *Leases*, which will supersede the current lease guidance in current US GAAP. The ASU requires lessees to recognize a right of use asset and a related lease liability for all leases, with the limited exception of short-term leases. The main difference with current practice is that lessees will be required to record an asset and liability for what is now considered an operating lease. The FASB approved deferring the effective date of this ASU for one year. The ASU is now effective for annual periods beginning after December 15, 2021. United Way is currently assessing the potential impact of this ASU on its consolidated financial statements.

In September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which aims to increase transparency of contributed nonfinancial assets, commonly known as gifts in kind, through enhancements to presentation and disclosures. United Way is currently assessing the potential impact of this ASU on its consolidated financial statements.

Reclassifications

Certain prior year financial statement amounts have been reclassified to conform to the current year presentation. Amounts previously included as program services have been reclassified to supporting services on the statement of functional expenses and statement of activities. Additionally, certain indirect costs previously broken out have been included in other fees on the statement of functional expenses. These reclassifications have no impact on net assets or the change in net assets.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE B - PLEDGES RECEIVABLE

Pledges receivable as of June 30, 2020 are summarized as follows:

	Pledges due in less than 1 year	Pledges due within 1 to 5 years	Pledges due more than 5 years	Less unamortized present value discount	Total
Campaign pledges receivable:					
2020 United Way Campaign	\$ 9	\$ -	\$ -	\$ -	\$ 9
2019 United Way Campaign	6,464,332	-	-	-	6,464,332
2018 United Way Campaign	737,410	-	-	-	737,410
Subtotal	<u>7,201,751</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,201,751</u>
Other pledges receivable:					
Sponsorships and other	5,569,576	883,332	275,000	(164,464)	6,563,444
Foundation other designated	359,020	-	-	-	359,020
Foundation life insurance premium gift	37,208	-	-	(1,398)	35,810
Foundation endowment gift	593,564	1,310,000	300,000	(387,032)	1,816,532
Subtotal	<u>6,559,368</u>	<u>2,193,332</u>	<u>575,000</u>	<u>(552,894)</u>	<u>8,774,806</u>
Total pledges receivable, net	<u>\$13,761,119</u>	<u>\$ 2,193,332</u>	<u>\$ 575,000</u>	<u>\$ (552,894)</u>	<u>\$ 15,976,557</u>

Pledges receivable as of June 30, 2019 are summarized as follows:

	Pledges due in less than 1 year	Pledges due within 1 to 5 years	Pledges due more than 5 years	Less unamortized present value discount	Total
Campaign pledges receivable:					
2019 United Way Campaign	\$ 52,519	\$ -	\$ -	\$ -	\$ 52,519
2018 United Way Campaign	10,414,771	-	-	-	10,414,771
2017 United Way Campaign	266,927	-	-	-	266,927
Subtotal	<u>10,734,217</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,734,217</u>
Other pledges receivable:					
Sponsorships and other	3,144,906	250,000	300,000	(150,160)	3,544,746
Foundation life insurance premium gift	20,000	-	-	(2,796)	17,204
Foundation endowment gift	1,128,681	1,776,667	400,000	(497,826)	2,807,522
Subtotal	<u>4,293,587</u>	<u>2,026,667</u>	<u>700,000</u>	<u>(650,782)</u>	<u>6,369,472</u>
Total pledges receivable, net	<u>\$ 15,027,804</u>	<u>\$ 2,026,667</u>	<u>\$ 700,000</u>	<u>\$ (650,782)</u>	<u>\$ 17,103,689</u>

Allowance for doubtful accounts was approximately \$1,848,000 and \$1,589,000 as of June 30, 2020 and 2019, respectively. Pledges due in more than one year are reflected at the net present value of future cash flows. Pledges were discounted using rates from 3.25% to 5.50% at the time the pledges were made for the fiscal years ended June 30, 2020 and 2019.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE C - INVESTMENTS AND FAIR VALUE

The fair values of the investments at June 30 are as follows:

