

# VICTORIA COUNTY UNITED WAY, INC.

Financial Statements for the Year Ended June 30, 2015



# VICTORIA COUNTY UNITED WAY, INC.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Victoria County United Way, Inc.  
Victoria, Texas

We have audited the accompanying financial statements of Victoria County United Way, Inc. (a nonprofit organization), which comprise the statement financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

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

### **Auditor's Responsibility**

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

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

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

**Opinion**

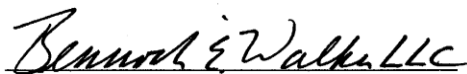
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Victoria County United Way, Inc. as of June 30, 2015, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter***Correction of an Error*

As discussed in Note 10 to the financial statements, certain errors including the overstatement of promises to give receivable in the June 30, 2014 financial statements were discovered by management in the current year. Accordingly, adjustments have been recorded to the beginning net assets in the June 30, 2015 financial statements to correct these errors. Our opinion is not modified with respect to this matter.

**Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of agency collections on page 14 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respected in relation to the financial statements as a whole.



Bennoch & Walker LLC  
Certified Public Accountants  
Houston, Texas

September 3, 2015

**VICTORIA COUNTY UNITED WAY, INC.**  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2015

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**ASSETS**

Cash and cash equivalents	\$ 360,746
Restricted cash for Victoria Alliance	20,511
Unconditional promises to give, net	320,132
Prepaid expenses	1,260
Property and equipment, net	475
Deposits	<u>450</u>

TOTAL ASSETS \$ 703,574

**LIABILITIES AND NET ASSETS**

Liabilities

Agency allocation payable	\$ 658,600
Accrued liabilities	10
Due to Victoria Alliance	<u>20,511</u>
Total Liabilities	<u>679,121</u>

Net Assets

Unrestricted	9,453
Temporarily restricted	<u>15,000</u>
Total Net Assets	<u>24,453</u>

TOTAL LIABILITIES AND NET ASSETS \$ 703,574

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

**VICTORIA COUNTY UNITED WAY, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b>Public Support and Revenues</b>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Contributions			
Gross campaign contributions, including amounts raised for others			
2013/14 Campaign	\$ 13,139	\$ -	\$ 13,139
2014/15 Campaign	991,973	-	991,973
2015/16 Campaign	-	15,000	15,000
Less: Donor-designated gifts	<u>(97,913)</u>	<u>-</u>	<u>(97,913)</u>
Total Campaign Contributions	907,199	15,000	922,199
Less: Provision for uncollectible pledges	<u>(73,521)</u>	<u>-</u>	<u>(73,521)</u>
Net campaign contributions	833,678	15,000	848,678
Grants	500	-	500
Sponsorship revenue	7,000	-	7,000
In-kind donations	8,550	-	8,550
Other income	<u>3,381</u>	<u>-</u>	<u>3,381</u>
<b>Total Public Support and Revenues</b>	<u>853,109</u>	<u>15,000</u>	<u>868,109</u>
Net assets released from temporary restrictions	<u>13,597</u>	<u>(13,597)</u>	<u>-</u>
<b>Total Public Support and Revenues, and releases from temporary restrictions</b>	<u>866,706</u>	<u>1,403</u>	<u>868,109</u>
<b>Expenses</b>			
Program services:			
Allocations to member agencies	656,300	-	656,300
Community investment	<u>73,058</u>	<u>-</u>	<u>73,058</u>
<b>Total Program Expenses</b>	<u>729,358</u>	<u>-</u>	<u>729,358</u>
Supporting Services:			
Management and general	63,563	-	63,563
Fundraising	<u>77,103</u>	<u>-</u>	<u>77,103</u>
<b>Total Supporting Services</b>	<u>140,666</u>	<u>-</u>	<u>140,666</u>
<b>Total Expenses</b>	<u>870,024</u>	<u>-</u>	<u>870,024</u>
<b>Change in Net Assets</b>	(3,318)	1,403	(1,915)
<b>Net Assets, Beginning of Year, as previously stated</b>	<u>51,564</u>	<u>13,597</u>	<u>65,161</u>
<b>Prior period adjustment</b>	<u>(38,793)</u>	<u>-</u>	<u>(38,793)</u>
<b>Net Assets, Beginning of Year, as restated</b>	<u>12,771</u>	<u>13,597</u>	<u>26,368</u>
<b>Net Assets, End of Year</b>	<u>\$ 9,453</u>	<u>\$ 15,000</u>	<u>\$ 24,453</u>

