

**UNITED WAY OF BRAZORIA COUNTY
INDEPENDENT AUDITORS' REPORT
FINANCIAL STATEMENTS**

JUNE 30, 2017 AND 2016



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, 2017 and 2016, 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, 2017 and 2016, 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.

John E. McLaughlin CPA PCLL

Houston, Texas
November 2, 2017

UNITED WAY OF BRAZORIA COUNTY
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2017 AND 2016

<u>Assets</u>	<u>2017</u>	<u>2016</u>
Cash and cash equivalents	\$ 1,257,400	\$ 1,152,889
Certificates of deposit	366,074	365,495
Investments	698,790	707,164
Campaign pledges receivable, net of allowance for uncollectible pledges of \$265,000 and \$239,000, respectively	1,303,183	1,247,822
Other assets	23,448	20,485
Property and equipment, net of accumulated Depreciation of \$29,517 and \$21,477, respectively	<u>16,937</u>	<u>23,570</u>
Total assets	<u>\$ 3,665,832</u>	<u>\$ 3,517,425</u>
 <u>Liabilities and Net Assets</u> 		
Liabilities:		
Accounts payable and accrued expenses	\$ 170,771	\$ 84,634
Donor designations payable	<u>140,576</u>	<u>181,025</u>
Total liabilities	<u>311,347</u>	<u>265,659</u>
Net Assets:		
Unrestricted	<u>3,354,485</u>	<u>3,251,766</u>
Total net assets	<u>3,354,485</u>	<u>3,251,766</u>
Total liabilities and net assets	<u>\$ 3,665,832</u>	<u>\$ 3,517,425</u>

The accompanying notes are an integral part of these financial statements

UNITED WAY OF BRAZORIA COUNTY
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Public Support and revenue:		
Campaign revenue:		
Gross campaign results	\$ 3,588,959	\$ 3,598,596
Less provision for uncollectible pledges	<u>(378,323)</u>	<u>(222,274)</u>
Net campaign results	3,210,636	3,376,322
Less donor designations, net of provision for uncollectible designations	<u>(328,159)</u>	<u>(328,902)</u>
Campaign revenue	2,882,477	3,047,420
Designation from other United Ways	61,435	74,061
Service fees retained for donor designations	29,353	27,696
"Helpline" subsidy from county government	14,000	14,000
Fundraising events (net), and other donations	13,169	61,415
Investment income	15,264	25,650
Grants	247,910	174,976
Miscellaneous income (loss)	<u>7,815</u>	<u>5,887</u>
Total public support and revenue	<u>3,271,423</u>	<u>3,431,105</u>
Expenses:		
Program services:		
Allocations, grants and designations to agencies	2,541,458	2,515,171
Less: donor designations incurred	<u>(328,159)</u>	<u>(328,901)</u>
Net funds distributed to agencies	2,213,299	2,186,270
Other program services:		
Funds distribution	119,138	104,153
Community Services	<u>358,581</u>	<u>231,595</u>
Total other program services	<u>477,719</u>	<u>335,748</u>
Total program service	<u>2,691,018</u>	<u>2,522,018</u>
Other supporting services:		
Administration	253,365	263,496
Fundraising	<u>224,321</u>	<u>240,212</u>
Total supporting services	<u>477,686</u>	<u>503,708</u>
Total Expenses	<u>3,168,704</u>	<u>3,025,726</u>
Change in net assets	102,719	405,379
Net assets - unrestricted, beginning of year	<u>3,251,766</u>	<u>2,846,387</u>
Net assets, end of year	<u>\$ 3,354,485</u>	<u>\$ 3,251,766</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, 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
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
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 102,719	\$ 405,379
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	8,040	8,948
(Increase) decrease in campaign pledges receivable	(55,361)	(32,192)
(Increase) decrease in other current assets	(2,963)	(1,226)
Increase (decrease) in accounts payable and accrued expenses	86,137	7,538
Increase (decrease) in donor designations payable	<u>(40,449)</u>	<u>5,044</u>
Net cash provided (used) by operating activities	<u>98,123</u>	<u>393,491</u>
Cash flows from investing activities:		
Certificates of deposit purchased and reinvested	(579)	(577)
Sale (Purchase) of Investment	8,374	(7,503)
Purchase of fixed assets, net	<u>(1,407)</u>	<u>(1,884)</u>
Net cash provided (used) by investing activities	<u>6,388</u>	<u>(9,964)</u>
Net increase (decrease) in cash and cash equivalents	104,511	383,527
Cash and cash equivalents at beginning of year	<u>1,152,889</u>	<u>769,362</u>
Cash and cash equivalents at end of year	<u>\$ 1,257,400</u>	<u>\$ 1,152,889</u>

The accompanying notes are an integral part of these financial statements

UNITED WAY OF BRAZORIA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

(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, 2017 AND 2016

(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 2014 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 no restricted net assets during the years ended June 30, 2017 or 2016.

- (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, 2017 AND 2016

(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 2016 and fall of 2015, the employee and corporate pledges from this company accounted for approximately 20% and 25%, respectively, of gross campaign pledges.

(3) Security of Cash and Cash Equivalents

At June 30, 2017 and 2016, the carrying amount of United Way of Brazoria County bank deposits was \$1,623,174 and \$1,518,082, respectively, and the bank balance was \$1,674,581 and \$1,583,915, respectively. Uninsured balances of \$1,258,395 and \$1,173,537 exist at year end June 30, 2017 and 2016, 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, 2017 and 2016 were \$23,322 and \$24,162, respectively.

UNITED WAY OF BRAZORIA COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

(5) Operating Leases

The Organization rents its Angleton offices under a non-cancelable operating lease agreement. As of June 30, 2017, the minimum future annual lease payments due under this agreement are as follows:

Fiscal Year Ending June 30	
2018	\$ 71,957
2019	74,604
2020	75,534
2021	78,324
2022	<u>58,743</u>
	<u>\$ 359,162</u>

Total rent expense for the years ending June 30, 2017 and 2016 were \$58,608 and \$49,504, respectively.

(6) Investment Securities

Investment securities were comprised of:

	June 30,	
	<u>2017</u>	<u>2016</u>
Bond mutual fund	\$ 698,790	\$ 704,679
Equity securities	-	2,485
	<u>\$ 698,790</u>	<u>\$ 707,164</u>

Investment income consists of:

	June 30,	
	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 21,503	\$ 19,273
Realized and unrealized gains(losses)	(5,889)	6,727
Fees	(350)	(350)
	<u>\$ 15,264</u>	<u>\$ 25,650</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, 2017 AND 2016

(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, 2017</u>		
Bond mutual fund	\$ 698,790	\$ 698,790
Equity securities	-	-
<u>June 30, 2016</u>		
Bond mutual funds	\$ 704,679	\$ 704,679
Equity securities	2,485	2,485

(8) Subsequent Events

Management has evaluated subsequent events through November 2, 2017, the date the financial statements were available to be issued.

(concluded)