

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

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

For the Years ending June 30, 2012 and 2011

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

TABLE OF CONTENTS

	<u>PAGE NO.</u>
Certificate of Board of Directors	1
Independent Auditors' Report	2-3
Financial Statements:	
Statements of Financial Position	4
Statement of Activities - 2012	5
Statement of Activities - 2011	6
Statement of Functional Expenses - 2012	7
Statement of Functional Expenses - 2011	8
Statements of Cash Flows	9
Notes to Financial Statements	10-15
Independent Auditor's Report on Compliance and Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	16-17

CERTIFICATE OF BOARD

APPROVAL OR DISAPPROVAL OF AUDIT REPORT

UNITED WAY OF THE COASTAL BEND, INC.

I, _____, 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 _____ approved / _____ disapproved at a meeting of the Board of Directors held on the _____ day of _____ October _____, 2012

Chairperson, Board of Directors

Date

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
Tom Withers, CPA
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, 2012 and 2011, 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, 2012 and 2011, 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.

In accordance with *Governmental Auditing Standards*, we have also issued a report dated October 2, 2012 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

October 2, 2012

United Way of the Coastal Bend, Inc.
STATEMENTS OF FINANCIAL POSITION
June 30, 2012 and 2011

	June 30, 2012	June 30, 2011
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 886,407	\$ 876,545
Certificates of Deposit	3,188,336	3,185,248
Accounts Receivable	36,104	1,963
Campaign Pledges Receivable - Net	2,202,820	1,721,914
Prepaid Expenses	477,492	445,440
Total Current Assets	<u>6,791,160</u>	<u>6,231,110</u>
Equipment and Leasehold Improvements	103,953	103,953
Less: Accumulated Depreciation	<u>(98,468)</u>	<u>(92,677)</u>
	<u>5,484</u>	<u>11,275</u>
	<u>\$ 6,796,644</u>	<u>\$ 6,242,385</u>
Liabilities and Net Assets		
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 84,785	\$ 45,420
Donor Designated Payables	648,700	816,467
Total Liabilities	<u>733,485</u>	<u>861,887</u>
Net Assets:		
Unrestricted:		
Undesignated	2,411,843	3,289,543
Temporarily Restricted	<u>3,651,316</u>	<u>2,090,955</u>
Total Net Assets	<u>6,063,159</u>	<u>5,380,498</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,796,644</u>	<u>\$ 6,242,385</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, 2012

	Unrestricted	Temporarily Restricted	Total
PUBLIC SUPPORT AND REVENUE			
Gross Campaign Results	\$	\$ 4,174,854	\$ 4,174,854
Less: Donor Designations		(1,009,984)	(1,009,984)
Less: Provision for uncollectible pledges		(161,574)	(161,574)
Net Campaign Revenue		3,003,296	3,003,296
Other Revenue:			
Federal, State and Private Grant Revenues		112,769	112,769
Special Events Revenue		568,559	568,559
Interest Income	9,276		9,276
Non-Campaign Revenue	7,039		7,039
In-Kind Gifts	5,206		5,206
Administrative Fee on Designated Contributions	112,710		112,710
Miscellaneous Revenue	196		196
Net Assets Released from Restrictions	3,914,388	(3,914,388)	-
Total Support and Revenue	4,048,815	(229,764)	3,819,051
GRANTS AND EXPENSES			
Program Services:			
Gross Allocations to Agencies	2,979,164		2,979,164
Less Donor Designations to Agencies	(1,009,984)		(1,009,984)
Net Allocations Granted to Agency Programs	1,969,179		1,969,179
Other Program Expenses	629,671		629,671
Total Program Services	2,598,850	-	2,598,850
Supporting Services and General:			
Fundraising	387,218		387,218
Management and General	150,323		150,323
Total Supporting Services	537,541	-	537,541
Total Grants and Expenses	3,136,391	-	3,136,391
CHANGE IN NET ASSETS	912,423	(229,764)	682,660
Net Assets - Beginning of Year	3,289,544	2,090,955	5,380,499
Reclassification	(1,790,125)	1,790,125	-
Net Assets - End of Year	\$ 2,411,842	\$ 3,651,316	\$ 6,063,159

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	693		693
Net Assets Released from Restrictions	2,918,186	(2,918,186)	-
Total Support and Revenue	3,110,422	(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	162,894	(188,724)	(25,830)
Net Assets - Beginning of Year	3,126,650	2,279,679	5,406,329
Net Assets - End of Year	\$ 3,289,544	\$ 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 FUNCTIONAL EXPENSES
For the Year ended June 30, 2012

