Vollintine Evergreen Community Association (VECA) Tax Return for 2014
Report by Chuck Fox, VECA Treasurer
August 29, 2015

Introduction

The VECA federal tax return, a form 990, was submitted to the IRS on May 26, 2015. The 990 provides a financial snapshot of our organization that will be reviewed by the managing committee and the VECA board. It is public information, so anyone wanting to know more about VECA can obtain copies from the VECA website. We will also be providing the 990 to our mortgage lender. It is an important document.

The data used in the 990 tax return was generated from the revenue and expenses of the organization. Chuck Fox manages the accounting of which a number of programs such as Rental Houses and Apartments, the Welcome Center, and the VECA grassroots programs. Mike Kirby and Brian Floyd manage the Cadence checkbook for the V&E Greenline and the Shelby County grant. Each month Andrée Glenn inputs the revenue and expense items into an accounting system and prints the monthly report, which is then converted into the VAS Report given to the board. At the end of the year, she forwards the raw data to accountant Wilma Vandermeer, who reclassifies transactions, if needed, before preparing the 990 return.

Overall Conclusions

The report below reviews the 2014 990 tax return and also examines trends since 2009. The year 2009 was a low financial point for VECA, which resulted in volunteers taking over the administration and finances of the organization. Several findings emerge in this report:

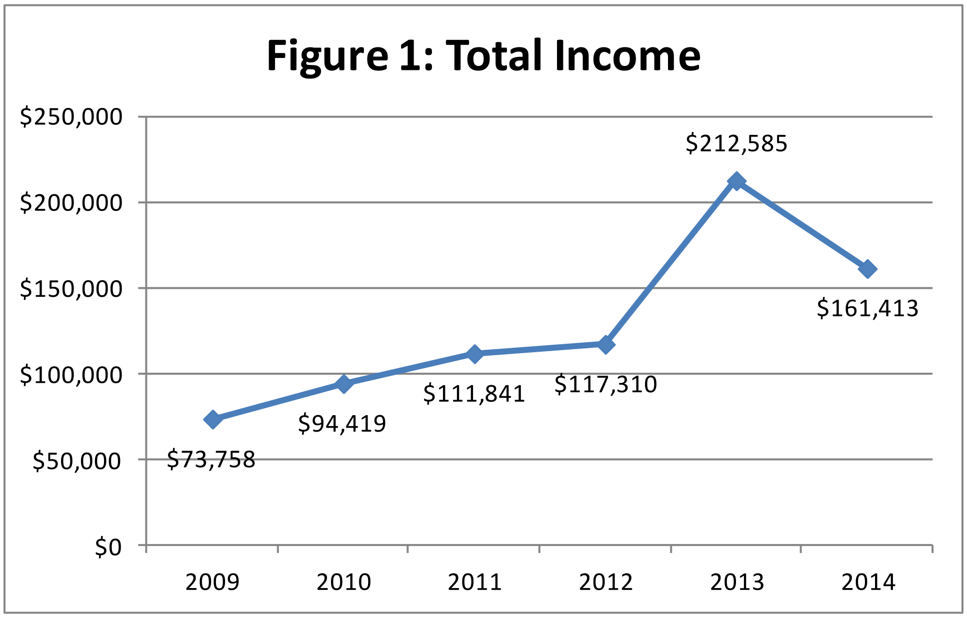
- The yearly 990 report data below show that over time VECA has improved its financial condition. This is especially impressive given the earlier financial difficulties of the organization and the fact that VECA now depends solely upon volunteers.
- The last few years indicate that VECA has entered a new normal; year-to-year revenues remain relatively stable with some minor improvements.
- However, in 2013 the refinancing of VECA mortgages required us to show income that came about because a lender reduced our mortgage principal. Our accountant declared that as income and it caused a spike. This amount was reported in the 990 as miscellaneous income. It was done so the actual value of the properties would match the new mortgages. However, to reflect the normal income, we have added some charts that examine the data without miscellaneous income.
- We have financial policies and procedures that drive the way we handle our income and expense information. We have terrific volunteers and an accountant who help us report information correctly and in a timely manner.

