

**United Way of
the Coastal Bend, Inc.**

**Audited Financial Statements
& Independent Auditors' Reports**

For the Years ending June 30, 2017 and 2016

Gowland, Streatly, Morales & Company

A Professional Limited Liability Company

Certified Public Accountants

5934 S. Staples, Suite 201

Corpus Christi, Texas 78413

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CERTIFICATE OF BOARD

APPROVAL OR DISAPPROVAL OF AUDIT REPORT

UNITED WAY OF THE COASTAL BEND, INC.

I, Robert L. Barger, Chairperson of the Board of Directors of United Way of the Coastal Bend, Inc., do hereby certify that this accompanying audit report for fiscal year ended June 30, 2016 from Gowland, Streaty, Morales & Company, A Professional Limited Liability Company, was reviewed and approved / disapproved at a meeting of the Board of Directors held on the 18 day of October, 2017.

Robert L. Barger
Chairperson, Board of Directors

Oct 18, 2017
Date

Gowland, Streatly, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Streatly, CPA
David Morales, CPA
Jerry D. Spence, CPA
Any Twardowski, CPA

Professional Associates:
Betty Morales, CPA
Alan Lucke, CPA
Erika M. Post
Greg Morales
Danny Ibarra
Kendall Pridgeon
Dudley Gowland, CPA (1917-2015)

INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way of the Coastal Bend, Inc.
Corpus Christi, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of the Coastal Bend, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017 and 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.

Managements' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with auditing 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that

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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 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 opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of United Way of the Coastal Bend, Inc., as of June 30, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.


Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 records used to prepare the financial statements or to the financial statements themselves, 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 respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2017, on our consideration of United Way's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way's internal control over financial reporting and compliance.


Gowland, Streatly, Morales & Company, PLLC
Certified Public Accountants
Corpus Christi, Texas

October 5, 2017

United Way of the Coastal Bend, Inc.
STATEMENTS OF FINANCIAL POSITION
June 30, 2017 and 2016

	<u>June 30,</u> <u>2017</u>	<u>June 30,</u> <u>2016</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 233,273	\$ 630,443
Certificates of Deposit	1,547,545	2,461,421
Accounts Receivable	237,863	136,565
Campaign Pledges Receivable - Net	1,739,719	2,073,254
Prepaid Expenses	96,050	586,414
Total Current Assets	<u>3,854,450</u>	<u>5,888,096</u>
Building and Equipment	2,427,716	1,012,354
Less: Accumulated Depreciation	<u>(148,497)</u>	<u>(113,044)</u>
	<u>2,279,219</u>	<u>899,311</u>
	<u>\$ 6,133,670</u>	<u>\$ 6,787,407</u>
Liabilities and Net Assets		
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 273,371	\$ 187,548
Donor Designated Payables	<u>203,477</u>	<u>185,583</u>
Total Liabilities	476,848	373,131
Net Assets:		
Unrestricted:		
Undesignated	2,573,839	1,320,297
Board Designated - Building	39,144	1,189,642
	<u>2,612,983</u>	<u>2,509,939</u>
Temporarily Restricted	<u>3,043,839</u>	<u>3,904,337</u>
Total Net Assets	<u>5,656,822</u>	<u>6,414,276</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,133,670</u>	<u>\$ 6,787,407</u>

