



## **EDGIN, PARKMAN, FLEMING & FLEMING, PC**

CERTIFIED PUBLIC ACCOUNTANTS

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June 23, 2016

To the Board of Directors, Finance Committee  
and Management of  
North Texas Area United Way, Inc.  
Wichita Falls, Texas

In planning and performing our audit of the financial statements of North Texas Area United Way, Inc. (United Way) for the year ended March 31, 2016, we considered United Way's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

During our audit, however, we reviewed our prior year comments and recommendations for strengthening internal controls and operating efficiency, while also staying alert for new matters. This letter does not affect our report dated June 23, 2016, on the financial statements of United Way.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various United Way personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

### CFC and SECC

**Comment:** In the prior year, we made material audit adjustments to the campaign revenues and agency distributions for the Combined Federal Campaign (CFC) and the State Employee Charitable Campaign (SECC). In the current year, though audit adjustments were not required, material adjustments were provided by United Way after the start of the audit.

**Recommendation:** We recommend that additional time be spent on the two smaller consolidated campaigns in the future to ensure all necessary entries are made prior to the start of the audit.

### Journal Entries

**Comment:** In the prior year audit, we noted that the journal entries were not reviewed and approved and some lacked supporting documentation. During the current year, the Treasurer signed off the one page summary of each monthly journal entry listing on May 6, 2016. However, it was also noted that the supporting documentation was not reviewed during the review process. Additionally, none of the CFC and SECC journal entries were reviewed and approved.

United Way's Policy Manual specifically states that 'all monthly adjusting journal entries will be approved by either the President or Treasurer. Entries will be accompanied by back-up documentation'.

**Recommendation:** To adhere to United Way's Policy Manual and for good internal control practices, we recommend that all journal entries be reviewed and approved in a timely manner and adequate supporting documentation be retained with each journal entry.



To the Board of Directors, Finance Committee  
and Management of  
North Texas Area United Way, Inc.  
Wichita Falls, Texas

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Deposits in Excess of FDIC Coverage

Comment: At March 31, 2016 and 2015, the deposits at one financial institution exceeded FDIC coverage by \$127,246 and \$68,681, respectively.

Recommendation: We recommend that United Way's deposits be adequately secured by FDIC coverage, pledged securities, surety bonds, or some combination at all times during the year.

Concluding Comments

We wish to thank management and all of those with whom we worked for their support and assistance during our audit.

This report is intended solely for the information and use of the Finance Committee, Board of Directors, management, and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Edgin, Parkman, Fleming & Fleming, PC*

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June 23, 2016

To the Board of Directors and Finance Committee  
North Texas Area United Way, Inc.  
Wichita Falls, Texas

We have audited the financial statements of the North Texas Area United Way, Inc. (United Way) for the year ended March 31, 2016, and have issued our report thereon dated June 23, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated February 9, 2016. Professional standards also require that we communicate to you the following information related to our audit.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by United Way are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by United Way during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of depreciation expense and accumulated depreciation relative to capital assets is based on the useful lives of assets in service, which are determined from past experience with similar assets, vendor statements and warranties, and intended use, among others. All assets are depreciated using the straight-line method where the cost (or fair market value when donated) of the assets are expensed evenly over their useful lives.
- Management's estimate of the allowance for uncollectible accounts related to donor pledges is based on historical collection rates and an analysis of the collectability of individual promises.
- Management's estimate of the donated services is based on donor logged hours and hourly rates provided by United Way Worldwide.
- Management's estimate of the allocation of expenses by function is based on management's analysis of the actual expenses.



To the Board of Directors and Finance Committee  
North Texas Area United Way, Inc.  
Wichita Falls, Texas

Page Two

We evaluated the key factors and assumptions used to develop the above estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements, except for the difference in the accrued vacation liability of \$2,467. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated June 23, 2016.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consulting accountant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.





To the Board of Directors and Finance Committee  
North Texas Area United Way, Inc.  
Wichita Falls, Texas

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Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Closing Comments

This information is intended solely for the use of the Finance Committee, Board of Directors, and management of North Texas Area United Way, Inc. and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Edgin, Parkman, Fleming & Fleming, PC*

EDGIN, PARKMAN, FLEMING & FLEMING, PC  
Certified Public Accountants



**NORTH TEXAS AREA UNITED WAY, INC.**

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

**FOR THE YEARS ENDED MARCH 31, 2016 AND 2015**

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# **NORTH TEXAS AREA UNITED WAY, INC.**

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

**FOR THE YEARS ENDED MARCH 31, 2016 AND 2015**

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MICHAEL D. EDGIN, CPA  
DAVID L. PARKMAN, CPA  
A. PAUL FLEMING, CPA

## Independent Auditor's Report

The Board of Directors  
North Texas Area United Way, Inc.  
Wichita Falls, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of North Texas Area United Way, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's 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 and the standards applicable to financial audits contained in *Government 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 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 the risks of 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, 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 audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of North Texas Area United Way, Inc. as of March 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years 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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 June 23, 2016, on our consideration of North Texas Area United Way, Inc.'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 North Texas Area United Way, Inc.'s internal control over financial reporting and compliance.

