

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

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

For the Years ending June 30, 2011 and 2010

Gowland, Strealy, Morales & Company

A Professional Limited Liability Company

Certified Public Accountants

5934 S. Staples, Suite 201

Corpus Christi, Texas 78413

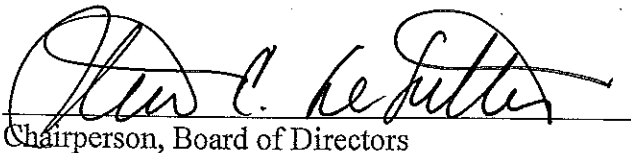
www.gowland-cpa.com

CERTIFICATE OF BOARD

APPROVAL OR DISAPPROVAL OF AUDIT REPORT

UNITED WAY OF THE COASTAL BEND, INC.

I, STEVEN C. DESUTTER 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, 2011 from Gowland, Strealy, Morales & Company, A Professional Limited Liability Company, was reviewed and X approved / _____ disapproved at a meeting of the Board of Directors held on the 19 day of October, 2011.


Chairperson, Board of Directors

Date

10/19/2011

Gowland, Streatly, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

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

Professional Associates & Senior Advisor:
Peggy Sidler, CPA
Betty Morales, CPA
Ryan Johnston
Tom Withers
Erika M. Post
Greg Morales
Dudley Gowland CPA

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statements of financial position of United Way of the Coastal Bend, Inc. (a non-profit organization) as of June 30, 2011 and 2010, and the related statements of activities, functional expenses, changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 as established by the American Institute of Certified Public Accountants and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2011 and 2010, and the statements of activities, functional expenses, changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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Members of the American Institute and Texas Society of Certified Public Accountants

In accordance with *Governmental Auditing Standards*, we have also issued a report dated September 27, 2011 on our consideration of United Way of the Coastal Bend, Inc.'s internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Gowland, Strealy, Morales & Company, PLLC
Certified Public Accountants

September 27, 2011

United Way of the Coastal Bend, Inc.
STATEMENTS OF FINANCIAL POSITION
June 30, 2011 and 2010

Assets	June 30, 2011	June 30, 2010
Current Assets:		
Cash and Cash Equivalents	\$ 876,545	\$ 1,256,855
Certificates of Deposit	3,185,248	2,789,423
Accounts Receivable	1,963	6,939
Inventory	-	2,188
Campaign Pledges Receivable - Net	1,721,914	2,068,788
Prepaid Expenses	445,440	384,368
Total Current Assets	<u>6,231,110</u>	<u>6,508,561</u>
Equipment and Leasehold Improvements	103,953	103,953
Less: Accumulated Depreciation	<u>(92,677)</u>	<u>(86,791)</u>
	<u>11,275</u>	<u>17,162</u>
	<u>\$ 6,242,385</u>	<u>\$ 6,525,723</u>
 Liabilities and Net Assets		
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 45,421	\$ 139,055
Donor Designated Payables	<u>816,466</u>	<u>980,339</u>
Total Liabilities	<u>861,887</u>	<u>1,119,394</u>
Net Assets:		
Unrestricted:		
Undesignated	3,289,543	3,126,650
Temporarily Restricted	<u>2,090,955</u>	<u>2,279,679</u>
Total Net Assets	<u>5,380,498</u>	<u>5,406,329</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,242,385</u>	<u>\$ 6,525,723</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, 2011

