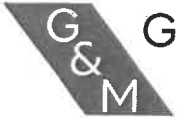


UNITED WAY OF BRAZORIA COUNTY

INDEPENDENT AUDITORS' REPORT

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017



INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
United Way of Brazoria County  
Angleton, Texas

We have audited the accompanying financial statements of United Way of Brazoria County (a non-profit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

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**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Brazoria County as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Dawn E. McElhara CPA PLLC*

Houston, Texas  
November 7, 2018

UNITED WAY OF BRAZORIA COUNTY  
 STATEMENTS OF FINANCIAL POSITION  
 JUNE 30, 2018 AND 2017

| <u>Assets</u>  | <u>2018</u>         | <u>2017</u>         |
|--|---------------------|---------------------|
| Cash and cash equivalents  | \$ 2,724,374        | \$ 1,257,400        |
| Certificates of deposit  | -                   | 366,074             |
| Investments  | 687,159             | 698,790             |
| Campaign pledges receivable, net of allowance<br>for uncollectible pledges of \$278,000 and<br>\$265,000, respectively | 1,362,634           | 1,303,183           |
| Other assets   | 38,509              | 23,448              |
| Property and equipment, net of accumulated<br>Depreciation of \$34,197 and \$29,517, respectively                      | 12,164              | 16,937              |
| Total assets   | <u>\$ 4,824,840</u> | <u>\$ 3,665,832</u> |
| <u>Liabilities and Net Assets</u>  |                     |                     |
| Liabilities:   |                     |                     |
| Accounts payable and accrued expenses  | \$ 170,784          | \$ 170,771          |
| Donor designations payable   | 186,997             | 140,576             |
| Total liabilities  | <u>357,781</u>      | <u>311,347</u>      |
| Net Assets:  |                     |                     |
| Unrestricted   | 3,255,443           | 3,163,833           |
| Temporarily restricted   | 1,211,616           | 190,652             |
| Total net assets   | <u>4,467,059</u>    | <u>3,354,485</u>    |
| Total liabilities and net assets   | <u>\$ 4,824,840</u> | <u>\$ 3,665,832</u> |

The accompanying notes are an integral part of these financial statements

UNITED WAY OF BRAZORIA COUNTY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018

|  | Unrestricted | Temporarily<br>Restricted | Total        |
|--|--------------|---------------------------|--------------|
| Public Support and revenue:  |              |                           |              |
| Campaign revenue:  |              |                           |              |
| Gross campaign results   | \$ 3,637,667 | \$ -                      | \$ 3,637,667 |
| Less provision for uncollectible<br>Pledges                                    | (568,064)    | -                         | (568,064)    |
| Net campaign results   | 3,069,603    | -                         | 3,069,603    |
| Less donor designations, net of<br>provision for uncollectible<br>designations | (254,708)    | -                         | (254,708)    |
| Campaign revenue   | 2,814,895    | -                         | 2,814,895    |
| Designation from other United Ways   | 52,531       | -                         | 52,531       |
| Donor designations service fees  | 19,803       | -                         | 19,803       |
| "Helpline" subsidy   | 14,000       | -                         | 14,000       |
| Fundraising events (net)   | 22,195       | -                         | 22,195       |
| Investment income  | 24,139       | -                         | 24,139       |
| Grants   | 233,500      | 2,105,595                 | 2,339,095    |
| Miscellaneous income (loss)  | 100          | -                         | 100          |
| Total public support and revenue   | 3,181,163    | 2,105,595                 | 5,286,758    |
| Net assets released from restrictions  | 1,084,631    | (1,084,631)               | -            |
| Total public support and revenue   | 4,265,794    | 1,020,964                 | 5,286,758    |
| Expenses:  |              |                           |              |
| Program services:  |              |                           |              |
| Allocations, grants and designations<br>to agencies                            | 3,413,762    | -                         | 3,413,762    |
| Less: donor designations incurred  | (254,708)    | -                         | (254,708)    |
| Net funds distributed to agencies  | 3,159,054    | -                         | 3,159,054    |
| Other program services:  |              |                           |              |
| Funds distribution   | 132,157      | -                         | 132,157      |
| Community Services   | 378,201      | -                         | 378,201      |
| Total program service  | 3,669,412    | -                         | 3,669,412    |
| Other supporting services:   |              |                           |              |
| Administration   | 254,392      | -                         | 254,392      |
| Fundraising  | 250,380      | -                         | 250,380      |
| Total Expenses   | 4,174,184    | -                         | 4,174,184    |
| Change in net assets   | 91,610       | 1,020,964                 | 1,112,574    |
| Net assets at beginning of year  | 3,163,833    | 190,652                   | 3,354,485    |
| Net assets, end of year  | \$ 3,255,443 | \$ 1,211,616              | \$ 4,467,059 |

