

**VALLEY INITIATIVE FOR
DEVELOPMENT AND ADVANCEMENT**

FINANCIAL STATEMENTS

September 30, 2016



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INGRAM

CPAs and Advisors

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Valley Initiative for Development and Advancement
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REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Valley Initiative for Development and Advancement
Mercedes, Texas

We have audited the accompanying financial statements of Valley Initiative for Development and Advancement (a nonprofit organization), which comprise the statement of financial position as of September 30, 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.

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.

Auditors' 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 auditors' 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 Valley Initiative for Development and Advancement as of September 30, 2016, 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.

Caru, Riggs & Ingram, L.L.C.

Harlingen, Texas
August 16, 2017



FINANCIAL STATEMENTS

**Valley Initiative for Development and Advancement
Statement of Financial Position**

<i>September 30,</i>	2016
Assets	
Current assets	
Cash	\$ 44,569
Certificate of deposit - restricted	200,000
Investments	1,045
Grants receivable	560,412
Prepaid expenses	4,950
Total current assets	810,976
Property and equipment - net of depreciation	458,310
Total assets	\$ 1,269,286
Liabilities and net assets	
Current liabilities	
Accounts payable	\$ 630,008
Line of credit	97,500
Current maturities of long-term debt	22,263
Total current liabilities	749,771
Long - term debt	374,404
Total liabilities	1,124,175
Net assets	
Unrestricted net deficiency in assets	(23,290)
Temporarily restricted net assets	168,401
Total net assets	145,111
Total liabilities and net assets	\$ 1,269,286

The accompanying notes are an integral part of these financial statements.

Valley Initiative for Development and Advancement Statement of Activities

For the Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and support			
Grants	\$ 78,499	\$ 2,159,464	\$ 2,237,963
Donations and other	69,922	-	69,922
Donated use of facilities	42,205	-	42,205
Net assets released from restriction	2,256,029	(2,256,029)	-
Total revenue and support	2,446,655	(96,565)	2,350,090
Expenses			
Program services	2,552,861	-	2,552,861
Supporting services			
General and administrative	241,952	-	241,952
Fundraising	9,339	-	9,339
Total expenses	2,804,152	-	2,804,152
Change in net assets	(357,497)	(96,565)	(454,062)
Net assets, beginning of year	334,207	264,966	599,173
Net assets (deficit), end of year	\$ (23,290)	\$ 168,401	\$ 145,111

The accompanying notes are an integral part of these financial statements.

Valley Initiative for Development and Advancement Statement of Functional Expenses

For the year ended September 30, 2016

	Program Services	General and Administrative	Fundraising	Total
Salaries	\$ 528,376	\$ 78,953	\$ -	\$ 607,329
Employee benefits	178,614	26,689	-	205,303
Car allowance	15,415	2,303	-	17,718
Cellular phone allowance	4,783	715	-	5,498
Advertising, including outreach	494	74	-	568
Audit and accounting services	9,645	9,645	-	19,290
Consulting fees	34,086	34,086	-	68,172
Director's insurance	5,014	750	-	5,764
Depreciation	26,365	3,939	-	30,304
Dues and subscriptions	2,669	399	-	3,068
Equipment and rental	10,476	1,565	-	12,041
General liability and property insurance	8,349	8,349	-	16,698
Janitorial	3,393	506	-	3,899
Legal expenses	804	804	-	1,608
Utilities	10,571	1,580	-	12,151
Miscellaneous	20,047	2,996	-	23,043
Office supplies	7,466	1,116	-	8,582
Postage and delivery	870	130	-	1,000
Printing and reproduction	5,960	891	1,214	8,065
Professional services	5,589	8,383	-	13,972
Receptions	1,599	1,022	-	2,621
Rent	1,523	228	-	1,751
Direct training	1,314,572	-	-	1,314,572
Support services	171,972	-	-	171,972
Staff training	1,922	287	-	2,209
Travel/conferences/seminars	3,320	496	-	3,816
Telephone/internet	40,290	6,020	-	46,310
Staff mileage	6,456	965	-	7,421
Interest expense	15,231	2,276	-	17,507
Building maintenance/repairs	2,287	342	-	2,629
In-kind expenses	42,205	-	-	42,205
Fundraising	-	-	8,125	8,125
Contract labor	72,498	-	-	72,498
Receivable write-off	-	46,443	-	46,443
Total expenses	\$ 2,552,861	\$ 241,952	\$ 9,339	\$ 2,804,152

The accompanying notes are an integral part of these financial statements.