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Gross Campaign Results	\$	\$ 3,899,941	\$ 3,899,941
Less: Donor Designations		(1,579,586)	(1,579,586)
Less: Provision for uncollectible pledges		(236,967)	(236,967)
Net Campaign Revenue		2,083,388	2,083,388
Other Revenue:			
Federal, State and Private Grant Revenues		13,278	13,278
Special Events Revenue		632,796	632,796
Interest Income	8,440		8,440
Non-Campaign Revenue	33,996		33,996
In-Kind Gifts	20,682		20,682
Administrative Fee on Designated Contributions	128,425		128,425
Miscellaneous Revenue	692		692
Net Assets Released from Restrictions	2,918,186	(2,918,186)	-
Total Support and Revenue	3,110,421	(188,724)	2,921,697
GRANTS AND EXPENSES			
Program Services:			
Gross Allocations to Agencies	3,536,617		3,536,617
Less Donor Designations to Agencies	(1,579,586)		(1,579,586)
Net Allocations Granted to Agency Programs	1,957,031		1,957,031
Other Program Expenses	524,248		524,248
Total Program Services	2,481,279	-	2,481,279
Supporting Services and General:			
Fundraising	358,663		358,663
Management and General	107,585		107,585
Total Supporting Services	466,248	-	466,248
Total Grants and Expenses	2,947,527	-	2,947,527
CHANGE IN NET ASSETS	162,893	(188,724)	(25,830)
Net Assets - Beginning of Year	3,126,650	2,279,679	5,406,329
Net Assets - End of Year	\$ 3,289,543	\$ 2,090,955	\$ 5,380,499

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, 2010

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Gross Campaign Results	\$	\$ 3,886,901	\$ 3,886,901
Less: Donor Designations		(1,678,122)	(1,678,122)
Less: Provision for uncollectible pledges		(157,538)	(157,538)
Net Campaign Revenue		2,051,241	2,051,241
Other Revenue:			
Federal, State and Private Grant Revenues		12,500	12,500
Special Events Revenue		912,851	912,851
Interest Income	17,279		17,279
Non-Campaign Revenue	27,812		27,812
In-Kind Gifts	2,063		2,063
Administrative Fee on Designated Contributions	148,637		148,637
Miscellaneous Revenue	81		81
Net Assets Released from Restrictions	3,502,696	(3,502,696)	(0)
Total Support and Revenue	3,698,567	(526,104)	3,172,463
GRANTS AND EXPENSES			
Program Services:			
Gross Allocations to Agencies	3,637,057		3,637,057
Less Donor Designations to Agencies	(1,678,122)		(1,678,122)
Net Allocations Granted to Agency Programs	1,958,936		1,958,936
Other Program Expenses	444,516		444,516
Total Program Services	2,403,452	-	2,403,452
Supporting Services and General:			
Fundraising	375,888		375,888
Management and General	92,693		92,693
Total Supporting Services	468,581	-	468,581
Total Grants and Expenses	2,872,033	-	2,872,033
CHANGE IN NET ASSETS	826,534	(526,104)	300,431
Net Assets - Beginning of Year	2,300,116	2,805,782	5,105,898
Net Assets - End of Year	\$ 3,126,650	\$ 2,279,678	\$ 5,406,329

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, 2011

	Community Impact			Supporting Services			Total Program & Support
	Education	Income	Health	Fundraising	Management and Administrative	Total Support Services	
Gross Distributions to Agencies	\$ 1,191,995	\$ 589,905	\$ 1,458,595	\$ -	\$ -	\$ -	\$ 3,240,495
Less: Donor designations to Agencies	(566,847)	(161,524)	(755,093)	-	-	-	(1,283,464)
Net Allocations granted to agency programs	825,148	428,381	703,502	-	-	-	1,957,031
Advertising & Promotion	1,560	950	690	13,663	7	13,669	16,870
Bank & Brokerage charges	2,380	1,438	1,911	2,657	329	2,987	8,716
Community Initiative discretionary grant	18,140	11,000	2,300	-	-	-	31,440
Dues	17,239	10,493	21,412	10,991	2,499	13,490	62,683
Subscriptions	128	77	128	108	16	124	457
Equipment Rental/purchase	2,845	1,628	2,034	842	306	1,148	7,655
Equipment Maintenance	1,194	672	823	348	127	474	3,163
Supplies	245	117	101	9159	100	9,259	9,719
Postage & Shipping	1,392	784	958	954	264	1,218	4,352
Printing	691	536	565	7,272	71	7,343	9,135
Insurance	1,305	789	3,436	2,130	266	2,396	7,926
Meals & Entertainment	1,123	3,737	271	174	56	230	5,361
Office Expense	2,668	1,697	1,548	1,924	843	2,768	8,680
Occupancy	26,448	12,975	19,030	14,237	2,823	17,060	75,513
Travel & Mileage	2,103	1,209	1,070	5,415	1,242	6,657	11,039
Training	3,842	2,240	3,008	1,258	488	1,745	10,836
Salaries	118,697	61,417	51,536	171,600	76,921	248,521	480,171
Payroll taxes & employee benefits	32,851	15,992	13,448	50,961	19,717	70,677	132,968
Professional Fees	6,189	3,734	4,945	1,909	814	2,722	17,590
Recruitment	176	86	78	1,553	49	1,403	1,743
Software and Support	7,372	3,889	4,290	1,553	414	1,967	17,518
Direct Assistance to Individuals	-	200	-	-	-	-	200
Depreciation	2,079	1,256	1,669	648	235	883	5,887
Payments to Subcontracted Organizations	692	352	324	59,507	-	59,507	60,875
Total Functional Expenses	\$ 1,076,555	\$ 565,648	\$ 839,076	\$ 338,663	\$ 107,585	\$ 466,248	\$ 2,947,527

