

**UNITED WAY OF SMITH COUNTY
TYLER, TEXAS**

FINANCIAL STATEMENTS

MARCH 31, 2014 AND 2013

**UNITED WAY OF SMITH COUNTY
MARCH 31, 2014 AND 2013**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
United Way of Smith County
Tyler, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Smith County (a nonprofit organization), which comprise the statements of financial position as of March 31, 2014 and 2013, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 United Way of Smith County as of March 31, 2014 and 2013, 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.

Henry + Peters, P.C.

Tyler, Texas
August 15, 2014

**UNITED WAY OF SMITH COUNTY
STATEMENTS OF FINANCIAL POSITION
MARCH 31, 2014 AND 2013**

	2014	2013
ASSETS		
Cash and interest-bearing deposits	\$ 986,932	\$ 1,213,221
Marketable securities	43,016	-
Investment in beneficial interest	169,501	154,484
Grant receivable	84,593	82,576
Pledges receivable, net of allowance for uncollectible pledges of \$77,600 in 2014 and \$102,000 in 2013	1,359,749	1,098,559
Prepaid expenses	9,778	27,838
Other assets	10,000	-
Property and equipment, net	716,086	608,233
Total assets	\$ 3,379,655	\$ 3,184,911
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 3,211	\$ 14,728
Compensated absences payable	27,416	-
Deferred revenue	39,841	36,925
Line of credit	474,199	474,199
Total liabilities	544,667	525,852
Net assets:		
Unrestricted:		
Board designated	635,081	548,568
Temporarily restricted	2,189,907	2,100,491
Permanently restricted	10,000	10,000
Total net assets	2,834,988	2,659,059
Total liabilities and net assets	\$ 3,379,655	\$ 3,184,911

**UNITED WAY OF SMITH COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2014**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ -	\$ 1,905,317	\$ -	\$ 1,905,317
Grants	-	415,128	-	415,128
Interest and dividends	10,940	-	-	10,940
Special events	1,427	-	-	1,427
In-kind gifts revenue	724	-	-	724
Other income	27,122	36,982	-	64,104
Net realized and unrealized loss on marketable securities	(176)	-	-	(176)
Net realized and unrealized gain on beneficial interest	13,280	-	-	13,280
Net assets released from restrictions:				
Satisfaction of time restrictions	1,664,994	(1,664,994)	-	-
Satisfaction of program restrictions	603,017	(603,017)	-	-
Total revenues, gains and other support	<u>2,321,328</u>	<u>89,416</u>	<u>-</u>	<u>2,410,744</u>
EXPENSES				
Agencies	1,274,655	-	-	1,274,655
2-1-1	346,377	-	-	346,377
East Texas Center for Nonprofits	125,216	-	-	125,216
Management and general	304,808	-	-	304,808
Marketing	25,801	-	-	25,801
Fundraising	135,429	-	-	135,429
Payments to affiliates	22,529	-	-	22,529
Total expenses	<u>2,234,815</u>	<u>-</u>	<u>-</u>	<u>2,234,815</u>
CHANGE IN NET ASSETS	86,513	89,416	-	175,929
NET ASSETS				
Beginning of period	548,568	2,100,491	10,000	2,659,059
End of period	<u>\$ 635,081</u>	<u>\$ 2,189,907</u>	<u>\$ 10,000</u>	<u>\$ 2,834,988</u>

**UNITED WAY OF SMITH COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2013**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Contributions	\$ -	\$ 1,689,394	\$ -	\$ 1,689,394
Grants	-	383,275	-	383,275
Interest and dividends	10,851	-	-	10,851
Special events	11,250	-	-	11,250
In-kind gifts revenue	11,250	-	-	11,250
Other income	18,130	40,694	-	58,824
Net realized and unrealized gain on beneficial interest	8,452	-	-	8,452
Net assets released from restrictions:				
Satisfaction of time restrictions	1,643,867	(1,643,867)	-	-
Satisfaction of program restrictions	421,792	(421,792)	-	-
Total revenues, gains and other support	<u>2,125,592</u>	<u>47,704</u>	<u>-</u>	<u>2,173,296</u>
EXPENSES				
Agencies	1,288,522	-	-	1,288,522
2-1-1	331,228	-	-	331,228
East Texas Center for Nonprofits	122,972	-	-	122,972
Management and general	257,047	-	-	257,047
Marketing	19,640	-	-	19,640
Fundraising	176,555	-	-	176,555
Payments to affiliates	13,596	-	-	13,596
Total expenses	<u>2,209,560</u>	<u>-</u>	<u>-</u>	<u>2,209,560</u>
CHANGE IN NET ASSETS	(83,968)	47,704	-	(36,264)
NET ASSETS				
Beginning of period	632,536	2,052,787	10,000	2,695,323
End of period	<u>\$ 548,568</u>	<u>\$ 2,100,491</u>	<u>\$ 10,000</u>	<u>\$ 2,659,059</u>