	<u>2020</u>	<u>2019</u>
Certificates of deposit	\$ 4,269,314	\$ 7,640,919
Equity mutual funds	31,181,506	31,334,472
Fixed income mutual funds	14,390,228	13,741,266
Money market funds	<u>101,850</u>	<u>30,852</u>
 Total	 <u>\$ 49,942,898</u>	 <u>\$ 52,747,509</u>

United Way records its financial instruments in accordance with the fair value guidance as established by the FASB. In accordance with this guidance, fair value is defined as the price United Way would receive from the sale of an asset, or pay to transfer a liability, in a timely transaction with an independent buyer in a principal market. This guidance establishes a three-tier hierarchy to distinguish between various types of inputs used in determining the value of United Way's investments and liabilities. The inputs are summarized in three levels as outlined below:

Level 1 Inputs - Quoted prices (unadjusted) in active markets for identical assets and liabilities. Level 1 assets include certificates of deposit, mutual funds and money market funds. Valuations of these instruments do not require a high degree of judgment as the valuations are based on quoted prices in active markets that are readily available.

Level 2 Inputs - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities that are not active; and inputs other than quoted prices that are observable, such as models or other valuation methodologies. Valuations in this category are inherently less reliable than quoted market prices due to the degree of subjectivity involved in determining appropriate methodologies and the applicable underlying assumptions. United Way did not have any Level 2 financial instruments for the years ended June 30, 2020 and 2019.

Level 3 Inputs - Unobservable inputs for the valuation of the asset or liability. Level 3 assets include investments for which there is little, if any, market activity. These inputs require significant management judgment or estimation. Assets in this category include beneficial interests held in trusts. These financial instruments have inputs that cannot be validated by readily determinable market data and generally involve considerable judgment by management.

United Way's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the financial instrument.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The schedule below classifies United Way's investments and beneficial interests held in trusts carried at fair value based upon the three-tier hierarchy required by Accounting Standards Codification ("ASC") 820:

Description	Fair Market Measurements at June 30, 2020			June 30, 2020
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments:				
Equity mutual funds	\$ 31,181,506	\$ -	\$ -	\$ 31,181,506
Fixed income mutual funds	14,390,228	-	-	14,390,228
Money market funds	101,850	-	-	101,850
Beneficial interest held in trusts:				
Split-interest agreements	-	-	9,659,354	9,659,354
Total	\$ 45,673,584	\$ -	\$ 9,659,354	\$ 55,332,938
 Certificates of deposit				 4,269,314
Total Investments				\$ 59,602,252

The schedule below summarizes the activity for the year ended June 30, 2020 for the items above which have been classified as Level 3 investments:

	Beneficial interests held in trusts
Beginning balance	\$ 10,073,058
Total net loss	(413,704)
 Ending balance	 \$ 9,659,354

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

The schedule below classifies United Way's investments and beneficial interests held in trusts carried at fair value based upon the three-tier hierarchy required by ASC 820:

Description	Fair Market Measurements at June 30, 2019			June 30, 2019
	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Investments:				
Equity mutual funds	\$ 31,334,472	\$ -	\$ -	\$ 31,334,472
Fixed income mutual funds	13,741,266	-	-	13,741,266
Money market funds	30,852	-	-	30,852
Beneficial interest held in trusts:				
Split-interest agreements	-	-	10,073,058	10,073,058
Total	\$ 45,106,590	\$ -	\$ 10,073,058	\$ 55,179,648
Certificates of deposit				7,640,919
Total Investments				\$ 62,820,567

The schedule below summarizes the activity for the year ended June 30, 2019 for the items above which have been classified as Level 3 investments:

	Beneficial interests held in trusts
Beginning balance	\$ 9,833,134
Total net gain	239,924
Ending balance	<u>\$ 10,073,058</u>

Investments and Beneficial Interests Held in Trusts

The carrying amounts of investments approximate fair value based on quoted market prices. The fair value of the beneficial interests held in trusts is determined in good faith by the trustees based on estimates of the underlying investments and appropriate market indices.

