

UNITED WAY OF SOUTHERN CAMERON COUNTY

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

June 30, 2016



**Burton McCumber & Cortez, L.L.P.**  
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## **Independent Auditors' Report**

Board of Directors  
United Way of Southern Cameron County

### **Report on the Financial Statements**

We have audited the accompanying financial statements of United Way of Southern Cameron County, which comprise the statement of financial position as of June 30, 2016, and related statements of activities and changed 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 audits. We conducted our audits 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 represent fairly, in all material respects, the financial position of United Way of Southern Cameron County as of June 30, 2016, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Burton, McCumber, & Cortez, L.L.P.*

Brownsville, Texas  
September 19, 2016

## FINANCIAL STATEMENTS

**UNITED WAY OF SOUTHERN CAMERON COUNTY**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2016**

ASSETS

	2016			2015 (Memorandum)
	Unrestricted	Temporarily Restricted	Total	
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 761,293	\$ 304	\$ 761,597	\$ 648,769
Investments	584,423	-	584,423	582,310
Pledges receivable, net	307,375	-	307,375	276,694
Grants receivable	7,350	112,866	120,216	13,951
Other receivable	5,165	-	5,165	-
Prepaid expenses	3,115	-	3,115	4,793
Interfund	( 124,010)	124,010	-	-
<b>Total current assets</b>	<b>1,544,711</b>	<b>237,180</b>	<b>1,781,891</b>	<b>1,526,517</b>
<b>LAND, BUILDING &amp; EQUIPMENT, NET</b>	<b>605,290</b>	<b>-</b>	<b>605,290</b>	<b>654,196</b>
<b>Total assets</b>	<b>\$ 2,150,001</b>	<b>\$ 237,180</b>	<b>\$ 2,387,181</b>	<b>\$ 2,180,713</b>

LIABILITIES AND NET ASSETS

	2016			2015 (Memorandum)
	Unrestricted	Temporarily Restricted	Total	
<b>CURRENT LIABILITIES</b>				
Agency allocations payable	\$ 508,727	\$ -	\$ 508,727	\$ 489,221
Other payables	3,180	-	3,180	40,995
<b>Total current liabilities</b>	<b>511,907</b>	<b>-</b>	<b>511,907</b>	<b>530,216</b>
<b>NET ASSETS</b>				
Unrestricted - board designated	723,051	-	723,051	283,802
Unrestricted - undesignated	915,043	-	915,043	1,206,877
Temporarily restricted	-	237,180	237,180	159,818
<b>Total net assets</b>	<b>1,638,094</b>	<b>237,180</b>	<b>1,875,274</b>	<b>1,650,497</b>
<b>Total liabilities and net assets</b>	<b>\$ 2,150,001</b>	<b>\$ 237,180</b>	<b>\$ 2,387,181</b>	<b>\$ 2,180,713</b>

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, 2016**

	2016			2015 (Memorandum)
	Unrestricted	Temporarily restricted	Total	
<b>REVENUES, GAINS AND OTHER SUPPORT:</b>				
Campaign support:				
Gross campaign pledges	\$ 1,254,556	\$ -	\$ 1,254,556	\$ 1,059,957
Provision for uncollectible pledges	( 184,239)	-	( 184,239)	( 157,239)
Total campaign support	1,070,317	-	1,070,317	902,718
Grant income	-	405,891	405,891	248,785
Fiscal sponsorship income	2,387	-	2,387	112,751
Sponsorships	16,837	-	16,837	14,585
Special event income	8,395	410	8,805	12,966
In-kind revenue	2,276	-	2,276	40,011
Interest income	3,822	-	3,822	3,611
Rental income	14,292	-	14,292	11,419
Other income	76,591	64,668	141,259	91,592
Net assets released from restrictions	393,607	( 393,607)	-	-
Total revenues, gains and other support	1,588,524	77,362	1,665,886	1,438,438
Program expenses by program:				
Health	214,560	-	214,560	242,322
Income	321,072	-	321,072	426,699
Education	670,071	-	670,071	582,068
Community investment	15,159	-	15,159	594
Total expenses by program	1,220,862	-	1,220,862	1,251,683
Fundraising expense	112,176	-	112,176	108,087
Management and general expenses	108,071	-	108,071	117,345
Total expenses	1,441,109	-	1,441,109	1,477,115
Change in net assets	147,415	77,362	224,777	( 38,677)
Net assets at beginning of year	1,490,679	159,818	1,650,497	1,689,174
Net assets at end of year	\$ 1,638,094	\$ 237,180	\$ 1,875,274	\$ 1,650,497