**UNITED WAY OF SMITH COUNTY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 175,929	\$ (36,264)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	11,095	12,427
Provision for bad debts	56,610	87,564
Pledge charge-offs	(81,010)	(95,564)
Net realized and unrealized gain on investments	(13,104)	(8,452)
Noncash investment income, net of expenses	(1,737)	(1,418)
Changes in assets and liabilities:		
(Increase) decrease in grant receivable	(2,017)	3,855
Increase in pledges receivable	(236,790)	(118,685)
Decrease (increase) in prepaid expenses	18,060	(16,305)
(Increase) decrease in other assets	(10,000)	1,000
(Decrease) increase in accounts payable	(11,517)	11,959
Increase in compensated absences payable	27,416	-
Increase in deferred revenue	2,916	36,725
Total adjustments	<u>(240,078)</u>	<u>(86,894)</u>
Net cash used in operating activities	<u>(64,149)</u>	<u>(123,158)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investment securities	(43,192)	-
Property and equipment purchases	(118,948)	(481,091)
Net cash used in investing activities	<u>(162,140)</u>	<u>(481,091)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	<u>-</u>	<u>474,199</u>
Net cash provided by financing activities	<u>-</u>	<u>474,199</u>
Net decrease in cash and cash equivalents	(226,289)	(130,050)
 CASH AND CASH EQUIVALENTS		
Beginning of period	1,213,221	1,343,271
End of period	<u>\$ 986,932</u>	<u>\$ 1,213,221</u>
 SUPPLEMENTAL DISCLOSURES OF CASH ACTIVITIES		
Cash paid for interest	\$ 13,515	\$ 9,627
 SUPPLEMENTAL DISCLOSURE OF NON-CASH ACTIVITIES		
Donated goods and services	\$ 724	\$ 11,250

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION ACTIVITY

United Way of Smith County (Organization) is a local fundraising organization comprised primarily of volunteers. The Organization raises funds through campaigns, fundraisers and special events, and in turn, allocates the funds raised to character-building, health-oriented and community-minded agencies. The allocation decisions are determined by United Way volunteers and are controlled by the community.

In addition to the general agency campaign, the Organization conducts separate campaigns for Federal and State agencies and maintains separate accounts for such activities.

BASIS OF FINANCIAL STATEMENT PRESENTATION

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization follows Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-210-50-3, *Financial Statements of Not-for-profit Organizations* in preparing the financial statements. Under ASC 958-210-50-3, 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. Descriptions of the three net asset categories and the types of transactions affecting each category follow:

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

Temporarily Restricted – Net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization or that expire with the passage of time.

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on these assets.

SUPPORT AND REVENUES

Unconditional promises to give are recorded as received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. In connection with its annual campaign, donors may designate specific United Way Agencies as pass-through recipients. Since such specific designations have historically been less than actual agency allocations, these designations, while accounted for as temporarily restricted funds, are not separately identified by pass-through recipient agencies.

Donated property is recorded at estimated value at date of receipt. The Organization receives certain volunteer services which are not measurable and, therefore, have been excluded from the financial statements.

PLEDGES RECEIVABLE AND ALLOWANCE FOR UNCOLLECTIBLE PLEDGES

The Organization maintains pledges receivable from donors and donor companies. The allowance for uncollectible pledges is based on historical write-offs and any known write-offs that are likely to occur from major donor companies. Additionally, if amounts become uncollectible, the pledges are written off to bad debt expense at the time pledges are deemed to be uncollectible.

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013
CONTINUED**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

INVESTMENTS

Investments include marketable securities with readily determinable fair values and certificates of deposit which are carried at fair value in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Additionally, certain investments are being held at East Texas Communities Foundation for the benefit of United Way of Smith County. The beneficial interest in these assets has been reported in the accompanying financial statements in the investments caption in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958, Not-for-Profit Entities at current fair market value.

Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is possible that changes in values of investment securities could occur in the near term, and such changes could materially affect the investment value.

PROPERTY AND EQUIPMENT

The Organization follows the practice of capitalizing all expenditures in excess of \$1,000 for property and equipment at cost; the fair value of donated fixed assets is similarly capitalized. Computers and other short-lived assets purchased with grant monies are expensed at the time of purchase. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. Routine repairs and maintenance are expensed as incurred.

The following summarizes the classes and estimated useful lives of property and equipment:

	<u>Estimated Useful Lives</u>
Buildings	31.5 years
Building improvements	15 - 39 years
Furniture and fixtures	5 - 7 years
Computer equipment	3 - 5 years
Equipment	5 - 7 years

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include interest-bearing deposits other than those subject to permanent restrictions.

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

FEDERAL INCOME TAX

United Way of Smith County is an organization exempt from Federal income tax under the Internal Revenue Code Section 501(c)(3). Accordingly, the Organization files Form 990, "Return of Organization Exempt from Income Tax" annually.