As of June 30, 2020 and 2019, certificates of deposit are held by United Way. All other investments are held by the Foundation. A professional investment advisor manages the Foundation's investments with periodic review by United Way management and the Foundation Investment Committee with approval by the Foundation's Board of Directors. The management of the Foundation and United Way do not believe their investments pose unusual market or credit risks.

Investment fees of \$52,369 and \$51,185 were incurred for the years ending June 30, 2020 and 2019, respectively, and are included in net realized and unrealized gain on investments in the accompanying consolidated statements of activities.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE D - BENEFICIAL INTERESTS HELD IN TRUSTS

United Way is the beneficiary of three perpetual trusts held and administered by third party trustees. The present value of the estimated future cash receipts from the trusts (as measured by the fair value of the underlying investments at United Way's fiscal year end) was recognized as assets and contribution revenue at the date the trusts were established. Distributions from the trusts are recorded within other contributions and the carrying value of the assets is adjusted for changes in the estimates of future receipts. The changes in the value of these trusts are included in the change in value of beneficial interests held in trusts in the accompanying consolidated statements of activities.

NOTE E - LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following:

	<u>2020</u>	<u>2019</u>
Building and improvements	\$ 9,857,255	\$ 9,471,851
Furniture and equipment	3,215,374	3,154,693
	<u>13,072,629</u>	<u>12,626,544</u>
Less accumulated depreciation	(7,943,478)	(7,487,620)
	<u>5,129,151</u>	<u>5,138,924</u>
Construction in progress	-	325,423
Land and improvements	211,259	211,259
	<u>211,259</u>	<u>211,259</u>
 Total	 <u>\$ 5,340,410</u>	 <u>\$ 5,675,606</u>

NOTE F - CONTRIBUTED GOODS AND SERVICES

Contributed services reported in the consolidated statements of activities were allocated as follows:

	<u>2020</u>	<u>2019</u>
Programs	\$ 6,220	\$ 44,330
Management and general	9,450	33,699
Fundraising	7,550	723,045
	<u>7,550</u>	<u>723,045</u>
 Total contributed services	 <u>\$ 23,220</u>	 <u>\$ 801,074</u>

Contributed goods reported in the consolidated statements of activities were allocated as follows:

	<u>2020</u>	<u>2019</u>
Programs	\$ 177,951	\$ -
Fundraising	237,795	443,949
	<u>237,795</u>	<u>443,949</u>
 Total contributed goods	 <u>\$ 415,746</u>	 <u>\$ 443,949</u>

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Public Service announcements of \$415,547 for the fiscal year ending June 30, 2020 and \$435,915 for the fiscal year ending June 30, 2019 were included in contributed goods and services on the consolidated statement of activities and in media and printing on the consolidated statements of functional expenses.

There were no contributed goods capitalized or prepaid in-kind goods unamortized as of June 30, 2020 and 2019.

NOTE G - GRANT ALLOCATIONS AND COMMITMENTS TO AGENCY PROGRAMS

In June 2020, United Way made unconditional pledges to agency programs for community fund grant allocations to be paid for the period beginning July 1, 2020 through December 31, 2020. Additionally, prior to June 30, 2020, United Way made unconditional pledges to agency programs for program initiative grant allocations to be paid July 1, 2020 through June 30, 2021. Accordingly, as of June 30, 2020, a liability of \$7,382,500 was recorded for the unconditional grants pledged, and not yet paid as of that date.

In addition, an estimate was made of community fund and program initiative grant allocations expected to be paid to agency programs for the period beginning January 1, 2021 through June 30, 2021, which is conditional upon the results of campaign collections. These conditional pledges total \$7,382,500 and have not been accrued in the consolidated statements of financial position because a firm commitment has not been made.

In June 2019, United Way made unconditional pledges to agency programs for community fund grant allocations to be paid for the period beginning July 1, 2019 through December 31, 2019. Additionally, prior to June 30, 2019, United Way made unconditional pledges to agency programs for program initiative grant allocations to be paid July 1, 2019 through June 30, 2020. Accordingly, as of June 30, 2019, a liability of \$7,368,965 was recorded for the unconditional grants pledged, and not yet paid as of that date.

