

**VOLUNTEER SERVICES COUNCIL OF
THE RICHMOND STATE SUPPORTED LIVING CENTER
(A TEXAS NOT-FOR-PROFIT CORPORATION)
AUDITED FINANCIAL STATEMENTS- MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015**

**CHRISTMANN & CO.
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HOUSTON, TEXAS 77056**

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FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Volunteer Services Council of the Richmond State Supported Living Center

We have audited the accompanying financial statements of Volunteer Services Council of the Richmond State Supported Living Center (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – modified cash basis as of August 31, 2015, and the related statements of support, revenues, expenses and changes in net assets – modified cash basis, and functional expenses – modified cash basis for the fiscal 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 the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is responsible for 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 of 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 assets, liabilities, and net assets of Volunteer Services Council of the Richmond State Supported Living Center as of August 31, 2015, and its support, revenue, and expenses for the fiscal year then ended in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Christmann 3/6.

Houston, Texas
September 15, 2016

VOLUNTEER SERVICES COUNCIL OF
THE RICHMOND STATE SUPPORTED LIVING CENTER
(A TEXAS NOT-FOR-PROFIT CORPORATION)
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS- MODIFIED CASH BASIS
AUGUST 31, 2015

ASSETS

| | |
|------------------------------------|-----------------------|
| Current Assets: | |
| Cash and cash equivalents | \$ 226,105 |
| Marketable securities | <u>331,348</u> |
| Total Current Assets | 557,453 |
| Property, plant and equipment, net | <u>2,300</u> |
| TOTAL ASSETS | <u>\$ 559,753</u> |

LIABILITIES AND NET ASSETS

| | |
|--------------------------------------|-----------------------|
| Net Assets: | |
| Unrestricted | 434,957 |
| Temporarily restricted | 124,796 |
| Permanently restricted | <u>-</u> |
| Total Net Assets | <u>559,753</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 559,753</u> |

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

VOLUNTEER SERVICES COUNCIL OF
THE RICHMOND STATE SUPPORTED LIVING CENTER
(A TEXAS NOT-FOR-PROFIT CORPORATION)
STATEMENT OF SUPPORT, REVENUES, EXPENSES
AND CHANGES IN NET ASSETS- MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|---|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Support and Revenues | | | | |
| Public support: | | | | |
| Contributions | \$ 114,792 | \$ 60,000 | \$ - | \$ 174,792 |
| Total Public Support | <u>114,792</u> | <u>60,000</u> | <u>-</u> | <u>174,792</u> |
| Special Events Fund Raisers | | | | |
| Revenues | 129,926 | - | - | 129,926 |
| Less: Direct Benefit Costs | 47,578 | - | - | 47,578 |
| Net Support from Special Events Fund Raisers | <u>82,348</u> | <u>-</u> | <u>-</u> | <u>82,348</u> |
| Other Revenues: | | | | |
| Interest and dividend income | 11,366 | - | - | 11,366 |
| Unrealized gain/(loss) on marketable securities | (18,260) | - | - | (18,260) |
| Total Other Revenues | <u>(6,894)</u> | <u>-</u> | <u>-</u> | <u>(6,894)</u> |
| Net assets released from restrictions | | | | |
| Satisfaction of program restrictions | 4,894 | (4,894) | - | - |
| Total Support and Revenues | <u>195,140</u> | <u>55,106</u> | <u>-</u> | <u>250,246</u> |
| Expenses | | | | |
| Program services | 69,682 | - | - | 69,682 |
| Administrative | 17,029 | - | - | 17,029 |
| Total Expenses | <u>86,711</u> | <u>-</u> | <u>-</u> | <u>86,711</u> |
| Change in Net Assets | 108,429 | 55,106 | - | 163,535 |
| Net Assets at Beginning of Year | 326,528 | 69,690 | - | 396,218 |
| Net Assets at End of Year | <u>\$ 434,957</u> | <u>\$ 124,796</u> | <u>\$ -</u> | <u>\$ 559,753</u> |

VOLUNTEER SERVICES COUNCIL OF
THE RICHMOND STATE SUPPORTED LIVING CENTER
(A TEXAS NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES- MODIFIED CASH BASIS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

| | <u>Program Services</u> | <u>Administrative</u> | <u>Total</u> |
|-----------------------------|-----------------------------|-----------------------|----------------------|
| Client activities | \$ 39,747 | \$ - | \$ 39,747 |
| Community relations | - | 12,363 | 12,363 |
| Program operations | 25,041 | - | 25,041 |
| Jewish religious activities | 514 | - | 514 |
| Sabine | 276 | - | 276 |
| Music festival | 4,104 | - | 4,104 |
| Volunteer activities | - | 4,666 | 4,666 |
| Total Expenses | <u>\$ 69,682</u> | <u>\$ 17,029</u> | <u>\$ 86,711</u> |