The accompanying notes are an integral part of these financial statements

United Way of the Coastal Bend, Inc.
STATEMENT OF ACTIVITIES
For the Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Gross Campaign Results	\$ -	\$ 3,765,379	\$ 3,765,379
Less: Donor Designations	-	(1,490,477)	(1,490,477)
Less: Provision for uncollectible pledges	-	(220,615)	(220,615)
Net Campaign Revenue	-	2,054,287	2,054,287
Other Revenue:			
Federal, State and Private Grant Revenues		904,088	904,088
Special Events Revenue		61,835	61,835
Interest Income	6,294		6,294
Rent Revenue	18,000		18,000
In-Kind Gifts	47,307		47,307
Administrative Fee on Designated Contributions	91,611		91,611
Miscellaneous Revenue	13,305		13,305
Net Assets Released from Restrictions	3,880,833	(3,880,833)	(0)
Total Support and Revenue	4,057,350	(860,623)	3,196,727
GRANTS AND EXPENSES			
Program Services:			
Gross Grants to Agencies	3,515,372	-	3,515,372
Less Donor Designations to Agencies	(1,490,477)	-	(1,490,477)
Net Grants to Programs	2,024,894	-	2,024,894
Other Program Expenses	1,351,193	-	1,351,193
Total Program Services	3,376,087	-	3,376,087
Supporting Services and General:			
Fundraising	350,973	-	350,973
Management and General	182,734	-	182,734
Total Supporting Services	533,707	-	533,707
Total Grants and Expenses	3,909,794	-	3,909,794
CHANGE IN NET ASSETS	147,555	(860,623)	(713,068)
Net Assets - Beginning of Year (As previously reported)	2,509,939	3,904,337	6,414,276
Prior Period Adjustment	(44,386)	-	(44,386)
Net Assets - End of Year	\$ 2,613,108	\$ 3,043,714	\$ 5,656,822

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

United Way of the Coastal Bend, Inc.
STATEMENT OF ACTIVITIES
For the Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Gross Campaign Results	\$	\$ 4,039,682	\$ 4,039,682
Less: Donor Designations		(1,519,053)	(1,519,053)
Less: Provision for uncollectible pledges		(217,552)	(217,552)
Net Campaign Revenue		2,303,077	2,303,077
Other Revenue:			
Federal, State and Private Grant Revenues		940,934	940,934
Special Events Revenue		691,007	691,007
Interest Income	10,602		10,602
Rent Revenue	46,622		46,622
In-Kind Gifts	108,834		108,834
Administrative Fee on Designated Contributions	155,457		155,457
Miscellaneous Revenue	2,206		2,206
Net Assets Released from Restrictions	3,981,639	(3,981,639)	-
Total Support and Revenue	4,305,360	(46,621)	4,258,739
GRANTS AND EXPENSES			
Program Services:			
Gross Grants to Agencies	3,730,462		3,730,462
Less Donor Designations to Agencies	(1,519,053)		(1,519,053)
Net Allocations Granted to Agency Programs	2,211,409		2,211,409
Other Program Expenses	1,439,131		1,439,131
Total Program Services	3,650,540	-	3,650,540
Supporting Services and General:			
Fundraising	372,806		372,806
Management and General	297,403		297,403
Total Supporting Services	670,209	-	670,209
Total Grants and Expenses	4,320,749	-	4,320,749
CHANGE IN NET ASSETS	(15,389)	(46,621)	(62,010)
Net Assets - Beginning of Year	2,525,328	3,950,958	6,476,286
Net Assets - End of Year	\$ 2,509,939	\$ 3,904,337	\$ 6,414,276

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

United Way of the Coastal Bend, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year ended June 30, 2017