After reading this report, accountant Wilma Vandermeer made the following comments: “This is an excellent summary of the VECA finances and activities. You have done a fantastic job explaining a complicated situation with changes from year to year. I found the report easy to read and understand. I agree with your conclusion that VECA has made great strides to stabilize its finances with the efforts of the many volunteers.”

Findings

Figure 1 shows the total revenue from 2009 to 2014. It increased steadily from 2009 to 2012. It then showed a sharp increase in 2013 because of a grant for the V&E Greenline and the miscellaneous income described above. The data in 2014 show a decrease because the grant and other miscellaneous income were one-time income items. A second grant in 2014 kept the income higher the normal.

Overall, Figure 1 is positive in that it shows increasing income over time and higher income in both 2013 and 2014. The decrease of income in 2014 is not a negative since it reflects one-time revenue in 2013.



Next, Figure 2 shows the income without the miscellaneous income in 2013. When the miscellaneous income is removed, the pronounced spike disappears. The trend line shows a very healthy growth in income over time.

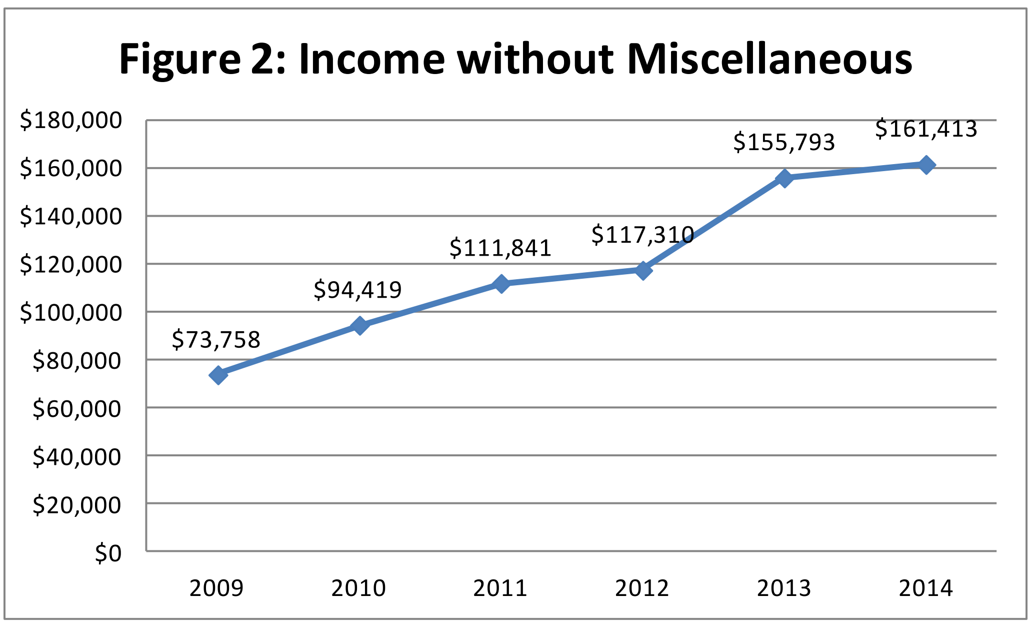
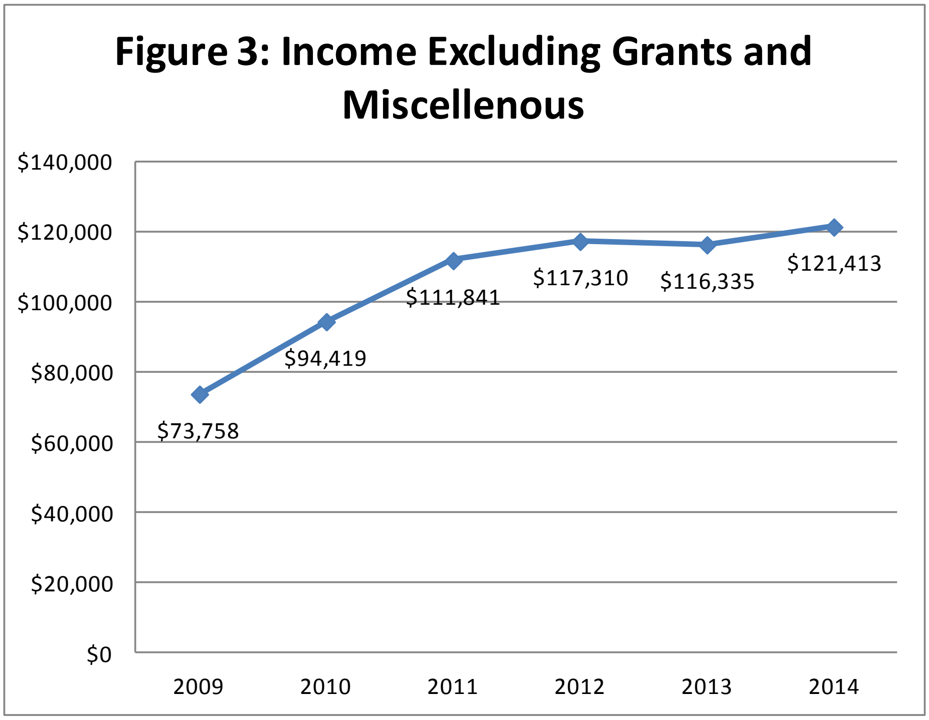
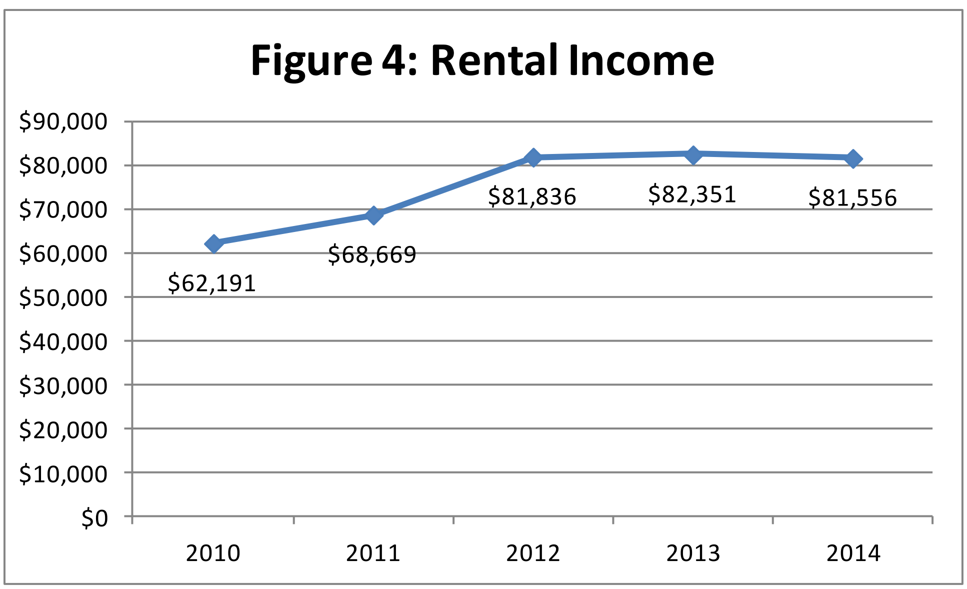


