

UNITED WAY OF SOUTHERN CAMERON COUNTY

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

June 30, 2019

Independent Auditors' Report

Board of Directors
United Way of Southern Cameron County

Report on the Financial Statements

We have audited the accompanying statements of United Way of Southern Cameron County, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and changes in net assets, 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.

Auditors' 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 our 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 auditors' 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 United Way of Southern Cameron County as of June 30, 2019, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the United Way of Southern Cameron County's June 30, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 2, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Burton, McCumber, & Longoria LLP.

Brownsville, Texas
October 4, 2019

FINANCIAL STATEMENTS

UNITED WAY OF SOUTHERN CAMERON COUNTY
STATEMENT OF FINANCIAL POSITION
June 30, 2019

ASSETS

	2019			2018 (Memorandum)
	Without Donor Restrictions	With Donor Restrictions	Total	
CURRENT ASSETS				
Cash and cash equivalents	\$ 653,695	\$ 4,350	\$ 658,045	\$ 1,083,598
Pledges receivable, net	273,232	-	273,232	245,255
Grants receivable	-	121,175	121,175	61,341
Other receivable	27,751	486	28,237	17,946
Investments	1,006,021	-	1,006,021	660,638
Prepaid expenses	1,974	-	1,974	1,658
Interfund	(327,972)	327,972	-	-
Total current assets	1,634,701	453,983	2,088,684	2,070,436
LAND, BUILDING & EQUIPMENT, NET	486,111	-	486,111	518,602
Total assets	\$ 2,120,812	\$ 453,983	\$ 2,574,795	\$ 2,589,038

LIABILITIES AND NET ASSETS

	2019			2018 (Memorandum)
	Without Donor Restrictions	With Donor Restrictions	Total	
CURRENT LIABILITIES				
Agency allocations payable	\$ 553,543	\$ -	\$ 553,543	\$ 545,965
Other payables	6,470	-	6,470	8,741
Total current liabilities	560,013	-	560,013	554,706
NET ASSETS				
Without donor restrictions - board designated	604,998	-	604,998	605,303
Without donor restrictions - undesignated	955,801	-	955,801	970,869
With donor restrictions	-	453,983	453,983	458,160
Total net assets	1,560,799	453,983	2,014,782	2,034,332
Total liabilities and net assets	\$ 2,120,812	\$ 453,983	\$ 2,574,795	\$ 2,589,038

The accompanying notes are an integral part of this financial statement.

UNITED WAY OF SOUTHERN CAMERON COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
Year ended June 30, 2019

	2019			2018 (Memorandum)
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUES AND OTHER SUPPORT:				
Campaign support:				
Gross campaign pledges	\$ 947,708	\$ -	\$ 947,708	\$ 931,984
Provision for uncollectible pledges	(76,106)	-	(76,106)	(29,250)
Total campaign support	871,602	-	871,602	902,734
Grant income	70,000	447,785	517,785	903,090
Sponsorships	27,815	-	27,815	11,000
Special event income	11,093	-	11,093	-
In-kind revenue	103,290	-	103,290	95,841
Interest income	16,269	-	16,269	6,417
Rental income	12,900	-	12,900	12,500
Other income	51,236	17,325	68,561	65,032
Net assets released from restrictions	469,287	(469,287)	-	-
Total revenues, gains and other support	1,633,492	(4,177)	1,629,315	1,996,614
EXPENSES BY PROGRAM:				
Health	251,532	-	251,532	214,102
Income	562,399	-	562,399	451,047
Education	576,208	-	576,208	694,685
Community investment	30,388	-	30,388	17,516
Total expenses by program	1,420,527	-	1,420,527	1,377,350
SUPPORT SERVICES:				
Fundraising expense	126,971	-	126,971	121,625
Management and general expenses	101,367	-	101,367	103,920
Total expenses	1,648,865	-	1,648,865	1,602,895
Change in net assets	(15,373)	(4,177)	(19,550)	393,719
Net assets at beginning of year	1,576,172	458,160	2,034,332	1,640,614
Net assets at end of year	\$ 1,560,799	\$ 453,983	\$ 2,014,782	\$ 2,034,332

The accompanying notes are an integral part of this financial statement.