Management considers the likelihood of changes by taxing authorities in its filed income returns, and discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities. Management has not identified any uncertain tax positions in filed income tax returns that require disclosure in the accompanying financial statements. The Organization's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013
CONTINUED**

NOTE 2 - INVESTMENTS

Investments are stated at fair value as follows:

	March 31,	
	2014	2013
Exchange-traded funds	\$ 20,046	\$ -
Mutual funds	22,970	-
Investment in beneficial interest	169,501	154,484
	\$ 212,517	\$ 154,484

The following is a breakdown of the amounts included in investment income related to the above investments:

	2014	2013
Dividends and interest, net	\$ 1,656	\$ 1,418
Net realized and unrealized gain	13,104	8,452
Total investment income	\$ 14,760	\$ 9,870

The fair values of investments in equity securities are based on quoted market prices for those investments which are classified as Level 1, under ASC 820, *Fair Value Measurements and Disclosures* (See Note 15). For fiscal years ended March 31, 2014 and 2013, the application of valuation techniques applied to similar assets has been consistent. Beneficial interest receivable is valued at the market value for the underlying marketable securities held by the trustee, and are classified as Level 3, under ASC 820, *Fair Value Measurements and Disclosures* (See Note 15).

NOTE 3 - CONCENTRATIONS OF CREDIT AND RISK

The Organization's major source of accounts receivable is from pledges made by local companies and their employees. As of March 31, 2014, approximately \$474,000 or 41% of outstanding pledges receivable could be attributed to two companies, comprised of employee pledges of approximately \$238,000 and corporate pledges of approximately \$236,000. For the year ended March 31, 2013, approximately \$308,000 or 26% of the outstanding pledges receivable was attributable to one company, which was comprised of employee pledges of approximately \$141,000 and a corporate pledge of approximately \$166,000.

The Organization's cash in bank balances exceeded federally insured limits. Uninsured cash balances totaled approximately \$382,000 and \$446,000 at March 31, 2014 and 2013, respectively. Management monitors the financial stability of institutions in which the Organization has uninsured cash balances.

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013
CONTINUED**

NOTE 4 - PLEDGES RECEIVABLE

The following tables summarize the Organization's pledges receivable at March 31:

	<u>2014</u>	<u>2013</u>
2013 General Campaign	\$ 1,153,297	\$ -
2012 General Campaign	-	1,200,559
Capital Campaign	284,052	-
Total gross pledges	<u>1,437,349</u>	<u>1,200,559</u>
Allowance for uncollectible pledges	<u>(77,600)</u>	<u>(102,000)</u>
Pledges receivable, net	<u>\$ 1,359,749</u>	<u>\$ 1,098,559</u>
Gross pledges due in:	<u>2014</u>	<u>2013</u>
Less than one year	\$ 1,297,650	\$ 1,200,559
One to five years	139,699	-
	<u>\$ 1,437,349</u>	<u>\$ 1,200,559</u>

A summary of the changes in the allowance is as follows:

	<u>2014</u>	<u>2013</u>
Beginning of year balance	\$ 102,000	\$ 110,000
Provision	56,610	87,564
Charge-offs	<u>(81,010)</u>	<u>(95,564)</u>
End of year balance	<u>\$ 77,600</u>	<u>\$ 102,000</u>

NOTE 5 - RESTRICTIONS ON NET ASSETS

Unrestricted net assets are comprised of interest-bearing deposits that have been board designated for operating, allocation and sustainability reserves. Unrestricted board designated net assets totaled \$635,081 and \$548,568 for the years ended March 31, 2014 and 2013, respectively.

Temporarily restricted net assets were comprised of the following:

	<u>2014</u>	<u>2013</u>
2013 General Campaign	\$ 1,429,157	\$ -
2012 General Campaign	-	1,587,394
Capital Campaign	234,781	-
2-1-1	418,066	380,505
East Texas Center for Nonprofits	<u>107,903</u>	<u>132,592</u>
	<u>\$ 2,189,907</u>	<u>\$ 2,100,491</u>

Temporarily restricted general campaign receipts shown above consist of pledges and cash contributions received in 2013 and the first three months of 2014, which will be allocated to agencies in fiscal year beginning April 1, 2014.

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013
CONTINUED**

NOTE 5 - RESTRICTIONS ON NET ASSETS - CONTINUED

Net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrences of other events specified by donors:

Purpose restrictions accomplished:	<u>2014</u>	<u>2013</u>
2012 General Campaign	\$ 1,664,994	\$ -
2011 General Campaign	-	1,643,867
Capital Campaign	163,779	-
Program Services	439,238	421,792
	<u>\$ 2,268,011</u>	<u>\$ 2,065,659</u>

NOTE 6 - PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at cost, less accumulated depreciation at March 31:

	<u>2014</u>	<u>2013</u>
Land	\$ 514,691	\$ 514,691
Buildings	176,961	176,961
Building improvements	60,014	60,014
Furniture and fixtures	45,121	45,121
Computer equipment	77,752	76,776
Equipment	26,577	26,577
Construction in progress	117,972	-
	1,019,088	900,140
Less: accumulated depreciation	(303,002)	(291,907)
Net property and equipment	<u>\$ 716,086</u>	<u>\$ 608,233</u>

Depreciation expense totaled \$11,095 and \$12,427 for the years ended March 31, 2014 and 2013, respectively.