Valley Initiative for Development and Advancement Statement of Cash Flows

For the Year Ended September 30, 2016

Cash flows from operating activities:	
Change in net assets	\$ (454,062)
Adjustment to reconcile changes in net assets to net cash used by operating activities:	
Depreciation	30,304
Net unrealized (gain) loss on investments	(93)
Change in	
Grants receivable	249,397
Prepaid expenses	10,417
Accounts payable	(178,109)
Net cash used in operating activities	(342,146)
Cash flows from investing activities:	
Purchase of certificate of deposit	(200,000)
Net cash used in investing activities	(200,000)
Cash flows from financing activities:	
Draws on line of credit	97,500
Repayments of long-term debt	(21,391)
Net cash provided by financing activities	76,109
Net decrease in cash and cash equivalents	(466,037)
Cash and cash equivalents, beginning of year	510,606
Cash and cash equivalents, end of year	\$ 44,569
Supplemental cash flow disclosure	
Interest paid	\$ 17,507

The accompanying notes are an integral part of these financial statements.

Valley Initiative for Development and Advancement

Notes to Financial Statements

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Valley Initiative for Development and Advancement (VIDA) is a non-profit tax-exempt corporation formed in 1995 for the purpose of providing economically disadvantaged or multiple-barrier individuals access to high quality and better paying jobs through an innovative approach to individualized training that is directly linked to employers' needs leading to a better skilled and more productive work force to support the economic vitality of the Rio Grande Valley area and greater self-sufficiency and stability for those who participate.

The primary sources of funding for the services provided by VIDA are (1) fee for service contracts, (2) contributions from various organizations and (3) fundraising activities.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, i.e., revenue is recorded when earned rather than when received and expenses are recorded when incurred rather than when paid.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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.

Property and Equipment

It is the Organization's policy to capitalize property and equipment for controlled items and items with a unit cost in excess of \$5,000. All other items are expensed in the period incurred. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations 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. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

	<u>Useful Life</u>
Equipment	5-7 years
Computer equipment	3 years
Buildings	40 years

Valley Initiative for Development and Advancement Notes to Financial Statements

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted and Unrestricted Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

Unrestricted net assets – contributions to the Organization are considered to be available for unrestricted use unless specifically restricted by the donor.

Temporarily restricted net assets – grants and contributions received by the Organization are reported as temporarily restricted support if they are received with donor stipulations that specify the use of the grant or contribution. When a donor restriction expires, that is, when the purpose of restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions and grant contract revenues

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor – imposed restrictions in which case they are reported as increases in temporarily or permanently restricted net assets.

Expenses are reported as decreases in unrestricted net assets. 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 noncash assets are recognized at their estimated fair value on the date of contributions.

Revenues associated with grant contracts are recognized as the related costs are incurred. Expenses consist of direct costs incurred and related indirect costs reimbursed according to the terms and conditions of such agreements.

Grant contracts receivable and allowance for doubtful accounts

The Organization records grant contracts receivable based on established contracts with funding agencies. Interest is not charged on outstanding receivables. The Organization determines whether an allowance for uncollectible accounts should be provided for grant contracts receivable. Such estimates are based on managements assessment of the aged basis of its grant contracts receivable, subsequent receipts, current economic conditions and historical information. Grant contracts receivable are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted. All grants receivable at September 30, 2016 are expected to be collected during the next fiscal year. The Organization believes they will be fully collected. Accordingly, no allowance for doubtful accounts is required.