VOLUNTEER SERVICES COUNCIL OF
THE RICHMOND STATE SUPPORTED LIVING CENTER
(A TEXAS NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

NOTE 1 – NATURE OF ACTIVITIES

In June 2009, the Texas State Legislature passed a bill whereby all state schools were required to change their name to "State Supported Living Center". In compliance with this law, the Volunteer Services Council of the Richmond State School has changed its name to the "Volunteer Services Council of the Richmond State Supported Living Center" (VSC). The VSC is a Not-For-Profit Corporation affiliated with the Volunteer Services Council of Texas. The VSC performs services and collects and expends funds for the benefit of the Volunteer Services Program and clients of the Richmond State Supported Living Center in Fort Bend County, Texas. The Richmond State Supported Living Center is a facility operated by the Texas Department of Aging and Disability Services (DADS) for the benefit of those persons needing available services. The VSC is an independent organization operating in accordance with DADS Volunteer and Community Engagement policies and procedures as defined by Section 5000 of the Texas Department of Aging and Disability Services Handbook. All funds and services provided by the VSC are controlled by VSC membership. Membership in the VSC is made up of those individuals and organizations who make contributions of time, money and/or other support. Officers of the VSC, in addition to others as provided by accepted VSC policy, make up the Board of Directors, which acts as the VSC's managing body.

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements are prepared on the modified cash basis of accounting. Under this method, revenue is recognized when received rather than earned, and expenses are recognized when paid rather than when the obligation is incurred. Modifications to the cash basis of accounting result from management's decision to record property and equipment and related depreciation, marketable securities, and net assets into unrestricted, temporarily restricted, and permanently restricted in the accompanying statement of assets, liabilities, and net assets – modified cash basis.

In previous years, the financial statements were prepared on the cash basis of accounting where revenue was recognized when received rather than when earned and expenses recognized when paid rather than when the obligation is incurred. The current year financial statements are prepared on the modified cash basis of accounting as management believes that this change accurately reflects the operations and the financial presentation of the organization. There are no material differences in reporting the financial statements on the modified cash basis of accounting rather than the cash basis of accounting, and the adoption of the modified cash basis of accounting does not require restatement of previous year's financials.

VOLUNTEER SERVICES COUNCIL OF
THE RICHMOND STATE SUPPORTED LIVING CENTER
(A TEXAS NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation

The Organization reports information regarding its assets, liabilities, net assets, support, revenues, and expenses according to three classes of net assets: unrestricted net assets, which represents the expendable resources that are available for operations at management's discretion, temporarily restricted net assets, which represents resources restricted by donors as to purpose or by the passage of time; and permanently restricted net assets, which represents resources whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. At August 31, 2015, the Organization did not have any permanently restricted net assets.

Revenue Recognition

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Donated assets are reflected as contributions in the accompanying statements at their estimated realizable values at the date of receipt.

Income Taxes

The VSC is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code of 1986 "Code" and has been classified as an organization, which is not considered a private foundation within the definition of Section 509(a) of the Code. Accordingly, contributions to the VSC are eligible for tax deduction to the maximum extent allowed under the Code by the donor under Section 170 of the Code.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of support, revenues, and expenses as well as the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Property and Equipment

Property and equipment is recorded at cost. Acquisitions of property and equipment of more than \$5,000 are capitalized. Depreciation is computed using the straight-line method over five to fifteen years estimated useful lives. Maintenance and repairs are charged to expense and major improvements are capitalized. Any gain or loss on retirement, sale or other disposition of the equipment is recognized as revenue or expense.

VOLUNTEER SERVICES COUNCIL OF
THE RICHMOND STATE SUPPORTED LIVING CENTER
(A TEXAS NOT-FOR-PROFIT CORPORATION)
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect 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. Accordingly, actual results could differ from those estimates.

Donated Materials and Services

The Organization receives non-cash donations in the form of materials and services from contributing parties. The donated materials generally consist of various merchandise that is distributed to clients of the Richmond State Supported Living Center. Donated services consist of time donated by volunteers in program activities. The VSC values the merchandise and services in accordance with guidelines established by the DADS Volunteer and Community Engagement policies and procedures as defined by Section 5200 of the Texas Department of Aging and Disability Services VCE Handbook. Due to the minimal value of the donated materials, no amounts have been reflected in the financial statements. Also, no amounts have been reflected in the financial statements for those donated services since they do not meet the criteria for recognition; however, a substantial number of volunteers have donated significant amounts of personal time and expense to support the VSC program services and fund raising campaigns.

