

UNITED WAY OF BRAZORIA COUNTY
INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015



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 statement of financial position as of June 30, 2016, 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 United Way of Brazoria County as of June 30, 2016, 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.

Other Matters

The financial statements of United Way of Brazoria County as of June 30, 2015 were audited by other auditors whose report dated September 18, 2015 expressed an unmodified opinion on those statements.

Green & McEneaney CAA's PLLC

Houston, Texas
December 5, 2016

UNITED WAY OF BRAZORIA COUNTY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

<u>Assets</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,152,889	\$ 769,362
Certificates of deposit	365,495	364,918
Investments	707,164	699,661
Campaign pledges receivable, net of allowance for uncollectible pledges of \$239,000 and \$225,000, respectively	1,247,822	1,215,630
Other assets	20,485	19,259
Property and equipment, net of accumulated depreciation of \$21,477 and \$17,059, respectively	<u>23,570</u>	<u>30,634</u>
Total assets	<u>\$ 3,517,425</u>	<u>\$ 3,099,464</u>
<u>Liabilities and Net Assets</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 84,634	\$ 77,096
Donor designations payable	<u>181,025</u>	<u>175,981</u>
Total liabilities	<u>265,659</u>	<u>253,077</u>
Net Assets:		
Unrestricted	<u>3,251,766</u>	<u>2,846,387</u>
Total net assets	<u>3,251,766</u>	<u>2,846,387</u>
Total liabilities and net assets	<u>\$ 3,517,425</u>	<u>\$ 3,099,464</u>

The accompanying notes are an integral part of these financial statements

UNITED WAY OF BRAZORIA COUNTY
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Public Support and revenue:		
Campaign revenue:		
Gross campaign results	\$ 3,598,596	\$ 3,186,222
Less provision for uncollectible pledges	(222,274)	(223,970)
Net campaign results	3,376,322	2,962,252
Less donor designations, net of provision for uncollectible designations	(328,902)	(287,990)
Campaign revenue	3,047,420	2,674,262
Designation from other United Ways	74,061	93,306
Service fees retained for donor designations	27,696	27,085
"Helpline" subsidy from county government	14,000	14,000
Fundraising events (net), and other donations	61,415	55,666
Investment income	25,650	8,356
Grants	174,976	41,413
Miscellaneous income (loss)	5,887	7,018
Total public support and revenue	3,431,105	2,921,106
Expenses:		
Program services:		
Allocations, grants and designations to agencies	2,515,171	2,011,558
Less: donor designations incurred	(328,901)	(287,990)
Net funds distributed to agencies	2,186,270	1,723,568
Other program services:		
Funds distribution	104,153	96,189
Community Services	231,595	226,790
Total other program services	335,748	322,979
Total program service	2,522,018	2,046,547
Other supporting services:		
Administration	263,496	245,719
Fundraising	240,212	172,936
Total supporting services	503,708	418,655
Total Expenses	3,025,726	2,465,202
Change in net assets	405,379	455,904
Net assets - unrestricted, beginning of year	2,846,387	2,390,483
Net assets, end of year	\$ 3,251,766	\$ 2,846,387

The accompanying notes are an integral part of these financial statements

UNITED WAY OF BRAZORIA COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2016

	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	\$ 62,852	\$ 130,500	\$ 193,352	\$ 150,392	\$ 147,611	\$ 298,003	\$ 491,355
Payroll taxes & Workers compensation insurance	4,930	10,236	15,166	11,796	11,577	23,373	38,539
Employee benefits	13,021	27,036	40,057	31,157	30,581	61,738	101,795
Total personnel costs	80,803	167,772	248,575	193,345	189,769	383,114	631,689
Other expenses:							
Assistance to individuals and other programs	-	850	850	-	-	-	850
Audit and related CPA services	-	-	-	5,825	-	5,825	5,825
Depreciation	1,181	2,989	4,170	2,845	1,933	4,778	8,948
Facilities costs	6,535	16,534	23,069	15,742	10,693	26,435	49,504
Insurance	842	2,129	2,971	2,027	1,378	3,405	6,376
Miscellaneous	1,714	8,230	9,944	11,986	3,226	15,212	25,156
Office equipment rental & Maintenance	2,184	5,526	7,710	5,262	3,572	8,834	16,544
Postage & shipping	265	671	936	637	435	1,072	2,008
Printing & publications	-	-	-	221	11,813	12,034	12,034
Supplies & office expense	1,591	4,026	5,617	3,833	2,604	6,437	12,054
Telephone	1,853	4,688	6,541	4,463	3,032	7,495	14,036
Travel and local transportation	1,352	3,421	4,773	3,257	2,212	5,469	10,242
United Way of America dues	4,864	12,308	17,172	11,718	7,961	19,679	36,851
United Way of Texas dues	969	2,451	3,420	2,335	1,584	3,919	7,339
Total expenses	\$ 104,153	\$ 231,595	\$ 335,748	\$ 263,496	\$ 240,212	\$ 503,708	\$ 839,456

The accompanying notes are an integral part of these financial statements

UNITED WAY OF BRAZORIA COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2015