In addition, an estimate was made of community fund and program initiative grant allocations expected to be paid to agency programs for the period beginning January 1, 2020 through June 30, 2020, which is conditional upon the results of campaign collections. These conditional pledges total \$7,435,833 and have not been accrued in the consolidated statements of financial position because a firm commitment has not been made.

NOTE H - GOVERNMENTAL CAMPAIGNS

United Way participates in local campaigns in the Metropolitan Dallas area on behalf of the Combined Federal Campaign ("CFC"), the State Employee Charitable Campaign and the City of Dallas Employee Charitable Campaign. Through these campaigns, donors designate their gifts to a wide variety of charitable organizations, and United Way honors designations made to each member organization by distributing a proportionate share of receipts based on donor designations to each member, per CFC regulations at §950.301(e)(2)(i). Verification that United Way is honoring designations made to each member organization has been performed. United Way acts as a federation level entity for these campaigns.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE I - ENDOWMENT FUNDS

The Foundation's endowment consists of individual endowment funds established for the exclusive purpose of operating for the benefit of United Way. The endowment includes funds that are both donor-restricted endowment funds and funds designated by the Foundation Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Unrestricted endowment funds represent those funds designated by the Board at the inception of the endowment plus general public contributions, estate settlement and contributions not supported by an endowment.

Interpretation of Relevant Law

The Foundation interprets the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") enacted by the State of Texas as allowing the Foundation, absent donor stipulations to the contrary as stated in the gift instrument, to appropriate so much of a donor-restricted endowment fund as the Board determines is prudent for the uses, benefits, purposes, and duration for which the endowment is established.

The following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds: 1) the duration and preservation of the fund, 2) the purposes of the donor-restricted endowment fund, 3) general economic conditions, 4) the possible effect of inflation and deflation, 5) the expected total return from income and the appreciation of investments, and 6) other resources of United Way.

Endowment net asset composition by type of fund consists of the following as of June 30, 2020:

		With Donor Restrictions			
	Without Donor Restrictions	Original Gift Amount	Accumulated Gains (Losses) and Other	Total with Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 18,720,751	\$ 2,229,977	\$ 20,950,728	\$ 20,950,728
Board-designated endowment funds	22,914,945	-	-	-	22,914,945
Total endowment net assets	<u>\$ 22,914,945</u>	<u>\$ 18,720,751</u>	<u>\$ 2,229,977</u>	<u>\$ 20,950,728</u>	<u>\$ 43,865,673</u>

Endowment net asset composition by type of fund consists of the following as of June 30, 2019:

		With Donor Restrictions			
	Without Donor Restrictions	Original Gift Amount	Accumulated Gains (Losses) and Other	Total with Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 16,861,622	\$ 2,573,913	\$ 19,435,535	\$ 19,435,535
Board-designated endowment funds	23,687,152	-	-	-	23,687,152
Total endowment net assets	<u>\$ 23,687,152</u>	<u>\$ 16,861,622</u>	<u>\$ 2,573,913</u>	<u>\$ 19,435,535</u>	<u>\$ 43,122,687</u>

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	With Donor Restrictions				Total
	Without Donor Restrictions	Original Gift Amounts	Accumulated Gains (Losses) and Other	Total with Donor Restrictions	
Endowment net assets, beginning of year	\$ 23,687,152	\$ 16,861,622	\$ 2,573,913	\$ 19,435,535	\$ 43,122,687
Investment return:					
Investment income	605,410	-	490,697	490,697	1,096,107
Net appreciation (unrealized and realized)	313,639	-	272,636	272,636	586,275
Total investment return	919,049	-	763,333	763,333	1,682,382
Contributions	12,583	1,859,129	371,158	2,230,287	2,242,870
Appropriation of assets for expenditure	(1,703,839)	-	(1,478,427)	(1,478,427)	(3,182,266)
Endowment net assets, end of year	<u>\$ 22,914,945</u>	<u>\$ 18,720,751</u>	<u>\$ 2,229,977</u>	<u>\$ 20,950,728</u>	<u>\$ 43,865,673</u>

Changes in endowment net assets for the year ended June 30, 2019 are as follows:

