# UNITED WAY OF WACO-MCLENNAN COUNTY AND SUBSIDIARY

## CONSOLIDATED
## FINANCIAL STATEMENTS

## FOR THE YEARS ENDED
## DECEMBER 31, 2023 AND 2022

## WITH INDEPENDENT AUDITOR'S REPORT

**UNITED WAY OF WACO-MCLENNAN COUNTY AND SUBSIDIARY**

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FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

PATTILLO, BROWN & HILL, L.L.P.
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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Way of Waco-McLennan County and Subsidiary
Waco, Texas

### *Opinion*

We have audited the consolidated financial statements of United Way of Waco-McLennan County and Subsidiary, (the "Organization") (a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Responsibilities of Management for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the financial statements are issued.

### *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



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NEW MEXICO | Albuquerque

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

***Report on Summarized Comparative Information***

We have previously audited the Organization's December 31, 2022 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated September 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited consolidated statement of activities from which it has been derived.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
June 3, 2024

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# CONSOLIDATED FINANCIAL STATEMENTS

**UNITED WAY OF WACO-MCLENNAN COUNTY AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and equivalents | $ 898,159 | $ 1,298,490 |
| Short-term certificates of deposit | 233,928 | 233,928 |
| Campaign pledges receivable, net of allowance | 427,301 | 326,736 |
| Other receivables | 1,699 | - |
| Investments at fair value | 1,227,783 | 628,798 |
| Beneficial interest in assets held by others | 2,996 | 2,780 |
| Cash and equivalents - restricted | 10,837 | 10,740 |
| Short-term certificates of deposit - restricted | 63,079 | 62,687 |
| Total current assets | 2,865,782 | 2,564,159 |
| Property, buildings and equipment, net of accumulated | 612 | 7,388 |
| Right of use asset | 59,352 | 3,250 |
| Other assets | 3,916 | 4,515 |
| Total assets | $ 2,929,662 | $ 2,579,312 |
| **LIABILITIES AND NET ASSETS** | | |
| Current liabilities: | | |
| Accounts payable | $ 10,974 | $ 13,126 |
| Donor designations payable | 51,567 | 51,597 |
| Accrued expenses and other liabilities | 22,505 | 6,239 |
| Grants payable | 833,333 | 267,555 |
| Deferred revenue | 108,920 | 112,946 |
| Right of use liability - current | 25,646 | 1,083 |
| Total current liabilities | 1,052,945 | 452,546 |
| Long term liabilities: | | |
| Right of use liability - long term | 33,706 | 2,167 |
| Total long term liabilities | 33,706 | 2,167 |
| Total liabilities | 1,086,651 | 454,713 |
| Net assets: | | |
| Without donor restrictions | 1,523,646 | 1,799,624 |
| With donor restrictions | 316,865 | 322,475 |
| Board designated funds | 2,500 | 2,500 |
| Total net assets | 1,843,011 | 2,124,599 |
| Total liabilities and net assets | $ 2,929,662 | $ 2,579,312 |

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

**UNITED WAY OF WACO-MCLENNAN COUNTY AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023
(With Summarized Financial Information for Year Ended December 31, 2022)

| | Without donor restrictions | With donor restrictions | Totals 2023 | Totals 2022 |
|---|---|---|---|---|
| **REVENUE** | | | | |
| Support and revenue | | | | |
| Contributions | $ 6,365 | $ - | $ 6,365 | $ 6,365 |
| Campaign contributions, net of provision $53,789 and $23,224 | 1,015,664 | 10,506 | 1,026,170 | 858,243 |
| Grant revenue | 97,027 | - | 97,027 | 115,620 |
| Net investment income | 166,890 | - | 166,890 | ( 120,570) |
| Other income | 18,797 | - | 18,797 | 9,048 |
| Net assets released from restrictions | 16,605 | ( 16,605) | - | - |
| Total support and revenue | 1,321,348 | ( 6,099) | 1,315,249 | 868,706 |
| **EXPENSES** | | | | |
| Program Services: | | | | |
| Distribution to local agencies | 1,074,939 | - | 1,074,939 | 708,031 |
| Child Well Being | 86,031 | - | 86,031 | 133,562 |
| Support Services: | | | | |
| Management and general | 298,567 | - | 298,567 | 313,327 |
| Development | 137,300 | - | 137,300 | 107,763 |
| Total expenses | 1,596,837 | - | 1,596,837 | 1,262,683 |
| **CHANGE IN NET ASSETS** | ( 275,489) | ( 6,099) | ( 281,588) | ( 393,977) |
| **NET ASSETS, BEGINNING OF YEAR** | 1,802,124 | 322,475 | 2,124,599 | 2,609,642 |
| **PRIOR PERIOD ADJUSTMENT** | - | - | - | ( 91,066) |
| **NET ASSETS, END OF YEAR** | $ 1,526,635 | $ 316,376 | $ 1,843,011 | $ 2,124,599 |