*Edgin, Parkman, Fleming & Fleming PC*

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas  
June 23, 2016



**FINANCIAL STATEMENTS**



# NORTH TEXAS AREA UNITED WAY, INC.

## STATEMENTS OF FINANCIAL POSITION MARCH 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 500,922	\$ 764,272
Certificates of deposit	274,244	373,267
Pledges receivable, net	474,482	527,855
Grants receivable	349,312	281,785
Other receivables	1,269	595
Beneficial interest in assets held by others	62,782	12,223
Property and equipment, net	429,287	441,009
<b>Total assets</b>	<b><u>\$ 2,092,298</u></b>	<b><u>\$ 2,401,006</u></b>
<b><u>LIABILITIES</u></b>		
Accounts payable	\$ 163,898	\$ 196,942
Accrued expenses	21,383	22,876
Refundable grant advances	27,663	166,457
Agency allocations payable	382,792	380,356
Donor designations payable	199,025	225,921
<b>Total liabilities</b>	<b><u>794,761</u></b>	<b><u>992,552</u></b>
<b><u>NET ASSETS</u></b>		
Unrestricted:		
Unappropriated	1,205,061	1,137,926
Board appropriated	61,134	245,179
Temporarily restricted	31,342	25,349
<b>Total net assets</b>	<b><u>1,297,537</u></b>	<b><u>1,408,454</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 2,092,298</u></b>	<b><u>\$ 2,401,006</u></b>

*The accompanying Notes are an integral part of these financial statements.*

# NORTH TEXAS AREA UNITED WAY, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED MARCH 31, 2016

	Unrestricted	Temporarily Restricted	Totals
<b>Public support and revenue:</b>			
Gross campaign results	\$ 1,003,560	\$ -	\$ 1,003,560
Less donor designations	(237,348)	-	(237,348)
Less provision for uncollectible pledges	(49,288)	-	(49,288)
Net campaign revenue	716,924	-	716,924
Other public support	451,335	6,804	458,139
Governmental grants	1,622,747	-	1,622,747
Service fees	86	-	86
Special events, net	19,393	-	19,393
Investment income	1,909	-	1,909
Change in value of beneficial interest in assets held by others	559	-	559
Oil and gas lease bonus	81,778	-	81,778
Miscellaneous income	4,691	-	4,691
Net assets released from restrictions	811	(811)	-
Total public support and revenue	2,900,233	5,993	2,906,226
<b>Expenses:</b>			
<b>Program services:</b>			
Community impact - education	1,911,672	-	1,911,672
Community impact - health	73,323	-	73,323
Community impact - income	454,189	-	454,189
<b>Supporting services:</b>			
Management and general	354,942	-	354,942
Fundraising	217,829	-	217,829
Unallocated payments to affiliates	5,188	-	5,188
Total expenses	3,017,143	-	3,017,143
Change in net assets	(116,910)	5,993	(110,917)
Net assets at beginning of year	1,383,105	25,349	1,408,454
Net assets at end of year	\$ 1,266,195	\$ 31,342	\$ 1,297,537

*The accompanying Notes are an integral part of these financial statements.*

# NORTH TEXAS AREA UNITED WAY, INC.

## STATEMENT OF ACTIVITIES YEAR ENDED MARCH 31, 2015

	Unrestricted	Temporarily Restricted	Totals
<b>Public support and revenue:</b>			
Gross campaign results	\$ 1,221,146	\$ -	\$ 1,221,146
Less donor designations	(261,495)	-	(261,495)
Less provision for uncollectible pledges	(55,296)	-	(55,296)
Net campaign revenue	904,355	-	904,355
Other public support	692,321	26,308	718,629
Governmental grants	1,403,676	-	1,403,676
Service fees	6,691	-	6,691
Special events, net	11,202	-	11,202
Investment income	2,716	-	2,716
Change in value of beneficial interest in assets held by others	52	-	52
Miscellaneous income	47,413	-	47,413
Net assets released from restrictions	959	(959)	-
<b>Total public support and revenue</b>	<b>3,069,385</b>	<b>25,349</b>	<b>3,094,734</b>
<b>Expenses:</b>			
<b>Program services:</b>			
Community impact - education	1,932,229	-	1,932,229
Community impact - health	77,943	-	77,943
Community impact - income	493,027	-	493,027
<b>Supporting services:</b>			
Management and general	377,680	-	377,680
Fundraising	205,434	-	205,434
Unallocated payments to affiliates	7,933	-	7,933
<b>Total expenses</b>	<b>3,094,246</b>	<b>-</b>	<b>3,094,246</b>
Change in net assets	(24,861)	25,349	488
Net assets at beginning of year	1,407,966	-	1,407,966
Net assets at end of year	<b>\$ 1,383,105</b>	<b>\$ 25,349</b>	<b>\$ 1,408,454</b>