UNITED WAY OF SOUTHERN CAMERON COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
Year ended June 30, 2019

	Program Services				Supporting Services			2019 Total	2018 (Memorandum)
	Health	Income	Education	Community Investment	Fundraising	Management and General			
Salaries	\$ 18,828	\$ 132,649	\$ 152,867	\$ 12,531	\$ 57,765	\$ 60,870	\$ 435,510	\$ 395,442	
Fringe benefits	4,792	17,888	38,951	3,176	18,285	17,564	100,656	94,733	
Administration	7,410	175,226	45,071	9,738	14,076	9,100	260,621	208,894	
Insurance	357	2,419	2,313	304	1,386	1,680	8,459	8,223	
Books	-	-	-	-	-	-	-	1,715	
Volunteer incentives	-	8,250	-	-	65	-	8,315	6,749	
Internships	-	-	98,440	-	-	-	98,440	206,940	
Community investment activities	-	-	-	91	-	-	91	-	
Stipends	-	-	8,350	-	-	-	8,350	-	
Technology	655	6,069	4,484	1,449	2,664	3,064	18,385	16,320	
Training	378	11,846	6,636	2,010	1,702	3,072	25,644	11,268	
Professional fees	570	4,060	14,291	485	2,212	2,681	24,299	13,500	
Memberships	681	4,605	4,404	579	2,639	3,199	16,107	17,013	
Campaign	-	-	2,661	-	24,024	-	26,685	25,615	
Board expenses	29	198	189	25	113	137	691	207	
Agency allocations	210,000	95,000	196,494	-	-	-	501,494	500,000	
Indirect allocation	7,832	2,939	1,057	-	-	-	11,828	435	
In-kind expenses	-	101,250	-	-	2,040	-	103,290	95,841	
Total expenses	\$ 251,532	\$ 562,399	\$ 576,208	\$ 30,388	\$ 126,971	\$ 101,367	\$ 1,648,865	\$ 1,602,895	

The accompanying notes are an integral part of this financial statement.

UNITED WAY OF SOUTHERN CAMERON COUNTY
STATEMENT OF CASH FLOWS
Year ended June 30, 2019

	2019	2018 (Memorandum)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$(19,550)	\$ 393,719
Adjustments to reconcile change in net assets to net cash provided operating activities		
Depreciation expense	33,162	43,771
Bad debt expense	76,106	29,250
Changes in operating assets and liabilities:		
Pledges receivable	(104,083)	(2,130)
Grants receivable	(59,834)	(54,716)
Other receivable	(10,291)	(14,855)
Prepaid expenses	(315)	1,826
Agency allocations payable	7,577	(35,571)
Other payables	(2,271)	6,392
Net cash provided by operating activities	(79,499)	367,686
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and improvements	(671)	(8,048)
Net change in investments	(345,383)	(103,301)
Net cash (used in) provided by investing activities	(346,054)	(111,349)
Net increase in cash and cash equivalents	(425,553)	256,337
Cash and cash equivalents at beginning of year	1,083,598	827,261
Cash and cash equivalents at the end of the year	\$ 658,045	\$ 1,083,598

The accompanying notes are an integral part of this financial statement.

UNITED WAY OF SOUTHERN CAMERON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities and Basis of Presentation

The United Way of Southern Cameron County (“Organization”) is a non-profit tax-exempt organization whose purpose is to “improve lives by mobilizing the caring power of communities to advance the common good.” The Organization was originally founded in 1955 as the United Fund of Brownsville, and later in 1993 adopted the name United Way of Southern Cameron County and extended its efforts to the following communities located in Cameron County, Texas; cities of Los Fresnos, Port Isabel, Laguna Vista and South Padre Island.

The Organization concentrates its efforts of improving the lives of those within the community with three major initiatives: 1) Education – helping children and youth achieve their potential, 2) Income – promoting financial stability and independence, 3) Health – improving people’s health, 4) Community Investment – efforts to address the community’s needs and the potential for impact.

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standard Codification (ASC) 958 dated August 2016, and provision of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guidance for Non-for-Profit Organizations” (the “Guide”). ASC 958-205 was effective January 1, 2018.

Under the provision of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization’s board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Non-Profit Organization or by passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

2. Revenue Recognition

The Organization derives its revenue from pledges, grants and other sources.

Campaign contributions are received as donations or promises to give in the form of pledges. Contributions arise from fundraising efforts conducted by the Organization and volunteers from the community. Contributions with restrictions that are more specific than the broad limits of the nature, purpose, and overall environment of the Organization are classified as donor restrictions until such restrictions are fulfilled or released by the passage of time.

