

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

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

For the Years ending June 30, 2013 and 2012

Gowland, Strealy, 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, Wade Smith, 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, 2013 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 23rd day of October, 2013.

Wade Smith
Chairperson, Board of Directors

11/21/13
Date

Gowland, Streatly, Morales & Company

A Professional Limited Liability Company

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

Professional Associates & Senior Advisor:
Peggy Sidler, CPA
Betty Morales, CPA
Wren Malvino
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), which comprise the balance sheet as of June 30, 2013 and 2012, and the related statements of income, retained earnings, 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements,

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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, 2013 and 2012, and the results of its operations 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 10, 2013, 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, Strealy, Morales & Co., PLLC

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

October 10, 2013

United Way of the Coastal Bend, Inc.
STATEMENTS OF FINANCIAL POSITION
June 30, 2013 and 2012

Assets	<u>June 30, 2013</u>	<u>June 30, 2012</u>
Current Assets:		
Cash and Cash Equivalents	\$ 1,046,659	\$ 886,407
Certificates of Deposit	3,193,986	3,188,336
Accounts Receivable	83,727	36,104
Campaign Pledges Receivable - Net	1,871,921	2,202,820
Prepaid Expenses	<u>549,677</u>	<u>477,492</u>
Total Current Assets	6,745,970	6,791,160
 Equipment and Leasehold Improvements	 107,972	 103,953
Less: Accumulated Depreciation	<u>(98,870)</u>	<u>(98,468)</u>
	<u>9,102</u>	<u>5,484</u>
	\$ <u><u>6,755,072</u></u>	\$ <u><u>6,796,644</u></u>
 Liabilities and Net Assets		
Liabilities:		
Accounts Payable and Accrued Expenses	\$ 286,781	\$ 84,785
Donor Designated Payables	<u>205,699</u>	<u>648,700</u>
Total Liabilities	492,480	733,485
 Net Assets:		
Unrestricted:		
Undesignated	2,399,227	2,411,843
Temporarily Restricted	<u>3,863,365</u>	<u>3,651,316</u>
Total Net Assets	6,262,592	6,063,159
 TOTAL LIABILITIES AND NET ASSETS	 \$ <u><u>6,755,072</u></u>	 \$ <u><u>6,796,644</u></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, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUE			
Gross Campaign Results	\$	\$ 4,074,221	\$ 4,074,221
Less: Donor Designations		(1,517,911)	(1,517,911)
Less: Provision for uncollectible pledges		(112,832)	(112,832)
Net Campaign Revenue		<u>2,443,477</u>	<u>2,443,477</u>
Other Revenue:			
Federal, State and Private Grant Revenues		909,932	909,932
Special Events Revenue		664,549	664,549
Interest Income	11,125		11,125
Non-Campaign Revenue	-		-
In-Kind Gifts	2,172		2,172
Administrative Fee on Designated Contributions	99,401		99,401
Miscellaneous Revenue	41		41
Net Assets Released from Restrictions	<u>3,805,909</u>	<u>(3,805,909)</u>	<u>-</u>
Total Support and Revenue	<u>3,918,648</u>	<u>212,049</u>	<u>4,130,697</u>
GRANTS AND EXPENSES			
Program Services:			
Gross Allocations to Agencies	3,550,627		3,550,627
Less Donor Designations to Agencies	(1,517,911)		(1,517,911)
Net Allocations Granted to Agency Programs	<u>2,032,715</u>		<u>2,032,715</u>
Other Program Expenses	<u>1,342,936</u>		<u>1,342,936</u>
Total Program Services	<u>3,375,651</u>	<u>-</u>	<u>3,375,651</u>
Supporting Services and General:			
Fundraising	404,373		404,373
Management and General	<u>151,239</u>		<u>151,239</u>
Total Supporting Services	<u>555,612</u>	<u>-</u>	<u>555,612</u>
Total Grants and Expenses	<u>3,931,263</u>	<u>-</u>	<u>3,931,263</u>
CHANGE IN NET ASSETS	<u>(12,615)</u>	<u>212,049</u>	<u>199,434</u>
Net Assets - Beginning of Year	<u>2,411,842</u>	<u>3,651,316</u>	<u>6,063,158</u>
Net Assets - End of Year	<u>\$ 2,399,227</u>	<u>\$ 3,863,365</u>	<u>\$ 6,262,592</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	197		197
Net Assets Released from Restrictions	3,914,388	(3,914,388)	-
Total Support and Revenue	4,048,816	(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	912,424	(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	\$ 4,201,968	\$ 1,861,191	\$ 6,063,159