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, 2016**

	Program Services				Supporting Services			2016 Total	2015 (Memorandum)
	Health	Income	Education	Community Investment	Fundraising	Management and General			
Salaries	\$ 13,628	\$ 142,053	\$ 219,943	\$ -	\$ 43,109	\$ 65,163	\$ 483,896	\$ 465,074	
Fringe benefits	3,152	23,521	45,392	-	11,217	19,947	103,229	90,117	
Administration	9,824	40,599	62,900	1,003	13,599	11,190	139,115	125,171	
Insurance	345	1,589	4,156	-	1,007	842	7,939	7,673	
Program	147	42,152	86,661	10,677	438	922	140,997	213,979	
Technology	603	2,780	7,407	900	1,758	1,996	15,444	11,523	
Training	409	2,900	7,938	2,579	3,383	3,123	20,332	9,048	
Professional fees	590	4,117	7,330	-	1,721	1,953	15,711	24,153	
Memberships	547	2,518	6,584	-	1,595	1,809	13,053	12,815	
Campaign	-	-	-	-	31,081	-	31,081	31,969	
Board expenses	340	1,567	4,097	-	992	1,126	8,122	1,048	
Agency allocations	184,975	57,276	217,663	-	-	-	459,914	463,806	
In-kind expenses	-	-	-	-	2,276	-	2,276	20,739	
<b>Total expenses</b>	<b>\$ 214,560</b>	<b>\$ 321,072</b>	<b>\$ 670,071</b>	<b>\$ 15,159</b>	<b>\$ 112,176</b>	<b>\$ 108,071</b>	<b>\$ 1,441,109</b>	<b>\$ 1,477,115</b>	

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, 2016**

	2016	2015 (Memorandum)
Cash flows from operating activities		
Change in net assets	\$ 224,777	\$( 38,677)
Depreciation expense	51,724	46,818
Adjustments to reconcile change in net assets to net cash used in operating activities		
Pledges receivable	( 30,681)	62,983
Grants receivable	( 106,265)	35,267
Other receivable	( 5,165)	-
Prepaid expenses	1,678	( 3,678)
Agency allocations payable	19,506	( 192,697)
Other payables	( 37,815)	3,147
Net cash provided by (used in) operating activities	117,759	( 86,837)
Cash flows from investing activities		
Purchase of property and equipment	( 2,817)	( 49,292)
Net change in investments	( 2,114)	( 766)
Net cash used in investing activities	( 4,931)	( 50,058)
Net increase (decrease) in cash and cash equivalents	112,828	( 136,895)
Cash and cash equivalents at beginning of year	648,769	785,664
Cash and cash equivalents at the end of the year	\$ 761,597	\$ 648,769
Non cash - gift in kind property and equipment	\$ -	\$ 19,272

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



**UNITED WAY OF SOUTHERN CAMERON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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 include the 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, 2016**

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 cash sweep balances, equities and 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 \$184,239 at June 30, 2016.

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, 2016**

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 2013, 2014, and 2015 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 consolidated 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 consolidated financial statements as the value cannot be reasonably estimated.

For the year ended June 30, 2016, the Organization recognized donated services of \$2,276 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 the three major initiatives of the Organization which are health, income and education. Each program is funded by a combination of unrestricted contributions and grant funds. Grant funds are received by private foundations, public entities and government agencies.

**UNITED WAY OF SOUTHERN CAMERON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016**

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.