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, 2010

	Community Impact	Campaign	Total Program Services	Fundraising	Supporting Services Management and Administrative	Total Support Services	Total Program & Support
Gross Distributions to Agencies	\$ 3,637,057	\$ -	\$ 3,637,057	\$ -	\$ -	\$ -	\$ 3,637,057
Less: Donor designations to Agencies	(1,678,122)	-	(1,678,122)	-	-	-	(1,678,122)
Net Allocations granted to agency programs	1,958,935	-	1,958,935	-	-	-	1,958,935
Advertising & Promotion	1,210		1,210	13,302		13,302	14,512
Bank & Brokerage charges	3,261	1,750	5,011	511	222	733	5,744
Community Initiative discretionary grant	5,000	5,000	10,000	-	-	-	10,000
Dues & Subscriptions	36,003	19,222	55,225	7,398	2,566	9,964	65,189
Equipment Rental & Maintenance	9,330	4,948	14,278	2,313	193	2,506	16,784
Supplies, Postage & Printing	3,188	1,533	4,721	15,755	209	15,964	20,685
Insurance	4,549	2,177	6,726	867	299	1,166	7,892
Meals & Entertainment	562	164	726	1,136	57	1,193	1,919
Office Expense	23,861	9,142	33,003	6,915	1,200	8,115	41,118
Occupancy	34,847	18,702	53,549	6,897	2,374	9,271	62,820
Travel & Mileage	2,232	563	2,795	7,393	177	7,570	10,365
Training	180	57	237	357	82	439	676
Salaries	185,159	-	185,159	217,654	64,319	281,973	467,132
Payroll taxes & employee benefits	51,704	585	52,289	67,686	20,284	87,970	140,259
Professional Fees	9,358	5,022	14,380	1,852	638	2,490	16,870
Depreciation	4,655	-	4,655	213	73	286	4,941
Payments to Subcontracted Organizations	553		553	25,639		25,639	26,192
Payments to Affiliated Organizations			-			-	-
Total Functional Expenses	\$ 2,334,587	\$ 68,865	\$ 2,403,452	\$ 375,888	\$ 92,693	\$ 468,581	\$ 2,872,033

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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities:		
Increase (Decrease) in Net Assets	\$ (25,830)	\$ 300,431
Adjustments to Reconcile decrease in		
Net assets to net cash Provided by Operating Activities:		
Depreciation	5,886	4,942
Change in Assets and Liabilities:		
(Increase) Decrease in assets:		
Pledge Receivable	346,874	16,392
Accounts Receivable & other assets	4,979	(5,190)
Inventory	2,188	(2,188)
Prepaid Expenses	(61,075)	125,701
Increase (Decrease) in Liabilities:		
Accounts Payable	(93,635)	54,681
Payable to Agencies	(163,872)	16,865
Total Adjustments	<u>41,345</u>	<u>211,203</u>
Net Cash Provided (Used) by		
Operating Activities	15,515	511,634
Cash Flows from Investing Activities:		
Purchase of Investments	(395,825)	0
Liquidation of Investments	0	527,051
Additions to Property and Equipment	<u>0</u>	<u>(8,800)</u>
Net Cash used in Investing Activities	<u>(395,825)</u>	<u>518,251</u>
Net Increase (Decrease) in Cash	<u>(380,310)</u>	<u>1,029,885</u>
Cash at Beginning of Year	1,256,855	226,970
Cash at End of Year	\$ <u><u>876,545</u></u>	\$ <u><u>1,256,855</u></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, 2011 and 2010