The accompanying notes are an integral part of these financial statements

UNITED WAY OF BRAZORIA COUNTY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017

|  | Unrestricted        | Temporarily<br>Restricted | Total               |
|--|---------------------|---------------------------|---------------------|
| Public Support and revenue:  |                     |                           |                     |
| Campaign revenue:  |                     |                           |                     |
| Gross campaign results   | \$ 3,588,959        | \$ -                      | \$ 3,588,959        |
| Less provision for uncollectible<br>Pledges                                    | (378,323)           | -                         | (378,323)           |
| Net campaign results   | 3,210,636           | -                         | 3,210,636           |
| Less donor designations, net of<br>provision for uncollectible<br>designations | (328,159)           | -                         | (328,159)           |
| Campaign revenue   | 2,882,477           | -                         | 2,882,477           |
| Designation from other United Ways   | 61,435              | -                         | 61,435              |
| Donor designations service fees  | 29,353              | -                         | 29,353              |
| "Helpline" subsidy   | 14,000              | -                         | 14,000              |
| Fundraising events (net)   | 13,169              | -                         | 13,169              |
| Investment income  | 15,264              | -                         | 15,264              |
| Grants   | 48,500              | 199,410                   | 247,910             |
| Miscellaneous income (loss)  | 7,815               | -                         | 7,815               |
| Total public support and revenue   | 3,072,013           | 199,410                   | 3,271,423           |
| Net assets released from restrictions  | 73,934              | (73,934)                  | -                   |
| Total public support and revenue   | 3,145,947           | 125,476                   | 3,271,423           |
| Expenses:  |                     |                           |                     |
| Program services:  |                     |                           |                     |
| Allocations, grants and designations<br>to agencies                            | 2,541,458           | -                         | 2,541,458           |
| Less: donor designations incurred  | (328,159)           | -                         | (328,159)           |
| Net funds distributed to agencies  | 2,213,299           | -                         | 2,213,299           |
| Other program services:  |                     |                           |                     |
| Funds distribution   | 119,138             | -                         | 119,138             |
| Community Services   | 358,581             | -                         | 358,581             |
| Total program service  | 2,691,018           | -                         | 2,691,018           |
| Other supporting services:   |                     |                           |                     |
| Administration   | 253,365             | -                         | 253,365             |
| Fundraising  | 224,321             | -                         | 224,321             |
| Total Expenses   | 3,168,704           | -                         | 3,168,704           |
| Change in net assets   | (22,757)            | 125,476                   | 102,719             |
| Net assets at beginning of year  | 3,186,590           | 65,176                    | 3,251,766           |
| Net assets, end of year  | <u>\$ 3,163,833</u> | <u>\$ 190,652</u>         | <u>\$ 3,354,485</u> |

The accompanying notes are an integral part of these financial statements

UNITED WAY OF BRAZORIA COUNTY  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2018