	Community Impact			Total Program Services	Management and Administrative	Supporting Services		Total Support Services	Total Program & Support
	Education	Income	Health			Fundraising	Services		
Gross Distributions to Agencies	\$ 1,443,170	\$ 666,679	\$ 1,405,522	\$ 3,515,372	\$ -	\$ -	\$ -	\$ -	\$ 3,515,372
Less: Donor designations to Agencies	(611,888)	(282,664)	(595,925)	(1,490,477)	-	-	-	-	(1,490,477)
Net Grants to Programs	831,283	384,015	809,597	2,024,894	-	-	-	-	2,024,894
Advertising & Promotion	20,462	13,812	16,099	50,373	701	791	1,492	1,492	51,865
Bank & Brokerage charges	2,257	1,364	1,812	5,433	1,293	1,346	2,639	2,639	8,072
Dues	17,940	10,829	14,354	43,123	9,492	10,794	20,286	20,286	63,409
Subscriptions	75	45	60	180	40	45	85	85	265
Equipment Rental/purchase	4,289	2,014	2,546	8,849	1,555	4,220	5,775	5,775	14,624
Equipment Maintenance	1,298	784	1,042	3,124	686	774	1,460	1,460	4,584
Supplies	9,466	1,595	305	11,366	215	3,960	4,175	4,175	15,541
Postage & Shipping	424	235	279	938	158	178	336	336	1,274
Printing	1,972	574	507	3,053	294	4,607	4,901	4,901	7,954
Property Insurance	2,904	1,755	2,332	6,991	4,208	1,732	5,940	5,940	12,931
Meals & Entertainment	454	3,230	169	3,853	291	4,425	4,716	4,716	8,569
Office Expense	1,898	821	535	3,254	557	1,020	1,577	1,577	4,831
Occupancy	17,561	10,655	14,066	42,282	9,108	13,753	22,861	22,861	65,143
Travel & Mileage	3,822	665	478	4,965	131	8,152	8,283	8,283	13,248
Training	1,364	138	151	1,653	263	353	616	616	2,269
Salaries	160,569	61,156	47,139	268,864	109,043	205,240	314,283	314,283	583,147
Payroll taxes & employee benefits	36,563	14,891	12,231	63,685	27,499	44,552	72,051	72,051	135,736
Professional Fees	5,896	3,562	4,730	14,188	3,163	3,510	6,673	6,673	20,861
Software and Support	7,119	4,302	5,716	17,137	3,764	4,245	8,009	8,009	25,146
Depreciation	10,037	6,066	8,059	24,162	5,307	5,985	11,292	11,292	35,454
Payments to Subcontracted Organizations	760,463	12,855	402	773,720	4,966	31,291	36,257	36,257	809,977
Total Functional Expenses	\$ 1,898,116	\$ 535,363	\$ 942,609	\$ 3,376,087	\$ 182,734	\$ 350,973	\$ 533,707	\$ 533,707	\$ 3,909,794

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

United Way of the Coastal Bend, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
 For the Year ended June 30, 2016

	Community Impact		Total Program Services	Supporting Services		Total Program & Support
	Education	Income		Health	Management and Administrative	
Gross Distributions to Agencies	\$ 1,604,099	\$ 783,397	\$ 3,730,462	\$ -	\$ -	\$ 3,730,462
Less: Donor designations to Agencies	(653,193)	(319,001)	(1,519,053)	-	-	(1,519,053)
Net Grants to Programs	950,906	464,396	2,211,409	-	-	2,211,409
Advertising & Promotion	29,483	19,659	72,814	15,590	21,579	109,983
Bank & Brokerage charges	2,296	1,388	5,527	1,174	1,369	8,070
Capital items			-			-
Community Impact Initiatives			-			-
Dues	17,741	10,708	42,642	9,452	10,668	62,742
Subscriptions	134	81	325	71	80	474
Equipment Rental/purchase	1,639	1,003	3,995	870	1,074	5,939
Equipment Maintenance	172	105	415	91	105	609
Supplies	5,505	2,041	8,089	4,742	7,907	20,738
Postage & Shipping	394	227	919	196	234	1,349
Printing	527	285	1,141	159	5,111	6,411
Property Insurance	937	566	2,255	9,993	559	12,807
Meals & Entertainment	440	3,788	4,469	119	1,461	6,049
Office Expense	1,166	891	2,859	1,160	732	4,751
Occupancy	23,515	14,065	56,132	55,014	17,495	126,639
Travel & Mileage	4,565	470	5,280	32	5,374	10,686
Training	6,018	515	7,115	567	985	8,665
Salaries	177,468	68,318	299,796	108,909	218,129	626,834
Payroll taxes & employee benefits	44,132	17,727	77,537	32,447	57,029	167,033
Professional Fees	5,584	3,575	13,443	2,953	3,329	19,725
Software and Support	6,777	4,017	16,003	3,873	3,658	23,534
Depreciation	6,548	3,958	15,764	3,463	3,904	23,131
Payments to Subcontracted Organizations	792,177	8,034	802,593	48,548	12,050	863,171
Total Functional Expenses	\$ 2,078,142	\$ 625,617	\$ 3,650,540	\$ 297,405	\$ 372,806	\$ 4,320,749

