

UNITED WAY OF SOUTHWEST COLORADO, INC

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT**

For the Years Ended June 30, 2015 and 2014

UNITED WAY OF SOUTHWEST COLORADO, INC.

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Heidi A. Trainor, CPA, MS Tax

To the Board of Directors
United Way of Southwest Colorado

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

I have audited the accompanying financial statements of United Way of Southwest Colorado, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, cash flows, and functional expenses for the year then ended.

The prior year summarized comparative information has been derived from the Organization's financial statements and, in our report dated September 5, 2013; we expressed an unqualified opinion on those financial statements.

Management's Responsibility for 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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Southwest Colorado, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Directors
United Way of Southwest Colorado
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Other Information

Required Supplementary Information

The operating ratio data as stated on pages 13 through 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or other form of assurance on it.



Heidi A. Trainor, CPA, PC
October 1, 2015

UNITED WAY OF SOUTHWEST COLORADO, INC.

BALANCE SHEET

June 30

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Cash Equivalents	\$ 152,969	\$ 245,406
Contributions Receivable, Net	158,459	180,589
Other Assets	1,339	2,321
Beneficial Interest In Community Foundation	217,533	210,421
Property and Equipment, Net	<u>1,993</u>	<u>655</u>
TOTAL ASSETS	<u><u>\$ 532,293</u></u>	<u><u>\$ 639,392</u></u>
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 28,691	\$ 30,800
Community Support Payable	<u>210,614</u>	<u>276,675</u>
TOTAL LIABILITIES	<u>239,305</u>	<u>307,475</u>
NET ASSETS		
Unrestricted		
Undesignated	(17,507)	11,171
Stipend For Interns - Board Designated	384	384
Invested In Equipment - Board Designated	1,993	655
Operating Reserve - Board Designated	48,023	48,023
Ambassador Funds - Board Designated	2,000	2,000
Beneficial Interest - Board Designated	<u>217,533</u>	<u>210,421</u>
Total Unrestricted Net Assets	<u>252,426</u>	<u>272,654</u>
Temporarily Restricted	<u>40,562</u>	<u>59,263</u>
TOTAL NET ASSETS	<u>292,988</u>	<u>331,917</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 532,293</u></u>	<u><u>\$ 639,392</u></u>

See accompanying notes to basic financial statements

UNITED WAY OF SOUTHWEST COLORADO, INC.

STATEMENT OF ACTIVITIES
For the Year Ended June 30

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
OPERATING ACTIVITIES				
Support and Revenue				
Campaign Contributions	\$ 665,210	\$ --	\$ 665,210	\$ 681,934
Less: Donor Designations To Other Organizations	(20,668)	--	(20,668)	(56,470)
Provision For Uncollectible Pledges	(24,885)	--	(24,885)	(26,503)
Net Campaign Contributions	619,657	--	619,657	598,961
Other Support and Revenue	219,633	172,941	392,574	419,661
Net Assets Released From Restrictions	191,642	(191,642)	--	--
Total Support and Revenue	1,030,932	(18,701)	1,012,231	1,018,622
Expenses				
Program Services				
Distributions				
Allocations To Agencies	629,611	--	629,611	567,629
Less: Allocations Funded Through Donor Designated Contributions	(20,681)	--	(20,681)	(56,856)
Total Distributions	608,930	--	608,930	510,773
Special Response	191,643	--	191,643	198,449
Other	55,862	--	55,862	61,195
Total Program Services	247,505	--	247,505	259,644
Supporting Services				
Management and General	72,203	--	72,203	89,113
Fundraising	127,569	--	127,569	149,986
Total Supporting Services	199,772	--	199,772	239,099
Total Expenses	1,056,207	--	1,056,207	1,009,516
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(25,275)	(18,701)	(43,976)	9,106
OTHER INCOME (LOSS)				
Unrealized Gain On Investment	5,047	--	5,047	41,696
CHANGE IN NET ASSETS	(20,228)	(18,701)	(38,929)	50,802
NET ASSETS, Beginning of Year	272,654	59,263	331,917	281,115
NET ASSETS, End of Year	\$ 252,426	\$ 40,562	\$ 292,988	\$ 331,917

See the accompanying notes to financial statements.