|  | Other Program Services |                    |                              | Other Supporting Services |                       |                                 | Total Other expenses |
|--|------------------------|--------------------|------------------------------|---------------------------|-----------------------|---------------------------------|----------------------|
|  | Funds Dis-tribution    | Community services | Total other program services | Admini-stration           | Fund-raising services | Total other supporting services |                      |
| Personnel costs:                               |                        |                    |                              |                           |                       |                                 |                      |
| Salaries & wages                               | \$ 78,522              | \$ 242,649         | \$ 321,171                   | \$ 144,289                | \$ 138,340            | \$ 282,629                      | \$ 603,800           |
| Payroll taxes & Workers compensation insurance | 6,536                  | 15,493             | 22,029                       | 12,011                    | 11,515                | 23,526                          | 45,555               |
| Employee benefits                              | 20,495                 | 48,583             | 69,078                       | 37,661                    | 36,109                | 73,770                          | 142,848              |
| Total personnel costs                          | 105,553                | 306,725            | 412,278                      | 193,961                   | 185,964               | 379,925                         | 792,203              |
| Other expenses:                                |                        |                    |                              |                           |                       |                                 |                      |
| Assistance to individuals and other programs   | -                      | 1,576              | 1,576                        | -                         | -                     | -                               | 1,576                |
| Audit and related CPA services                 | -                      | -                  | -                            | 8,400                     | -                     | 8,400                           | 8,400                |
| Depreciation                                   | 814                    | 2,166              | 2,980                        | 1,463                     | 1,677                 | 3,140                           | 6,120                |
| Facilities costs                               | 8,061                  | 21,456             | 29,517                       | 14,487                    | 16,605                | 31,092                          | 60,609               |
| Insurance                                      | 672                    | 1,789              | 2,461                        | 1,207                     | 1,385                 | 2,592                           | 5,053                |
| Miscellaneous                                  | 1,551                  | 6,993              | 8,544                        | 9,655                     | 3,760                 | 13,415                          | 21,959               |
| Office equipment rental & Maintenance          | 2,896                  | 7,708              | 10,604                       | 5,204                     | 5,965                 | 11,169                          | 21,773               |
| Postage & shipping                             | 261                    | 693                | 954                          | 467                       | 538                   | 1,005                           | 1,959                |
| Printing & publications                        | 1,470                  | 139                | 1,609                        | -                         | 12,073                | 12,073                          | 13,682               |
| Supplies & office expense                      | 1,564                  | 4,163              | 5,727                        | 2,811                     | 3,223                 | 6,034                           | 11,761               |
| Telephone                                      | 1,472                  | 3,918              | 5,390                        | 2,645                     | 3,032                 | 5,677                           | 11,067               |
| Travel and local transportation                | 2,747                  | 7,311              | 10,058                       | 4,936                     | 5,658                 | 10,594                          | 20,652               |
| United Way of America dues                     | 4,008                  | 10,668             | 14,676                       | 7,200                     | 8,258                 | 15,458                          | 30,134               |
| United Way of Texas dues                       | 1,088                  | 2,896              | 3,984                        | 1,956                     | 2,242                 | 4,198                           | 8,182                |
| Total expenses                                 | \$ 132,157             | \$ 378,201         | \$ 510,358                   | \$ 254,392                | \$ 250,380            | \$ 504,772                      | \$ 1,015,130         |

The accompanying notes are an integral part of these financial statements

UNITED WAY OF BRAZORIA COUNTY  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2017