*The accompanying Notes are an integral part of these financial statements.*

# NORTH TEXAS AREA UNITED WAY, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MARCH 31, 2016

	Program Services			Total
	Community Impact			
	Education	Health	Income	
Gross allocations to agencies	\$ 384,473	\$ 114,797	\$ 95,787	\$ 595,057
Less donor designations	(154,276)	(45,097)	(37,975)	(237,348)
Net allocations to agencies	230,197	69,700	57,812	357,709
Grants to other entities	925,629	-	-	925,629
Salaries and wages	374,555	1,112	173,897	549,564
Payroll related taxes	48,194	131	23,693	72,018
Employee benefits	66,687	199	25,636	92,522
Total payroll and related expenses	489,436	1,442	223,226	714,104
Contract labor	-	-	-	-
Advertising	6,972	-	47,654	54,626
Professional fees	28,062	207	47,343	75,612
Supplies	33,328	1,445	25,293	60,066
Telephone	9,101	18	3,231	12,350
Postage and shipping	1,323	4	387	1,714
Occupancy	16,819	54	8,065	24,938
Maintenance of equipment	20,476	117	9,151	29,744
Printing and publications	7,025	-	1,164	8,189
Local meals and travel	31,691	201	8,860	40,752
Conferences and conventions	19,082	2	3,819	22,903
Insurance	4,548	25	2,929	7,502
Subscriptions and dues	830	9	755	1,594
Financial and material assistance	39	-	11,073	11,112
Miscellaneous	1,530	3	(2,903)	(1,370)
Awards/Recognition/Incentives	72,148	56	92	72,296
Depreciation expense	13,436	40	6,238	19,714
Total expenses before United Way				
Worldwide dues	1,911,672	73,323	454,189	2,439,184
United Way Worldwide dues	-	-	-	-
Total expenses	\$ 1,911,672	\$ 73,323	\$ 454,189	\$ 2,439,184

*The accompanying Notes are an integral part of these financial statements.*

**Supporting Services**

Management & General	Fundraising	Unallocated Payments to Affiliates	Total	Total Expenses
\$ -	\$ -	\$ -	\$ -	\$ 595,057
-	-	-	-	(237,348)
-	-	-	-	357,709
-	-	-	-	925,629
213,070	74,863	-	287,933	837,497
23,250	9,373	-	32,623	104,641
39,772	13,180	-	52,952	145,474
<u>276,092</u>	<u>97,416</u>	<u>-</u>	<u>373,508</u>	<u>1,087,612</u>
21	-	-	21	21
1,605	43,525	-	45,130	99,756
15,878	23,935	-	39,813	115,425
25,670	17,330	-	43,000	103,066
2,320	1,071	-	3,391	15,741
648	1,887	-	2,535	4,249
2,376	1,450	-	3,826	28,764
6,313	4,949	-	11,262	41,006
1,693	4,420	-	6,113	14,302
7,939	2,928	-	10,867	51,619
3,870	13,825	-	17,695	40,598
1,609	1,073	-	2,682	10,184
139	59	-	198	1,792
-	-	-	-	11,112
927	861	-	1,788	418
199	415	-	614	72,910
<u>7,643</u>	<u>2,685</u>	<u>-</u>	<u>10,328</u>	<u>30,042</u>
354,942	217,829	-	572,771	3,011,955
-	-	5,188	5,188	5,188
<u>\$ 354,942</u>	<u>\$ 217,829</u>	<u>\$ 5,188</u>	<u>\$ 577,959</u>	<u>\$ 3,017,143</u>

# NORTH TEXAS AREA UNITED WAY, INC.

## STATEMENT OF FUNCTIONAL EXPENSES YEAR ENDED MARCH 31, 2015

	Program Services			Total
	Community Impact			
	Education	Health	Income	
Gross allocations to agencies	\$ 401,733	\$ 120,114	\$ 101,179	\$ 623,026
Less donor designations	(168,614)	(50,414)	(42,467)	(261,495)
Net allocations to agencies	233,119	69,700	58,712	361,531
Grants to other entities	835,609	-	5,050	840,659
Salaries and wages	364,097	3,908	221,844	589,849
Payroll related taxes	43,014	514	27,580	71,108
Employee benefits	72,453	702	44,014	117,169
Total payroll and related expenses	479,564	5,124	293,438	778,126
Contract labor	5,126	-	-	5,126
Advertising	835	10	23,086	23,931
Professional fees	18,090	-	12,236	30,326
Supplies	109,410	1,001	17,372	127,783
Telephone	5,574	20	3,158	8,752
Postage and shipping	2,170	29	910	3,109
Occupancy	7,550	21	6,523	14,094
Maintenance of equipment	15,355	93	7,593	23,041
Printing and publications	59,092	1,627	8,172	68,891
Local meals and travel	15,742	140	12,327	28,209
Conferences and conventions	12,261	4	2,537	14,802
Insurance	2,845	26	1,767	4,638
Subscriptions and dues	310	2	1,239	1,551
Financial and material assistance	304	-	26,916	27,220
Miscellaneous	823	3	551	1,377
Awards/Recognitions/Incentives	115,369	3	3,470	118,842
Depreciation expense	13,081	140	7,970	21,191
Total expenses before United Way				
Worldwide dues	1,932,229	77,943	493,027	2,503,199
United Way Worldwide dues	-	-	-	-
Total expenses	\$ 1,932,229	\$ 77,943	\$ 493,027	\$ 2,503,199