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

**VICTORIA COUNTY UNITED WAY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2015**

	Program		Supporting Services		Total
	Agency Allocations	Community Investment	Management & General	Fundraising	
Agency allocations	<u>\$ 656,300</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 656,300</u>
Salaries and wages	-	44,981	24,990	29,987	99,958
Employee benefits	-	7,445	4,136	4,964	16,545
Payroll Taxes	<u>-</u>	<u>3,928</u>	<u>2,182</u>	<u>2,618</u>	<u>8,728</u>
Total salaries and related expenses	<u>-</u>	<u>56,354</u>	<u>31,308</u>	<u>37,569</u>	<u>125,231</u>
Professional fees and contract services	-	-	15,625	-	15,625
Telephone	-	502	502	502	1,506
Postage and shipping	-	454	454	454	1,362
Rent	-	2,966	2,596	1,854	7,416
Repairs and maintenance	-	-	299	554	853
Software support	-	-	748	1,390	2,138
Office supplies	-	1,795	1,795	1,795	5,385
Advertising	-	1,455	-	8,568	10,023
Program expense	-	-	-	15,261	15,261
Bank charges	-	-	178	177	355
Dues and subscriptions	-	3,982	3,982	3,982	11,946
Insurance	-	1,671	1,671	1,671	5,013
Internet	-	-	236	437	673
Utilities	-	-	1,280	-	1,280
Miscellaneous	-	3,804	2,852	2,852	9,508
Depreciation	<u>-</u>	<u>75</u>	<u>37</u>	<u>37</u>	<u>149</u>
<b>TOTAL EXPENSES</b>	<u><b>\$ 656,300</b></u>	<u><b>\$ 73,058</b></u>	<u><b>\$ 63,563</b></u>	<u><b>\$ 77,103</b></u>	<u><b>\$ 870,024</b></u>

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

**VICTORIA COUNTY UNITED WAY, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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**Cash Flows From Operating Activities**

Change in net assets	<u>\$ (1,915)</u>
Adjustments to reconcile change in net assets activities to net cash from operating:	
Depreciation	149
Change in operating assets and liabilities:	
Restricted cash	(20,511)
Unconditional promises to give, net	(29,609)
Prepaid expenses	1,905
Accounts payable	(1,327)
Grants payable	14,600
Accrued expenses	(413)
Due to Victoria Alliance	<u>20,511</u>
Net Cash from Operating Activities	<u>(16,610)</u>
<b>Net Change in Cash and Cash Equivalents</b>	(16,610)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>377,356</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 360,746</u>

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



**NOTE 1 – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and Business** – Victoria County United Way, Inc. (the Organization) was formed in October 1946 and incorporated on August 27, 1975. The purpose of the Organization is to bring together, in a united appeal, all possible campaigns of community accepted health, welfare, and recreational agencies, including local, state, and national service organization.

**Basis of Accounting** – The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

**Financial Statement Presentation** – The Organization’s financial statements are presented in accordance with Financial Accounting Standards Board’s (FASB) Accounting Standards Codification (ASC) 958-205-45-4, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205-45-4, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets – These are resources that are not subject to donor-imposed stipulations and can be used for the general operations of the Organization. As of June 30, 2015, the Organization had \$9,453 of unrestricted resources.

Temporarily restricted net assets – These are resources that are subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. As of June 30, 2015, the Organization had \$15,000 of temporarily restricted resources.

Permanently restricted net assets – These are resources that are subject to donor restrictions requiring that the principal be held in perpetuity and any income thereon be used by the Organization. The Organization did not have any permanently restricted net assets as of June 30, 2015.

In addition, the Organization is required by FASB ASC 958-205-45-4 to present a statement of cash flows.

**Revenue Recognition** – Generally, grants are recognized as revenues when earned. Grants that operate on a reimbursement basis are recognized on the accrual basis as revenues only to the extent of disbursements and commitments that are allowable for reimbursement. Revenues from contributions, donations and other sources are recognized as unrestricted or temporarily restricted revenues when received or unconditionally promised by a third party. Revenues from special events are recognized when the events are held. Interest income is recognized when earned based on passage of time. Program income and other income are recognized when received.