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

**UNITED WAY OF WACO-MCLENNAN COUNTY AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

| | Program Services | | |
|---|---|---|---|
| | Distribution to Local Agencies | Child Well Being | Total Program Expenses |
| Salaries and wages | $ 49,869 | $ 50,634 | $ 100,503 |
| Payroll taxes and employee benefits | 9,021 | 9,129 | 18,150 |
| Total salaries, wages and related expenses | 58,890 | 59,763 | 118,653 |
| Distribution to local agencies and allocations | 1,000,000 | - | 1,000,000 |
| Professional fees | - | - | - |
| Data processing | - | - | - |
| Office supplies | - | - | - |
| Telephone expense | 223 | 226 | 449 |
| Program materials and events | 7,873 | 14,594 | 22,467 |
| Advertising and promotion | - | 5,573 | 5,573 |
| Occupancy | 2,671 | 2,712 | 5,383 |
| Rental and maintenance | 324 | 329 | 653 |
| Printing and publication | - | 1,145 | 1,145 |
| Auto and mileage allowance | - | 164 | 164 |
| Property insurance | 488 | 495 | 983 |
| Technology and software | 3,360 | - | 3,360 |
| Membership dues | - | - | - |
| Other | 515 | 426 | 941 |
| Depreciation and amortization | 595 | 604 | 1,199 |
| Total expenses | $ 1,074,939 | $ 86,031 | $ 1,160,970 |

| Support Services | | | |
|---|---|---|---|
| Management and General | Development | Total Support Expenses | Total Expenses |
| $ 127,649 | $ 84,105 | $ 211,754 | $ 312,257 |
| 18,723 | 14,071 | 32,794 | 50,944 |
| 146,372 | 98,176 | 244,548 | 363,201 |
| - | - | - | 1,000,000 |
| 51,171 | - | 51,171 | 51,171 |
| 6,057 | - | 6,057 | 6,057 |
| 3,452 | 480 | 3,932 | 3,932 |
| 1,732 | 355 | 2,087 | 2,536 |
| - | - | - | 22,467 |
| 18,334 | 14,895 | 33,229 | 38,802 |
| 20,762 | 4,259 | 25,021 | 30,404 |
| 4,406 | 516 | 4,922 | 5,575 |
| 541 | 2,558 | 3,099 | 4,244 |
| 134 | - | 134 | 298 |
| 3,790 | 777 | 4,567 | 5,550 |
| 7,742 | 10,081 | 17,823 | 21,183 |
| 17,935 | - | 17,935 | 17,935 |
| 11,511 | 4,254 | 15,765 | 16,706 |
| 4,628 | 949 | 5,577 | 6,776 |
| $ 298,567 | $ 137,300 | $ 435,867 | $ 1,596,837 |

**UNITED WAY OF WACO-MCLENNAN COUNTY AND SUBSIDIARY**

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

| | Program Services | | |
|---|---|---|---|
| | Distribution to Local Agencies | Child Well Being | Total Program Expenses |
| Salaries and wages | $ 81,876 | $ 103,917 | $ 185,793 |
| Payroll taxes and employee benefits | 14,695 | 14,860 | 29,555 |
| Total salaries, wages and related expenses | 96,571 | 118,777 | 215,348 |
| Distribution to local agencies and allocations | 600,000 | - | 600,000 |
| Professional fees | - | - | - |
| Data processing | - | - | - |
| Office supplies | 178 | - | 178 |
| Telephone expense | 237 | 301 | 538 |
| Program materials and events | 5,520 | 1,040 | 6,560 |
| Advertising and promotion | 1,275 | - | 1,275 |
| Occupancy | 2,557 | 3,181 | 5,738 |
| Rental and maintenance | 436 | 553 | 989 |
| Printing and publication | - | 2,974 | 2,974 |
| Auto and mileage allowance | - | 72 | 72 |
| Property insurance | 423 | 537 | 960 |
| Technology and software | - | - | - |
| Membership dues | 200 | - | 200 |
| Other | 14 | 5,341 | 5,355 |
| Depreciation and amortization | 620 | 786 | 1,406 |
| Total expenses | $ 708,031 | $ 133,562 | $ 841,593 |