NOTE 7 - INVESTMENT IN BENEFICIAL INTEREST

The investment in beneficial interest represents investments held by East Texas Communities Foundation (ETCF) and consists primarily of mutual funds, equity investments, and fixed income investments. These assets have been reported in the accompanying financial statements in accordance with ASC 958-605-50, subsections 4-6, *Transfer of Assets to a Not-for-Profit Entity or Charitable Trust that Raises or Holds Contributions for Others* at current fair market value as determined by ETCF. These funds are restricted and managed according to the holding foundation's guidelines. Generally, the Organization may withdraw up to 5% of the funds in any year, but could request to withdraw these funds at any time. Of these funds, \$10,000 is permanently restricted based upon donor intent. The remaining balance is unrestricted but has been board designated as a reserve to fund future operations.

The following summarizes the changes in the investment in beneficial interest for the years ended March 31:

	<u>2014</u>	<u>2013</u>
Balance, beginning of year	\$ 154,484	\$ 144,614
Investment income	4,503	3,913
Net realized and unrealized gains	13,280	8,452
Distributions	-	-
Investment and administrative expenses	(2,766)	(2,495)
Balance, end of year	<u>\$ 169,501</u>	<u>\$ 154,484</u>

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013
CONTINUED**

NOTE 8 - EAST TEXAS CENTER FOR NONPROFITS' GRANTS

The Organization has special grant monies contributed by donors and restricted for nonprofit development programs. For the years ended March 31, 2014 and 2013, the nonprofit development programs included conferences, library and others. The Organization has allocated a portion of these grants to cover administrative expenses as agreed to by donors.

NOTE 9 - ALLOCATION OF JOINT COSTS

During the years ended March 31, 2014 and 2013, the Organization conducted activities that included requests for contributions, as well as program and management and general components. Those activities included general campaign activities, special events and nonprofit development programs. The costs of conducting those activities included a total of \$515,975 and \$491,020 of joint costs for the years ended March 31, 2014 and 2013, respectively, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows using the Full-time Employee Equivalent Method:

	<u>2014</u>	<u>2013</u>
Agencies	\$ 185,752	\$ 157,128
2-1-1	1,310	1,339
East Texas Center for Nonprofits	1,045	1,068
Management and General	204,031	174,358
Marketing	25,801	19,640
Fundraising	98,036	137,487
	<u>\$ 515,975</u>	<u>\$ 491,020</u>

NOTE 10 - EMPLOYEE BENEFIT PLAN

The Organization sponsors a defined contribution employee benefit plan that covers all full-time employees with at least one year of service. An employee could elect to defer up to \$17,500 and \$17,000 of their total compensation for the years ended March 31, 2014 and 2013, respectively. These amounts increase by \$5,500 once the employee reaches age 50. Employer contributions to the plan are at the discretion of the board of directors. During the years ended March 31, 2014 and 2013, the Organization elected to provide a discretionary contribution of 8% of all participants' salaries plus a match of the lesser of 25% of participant contributions or 0.25% of participant's salary. Employer contributions totaled \$36,719 and \$43,437 for years ended March 31, 2014 and 2013, respectively. An employee fully vests immediately as of the date of their participation in the plan.

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013
CONTINUED**

NOTE 11 - COMBINED FEDERAL AND STATE EMPLOYEE CHARITABLE CAMPAIGNS

The Organization serves as a fiscal agent for the Combined Federal Campaign and the State Employee Charitable Campaign. Summary financial information for the Federal and State campaigns for the years ended March 31, 2014 and 2013 is summarized below:

	<u>2014</u>		<u>2013</u>	
	<u>Federal</u>	<u>State</u>	<u>Federal</u>	<u>State</u>
Assets:				
Cash	\$ 3,751	\$ 3,742	\$ 13,510	\$ 129,906
Pledges receivable, net	23,017	40,867	55,347	43,591
Accounts receivable	-	85	-	201
Prepaid expenses	82	428	343	519
Liabilities:				
Agency distribution payable	18,588	44,694	60,155	155,504
Accounts payable	-	-	-	50
Other accounts payable	-	-	268	339
Due to United Way	8,262	428	8,777	18,324
Net assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Income activity:				
Campaign pledges	\$ 28,034	\$ 156,275	\$ 68,430	\$ 153,815
Campaign expenses	<u>(9,446)</u>	<u>(21,680)</u>	<u>(9,783)</u>	<u>(19,775)</u>
	<u>\$ 18,588</u>	<u>\$ 134,595</u>	<u>\$ 58,647</u>	<u>\$ 134,040</u>

NOTE 12 - OPERATING LEASES

The Organization leases a copier and a postage machine under operating leases. Minimum future lease payments under operating leases having remaining terms in excess of one year as of March 31, 2014 are as follows:

<u>Year ended March 31,</u>	
2015	\$ 2,136
2016	2,136
2017	1,068
Total	<u>\$ 5,340</u>

Lease expense, including leases having terms of less than one year, totaled \$4,866 and \$5,412 for the years ended March 31, 2014 and 2013, respectively.

NOTE 13 - MARKETING, FUNDRAISING AND MANAGEMENT AND GENERAL EXPENSE RATIO

The marketing, fundraising and management and general expense ratio was approximately 19% and 21% for the years ended March 31, 2014 and 2013, respectively. The numerator for this ratio is calculated by adding the total marketing, fundraising and management and general expenses for the period. The denominator is total revenue.

