

UNITED WAY OF SOUTHERN CAMERON COUNTY

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

June 30, 2018

The Right Choice.

BML

**Burton
McCumber
& Longoria, LLP**
CPAs & Advisors

Brownsville • McAllen

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, 2018, 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, 2018, 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, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 14, 2017. In our opinion, the summarized comparative memorandum information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Burton, McCumber, & Longoria LLP

Brownsville, Texas
October 2, 2018

FINANCIAL STATEMENTS

UNITED WAY OF SOUTHERN CAMERON COUNTY
STATEMENT OF FINANCIAL POSITION
June 30, 2018

ASSETS

	2018			2017 (Memorandum)
	Unrestricted	Temporarily Restricted	Total	
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,082,544	\$ 1,054	\$ 1,083,598	\$ 827,261
Pledges receivable, net	245,255	-	245,255	272,375
Grants receivable	-	61,341	61,341	6,625
Other receivable	9,946	8,000	17,946	3,091
Investments	660,638	-	660,638	557,336
Prepaid expenses	1,658	-	1,658	3,484
Interfund	(387,765)	387,765	-	-
Total current assets	1,612,276	458,160	2,070,436	1,670,172
LAND, BUILDING & EQUIPMENT, NET	518,602	-	518,602	554,326
Total assets	\$ 2,130,878	\$ 458,160	\$ 2,589,038	\$ 2,224,498

LIABILITIES AND NET ASSETS

	2018			2017 (Memorandum)
	Unrestricted	Temporarily Restricted	Total	
CURRENT LIABILITIES				
Agency allocations payable	\$ 545,965	\$ -	\$ 545,965	\$ 581,536
Other payables	8,741	-	8,741	2,349
Total current liabilities	554,706	-	554,706	583,885
NET ASSETS				
Unrestricted - board designated	605,303	-	605,303	607,956
Unrestricted - undesignated	970,869	-	970,869	960,631
Temporarily restricted	-	458,160	458,160	72,026
Total net assets	1,576,172	458,160	2,034,332	1,640,613
Total liabilities and net assets	\$ 2,130,878	\$ 458,160	\$ 2,589,038	\$ 2,224,498

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, 2018

	2018			2017
	Unrestricted	Temporarily Restricted	Total	(Memorandum)
REVENUES AND OTHER SUPPORT:				
Campaign support:				
Gross campaign pledges	\$ 931,984	\$ -	\$ 931,984	\$ 1,104,648
Provision for uncollectible pledges	(29,250)	-	(29,250)	(170,596)
Total campaign support	902,734	-	902,734	934,052
Grant income	-	833,090	833,090	249,409
Sponsorships	11,000	-	11,000	21,625
Special event income	-	-	-	16,615
In-kind revenue	81,495	14,346	95,841	53,375
Interest income	6,417	-	6,417	4,571
Rental income	12,500	-	12,500	14,400
Other income	108,687	26,345	135,032	110,993
Net assets released from restrictions	487,647	(487,647)	-	-
Total revenues, gains and other support	1,610,480	386,134	1,996,614	1,405,040
EXPENSES BY PROGRAM:				
Health	214,102	-	214,102	244,186
Income	451,047	-	451,047	384,157
Education	694,685	-	694,685	765,690
Community investment	17,516	-	17,516	19,478
Total expenses by program	1,377,350	-	1,377,350	1,413,511
SUPPORT SERVICES:				
Fundraising expense	121,625	-	121,625	117,570
Management and general expenses	103,920	-	103,920	108,620
Total expenses	1,602,895	-	1,602,895	1,639,701
Change in net assets	7,585	386,134	393,719	(234,661)
Net assets at beginning of year	1,568,587	72,026	1,640,613	1,875,275
Net assets at end of year	\$ 1,576,172	\$ 458,160	\$ 2,034,332	\$ 1,640,613

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, 2018

	Program Services					Supporting Services			2017 (Memorandum)
	Health	Income	Education	Community Investment	Fundraising	Management and General	2018 Total		
Salaries	\$ 15,541	\$ 127,064	\$ 123,738	\$ 10,542	\$ 55,115	\$ 63,442	\$ 395,442	\$ 463,978	
Fringe benefits	4,551	19,372	32,478	3,117	16,183	19,032	94,733	100,550	
Administration	8,524	78,584	62,932	1,211	13,651	11,192	176,094	127,730	
Insurance	352	1,735	3,951	46	1,077	1,062	8,223	8,489	
Books	-	-	1,715	-	-	-	1,715	75,998	
Success by 6	-	-	-	-	-	-	-	25,817	
Volunteer incentives	-	6,636	-	-	113	-	6,749	4,953	
Internships	-	-	206,940	-	-	-	206,940	110,500	
Art Place America	-	32,800	-	-	-	-	32,800	-	
Agency emergency allocation	-	-	-	-	-	-	-	16,987	
Miscellaneous	-	-	-	-	-	-	-	302	
Technology	678	4,485	5,199	460	2,500	2,998	16,320	22,214	
Training	97	6,093	3,244	1,036	704	94	11,268	11,492	
Professional fees	570	3,860	3,691	485	2,213	2,681	13,500	13,785	
Memberships	719	4,865	4,652	612	2,787	3,378	17,013	16,289	
Campaign	-	-	1,742	-	23,873	-	25,615	32,096	
Board expenses	9	59	57	7	34	41	207	372	
Agency allocations	183,000	87,000	230,000	-	-	-	500,000	554,774	
Indirect allocation	61	374	-	-	-	-	435	-	
In-kind expenses	-	78,120	14,346	-	3,375	-	95,841	53,375	
Total expenses	\$ 214,102	\$ 451,047	\$ 694,685	\$ 17,516	\$ 121,625	\$ 103,920	\$ 1,602,895	\$ 1,639,701	