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, 2013

	Community Impact			Supporting Services		
	Education	Income	Health	Management and Administrative	Fundraising	Total Support Services
						Total Program & Support
Gross Distributions to Agencies	\$ 1,526,770	\$ 745,631	\$ 1,278,225	\$ -	\$ -	\$ 3,550,627
Less: Donor designations to Agencies	(652,702)	(318,761)	(546,448)	-	-	(1,517,911)
Net Allocations granted to agency programs	874,067	426,870	731,777	-	-	2,032,715
Advertising & Promotion	1,275	1,684	632	17	9,019	9,036
Bank & Brokerage charges	2,425	1,466	1,947	1,282	1,446	2,728
Capital items	-	-	-	-	-	-
Community Initiative discretionary grant	13,752	-	-	-	-	13,752
Dues	18,881	11,385	15,063	10,084	11,362	66,775
Subscriptions	-	-	-	61	69	130
Equipment Rental/purchase	5,850	840	1,116	735	829	1,564
Equipment Maintenance	1,442	527	693	454	669	1,123
Supplies	10,751	1,725	149	447	5,805	5,805
Postage & Shipping	916	540	705	130	1,000	1,447
Printing	710	910	370	674	5,073	5,203
Insurance	1,533	927	1,231	177	821	1,495
Meals & Entertainment	1,406	2,845	257	686	545	722
Office Expense	4,240	1,504	1,220	11,018	1,258	1,944
Occupancy	23,155	13,117	17,861	545	16,069	27,087
Travel & Mileage	6,310	1,023	972	828	8,718	9,263
Training	1,119	106	128	323	828	1,151
Salaries	221,428	86,832	57,000	91,444	216,201	307,645
Payroll taxes & employee benefits	73,283	18,752	14,291	26,110	61,623	87,733
Professional Fees	5,070	3,064	4,071	2,681	3,023	5,704
Software and Support	7,361	4,003	5,638	2,046	2,308	4,354
Depreciation	-	-	-	364	411	775
Payments to Subcontracted Organizations	664,459	2,299	677	1,961	57,296	59,257
Total Functional Expenses	\$ 1,939,433	\$ 580,419	\$ 855,798	\$ 151,239	\$ 404,373	\$ 555,612
						\$ 3,931,263

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 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	24,555
Bank & Brokerage charges	1,809	1,093	1,452	4,354	965	1,078	6,397
Capital items	679	2,633	545	3,857	359	405	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	58,659
Subscriptions	119	72	95	286	56	119	461
Equipment Rental/purchase	1,296	764	983	3,043	601	3,441	7,085
Equipment Maintenance	1,543	884	1,174	3,601	773	872	5,246
Supplies	515	248	228	991	358	8,432	9,821
Postage & Shipping	879	491	618	1,988	358	1,335	3,681
Printing	1,077	657	637	2,371	300	6,774	9,445
Insurance	2,484	1,501	1,994	5,979	385	845	7,209
Meals & Entertainment	996	2,732	556	4,284	396	1,154	5,834
Office Expense	4,600	2,130	1,705	8,435	837	3,491	12,763
Occupancy	26,609	14,066	15,688	56,363	6,883	13,115	76,361
Travel & Mileage	2,181	1,060	1,154	4,395	1,473	5,602	11,470
Training	303	467	187	957	149	350	1,456
Salaries	145,429	82,682	59,754	287,865	96,717	233,376	617,958
Payroll taxes & employee benefits	41,176	19,920	16,682	77,778	26,317	65,276	169,371
Professional Fees	4,842	2,926	3,887	11,655	2,560	2,887	17,102
Software and Support	7,021	3,840	4,460	15,321	1,987	2,240	19,548
Depreciation	1,639	991	1,316	3,946	867	978	5,791
Payments to Subcontracted Organizations	57,335	385	443	58,163	397	17,600	76,160
Total Functional Expenses	\$ 1,183,598	\$ 573,514	\$ 841,738	\$ 2,598,850	\$ 150,323	\$ 387,218	\$ 3,136,391

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, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows From Operating Activities:		
Increase (Decrease) in Net Assets	\$ 199,434	\$ 682,660
Adjustments to Reconcile decrease in		
Net assets to net cash Provided by Operating Activities:		
Depreciation	402	5,791
Change in Assets and Liabilities:		
(Increase) Decrease in assets:		
Pledge Receivable	330,898	(480,906)
Accounts Receivable & other assets	(47,623)	(34,141)
Prepaid Expenses	(72,185)	(32,052)
Increase (Decrease) in Liabilities:		
Accounts Payable	201,996	39,363
Payable to Agencies	(443,001)	(167,765)
Total Adjustments	<u>(29,513)</u>	<u>(669,710)</u>
Net Cash Provided (Used) by Operating Activities	169,921	12,950
Cash Flows from Investing Activities:		
Purchase of Investments	(9,669)	(3,088)
Additions to Property and Equipment	<u>0</u>	<u>0</u>
Net Cash used in Investing Activities	<u>(9,669)</u>	<u>(3,088)</u>
Net Increase (Decrease) in Cash	<u>160,252</u>	<u>9,862</u>
Cash at Beginning of Year	886,407	876,545
Cash at End of Year	\$ <u><u>1,046,659</u></u>	\$ <u><u>886,407</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, 2013 and 2012

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 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 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, 2013 is 2.37%.