NOTE 14 - LINE OF CREDIT

In June 2012, the Organization obtained a \$500,000 closed end line of credit, secured by a certificate of deposit, with monthly interest-only payments until June 27, 2014, at which time outstanding principal and interest are due. Interest is calculated at a rate of 2.85%. This line was utilized to purchase land for the future site of the Organization. A capital campaign is being conducted to raise the funds to pay off the note upon maturity. In 2012, the Organization hired a campaign consultant for a period of three years for a fee of \$90,000 to assist with the campaign. The line of credit has been renewed, under the same terms, to a maturity of July 27, 2015. The outstanding balance in the line totaled \$474,199 at March 31, 2014 and 2013.

**UNITED WAY OF SMITH COUNTY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013
CONTINUED**

NOTE 15 - FAIR VALUE MEASUREMENT

ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the Organization's investment assets at fair value as of March 31:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
2014				
Exchange-traded funds	\$ 20,046	\$ 20,046	\$ -	\$ -
Mutual funds	22,970	22,970	-	-
Total marketable securities	43,016	43,016	-	-
Beneficial interests	169,501	-	-	169,501
Total	<u>\$ 212,517</u>	<u>\$ 43,016</u>	<u>\$ -</u>	<u>\$ 169,501</u>
	Total	(Level 1)	(Level 2)	(Level 3)
2013				
Beneficial interests	\$ 154,484	\$ -	\$ -	\$ 154,484
Total	<u>\$ 154,484</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,484</u>

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 15, 2014, the date on which the financial statements were available to be issued.

UNITED WAY OF SMITH COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013
CONTINUED

NOTE 17 - SUMMARY OF EXPENSES BY ACTIVITY

The following table presents the detail of expenses by activity for the year ended March 31, 2014:

	Total	Agencies	2-1-1	East Texas Center for Nonprofits	Management & General	Marketing	Fundraising	Payments to Affiliates
EXPENSES								
Agency distributions	\$ 1,020,177	\$ 1,020,177	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program services	103	-	-	103	-	-	-	-
Special events	4,799	-	-	-	-	-	4,799	-
United Way (National & State)	27,384	-	-	-	4,855	-	-	22,529
Salaries	703,724	140,158	247,940	66,457	155,731	19,466	73,972	-
Payroll taxes	52,035	10,022	18,709	5,488	11,135	1,392	5,289	-
Employee benefits	58,715	12,065	24,884	317	13,405	1,676	6,368	-
Retirement expense	36,719	6,219	18,248	1,195	6,911	864	3,282	-
Professional fees	48,071	-	-	9,071	39,000	-	-	-
Advertising	18,894	770	2,086	1,546	-	-	14,492	-
Campaign expenses	8,881	-	-	-	1,255	-	7,626	-
Conferences and meetings	48,268	753	12,599	20,498	9,766	-	4,652	-
Depreciation	11,095	3,994	-	-	4,438	555	2,108	-
Equipment rental and maintenance	13,765	2,451	6,957	-	2,722	341	1,294	-
Insurance	4,264	285	687	204	2,898	40	150	-
Interest expense and finance charges	13,794	-	-	-	13,794	-	-	-
Miscellaneous	34,631	376	5,180	11,124	16,060	-	1,891	-
Occupancy	21,739	7,826	1,310	1,045	6,340	1,087	4,131	-
Office supplies	12,221	513	2,503	895	8,089	46	175	-
Postage	2,312	169	259	391	875	-	618	-
Telephone	7,190	1,163	3,960	-	1,291	162	614	-
Computer/Internet expense	25,128	9,867	195	6,882	4,869	-	3,315	-
Web page expense	4,296	1,237	860	-	1,374	172	653	-
Pledge loss	56,610	56,610	-	-	-	-	-	-
Total expenses	<u>\$ 2,234,815</u>	<u>\$ 1,274,655</u>	<u>\$ 346,377</u>	<u>\$ 125,216</u>	<u>\$ 304,808</u>	<u>\$ 25,801</u>	<u>\$ 135,429</u>	<u>\$ 22,529</u>

**UNITED WAY OF SMITH COUNTY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014 AND 2013
CONTINUED**

NOTE 17 - SUMMARY OF EXPENSES BY ACTIVITY - CONTINUED

The following table presents the detail of expenses by activity for the year ended March 31, 2013:

	Total	Agencies	2-1-1	East Texas Center for Nonprofits	Management & General	Marketing	Fundraising	Payments to Affiliates
EXPENSES								
Agency distributions	\$ 1,030,001	\$ 1,030,001	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Program services	1,114	-	-	1,114	-	-	-	-
Special events	13,819	8,830	-	-	-	-	4,989	-
United Way (National & State)	17,191	-	-	-	3,595	-	-	13,596
Salaries	660,846	111,459	237,438	73,051	127,440	13,932	97,526	-
Payroll taxes	52,154	8,815	18,856	5,751	9,917	1,102	7,713	-
Employee benefits	61,320	12,323	22,435	376	13,863	1,540	10,783	-
Retirement expense	43,437	7,671	15,589	3,877	8,629	959	6,712	-
Professional fees	33,763	-	-	3,638	30,125	-	-	-
Advertising	29,483	4	3,809	80	-	-	25,590	-
Campaign expenses	4,922	-	-	-	663	-	4,259	-
Conferences and meetings	38,242	1,060	5,115	21,535	8,504	-	2,028	-
Depreciation	12,427	3,977	-	-	4,473	497	3,480	-
Equipment rental and maintenance	14,169	2,173	7,380	-	2,444	271	1,901	-
Insurance	4,166	185	867	286	2,643	23	162	-
Interest expense and finance charges	9,826	-	-	-	9,826	-	-	-
Miscellaneous	25,234	2,034	4,930	11,135	5,786	-	1,349	-
Occupancy	27,732	7,902	1,339	1,068	9,520	988	6,915	-
Office supplies	6,194	697	2,365	222	2,380	66	464	-
Postage	2,429	56	299	566	1,211	-	297	-
Telephone	10,764	1,142	7,194	-	1,285	143	1,000	-
Computer/Internet expense	18,454	1,679	2,272	273	13,674	-	556	-
Web page expense	4,309	950	1,340	-	1,069	119	831	-
Pledge loss	87,564	87,564	-	-	-	-	-	-
Total expenses	<u>\$ 2,209,560</u>	<u>\$ 1,288,522</u>	<u>\$ 331,228</u>	<u>\$ 122,972</u>	<u>\$ 257,047</u>	<u>\$ 19,640</u>	<u>\$ 176,555</u>	<u>\$ 13,596</u>

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors of
United Way of Smith County
Tyler, Texas

We have audited the accompanying financial statements of United Way of Smith County as of and for the years ended March 31, 2014 and 2013, and have issued our report thereon dated August 15, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The additional information contained in Schedules A-I, A-II and A-III as it relates to the 2012 Combined Federal Campaign administered by United Way of Smith County for the twenty-four month period ended March 31, 2014, is presented for the 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.

Henry + Peters, P.C.

Tyler, Texas
August 15, 2014

**UNITED WAY OF SMITH COUNTY
2012 COMBINED FEDERAL CAMPAIGN
SUPPLEMENTAL STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE TWENTY-FOUR MONTH PERIOD ENDED MARCH 31, 2014**

REVENUES

Contributions	\$ 60,983
Total revenues	<u>60,983</u>

EXPENSES

Agency distributions	52,230
Campaign expenses	<u>8,753</u>
Total expenses	<u>60,983</u>

NET INCOME

\$ -

**UNITED WAY OF SMITH COUNTY
2012 COMBINED FEDERAL CAMPAIGN
SUPPLEMENTAL SCHEDULE OF CAMPAIGN RESULTS
FOR THE TWENTY-FOUR MONTH PERIOD ENDED MARCH 31, 2014**

	Total Pledged	Total Proportion	Total Collected	Campaign Expenses	Total Distributed
NATIONAL FEDERATION AGENCIES					
American Red Cross	\$ 520	0.78%	\$ 475	\$ 68	\$ 407
America's Charities	1,310	1.96%	1,197	172	1,025
Animal Charities of America	1,677	2.51%	1,531	220	1,311
CancerCURE of America	877	1.31%	801	115	686
Charities under 1% Overhead	130	0.19%	119	17	102
Charities under 5% Overhead	520	0.78%	475	68	407
Children First--America's Charities	1,060	1.59%	968	139	829
Children's Charities of America	130	0.19%	119	17	102
Christian Charities USA	585	0.88%	534	77	457
Christian Service Charities	685	1.03%	626	90	536
Community Health Charities - Texas	3,358	5.03%	3,066	440	2,626
Community Health Charities	3,843	5.75%	3,509	504	3,005
Earth Share	100	0.15%	91	13	78
Earth Share of Texas	126	0.19%	116	17	99
Global Impact	740	1.11%	676	97	579
Health & Medical Research Charities of America	845	1.27%	772	111	661
Human & Civil Rights Organizations	260	0.39%	237	34	203
Human Care Charities of America	1,212	1.81%	1,107	159	948
Jewish Charities of America	260	0.39%	237	34	203
Local Independent Charities of Texas	3,743	5.60%	3,418	491	2,927
Medical Research Charities	130	0.19%	119	17	102
Military Family and Veterans Service	895	1.34%	817	117	700
Military Support Groups of America	325	0.49%	297	43	254
National Black United Fund	130	0.19%	119	17	102
Women, Children, & Family Svc Charities of America	780	1.17%	712	102	610
Total national federation agencies	24,241	36.28%	22,138	3,179	18,959
NATIONAL UNAFFILIATED AGENCIES					
American Radio Relay League	26	0.04%	23	3	20
Diabetes Research Assistance Fund	650	0.97%	593	85	508
Postal Employees' Relief Fund	1,865	2.79%	1,702	244	1,458
Scleroderma Foundation	520	0.78%	475	68	407
United Negro College Fund-UNCF	610	0.91%	557	80	477
Total national unaffiliated agencies	3,671	5.51%	3,350	480	2,870
LOCAL AND UNAFFILIATED AGENCIES					
United Way of Smith County	26,923	40.31%	24,582	3,528	21,054
Caring for Children Foundation of Texas	260	0.39%	237	34	203
East Texas Literacy Council	50	0.07%	46	7	39
Greater Longview United Way	260	0.39%	237	34	203
Henderson County HELP Center	52	0.08%	48	7	41
Hospice of East Texas	2,768	4.14%	2,528	363	2,165
Institute for Black Charities - Texas Chapter	156	0.23%	142	20	122
Meals on Wheels East Texas	466	0.70%	425	61	364
P.A.T.H.	1,026	1.54%	936	134	802
Regional East Texas Food Bank	2,664	3.99%	2,432	349	2,083
St. Paul's Children's Foundation	160	0.24%	146	21	125
United Negro College Fund-UNCF	585	0.88%	534	77	457
United Way of Angelina County	3,352	5.02%	3,060	439	2,621
Women's Center of East Texas	156	0.23%	142	20	122
Total local and unaffiliated agencies	38,878	58.21%	35,495	5,094	30,401
Total campaign	\$ 66,790	100.00%	\$ 60,983	\$ 8,753	\$ 52,230