| Support Services | | | | |
| --- | --- | --- | --- | --- |
| Management and General | Development | Total Support Expenses | Total Expenses |
| $ 103,732 | $ 87,373 | $ 191,105 | $ 376,898 |
| 14,094 | 16,880 | 30,974 | 60,529 |
| 117,826 | 104,253 | 222,079 | 437,427 |
| - | - | - | 600,000 |
| 67,222 | - | 67,222 | 67,222 |
| 6,051 | - | 6,051 | 6,051 |
| 2,585 | 31 | 2,616 | 2,794 |
| 2,492 | 73 | 2,565 | 3,103 |
| - | - | - | 6,560 |
| 8,447 | 21 | 8,468 | 9,743 |
| 26,324 | 771 | 27,095 | 32,833 |
| 15,458 | 134 | 15,592 | 16,581 |
| 1,468 | 1,420 | 2,888 | 5,862 |
| - | - | - | 72 |
| 4,462 | 110 | 4,572 | 5,532 |
| 12,837 | 390 | 13,227 | 13,227 |
| 20,209 | - | 20,209 | 20,409 |
| 21,439 | 369 | 21,808 | 27,163 |
| 6,507 | 191 | 6,698 | 8,104 |
| $ 313,327 | $ 107,763 | $ 421,090 | $ 1,262,683 |

**UNITED WAY OF WACO-MCLENNAN COUNTY AND SUBSIDIARY**

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

| | 2023 | 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $( 281,588) | $( 393,977) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities | | |
| Investment losses (earnings) | ( 392) | 170,018 |
| Unrealized (gain)/loss | ( 154,655) | - |
| Realized (gain)/loss | 44,378 | - |
| Depreciation | 6,776 | 8,104 |
| Changes in operating assets and liabilities: | | |
| (Increase) decrease grants receivable | ( 102,264) | 178,714 |
| (Increase) decrease other assets | 599 | ( 2,756) |
| Increase (decrease) accounts payable | ( 2,152) | 4,771 |
| Increase (decrease) accrued liabilities | 582,014 | 252,900 |
| Increase (decrease) unearned revenue | ( 4,026) | 21,880 |
| Net cash provided by operating activities | 88,690 | 239,654 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchase/sales of investments, net | ( 488,924) | - |
| Net cash used by investing activities | ( 488,924) | - |
| **NET CHANGE IN CASH** | ( 400,234) | 239,654 |
| **CASH, BEGINNING OF YEAR** | 1,309,230 | 1,069,576 |
| **CASH, END OF YEAR** | $ 908,996 | $ 1,309,230 |

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

## 1. NATURE OF ORGANIZATION

United Way of Waco-McLennan County and Greater Waco United Fund Foundation (collectively, the "Organization") were formed in Texas in 1953 and 1970 respectively. United Way of Waco-McLennan County ("United Way") is a non-profit organization with the primary purpose of raising voluntary contributions from local businesses, employees, and individuals. These funds are then allocated to member agencies as deemed necessary by the Governing Board. Greater Waco United Fund Foundation (the "Foundation") operates under terms of a trust agreement between the Foundation and United Way. In general, the purpose is to provide an entity into which gifts, bequests and devises may be placed to be administered by a Board of Trustees for the benefit of United Way and, specifically, to have supplementary and reserve funds to satisfy the demands of their particular service and for capital improvements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Basis of Accounting

The accompanying consolidated financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

### Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the United Way and the Foundation as described above. Control of these companies rests with the United Way through appointment of the board of directors. All significant intercompany transactions have been eliminated.

### Basis of Presentation

Net assets, revenues, gains and losses are classified on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and the changes therein are classified and reported as follows:

#### Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. Such net assets are available for any purpose consistent with the Organization's mission. Designations of net assets by the governing board do not have the same legal requirements as do restrictions of funds and are included in this category.

#### Net Assets With Donor Restrictions

Net assets subject to specific donor-imposed restrictions that must be met by actions of the Organization and/or passage of time. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**Adoption of New Accounting Standard**

On January 1, 2022, the Organization adopted Accounting Standards Update ("ASU") No. 2016-02, *Leases* (*Accounting Standards Codification ("ASC") 842*), which resulted in recording operating lease liabilities and right of use assets in the balance sheets. The operating and finance lease liabilities and right of use asset balances were $59,352 and $59,352 as of December 31, 2023, respectively. The operating and finance lease liabilities and right of use asset balances were $3,250 and $3,250 as of December 31, 2022, respectively. The balance is recorded based on the present value of the remaining minimum rental payments under the leasing standard for existing operating leases. The key estimates for these leases include the discount rate used to discount the unpaid lease payments to present value. The Organization's leases generally do not include a readily determinable implicit rate, therefore, using a portfolio approach, the Organization determined the collateralized incremental borrowing rate to discount the lease payments based on the information available at least commencement.