	With Donor Restrictions				Total
	Without Donor Restrictions	Original Gift Amount	Accumulated Gains (Losses) and Other	Total with Donor Restrictions	
Endowment net assets, beginning of year	\$ 23,665,144	\$ 15,487,528	\$ 2,701,352	\$ 18,188,880	\$ 41,854,024
Investment return:					
Investment income	598,047	-	440,574	440,574	1,038,621
Net appreciation (unrealized and realized)	988,362	-	733,050	733,050	1,721,412
Total investment return	1,586,409	-	1,173,624	1,173,624	2,760,033
Contributions	30,000	1,374,094	(331,827)	1,042,267	1,072,267
Appropriation of assets for expenditure	(1,594,401)	-	(969,236)	(969,236)	(2,563,637)
Endowment net assets, end of year	<u>\$ 23,687,152</u>	<u>\$ 16,861,622</u>	<u>\$ 2,573,913</u>	<u>\$ 19,435,535</u>	<u>\$ 43,122,687</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

Return Objective and Risk Parameters

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowments include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period as well as board-designated funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, United Way relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). The Foundation targets a diversified asset allocation. The Foundation's investment objectives are to generate sufficient long-term growth of capital without undue exposure to risk, to provide for spending distributions when needed, and to enhance the real purchasing power of the investments.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The primary long-term management objective of the Foundation's board-designated and donor-restricted endowment funds (the "Endowment Fund") is to ensure safety and preservation of principal, to achieve a satisfactory risk-adjusted total rate of return on assets under management, to maintain sufficient liquidity to meet operating and distribution needs, and to seek at all times to maintain public trust by adhering to the above stated objectives.

Per the spending policy, the Foundation distributes the higher of \$2,500,000 or 4.5% of the 12-quarter rolling average of the portfolio's market value, or the most recent quarter's closing market value, whichever is lower. As a result, the Foundation distribution to United Way for the years ended June 30, 2020 and 2019 was \$2,500,000. This was approved by the Foundation Board during the fiscal years ended June 30, 2020 and 2019, respectively.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Foundation to retain as a fund of perpetual duration. There were no amount of funds that had fallen below their original gift value as of June 30, 2020 and 2019.

NOTE J - NOTE RECEIVABLE

The Foundation holds a convertible promissory note as of year-end June 30, 2020 as a part of the impact investing fund. The impact investing fund is used to invest in for-profit companies that meet the mission of United Way.

As of June 30, 2020, the note receivable outstanding is \$350,000. The note bears interest of 7%. The note can be converted into company shares in three different ways. If a sale of a minimum of \$3.0M in preferred shares occurs prior to the maturity date, the note will automatically convert to shares in the company. If a sale of less than \$3.0M in preferred shares occurs prior to the maturity date, February 28, 2021, the Foundation has the option to convert the note to shares in the company. If no sale has occurred at the maturity date, the majority note holders have the right to convert the outstanding balance to shares. If the note has not been converted to shares as of the maturity date, the principal and interest shall be due and payable in full.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE K - NOTE PAYABLE

In 2020, United Way received loan proceeds in the amount of approximately \$1,398,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. United way utilized the proceeds for purposes consistent with the PPP. While United Way currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure we are not ineligible for forgiveness of the loan, in whole or in part.

NOTE L - NET ASSETS

Net assets as of June 30, 2020 are categorized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Unrestricted	\$ 6,133,757	\$ -	\$ 6,133,757
Unrestricted - Board designated	23,999,245	-	23,999,245
Time-restricted within AR	-	6,387,769	6,387,769
Purpose-restricted in Foundation	-	79,679	79,679
Programs, events, fundraising and other	-	9,715,673	9,715,673
Beneficial interest held in trusts	-	9,659,354	9,659,354
Endowment - restricted	-	22,910,667	22,910,667
	<u>\$ 30,133,002</u>	<u>\$ 48,753,142</u>	<u>\$ 78,886,144</u>
Total net assets			

