

[REDACTED]

Board of Directors
League of Women Voters of Texas
1212 Guadalupe, #109
Austin, Texas 78701

I have examined the Balance Sheet of the League of Women Voters of Texas, May 31, 1977 and the statement of operations for the year then ended. My examination was made in accordance with generally-accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

These statements have been prepared on a combination cash/accrual basis and therefore do not purport to present results of operations as they would have appeared had generally-accepted accrual basis accounting principles been applied in their preparation.

It should be noted that a large in-kind contribution from the Bloom Agency, Dallas, does not appear on the books or on the attached statements developed therefrom. A grant from LWVEF for Project Safe-water appears not to have been adequately accounted for, either on the income or expense side. Efforts at reconciling the amounts on the books with the final report submitted to LWVEF have been unsuccessful. The furniture and equipment account shown has been brought forward from 1974 with no provision for depreciation, and \$240.00 in equipment purchased in the current year has been included in the office operating expense account. The suspense account (see schedule) is composed of items that affect every segment of the statements. Because these irregularities, taken together, might alter materially the statements presented, no opinion can be expressed including these items.

In all other material respects, in my opinion, the data set forth in the accompanying financial statements present fairly the position of the League of Women Voters of Texas on May 31, 1977 and the results of operations for the year then ended.

Very truly yours,

Barbara A. Ellis

Barbara A. Ellis

LEAGUE OF WOMEN VOTERS OF TEXAS

BALANCE SHEET May 31, 1977

ASSETS

Austin National Bank	\$ 5,284.19
Austin National Bank - Office Account	310.00
First Federal Savings - Passbook Account	4,318.09
First Federal Savings - Certificates of Deposit	4,507.36
Furniture & Equipment	3,125.00 (1)
TOTAL ASSETS	<u>\$17,544.64</u>

CAPITAL

Suspense Account		\$ 1,289.40 (2)
Capital		
Restricted - E.Q. Grant	\$ 500.00	
Unrestricted		
Bal. 6/1/76	\$ 11,496.78	
Income for year	<u>4,258.46</u>	
Balance 5/31/77	15,755.24	<u>16,255.24</u>
TOTAL CAPITAL		<u>\$17,544.64</u>

- (1) This figure represents the original cost basis carried forward from the 76-74 audit report without allowance for depreciation.
- (2) Made up of the following amounts which should be re-classified into income statement and balance sheet items:

Receivable - Duplicate payment to bd. member	\$ 72.57
Petty cash from Legislative Office	10.09
Prepaid expenses:	
Camp Allen expenses	\$ 100.00
Board Expenses	27.10
Maintenance Agreements	234.00
Board Tools	<u>220.00</u>
	581.10
Adjustment to Capital (Funds transferred to TEF)	652.47
Publications Expense	164.37
Publications Income	<27.00>
Prepaid Income Items	
DPM's	365.00
St. Orders	428.00
Pledges	450.00
Contributions	<u>1,000.00</u>
	<2,243.00>
Payable to TEF (contributions dep. in error)	<500.00>
	<u><\$1,289.40></u>

LEAGUE OF WOMEN VOTERS OF TEXAS

INCOME STATEMENT For Year Ended May 31, 1977

INCOME

Contributions (1)		\$ 1,335.00
Income from Grants		1,827.05
Local League Support		33,444.66
Members-at-Large & State Unit Dues		720.00
Publications		9,559.01
Interest Income		384.18
Contractual Services:		
Bureau of National Affairs		
Receipts	\$557.86	
Expenses	<u>571.94</u>	\$ <14.08>
Services to Texas Ed. Fund		3,619.17
Election Night Reporting		<u>2,750.00</u>
		<u>6,355.09</u>
TOTAL INCOME		\$53,624.99