UNITED WAY OF SOUTHWEST COLORADO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30

	2015				2014
PROGRAM	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORT SERVICES	TOTAL EXPENSES	TOTAL EXPENSES
PAYROLL					
Salaries	\$ 47,670	\$ 30,086	\$ 77,274	\$ 124,944	\$ 132,895
Payroll Taxes	2,662	4,079	7,931	10,593	8,168
Benefits	-	-	-	-	6,609
TOTAL PAYROLL	<u>50,332</u>	<u>34,165</u>	<u>85,205</u>	<u>135,537</u>	<u>147,672</u>
OTHER					
Agency Allocations	629,611	-	-	629,611	567,629
Special Response	191,643	-	-	191,643	198,449
2-1-1 Program	2,448	-	-	2,448	5,573
Advertising	-	650	650	650	914
Insurance	-	3,036	3,036	3,036	3,270
Depreciation	-	387	387	387	219
Dues and Subscriptions	-	1,915	3,422	3,422	4,423
United Way World Wide Dues	-	3,604	3,604	3,604	7,402
Marketing	-	20	1,824	1,824	2,953
Office Supplies	72	1,816	2,280	2,352	1,415
Repairs and Maintenance	-	3,599	5,326	5,326	2,130
Postage	270	329	1,687	1,957	2,720
Printing/Collateral Design	50	-	9,231	9,281	14,014
Professional Fees	-	12,651	20,651	20,651	31,184
Rent and Utilities	2,008	2,441	4,449	6,457	11,885
Telephone	-	3,504	3,504	3,504	5,029
Special Events	-	-	47,976	47,976	47,538
Training	-	3,182	3,182	3,182	3,644
Travel	682	1,320	3,124	3,806	3,075
Total Other	<u>826,784</u>	<u>37,804</u>	<u>114,333</u>	<u>941,117</u>	<u>913,466</u>
TOTAL EXPENSES BEFORE IN-KIND	877,116	71,969	199,538	1,076,654	1,061,138
In-kind					
	-	234	234	234	5,234
TOTAL EXPENSES	<u>\$ 877,116</u>	<u>\$ 72,203</u>	<u>\$ 199,772</u>	<u>\$ 1,076,888</u>	<u>\$ 1,066,372</u>

See the accompanying notes to the financial statements

UNITED WAY OF SOUTHWEST COLORADO, INC.

STATEMENT OF CASH FLOWS

For the Year Ended June 30

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From Contributors	\$ 694,456	\$ 750,694
Cash Received From Grantors	380,600	409,841
Cash Received From Interest and Dividends	4,625	4,763
Cash Paid To Agencies	(624,611)	(637,853)
Cash Paid For Program Expenses	(346,244)	(267,103)
Cash Paid For Fundraising Expenses	(127,569)	(149,846)
Cash Paid For Administrative Expenses	<u>(71,969)</u>	<u>(89,292)</u>
Net Cash Provided (Used) By Operating Activities	<u>(90,712)</u>	<u>21,204</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	<u>(1,725)</u>	<u>(874)</u>
Net Cash Used By Investing Activities	<u>(1,725)</u>	<u>(874)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(92,437)	20,330
CASH AND CASH EQUIVALENTS, Beginning of year	<u>245,406</u>	<u>225,076</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 152,969</u>	<u>\$ 245,406</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change In Net Assets	\$ (38,929)	\$ 50,802
Adjustments To Reconcile Change In Net Assets To Net Cash Provided By Operating Activities		
Depreciation and Amortization	387	219
Other Non-Cash Items	(5,148)	(44,180)
(Increase) Decrease In:		
Accounts Receivable	22,130	68,760
Prepaid Expenses	(982)	1,671
Increase (Decrease) In:		
Accounts Payable	(2,109)	19,156
Other Accrued Liabilities	<u>(66,061)</u>	<u>(75,224)</u>
Net Cash Provided (Used) By Operating Activities	<u>\$ (90,712)</u>	<u>\$ 21,204</u>

See the accompanying notes to the financial statements

UNITED WAY OF SOUTHWEST COLORADO, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- (a) **Mission Statement and Activity** - United Way of Southwest Colorado strives to positively impact the community by supporting local agencies and programs that promote education, health and self reliance.
- (b) **Basis of Presentation** – The financial statements of the Organization are prepared using the accrual basis of accounting.

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets are net assets that are not subject to donor-imposed stipulations. Designated net assets are unrestricted net assets that have been set aside by action of the board of directors for specific purposes.

Temporarily Restricted Net Assets are net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.

Permanently Restricted Net Assets are net assets subject to donor-imposed stipulations that the resources be maintained permanently, but permit the Organization to use or expend part or all of the income derived from donated assets for either specified or unspecified purposes.

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

- (c) **Contributions** – Contributions, which include unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until such time as the conditions are substantially met. Contributions of non-cash assets are recognized at their estimated fair market value on the date of contribution. Contributions to be collected in future years are recorded at fair value when the promise is made.