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, 2018

	2018	2017 (Memorandum)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 393,719	\$(234,661)
Adjustments to reconcile change in net assets to net cash provided operating activities		
Depreciation expense	43,771	51,851
Changes in operating assets and liabilities:		
Pledges receivable	27,120	35,000
Grants receivable	(54,716)	113,591
Other receivable	(14,855)	2,074
Prepaid expenses	1,826	(369)
Agency allocations payable	(35,571)	72,810
Other payables	6,392	(831)
Net cash provided by operating activities	367,686	39,465
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment and improvements	(8,048)	(888)
Net change in investments	(103,301)	27,087
Net cash (used in) provided by investing activities	(111,349)	26,199
Net increase in cash and cash equivalents	256,337	65,664
Cash and cash equivalents at beginning of year	827,261	761,597
Cash and cash equivalents at the end of the year	\$ 1,083,598	\$ 827,261

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

UNITED WAY OF SOUTHERN CAMERON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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.

In accordance with FASB Accounting Standards Codification (ASC) ASC Topic 958, “Financial Statements of Not-for-Profit Organizations,” organizations are required to report information regarding its financial position and activities according to three classes of net assets, as follows:

Unrestricted net assets represent the resources of the organization used in the daily operations of providing services.

Temporarily restricted net assets are those assets and related liabilities designated for specific purposes. When the future event specified by the restriction occurs, the asset becomes an unrestricted asset.

Permanently restricted net assets represent assets that may not be expended by the organization. Such assets are generally endowment-type in nature where the principal may not be used, but the earnings are available as either unrestricted or temporarily restricted assets. The Organization does not have any permanently restricted net assets.

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 temporarily restricted 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, 2018

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 \$118,048 at June 30, 2018.

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, investments, pledges receivable, grants receivable and other receivables, 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, 2018

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 2015, 2016, and 2017 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, 2018, the Organization recognized donated services of \$95,841 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, 2018

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, 2017, from which the summarized information was derived.

NOTE B -- PLEDGES RECEIVABLE

Pledges receivable and the allowance for uncollectible pledges consisted of the following at June 30, 2018:

Gross pledges receivable	\$	363,303
Less allowance for uncollectible pledges	(<u>118,048)</u>
 Total pledges receivable	 \$	 <u><u>245,255</u></u>

NOTE C -- 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, 2018:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Level 1 Measurement	Level 2 Measurement	Level 3 Measurement
Certificates of deposit maturing between November 2018 and August 2019	\$ 660,638	\$ 660,638	\$ -	\$ -
	\$ 660,638	\$ 660,638	\$ -	\$ -

NOTE D -- GRANTS RECEIVABLES

Grants receivable from multiple grantors totaled \$61,341 at June 30, 2018.

UNITED WAY OF SOUTHERN CAMERON COUNTY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2018

NOTE E – LAND, BUILDING AND EQUIPMENT

Land, building and equipment consist of the following at June 30, 2018:

Computer equipment	\$	84,864
Office equipment		56,262
Software		79,754
Buildings and improvements		506,339
		<u>727,219</u>
Less: accumulated depreciation	(<u>362,617)</u>
		364,602
Land		<u>154,000</u>
 Total land, building and equipment	 \$	 <u><u>518,602</u></u>

Depreciation expense totaled \$43,771 for the year ended June 30, 2018.

NOTE F – 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, 2018:

Contingency	\$	566,396
VITA funds		33,550
2017-2018 Fiscal year internal programs		5,356
		<u>605,302</u>
	\$	<u><u>605,302</u></u>

NOTE G – 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 \$823,661 at June 30, 2018, 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, 2018

NOTE H – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30, 2018:

Brownsville Foundation for Health & Education	\$ 79,797
Anonymous Donor One	50,000
PPS Program - funds raised by community	5,621
Wells Fargo	12,000
Greater Brownsville Incentive Corporation	4,278
Art Place America	277,025
Texas PBS	17,077
Other - small contributions	<u>12,362</u>
 Total temporarily restricted net assets	 <u><u>\$ 458,160</u></u>

NOTE I – PROGRAM ALLOCATIONS

Program allocations consisted of the following for the year ending June 30, 2018:

Tip of Texas Family Outreach	\$ 38,000
Brownsville Adult Literacy Center	80,000
Los Fresnos Boys & Girls Club	40,000
Cameron County Children's Advocacy Center	30,000
Friendship of Women	40,000
Infant & Family Nutrition Agency	25,000
Brownsville Society for Crippled Children	40,000
Proyecto Juan Diego	45,500
Community Development Corporation of Brownsville	20,000
Workforce Solutions Cameron	37,000
Communities in Schools	37,000
Guadalupe Regional Middle School	15,000
Laguna Madre Youth Center	10,000
Garriga Elementary	12,500
Good Neighbor Settlement House	<u>30,000</u>
 Total program allocations	 <u><u>\$ 500,000</u></u>

UNITED WAY OF SOUTHERN CAMERON COUNTY
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2018

NOTE J – LEASES

The Organization leases office equipment under a non-cancelable operating lease with a maturity date through July 2018. Monthly lease payments were \$600 under this lease agreement. The Organization entered into a new non-cancelable lease for the use of office equipment for 36 months starting August 2018. Monthly lease payments will be \$545 and will expire in July 2021.

Lease expense for the lease totaled \$7,200 for the year ended June 30, 2018.

Future minimum lease payments of lease are the follows:

<u>Year ended June 30,</u>	
2019	\$ 6,595
2020	6,540
2021	6,540
2022	<u>545</u>
Total minimum lease payments	<u>\$ 20,220</u>

NOTE K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through October 2, 2018, the date these financial statements were available to be issued.