

***SOUTH CENTRAL TEXAS REGIONAL
CERTIFICATION AGENCY
(A NONPROFIT ORGANIZATION)***

FINANCIAL REPORT

***FOR THE YEAR ENDED
SEPTEMBER 30, 2016***

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT..... 1

STATEMENT OF FINANCIAL POSITION 2

STATEMENT OF ACTIVITIES..... 3

STATEMENT OF FUNCTIONAL EXPENSES..... 4

STATEMENT OF CASH FLOWS..... 5

NOTES TO FINANCIAL STATEMENTS 6

SHAREHOLDERS:
Nancy L. Vaughan, CPA
Deborah F. Fraser, CPA
Phil S. Vaughan, CPA



Armstrong, Vaughan & Associates, P.C.
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Central Texas Regional Certification Agency
San Antonio, Texas

We have audited the accompanying financial statements of South Central Texas Regional Certification Agency (a nonprofit corporation), 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.

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 South Central Texas Regional Certification Agency as of September 30, 2016, and the changes in its net assets, functional expenses, and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

April 27, 2017

SOUTH CENTRAL TEXAS REGIONAL CERTIFICATION AGENCY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2016

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	114,444
Accounts Receivable		19,400
Allowance for Doubtful Accounts		(10,325)
Prepaid Expense		4,272
<i>Total Current Assets</i>		127,791

Property and Equipment:

Property and Equipment		25,475
Accumulated Depreciation		(25,475)
<i>Total Property and Equipment, Net</i>		-

TOTAL ASSETS	\$	127,791
---------------------	-----------	----------------

LIABILITIES AND NET ASSETS

Current Liabilities:

Accounts Payable	\$	5,156
Accrued Vacation Payable		2,264
<i>Total Current Liabilities</i>		7,420

Net Assets:

Unrestricted		120,371
<i>Total Net Assets</i>		120,371

TOTAL LIABILITIES AND NET ASSETS	\$	127,791
---	-----------	----------------

The accompanying notes are an integral part of these statements.

SOUTH CENTRAL TEXAS REGIONAL CERTIFICATION AGENCY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

REVENUES	
Membership Dues	\$ 221,388
Contributions	49,851
Sponsors	12,500
Special Events, Net	2,861
Miscellaneous	1,519
Interest Income	<u>19</u>
TOTAL REVENUES	<u>288,138</u>
EXPENSES	
Program Services	185,055
Administration	<u>81,169</u>
TOTAL EXPENSES	<u>266,224</u>
CHANGE IN NET ASSETS	21,914
NET ASSETS - BEGINNING OF YEAR	133,141
Prior Period Adjustment	<u>(34,684)</u>
NET ASSETS - END OF YEAR	<u><u>\$ 120,371</u></u>

The accompanying notes are an integral part of these statements.

SOUTH CENTRAL TEXAS REGIONAL CERTIFICATION AGENCY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

FUNCTIONAL EXPENSES	<u>Program Services</u>	<u>Administration</u>	<u>Total Expenses</u>
Personnel Costs	\$ 98,359	\$ 33,932	\$ 132,291
Rent and Security Expenses	31,513	3,501	35,014
Equipment Repairs and Maintenance	24,864	-	24,864
Legal Fees	1,569	29,817	31,386
Insurance Expense	10,462	1,162	11,624
Printing and Postage	5,465	288	5,753
Telephone Expense	3,397	-	3,397
Accounting and Professional Fees	-	1,916	1,916
Office Supplies	2,363	124	2,487
Auto Expenses	2,773	-	2,773
Depreciation Expense	409	-	409
Travel Expenses	3,604	-	3,604
Subscription and Dues	5	-	5
Bad Debt	-	10,325	10,325
Other Expenses	272	104	376
TOTAL FUNCTIONAL EXPENSES	<u>\$ 185,055</u>	<u>\$ 81,169</u>	<u>\$ 266,224</u>

The accompanying notes are an integral part of these statements.

SOUTH CENTRAL TEXAS REGIONAL CERTIFICATION AGENCY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Increase (Decrease) in Net Assets	\$ 21,914
Adjustments to reconcile excess (deficiency) of revenues over (under) expenses to net cash provided (used) by operating activities:	
Depreciation Expense	409
(Increase) Decrease in Current Assets:	
Accounts Receivable, Net of Allowance	(13,257)
Prepaid Expenses	23
Increase (Decrease) in Liabilities:	
Accounts Payable	1,456
Accrued Vacation Payable	2,027
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	12,572
NET INCREASE (DECREASE) IN CASH	12,572
BEGINNING CASH AND CASH EQUIVALENTS	101,872
ENDING CASH AND CASH EQUIVALENTS	\$ 114,444

The accompanying notes are an integral part of these statements.

SOUTH CENTRAL TEXAS REGIONAL CERTIFICATION AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 -- NATURE OF ORGANIZATION

The purpose of the South Central Texas Regional Certification Agency (referred to hereinafter as the "Agency") is to provide small, disadvantaged, minority, and women-owned business enterprises a unified certification source. The Agency provides services to San Antonio and the surrounding counties. The Agency was founded in 1998 and is recognized as a 501(c)(3) nonprofit organization, which serves as a resource for certification assistance and business/economic development. The Agency consists of twelve (12) funding member entities that are represented by both public and private sector organizations.

A. FINANCIAL STATEMENT PRESENTATION

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when earned and expenses are recognized when they are incurred.

Net assets and revenues, expenses, gains and losses are classified based on the existence and nature or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

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

Temporarily Restricted Net Assets – Net assets that are available for use, but expendable only for the purposes specified by the donor or grantor.