The Organization receives contributions via its annual fund raising campaigns that are donor-designated for other agencies. These revenues are included in total campaign contributions and are deducted from total campaign contributions under donor designations to other organizations.

UNITED WAY OF SOUTHWEST COLORADO, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

An allowance for uncollectible accounts is recorded using an estimated percentage of outstanding contributions receivable. This estimate is compared to historical averages to determine its reasonableness.

A substantial number of volunteers donate significant amounts of time in the furtherance of the Organization's objectives. The value of these services is not recognized in these financial statements as they do not meet the specific criteria for recognition under generally accepted accounting principles.

- (d) **Cash and Cash Equivalents** – The Organization considers all highly liquid assets purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of checking accounts and certificates of deposit that are stated at fair value, which approximates cost. The Organization maintains its cash and cash equivalents in depository institution accounts that are within federally insured limits. The Organization has not experienced any losses in such accounts.
- (e) **Property and Equipment** – Property and equipment are carried at cost or, if donated, at the fair value on the date of donation. The Organization follows a policy whereby it capitalizes purchases of property and equipment greater than \$1,000. Depreciation is recorded using the straight-line method over the following estimated useful lives:
- | | |
|------------------------------------|---------------|
| Furniture, fixtures, and equipment | 3 to 10 years |
|------------------------------------|---------------|
- (f) **Operating and Non-Operating Activity** – Operating activities represent support and revenue and expenses solely related to the United Way of Southwest Colorado campaigns. Non-operating activities are revenues and expenses related to investment transfers.
- (g) **Functional Allocation of Expenses** – The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.
- (h) **Income Taxes** – The Organization is exempt from federal income tax as an entity described in Internal Revenue Code (IRC) Section 501(c)(3) except to the extent of unrelated business taxable income as defined under IRC Sections 511 through 515.

The Organization did not incur unrelated business income tax for the year ended June 30, 2015 and 2014. Accordingly, no provision has been made for federal income tax in the accompanying financial statements.

UNITED WAY OF SOUTHWEST COLORADO, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- (i) **Subsequent Events** – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued.
- (j) **Use of Estimates** – Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2: CONTRIBUTIONS RECEIVABLE

Contributions receivable as of June 30 are expected to be received as follows:

	<u>2015</u>	<u>2014</u>
Within one year	\$ 184,494	\$ 207,092
Less:		
Allowance for uncollectible pledges	<u>(26,035)</u>	<u>(26,503)</u>
Total contributions receivable	<u>\$ 158,459</u>	<u>\$ 180,589</u>

UNITED WAY OF SOUTHWEST COLORADO, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 3: PROPERTY AND EQUIPMENT

The components of property and equipment as of June 30 are as follows:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 16,517	\$ 14,792
Less:		
Accumulated depreciation	<u>(14,524)</u>	<u>(14,137)</u>
	<u>\$ 1,993</u>	<u>\$ 655</u>

NOTE 4: LEASES

The Organization is on a month to month lease agreement for office space. Rent is \$669 per month. Rent expense during the year ended June 30, 2015 was \$6,457 and 2014 was \$6,024.

NOTE 5: EMPLOYEE BENEFIT PLANS

Compensated Absences – Compensated absences are those absences for which employees will be paid, such as vacation and sick leave. United Way of Southwest Colorado allows employees to accumulate vacation leave. Vacation is accrued on a pro rata basis per pay period. Sick leave does not carry over to the next year. For the fiscal years ended June 30, 2015 and 2014, accrued vacation was \$3,986 and \$4,966, respectively.

UNITED WAY OF SOUTHWEST COLORADO, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015 and 2014

NOTE 6: OTHER SUPPORT AND REVENUE

Other support and revenue is comprised of the following for the year ended June 30, 2015:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
City of Durango block grant	\$ 191,486	\$ --
Special response program	--	172,941
In-kind contributions	234	--
Grants	5,000	--
Administrative Fees	7,116	--
Other	11,172	--
Investment income	4,625	--
	<u>\$ 219,633</u>	<u>\$ 172,941</u>

NOTE 7: RELATED PARTY TRANSACTIONS

The Organization paid dues to the national organization, United Way Worldwide, of \$3,604 for June 30, 2015 and \$7,402 for the year ended June 30, 2014.

The Organization also received campaign contributions from members of its board of directors of \$6,173 for the year ended June 30, 2015 and \$4,120 for the year ended June 30, 2014.