Net assets as of June 30, 2019 are categorized as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Unrestricted	\$ 3,210,163	\$ -	\$ 3,210,163
Unrestricted - Board designated	24,395,199	-	24,395,199
Time-restricted for use in fiscal year 2020	-	17,052,164	17,052,164
Time-restricted for use in fiscal year 2021	-	403,594	403,594
Purpose-restricted in Foundation	-	(67,624)	(67,624)
Programs, events, fundraising and other	-	555,469	555,469
Beneficial interest held in trusts	-	10,073,058	10,073,058
Endowment - restricted	-	23,371,805	23,371,805
	<u>\$ 27,605,362</u>	<u>\$ 51,388,466</u>	<u>\$ 78,993,828</u>
Total temporarily restricted net assets			

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE M - LIQUIDITY AND AVAILABILITY

The following table reflects United Way's financial assets as of June 30, 2020 and 2019 reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments. These board designations could be drawn upon if the board approves that action.

	June 30,	
	2020	2019
Financial assets:		
Cash and cash equivalents	\$ 8,288,295	\$ 4,253,725
Pledges receivable, net	15,976,557	17,103,689
Investments, at fair value	49,942,898	52,747,509
Total financial assets	\$ 74,207,750	\$ 74,104,923
Less assets unavailable for general expenditure within one year, due to:		
Board designated endowment	\$ (23,179,890)	\$ (23,775,681)
Donor restricted endowment	(21,688,255)	(21,574,526)
Pledges not due within a year	(2,768,332)	(2,214,483)
Time restricted by board not within one year	(9)	(403,594)
Donor purpose restriction	(7,584,138)	(487,846)
Financial assets available to meet cash needs for general expenditures within one year	\$ 18,987,126	\$ 25,648,793

As part of United Way's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, United Way invests cash in excess of weekly requirements in short-term investments. United Way has Board Designated net assets without donor restrictions that could be made available for current operations, if necessary.

NOTE N - GROSS CAMPAIGN RESULTS-RECONCILIATION

During the fiscal year ended, June 30, 2020, United Way shifted the focus of external announcements to the impact of resources invested in the community rather than the amount raised. The reporting change was applied prospectively in fiscal year 2020 and thus, no announcement or reconciliation is reflected.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

For the fiscal year ended June 30, 2019, consistent with United Way Worldwide total resources generated policy, United Way includes in its publicly-announced campaign totals those amounts raised for the governmental campaigns and regional United Way campaigns, as well as donations paid directly to third-party processors by donors. For financial reporting purposes, appropriate adjustments are made to the announced campaign totals to arrive at gross campaign results. The following schedules reconcile the announced campaign results to the gross campaign results reported in the consolidated statement of activities for the year ended June 30, 2019:

	<u>2019</u>
Publicly announced campaign results	\$ 68,693,839
Planned giving revocable gifts	(6,700,000)
Grant revenue counted but not yet recognized	(4,187,425)
Results reflected in other contributions, other campaign and grant revenue	(9,167,793)
Timing differences between campaign year and fiscal year	(348,342)
Contributions from donor-advised fund timing difference	(46,229)
Adjustments to previous results	<u>1,854,624</u>
 Gross campaign results	 <u>\$ 50,098,674</u>

Planned giving revocable gifts represent gift expectancies, such as a will, a retirement plan, or an insurance policy, where United Way has documentation of being named as a beneficiary. These gifts are not recorded in the consolidated financial statements because they are revocable by the donor and realization by United Way is uncertain. United Way Worldwide policy and industry guidelines for reporting and counting charitable gifts dictate including these expectancies in campaign results.

Grant revenue counted but not yet recognized is Federal and State awards to United Way from the Texas Department of Family and Protective Services and the Texas Education Agency. These awards are payable to United Way on a cost-reimbursement basis. Therefore, per generally accepted accounting principles the revenue is not recorded until related costs are incurred.

Results reflected in other contributions, other campaign and grant revenue represent amounts that are included on the consolidated statements of activities, in those respective line items, but not as a component of gross campaign results. These amounts are related to federal and state award revenue, estate settlement proceeds, sponsorship funds and designation revenue from other campaigns.