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. The Organization is no longer subject to income tax examinations for years prior to 2013.

Valley Initiative for Development and Advancement Notes to Financial Statements

NOTE 1: NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Certificate of Deposit

Certificates of deposit are held at financial institutions or brokerage firms in the United States and are recorded at cost which approximates fair value.

Retirement Benefit Plan

VIDA maintains a 403(b) plan. Under the plan, employees may elect to defer up to 3 % of their salary, subject to Internal Revenue Service limits. Currently VIDA is matching up to 3% of gross annual salaries. The total amount of retirement contributions made by the Organization during the year ended September 30, 2016 was \$9,348.

Compensated Absences

Employees of VIDA are entitled to paid vacation, depending on length of service. Employees are also eligible to earn up to 10 days paid sick leave per year. Unused sick leave may be accumulated up to a maximum accumulation of ninety days. It is impractical to estimate the amount of compensation for absences and accordingly, no liability has been recorded in the accompanying financial statements. VIDA's policy is to recognize the costs of compensated absences when actually paid to employees.

Donations In-kind

Material in-kind donations received by VIDA are recorded as income along with a corresponding charge to expense at their estimated fair market value at the time of receipt. Office space and services used in the administration of program services have been donated totaling \$42,205 for the fiscal year ended September 30, 2016.

Expense Allocation

The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Valley Initiative for Development and Advancement Notes to Financial Statements

NOTE 2: FAIR VALUE MEASUREMENTS

The Organization applies FASB ASC Topic 820, *Fair Value Measurements* for a framework for measuring fair value of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability. The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents assets that are measured at fair value on a recurring basis at September 30, 2016:

	Quoted Prices in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>	<u>Total</u>
ASSETS				
Investments				
Mutual funds	\$1,045	\$ -	\$ -	\$1,045
Total assets	\$1,045	\$ -	\$ -	\$1,045

NOTE 3: GRANTS RECEIVABLE

Grants receivable consist of amounts due from government entities or private donors, based on the terms of the related grant agreements. Management periodically reviews the status of all grants receivable for collectability. Each balance is assessed based on management's knowledge of and relationship with the donor and the age of the receivable balance. As a result of these reviews, management believes that grant receivable amounts are fully collectible and an allowance for doubtful accounts is not needed. All grants receivable are expected to be collected within one year.

**Valley Initiative for Development and Advancement
Notes to Financial Statements**

NOTE 3: GRANTS RECEIVABLE (Continued)

The following grants are receivable at September 30, 2016:

Abt Associates	\$ 9,624
Arnold Foundation	11,103
Hidalgo County	77,909
City of Brownsville EDC	126,042
City of McAllen EDC	200,000
City of Mercedes	11,250
City of Mercedes EDC	3,750
City of Weslaco EDC	16,359
City of Pharr EDC	25,000
City of Alamo EDC	6,250
City of La Feria	1,250
ACE Grant	<u>71,875</u>
	<u>\$560,412</u>

NOTE 4: PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	Balance October 1, 2015	Current Year Transaction		Balance September 30, 2016
		Additions	Deletions	
Data systems	\$ 81,820	\$ -	\$ -	\$ 81,820
Furniture and fixtures	42,352	-	-	42,352
<u>Building</u>	<u>425,000</u>	-	-	<u>425,000</u>
	549,172	-	-	549,172
<u>Accumulated depreciation</u>	<u>(60,558)</u>	<u>(30,304)</u>	-	<u>(90,862)</u>
	<u>\$488,614</u>	<u>\$(30,304)</u>	<u>\$ -</u>	<u>\$458,310</u>

NOTE 5: LINE OF CREDIT

The Organization currently has a line of credit of \$100,000 with Greater State Bank, which expires on May 11, 2017. In May of 2017, the line of credit was extended through May 11, 2018.