**VICTORIA COUNTY UNITED WAY, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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**Contributions and Promises to Give** – In accordance with FASB ASC 958-605-45-3, *Accounting for Contributions Received and Contributions Made*, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Conditional promises to give cash or other assets are not recognized as revenues until received. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are met in the fiscal year in which the contributions were recognized. All other donor-restricted contributions would be reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

The Organization uses the allowance method to determine uncollectible grant and promise to give receivables. The allowance is based on management's analysis of specific promises made. For the year ended June 30, 2015, management recorded doubtful pledge expense in the amounts of \$73,521 to reflect its estimate of uncollectible pledges.

**Contributed Services** – The Organization recognizes contributed services at their fair value if the services provide value to the Organization and require specialized skills, are provided by individuals possessing those skills, and would have been purchased if not provided by contributors, as established by FASB ASC 958-605-25-26. Contributed services and supplies amounted to \$8,550 for the year ended June 30, 2015.

The Organization also receives numerous hours of volunteer assistance during its annual pledge campaign. However, because the nature of these services does not meet the criteria established in FASB ASC 958-605-25-26 for recognition, the value of these services has not been recorded in the financial statements.

**Donated Materials** – Donated materials received by the Organization for use in its programs or supporting services are recorded in the financial statements at the fair market value on the date of donation and shown as an expense in the year used.

**Donor Designations** – Designated funds contributed by companies and its participating employees to the Organization during the year ended June 30, 2015, were made payable to specified organizations, both member and non-member agencies; therefore, the Organization's contributions on the financial statements are reduced by these designations.

**VICTORIA COUNTY UNITED WAY, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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**Cash and Cash Equivalents** – The Organization considers all monies in banks and highly liquid investments with maturities of three months or less from the date of purchase to be cash and cash equivalents. The carrying values of any cash and cash equivalents are deemed to approximate their fair values because of the short maturities of those financial instruments.

**Property and Equipment** – The Organization capitalizes all expenditures for property and equipment in excess of \$250. Purchased property and equipment are carried at cost. Donated property and equipment are carried at fair value at the date of donation. Property and equipment items are depreciated using the straight-line method based on their estimated useful lives ranging from 5 to 7 years. Maintenance and repairs are charged to operations when incurred. Major improvements and renewals that extend the life of the asset are capitalized.

**Advertising Cost** – Advertising costs are expensed as incurred. Advertising expense for the year ended June 30, 2015 was \$10,023.

**Income Taxes** – The Organization is a nonprofit corporation that is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (“Code”) and comparable State law, and contributions to it are tax deductible within the limitations prescribed by the Code. The Organization did not conduct any unrelated business activities in the current fiscal year. Therefore, the Organization has made no provision for federal income taxes in the accompanying financial statements.

The Organization applies the provisions of FASB ASC Topic 740, *Income Taxes*, (formerly FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109*), which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosures and transition.

The Organization believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

**Use of Estimates** – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates. The significant estimates included in the financial statements are the estimates of useful lives used for depreciating property and equipment items.

**Fair Value of Financial Instruments** – ASC 820, *Fair Value Measurements and Disclosures* (formerly SFAS 157), defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market,

**VICTORIA COUNTY UNITED WAY, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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establishes a framework for measuring fair value in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs, and ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities. An active market is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 assets include cash and cash equivalents with a fair value of \$360,746 as of June 30, 2015.
- Level 2 - Inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Significant unobservable inputs that are supported by little or no market activity.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used are to maximize the use of observable inputs and minimize the use of unobservable inputs.

**NOTE 2 – UNCONDITIONAL PROMISES TO GIVE**

Unconditional promises to give at June 30, 2015 consisted of the following:

Unconditional promises to give	\$ 482,415
Less: donor designations	(88,762)
Less: allowance for uncollectible promises	<u>(73,521)</u>
Unconditional promises to give, net	<u>\$ 320,132</u>

**NOTE 3 – PROPERTY AND EQUIPMENT**

As of June 30, 2015, property and equipment consisted of the following:

**VICTORIA COUNTY UNITED WAY, INC.**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2015

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Furniture and fixtures	\$ 9,596
Less: Accumulated depreciation	<u>(9,121)</u>
Property and equipment, net	<u>\$ 475</u>

Depreciation expense charged to operations for the year ended June 30, 2015 was \$149.