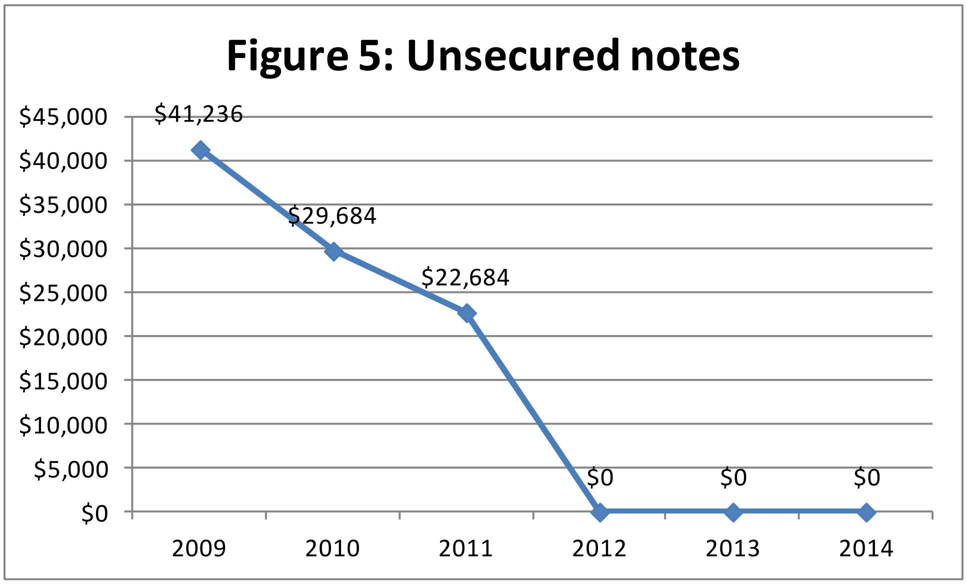
Figure 3 adds another correction for years 2013 and 2014 so we can more precisely measure what is normal income for VECA. The chart excludes the two V&E Greenline grants for 2013 and 2014 and it also excludes the one-time miscellaneous income for 2013. The results show that normal income 2012 to 2014 was generally the same with a $5,000 increase in 2014. The data for 2014 showed increasing income for the V&E Greenline because of revenue from the V&E Artwalk.



Our most important revenue is rent, which are primarily from VECA-owned apartments and houses. It also includes one tenant at the Welcome Center. Figure 4 shows a steady increase in revenue from 2010 to 2012 and a leveling off from 2012 to 2014. There is a slight decline in 2014 because Rhodes ended their rent for student interns midway during the year. The leveling is entirely appropriate since it shows a consistency in collecting rents. The rental income is especially impressive in that two volunteers, Chuck Fox and Mary Wilder, managed the rental housing and are responsible for this success of the program.

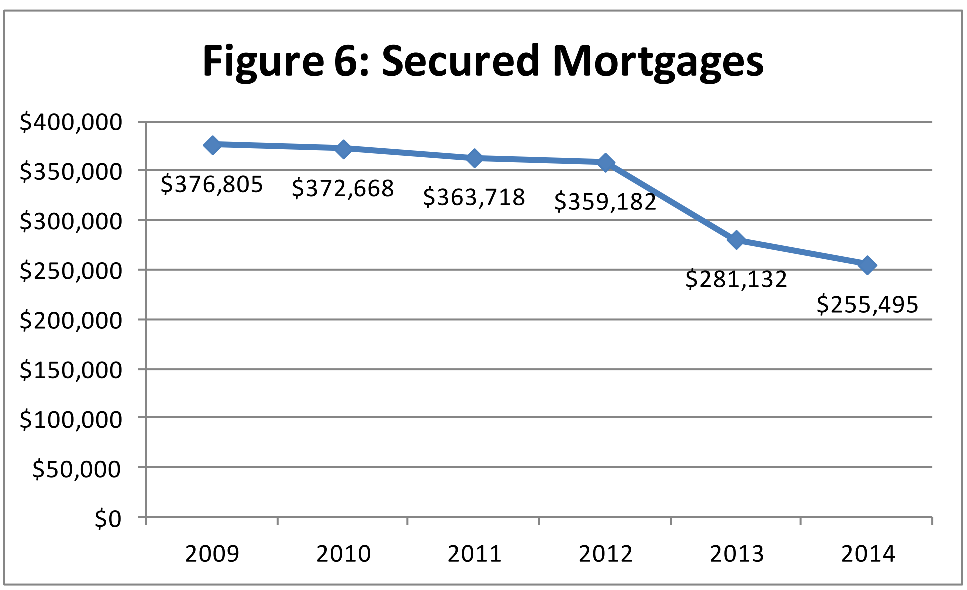


Another impressive change over time has been the liquidation of the unsecured notes that resulted from the problems with the housing programs when there were still employees at VECA. Figure 5 shows there are currently no unsecured notes.