|  | Other Program Services |                    |                              | Other Supporting Services |              |                                 | Total Other expenses |
|--|------------------------|--------------------|------------------------------|---------------------------|--------------|---------------------------------|----------------------|
|  | Funds Dis-tribution    | Community services | Total other program services | Admini-stration           | Fund-raising | Total other supporting services |                      |
| Personnel costs:                               |                        |                    |                              |                           |              |                                 |                      |
| Salaries & wages                               | \$ 72,276              | \$ 215,428         | \$ 287,704                   | \$ 147,225                | \$ 128,529   | \$ 275,754                      | \$ 563,458           |
| Payroll taxes & Workers compensation insurance | 5,679                  | 16,927             | 22,606                       | 11,568                    | 10,098       | 21,666                          | 44,272               |
| Employee benefits                              | 14,286                 | 42,581             | 56,867                       | 29,101                    | 25,405       | 54,506                          | 111,373              |
| Total personnel costs                          | 92,241                 | 274,936            | 367,177                      | 187,894                   | 164,032      | 351,926                         | 719,103              |
| Other expenses:                                |                        |                    |                              |                           |              |                                 |                      |
| Assistance to individuals and other programs   | -                      | 2,517              | 2,517                        | -                         | -            | -                               | 2,517                |
| Audit and related CPA services                 | -                      | -                  | -                            | 7,800                     | -            | 7,800                           | 7,800                |
| Depreciation                                   | 1,069                  | 2,846              | 3,915                        | 1,922                     | 2,203        | 4,125                           | 8,040                |
| Facilities costs                               | 8,018                  | 21,342             | 29,360                       | 14,410                    | 16,519       | 30,929                          | 60,289               |
| Insurance                                      | 650                    | 1,730              | 2,380                        | 1,167                     | 1,340        | 2,507                           | 4,887                |
| Miscellaneous                                  | 1,605                  | 11,825             | 13,430                       | 10,708                    | 3,364        | 14,072                          | 27,502               |
| Office equipment rental & Maintenance          | 2,861                  | 7,615              | 10,476                       | 5,142                     | 5,893        | 11,035                          | 21,511               |
| Postage & shipping                             | 199                    | 530                | 729                          | 357                       | 411          | 768                             | 1,497                |
| Printing & publications                        | 294                    | 2,765              | 3,059                        | 2,043                     | 5,423        | 7,466                           | 10,525               |
| Supplies & office expense                      | 2,943                  | 7,833              | 10,776                       | 5,287                     | 6,063        | 11,350                          | 22,126               |
| Telephone                                      | 1,678                  | 4,466              | 6,144                        | 3,014                     | 3,457        | 6,471                           | 12,615               |
| Travel and local transportation                | 2,005                  | 5,338              | 7,343                        | 3,604                     | 4,131        | 7,735                           | 15,078               |
| United Way of America dues                     | 4,599                  | 12,240             | 16,839                       | 8,262                     | 9,475        | 17,737                          | 34,576               |
| United Way of Texas dues                       | 976                    | 2,598              | 3,574                        | 1,755                     | 2,010        | 3,765                           | 7,339                |
| Total expenses                                 | \$ 119,138             | \$ 358,581         | \$ 477,719                   | \$ 253,365                | \$ 224,321   | \$ 477,686                      | \$ 955,405           |

The accompanying notes are an integral part of these financial statements



UNITED WAY OF BRAZORIA COUNTY  
 STATEMENTS OF CASH FLOWS  
 YEARS ENDED JUNE 30, 2018 AND 2017

|   | 2018         | 2017         |
|---|--------------|--------------|
| Cash flows from operating activities:   |              |              |
| Change in net assets  | \$ 1,112,574 | \$ 102,719   |
| Adjustments to reconcile change in net assets to net cash used by operating activities: |              |              |
| Depreciation  | 7,595        | 8,040        |
| (Increase) decrease in campaign pledges receivable                                      | (59,451)     | (55,361)     |
| (Increase) decrease in other current assets   | (15,061)     | (2,963)      |
| Increase (decrease) in accounts payable and accrued expenses                            | 13           | 86,137       |
| Increase (decrease) in donor designations payable                                       | 46,421       | (40,449)     |
|   | 1,092,091    | 98,123       |
| Net cash provided (used) by operating activities  |              |              |
| Cash flows from investing activities:   |              |              |
| Certificates of deposit purchased and reinvested  | -            | (579)        |
| Sale (Purchase) of Investment   | 377,705      | 8,374        |
| Purchase of fixed assets, net   | (2,822)      | (1,407)      |
|   | 374,883      | 6,388        |
| Net cash provided (used) by investing activities  |              |              |
| Net increase (decrease) in cash and cash equivalents                                    | 1,466,974    | 104,511      |
| Cash and cash equivalents at beginning of year  | 1,257,400    | 1,152,889    |
| Cash and cash equivalents at end of year  | \$ 2,724,374 | \$ 1,257,400 |

The accompanying notes are an integral part of these financial statements

UNITED WAY OF BRAZORIA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

(1) Summary of Significant Accounting Policies

The financial statements of United Way of Brazoria County (the Organization, United Way) have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. The significant accounting policies followed are described below.

