

**UNITED WAY OF SOUTHWEST COLORADO, INC**

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

**For the Years Ended June 30, 2014 and 2013**

UNITED WAY OF SOUTHWEST COLORADO, INC.

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## INDEPENDENT AUDITOR'S REPORT



*Heidi A. Trainor, CPA, MS Tax*

To the Board of Directors  
United Way of Southwest Colorado

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.

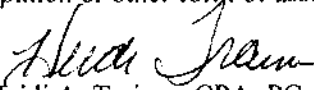
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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.

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.

The operating ratio data as stated on pages 12 through 13 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  
September 11, 2014

UNITED WAY OF SOUTHWEST COLORADO, INC.

BALANCE SHEET

June 30

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 245,406	\$ 225,076
Contributions Receivable, Net	180,589	249,349
Other Assets	2,321	3,992
Beneficial Interest In Community Foundation	210,421	166,241
Property and Equipment, Net	<u>655</u>	<u>--</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 639,392</u></b>	<b><u>\$ 644,658</u></b>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Liabilities	\$ 30,800	\$ 11,644
Community Support Payable	<u>276,675</u>	<u>351,899</u>
<b>TOTAL LIABILITIES</b>	<b><u>307,475</u></b>	<b><u>363,543</u></b>
<b>NET ASSETS</b>		
<b>Unrestricted</b>		
Undesignated	11,171	16,300
Stipend For Interns - Board Designated	384	384
Invested In Equipment - Board Designated	655	--
Operating Reserve - Board Designated	48,023	48,023
Ambassador Funds - Board Designated	2,000	2,000
Beneficial Interest - Board Designated	<u>210,421</u>	<u>166,241</u>
<b>Total Unrestricted Net Assets</b>	<b><u>272,654</u></b>	<b><u>232,948</u></b>
Temporarily Restricted	<u>59,263</u>	<u>48,167</u>
<b>TOTAL NET ASSETS</b>	<b><u>331,917</u></b>	<b><u>281,115</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 639,392</u></b>	<b><u>\$ 644,658</u></b>

See accompanying notes to basic financial statements

UNITED WAY OF SOUTHWEST COLORADO, INC.

STATEMENT OF ACTIVITIES  
For the Year Ended June 30

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
<b>OPERATING ACTIVITIES</b>				
Support and Revenue				
Campaign Contributions	\$ 681,934	\$ --	\$ 681,934	\$ 794,575
Less: Donor Designations To Other Organizations	(56,470)	--	(56,470)	(34,236)
Provision For Uncollectible Pledges	(26,503)	--	(26,503)	(30,398)
Net Campaign Contributions	598,961	--	598,961	729,941
Other Support and Revenue	210,116	209,545	419,661	439,029
Net Assets Released From Restrictions	198,449	(198,449)	--	--
Total Support and Revenue	1,007,526	11,096	1,018,622	1,168,970
Expenses				
Program Services				
Distributions				
Allocations To Agencies	567,629	--	567,629	669,667
Less: Allocations Funded Through Donor Designated Contributions	(56,856)	--	(56,856)	(25,069)
Total Distributions	510,773	--	510,773	644,598
Special Response	198,449	--	198,449	234,245
Other	61,195	--	61,195	78,752
Total Program Services	259,644	--	259,644	312,997
Supporting Services				
Management and General	89,113	--	89,113	118,136
Fundraising	149,986	--	149,986	143,227
Total Supporting Services	239,099	--	239,099	261,363
Total Expenses	1,009,516	--	1,009,516	1,218,958
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	(1,990)	11,096	9,106	(49,988)
OTHER INCOME (LOSS)				
Unrealized Gain On Investment	41,696	--	41,696	37,384
CHANGE IN NET ASSETS	39,706	11,096	50,802	(12,604)
NET ASSETS, Beginning of Year	232,948	48,167	281,115	293,719
NET ASSETS, End of Year	\$ 272,654	\$ 59,263	\$ 331,917	\$ 281,115

See the accompanying notes to financial statements.