Leases include the noncancellable period of the lease plus any additional periods covered by either an option to extend the lease that the Organization is reasonably certain to exercise, or an option to extend the lease controlled by the lessor. The Organization has determined it is not reasonably certain to exercise renewal options, and as a result, the lease's initial stated term was used in the calculation of lease liabilities.

**Use of Accounting Estimates**

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Key accounting policies that include significant judgments and estimates include the useful lives of fixed assets, allowance for uncollectible pledges, and the fair value of investments.

**Cash and Cash Equivalents**

For purposes of the consolidated statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. At December 31, 2023 and 2022, cash equivalents consisted primarily of money market accounts with brokers.

Restricted cash and short-term certificates of deposit for the Foundation represent contributions received that are restricted to investment in perpetuity.

**Certificates of Deposit**

The Organization has invested in several federally insured certificates of deposit with various maturity dates. The certificates of deposit are not subject to the provisions of fair value measurements as they have been recorded at cost.

**Restricted and Unrestricted Revenue**

Contributions received are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), 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.

**Contributed Services**

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributions of services also include services received from personnel of an affiliate. As of December 31, 2023 and 2022, contribution revenue of $1,901 and $1,000 recognized from contributed services consisted of donated marketing services and a donated venue, respectively.

**Campaign Pledges Receivable**

Campaign pledges receivable are stated at the net amount management expects to collect from outstanding balances. The Organization initially measures the receivables at the amount they expect to collect based on its assessment of the current status of individual accounts, as well as historical collection percentages. A provision for bad debt expense and allowance for uncollectible accounts is made, if necessary, if collections are less than originally expected. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a reduction of accounts receivable. As of December 31, 2023 and 2022, the allowance for uncollectible pledges was $100,667 and $88,416, respectively.

**Property, Buildings and Equipment**

Acquisitions of property, buildings and equipment in excess of $5,000 are capitalized. Property, buildings and equipment are stated at cost less accumulated depreciation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets. Expenditures for normal maintenance and repairs are charged to operations, while expenditures for betterments and major renewals are capitalized. When assets are retired or sold, the related costs and accumulated depreciation are removed from the accounts and the resulting gain or loss is reflected in current operations.

**Designation of Net Assets Without Donor Restrictions**

It is the policy of the Board of Directors of the Organization to review its plans for future property improvements and acquisitions from time to time and to designate appropriate sums of net assets without donor restrictions to assure adequate financing of such improvements and acquisitions. As of December 31, 2023 and 2022, the board has set aside $2,500 for Prenatal to Three Initiative.

**Grant Revenue and Cost Recognition**

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

*Grant awards that are contributions* – grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses or asset acquisition costs are incurred. These grants are recognized according to ASC 958, *Not-for-profit Entities*.

*Grant awards that are exchange transactions* - exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed. Amounts received in advance are reflected as grant funds received in advance. These grants are recognized according to ASC 606, *Revenue from Contracts with Customers*.

Contributions are measured at their fair values and are reported as an increase in net assets. The Organization reports gifts of cash and other assets are restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Expenses are recorded when incurred in accordance with the accrual basis of accounting.

## Investment Income and Gains

Investment return includes dividend, interest and other investment income and realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses.

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions in the reporting period in which restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished).

## Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services based on the direct agency allocations, percentages of employee's time and services between the categories, and lastly, allocation of occupancy by office square footage. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

## Federal Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. Accordingly, no provision for federal income taxes has been made.

The accounting standards on accounting for uncertainty in income taxes address the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the consolidated financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Management annually reviews its tax position and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements.

The Organization's tax returns are generally no longer subject to examination by the Internal Revenue Service after three years.