NOTE B – 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, 2016:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Level 1 Measurement	Level 2 Measurement	Level 3 Measurement
Cash and sweep balance	\$ 26,174	\$ 26,174	\$ -	\$ -
Equities				
U.S. Large-Cap	3,777	3,777	-	-
Certificates of deposit maturing between October 2016 and July 2017	554,472	554,472	-	-
	<u>\$ 584,423</u>	<u>\$ 584,423</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE C – PLEDGES RECEIVABLE

Pledges receivable and the allowance for uncollectible amounts consisted of the following at June 30, 2016:

Gross pledges receivable	\$ 491,614
Less allowance for uncollectible amounts	<u>( 184,239)</u>
Total pledges receivable	<u>\$ 307,375</u>

NOTE D – GRANTS RECEIVABLES

Grants and other receivables consisted of the following at June 30, 2016:

Brownsville Independent School District	\$ 7,866
Anonymous Donor One	30,000
Anonymous Donor Two	75,000
Miscellaneous	<u>7,350</u>
	<u>\$ 120,216</u>

**UNITED WAY OF SOUTHERN CAMERON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016**

**NOTE E – LAND, BUILDING AND EQUIPMENT**

Land, building and equipment consist of the following at June 30, 2016:

Computer equipment	\$ 83,322
Office equipment	52,070
Software	79,754
Buildings and improvements	503,139
	718,285
Less: accumulated depreciation	( 266,995)
	451,290
Land	154,000
	154,000
Total land, building and equipment	\$ 605,290

Depreciation expense totaled \$51,724 for the year ended June 30, 2016.

**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. In addition, the Organization entered into a fiscal sponsorship agreement with two other not-for-profit entities for which the Organization collects campaign revenue and provides benefit payments based on the mission of the not-for-profit entities.

Board designated funds consisted of the following at June 30, 2016:

Contingency	\$ 566,396
VITA funds	33,550
2016-2017 Fiscal year internal programs	75,000
Good Neighbor Settlement House	48,000
Fiscal sponsorship	105
	105
	\$ 723,051

**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 a pledge agreement with IBC Bank which insures balances over the FDIC limit with the financial institution that carries the majority of the Organization's cash.

**UNITED WAY OF SOUTHERN CAMERON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016**

**NOTE H – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes at June 30, 2016:

Brownsville Foundation for Health & Education	\$	47,160
Anonymous Donor One		30,000
PPS Program - funds raised by community		48,404
Brownsville Community Improvement		3,133
Anonymous Donor Two		91,987
Other - small contributions		16,496
		<hr/>
Total temporarily restricted net assets	\$	<u><u>237,180</u></u>

**NOTE I – PROGRAM ALLOCATIONS**

Program allocations consisted of the following for the year ending June 30, 2016:

Tip of Texas Family Outreach	\$	35,200
Brownsville Adult Literacy Center		68,500
Los Fresnos Boys & Girls Club		27,500
Cameron County Children's Advocacy Center		32,878
Friendship of Women		37,950
Infant & Family Nutrition Agency		15,730
Brownsville Society for Crippled Children		44,000
Ozanam Center		27,500
Proyecto Juan Diego		39,000
Community Development Corporation of Brownsville		22,000
Workforce Solutions Cameron		37,000
Communities in Schools		41,400
Laguna Madre Boys & Girls Club		15,000
Agency CFC & SECC		16,256
		<hr/>
Total allocations to agencies	\$	<u><u>459,914</u></u>

**UNITED WAY OF SOUTHERN CAMERON COUNTY**  
**NOTES TO FINANCIAL STATEMENTS - CONTINUED**  
**June 30, 2016**

NOTE J – LEASES

During the year ended June 30, 2016, the Organization engaged in a non-cancelable lease for the use of office equipment. Monthly lease payments were \$600 for the lease agreement. The lease will expire July 2018. Future minimum lease payments are as follows:

<u>Year ended June 30,</u>	
2017	\$ 7,200
2018	<u>7,200</u>
Total	<u>\$ 14,400</u>

Rent expense for the lease totaled \$6,153 for the year ended June 30, 2016.

NOTE K – SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 19, 2016, the date these financial statements were available to be issued.