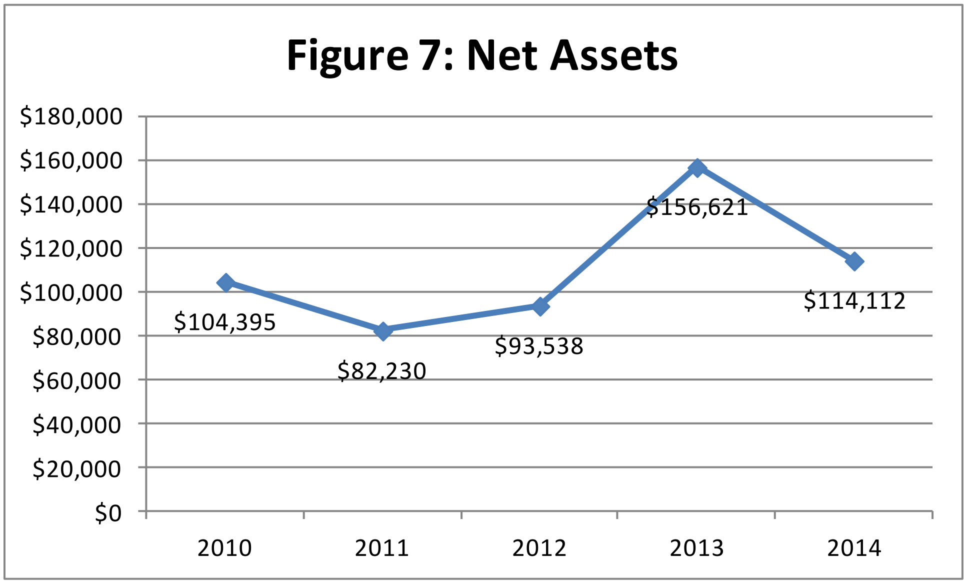


Another impressive change over time has been the reduction of secured mortgages. VECA was paying interest only from 2009 to 2012 for the rental apartments and houses so as to not default on the main loan. The major reason for the dramatic reduction from 2012 to 2013 was the reduction of $59,000 of mortgage principal from Quantum Servicing. The change from 2013 to 2014 shows that all loans are paying down principal. The data for 2013 and 2014 also reflect five of the six second mortgages with Quantum Servicing having been paid off.

Comparing the data from 2009 to 2014 shows a 32 percent decrease of the mortgages. The change of $25,637 from 2013 to 2014 shows the new normal in a yearly reduction in our secured mortgages.



Next, the 990 showed VECA's net assets. This was obtained by subtracting liabilities from assets. The net assets increased significantly from 2012 to 2013. One of the major reasons for this was the reduction of $59,000 of mortgage principle from Quantum Servicing and income from the grant funds for the V&E Greenline. If the data for 2014 were adjusted to reflect the one-time impact of miscellaneous income, the figure would reflect a steady increase of net assets from 2011 to the present.



How can VECA have such an impressive financial performance without employees? Figure 8 shows that volunteers manage the organization, do financial analysis, manage the rental apartments and houses, maintain the V&E Greenline trail, and implement numerous programs such as code enforcement and public relations. The increase of volunteers for 2014 was unusually high because of the V&E Greenline which used many volunteers to provide matching in-kind work for a grant. It also recruited a number of youth groups that did clean-ups for both the trail and the V&E Artwalk. Even though the number of volunteers increased, the number of volunteer hours were the same.