# 3. BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS – WACO FOUNDATION

United Way transferred assets to Waco Foundation, a community foundation, designating itself as the beneficiary. The income earned (including net realized and unrealized appreciation) on the transferred assets will be paid at least annually to United Way. The income may, if both United Way and the Waco Foundation agree, remain and accumulate with the principal. Distributions of principal may be made at the sole discretion of Waco Foundation. It is intended that assets will be held for the benefit of United Way as long as the need for the fund exists. However, the assets are subject to the governing documents of Waco Foundation and the policies and procedures of its governing body. Consequently, the Waco Foundation has the right to substitute another beneficiary in the place of United Way without the approval of United Way. Under ASC 958, *Not-for-Profit Entities*, the following is a reconciliation of the Unrestricted General Fund as of December 31, 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Beginning balance | $ 2,780 | $ 3,394 |
| Capital gains and losses | ( 59) | 10 |
| Change in unrealized gains and losses | 363 | ( 554) |
| Dividends and interest | 77 | 93 |
| Grants Approved | ( 143) | ( 140) |
| Administrative fees | ( 22) | ( 23) |
| Ending balance | $ 2,996 | $ 2,780 |

In addition, the Waco Foundation holds funds donated directly to the Waco Foundation for the benefit of the Organization which are not reflected in these financial statements. The fair value of these assets was $3,211 and $2,742 at December 31, 2023 and 2022.

## 4. INVESTMENTS

Investments at December 31, 2023 consisted of the following:

| | 2023 | |
|---|---|---|
| | Fair Value | Cost |
| Exchange traded funds | $ 1,227,783 | $ 1,072,390 |
| Ending balance | $ 1,227,783 | $ 1,072,390 |

Investments at December 31, 2022 consisted of the following:

| | 2022 | |
|---|---|---|
| | Fair Value | Cost |
| Equity securities | $ 613,339 | $ 379,156 |
| Mutual funds | 15,459 | 18,778 |
| Ending balance | $ 628,798 | $ 397,934 |

## 5. PROPERTY, BUILDINGS AND EQUIPMENT

Property, buildings and equipment consist of the following:

| | 2023 | 2022 | Estimated Useful Lives |
|---|---|---|---|
| Furniture and equipment | $ 6,504 | $ 6,504 | 10 years |
| Software | 39,188 | 39,188 | 3 - 5 years |
| Total property, buildings and equipment | 45,692 | 45,692 | |
| Less accumulated depreciation | ( 45,080) | ( 38,304) | |
| Net property, buildings and equipment | $ 612 | $ 7,388 | |

Depreciation charged as an expense for the years ended December 31, 2023 and 2022 was $6,776 and $8,104.

## 6. CAMPAIGN PLEDGES RECEIVABLE

Campaign pledges receivable by fund-raising campaign that are due within one year at December 31, 2023 are as follows:

| | |
|---|---|
| **2024 Campaign** | |
| Pledges receivable | $ 5,000 |
| Less: Allowance for uncollectible pledges | - |
| 2024 Campaign | 5,000 |
| **2023 Campaign** | |
| Pledges receivable | $ 423,210 |
| Less: Allowance for uncollectible pledges | ( 50,788) |
| 2023 Campaign | 372,422 |
| **2022 Campaign** | |
| Pledges receivable | $ 99,758 |
| Less: Allowance for uncollectible pledges | ( 49,879) |
| 2022 Campaign | 49,879 |
| Total campaign pledges receivable | $ 427,301 |

Campaign pledges receivable by fund-raising campaign that are due within one year at December 31, 2022 are as follows:

| | |
|---|---|
| **2022 Campaign** | |
| Pledges receivable | $ 313,578 |
| Less: Allowance for uncollectible pledges | ( 37,629) |
| 2022 Campaign | 275,949 |
| **2021 Campaign** | |
| Pledges receivable | $ 101,574 |
| Less: Allowance for uncollectible pledges | ( 50,787) |
| 2021 Campaign | 50,787 |
| Total campaign pledges receivable | $ 326,736 |

## 7. LEASES

The Organization determines whether a contract contains a lease at the inception of a contract by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The Organization leases certain buildings and equipment for varying periods. The incremental borrowing rate utilized to calculate the lease liabilities is based on the information available at commencement date, as most of the leases do not provide an implicit borrowing rate. The operating lease agreements do not contain any material guarantees or restrictive covenants.

As of December 31, 2023 and 2022, the Organization has three operating leases, no finance leases, and no sublease activities. Short-term leases, defined as leases with initial terms of 12 months or less, are not reflected on the balance sheets. For the purposes of calculating lease liabilities, all lease and non-lease components, if applicable, are combined.