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

	2014				2013	
	PROGRAM	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL SUPPORT SERVICES	TOTAL EXPENSES	TOTAL EXPENSES
<b>PAYROLL</b>						
Salaries	\$ 46,416	\$ 35,011	\$ 51,468	\$ 86,479	\$ 132,895	\$ 153,778
Payroll Taxes	1,895	2,607	3,666	6,273	8,168	11,883
Benefits	2,480	1,660	2,469	4,129	6,609	7,448
TOTAL PAYROLL	<u>50,791</u>	<u>39,278</u>	<u>57,603</u>	<u>96,881</u>	<u>147,672</u>	<u>173,109</u>
<b>OTHER</b>						
Agency Allocations	567,629	--	--	--	567,629	669,667
Special Response	198,449	--	--	--	198,449	234,245
2-1-1 Program	5,573	--	--	--	5,573	12,204
Advertising	--	552	362	914	914	210
Insurance	--	3,270	--	3,270	3,270	3,576
Depreciation	--	219	--	219	219	745
Dues and Subscriptions	--	2,901	1,522	4,423	4,423	2,828
United Way World Wide Dues	--	7,402	--	7,402	7,402	7,102
Marketing	--	170	2,783	2,953	2,953	1,755
Office Supplies	19	197	1,199	1,396	1,415	5,706
Other	--	780	1,350	2,130	2,130	2,975
Postage	62	671	1,987	2,658	2,720	1,745
Printing/Collateral Design	59	--	13,955	13,955	14,014	16,712
Professional Fees	--	14,964	16,220	31,184	31,184	22,218
Rent and Utilities	4,178	3,529	4,178	7,707	11,885	10,733
Recruiting	--	--	--	--	--	5,294
Telephone	--	5,029	--	5,029	5,029	5,859
Special Events	--	--	47,538	47,538	47,538	53,907
Training	--	3,644	--	3,644	3,644	2,763
Travel	513	1,273	1,289	2,562	3,075	2,974
Total Other	<u>776,482</u>	<u>44,601</u>	<u>92,383</u>	<u>136,984</u>	<u>913,466</u>	<u>1,063,218</u>
TOTAL EXPENSES BEFORE IN-KIND	827,273	83,879	149,986	233,865	1,061,138	1,236,327
In-kind	--	5,234	--	5,234	5,234	7,700
TOTAL EXPENSES	<u>\$ 827,273</u>	<u>\$ 89,113</u>	<u>\$ 149,986</u>	<u>\$ 239,099</u>	<u>\$ 1,066,372</u>	<u>\$ 1,244,027</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>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received From Contributors	\$ 750,694	\$ 779,094
Cash Received From Grantors	409,841	391,035
Cash Received From Interest and Dividends	4,763	1,965
Cash Paid To Agencies	(637,853)	(665,868)
Cash Paid For Program Expenses	(267,103)	(315,419)
Cash Paid For Fundraising Expenses	(149,846)	(138,227)
Cash Paid For Administrative Expenses	(89,292)	(115,436)
	<u>21,204</u>	<u>(62,856)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Equipment	(874)	--
	<u>(874)</u>	<u>--</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		
	20,330	(62,856)
<b>CASH AND CASH EQUIVALENTS, Beginning of year</b>		
	<u>225,076</u>	<u>287,932</u>
<b>CASH AND CASH EQUIVALENTS, End of year</b>		
	<u>\$ 245,406</u>	<u>\$ 225,076</u>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change In Net Assets	\$ 50,802	\$ (12,604)
<b>Adjustments To Reconcile Change In Net Assets To Net Cash Provided By Operating Activities</b>		
Depreciation and Amortization	219	745
Other Non-Cash Items	(44,180)	(37,611)
<b>(Increase) Decrease In:</b>		
Accounts Receivable	68,760	(15,481)
Prepaid Expenses	1,671	708
<b>Increase (Decrease) In:</b>		
Accounts Payable	19,156	(2,422)
Other Accrued Liabilities	(75,224)	3,809
	<u>21,204</u>	<u>(62,856)</u>
<b>Net Cash Provided (Used) By Operating Activities</b>	<u>\$ 21,204</u>	<u>\$ (62,856)</u>

See the accompanying notes to the financial statements

UNITED WAY OF SOUTHWEST COLORADO, INC.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014 and 2013