Note: The pledge loss for the 2012 campaign is \$5,807.

SCHEDULE A-III

**UNITED WAY OF SMITH COUNTY
2012 COMBINED FEDERAL CAMPAIGN
SUPPLEMENTAL SCHEDULE OF BUDGETED AND ACTUAL EXPENSES
FOR THE TWENTY-FOUR MONTH PERIOD ENDED MARCH 31, 2014**

	Budgeted	Actual	Variance
PERSONNEL			
Local campaign manager	\$ 2,000	\$ 2,000	0.00%
Finance department	3,500	3,500	0.00%
Total personnel	5,500	5,500	0.00%
CAMPAIGN EXPENSE			
Brochures	450	436	-3.00%
Campaign events	100	37	-63.00%
Campaign travel	75	69	-8.00%
Committee meetings	-	4	100.00%
Pledge cards	140	137	-2.00%
Posters	40	40	0.00%
Public notices	90	89	-1.00%
Total campaign expense	895	812	-9.00%
SUPPLIES			
Stationery/office supplies	100	36	-64.00%
Bank supplies	100	-	-100.00%
Total supplies	200	36	-82.00%
OPERATIONAL			
Postage	125	155	24.00%
Professional fees (audit)	2,250	2,250	0.00%
Total operational	2,375	2,405	1.00%
Total expenses	\$ 8,970	\$ 8,753	-2.00%
TOTAL PLEDGES	\$ 75,000	\$ 65,658	
RATIO OF CAMPAIGN EXPENSES TO PLEDGES	11.96%	13.33%	

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

Board of Directors of
United Way of Smith County
Tyler, Texas

We have audited the accompanying financial statements of United Way of Smith County as of and for the years ended March 31, 2014 and 2013, and have issued our report thereon dated August 15, 2014, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The additional information contained in Schedules B-I, B-II and B-III as it relates to the 2012 State Employee Combined Campaign administered by United Way of Smith County for the twenty-four month period ended March 31, 2014, is presented for the 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.

Henry + Peters, P.C.

Tyler, Texas
August 15, 2014

**UNITED WAY OF SMITH COUNTY
2012 STATE EMPLOYEE COMBINED CAMPAIGN
SUPPLEMENTAL STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE TWENTY-FOUR MONTH PERIOD ENDED MARCH 31, 2014**

REVENUES	
Contributions	\$ 151,374
Total revenues	<u>151,374</u>
EXPENSES	
Agency distributions	132,830
Campaign expenses	<u>18,544</u>
Total expenses	<u>151,374</u>
NET INCOME	<u><u>\$ -</u></u>

**UNITED WAY OF SMITH COUNTY
2012 STATE EMPLOYEE COMBINED CAMPAIGN
SUPPLEMENTAL SCHEDULE OF CAMPAIGN RESULTS
FOR THE TWENTY-FOUR MONTH PERIOD ENDED MARCH 31, 2014**