During 2023 and 2022, the Organization recognized rent expense associated with leases under ASC 842 as follows:

| | For the year ended December 31, 2023 | For the year ended December 31, 2022 |
|---|---|---|
| Operating lease cost: | | |
| Fixed expense | $ 25,635 | $ 1,116 |
| Short-term lease cost | 2,967 | 29,744 |
| Total lease cost: | $ 28,602 | $ 30,860 |

Supplemental information related to leases is as follows:

| | As of December 31, 2023 | As of December 31, 2022 |
|---|---|---|
| **Supplemental information:** | | |
| Weighted average remaining lease term: | | |
| Operating leases | 3.85 years | 3.00 years |
| Weighted average discount rate: | | |
| Operating leases | 3.0% | 3.0% |

The future payments due under operating leases as of December 31, 2023 are as follows:

| | |
|---|---|
| 2024 | $ 26,416 |
| 2025 | 29,916 |
| 2026 | 4,800 |
| | $ 61,132 |

## 8. CONCENTRATIONS

**Concentration of Credit Risk**

The Organization maintains its cash balances in local financial institutions. All accounts, interest bearing and noninterest bearing, are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000 per depositor at each separately chartered institution. As of December 31, 2023 and 2022, the Organization had cash balances in excess of FDIC insured limits. However, no losses have been incurred.

**Concentration of Funding Source**

For the years ended 2023 and 2022, one donor contributed approximately 12% and 18% of total revenue. At December 31, 2023 and 2022, receivables from the donor was approximately 30% and 38% of total receivables, respectively.

## 9. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board ("FASB") ASC 820, Fair Value Measurement, clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. This guidance establishes 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 under this guidance are described below.

- Level 1 – Valuations for assets and liabilities traded in active exchange markets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

- Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or comparable assets or liabilities which use observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in active markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In estimating fair value, the Organization utilizes valuation techniques that are consistent with the market approach, the income approach, and/or the cost approach. Such valuation techniques are consistently applied.

The fair value of the investments recognized in the accompanying consolidated statement of financial position is measured at fair value on a recurring basis. Fair values of assets measured on a recurring basis at December 31, 2023 are as follows:

| | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|
| | Fair Value | Quoted Prices in Active Markts for Identical Assets (Level 1) | Quoted Prices for Similar Assets (Level 2) |
| Investments | | | |
| Exchange traded funds | $ 1,227,783 | $ 1,227,783 | $ - |
| Total investments | 1,227,783 | 1,227,783 | - |
| Assets at Waco Foundation | 2,996 | - | 2,996 |
| Total at December 31, 2023 | $ 1,230,779 | $ 1,227,783 | $ 2,996 |

Fair values of assets measured on a recurring basis at December 31, 2022 are as follows:

| | Fair Value Measurements at Reporting Date Using | | |
|---|---|---|---|
| | Fair Value | Quoted Prices in Active Markts for Identical Assets (Level 1) | Quoted Prices for Similar Assets (Level 2) |
| Investments | | | |
| Equity securities | $ 613,339 | $ 613,339 | $ - |
| Mutual funds | 15,459 | 15,459 | - |
| Total investments | 628,798 | 628,798 | - |
| Assets at Waco Foundation | 2,780 | - | 2,780 |
| Total at December 31, 2022 | $ 631,578 | $ 628,798 | $ 2,780 |

## 10. NET ASSETS WITH DONOR RESTRICTIONS

***Net Assets with Donor Restrictions***

Net assets with donor restrictions at December 31, 2023 and 2022 are restricted for the following purposes or periods:

| | 2023 | 2022 |
|---|---|---|
| Net Assets with Donor Restrictions | | |
| Subject to appropriation and expenditure when a specific event occurs. Restricted by donors for: | | |
| Child Well-Being | $ 28,482 | $ 37,621 |
| Sustained capacity support | - | 7,365 |
| Women United | 33,920 | 33,920 |
| Campaign pillar restrictions | 170,797 | 160,392 |
| | 233,199 | 239,298 |
| Endowments | | |
| Subject to NFP endowment spending policy and appropriation | | |
| General use | 73,916 | 73,427 |
| Child Well-Being | 9,750 | 9,750 |
| | 83,666 | 83,177 |
| Ending balance | $ 316,865 | $ 322,475 |

The Foundation's net assets with donor restrictions for endowments at December 31, 2023 and 2022, are restricted to investment in perpetuity, the income from which is available for distribution to United Way or various United Way agencies as approved by the Board of Trustees. The net assets resulted from contributions by the families of Mr. and Mrs. Jim Chase, Mr. and Mrs. James R. Clifton, and Mr. and Mrs. William L. Clifton, Jr., in honor of Mr. and Mrs. W. Lacy Clifton totaling $62,681, and a contribution of $10,740 from the estate of Anna Leigh Zimmerman. The endowments are invested according to the Foundation's general investment policy.