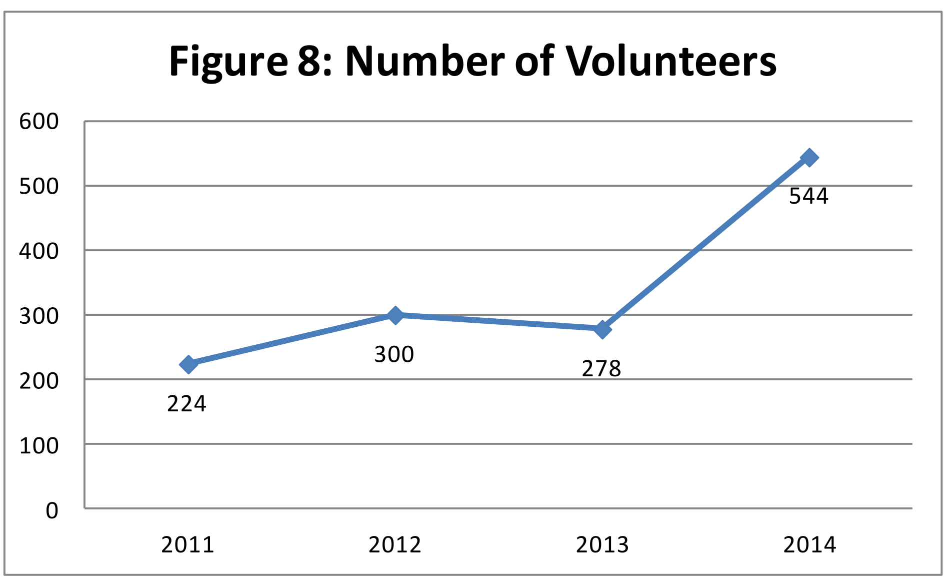
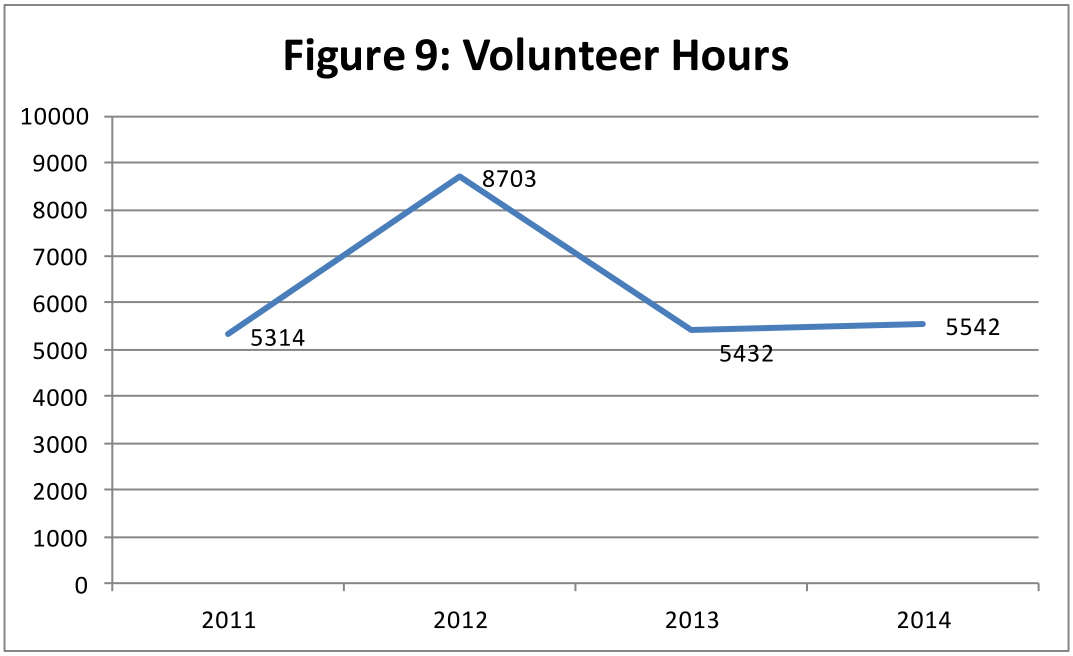


Figure 9 shows the number of volunteer hours. These numbers are not reported in the 990 but help us understand the data in Figure 8. The graph shows the number of volunteer hours were the same for three of the four years; only 2012 showed significantly more volunteer hours.



The 990 tax return suggests that VECA is generally doing a good job of complying with IRS requirements. Board members file conflict of interest statements with VECA. The board is given the 990 and this analysis of the 990 by the treasurer. Document retention and whistleblower policies are in place. The board documents all of its meetings with minutes, and some, though not all, committees are also doing an effective job of submitting minutes (VECA is working to improve those reports in 2015). In addition, the VECA treasurer discusses the 990 with both the Managing Committee and the VECA board.