EXPENSES

State Office Operating Costs		15,143.80
Board & Administrative Costs		7,078.07
Services to Local Leagues		4,661.82
State Convention & Nat'l Council	\$2,178.02	
Less Reimbursed Conv. Expenses	<u><486.78></u>	1,691.24
National Support		8,813.50
VOTER		1,743.36
Publications		6,580.35
Position Support		<u>3,154.39</u>
TOTAL EXPENSES		\$48,866.53
NET INCOME FOR YEAR		<u>\$ 4,758.46</u>

- (1) \$2,500.00 in-kind contribution from Bloom Agency, Dallas, and corresponding expense for annual reports/letterhead has not been recorded on book of account.
- (2) Johnson & Johnson Voters Service Grant \$ 650.00
Expense of Voters Guides furnished to J&J employees 535.00
 Allowed Grant Administration Fee \$ 115.00
Project Safewater from LWVEF (see letter following) 2,258.28
Expenses incurred by LWV-T 1,046.23
 Indirect cost allowed (\$1,000) and net income 1,212.05
Environmental Quality Grant 500.00
\$1,827.05
- (3) Under contract, \$265.33 was receivable for May reimbursable expenses and salary

[REDACTED]

Ms. Ethel Sturgis, Treasurer
League of Women Voters of Texas
1212 Guadalupe, #109
Austin, Texas 78701

Dear Ms. Sturgis,

Since the accounting records I have examined for the year 1976-77 have been kept with substantially the same methods as those of the prior year, many of my suggestions will be a repetition of my prior year's reports which I urge you to review. A consistent basis (that is, all accounts maintained in the same way) is imperative in the compilation of financial data which lead to meaningful statements.

At present, in certain of your accounts, you are very careful to assign costs and income to the year to which they apply (see items in the suspense account); other accounts contain amounts which are paid this year but apply to future years (insurance, publications). Some accounts do not show complete costs because all the bills were not paid before the end of the year. And in the furniture and equipment account, no recognition is made that this equipment has a definite useful life. All this is to suggest that apples, oranges, and grapefruit are being added together at the end of the year.

I cannot urge you too strongly to adopt measures to rectify this situation. My recommendation of last year that you consider implementing the accrual method of accounting is strongly repeated. This is the generally-accepted method of accounting and is flexible enough to allow for any records you may find it useful to maintain or any unusual situation you may encounter.

In accounting for grants and restricted income, both the gross income and expenses involved (rather than only the portions actually received or expended, as in Project Safewater) should be shown and should be reconciled to the final report submitted to the grantor. This would also be helpful for tax reporting purposes.

In accounting for contractual services such as that with the Bureau of National Affairs, the TEF reimbursements or any others, the income should be entered into the accounts and the receivable set up on the books whenever the amount is due. This would be a more accurate reflection of the financial status of all parties concerned.

It is imperative that depreciation be recorded on equipment in order that: 1) the value of the equipment is approximated on the balance sheet, and 2) to recognize the cost incurred for the use of that equipment for the current time period. If, after serious consideration, you choose not to do this, then you must eliminate it from the books of account, charging the amount to unrestricted capital. To leave the same figure there year after year is to make those affected parts of the statements less and less meaningful.

Ms. Ethel Sturgis

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November 16, 1977

The use of a suspense account is to be avoided at all costs. The amounts given in the schedule (see statements) could easily be grouped into descriptive accounts.

Finally, may I stress how important it is for your statements--be they budget analyses, published annual report, or tax information--to be developed from the books of account and to be comparable to each other. They are not this year, partly, I am sure, due to the change in treasurers during this time.

In response to your request for assistance in setting up an accounting system that would give you the information you desire, let me suggest that you engage a good accountant in your area to work on this with you. This would have several advantages:

- 1) There would not be the pressure of time which might lead to some important factor being overlooked;
- 2) There would be great value in obtaining an expert assessment of your needs from an expert actively engaged--that person could have picked up good ideas from another situation;
- 3) There would be the possibility of a follow-up if you felt the need.

I have felt fortunate in having been asked to give assistance to the League, but now I feel that you would benefit from another opinion.

I shall be happy to discuss the audit or any of these matters with you.

Very truly yours,

Barbara A. Ellis

Barbara A. Ellis