### *Net Assets Released from Restrictions*

For the years ended December 31, 2023 and 2022, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specific by donors.

| | 2023 | 2022 |
|---|---|---|
| Satisfaction of purpose restrictions | | |
| Child Well-Being | $ 9,140 | $ 1,293 |
| Sustained capacity support | 7,365 | 2,634 |
| | $ 16,505 | $ 3,927 |

## 11. GRANT ALLOCATIONS AND COMMITMENTS TO AGENCY PROGRAMS

In March 2022, United Way made unconditional pledges in the amount of $600,000 to agency programs for community fund grant allocations to be paid for the period beginning March 1, 2022 through August 31, 2023. Accordingly, as of December 31, 2022, a liability of $267,555 was recorded for the unconditional grants pledged, and not yet paid as of that date.

In May 2023, United Way made unconditional pledges in the amount of $1,000,000 to agency programs for community fund grant allocations to be paid for the period beginning September 1, 2023 through August 31, 2025. Accordingly, as of December 31, 2023, a liability of $833,333 was recorded for the unconditional grants pledged, and not yet paid as of that date.

## 12. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of December 31, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Amounts not available could include amounts set aside for long-term investing in quasi-endowments that could be drawn upon if the governing board approves that action.

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents | $ 898,159 | $ 1,298,490 |
| Short-term certificates of deposit | 233,928 | 233,928 |
| Campaign pledges receivable, net | 427,301 | 326,736 |
| Other receivables | 1,699 | - |
| Investments | 1,227,783 | 628,798 |
| Restricted cash | 10,837 | 10,740 |
| Restricted short-term certificates of deposit | 63,079 | 62,687 |
| Beneficial interest in assets held by others | 2,996 | 2,780 |
| Financial assets, at year-end | 2,865,782 | 2,564,159 |
| Less: | | |
| Donor imposed restricted funds | 233,199 | 239,298 |
| Donor imposed restricted endowments | 83,666 | 83,177 |
| Board designated funds | 2,500 | 2,500 |
| Financial assets available to meet cash needs for general expenditures within one year | $ 2,546,417 | $ 2,239,184 |

As part of the Organization's liquidity management, it generates an annual budget to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

## 13. RECOGNITION OF REVENUE

The Organization earns revenue from a variety of sources. The Organization's principal sources of revenue are campaign revenue, grants and contracts, contributions, investment income and other income as discussed above in note 2.

Grants and contracts that are exchange transactions are within the scope of and accounted for under ASC 606. ASC 606 requires revenue to be recognized when the Organization satisfies the related performance obligations by transferring the goods or services to a customer through a 5-step process:

1) Identify the contract with the customer,
2) Identify the associated performance obligations,
3) Determine the transaction price,

4) Allocate the transaction price to the performance obligations, and
5) Recognize revenue when the performance obligations have been satisfied and the good or service has been transferred.

Grants and contract awards that are considered contributions, other contributions and fundraisers are not considered exchange transactions under ASC 606, therefore revenue from these transactions are recognized in accordance with ASC 958, *Not-for-profit Entities*.

ASC 606 related revenue consists of grant and contract awards that are exchange transactions, which are recognized in the period the service is performed or the performance obligation is satisfied. For the years ended December 31, 2023 and 2022, all grants and contracts were considered to be exchange transactions.

For all revenue streams, the overall economy will have a direct impact on the Organization. If the economy were impacted negatively, it will result in less disposable income for programs, and thus, less investment in non-essential items.

## 14. EMPLOYEE BENEFIT PLAN

The Organization has a SIMPLE IRA plan which covers substantially all employees. Participants may elect to contribute to the plan through payroll deductions up to an annually defined maximum as allowed by the Internal Revenue Code. United Way makes an annual contribution based on the gross compensation of eligible plan participants. During 2023 and 2022, the Organization matched up to 3% of the gross compensation of eligible plan participants. Benefits to participating employees are limited to the vested amounts of their individual account balances. Employees become vested at 20% per year and are fully vested at the end of five years. Pension expense for 2023 and 2022 was $7,607 and $7,202, respectively.

## 15. SUBSEQUENT EVENTS

Subsequent events have been evaluated through June 3, 2024, the issuance date of this report. No significant events have occurred that require disclosure.