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

United Way of the Coastal Bend, Inc.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities:		
Increase (Decrease) in Net Assets	\$ (200,002)	\$ (62,010)
Prior Period Adjustment	(557,452)	0
Adjustments to Reconcile decrease in Net assets to net cash Provided by Operating Activities:		
Depreciation	35,453	23,130
Change in Assets and Liabilities:		
(Increase) Decrease in assets:		
Pledge Receivable	333,535	(10,257)
Accounts Receivable & other assets	(101,298)	(12,489)
Prepaid Expenses	490,363	27,580
Increase (Decrease) in Liabilities:		
Accounts Payable	85,823	(78,587)
Payable to Agencies	17,894	(76,356)
Total Adjustments	<u>861,770</u>	<u>(126,979)</u>
Net Cash Provided (Used) by Operating Activities	104,316	(188,989)
Cash Flows from Investing Activities:		
Liquidation (Purchase) of Investments	913,876	241,414
Additions to Property and Equipment	<u>(1,415,362)</u>	<u>(35,745)</u>
Net Cash used in Investing Activities	<u>(501,486)</u>	<u>205,669</u>
Net Increase (Decrease) in Cash	(397,170)	16,680
Cash at Beginning of Year	<u>630,443</u>	<u>613,763</u>
Cash at End of Year	<u>\$ 233,273</u>	<u>\$ 630,443</u>

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

United Way of the Coastal Bend, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Note 1 – Nature of Activities and Summary of Significant Accounting Policies

The United Way of the Coastal Bend, Inc. (the “United Way”) was incorporated in 1936 as a non-profit corporation to bring together in united appeal all possible campaigns or community accepted health, welfare, and recreational agencies and to solicit funds and property for such agencies. Prior to 1977, the United Way was known as the United Community Services of Corpus Christi, which was incorporated in 1961.

Basis of Accounting:

The accompanying financial statements of the United Way are presented on the accrual basis of accounting, and accordingly, reflect all significant receivables, payables, and other liabilities.

Display of Net Assets by Class

The accompanying financial statements have been prepared in conformity with disclosure and display requirements of the Financial Accounting Standards Board (FASB) as set forth in Statement of Financial Accounting Standards No. 117, "Financial Statement of Not-for-Profit Organizations" – now referred to as FASB ASC 958-205. Accordingly, the net assets of the Organization are reported in each of the following two classes: (a) unrestricted net assets and (b) temporarily restricted net assets.

The Organization's temporarily restricted net assets are restricted for (a) designed operating activities, (b) acquisition of long-lived assets or (c) used in a specified future period.

Pledges Receivable and Allowance for Uncollectable

Contributions are recognized when the donor makes a promise to give (pledge) that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions are satisfied, or expire, in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, or the donor stipulation is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets as “assets released from restrictions”.

The United Way uses the allowance method to determine uncollectable unconditional promises receivable. The allowance has historically ranged between 2% and 9% of pledged contributions of the general campaign. United Way uses a 3-year historical average allowance factor. The calculated 3-year historical average for the year ended June 30, 2017 is 4.79%.

United Way of the Coastal Bend, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Donor Designations

Gifts raised in the United Way's annual campaign in which the United Way agrees to transfer the gift to another beneficiary as designated by the donor constitute agency transactions, and are deducted from gross campaign results to arrive at contribution revenue. In accordance with the United Way of America membership requirements, these designations are presented as part of gross campaign results and gross agency distributions on the statement of activities, but are then deducted to arrive at United Way's actual revenue and expense.