Interest is payable monthly at a rate of 3.25%. At September 30, 2016, the amount outstanding on the line of credit was \$97,500. The line of credit is secured by the Organization's certificate of deposit held at Greater State Bank.

The Organization's interest expense for the line of credit was \$613 for the year ended September 30, 2016.

**Valley Initiative for Development and Advancement
Notes to Financial Statements**

NOTE 6: LONG-TERM DEBT

The Organization’s long-term debt at September 30, 2016 consists of:

Note Payable

The Organization entered into a note agreement with the City of Mercedes dated January 30, 2015 for \$425,000. Payments are \$3,144 monthly, including interest at 4.00% beginning May 1, 2015. Final payment, including accrued interest, due May 1, 2030. This note is collateralized by a deed of trust on the building.

	\$396,667
Less: Current Portion	(22,263)
Long-term portion	\$374,404

Annual debt service principal and interest requirements to maturity are as follows:

	Principal	Interest	Total
2017	\$ 22,263	\$ 15,461	\$ 37,724
2018	23,170	14,554	37,724
2019	24,113	13,611	37,724
2020	25,096	12,628	37,724
2021	26,118	11,606	37,724
Thereafter	275,907	51,036	326,923
	\$396,667	\$118,896	\$515,543

NOTE 7: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of donor restricted contributions and grants. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as temporarily restricted revenue, when received, and such unexpended amounts are reported as temporarily restricted net assets at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as “net assets released from restrictions.”

At September 30, 2016, temporarily restricted net assets are \$168,401 and are available from the following sources:

Hidalgo County	\$ 38,313
Laura and John Arnold Foundation	125,088
Trull	5,000
Total	\$168,401

Valley Initiative for Development and Advancement Notes to Financial Statements

NOTE 8: STATEMENT OF ACTIVITIES BY GRANT

Below is a statement of activities by grant detailing all of the revenues and expenses for each of the Organization's grants:

Revenue and other support	
Abt Associates, Inc.	\$ 43,499
Austin Community College District	263,542
Bank of America	2,500
BBVA Compass	20,000
Laura and John Arnold Foundation	11,103
City of Alamo EDC	43,750
City of Brownsville EDC	302,500
City of Edinburg	144,375
City of La Feria EDC	5,000
City of McAllen EDC	876,500
City of Mercedes	45,000
City of Mercedes EDC	15,000
City of Pharr EDC	100,000
City of Raymondville EDC	28,000
City of Weslaco EDC	65,436
Hidalgo County	187,000
Raul Tijerina Jr. Foundation	12,500
Texas Veteran's Commission	67,258
The Trull Foundation	5,000
In-kind contributions	42,205
Fundraising	53,937
Other	15,985
Total revenue and other support	2,350,090
Expenses	
Abt Associates, Inc.	24,014
Austin Community College District	309,265
BBVA Compass Bank	12,099
City of Alamo EDC	54,705
City of Brownsville EDC	356,169
City of Edinburg	185,335
City of Edinburg EDC	29,465
City of La Feria EDC	5,957
City of McAllen EDC	981,337
City of Mercedes	51,005
City of Mercedes EDC	16,690
City of Pharr EDC	107,685
City of Raymondville EDC	30,961
City of Weslaco EDC	75,881
Hidalgo County	112,216
JP Morgan Chase	62
Laura and John Arnold Foundation	95,837
Texas Veteran's Commission	85,503
Willacy County	197
In-kind contributions	42,205
Fundraising	86,340
Other	141,224
Total expenses	2,804,152
Change in net assets	(454,062)
Net assets at beginning of year	599,173
Net assets at end of year	\$ 145,111



Valley Initiative for Development and Advancement Notes to Financial Statements

NOTE 9: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 16, 2017, which is the date which the financial statements were available to be issued. No events have occurred that would have a material effect on the financial statements of the Organization as of that date except as discussed below.

In October 2016, the Organization authorized an increase in its line of credit held with Greater State Bank of \$100,000 , and the line of credit now expires on May 11, 2018.