Grant revenue is recognized as either conditional or unconditional contributions. Unconditional grant funds are recognized as revenue when received. Conditional grant funds are recognized as revenue when conditions have been satisfied or fulfilled. Funds from conditional grants received in advance are recorded as deferred revenue until conditions of recognition are satisfied.

UNITED WAY OF SOUTHERN CAMERON COUNTY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

3. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash on hand and in financial institutions as well as all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

4. Investments

Investments are carried at their fair value and consist of CD's with an initial maturity greater than three months.

5. Pledges Receivable

Pledges, less an estimated allowance for uncollectible amounts, are recorded as receivables in the year made. The allowance for uncollectible pledges is based upon actual collections from previous campaigns. Allowance for uncollectible pledges totaled \$128,120 at June 30, 2019.

6. Land, Building and Equipment

Land, building and equipment is recorded at historical cost. The cost of assets is depreciated over the estimated useful life of the related assets, primarily on a straight-line basis. Useful lives range from 3 – 39 years. Donated assets are recorded at estimated fair value when received.

7. Fair Value of Financial Instruments

ASC Topic 820, "Fair Value Measurements and Disclosures," defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy is described as follows;

Level 1: Inputs that are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs that are unobservable for the asset or liability.

The carrying amount of cash and cash equivalents, pledges receivable, net, grants receivable, other receivables, investments, prepaid expenses, agency allocations and other payables approximate fair market value due to the relative short-term nature of these instruments.

8. Federal Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

UNITED WAY OF SOUTHERN CAMERON COUNTY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

8. Federal Income Taxes - Continued

The Organization's Forms 990, *Return of Organization exempt from Income Tax*, for the years ended 2016, 2017, and 2018 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. However, the Organization is not currently under audit nor has the Organization been contacted by its jurisdiction.

The Organization follows FASB ASC Topic 740, "Income Taxes", as it relates to uncertain tax positions. Management has reviewed its current and past federal income tax positions and has determined, based on clear and unambiguous tax law and regulations, that the tax positions taken are certain and there is no likelihood a material tax assessment would be made if government agency examined tax returns to audit. Accordingly, no provisions for the effects of uncertain tax positions have been recorded.

9. Donated Assets and Services

Donated land, buildings, equipment, investments, and other noncash donations are recorded as contributions at their fair market value at the date of donation. The Organization reports the donations as unrestricted direct support, unless explicit donor stipulations specify how the donated assets must be used and gifts, cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated services that do not either require specialized skills or enhance nonfinancial assets are not recorded in the accompanying financial statements because no objective basis is available to measure the value of such services. A substantial number of volunteers have donated significant amounts of their time to the Organization's program services and its fundraising campaigns, the value of which is not recorded in the accompanying financial statements as the value cannot be reasonably estimated.

For the year ended June 30, 2019, the Organization recognized donated services of \$103,290 and are reported within revenues and expenses on the Statement of Activities and Changes in Net Assets.

10. Program Services

The Organization awards grants to other non-profit organizations within the community with the net distribution reported as agency allocations on the statement of functional expenses. The grantees are required to submit applications and comply with grant guidelines established by the community investment team of the Organization.

Program service expenditures are allocated among these four major internal initiatives of the Organization which are health, income, education and community investment. Each program is funded by a combination of unrestricted contributions and grant funds. Grant funds are received from private foundations, public entities and government agencies.

UNITED WAY OF SOUTHERN CAMERON COUNTY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

11. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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. The Organization's most significant estimate is the allowance for uncollectible pledges.

12. Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

13. New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment returns. The Organization has adjusted the presentation of these statements accordingly.

NOTE B – LIQUIDITY AND AVAILABILITY

The Organization manages its liquid resources by focusing on fundraising efforts to ensure the entity has adequate contributions and grants to cover the programs that are being conducted. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments.