Donated Goods and Services

The value of donated services is not reflected in the accompanying financial statements, since there is no objective basis in which to measure the value of said services. However, a substantial number of volunteers have donated significant amounts of their time in the United Way's campaign and fund-raising events.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates would include the amount of estimated uncollectible pledges in the subsequent year after the campaigns conclude.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are recorded at cost as of the date of acquisition, except for certain donated items, which are reported at the estimated value on the date of donation. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets acquired are recorded at cost and depreciated using the straight-line methods over estimated lives of three to ten years. The cost and accumulated depreciation of property sold or retired is removed from the related asset and accumulated depreciation accounts and any resulting gain or loss is recorded in the period of disposal.

Capitalization Policy

Purchases of \$5,000 and an estimated useful life span of greater than one year are capitalized. Any purchases of less than \$5,000 are expensed.

Federal Income Taxes:

The United Way is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is operated as a public charity. Accordingly, no provision for federal income taxes has been made. Contributions to the United Way are tax-deductible to the donors within the limitations prescribed by law.

Investments

The safety and security of investments is of utmost importance to the United Way Board of Directors and to the community. The President/CEO and Controller/CFO are authorized to make investment decisions concerning the United Way. The Finance Committee of the United Way of the Coastal Bend is responsible for the review of investments of available contributed dollars to

United Way of the Coastal Bend, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

ensure the financial stability of the organization. Yield on investments is maximized within the context of purpose of safety of principal. The United Way does not invest in equity securities without the prior approval of the Finance Committee. Maturity on investments does not exceed three years. The current investment portfolio consists of several certificates of deposit with varying maturity dates in excess of 90 days past the fiscal year end.

Unrestricted Net Assets

Contributions received from third parties that are not restricted as to use or for which the donor-imposed restrictions have been fulfilled are reported as unrestricted net assets in the accompanying financial statements.

Temporarily Restricted Net Assets

Contributions received from third parties with donor stipulations that limit the use of the donated assets, including specific or implied time restrictions inherent in pledges to give cash or other assets in the future, are reported as temporarily restricted net assets in the accompanying financial statements. When applicable restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished (including accrual of the related obligation), temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restriction.

Functional Expenses

Expenses are summarized and categorized based on their functional classification as either program services or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. However, many expenses relate to more than one function and must be allocated using a reasonable methodology.

Cash and Cash Equivalents:

United Way considers all liquid investments with maturity of three months or less to be cash equivalents.

Assets Held for Custodian Funds

Assets held for custodian funds consist of contributions held for the Corpus Christi Caller Times Christmas Appeal. Resources are reported as a liability when received and a decrease to the liability when distributed.

Cash Management Policy

At June 30, 2017, the United Way of the Coastal Bend, Inc. had cash, cash equivalents, and certificates of deposit total \$1,780,818. The Organization's cash reserve policy calls for keeping a cash reserve on hand of four to eight months operating expenses. Based upon the budget for the fiscal year ending June 30, 2017, that reserve ranges from \$1,462,654 to \$2,925,308.

Additionally, the organization is in the buildout phase of an office facility to house the Organization's activities. Management has developed a proposal for the cash needs and obtained Board approval to designate a portion of the cash on hand for this purpose.

United Way of the Coastal Bend, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Recent Accounting Pronouncements

In June 2009, The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification (ASC) and the Hierarchy of Generally Accepted Accounting Principles: a replacement of FASB Statement No. 162*. On July 1, 2009 *The Hierarchy of Generally Accepted Accounting Principles* was rendered irrelevant, and the FASB ASC became the source of authoritative U.S. Generally Accepted Accounting Principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. On the effective date of this statement, the ASC will supersede all then-existing non-SEC accounting and reporting standards, effective for financial statements issued for annual periods ending after September 15, 2009.

The Organization adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ["FIN48"] on July 1, 2009. Under FIN 48, an organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of FIN 48 had no impact on the Organization's financial statements. The Organization does not believe there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. No interest or penalties were accrued as of July 1, 2009, as a result of the adoption of FIN 48. For the year ended June 30, 2017, there were no interest or penalties recorded or included in its financial statements.