*The accompanying Notes are an integral part of these financial statements.*



Supporting Services

<u>Management &amp; General</u>	<u>Fundraising</u>	<u>Unallocated Payments to Affiliates</u>	<u>Total</u>	<u>Total Expenses</u>
\$ -	\$ -	\$ -	\$ -	\$ 623,026
-	-	-	-	(261,495)
-	-	-	-	361,531
-	-	-	-	840,659
198,306	81,612	-	279,918	869,767
20,435	10,403	-	30,838	101,946
30,450	10,938	-	41,388	158,557
<u>249,191</u>	<u>102,953</u>	<u>-</u>	<u>352,144</u>	<u>1,130,270</u>
-	-	-	-	5,126
19,061	24,927	-	43,988	67,919
18,574	17,874	-	36,448	66,774
39,682	11,401	-	51,083	178,866
1,755	992	-	2,747	11,499
4,232	2,398	-	6,630	9,739
3,124	3,829	-	6,953	21,047
6,003	2,932	-	8,935	31,976
3,251	15,922	-	19,173	88,064
9,582	4,001	-	13,583	41,792
10,722	12,207	-	22,929	37,731
1,257	573	-	1,830	6,468
652	26	-	678	2,229
-	-	-	-	27,220
3,429	2,171	-	5,600	6,977
40	295	-	335	119,177
<u>7,125</u>	<u>2,933</u>	<u>-</u>	<u>10,058</u>	<u>31,249</u>
377,680	205,434	-	583,114	3,086,313
-	-	7,933	7,933	7,933
<u>\$ 377,680</u>	<u>\$ 205,434</u>	<u>\$ 7,933</u>	<u>\$ 591,047</u>	<u>\$ 3,094,246</u>

# NORTH TEXAS AREA UNITED WAY, INC.

## STATEMENTS OF CASH FLOWS YEARS ENDED MARCH 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ (110,917)	\$ 488
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	30,042	31,249
Change in value of beneficial interest in assets held by others	(559)	(52)
Loss on disposal of property and equipment	538	2,681
(Increase) decrease in operating assets:		
Pledges receivable, net	53,373	46,158
Grants receivable	(67,527)	(155,777)
Other receivables	(674)	2,382
Increase (decrease) in operating liabilities:		
Accounts payable	(33,044)	181,026
Accrued expenses	(1,493)	8,434
Refundable grant advances	(138,794)	(42,418)
Agency allocations payable	2,436	(81,950)
Donor designations payable	(26,896)	(69,073)
Net cash used by operating activities	<u>(293,515)</u>	<u>(76,852)</u>
Cash flows from investing activities:		
Payments for property and equipment	(18,858)	(20,718)
Purchases of certificates of deposit	(977)	(1,144)
Addition to beneficial interest in assets held by others	(50,000)	-
Redemption of certificates of deposit	100,000	82,206
Net cash provided by investing activities	<u>30,165</u>	<u>60,344</u>
Net decrease in cash and cash equivalents	(263,350)	(16,508)
Cash and cash equivalents at beginning of year	<u>764,272</u>	<u>780,780</u>
Cash and cash equivalents at end of year	<u>\$ 500,922</u>	<u>\$ 764,272</u>

*The accompanying Notes are an integral part of these financial statements.*

# NORTH TEXAS AREA UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2016 AND 2015

### NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Texas Area United Way, Inc. (United Way), a Texas nonprofit corporation founded in 1924, is a voluntary health and welfare organization governed by a volunteer Board of Directors. Its mission is to improve lives by mobilizing the caring power of community.

The United Way accomplishes this mission by focusing on the building blocks of a good life – education that leads to a stable job, adequate income through retirement and good health. The organization addresses complex human service challenges in partnership with other funders, public and private organizations, and service providers resulting in quantifiable, sustainable responses that strengthen and improve communities in the Wichita Falls area. These activities may include, but are not limited to:

- Researching human service issues, conducting community planning, stakeholder meetings, surveys and assessments;
- Leveraging and distributing resources to community service providers;
- Measuring, tracking and articulating systemic, program, and client outcomes and results;
- Developing, formulating and influencing effective responses to human service issues through advocacy efforts, in accordance with all applicable federal and state statutes restricting activities of tax-exempt non-profits;
- Encouraging and facilitating partnerships, collaborations, and initiatives that reduce service duplication and fragmentation, share information, build linkages and otherwise unite citizens, and the public/private, and not-for-profit sectors to change systems to address root causes that will prevent the long term dependency on social service programs.

United Way holds itself and its partners accountable for achieving positive results in improving life outcomes for children, families and older adults and being transparent in reporting results to donors and the community at large.

In addition to the above activities, the United Way is the Principal Combined Fundraising Organization (PCFO) for the Combined Federal Campaign of North Texas and the Local Campaign Manager (LCM) for the State Employee Charitable Campaign. As such, the United Way complies with the rules and regulations, audit and reporting requirements set forth by the governing entities for those campaigns.

North Texas Area United Way, Inc. is a member in good standing with United Way Worldwide and, as such, meets rigorous branding, accounting, ethical, auditing and operating standards.

#### Basis of Presentation

The accompanying financial statements of the United Way are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified as follows:

# NORTH TEXAS AREA UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2016 AND 2015

### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### Basis of Presentation (Cont'd.)