Fair Value Measurements

The VSC uses fair value to measure financial assets and liabilities. At August 31, 2015, the VSC's carrying amount of cash and cash equivalents, marketable securities, and property, plant, and equipment approximated their fair market value.

Marketable Securities

Marketable securities are accounted for as trading securities and are stated at market value with unrealized gains and losses accounted for as unrestricted revenues.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less as cash and cash equivalents.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date that the financial statements were available to be issued.

VOLUNTEER SERVICES COUNCIL OF
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NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

At August 31, 2015, temporarily restricted net assets consist of the following:

| | |
|-----------------------------|------------------|
| Forever young | \$ 269 |
| Cottages | 2,806 |
| Chapel renovation | 5,500 |
| Gazebo renovation | 16,500 |
| Infirmary | 580 |
| Jewish religious activities | 3,889 |
| Leon | 1,321 |
| Light rock café | 50 |
| Music festival | 47,446 |
| Music therapy | 512 |
| Pavilion renovation | 2,863 |
| Physical therapy | 8,762 |
| Pillow project | 540 |
| Recreation | 85 |
| Religious education | 1,403 |
| Sabine | 3,846 |
| San Antonio | 2,818 |
| San Jacinto | 250 |
| Seven rivers | 6,054 |
| Teas | 13,741 |
| Trinity | 250 |
| Pecos | 139 |
| Project Noel | 5,000 |
| Neches | 172 |
| | <u>\$124,796</u> |

Net assets were released from donor restrictions by incurring expenses satisfying the purpose specified by donors as follows:

| | |
|-----------------------------|-----------------|
| Music festival | 4,104 |
| Jewish relations activities | 514 |
| Sabine | 276 |
| | <u>\$ 4,894</u> |

VOLUNTEER SERVICES COUNCIL OF
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NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED AUGUST 31, 2015

NOTE 4 – IRREVOCABLE LAND TRUST

The VSC is the manager of an irrevocable land trust "Trust" established by a major donor in a prior year with a donation of a tract of land. The land was subsequently sold and the Trust invested the funds received from the sale. The funds are managed by the Trust and are for the exclusive benefit of promoting health, welfare and development of the clients of the Richmond State Supported Living Center. The Trust has three trustees that consist of the VSC's current chairman, the VSC's immediate past chairman, and a third trustee appointed at large from the VSC membership. Upon majority vote of the trustees, earnings of the Trust can be appropriated to the VSC, and upon unanimous vote of the trustees, disbursements from the Trust corpus can be made to the VSC. For the fiscal year ended August 31, 2015, the Trust disbursed \$89,000 to the VSC that has been recorded as a contribution under support and revenues.

In the event that the VSC shall be dissolved by law, the Trust may remain in existence and continue in full force for the benefit of another tax exempt organization established for the benefit of the mentally retarded or all trust funds then held by the Trust are transferred to another tax exempt organization established for the mentally retarded and this Trust shall terminate. At August 31, 2015, the Trust had assets of \$782,659.

NOTE 5 - MARKETABLE SECURITIES

Securities that are bought and held principally for the purpose of selling them in the near term (thus held only for a short time) are classified as trading securities. Trading generally reflects active and frequent buying and selling, and trading securities are generally used with the objective of generating profits on short-term differences in price. The change in the net unrealized holding gain or loss for the year ended August 31, 2015, which is included in unrestricted revenues is as follows:

| | <u>Cost</u> | <u>Fair Market Value</u> | <u>Holding Gain/ (Loss)</u> |
|------------|-------------------|--------------------------|-----------------------------|
| Securities | <u>\$ 325,790</u> | <u>\$ 331,348</u> | <u>\$ 5,558</u> |

NOTE 6 – PROPERTY AND EQUIPMENT

For the fiscal year ended August 31, 2015 property and equipment consist of the following:

| | |
|--------------------------------|------------------|
| Buildings and improvements | \$ 56,725 |
| Furniture and equipment | 153,934 |
| Website design | <u>12,995</u> |
| | 223,654 |
| Less: accumulated depreciation | <u>(221,354)</u> |
| | <u>\$ 2,300</u> |

Depreciation expense for the year ended August 31, 2015 is \$2,426.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - CONCENTRATIONS

The Organization at times maintains deposits in excess of federally insured limits. The Organization identifies this as a concentration of credit risk requiring disclosure, regardless of the degree of risk. The risk is managed by maintaining all deposits in high quality financial institutions.

For the fiscal year ended August 31, 2015, one of the Organization's donors accounted for approximately 51% of total public support.

NOTE 8 – RELATED PARTY TRANSACTIONS

Various members of the Board of Directors made contributions to the Organization during the fiscal year ended August 31, 2015 in the amount of \$11,715.