# SUPPLEMENTAL INFORMATION

**UNITED WAY OF WACO-MCLENNAN COUNTY AND SUBSIDIARY**

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

| | United Way of Waco-McLennan County | Greater Waco United Fund Foundation | Eliminations | Total |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Current assets: | | | | |
| Cash and equivalents | $ 857,819 | $ 40,340 | $ - | $ 898,159 |
| Short-term certificates of deposit | 110,000 | 123,928 | - | 233,928 |
| Campaign pledges receivable, net of allowance | 427,301 | - | - | 427,301 |
| Related party receivables | 56,361 | - | ( 56,361) | - |
| Other receivables | 1,699 | - | - | 1,699 |
| Investments at fair value | - | 1,227,783 | - | 1,227,783 |
| Beneficial interest in assets held by others | 2,996 | - | - | 2,996 |
| Cash and equivalents - restricted | - | 10,837 | - | 10,837 |
| Short-term certificates of deposit - restricted | - | 63,079 | - | 63,079 |
| Total current assets | 1,456,176 | 1,465,967 | ( 56,361) | 2,865,782 |
| Property, buildings and equipment, net of accumulated | 612 | - | - | 612 |
| Right of use asset | 59,352 | - | - | 59,352 |
| Other assets | 3,916 | - | - | 3,916 |
| Total assets | $ 1,520,056 | $ 1,465,967 | $( 56,361) | $ 2,929,662 |
| **LIABILITIES AND NET ASSETS** | | | | |
| Current liabilities: | | | | |
| Accounts payable | $ 10,974 | $ 56,361 | $( 56,361) | $ 10,974 |
| Donor designations payable | 51,567 | - | - | 51,567 |
| Accrued expenses and other liabilities | 22,505 | - | - | 22,505 |
| Grants payable | 833,333 | - | - | 833,333 |
| Deferred revenue | 108,920 | - | - | 108,920 |
| Right of use liability - current | 25,646 | - | - | 25,646 |
| Total current liabilities | 1,052,945 | 56,361 | ( 56,361) | 1,052,945 |
| Long term liabilities: | | | | |
| Right of use liability - long term | 33,706 | - | - | 33,706 |
| Total long term liabilities | 33,706 | - | - | 33,706 |
| Total liabilities | 1,086,651 | 56,361 | ( 56,361) | 1,086,651 |
| Net assets: | | | | |
| Without donor restrictions | 187,956 | 1,335,690 | - | 1,523,646 |
| With donor restrictions | 242,949 | 73,916 | - | 316,865 |
| Board designated funds | 2,500 | - | - | 2,500 |
| Total net assets | 433,405 | 1,409,606 | - | 1,843,011 |
| Total liabilities and net assets | $ 1,520,056 | $ 1,465,967 | $( 56,361) | $ 2,929,662 |

**UNITED WAY OF WACO-MCLENNAN COUNTY AND SUBSIDIARY**

CONSOLIDATING STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2023

| | United Way of Waco-McLennan County | | Greater Waco United Fund Foundation | | |
|---|---|---|---|---|---|
| | Without donor restrictions | With donor restrictions | Without donor restrictions | Eliminations | Total |
| **REVENUE** | | | | | |
| Support and revenue | | | | | |
| Contributions | $ - | $ - | $ 6,365 | $ - | $ 6,365 |
| Campaign contributions, net of provision $56,789 | 1,015,664 | 10,506 | - | - | 1,026,170 |
| Grant revenue | 97,027 | - | - | - | 97,027 |
| Net investment income | 7,254 | - | 159,636 | - | 166,890 |
| Other income | 71,248 | - | - | ( 52,451) | 18,797 |
| Net assets released from restrictions | 16,605 | ( 16,605) | - | - | - |
| Total support and revenue | 1,207,798 | ( 6,099) | 166,001 | ( 52,451) | 1,315,249 |
| **EXPENSES** | | | | | |
| Program Services: | | | | | |
| Funds distributed to agencies | 1,074,939 | - | 52,451 | ( 52,451) | 1,074,939 |
| Child Well Being | 86,031 | - | - | - | 86,031 |
| Support Services: | | | | | |
| Management and general | 294,557 | - | 4,010 | - | 298,567 |
| Development | 137,300 | - | - | - | 137,300 |
| Total expenses | 1,592,827 | - | 56,461 | ( 52,451) | 1,596,837 |
| **CHANGE IN NET ASSETS** | ( 385,029) | ( 6,099) | 109,540 | - | ( 281,588) |
| **NET ASSETS, BEGINNING OF YEAR** | 575,485 | 249,048 | 1,300,066 | - | 2,124,599 |
| **NET ASSETS, END OF YEAR** | $ 190,456 | $ 242,949 | $ 1,409,606 | $ - | $ 1,843,011 |

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