- (a) Organization - United Way of Brazoria County, a Texas non-profit corporation, was created in 1959 for the purpose of solving critical human services problems facing Brazoria County. It was incorporated under the laws of the State of Texas and approved as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

United Way of Brazoria County is governed by a volunteer board of directors drawn from throughout the county. The Agency's primary functions are its annual fundraising campaign conducted each fall, and the allocation of grants to its member agencies. In addition, the Agency conducts various community service programs. These include its "Helpline" information and referral service, disaster recovery assistance, other emergency assistance to need individuals, and county-wide needs assessment and planning.

- (b) Cash & cash equivalents - For purposes of the statement of cash flows, United Way considers all highly liquid investments with a maturity of 90 days or less when purchased to be cash equivalents. Certificates of deposit are included in cash and cash equivalents regardless of the maturity date.
- (c) Contributions receivable - Unconditional promises to give, if any, are recorded as revenue in the period the promise is made. Conditional promises are recorded as revenue in the period in which the condition is met. The unfunded portion is recorded as a receivable.
- (d) Donor designations - Donor designations are contributions that the donor specifically directs to a particular organization. Under generally accepted accounting principles, donor designations do not constitute campaign revenue or program expense. The funds are held by United Way in an agency capacity and are distributed to the intended organization when collected, net of a service fee.
- (e) Fixed assets and depreciation - The Organization's fixed assets consist of computer hardware and software and office furniture and equipment. Purchased fixed assets are recorded at cost. Gifts are recorded at estimated fair market value at the time they are received. Depreciation of fixed assets is provided using the straight-line method over their estimated useful lives: 5 years for computer hardware and software and 5 to 7 years for office furniture and equipment.

UNITED WAY OF BRAZORIA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

(1) Summary of Significant Accounting Policies - continued

- (f) Functional expenses - Expenses that can be directly attributed to a particular function are charged there. All other expenses are allocated based on the distribution of staff time.
- (g) Fundraising expenses - Fundraising expenses are recognized when incurred, regardless of the campaign year to which they relate.
- (h) Income tax - United Way is a non-profit organization that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and is classified as a public charity. Since the Organization was determined to be exempt from federal income tax, no provision for income taxes has been made.

Although exempt from federal income tax, the Organization is required to file an annual Form 990 Information returns with the Internal Revenue Service (IRS). The Organization's Form 990 returns have never been audited by the IRS. Those for the Organization's fiscal years 2015 through 2017 are subject to audit.

- (i) Investments - Investments are reported at fair market value in the statement of financial position. Investment income consist of interest income, dividend income and investment gains and losses (both realized and unrealized).
- (j) Net Assets - Not-for-profit organizations are required by generally accepted accounting principles to classify net assets into three categories based on the existence or absence of donor-imposed restrictions.

- Unrestricted - those not subject to any donor-imposed restrictions.
- Temporarily restricted - those subject to donor-imposed use or time restrictions that expire either when the contributions are used for their stipulated purposes or when the time restrictions expire.

Generally accepted accounting principles permits classifying temporarily restricted contributions received and expended during the same fiscal year as unrestricted. The Organization follows this practice.

- Permanently restricted - those subject to donor-imposed restrictions that neither expire with the passage of time nor can be met and removed by actions of the Organization.

The Organization had restricted net assets of \$1,211,616 and \$190,652 for disaster recovery during the years ended June 30, 2018 or 2017, respectively.

- (k) Provision for uncollectible pledges - The provision for uncollectible pledges is computed based on a 3-year historical average of collections experience, adjusted by management estimates of current economic factors, applied to individual company campaigns, including donor designations.

UNITED WAY OF BRAZORIA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

(1) Summary of Significant Accounting Policies - continued

- (l) Revenue from pledges and donations - Pledges and other donations are recognized as revenue when received or when the donor makes an unconditional promise to give to the Agency, whichever is earlier. Non-cash donations are recorded at their estimated fair market value at date of receipt.
- (m) Use of estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.
- (n) Volunteer services - Donations of services that create or enhance non-financial assets or that require specialized skills, and would typically need to be purchased if not provided by donations are recorded at their fair market values in the period received. A significant number of volunteers donate substantial amounts of time to the Organization's annual fundraising campaign, its funds allocation process, administrative oversight, and other programs, which do not meet the criteria for inclusion in the financial statements.