Timing differences between campaign year and fiscal year represent primarily 2018 campaign year contributions recognized in the year ended June 30, 2018 but announced during the year ended June 30, 2019 and contributions recognized in campaign reporting but not included as financial revenue in the year ended June 30, 2019.

Adjustments to previous results are additional contributions received from previous campaigns reflected as unrestricted gross campaign results on the consolidated statements of activities.

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2020 and 2019

NOTE O - EMPLOYEE RETIREMENT PLAN

United Way has a defined contribution pension plan (the "Plan") for the benefit of its employees. Employees are eligible to contribute to the Plan on the first day of the month, following 30 days after their hire date. After one year of service, United Way makes contributions to each participating employee's account based on percentages of employee compensation. Employees receive 5% of their base compensation plus a 50% match of their contributions up to 4% of their base compensation. United Way contributed approximately \$372,000 and \$371,000 to the Plan for the years ended June 30, 2020 and 2019, respectively.

NOTE P - SUBSEQUENT EVENTS

United Way has evaluated its consolidated financial statements for subsequent events through November 2, 2020, the date the consolidated financial statements were available to be issued. United Way is not aware of any such events which would require recognition or disclosure in the consolidated financial statements.

SUPPLEMENTAL INFORMATION

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

June 30, 2020

	United Way of Metropolitan Dallas, Inc.	United Way Foundation of Metropolitan Dallas	Eliminations	Consolidated
ASSETS				
Cash and cash equivalents	\$ 7,689,161	\$ 599,134	\$ -	\$ 8,288,295
Pledges receivable, net (Note B)				
Campaign pledges receivable	7,201,751	-	-	7,201,751
Other pledges receivable	<u>6,563,444</u>	<u>2,211,362</u>	<u>-</u>	<u>8,774,806</u>
Total pledges receivable, net	13,765,195	2,211,362	-	15,976,557
Prepaid expenses and accounts receivable	434,626	-	-	434,626
Due from Foundation	3,197,775	-	(3,197,775)	-
Due from UWMD	-	515,702	(515,702)	-
Investments, at fair value (Note C)	4,347,798	45,595,100	-	49,942,898
Beneficial interests held in trusts (Note C and D)	9,659,354	-	-	9,659,354
Land, building and equipment, net (Note E)	5,340,410	-	-	5,340,410
Notes receivable	-	350,000	-	350,000
Other assets	<u>40,202</u>	<u>836,389</u>	<u>-</u>	<u>876,591</u>
Total assets	<u>\$ 44,474,521</u>	<u>\$ 50,107,687</u>	<u>\$ (3,713,477)</u>	<u>\$ 90,868,731</u>
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts payable and accrued expenses	\$ 1,375,305	\$ -	\$ -	\$ 1,375,305
Due to UWMD	-	3,197,775	(3,197,775)	-
Due to Foundation	515,702	-	(515,702)	-
Grants and allocations payable (Note G)	7,382,500	-	-	7,382,500
Notes payable	1,398,300	-	-	1,398,300
Donor designations payable	<u>1,826,482</u>	<u>-</u>	<u>-</u>	<u>1,826,482</u>
Total liabilities	12,498,289	3,197,775	(3,713,477)	11,982,587
Without donor restriction	6,133,757	23,999,245	-	30,133,002
With donor restriction	<u>25,842,475</u>	<u>22,910,667</u>	<u>-</u>	<u>48,753,142</u>
Total net assets	<u>31,976,232</u>	<u>46,909,912</u>	<u>-</u>	<u>78,886,144</u>
Total liabilities and net assets	<u>\$ 44,474,521</u>	<u>\$ 50,107,687</u>	<u>\$ (3,713,477)</u>	<u>\$ 90,868,731</u>

United Way of Metropolitan Dallas, Inc. and United Way Foundation of Metropolitan Dallas