	Program Services			Supporting Services			Total expenses
	Funds Dis-tribution	Community services	Subtotal program services	Admini-stration	Fund-raising	Subtotal supporting services	
Personnel costs:							
Salaries & wages	\$ 60,038	\$ 134,806	\$ 194,844	\$ 144,451	\$ 101,191	\$ 245,642	\$ 440,486
Payroll taxes & Workers compensation insurance	4,685	10,519	15,204	11,273	7,896	19,169	34,373
Employee benefits	11,634	26,122	37,756	27,992	19,608	47,600	85,356
Total personnel costs	76,357	171,447	247,804	183,716	128,695	312,411	560,215
Other expenses:							
Assistance to individuals and other programs	-	5,165	5,165	-	-	-	5,165
Audit and related CPA services	-	-	-	6,325	-	6,325	6,325
Depreciation	775	1,960	2,735	1,866	1,268	3,134	5,869
Facilities costs	6,489	16,418	22,907	15,632	10,618	26,250	49,157
Insurance	819	2,072	2,891	1,973	1,341	3,314	6,205
Miscellaneous	830	2,099	2,929	8,362	1,452	9,814	12,743
Office equipment rental & Maintenance	1,180	2,985	4,165	2,842	1,929	4,771	8,936
Postage & shipping	692	1,751	2,443	1,667	1,133	2,800	5,243
Printing & publications	-	-	-	1,539	11,695	13,234	13,234
Supplies & office expense	1,223	3,095	4,318	2,947	2,001	4,948	9,266
Telephone	1,746	4,417	6,163	4,206	2,857	7,063	13,226
Travel and local transportation	1,846	4,672	6,518	4,448	3,021	7,469	13,987
United Way of America dues	3,224	8,158	11,382	7,767	5,277	13,044	24,426
United Way of Texas dues	1,008	2,551	3,559	2,429	1,649	4,078	7,637
Total expenses	\$ 96,189	\$ 226,790	\$ 322,979	\$ 245,719	\$ 172,936	\$ 418,655	\$ 741,634

The accompanying notes are an integral part of these financial statements

UNITED WAY OF BRAZORIA COUNTY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 405,379	\$ 455,904
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	8,948	5,869
(Increase) decrease in campaign pledges receivable	(32,192)	(372,356)
(Increase) decrease in other current assets	(1,226)	(4,929)
Increase (decrease) in accounts payable and accrued expenses	7,538	48,041
Increase (decrease) in donor designations payable	<u>5,044</u>	<u>(10,509)</u>
Net cash provided (used) by operating activities	<u>393,491</u>	<u>122,020</u>
Cash flows from investing activities:		
Certificates of deposit purchased and reinvested	(577)	(207,483)
Investment securities acquired	(7,503)	(699,661)
Purchase of fixed assets, net	<u>(1,884)</u>	<u>(14,543)</u>
Net cash provided (used) by investing activities	<u>(9,964)</u>	<u>(921,687)</u>
Net increase (decrease) in cash and cash equivalents	383,527	(799,667)
Cash and cash equivalents at beginning of year	<u>769,362</u>	<u>1,569,029</u>
Cash and cash equivalents at end of year	<u>\$ 1,152,889</u>	<u>\$ 769,362</u>

The accompanying notes are an integral part of these financial statements

UNITED WAY OF BRAZORIA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

(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, 2016 AND 2015

(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 2013 through 2016 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 no restricted net assets during the years ended June 30, 2016 or 2015.

- (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, 2016 AND 2015

(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 2015 and fall of 2014, the employee and corporate pledges from this company accounted for approximately 25% and 33%, respectively, of gross campaign pledges.

(3) Security of Cash and Cash Equivalents

At June 30, 2016 and 2015, the carrying amount of United Way of Brazoria County bank deposits was \$1,518,082 and \$1,126,660, respectively, and the bank balance was \$1,583,915 and \$1,156,270, respectively. Uninsured balances of \$1,173,537 and \$748,211 exist at year end June 30, 2016 and 2015, 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, 2016 and 2015 were \$24,162 and \$18,540, respectively.

UNITED WAY OF BRAZORIA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

(5) Operating Leases

The Organization rents its Angleton offices under a non-cancelable operating lease agreement. As of June 30, 2016, the minimum future annual lease payments due under this agreement are as follows:

Fiscal Year Ending June 30	
2017	\$ 50,028
2018	50,649
2019	39,384
2020	-
	<u>\$ 140,061</u>

Total rent expense for the years ending June 30, 2016 and 2015 were \$49,504 and \$49,157, respectively.

(6) Investment Securities

Investment securities were comprised of:

	June 30,	
	2016	2015
Bond mutual fund	\$ 704,679	\$ 697,482
Equity securities	2,485	2,179
	<u>\$ 707,164</u>	<u>\$ 699,661</u>

Investment income consists of:

	June 30,	
	2016	2015
Interest and dividends	\$ 19,273	\$ 11,131
Realized and unrealized gains(losses)	6,727	(2,396)
Fees	(350)	(379)
	<u>\$ 25,650</u>	<u>\$ 8,356</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 Plan, 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 plan.

UNITED WAY OF BRAZORIA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

(7) Fair Value Measurements - continued

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 In Active Markets for Identical Assets (Level 1)</u>
<u>June 30, 2016</u>		
Bond mutual fund	\$ 704,679	\$ 704,679
Equity securities	2,485	2,485
<u>June 30, 2015</u>		
Bond mutual funds	\$ 697,482	\$ 697,482
Equity securities	2,179	2,179

(8) Subsequent Events

Management has evaluated subsequent events through December 5, 2016, the date the financial statements were available to be issued.

(concluded)