

THE TEXAS DIVERSITY COUNCIL
(A NOT-FOR-PROFIT ORGANIZATION)

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

For the Year Ended December 31, 2015

John F. Coggin, CPA PLLC
Certified Public Accountant

THE TEXAS DIVERSITY COUNCIL
(A NOT-FOR-PROFIT ORGANIZATION)

Table of Contents

	Pages
INDEPENDENT AUDITOR'S REPORT	1
Statement of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6

John F. Coggin, CPA PLLC
1200 Smith St Ste 1600
Houston, Tx. 77002

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
The Texas Diversity Council

We have audited the accompanying financial statements of The Texas Diversity Council (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities 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. 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 The Texas Diversity Council as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

John F. Coggin, CPA PLLC
October 23, 2016

draft

The Texas Diversity Council
Statement of Financial Position
December 31, 2015 and 2014

	2015	2014
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash - Unrestricted	\$ 33,700	\$ 62,563
Receivables - Net of Allowance for Doubtful Accounts	57,500	31,000
Receivables - National Diversity Council	70,837	90,678
Receivables - D & L	458	-
Total Current Assets	162,495	184,241
<u>Fixed Assets</u>		
Computer Equipment	\$ 1,460	\$ 1,460
Accumulated Depreciation	1,460	1,460
Total Fixed Assets	-	-
TOTAL ASSETS	\$ 162,495	\$ 184,241
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities</u>		
Accrued Liabilities	\$ 703	\$ 870
Unearned Membership Payments	\$ -	\$ 37,500
Total Current Liabilities	703	38,370
<u>Long Term Liabilities</u>		
Officer Salary Payable	\$ 100,833	\$ 100,833
TOTAL LIABILITIES	101,536	139,203
<u>Net Assets</u>		
Unrestricted Net Assets	60,959	45,038
TOTAL NET ASSETS	60,959	45,038
TOTAL LIABILITIES AND NET ASSETS	\$ 162,495	\$ 184,241

The accompanying notes are an integral part of these financial statements

The Texas Diversity Council
Statement of Activities
For the Years Ended December 31, 2015 and 2014

	2015 Unrestricted Fund	2014 Unrestricted Fund
Revenue and Other Support		
Events and Programs	240,106	224,422
Donated Facilities and Equipment	3,845	400
In Kind Donations	12,500	12,500
Membership	575,760	557,903
Grants	4,800	5,500
Total Revenue and Other Support	<u>837,011</u>	<u>800,725</u>
Expenses		
Events and Programs	336,573	355,860
Management and General	222,320	219,481
Financial Development	262,197	290,383
Total Expenses	<u>821,090</u>	<u>865,724</u>
Increase (Decrease) in Unrestricted Net Assets	15,921	(64,999)
Net Assets Beginning of Year	45,038	85,037
Prior Period Adjustment	-	25,000
Net Assets (Deficit), End of Year	<u>\$ 60,959</u>	<u>\$ 45,038</u>

The accompanying notes are an integral part of these financial statements

The Texas Diversity Council
Statement of Functional Expenses
For the Years Ended December 31, 2015 and 2014

	2015		2015		2014		2014	
	Events/Program	Management and	Financial	Total	Events/Program	Management and	Financial	Total
	Services	General	Development		Services	General	Development	
Salaries and Wages	\$ 202,153	\$ 93,859	\$ 231,021	\$ 527,033	\$ 223,005	\$ 103,541	\$ 254,851	\$ 581,397
Payroll Taxes	14,663	6,809	16,758	38,230	16,017	7,437	18,304	41,758
Contract Labor	1,186	38,878		40,064	737	24,163		24,900
Advertising	991	1,462		2,453	500	738		1,238
Auto Expense		8,212		8,212		7,500		7,500
Awards				-		571		571
Bad Debts			2,400	2,400			6,650	6,650
Finance Charges		628		628		1,207		1,207
Credit Card Merchant Fees		9,908		9,908		5,933		5,933
Donated Equipment and Facilities	1,923	1,922		3,845	-	400	-	400
Dues and Subscriptions				-		1,033		1,033
Event Expenses	104,482			104,482	105,745			105,745
In-Kind Travel		5,000		5,000		5,000		5,000
Insurance - Director and Officers		1,934		1,934		1,832		1,832
Insurance - Health	10,516	4,883	12,018	27,417	9,256	4,298	10,578	24,132
Insurance - Workers Comp	659	1,106		1,765	600	1,006		1,606
Meals and Entertainment		6,513		6,513		7,338		7,338
Miscellaneous		106		106		347		347
Office Supplies And Administration		7,192		7,192		4,299		4,299
Parking Tolls		656		656		828		828
Payroll Processing Fees		2,648		2,648		2,029		2,029
Penalties				-		263		263
Postage & Delivery		221		221		123		123
Printing and Copying		14		14		-		-
Professional Fees		8,170		8,170		6,088		6,088
Rent		4,823		4,823		8,268		8,268
Staff Development		1,600		1,600		70		70
Telephone and Technology		6,998		6,998		5,900		5,900
Travel and Meetings		8,778		8,778		18,369		18,369
Website and Internet Expenses				-		900		900
Total Functional Expenses	\$ 336,573	\$ 222,320	\$ 262,197	\$ 821,090	\$ 355,860	\$ 219,481	\$ 290,383	\$ 865,724