The following reflects the Organization's financial assets as of June 30, 2019 expected to be available within one year to meet cash needs for general expenditures:

UNITED WAY OF SOUTHERN CAMERON COUNTY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2019

NOTE B – LIQUIDITY AND AVAILABILITY - Continued

Cash and cash equivalents	\$	658,045
Pledges receivable, net		273,232
Grants receivable		121,175
Other receivable		28,237
Investments		<u>1,006,021</u>
Total financial assets, at year end		<u>2,086,710</u>
Less those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Restricted by donor with time or purposed restrictions	(453,983)
Agency allocation payable	(<u>553,543)</u>
Financial assets available to meet cash need for general expenditures within one year	\$	<u><u>1,079,184</u></u>

NOTE C – PLEDGES RECEIVABLE

Pledges receivable and the allowance for uncollectible pledges consisted of the following at June 30, 2019:

Gross pledges receivable	\$	401,352
Less allowance for uncollectible pledges	(<u>128,120)</u>
Total pledges receivable	\$	<u><u>273,232</u></u>

NOTE D – INVESTMENTS

The Organization’s investments are reported at fair value in the accompanying statement of financial position. Investments consisted of the following at June 30, 2019:

Fair Value	Fair Value Measurements at Reporting Date Using		
	Level 1 Measurement	Level 2 Measurement	Level 3 Measurement
Certificates of deposit maturing between February 2019 and September 2020	1,006,021	\$ 1,006,021	\$ -
	\$ 1,006,021	\$ 1,006,021	\$ -

NOTE E – GRANTS RECEIVABLES

Grants receivable from multiple grantors totaled \$121,175 at June 30, 2019.

UNITED WAY OF SOUTHERN CAMERON COUNTY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2019

NOTE F – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following at June 30, 2019:

Computer equipment	\$ 85,534
Office equipment	56,263
Software	79,754
Buildings and improvements	506,339
	727,890
Less: accumulated depreciation	(395,779)
	332,111
Land	154,000
	\$ 486,111

Depreciation expense totaled \$33,162 for the year ended June 30, 2019 which is included in the statement of functional expenses in the administration account.

NOTE G – BOARD DESIGNATED FUNDS

The Organization established a contingency fund in June 1985 to provide a source of funds in the event a future campaign goal, net of expenses, is not achieved. The fund is to be distributed in a manner to be determined by the Board of Directors.

Board designated funds consisted of the following at June 30, 2019:

Contingency	\$ 566,396
VITA funds	35,561
2018-2019 Fiscal year internal programs	3,041
	\$ 604,998
	\$ 604,998

NOTE H – CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash in financial institutions located in Brownsville, Texas. Balances in accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. The Organization has entered into a repurchase agreement with IBC Bank whereby an established sweep deposit account is invested in certain direct obligations of the United States Government or one of its Agencies. The repurchase agreement is not covered by FDIC deposit insurance. However, IBC Bank by agreement has unconditionally promised to repurchase the repurchase obligation. The balance of the sweep deposit account totaled \$651,402 at June 30, 2019, and is included in cash and cash equivalents in the statement of net position.

UNITED WAY OF SOUTHERN CAMERON COUNTY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2019

NOTE I – NET ASSETS – WITH DONOR RESTRICTIONS

Donor restricted net assets are available for the following purposes at June 30, 2019:

	2019
Health program	\$ 3,093
Income program	288,078
Education program	159,476
Community program	3,336
Total donor restricted net assets	\$ 453,983

NOTE J – PROGRAM ALLOCATIONS

Program allocations consisted of the following for the year ending June 30, 2019:

Tip of Texas Family Outreach	\$ 38,000
Brownsville Adult Literacy Center	20,000
Los Fresnos Boys & Girls Club	44,994
Cameron County Children's Advocacy Center	30,000
Friendship of Women	40,000
Moody Clinic	40,000
Ozanam Center	40,000
Proyecto Juan Diego	45,500
Community Development Corporation of Brownsville	20,000
Communities in Schools Camron County	37,000
Guadalupe Regional Middle School	15,000
Laguna Madre Youth Center	20,000
Garriga Elementary	25,000
Good Neighbor Settlement House	29,000
Derry Elementaty	22,000
La Puerta	10,000
Valley Initiative for Development and Advancement	25,000
Total program allocations	\$ 501,494

NOTE K – LEASES

The Organization entered into a non-cancelable lease for the use of office equipment for 36 months starting June 2018. Monthly lease payments are \$545 and will expire in June 2021.

Lease expense totaled \$6,715 for the year ended June 30, 2019 which is included in the statement of functional expenses in the administration account.

UNITED WAY OF SOUTHERN CAMERON COUNTY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2019

NOTE K – LEASES- Continued

Future minimum lease payments are as follows:

<u>Year ended June 30,</u>	
2020	\$ 6,540
2021	<u>6,540</u>
Total minimum lease payments	<u><u>\$ 13,080</u></u>

NOTE L – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 4, 2019, the date these financial statements were available to be issued.