Introduction

The VECA federal tax return, a form 990, was submitted to the IRS on February 16, 2016. 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 were generated from the revenue and expenses of the organization. Chuck Fox manages the Regions’ checkbook which includes 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.

Each month Andrée Glenn and Robbie McDermott entered the revenue and expense items into an accounting system and printed the monthly report, which was then converted into the VAS Report given to the VECA Board. After the end of the year, they forwarded the raw data to accountant Wilma Vandermeer, who reclassified transactions, if needed, before preparing the 990 return.

Overall Conclusions

The report below reviews the 2015 Internal Revenue Service 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.
- VECA has 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.

Findings

The findings are reported in the next pages. The information includes income, mortgages, expenses, cash balance, and volunteers. The data reflects information from 2009 to 2015 and provides interesting trend information about VECA financials.
Figure 1 shows the total revenue from 2009 to 2015. 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 2015 show a decrease because the grant and 2012 miscellaneous income were one-time income items. A second grant for the V&E Greenline in 2014 kept the income higher the normal for that year.

Overall, Figure 1 is positive in that it shows increasing income over time. The decrease of income in 2014 and 2015 is not a negative since it reflects one-time revenues in 2013 and 2014.

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. The reduction in income for 2015 is accounted for in Figure 3 and is not a concern.
Figure 3 adds another correction for years 2013 and 2015 so we can more precisely measure what is normal income for VECA. The chart excludes the two large 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, and 2015 showed a slight increase of $10,000.

VECA’s 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 2015. 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.

Figure 5 shows 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 reduction of secured mortgages from 2013 to 2015 shows that VECA is paying down principal on all of its mortgages. The data for 2013 and 2015 also reflect six second mortgages with Quantum Servicing having been paid off.

Comparing the data from 2009 to 2015 shows a 40 percent decrease of the mortgages. The change of $55.172 from 2013 to 2015 shows the new normal is a yearly reduction in VECA’s secured mortgages.
Next, the 990 provided ordinary expenses called Functional Expenses by the IRS. Figure 7 shows high expenses in 2009 which was the year after volunteers resumed control of the organization and inherited expenses generate by the organization when it had employees. Expenses were also high in 2014 as a result of grant expenditures and expenditures related to refinancing mortgages. Expenses for 2015 were relatively low compared to prior years.

Figure 7: Total Expenses

Next, we displayed the net income called revenue less expenses. This was obtained by subtracting the income from the expenses. Figure 8 shows reasonable variability over time. The worst year for VECA was in 2009 after the organization no longer had employees and there were many left over expenses. Even though there is a lot of variability from 2010 to 2015, the data shows normal changes. For example a grant may have been received in one year and spent in another, or funds were saved in one year for a mortgage pay down, but paid down in the next year.

Figure 8: Revenue less Expenses
Cash at the End of the Year

Next, we will examine a data element not in the 990. 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 VECA’s 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 9 shows a significant improvement in the cash position of VECA. In 2009 it was only $6,686 but by 2015 it had grown to $63,627. 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.

Next, the 990 showed VECA’s net assets. This was obtained by subtracting liabilities from assets. Figure 10 shows that 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 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 11 shows the number of volunteers that 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 number of volunteers was relatively stable for 2011 to 2013 ranging from 224 to 278. 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 it is lower than in 2014, the data for 2015 shows more volunteers than in the 2011 to 2013 time period. However, the data is further informed by examining volunteer hours in Figure 12.

Figure 12 shows the number of volunteer hours. These numbers are not reported in the 990 but help us understand the data in Figure 11. The graph shows the number of volunteer hours were the same for four of the five years. The year of 2012 was an outlier with larger volunteer hours to work on the capital needs of the organization. With the exception of 2012, the norm appears to be about 5,500 hours. For the year of 2015, the hours translated to 138 work weeks or 2.6 work years.
Overall Observations

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 active committees are also doing an effective job of submitting minutes. In addition, the VECA treasurer discusses the 990 with both the Managing Committee and the VECA board.

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.

For more information or to provide comments, the reader should contact Chuck Fox, VECA Treasurer, 1680 Jackson Ave, Memphis, TN 38107, 901-276-1782, or VECA901@gmail.com.