The accompanying notes are an integral part of these financial statements

The Texas Diversity Council
Statement of Cash Flows
For the Years Ended December 31, 2015 and 2014

	Totals 2015	Totals 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (Decrease) in Net Assets	\$ 15,921	\$ (64,999)
Adjustments to reconcile change in net assets		
Decrease (Increase) in receivables	(26,500)	22,424
Decrease (Increase) in receivables - Other	(459)	2,280
Decrease (Increase) in receivables National Diversity Council	19,841	(90,678)
(Decrease) Increase in accounts payable	(166)	(12,100)
(Decrease) Increase in unearned membership payments	(37,500)	35,000
(Decrease) Increase in officer salary payable	-	100,833
NET CASH PROVIDED BY (Used In) Operating Activities	(28,863)	(7,240)
CASH FLOWS FROM INVESTING		
	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Prior Period Adjustment	-	25,000
	-	-
NET INCREASE (DECREASE) IN CASH	(28,863)	17,760
Cash, Beginning of Year	62,563	44,803
Cash, End of Year	33,700	62,563
Additional Disclosures:		
Interest Paid	628	1,207
Federal Income Tax Paid	-	-

The accompanying notes are an integral part of these financial statements

The Texas Diversity Council
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

1. **NATURE OF ORGANIZATION**

The Texas Diversity Council ("Council") was incorporated in the State of Texas on January 6, 2004, under the Texas Non-Profit Corporation Act. The Council's primary purpose is to engage in fostering a learning environment for the business community to grow in their knowledge of diversity. The Council currently has five Councils located around the State of Texas. These councils serve the greater Austin, Corpus Christi, Dallas, Houston and San Antonio Area. The council promotes networking and mentoring opportunities, scholarship programs and events to raise the awareness of diversity in the workplace.

The Council is operated by personnel and utilizes facilities provided by the National Diversity Council.

2. **DATE OF MANAGEMENT'S REVIEW**

In preparing the financial statements, the Council has evaluated events and transactions for potential recognition or disclosure through October 23, 2016 the date that the financial statements were available to be issued.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

METHOD OF ACCOUNTING

Revenue and Support are recorded based on the accrual method.

BASIS OF PRESENTATION

The Council presents its financial statements under FASB Accounting Standards Codification 958, Not-for-Profit Entities (FASB ASC 958). Under FASB ASC 958, the Council is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations.

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

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently on behalf of the Council. Generally, the donors of these assets permit the Council to use all or part of the investment return on these assets. The Council had no permanently restricted net assets at December 31, 2015 or 2014.

See Independent Auditors Report

The Texas Diversity Council
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

REVENUE RECOGNITION

Grants and other contributions of cash and other assets are recognized when the donor makes a promise to give to the Council that is in substance, unconditional. Contributions are reported as temporarily restricted revenues if they are received with donor stipulations that limit the use of the donated assets. When the donor restriction expires (when a donor stipulation is met by actions of the Council and/or the passage of time), the amounts are reported as net assets released from restrictions and reclassified to unrestricted net assets. If the restriction is satisfied in the same period the contribution is originally received, the contribution is reported as unrestricted.

DONATED ASSETS AND SERVICES

The Council receives the use of office space, utilities and various office equipment and expenses from the National Diversity Council. The statements of activities for 2015 and 2014 include \$3,445 and \$-0- in contributions and expenses to record the fair value of the office space, utilities and other expenses donated by the National Diversity Council that were utilized by the Council.

The Council also receives donated services from the National Diversity Council personnel for trustee and administrative functions. No amounts have been recognized for these donated services in the statements of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied.

CASH AND CASH EQUIVALENTS

The Council considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

SOURCES OF REVENUE

The sources of revenue for the Council consist of Board of Directors Memberships, Funds received for events and Advisory Board Membership sources.

See Independent Auditors Report

The Texas Diversity Council
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

3

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

EQUIPMENT AND COMPUTER SOFTWARE

Equipment and computer software are carried at cost. For financial reporting purposes, depreciation is provided using the straight line method based on estimated useful lives ranging from three to five years.

Total depreciation charged to expense was \$-0- and \$-0- for 2015 and 2014 respectively.

Maintenance and repairs are expenses as incurred. Expenditures for major improvements that extend the useful lives of property or equipment are capitalized.