(2) Major Donor

A large chemical company located in southern Brazoria County provides a significant portion of the pledges received in each annual campaign. In the two most recent campaigns, fall of 2017 and fall of 2016, the employee and corporate pledges from this company accounted for approximately 15% and 20%, respectively, of gross campaign pledges.

(3) Security of Cash and Cash Equivalents

At June 30, 2018 and 2017, the carrying amount of United Way of Brazoria County bank deposits was \$2,729,349 and \$1,623,174, respectively, and the bank balance was \$2,824,673 and \$1,674,581, respectively. Uninsured balances of \$2,524,580 and \$1,258,395 exist at year end June 30, 2018 and 2017, respectively.

(4) Retirement plan

The Organization maintains a 401(k) retirement plan for the benefit of its full-time employees. The plan covers all full-time employees over age 21 with more than one year of service.

Employees may contribute up to 15% of their eligible pay to the plan. For employee contributions up to 6% of their eligible pay, the Organization is obligated to make a 50% matching contribution. In addition, the Organization may voluntarily contribute up to 3% of the pay of each eligible employee. Employer contributions to this plan in the years ended June 30, 2018 and 2017 were \$26,879 and \$23,322, respectively.

UNITED WAY OF BRAZORIA COUNTY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

(5) Operating Leases

The Organization rents its Angleton offices under a non-cancelable operating lease agreement. As of June 30, 2018, the minimum future annual lease payments due under this agreement are as follows:

| Fiscal Year<br>Ending June 30 |                   |
|-------------------------------|-------------------|
| 2019                          | \$ 74,604         |
| 2020                          | 75,534            |
| 2021                          | 78,324            |
| 2022                          | 58,743            |
| 2023                          | -                 |
|                               | <u>\$ 287,205</u> |

Total rent expense for the years ending June 30, 2018 and 2017 were \$58,929 and \$58,608, respectively.

(6) Investment Securities

Investment securities were comprised of:

|                      | June 30,          |                   |
|----------------------|-------------------|-------------------|
|                      | 2018              | 2017              |
| Bond mutual fund     | \$ 684,396        | \$ 698,790        |
| Exchange traded fund | 2,763             | -                 |
|                      | <u>\$ 687,159</u> | <u>\$ 698,790</u> |

Investment income consists of:

|                                       | June 30,         |                  |
|---------------------------------------|------------------|------------------|
|                                       | 2018             | 2017             |
| Interest and dividends                | \$ 38,398        | \$ 21,503        |
| Realized and unrealized gains(losses) | (13,909)         | (5,889)          |
| Fees                                  | (350)            | (350)            |
|                                       | <u>\$ 24,139</u> | <u>\$ 15,264</u> |

(7) Fair Value Measurements

FASB ASC 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Organization uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Organization measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 inputs were available to the Organization, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

*Level 1 Fair Value Measurements*

The fair value of mutual funds is based on quoted net asset values of the shares held by the Organization at year end. The fair values of common stock, corporate bonds, and U.S. Government securities are based on quoted market prices. Level 1 inputs were available for all investments held by the organization.

UNITED WAY OF BRAZORIA COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018 AND 2017

(7) Fair Value Measurements - continued

*Level 2 Fair Value Measurements*

Level 2 inputs are other than quoted prices that are observable for the assets or liability including: inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

*Level 3 Fair Value Measurements*

There were no investments valued using level 3 inputs.

The Organization's investments are reported at fair value in the accompanying statement of financial position.

|                      | <u>Fair Value</u> | <u>Quoted Prices<br/>In Active<br/>Markets for<br/>Identical Assets<br/>(Level 1)</u> |
|----------------------|-------------------|---|
| <u>June 30, 2018</u> |                   |   |
| Bond mutual fund     | \$ 684,396        | \$ 684,396  |
| Exchange traded fund | 2,763             | 2,763   |
| <u>June 30, 2017</u> |                   |   |
| Bond mutual funds    | \$ 698,790        | \$ 698,790  |
| Exchange traded fund | -                 | -   |

(8) Reclassification of prior year presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations.

(9) Subsequent Events

Management has evaluated subsequent events through November 7, 2018, the date the financial statements were available to be issued.

(concluded)