	Community Impact				Total Program Services	Supporting Services		Total Support Services	Total Program & Support
	Education	Income		Health		Management and Administrative	Fundraising		
Gross Distributions to Agencies	\$ 1,271,291	\$ 639,565	\$ 1,068,307	\$ 2,979,163	\$	-	\$	-	\$ 2,979,163
Less: Donor designations to Agencies	(430,988)	(216,823)	(362,173)	(1,009,984)		-	-	-	(1,009,984)
Net Allocations granted to agency programs	840,303	422,742	706,134	1,969,179		-	-	-	1,969,179
Advertising & Promotion	14,864	750	421	16,035	66	8,454	8,520	24,555	
Bank & Brokerage charges	1,809	1,093	1,452	4,354	965	1,078	2,043	6,397	
Capital items	679	2,633	545	3,857	359	405	764	4,621	
Community Initiative discretionary grant	8,418	-	7,800	16,218	-	-	-	16,218	
Dues	17,481	10,480	13,825	41,786	7,479	9,394	16,873	58,659	
Subscriptions	119	72	95	286	56	119	175	461	
Equipment Rental/purchase	1,296	764	983	3,043	601	3,441	4,042	7,085	
Equipment Maintenance	1,543	884	1,174	3,601	773	872	1,645	5,246	
Supplies	515	248	228	991	398	8,432	8,830	9,821	
Postage & Shipping	879	491	618	1,988	358	1,335	1,693	3,681	
Printing	1,077	657	637	2,371	300	6,774	7,074	9,445	
Insurance	2,484	1,501	1,994	5,979	385	845	1,230	7,209	
Meals & Entertainment	996	2,732	556	4,284	396	1,154	1,550	5,834	
Office Expense	4,600	2,130	1,705	8,435	837	3,491	4,328	12,763	
Occupancy	26,609	14,066	15,688	56,363	6,883	13,115	19,998	76,361	
Travel & Mileage	2,181	1,060	1,154	4,395	1,473	5,602	7,075	11,470	
Training	303	467	187	957	149	350	499	1,456	
Salaries	145,429	82,682	59,754	287,865	96,717	233,376	330,093	617,958	
Payroll taxes & employee benefits	41,176	19,920	16,682	77,778	26,317	65,276	91,593	169,371	
Professional Fees	4,842	2,926	3,887	11,655	2,560	2,887	5,447	17,102	
Software and Support	7,021	3,840	4,460	15,321	1,987	2,240	4,227	19,548	
Depreciation	1,639	991	1,316	3,946	867	978	1,845	5,791	
Payments to Subcontracted Organizations	57,335	385	443	58,163	397	17,600	17,997	76,160	
Total Functional Expenses	\$ 1,183,598	\$ 573,514	\$ 841,738	\$ 2,598,850	\$ 150,323	\$ 387,218	\$ 537,541	\$ 3,136,391	

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		Total	Management	Fundraising	Total	Total
	Education	Income	Health	and Administrative		Support Services	Program & Support
Gross Distributions to Agencies	\$ 1,491,153	\$ 774,142	\$ 1,271,322	\$ -	\$ -	\$ -	\$ 3,536,617
Less: Donor designations to Agencies	(666,005)	(345,761)	(567,820)	-	-	-	(1,579,586)
Net Allocations granted to agency programs	825,148	428,381	703,502	-	-	-	1,957,031
Advertising & Promotion	1,560	950	690	7	13,663	13,669	16,870
Bank & Brokerage charges	2,380	1,438	1,911	329	2,657	2,987	8,716
Community Initiative discretionary grant	18,140	11,000	2,300	-	-	-	31,440
Dues	17,289	10,493	21,412	2,499	10,991	13,490	62,683
Subscriptions	128	77	128	16	108	124	457
Equipment Rental/purchase	2,845	1,628	2,034	306	842	1,148	7,655
Equipment Maintenance	1,194	672	823	127	348	474	3,163
Supplies	243	117	101	100	9,159	9,259	9,719
Postage & Shipping	1,392	784	958	264	954	1,218	4,352
Printing	691	536	565	71	7,272	7,343	9,135
Insurance	1,305	789	3,436	266	2,130	2,396	7,926
Meals & Entertainment	1,123	3,737	271	56	174	230	5,361
Office Expense	2,668	1,697	1,548	843	1,924	2,768	8,680
Occupancy	26,448	12,975	19,030	2,823	14,237	17,060	75,513
Travel & Mileage	2,103	1,209	1,070	1,242	5,415	6,657	11,039
Training	3,842	2,240	3,008	488	1,258	1,745	10,836
Salaries	118,697	61,417	51,536	76,921	171,600	248,521	480,171
Payroll taxes & employee benefits	32,851	15,992	13,448	19,717	50,961	70,677	132,968
Professional Fees	6,189	3,734	4,945	814	1,909	2,722	17,590
Recruitment	176	86	78	49	1,353	1,403	1,743
Software and Support	7,372	3,889	4,290	414	1,553	1,967	17,518
Direct Assistance to Individuals	-	200	-	-	-	-	200
Depreciation	2,079	1,256	1,669	235	648	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	\$ 107,585	\$ 358,663	\$ 466,248	\$ 2,947,527