INCOME TAX

The Council is tax exempt under Section 501 (c)(3) of the Internal Revenue Code and accordingly, is not subject to federal income tax. However, the Council is subject to taxes on unrelated business income. The Council had no unrelated business income during 2015 or 2014. The Council is required to file annual information returns with the Internal Revenue Service. The Federal IRS filed returns remain open to potential examination by the Internal Revenue Service for a period of three years after the returns are filed.

CONCENTRATIONS

There are no concentrations of deposits or commitments that exceed 5% of total receipts.

FUNCTIONAL EXPENSES

Expenses are charged directly to program or general and administrative categories based on specific identification. Indirect expenses have been allocated based on hours worked, square footage or other similar allocation methods.

See Independent Auditors Report

The Texas Diversity Council
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

3 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

FUNDRAISING EXPENSES

Fundraising expenses mainly consist of time incurred soliciting grants and memberships. These services are provided free of charge by employees of the National Diversity Council. No amounts have been recognized for these services in the statements of activities because the criteria for recognition under generally accepted accounting principles have not been satisfied.

4 **RECEIVABLES**

Receivables are carried at the value agreed to by the donor and the Council. All amounts are reflected net of those amounts doubtful to be collected. Various conditions result in the doubtful account amount including change in previous staff of donor and/or approval for membership.

5 **TEMPORARILY RESTRICTED NET ASSETS**

The Council had no temporarily restricted net assets as of December 31, 2015 and 2014.

6 **RECEIVABLES**

The accounts receivable as of December 31, 2015 and 2014 were due from memberships and program events. The components are:

	2015	2014
Advisory and Board Receivables	\$ 59,900	\$ 37,650
Allowance for Doubtful Collections	(2,400)	(6,650)
Total	<u>57,500</u>	<u>31,000</u>

7 **COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES**

The Council's activities are subject to review by Federal, State and Local taxing authorities. Thus far the Council has not received notification of any pending reviews to be carried out in the near future. At December 31, 2015 the tax years remain subject to examination by taxing authorities begin with the 2012 tax year. In evaluating the Council's review and status of tax provisions and accruals, the Council believes that its estimates are appropriate based on current facts and circumstances.

It is at least reasonably possible that a change in estimates reflected in the financial statements will occur in the near term. The estimates are material as related to the financial condition of the Association.

See Independent Auditors Report

The Texas Diversity Council
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

8 **ALLOWANCE FOR DOUBTFUL ACCOUNTS**

Losses on receivables are recognized when it is more likely than not that the receivables will not be totally collected. An allowance for estimated uncollectible amounts has been recognized to reduce the amount of receivables to their net realizable value. The allowance for uncollectible amounts is a management estimate. Analytic procedures has been performed to ensure that the allowance is reasonable in relation to total billed accounts receivable balances, past due accounts receivable balances and historical bad debt experience.

9 **CONDITIONAL PROMISES TO GIVE**

The Council receives grant monies administered by various foundations and endowments. Grant monies are to be used for specific purposes as set out in the agreement agreed to by the Council. Funds are disbursed periodically during the grant period and are contingent upon approval of proposed budget amounts and other conditions specified in the agreements.

The Foundation and Endowment retains the right to terminate funding if monies are not available at a future date. The Foundation and Endowment also retain the right to terminate funding and obtain a refund of previous grant awards in the event it determines provisions of grant agreements have been violated.

Management believes the Council is in compliance with the grant provisions or has been granted an extension on terms to be met. The Council anticipates no previous grant awards will be refunded. The following are the remaining grant monies scheduled to be received in 2015:

	2015	2014
Youth Programs	\$ 4,800	\$ 5,500

10 **RELATED PARTY TRANSACTIONS**

The Texas Diversity Council shares building space and expenses as well as management and staffing with the National Diversity Council and the Diversity Leadership Council. Officers of the National Diversity Council, the Diversity Leadership Council and the Texas Diversity Council are common to both organizations. Numerous deposits and disbursements by each organization is reimbursed or disbursed to the related organization based on payroll allocation, rental space and revenue received. The total receivable of Texas Diversity Council from the National Diversity Council at December 31, 2015 was \$70,837 and at December 31, 2014 was \$90,678.

In addition In-Kind Donations are shared between the organizations. During 2015 In-Kind Travel Donations totaled \$5,000.00

See Independent Auditors Report

The Texas Diversity Council
Notes to Financial Statements
For the Years Ended December 31, 2015 and 2014

11 **LEASES**

Currently the Council is paying monthly rent of \$689 to the National Diversity Council, a related party. This monthly amount is a verbal agreement with no signed commitment. The lease of \$689 is presently a three way split of expenses and is being paid by the Council, the Diversity & Leadership Council and the National Diversity Council. The payments were made for seven months during calendar year 2015.

12 **PRIOR PERIOD ADJUSTMENT**

The adjustment to net assets was an allocation of salary expenses relating to prior years. The adjustment was as a result of a relationship with a related party, National Diversity Council.