United Way of the Coastal Bend, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

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, 2013 and 2012

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, 2013, the United Way of the Coastal Bend, Inc. had cash, cash equivalents, and certificates of deposit total \$4,240,645. 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, 2014, that reserve ranges from \$1,562,092 to \$3,124,185.

Additionally, it is management's intention to purchase an office facility to house the Organization's activities. Management is currently developing a proposal to bring before the Board 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, 2013 and 2012

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, 2013, 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, 2013 and 2012, amounts raised were as follows:

	2013	2012
United Way General Campaign	\$ 4,074,221	\$ 4,174,854
Less: Provisions for Uncollectibles	<u>(112,832)</u>	<u>(161,574)</u>
	3,961,389	4,013,280
Less: Donor designated contributions	<u>(1,517,911)</u>	<u>(1,009,984)</u>
Net Campaign Revenue	<u>\$ 2,443,477</u>	<u>\$ 3,003,296</u>

United Way of the Coastal Bend, Inc.
Notes to Financial Statements
June 30, 2013 and 2012

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, 2013, the amount allocated is \$1,193,172 that will be distributed monthly to participating agencies beginning July 1, 2013.

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, 2013 and 2012 are as follows:

	2013	2012
Computer Equipment	\$ 85,809	\$ 85,809
Office Equipment	22,163	18,144
Total Equipment	107,972	103,953
Less: Accumulated Depreciation	(98,870)	(98,468)
Net Equipment	\$ 9,102	\$ 5,484

Note 4 – Board Designation of Unrestricted Net Assets

During 2013, an estimate was made of grant allocations expected to be paid to agency programs for the period beginning July 1, 2013 through June 30, 2014, which is conditional upon the results of campaign collections. The conditional pledges to agencies total approximately \$1,522,959 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, 2013 and 2012

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 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 \$66,775 and \$58,659 for fiscal years ended June 30, 2013 and 2012, 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 2013 and 2012, the percentage was 6% of eligible payroll. The annual percentage is determined by the Board of Directors. Retirement expense amounted to \$33,609 and \$31,091 for the year ended June 30, 2013 and 2012, respectively.

Note 7 - Subsequent Events

The United Way has evaluated its financial statements for subsequent events through October 10, 2013, 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.

Gowland, Strealy, Morales & Company

A Professional Limited Liability Company
Certified Public Accountants

Tommy Strealy CPA
David Morales CPA
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Professional Associates & Senior Advisor:
Peggy Sidler CPA
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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 the financial statements of United Way of the Coastal Bend, Inc. (a nonprofit organization) as of and for the year ended June 30, 2013, and have issued our report thereon dated October 10, 2013. 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 our 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, Inc.'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 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.

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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 Goodwill'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*.

This report is intended solely for the information and use of management, others within the entity, the Board of Directors, 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 & Co, PLLC

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

October 10, 2013

Gowland, Strealy, Morales & Company

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 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, 2013. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of 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

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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, 2013.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gowland, Strealy, Morales & Co, PLLC

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

October 10, 2013

United Way of the Coastal Bend, Inc.
Schedule of Expenditures of Federal and Other Awards
For the Year Ended June 30, 2013

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: Texas Home Visiting Program	93.505	5/7/12-9/29/13	\$ 838,563
U.S. Department of Homeland Security: FEMA - Emergency Food and Shelter	97.024	11/30/11-10/31/12	2,708
FEMA - Emergency Food and Shelter	97.024	11/30/12-10/31/13	2,759
U.S. Department of the Treasury: IRS - VITA	21.009	7/1/12-6/30/13	<u>26,829</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>870,859</u>

United Way of the Coastal Bend, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2013

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

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: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.505	Texas Home Visiting Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

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 section 510(a) of A-133 None Noted

United Way of the Coastal Bend, Inc.

SCHEDULE OF STATUS OF PRIOR YEAR FINDING

For the Year Ended June 30, 2013

None - No Single Audit required for Fiscal year ended June 30, 2012.

United Way of the Coastal Bend, Inc.

Notes to Schedule of Federal and Other Awards

June 30, 2013

(1) General

The accompanying Schedule of Federal and Other Awards presents the activity of all Federal financial assistance programs of 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 to 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.