	Total Pledged	Total Proportion	Total Collected	Campaign Expenses	Total Distributed
STATEWIDE FEDERATION AGENCIES					
ABC-America's Best Charities	\$ 71,605	27.84%	\$ 32,486	\$ 4,599	\$ 27,887
Adopt-A-Beach-Texas General Land Office	144	0.06%	9	9	-
America's Charities	17,849	6.94%	6,773	1,146	5,627
Bob Bullock Texas State History Museum	228	0.09%	15	15	-
Children's Charitable Alliance of Texas	16,751	6.51%	6,779	1,076	5,703
Christian Community Charities	2,640	1.03%	170	170	-
Community Health Charities - Texas	42,341	16.46%	15,715	2,720	12,995
Earth Share of Texas	1,265	0.49%	132	81	51
Fund for Veterans' Assistance	1,659	0.65%	107	107	-
Global Impact	3,163	1.23%	183	203	(20)
Local Independent Charities of Texas	1,939	0.75%	125	125	-
Neighbor to Nation	5,409	2.10%	418	347	71
Save Texas History	252	0.10%	16	16	-
Total statewide federation agencies	165,245	64.25%	62,928	10,614	52,314
LOCAL & UNAFFILIATED AGENCIES					
United Way of Tyler/Smith County	26,111	10.15%	25,555	2,314	23,241
United Way of Greater Texarkana	4,378	1.70%	4,285	388	3,897
Greater Longview United Way	1,280	0.50%	1,253	114	1,139
Big Brothers Big Sisters of America (BBBSA)	143	0.06%	140	13	127
Boys & Girls Club of Diboll	84	0.03%	82	7	75
Boys & Girls Club of San Augustine	530	0.21%	519	47	472
Boys & Girls Club of Lufkin	94	0.04%	92	8	84
Boys & Girls Clubs of Nacogdoches	855	0.33%	837	76	761
East Texas Food Bank	19,815	7.70%	19,393	1,756	17,637
Hospice of East Texas	4,512	1.75%	4,416	400	4,016
Hospice of Texarkana, Inc.	452	0.18%	442	40	402
Kilgore College Foundation	1,132	0.44%	1,108	100	1,008
Meals on Wheels East Texas	5,577	2.17%	5,458	494	4,964
Nacogdoches County United Way	6,256	2.43%	6,122	554	5,568
Palestine Resource Center for Independent Living	709	0.28%	694	63	631
P.A.T.H. (People Attempting to Help)	2,949	1.15%	2,886	261	2,625
St. Paul Children's Foundation	295	0.11%	289	26	263
Texas Chest Foundation	951	0.37%	930	84	846
TSTC Regents Circle, The (TSTC Foundation)	1,939	0.75%	1,898	172	1,726
United Way of Angelina County	7,694	2.99%	7,530	682	6,848
United Way of Lamar County	1,048	0.41%	1,025	93	932
United Way of Rusk County	36	0.01%	35	3	32
Volunteer Council for the Rusk State Hospital Inc.	3,073	1.19%	3,007	272	2,735
Local Independent Charities - Houston	144	0.06%	145	9	136
United Way Capital Area	180	0.07%	182	12	170
United Way of Denton County	192	0.07%	193	12	181
Total local and unaffiliated agencies	90,429	35.16%	88,516	8,000	80,516
Cash undesignated	1,524	0.59%	-	-	-
Total campaign	\$ 257,198	100.00%	\$ 151,444	\$ 18,614	\$ 132,830

Note: Payroll deductions for Statewide federation agencies are not collected by the Organization but are disbursed directly from the employees' paychecks to those Agencies. Therefore, the Organization does not recognize these pledges as revenue. The payroll deduction pledges for statewide federation agencies are \$103,382 for the 2012 campaign. Therefore, the actual pledge loss for the 2012 campaign is \$2,442. The 2012 campaign had reimbursements of excess expenses of \$70.

SCHEDULE B-III

**UNITED WAY OF SMITH COUNTY
2012 STATE EMPLOYEE COMBINED CAMPAIGN
SUPPLEMENTAL SCHEDULE OF BUDGETED AND ACTUAL EXPENSES
FOR THE TWENTY-FOUR MONTH PERIOD ENDED MARCH 31, 2014**

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
PERSONNEL			
Local campaign manager	\$ 4,400	\$ 4,400	0.00%
Finance department	5,400	5,400	0.00%
Total personnel	<u>9,800</u>	<u>9,800</u>	<u>0.00%</u>
PROMOTIONAL			
Brochures	1,900	1,758	-7.00%
Pledge cards	850	795	-6.00%
Posters	90	88	-2.00%
Promotional materials	500	486	-3.00%
Report envelopes and bags	70	53	-24.00%
Public notices	75	74	-1.00%
Donor recognition	350	316	-10.00%
Events	400	131	-67.00%
Committee meetings	175	105	-40.00%
Campaign travel (car allowance deliver materials/rallies)	350	213	-39.00%
Total promotional	<u>4,760</u>	<u>4,019</u>	<u>-16.00%</u>
SUPPLIES			
Stationery/office supplies	125	107	-14.00%
Misc. supplies/bank charges/checks/deposit slips	125	-	-100.00%
Total supplies	<u>250</u>	<u>107</u>	<u>-57.00%</u>
OTHER			
Yearly audit	1,250	1,500	20.00%
Postage	400	301	-25.00%
Conferences (Mileage, Meals, Lodging)	480	480	0.00%
Administrative overhead	350	215	100.00%
Total other	<u>2,480</u>	<u>2,496</u>	<u>1.00%</u>
SCM UPFRONT COSTS			
	<u>2,192</u>	<u>2,192</u>	<u>0.00%</u>
Total campaign expenses	<u>\$ 19,482</u>	<u>\$ 18,614</u>	<u>-4.00%</u>
TOTAL PLEDGES	<u>\$ 260,000</u>	<u>\$ 255,559</u>	
RATIO OF CAMPAIGN EXPENSES TO PLEDGES	7.49%	7.28%	