**NOTE 4 – LEASE COMMITMENTS**

The Organization conducts its administrative activities from facilities that are leased under a one-year non-cancellable operating lease expiring in 2016. The lease contains a renewal option for an additional one-year period. Total rent expense charged to operations was \$7,416 for the year ended June 30, 2015. Future minimum lease payments under the lease for the year ended June 30, 2016 as of the date of this report are \$4,800.

**NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets totaled \$15,000 at June 30, 2015. This amount consists of campaign revenues pledged for use during the upcoming fiscal year.

**NOTE 6 – EMPLOYEE BENEFITS**

The Organization makes contributions equal to six percent (6%) of employees' salaries to Individual Simplified Employee Pension ("SEP") plans established for their benefit. SEP contributions made by the Organization during the year ended June 30, 2015 totaled \$5,076.

**NOTE 7 – CONCENTRATION OF CREDIT RISKS**

All of a depositor's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, are insured by the Federal Deposit Insurance Corporation (FDIC) up to the standard maximum deposit insurance amount (\$250,000), for each deposit insurance ownership category. The Organization maintains its cash balances in two financial institutions. As of June 30, 2015, there were no deposits in excess of federally insured limits.

**NOTE 8 – FUNCTIONAL ALLOCATION OF EXPENSES**

The costs of providing the various programs, fundraising, and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and fundraising activities benefited.

**VICTORIA COUNTY UNITED WAY, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

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**NOTE 9 – RELATED PARTY TRANSACTIONS**

The Organization is an affiliate of The United Way of Texas (a State organization) and The United Way Worldwide (a National organization). The Organization pays annual affiliation fees to both the State and National United Way organizations. They in turn provide the Organization with educational opportunities, membership and other supporting services. The Organization paid affiliation fees of \$11,222 for the year ended June 30, 2015.

**NOTE 10 – PRIOR PERIOD ADJUSTMENT**

During the fiscal year ended June 30, 2015, the Organization noted an error in the previous year's promises to give receivable balance at year-end. The promises to give receivable at June 30, 2014 was overstated by \$38,793 due to designated pledges to other agencies was included in the Organizations promises to give receivable. The Organization recorded a prior period adjustment to restate the beginning net assets by decreasing promises to give receivable and decreasing beginning net assets in the amount of \$38,793. The adjustment had no effect on the current years change in net assets.

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Net Assets, Beginning of Year, as previously stated	\$ 51,564	\$ 13,597	\$ 65,161
Prior Period Adjustment - overstatement of promises to give receivable	<u>(38,793)</u>	<u>-</u>	<u>(38,793)</u>
Net Assets, Beginning of Year, as restated	12,771	13,597	26,368
Change in Net Assets at June 30, 2015	<u>(3,318)</u>	<u>1,403</u>	<u>(1,915)</u>
Net Assets, End of Year	<u>\$ 9,453</u>	<u>\$ 15,000</u>	<u>\$ 24,453</u>

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through September 3, 2015; the date financial statements were available to be issued. No change to the financial statements for the year ended June 30, 2015 is deemed necessary as a result of this evaluation.

**SUPPLEMENTAL INFORMATION**

**VICTORIA COUNTY UNITED WAY, INC.**  
**SCHEDULE OF AGENCY ALLOCATIONS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

Agency	Agency Allocation
Cash Agency Allocations:	
Billy T. Cattan Recovery Outreach	\$ 34,500
CASA	33,500
Hope of South Texas	20,000
Mid Coast Family Services	97,000
STARS	44,000
Community Action Agency of Victoria, Texas	2,000
American Red Cross	22,800
Gulf Bend Center	22,500
Food Bank of the Golden Crescent	20,000
Habitat for Humanity, Victoria	30,000
Perpetual Help Home	42,300
Victoria Christian Assistance Ministry	50,000
Victoria Senior Citizens	72,000
Boys and Girls Club - Victoria	72,500
Boys and Girls Club - DeWitt County	2,000
Communities in Schools	30,000
Victoria Adult Literacy Council	27,000
YMCA	<u>36,500</u>
 Total Cash Agency Allocations	 <u><u>\$ 658,600</u></u>