Note 2 – Campaign Support

Amounts Raised

The United Way conducts an annual campaign to raise funds to be distributed to participating agencies in the subsequent fiscal year. Total contributions consist of cash and pledges from the United Way General Campaign less an allowance for uncollectible amounts. Amounts that are donor designated are also deducted from total campaign support since these amounts must be accounted for as custodial accounts, or liabilities, according to SFAS No. 136. For the year ending June 30, 2017 and 2016, amounts raised were as follows:

	2017	2016
United Way General Campaign	\$ 3,765,379	\$ 4,039,682
Less: Provisions for Uncollectibles	(220,615)	(217,552)
	3,544,764	3,822,130
Less: Donor designated contributions	(977,412)	(1,519,053)
Net Campaign Revenue	\$ 2,567,352	\$ 2,303,076

United Way of the Coastal Bend, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

Community Investment Grants

Community Investment Grant allocations to participating agencies are budgeted on a fiscal year basis and monthly payments are made to participating agencies. For the year ended June 30, 2017, the amount allocated is \$1,538,610 that will be distributed monthly to participating agencies beginning July 1, 2017.

The Board of Directors deem agency allocations as intentions to fund programs of area agencies contingent on collection of campaign promises to give and on agency performance. Designated agencies should not construe these allocations as pledges receivable or promises to give by United Way.

Donor Designated Contributions

The United Way is the agent responsible for distributing pledges that are designated by donors to specific affiliated agencies. In accordance with SFAS No. 136, campaign support that is donor-designated is reported as a liability since the pledge is to donor-specific agencies rather than revenue.

Note 3 – Building and Equipment

A summary of building and equipment at June 30, 2017 and 2016 are as follows:

	2017	2016
Land	\$ 87,045	\$ 87,045
Buildings	2,235,916	832,554
Computer Equipment	71,169	71,169
Office Equipment	21,586	21,586
Furniture & Fixtures	12,000	-
Total Building and Equipment	2,427,716	1,012,354
Less: Accumulated Depreciation	(148,497)	(113,043)
Net Equipment	\$ 2,279,219	\$ 899,311

Note 4 – Board Designation of Unrestricted Net Assets

During 2017, an estimate was made of grant allocations expected to be paid to agency programs for the period beginning July 1, 2017 through June 30, 2018, which is conditional upon the results of campaign collections. The conditional pledges to agencies total \$1,538,610 and were not accrued for as a liability in the statement of financial position because a firm commitment had not been made.

United Way of the Coastal Bend, Inc.
Notes to Financial Statements
June 30, 2017 and 2016

During 2016, an estimate was made of grant allocations expected to be paid to agency programs for the period beginning July 1, 2016 through June 30, 2017, which is conditional upon the results of campaign collections. The conditional pledges to agencies total \$2,039,208 and were not accrued for as a liability in the statement of financial position because a firm commitment had not been made.

Note 5 - Payments to Affiliates

In accordance with affiliation agreements with the state and national organizations, dues payments to these organizations were based on a percentage of the United Way's total pledges received or campaign goal for the prior year. Payments to the United Way of America and the United Way of Texas totaled \$63,409 and \$62,742 for fiscal years ended June 30, 2017 and 2016, respectively.

Note 6 - Defined Contribution Plan

The United Way has a defined contribution pension plan covering substantially all full-time employees at least 21 years of age with one year of active service. Retirement expense is based upon a percentage of eligible payroll. During 2017 and 2016, the percentage was 6% of eligible payroll. The annual percentage is determined by the Board of Directors. Retirement expense amounted to \$34,353 and \$30,019 for the year ended June 30, 2017 and 2016, respectively.

Note 7 - Subsequent Events

The United Way has evaluated its financial statements for subsequent events through October 5, 2017, the date the financial statements were available to be issued. The United Way is not aware of any such events which would require recognition or disclosure in the financial statements.

Note 8 - Prior Period Adjustment

During 2017, it was noted that a portion of fundraising expenses applicable to fiscal year 2016 were recorded in 2017. To adjust for the effects of these fundraising expenses, a prior period adjustment is posted to account for these expenses in the prior fiscal year.