*Unrestricted net assets* include those economic resources of the United Way which are expendable for any purpose in performing the primary objectives of the United Way. They are not subject to donor-imposed restrictions, even though their use may be limited in other respects, such as by contract or board appropriation.

*Temporarily restricted net assets* include those assets whose use by the United Way is limited by donor-imposed stipulations that expire by either passage of time or actions of the United Way.

*Permanently restricted net assets* include those assets required to be maintained in perpetuity due to donor-imposed restrictions. The United Way had no permanently restricted net assets at March 31, 2016 and 2015.

Revenues are reported as increases in unrestricted net assets unless 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. Expirations of temporarily restricted net assets are reported as reclassifications between the applicable classes of net assets.

#### Cash and Cash Equivalents

The United Way considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### Pledges Receivable

Unconditional promises to give are recorded as pledges receivable and contribution revenue when the promise is made. Pledges receivable and related contributions are initially recorded at their net realizable value based on amounts expected to be collected from donors. This valuation reflects net pledge revenue balances at a level which, in the judgment of management, is adequate to meet the present and potential risks of uncollectibility of the pledges receivable. Management calculates the provision for uncollectible pledges based on a 5 year historical average of uncollected pledges as a percentage of gross pledges, including donor designations. Specific accounts are written-off only upon notification from the donors that the pledges are no longer collectible. For the annual campaign, any remaining uncollectible pledge balances are written-off after two years.

#### Contributions

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions that are restricted by a donor are reported as increases in unrestricted net assets if the restrictions 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.

# NORTH TEXAS AREA UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2016 AND 2015

### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### Contributions (Cont'd.)

The United Way solicits pledges from donors during its annual campaign held each fall. These pledges are solicited to provide support for the allocations to United Way agencies in the following year. Since the allocations for the following year are recognized as a current expense when made in the year the campaign is conducted, the United Way considers the support from these pledges to be released from restrictions during the reporting period.

#### Donor Designations

Included in the United Way's gross annual campaign pledges are pledges designated by donors for direct distribution to another beneficiary. Since those designated pledges constitute agency transactions, they are deducted from gross campaign results to arrive at net campaign revenue on the statement of activities. In addition, those same designated pledges are also deducted from gross allocations to agencies to arrive at net allocations to agencies shown on the statement of functional expenses and included in the statement of activities.

Donor designated pledges are assessed both a fundraising and a processing fee based on actual historical costs in accordance with United Way Worldwide membership standards as outlined in their publication titled *United Way Worldwide Implementation Requirements for Membership Standard M (Cost Deduction for Designated Funds)*.

United Way pledges received from donors who have elected to pay designated agencies directly or use a third-party administrator to make such payments are not included in pledges receivable, gross annual campaign pledges, or gross allocations to agencies because those donations are paid directly by the donor to the agency or third-party administrator for distribution to the designated agency.

#### Investments

Investments consist of certificates of deposit with original maturities of more than three months, carried at cost.

#### Property and Equipment

The United Way follows the policy of capitalizing, at cost, expenditures for property and equipment equal to or greater than \$500. Lesser expenditures and maintenance and repairs are expensed when incurred. If property and equipment is acquired by gift, it is recorded at fair market value at the date of the gift. Contributions of property and equipment are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

# NORTH TEXAS AREA UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2016 AND 2015

### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### Property and Equipment (Cont'd.)

Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of assets, which are as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Computer equipment	3 – 5 years
Furniture and fixtures	5 – 10 years
Buildings and improvements	5 – 40 years

#### Refundable Grant Advances

United Way oftentimes receives advances of funds from grantors upon being awarded grants. Such advances are accounted for as a liability instead of contribution revenue when 1) the grant instrument includes a right of return provision whereby unspent funds remaining at the end of the grant period are to be returned to the grantor, 2) the grant instrument gives the grantor the right to audit United Way's records and request repayment for unbudgeted purchases, or 3) the grant instrument includes other stipulations that make the grant award conditional instead of unconditional. The liability is reduced and revenues recognized over the grant period as eligible expenditures are incurred or other performance benchmarks met.

#### Agency Allocations Payable

Agency allocations payable represent amounts that are due to United Way's network of agencies. United Way records agency allocations payable upon approval by the Board of Directors.

#### Contributed Goods and Services

Donated materials are reflected as contributions in the accompanying financial statements at their estimated fair values at date of receipt. The United Way recognized donated materials valued at \$23,127 and \$8,366 during the years ended March 31, 2016 and 2015, respectively. Contributions of services are recorded at estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills and would typically need to be purchased if not provided by donation. The United Way recognized donated services, consisting mainly of advertising, valued at \$101,786 and \$57,766 during the years ended March 31, 2016 and 2015, respectively.

In addition to the above, a number of volunteers donated a total of 2,786 and 9,647 hours of time to the United Way's many activities during the years ended March 31, 2016 and 2015, respectively, with 1,262 and 6,562 hours received for the VITA program in those years, respectively. No amounts have been reflected in the financial statements for these contributed services because the nature of the services does not meet the specified criteria for recognition. However, management estimates the fair value of the services received to be \$69,950 and \$222,567 for the years ended March 31, 2016 and 2015, respectively, based on the hours received and standard volunteer rates published by independent outside organizations.