Permanently Restricted Net Assets – Net assets required to be maintained in perpetuity with only the income to be used for the Foundation's activities due to donor-imposed restrictions.

B. INCOME TAX STATUS

Under provisions of Internal Revenue Code Section 501(c)(3), the Agency is exempt from taxes on income other than unrelated business income. Additionally, the Agency is further classified as an organization that is not a private foundation under code 509(a)(2).

The most significant tax position of the Agency is its assertions that it is exempt from income taxes and its determination of whether any amounts are subject to unrelated business income tax (UBIT). All significant tax positions have been considered by management. It has been determined that it is more likely than not that all tax positions would be sustained upon examination by taxing authorities. The Agency's tax years from 2013-2015 are open to examination by the Internal Revenue Service are open to examination by the Internal Revenue Service as of September 30, 2016.

C. CLASSIFICATION OF REVENUE, SUPPORT AND NET ASSETS

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted depending on the existence and nature of donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor for specific purposes or for future periods and are reported as an increase in temporarily restricted or permanently restricted support.

SOUTH CENTRAL TEXAS REGIONAL CERTIFICATION AGENCY
NOTES TO FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2016

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. CLASSIFICATION OF REVENUE, SUPPORT AND NET ASSETS (CONT.)

When a restriction expires (that is, when a stipulated time restriction ends or purpose has been accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If restrictions are met in the same reporting period as the contribution, the revenues are reported as increases in unrestricted net assets.

E. CASH AND CASH EQUIVALENTS

For financial statement purposes, the Agency considers all cash on hand and cash in checking and money market accounts to be cash equivalents.

F. PREPAID EXPENSE

The Agency recognized expense by fiscal year end. All expenses incurred during the fiscal year that relate to the following fiscal year are deferred. Prepaid expense consists of \$2,272 for prepaid insurance expenses and \$2,000 for a prepaid business luncheon.

G. MEMBERSHIP DUES

The twelve (12) funding members and voluntary corporate sponsors are billed annually budgeted dues on their anniversary date of joining the Agency. Uncollected billings are recognized as accounts receivable on the balance sheet.

As of September 30, 2016, an allowance for doubtful accounts was recorded in the amount of \$10,325 based on management's estimate.

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

SOUTH CENTRAL TEXAS REGIONAL CERTIFICATION AGENCY
 NOTES TO FINANCIAL STATEMENTS (CONT.)
 SEPTEMBER 30, 2016

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

I. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased, or fair market value if donated. The Agency capitalizes property and equipment with useful lives greater than one year.

Depreciation on the property and equipment owned by the Agency is calculated using the straight-line method. The estimated useful lives of the assets for the purposes of depreciation are as follows:

<u>Fixed Asset</u>	<u>Useful Life (Years)</u>
Computer and Equipment	5
Furniture, Fixtures and Equipment	5-10

As of September 30, 2016, all of the Agency's assets are fully depreciated.

J. SUBSEQUENT EVENTS

Subsequent events are considered through April 27, 2017, which is the date the financial statements were available to be issued.

K. FUNCTIONAL EXPENSES

The costs of providing the Agency's various programs and supporting services have been summarized in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

NOTE 3 -- COMPENSATED ABSENCES

Full time Employees who have been with the agency for less than five (5) years are entitled to ten (10) days of paid vacation per year, and those who have been with the agency for over five (5) years are entitled to fifteen (15) days of paid vacation per year. As of September 30, 2016, compensated absences of \$2,264 are included in accrued expenses.

NOTE 4 -- DONATED SERVICES AND IN-KIND SUPPORT

The Agency may receive services, equipment and material without payment or compensation. When the value of such services meets recognition criteria, it is reflected in the accompanying financial statements as revenues and expenditures in accordance with FASB ACS 958-605-15. Equipment and other non-cash donations are recorded as contributions at cost or estimated fair value determined at the date of the donations. In-kind services were excluded from the financial statements because they did not meet the recognition criteria under FASB ACS 958-605-15.

SOUTH CENTRAL TEXAS REGIONAL CERTIFICATION AGENCY
NOTES TO FINANCIAL STATEMENTS (CONT.)
SEPTEMBER 30, 2016

NOTE 5 -- CORRECTION TO PRIOR PERIOD

Prior period adjustments were made to reflect beginning balances on the full accrual basis as follows:

Beginning Unrestricted Net Assets, Previously Recorded	\$ 133,141
Understated Accounts Payable	(3,359)
Understated Prepaid Expenses	937
Understated Accumulated Depreciation	(8,385)
Overstated Accrued Vacation Payable	6,123
Overstated Accounts Receivable	(30,000)
Beginning Unrestricted Net Assets, Restated	<u><u>\$ 98,457</u></u>

NOTE 6 -- SPECIAL EVENTS

During the current year, the Agency held a Business Bowl to help raise funds for the year ended September 30, 2016. Total revenues from the event were \$4,410 and expenses were \$1,549, for net revenue of \$2,861.

NOTE 7 -- OPERATING LEASE

The Agency leases office space from Cherry Ridge Office Park, LP under a cancelable lease for \$2,621 per month. Rent expense during the year ended September 30, 2016 was \$31,513.

NOTE 8 -- ADVERTISING

For the year ended September 30, 2016, the Agency spent \$4,124 on advertising and marketing expenses.

NOTE 9 -- SIGNIFICANT SOURCES OF REVENUE

The size of the Association results in a concentration of revenue sources. Each entity accounts for more than 10 percent of revenues, as follows:

Dues from VIA	17.46%
Dues from the City of San Antonio	17.47%
Dues from SAWS	17.47%
	<u><u>52.40%</u></u>

NOTE 10 -- LITIGATION

Management is not aware of any pending or threatened litigation.

This page left blank intentionally.