**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, 2014 and 2013

**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, 2014 and 2013. 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, 2014 and 2013

**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>2014</u>	<u>2013</u>
Within one year	\$ 207,092	\$ 279,748
Less:		
Allowance for uncollectible pledges	<u>(26,503)</u>	<u>(30,399)</u>
Total contributions receivable	<u>\$ 180,589</u>	<u>\$ 249,349</u>

UNITED WAY OF SOUTHWEST COLORADO, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2014 and 2013

**NOTE 3: PROPERTY AND EQUIPMENT**

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

	<u>2014</u>	<u>2013</u>
Furniture and equipment	\$ 14,792	\$ 13,920
Less:		
Accumulated depreciation	<u>(14,137)</u>	<u>(13,920)</u>
	<u>\$ 655</u>	<u>\$ --</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, 2014 and 2013 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, 2014 and 2013, accrued vacation was \$4,966 and \$4,467, respectively.

UNITED WAY OF SOUTHWEST COLORADO, INC.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2014 and 2013

**NOTE 6: OTHER SUPPORT AND REVENUE**

Other support and revenue is comprised of the following for the year ended June 30, 2014:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
City of Durango block grant	\$ 186,873	\$ --
Special response program	--	209,545
In-kind contributions	5,234	--
Grants	5,000	--
Other	8,246	--
Investment income	4,763	--
	<u>\$ 210,116</u>	<u>\$ 209,545</u>

**NOTE 7: RELATED PARTY TRANSACTIONS**

The Organization paid dues to the national organization, United Way Worldwide, of \$7,402 for June 30, 2014 and \$7,102 for the year ended June 30, 2013.

The Organization also received campaign contributions from members of its board of directors of \$4,120 for the year ended June 30, 2014 and \$2,856 for the year ended June 30, 2013.

**NOTE 8: BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION**

The amount invested in the Community Foundation Serving Southwest Colorado was \$210,421 at June 30, 2014 and \$166,241 at June 30, 2013. 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, 2014 and 2013

**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>2014</u>	<u>2013</u>
July 1, Beginning balance	\$ 166,241	\$ 128,629
Plus: Interest and dividends	4,657	1,896
Plus: Unrealized gain (loss)	41,696	37,384
Less: Administrative fees	<u>(2,173)</u>	<u>(1,668)</u>
June 30	<u>\$ 210,421</u>	<u>\$ 166,241</u>

**NOTE 9: TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2014</u>	<u>2013</u>
Community Emergency Assistance Coalition	\$ 27,765	\$ 21,219
Pagosa Outreach Connection	25,695	10,087
Energy Outreach Colorado	--	11,058
Ambassador Funds	<u>5,803</u>	<u>5,803</u>
Total temporarily restricted net assets	<u>\$ 59,263</u>	<u>\$ 48,167</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

UNITED WAY OF SOUTHWEST COLORADO, INC.

OPERATING RATIO – UNAUDITED  
June 30, 2014 and 2013

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, 2013 and 2014 as required by law. United Way of Southwest Colorado's overhead ratio percentage (United Way Worldwide method) for fiscal year ending June 30, 2014 and 2013 is 21.84% and 21.38%, 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 2014</u>	<u>FY 2013</u>
Management and general	\$ 83,879	\$ 115,436
Fundraising	149,986	138,227
	<u>\$ 233,865</u>	<u>\$ 253,663</u>
 TOTAL REVENUE	 <u>\$ 1,070,244</u>	 <u>\$ 1,186,339</u>
 Overhead Ratio Percentage	 <u>21.85%</u>	 <u>21.38%</u>

UNITED WAY OF SOUTHWEST COLORADO, INC.

OPERATING RATIO – UNAUDITED

June 30, 2014 and 2013

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, 2014 and 2013, the United Way of Southwest Colorado, Inc. earned \$161,664 and \$175,775, respectively, in special events revenue. Total operating expenses for 2014 and 2013 for the Organization were \$233,865 and \$253,663, 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 21.84% to 7.9% and 21.38% to 7.7%, 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 12 and 13 do not reflect this policy.