# NORTH TEXAS AREA UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS (CONT'D.)

MARCH 31, 2016 AND 2015

### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### 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. Those expenses are allocated to the various functions and programs based on the timesheet study method recommended by the United Way Worldwide. Under that method, each employee's salary and related costs are allocated to the various functions based on the hours worked in each functional classification by that employee. All other indirect expenses are allocated to the functional categories based on the percentage of time spent in the aggregate by all employees in each functional classification.

#### Advertising Costs

Advertising costs are expensed as incurred by or donated to the United Way.

#### Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

#### Concentrations of Credit Risk

The Organization has deposits with financial institutions in the form of cash and certificates of deposit. Those deposits exceeded insured limits by \$127,246 and \$68,681 at March 31, 2016 and 2015, respectively.

#### Contractual Restrictions on Cash and Cash Equivalents

Certain grants and the governmental campaigns described in Note 8 require that the United Way maintain separate bank accounts for each of those activities. The amounts in those separate bank accounts had a total bank balance of \$154,946 and book balance of \$27,774 as of March 31, 2016. As of March 31, 2015, those accounts had a total bank balance of \$251,644 and a total book balance of \$128,737.

#### Subsequent Events

The date to which events occurring after March 31, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosure is June 23, 2016, which is the date on which the financial statements were available to be issued.

# NORTH TEXAS AREA UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2016 AND 2015

### NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

#### Estimates

The 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### NOTE 2 - PLEDGES RECEIVABLE

Pledges receivable (all due within one year) consist of the following at March 31, 2016:

	<u>Pledges Due</u>	<u>Less Allowance for Uncollectible Accounts</u>	<u>Pledges Receivable Balance</u>
Campaign pledges receivable:			
2015 United Way campaign	\$317,199	(\$44,078)	\$273,121
2015 governmental campaigns	<u>218,543</u>	<u>( 17,182)</u>	<u>201,361</u>
<b>Totals</b>	<b><u>\$535,742</u></b>	<b><u>(\$61,260)</u></b>	<b><u>\$474,482</u></b>

Pledges receivable (all due within one year) consist of the following at March 31, 2015:

	<u>Pledges Due</u>	<u>Less Allowance for Uncollectible Accounts</u>	<u>Pledges Receivable Balance</u>
Campaign pledges receivable:			
2014 United Way campaign	\$396,277	(\$74,371)	\$321,906
2014 governmental campaigns	<u>224,261</u>	<u>( 18,312)</u>	<u>205,949</u>
<b>Totals</b>	<b><u>\$620,538</u></b>	<b><u>(\$92,683)</u></b>	<b><u>\$527,855</u></b>

### NOTE 3 - GRANTS RECEIVABLE

Grants receivable consist of the following at March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Receivable for:		
2-1-1 Texas	\$ 51,807	\$ 66,931
EITC	19,597	6,940
Hopes	54,385	-
Texas Home Visiting	207,261	203,251
Texas School Readiness	<u>16,262</u>	<u>4,663</u>
<b>Totals</b>	<b><u>\$349,312</u></b>	<b><u>\$281,785</u></b>

All amounts are scheduled to be collected within one year. Management does not consider there to be any significant risk associated with collection of these balances.



# NORTH TEXAS AREA UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2016 AND 2015

### NOTE 4 - BENEFICIAL INTEREST IN ASSETS HELD BY OTHERS

In September 2004, the United Way transferred \$25,000 to the Wichita Falls Area Community Foundation (Foundation) to establish a fund to provide current income and long-term protection for the United Way. Under the terms of the agreement, the United Way may withdraw and use the investment return generated by the transferred assets for its charitable purposes in accordance with the spending rate established by the Foundation. The United Way may withdraw from the fund amounts in excess of the established spending rate in any year as determined by the Board of Directors of the Foundation provided one of the following conditions is met: (1) the distribution is for the purpose of enabling the United Way to acquire or renovate a capital asset; (2) the United Way is faced with unexpected financial needs that are not likely to recur, and the distribution will enable the United Way to meet those needs. However, such distributions may not exceed 75% of corpus in any one year.

At the time of the transfer, the United Way granted variance power to the Foundation. That power gives the Foundation the right to distribute the investment return to another not-for-profit organization of its choice if the United Way ceases to exist or if the governing board of the Foundation determines that support of the United Way is no longer possible or practical of accomplishment. Under the terms of the agreement, however, such power does not become effective earlier than at least thirty days after the Foundation notifies the United Way in writing of (1) its intent to exercise such power and (2) the manner in which the Foundation proposes to vary the purposes, uses or methods of administration of the fund.

At March 31, 2016 and 2015, the fund had a value of \$62,782 and \$12,223, respectively, which is reported in the statements of financial position as beneficial interest in assets held by others. During the year ended March 31, 2016, United Way contributed \$50,000 to the fund as allowed by the aforementioned agreement.

### NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at March 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 98,758	\$ 98,758
Property and equipment being depreciated:		
Building and improvements	491,787	491,787
Furniture and fixtures	31,424	31,424
Computer equipment	<u>93,039</u>	<u>78,559</u>
Total property and equipment	715,008	700,528
Less accumulated depreciation	<u>( 285,721)</u>	<u>( 259,519)</u>
Property and equipment, net	<u>\$429,287</u>	<u>\$441,009</u>

# NORTH TEXAS AREA UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2016 AND 2015

### NOTE 6 - UNRESTRICTED NET ASSETS

Unrestricted net assets consist of the following at March 31, 2016 and 2015:

	2016	2015
Unappropriated – available for general use	<u>\$1,205,061</u>	<u>\$1,137,926</u>
Board appropriated for specific purposes:		
VITA Program	55,459	57,762
2-1-1 Program	2,675	47,861
5210 = 8	3,000	37,791
Imagination Library	-	9,866
Texas School Readiness Program	-	15,013
Texas Home Visiting	-	24,833
Race for the Stars	-	<u>52,053</u>
Total board appropriations	<u>61,134</u>	<u>245,179</u>
 Total unrestricted net assets	 <u>\$1,266,195</u>	 <u>\$1,383,105</u>

### NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following as of March 31, 2016 and 2015:

	2016	2015
TRIAD Program	\$24,060	\$24,060
Prosperity Hub	1,284	1,289
Reach for the Stars	<u>5,998</u>	<u>-</u>
 Total	 <u>\$31,342</u>	 <u>\$25,349</u>

Net assets were released from restriction in 2016 and 2015 through the United Way incurring the following expenditures:

	2016	2015
TRIAD Program	\$ -	\$ 749
Prosperity Hub	6	210
Early Childhood	<u>805</u>	<u>-</u>
 Total	 <u>\$ 811</u>	 <u>\$ 959</u>

# NORTH TEXAS AREA UNITED WAY, INC.

## NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2016 AND 2015

### NOTE 8 - GOVERNMENTAL CAMPAIGNS

Under contractual agreements, the United Way conducts local fundraising campaigns in the Wichita Falls area on behalf of the Combined Federal Campaign of North Texas and State Employee Charitable Campaign. Through these governmental campaigns, donors designate their gifts to a wide variety of charitable organizations and the United Way distributes the campaign proceeds accordingly. Because the United Way acts as an agent for these campaigns, it cannot recognize contribution revenue or allocation expense on the statement of activities related to these transactions. For presentation purposes, specific donor designations to the United Way's agencies are included in gross annual campaign pledges and gross allocations to agencies, and then deducted from each to reflect amounts actually available for use by the United Way.

As of March 31, 2016 and 2015, cash balances held on behalf of the governmental campaigns and maintained in separate bank accounts totaled \$27,724 and \$28,454, respectively. Pledges receivable and donor designations payable related to governmental campaigns are \$201,361 and \$199,025, respectively, as of March 31, 2016 and \$205,949 and \$225,921, respectively, as of March 31, 2015.

For its administration of the Combined Federal Campaign of North Texas and State Employee Charitable Campaign, the United Way charges administrative fees to each governmental campaign in accordance with the contractual agreement governing that campaign. These fees totaled \$24,786 and \$31,191 for the years ended March 31, 2016 and 2015, respectively.

### NOTE 9 - EMPLOYEE BENEFIT PLANS

#### Tax-Sheltered Annuity Program

All employees of United Way are eligible to participate in a tax-sheltered annuity program. Participating employees agree to a reduced salary and the United Way then pays the difference into the annuity plan on behalf of the employees. Income tax on these amounts is deferred until participants receive proceeds from the annuity. Currently, no employees are participating in this program.

#### Simplified Employee Pension Plan

The United Way also has a noncontributory simplified employee pension plan in which all employees are eligible to participate. The United Way contributes five percent of the eligible employee's salary to the plan. In addition to the plan, the United Way also contributes one percent of the president's salary to a secondary plan. The contributions for the years ended March 31, 2016 and 2015 totaled \$40,433 and \$44,465, respectively.

# **NORTH TEXAS AREA UNITED WAY, INC.**

## **NOTES TO FINANCIAL STATEMENTS (CONT'D.) MARCH 31, 2016 AND 2015**

### ***NOTE 10 - CONCENTRATIONS***

The United Way is dependent upon its annual campaign held in the Wichita Falls, Texas area for a significant portion of its support and revenue. That campaign accounted for 25% and 28% of United Way's total public support and revenue for the years ended March 31, 2016 and 2015, respectively. In addition to the annual campaign, United Way received grants from a single foundation that comprised 18% and 15% of total public support and revenue for the years ended March 31, 2016 and 2015, respectively. Also, United Way received one governmental grant from a single grantor that comprised 44% and 38% of the total public support and revenue for the years ended March 31, 2016 and 2015, respectively. A significant decrease in these sources of public support and revenue could have a material adverse effect on the United Way.