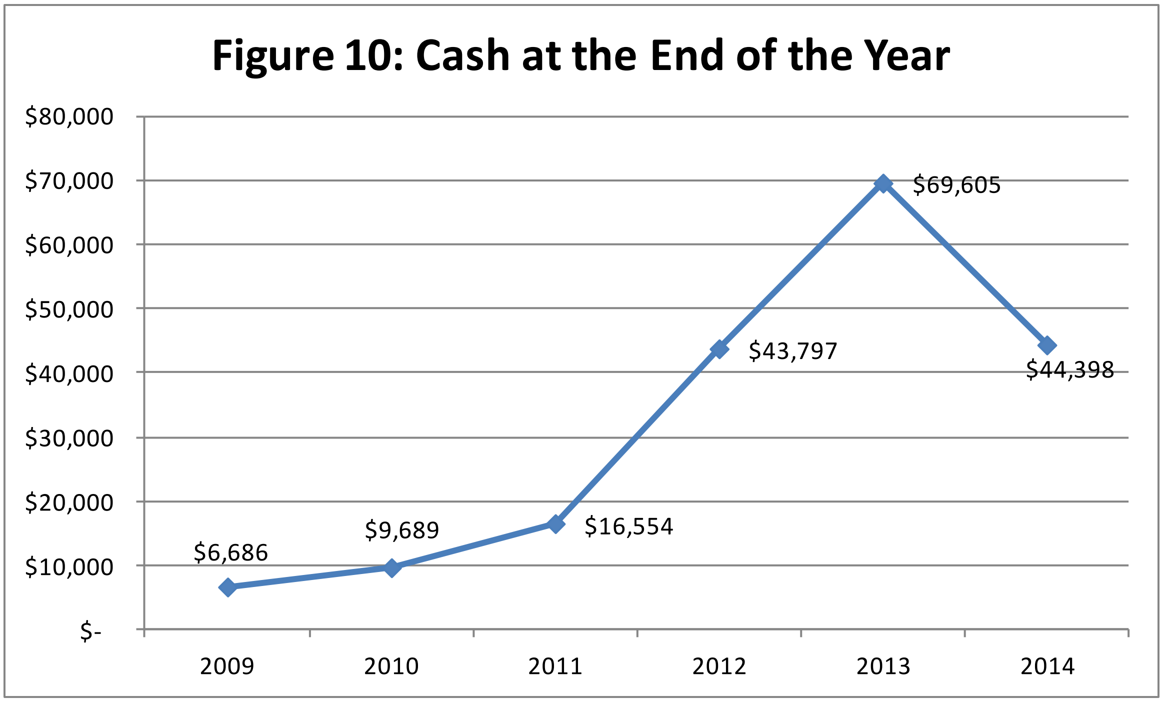
Cash at the End of the Year

This concludes our analysis of the data in the 990 tax report.

However, in order to have a complete picture of VECA's finances, we calculated the amount of money in our accounts on December 31 of each year. We will call this cash on hand at the end of the year. It includes our primary bank accounts—Regions for the rental houses and apartments, the Welcome Center and the VECA grassroots programs; and Cadence for the V&E Greenline. In addition, there was an earlier money market fund for VECA and currently there is an emergency fund at Vanguard for the V&E Greenline.

Figure 10 shows a significant improvement in the cash position of VECA. In 2009 it was only $6,686 but by 2014 it had grown to $44,398. The cash position for 2013 was artificially high since it included grant funds held over from the previous year that were spent in 2014.

Why is cash important? Having sufficient cash provides the ability to respond to unforeseen circumstances. It also reflects good financial management. These figures also look slightly different than the net income in the 990 since the 990 is a reflection of more than just cash income and expenses.



An Overall Observation

VECA is running programs that the board and neighborhood residents want, and it is finding a way to pay and manage those programs. The volunteers are to be congratulated for a great job undertaken with limited resources.