NOTE 8: BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The amount invested in the Community Foundation Serving Southwest Colorado was \$217,533 at June 30, 2015 and \$210,421 at June 30, 2014. United Way is the designated beneficiary of the Community Foundation fund and any net earnings thereon. Accordingly, the asset is reported on United Way's balance sheet as a beneficial interest in assets held by the Community Foundation.

The Community Foundation Serving Southwest Colorado is a not-for-profit organization established to assure that community members donated assets are managed according to the donor's wishes and invested to maximize earning potential. An advisory committee, designated by United Way and approved by the Community Foundation has the authority to recommend distributions from the fund. Distributions may be from the net income and

UNITED WAY OF SOUTHWEST COLORADO, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015 and 2014

NOTE 8: BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION
(Continued)

principal of the fund. Title to the fund is held by the Community Foundation and United Way has granted variance power to the Community Foundation, which means that the Community Foundation reserves the right to make the final decision regarding distributions and may direct those distributions elsewhere if they determine that continued distributions to United Way for the specified charitable purpose have become unnecessary, obsolete, incapable of fulfillment, impractical or inconsistent with the community's charitable needs.

United Way's beneficial interest is carried at the market value of the underlying investments, which are mutual funds and money market funds.

The activity in the beneficial interest in the Community Foundation for the year ended June 30 is as follows:

	<u>2015</u>	<u>2014</u>
July 1, Beginning balance	\$ 210,421	\$ 166,241
Plus: Interest and dividends	4,415	4,657
Plus: Unrealized gain (loss)	5,047	41,696
Less: Administrative fees	<u>(2,350)</u>	<u>(2,173)</u>
June 30	<u>\$ 217,533</u>	<u>\$ 210,421</u>

NOTE 9: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following as of June 30:

	<u>2015</u>	<u>2014</u>
Community Emergency Assistance Coalition	\$ 18,970	\$ 27,765
Pagosa Outreach Connection	15,789	25,695
Ambassador Funds	<u>5,803</u>	<u>5,803</u>
Total temporarily restricted net assets	<u>\$ 40,562</u>	<u>\$ 59,263</u>

REQUIRED SUPPLEMENTARY INFORMATION

UNITED WAY OF SOUTHWEST COLORADO, INC.

OPERATING RATIO – UNAUDITED
June 30, 2015 and 2014

UNITED WAY WORLDWIDE OVERHEAD REPORTING STANDARD FOR UNITED WAYS

The United Way Worldwide has implemented the following overhead reporting standard for United Ways for fiscal years starting on or after July 1, 2004.

The United Way of Southwest Colorado will submit its fiscal year Form 990 to the IRS in November, 2014 and 2015 as required by law. United Way of Southwest Colorado's overhead ratio percentage (United Way Worldwide method) for fiscal year ending June 30, 2015 and 2014 is 18.87% and 21.85%, respectively, as calculated below.

UNITED WAY WORLDWIDE OVERHEAD RATIO PERCENTAGE (UNITED WAY WORLDWIDE METHOD)

The IRS Form 990 is the source for the calculation of this overhead ratio percentage.

The sum of Management and General and Fundraising expenses (found on page 10, part IX, line 25 of the Form 990) is the numerator, and Total Revenue (Line 12) is the denominator for the calculation.

<u>Form 990</u>	<u>FY 2015</u>	<u>FY 2014</u>
Management and general	\$ 71,969	\$ 83,879
Fundraising	127,569	149,986
	<u>\$ 199,538</u>	<u>\$ 233,865</u>
TOTAL REVENUE	<u>\$ 1,057,550</u>	<u>\$ 1,070,244</u>
Overhead Ratio Percentage	<u>18.87%</u>	<u>21.85%</u>

UNITED WAY OF SOUTHWEST COLORADO, INC.

OPERATING RATIO – UNAUDITED

June 30, 2015 and 2014

Operating Ratio – Unaudited (continued)

SPECIAL EVENTS

The policy of the Board of Directors of the United Way of Southwest Colorado, Inc. is to apply total revenues from special events to pay the majority of United Way's operating expenditures, in effect reducing the operating ratio to United Way donors.

During the years ended June 30, 2015 and 2014, the United Way of Southwest Colorado, Inc. earned \$147,826 and \$161,664, respectively, in special events revenue. Total operating expenses for 2015 and 2014 for the Organization were \$199,538 and \$233,865, respectively, for the year.

The result of this policy is to reduce the operating ratio calculated on page 13 using the United Way Worldwide method from 18.87% to 5.7% and 21.85% to 7.9%, respectively, to donors of United Way.

The policy to allocate special events revenue to operating expenses first does not alter information presented in these financial statements and the operating ratio analysis provided on pages 13 and 14 do not reflect this policy.