CONSOLIDATING STATEMENT OF ACTIVITIES

Year ended June 30, 2020

	United Way of Metropolitan Dallas, Inc.			United Way Foundation of Metropolitan Dallas, Inc.			Eliminations	Consolidated		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total		Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue										
Gross campaign results (Note N)	\$ 7,607,571	\$ 24,809,405	\$ 32,416,976	\$ -	\$ -	\$ -	\$ -	\$ 7,607,571	\$ 24,809,405	\$ 32,416,976
Less donor designations	-	(13,402,738)	(13,402,738)	-	-	-	254,482	254,482	(13,402,738)	(13,148,256)
Less provision for uncollectible pledges	-	(1,847,605)	(1,847,605)	-	-	-	-	-	(1,847,605)	(1,847,605)
Net campaign contributions	7,607,571	9,559,062	17,166,633	-	-	-	254,482	7,862,053	9,559,062	17,421,115
Designations contributed from other campaigns	188,636	33,763	222,399	-	-	-	-	188,636	33,763	222,399
Other contributions	4,919,793	14,078,168	18,997,961	124,192	1,195,302	1,319,494	(2,939,482)	2,104,503	15,273,470	17,377,973
Contributed goods and services (Note F)	438,966	-	438,966	-	-	-	-	438,966	-	438,966
Grant revenue	-	3,875,728	3,875,728	-	-	-	-	-	3,875,728	3,875,728
Program service fees	998,847	-	998,847	-	-	-	-	998,847	-	998,847
Interest and dividends	162,532	-	162,532	605,411	490,696	1,096,107	-	767,943	490,696	1,258,639
Net realized and unrealized gain on investments	62,800	-	62,800	313,639	272,636	586,275	-	376,439	272,636	649,075
Change in value of beneficial interests held in trusts	-	(413,704)	(413,704)	-	-	-	-	-	(413,704)	(413,704)
Other income (expense)	90,251	-	90,251	-	(151,214)	(151,214)	-	90,251	(151,214)	(60,963)
Net assets released for satisfaction of time restrictions	17,444,943	(17,444,943)	-	1,478,427	(1,478,427)	-	-	18,923,370	(18,923,370)	-
Net assets released for satisfaction of purpose restrictions	11,929,884	(11,929,884)	-	722,507	(722,507)	-	-	12,652,391	(12,652,391)	-
Total public support and revenue	43,844,223	(2,241,810)	41,602,413	3,244,176	(393,514)	2,850,662	(2,685,000)	44,403,399	(2,635,324)	41,768,075
Grants and expenses										
Program services										
Gross distributions to agencies	38,629,217	-	38,629,217	-	-	-	-	38,629,217	-	38,629,217
Less: donor designations to agencies	(14,031,284)	-	(14,031,284)	-	-	-	-	(14,031,284)	-	(14,031,284)
Net allocations granted to agency programs	24,597,933	-	24,597,933	-	-	-	-	24,597,933	-	24,597,933
Other program expenses	7,413,272	-	7,413,272	2,246,147	-	2,246,147	(1,916,814)	7,742,605	-	7,742,605
Total program services	32,011,205	-	32,011,205	2,246,147	-	2,246,147	(1,916,814)	32,340,538	-	32,340,538
Supporting services										
Fundraising	6,382,144	-	6,382,144	1,072,451	-	1,072,451	(649,984)	6,804,611	-	6,804,611
Management and general	2,527,280	-	2,527,280	321,532	-	321,532	(118,202)	2,730,610	-	2,730,610
Total supporting services	8,909,424	-	8,909,424	1,393,983	-	1,393,983	(768,186)	9,535,221	-	9,535,221
Total expenses	40,920,629	-	40,920,629	3,640,130	-	3,640,130	(2,685,000)	41,875,759	-	41,875,759
Change in net assets	2,923,594	(2,241,810)	681,784	(395,954)	(393,514)	(789,468)	-	2,527,640	(2,635,324)	(107,684)
Net assets, beginning of year	3,210,163	28,084,285	31,294,448	24,395,199	23,304,181	47,699,380	-	27,605,362	51,388,466	78,993,828
Net assets, end of year	\$ 6,133,757	\$ 25,842,475	\$ 31,976,232	\$ 23,999,245	\$ 22,910,667	\$ 46,909,912	\$ -	\$ 30,133,002	\$ 48,753,142	\$ 78,886,144