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

The United Way of the Coastal Bend, Inc. (United Way) was incorporated in 1977 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 consolidated 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", dated June 1993. 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 4% to 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, 2011 is 6.85; however upon review of actual collection at December 31, 2010, the allowance was adjusted down to more accurately reflect actual results. The adjusted rate for the year ended June 30, 2011 was 5.85%.

United Way of the Coastal Bend, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

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 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 \$1,000 and an estimated useful life span of greater than one year are capitalized. Any purchases of less than \$1,000 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

United Way of the Coastal Bend, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

the Coastal Bend is responsible for the review of investments of available contributed dollars to 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.

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-

United Way of the Coastal Bend, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

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, 2010, there were no interest or penalties recorded or included in its consolidated 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, 2011 and 2010, amounts raised were as follows:

	2011	2010
United Way General Campaign	\$ 3,899,941	\$ 3,886,901
Less: Provisions for Uncollectibles	<u>(236,967)</u>	<u>(157,538)</u>
	3,662,974	3,729,363
Less: Donor designated contributions	<u>(1,579,586)</u>	<u>(1,678,122)</u>
Net Campaign Revenue	<u>\$ 2,083,388</u>	<u>\$ 2,051,242</u>

Allocations

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, 2011, the amount allocated is \$1,947,633 that will be distributed monthly to participating agencies beginning July 1, 2011.

United Way of the Coastal Bend, Inc.
Notes to Financial Statements
June 30, 2011 and 2010

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 - Equipment

A summary of equipment at June 30, 2011 and 2010 are as follows:

	2011	2010
Computer Equipment	\$ 85,809	\$ 85,809
Office Equipment	18,144	18,144
Total Equipment	103,953	103,953
Less: Accumulated Depreciation	(92,677)	(86,791)
Net Equipment	\$ 11,275	\$ 17,162

Note 4 – Board Designation of Unrestricted Net Assets

During 2011, an estimate was made of grant allocations expected to be paid to agency programs for the period beginning July 1, 2011 through June 30, 2012, which is conditional upon the results of campaign collections. The conditional pledges to agencies total approximately \$1,947,633 and was not accrued for as a liability in the statement of financial position because a firm commitment had not been made.

During 2010, an estimate was made of grant allocations expected to be paid to agency programs for the period beginning July 1, 2010 through June 30, 2011, which is conditional upon the results of campaign collections. The conditional pledges to agencies total approximately \$2,042,758 and was 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, 2011 and 2010

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 \$62,683 and \$64,541 for fiscal years ended June 30, 2011 and 2010, 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 2011 and 2010 the percentage was 6% of eligible payroll. The annual percentage is determined by the Board of Directors. Retirement expense amounted to \$22,898 and \$28,077 for the year ended June 30, 2011 and 2010, respectively.

Gowland, Streatly, Morales & Company

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF 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 the financial statements of United Way of the Coastal Bend, Inc. (a nonprofit organization), as of and for the year ended June 30, 2011 and 2010, and have issued our report thereon dated September 27, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing the audit, we considered United Way of the Coastal Bend, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of United Way of the Coastal Bend's internal control over financial reporting.

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 misstatements on a timely basis. A material weakness is a significant deficiency, or combination of significant deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Way of the Coastal Bend, Inc. 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Finance committee, Board of Directors, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Gowland, Strealy, Morales & Company, PLLC
Certified Public Accountants

September 27, 2011