**INTERNAL CONTROL AND COMPLIANCE SECTION**





## EDGIN, PARKMAN, FLEMING & FLEMING, PC

CERTIFIED PUBLIC ACCOUNTANTS

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MICHAEL D. EDGIN, CPA  
DAVID L. PARKMAN, CPA  
A. PAUL FLEMING, CPA

Independent Auditor's 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

The Board of Directors  
North Texas Area United Way, Inc.  
Wichita Falls, Texas

We have audited, in accordance with the 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, the financial statements of North Texas Area United Way, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 23, 2016.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered North Texas Area United Way, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of North Texas Area United Way, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether North Texas Area United Way, Inc.'s financial statements are free from 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering North Texas Area United Way, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Edgin, Parkman, Fleming & Fleming, PC*

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas  
June 23, 2016





## EDGIN, PARKMAN, FLEMING & FLEMING, PC

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### Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

The Board of Directors  
North Texas Area United Way, Inc.  
Wichita Falls, Texas

#### **Report on Compliance for the Major Federal Program**

We have audited North Texas Area United Way, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on North Texas Area United Way, Inc.'s major federal program for the year ended March 31, 2016. North Texas Area United Way, Inc.'s major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for North Texas Area United Way, Inc.'s major federal program 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 North Texas Area United Way, 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 the major federal program. However, our audit does not provide a legal determination of North Texas Area United Way, Inc.'s compliance.

### **Opinion on the Major Federal Program**

In our opinion, North Texas Area United Way, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended March 31, 2016.

### **Report on Internal Control over Compliance**

The management of North Texas Area United Way, 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 North Texas Area United Way, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 North Texas Area United Way, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Edgin, Parkman, Fleming & Fleming, PC*

EDGIN, PARKMAN, FLEMING & FLEMING, PC

Wichita Falls, Texas  
June 23, 2016

# NORTH TEXAS AREA UNITED WAY, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED MARCH 31, 2016

### A. Summary of Auditor's Results

#### 1. Financial Statements

Type of auditor's report issued:

Unmodified

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 the financial statements noted?

\_\_\_\_\_ Yes     X  No

#### 2. Federal Awards

Internal control over major program:

One or more material weaknesses identified?

\_\_\_\_\_ Yes     X  No

One or more 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:

Unmodified

Any audit findings disclosed that are required to be reported under 2 CFR Section 200.516(a)?

\_\_\_\_\_ Yes     X  No

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.505

Affordable Care Act – Maternal, Infant and Early Childhood Home Visiting Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes     X  No

### B. Financial Statement Findings

None

### C. Federal Award Findings and Questioned Costs

None

# **NORTH TEXAS AREA UNITED WAY, INC.**

## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED MARCH 31, 2016**

### *Finding 2015-001 – Material Weakness in Financial Reporting – Material Audit Adjustments*

In the prior year, the independent audit identified material adjustments to the financial statements.

Current Status: Implemented. During the current year audit, no material audit adjustments were required.

### *Finding 2015-002 – Significant Deficiency in Internal Control required to be reported under OMB Circular A-133 (Affordable Care Act - Maternal, Infant and Early Childhood Home Visiting Program (MIECHVP) – Subrecipient Reimbursements)*

In the prior year, there was a lack of documentation of the review and approval of payments to subrecipients by the appropriate United Way personnel.

Current Status: Implemented. During the current year, United Way implemented the use of expense authorization forms for the payments to subrecipients to provide evidence of the review and approval process.

### *Finding 2015-003 – Significant Deficiency in Internal Control and Noncompliance required to be reported under OMB Circular A-133 (Affordable Care Act - Maternal, Infant and Early Childhood Home Visiting Program (MIECHVP) – Subrecipient Monitoring)*

No formal subrecipient monitoring plan existed during the year ended March 31, 2015.

Current Status: Implemented. United Way developed and implemented a formal subrecipient monitoring plan in April 2015 and used it throughout the year.

**NORTH TEXAS AREA UNITED WAY, INC.**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED MARCH 31, 2016**

There were no current year findings or questioned costs; therefore, no corrective action plan is required.

**NORTH TEXAS AREA UNITED WAY, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2016**

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>	<u>Amounts Provided to Subrecipients</u>
<u>U. S. Department of Treasury:</u>				
Direct Program:				
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	15VITA0252	\$ 11,017	\$ -
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	16VITA0038	31,287	-
Total CFDA Number 21.009			<u>42,304</u>	<u>-</u>
Total U. S. Department of Treasury			<u>42,304</u>	<u>-</u>
<u>U. S. Department of Health and Human Services:</u>				
Passed Through Texas Health and Human Services Commission:				
Affordable Care Act - Maternal, Infant and Early Childhood Home Visiting Program	93.505	529-14-0109-0001A	665,722	501,557
Affordable Care Act - Maternal, Infant and Early Childhood Home Visiting Program	93.505	529-14-0109-0001C	635,690	417,921
Total CFDA Number 93.505			<u>1,301,412</u>	<u>919,478</u>
Total U.S. Department of Health and Human Services			<u>1,301,412</u>	<u>919,478</u>
Totals			<u>\$ 1,343,716</u>	<u>\$ 919,478</u>

# NORTH TEXAS AREA UNITED WAY, INC.

## NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED MARCH 31, 2016

### Note 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the North Texas Area United Way, Inc. (United Way) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the United Way, it is not intended to and does not present the financial position, changes in net assets or cash flows of the United Way.

### Note 2 - FEDERAL ASSISTANCE RECONCILIATION

#### Statement of Activities:

Governmental grants	\$1,622,747
Less non-federal governmental grants	<u>(279,031)</u>
Total per Schedule of Expenditures of Federal Awards	<u>\$1,343,716</u>

### Note 3 - DE MINIMIS INDIRECT COST RATE

United Way elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