Gowland, Streatly, Morales & Company

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Independent Auditor's Report

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
United Way of the Coastal Bend, Inc.
Corpus Christi, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of United Way of the Coastal Bend, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 5, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the United Way of the Coastal Bend, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the United Way of the Coastal Bend, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the United Way of the Coastal Bend, Inc.'s internal control.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

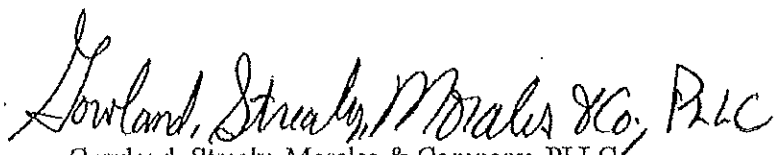
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Way of the Coastal Bend, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purposes of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Gowland, Streaty, Morales & Company, PLLC
Certified Public Accountants
Corpus Christi, Texas

October 5, 2017

Gowland, Streatly, Morales & Company

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
United Way of the Coastal Bend, Inc.
Corpus Christi, Texas

Report on Compliance for Each Major Federal Program

We have audited United Way of the Coastal Bend, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of United Way of the Coastal Bend, Inc.'s major federal programs for the year ended June 30, 2017. United Way of the Coastal Bend, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of United Way of the Coastal Bend, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of

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compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about United Way of the Coastal Bend, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of United Way of the Coastal Bend, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, United Way of the Coastal Bend, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of United Way of the Coastal Bend, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered United Way of the Coastal Bend, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of United Way of the Coastal Bend, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Gowland, Streaty, Morales & Co., PLLC
Gowland, Streaty, Morales & Co., PLLC
Certified Public Accountants
Corpus Christi, Texas

October 5, 2017

United Way of the Coastal Bend, Inc.
 Schedule of Expenditures of Federal and Other Awards
 For the Year Ended June 30, 2017

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number		<u>Expenditures</u>
Federal Awards			
U.S. Department of Health and Human Services Health Resource Administration:			
Passed through Texas Department of Family & Protective Services:			
Texas Home Visiting Project	93.505	7/1/16-8/31/16	\$ 160,496
Texas Home Visiting Project	93.505	9/1/16-6/30/17	<u>702,894</u>
			863,390
U.S. Department of Homeland Security:			
FEMA - Emergency Food and Shelter	97.024	11/30/16-10/31/17	521
U.S. Department of the Treasury:			
IRS - VITA	21.009	7/1/16-6/30/17	<u>29,336</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 893,247</u>

United Way of the Coastal Bend, Inc.

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2017

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Noncompliance material to financial statements noted? _____ Yes X No

2. Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.505	Affordable Care Act - Maternal, Infant and Early Childhood Home Visiting Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes _____ No

B. Financial Statement Findings

Findings related to the General Purpose Financial Statements Required to be reported under GAS. None Noted

C. Federal and State Award Findings and Questioned Costs

Required to be reported by the Uniform Guidance None Noted

United Way of the Coastal Bend, Inc.

SCHEDULE OF STATUS OF PRIOR YEAR FINDING

For the Year Ended June 30, 2017

None

United Way of the Coastal Bend, Inc.

Notes to Schedule of Federal and Other Awards

June 30, 2017

(1) General

The accompanying Schedule of Federal and Other Awards presents the activity of all Federal financial assistance programs of the United Way of the Coastal Bend, Inc. The organization is defined in Note 1 of the financial statements. Federal financial assistance received directly from state and federal agencies, as well as federal financial assistance passed through other governmental agencies, are included in the Schedule of Expenditures of Federal and Other Awards.

(2) Basis of Accounting

The accompanying Schedule of Federal and Other Awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the organization's financial statements. Federal and other grants are considered to be earned to the extent of expenditures made under the provision of the grant; and accordingly, when such funds are received, they are recorded as a liability until earned.