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, 2012 and 2011

	<u>2011</u>	<u>2010</u>
Cash Flows From Operating Activities:		
Increase (Decrease) in Net Assets	\$ 682,660	\$ (25,830)
Adjustments to Reconcile decrease in		
Net assets to net cash Provided by Operating Activities:		
Depreciation	5,791	5,886
Change in Assets and Liabilities:		
(Increase) Decrease in assets:		
Pledge Receivable	(480,906)	346,874
Accounts Receivable & other assets	(34,141)	4,979
Inventory	0	2,188
Prepaid Expenses	(32,052)	(61,075)
Increase (Decrease) in Liabilities:		
Accounts Payable	39,363	(93,635)
Payable to Agencies	<u>(167,765)</u>	<u>(163,872)</u>
Total Adjustments	<u>(669,710)</u>	<u>41,345</u>
Net Cash Provided (Used) by Operating Activities	12,950	15,515
Cash Flows from Investing Activities:		
Purchase of Investments	(3,088)	(395,825)
Additions to Property and Equipment	<u>0</u>	<u>0</u>
Net Cash used in Investing Activities	<u>(3,088)</u>	<u>(395,825)</u>
Net Increase (Decrease) in Cash	<u>9,862</u>	<u>(380,310)</u>
Cash at Beginning of Year	876,545	1,256,855
Cash at End of Year	\$ <u><u>886,407</u></u>	\$ <u><u>876,545</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, 2012 and 2011

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" – 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 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, 2012 is 4.34%.

United Way of the Coastal Bend, Inc.
Notes to Financial Statements
June 30, 2012 and 2011

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 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, 2012 and 2011

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, 2012 and 2011

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, 2012, 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, 2012 and 2011, amounts raised were as follows:

	2012	2011
United Way General Campaign	\$ 4,174,854	\$ 3,899,941
Less: Provisions for Uncollectibles	<u>(161,574)</u>	<u>(236,967)</u>
	4,013,280	3,662,974
Less: Donor designated contributions	<u>(1,009,984)</u>	<u>(1,579,586)</u>
Net Campaign Revenue	<u>\$ 3,003,296</u>	<u>\$ 2,083,388</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, 2012, the amount allocated is \$1,969,179 that will be distributed monthly to participating agencies beginning July 1, 2012.

United Way of the Coastal Bend, Inc.
Notes to Financial Statements
June 30, 2012 and 2011

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, 2012 and 2011 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	(98,468)	(92,677)
Net Equipment	\$ 5,484	\$ 11,276

Note 4 – Board Designation of Unrestricted Net Assets

During 2012, an estimate was made of grant allocations expected to be paid to agency programs for the period beginning July 1, 2012 through June 30, 2013, which is conditional upon the results of campaign collections. The conditional pledges to agencies total approximately \$1,969,179 and was not accrued for as a liability in the statement of financial position because a firm commitment had not been made.

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 \$1,957,031 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, 2012 and 2011

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 \$58,659 and \$62,683 for fiscal years ended June 30, 2012 and 2011, 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 2012 and 2011, the percentage was 6% of eligible payroll. The annual percentage is determined by the Board of Directors. Retirement expense amounted to \$31,091 and \$22,898 for the year ended June 30, 2012 and 2011, respectively.

Gowland, Strealy, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Strealy CPA
David Morales CPA
Jerry D. Spence CPA

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

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, 2012 and 2011, and have issued our report thereon dated October 2, 2012. 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.

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

October 2, 2012