

UNITED FUND OF CARLSBAD & SOUTH EDDY COUNTY

**FINANCIAL STATEMENTS &
REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANT**

**AS OF AND FOR THE YEARS ENDED
AUGUST 31, 2015 AND 2014**

**GIVE. ADVOCATE. VOLUNTEER.
LIVE UNITED** 

UNITED FUND OF CARLSBAD & SOUTH EDDY COUNTY
August 31, 2015 and 2014

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	7
Statements of Functional Expenses	8
Notes to Financial Statements	11

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
United Fund of Carlsbad &
South Eddy County
Carlsbad, New Mexico

I have audited the accompanying financial statements of United Fund of Carlsbad & South Eddy County (a nonprofit organization), which comprise the statements of financial position as of August 31, 2015 and 2014, and the related statements of activities, cash flows and functional expenses for the years 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.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on our audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 auditor's 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Fund of Carlsbad & South Eddy County, as of August 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Keith Day CPA, P.C.

Keith Day CPA, P.C.
Certified Public Accountant

June 24, 2016

UNITED FUND OF CARLSBAD & SOUTH EDDY COUNTY
STATEMENTS OF FINANCIAL POSITION
August 31, 2015 and 2014

	2015	2014
Assets		
Current assets		
Cash and cash equivalents	\$ 1,038,984	\$ 861,418
Cash restricted as to use	5,614	8,823
Investments	102,337	101,975
Accounts receivable, net		
Unconditional promises to give	175,650	190,847
Prepaid expenses	3,676	3,370
Total current assets	1,326,261	1,166,433
Property and equipment, net	136,616	142,541
Total assets	\$ 1,462,877	\$ 1,308,974
Liabilities and Net Assets		
Current liabilities		
Campaign designations payable	\$ 303,793	\$ 307,756
Accrued expenses	5,469	4,027
Funds held as fiscal agent	2,430	2,430
Total current liabilities	311,692	314,213
Net assets		
Unrestricted	1,145,571	985,938
Temporarily restricted	5,614	8,823
Total net assets	1,151,185	994,761
Total liabilities and net assets	\$ 1,462,877	\$ 1,308,974

The accompanying notes are an integral part of these financial statements.

UNITED FUND OF CARLSBAD & SOUTH EDDY COUNTY
STATEMENTS OF ACTIVITIES
Years Ended August 31, 2015 and 2014

	Year Ended August 31, 2015		
	Unrestricted	Temporarily Restricted	Total
Public support and revenue			
Campaign support			
Pledges, current campaign year	\$ 911,017	\$ 14,863	\$ 925,880
Donor designations to other organizations	(46,450)	-	(46,450)
	864,567	14,863	879,430
Less provision for uncollectible pledges	(42,686)	-	(42,686)
Net campaign support	821,881	14,863	836,744
Unrestricted noncampaign contributions	-	-	-
Special events, net of direct costs of (2015) \$8,561 and (2014) \$-0-	5,264	-	5,264
Interest	2,228	-	2,228
Expense recovery and other	4,495	-	4,495
Net assets released from restrictions			
Restrictions satisfied by payment	18,072	(18,072)	-
Total public support and revenue	851,940	(3,209)	848,731
Distributions, program services and expenses			
Distributions	373,534	-	373,534
Donor designations to other organizations	(46,450)	-	(46,450)
Distributions to program partners	327,084	-	327,084
Community impact grants	139,819	-	139,819
Total distributions	466,903	-	466,903
Program services			
Allocations and grants	60,011	-	60,011
211 referral services	44,190	-	44,190
Supporting services			
Management and general	61,365	-	61,365
Fundraising	51,213	-	51,213
Total program and support services	216,779	-	216,779
Unallocated payments to affiliated organizations			
United Way Worldwide	8,625	-	8,625
Total expenses	692,307	-	692,307
Change in net assets	159,633	(3,209)	156,424
Net assets - beginning of year	985,938	8,823	994,761
Net assets - end of year	\$ 1,145,571	\$ 5,614	\$ 1,151,185

The accompanying notes are an integral part of these financial statements.

Year Ended August 31, 2014

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 845,557 <u>(64,323)</u>	\$ 13,954 <u>-</u>	\$ 859,511 <u>(64,323)</u>
781,234 <u>(23,022)</u>	13,954 <u>-</u>	795,188 <u>(23,022)</u>
758,212	13,954	772,166
28,631	-	28,631
-	-	-
2,156	-	2,156
2,561	-	2,561
<u>33,895</u>	<u>(33,895)</u>	<u>-</u>
<u>825,455</u>	<u>(19,941)</u>	<u>805,514</u>
369,587 <u>(64,323)</u>	- <u>-</u>	369,587 <u>(64,323)</u>
<u>305,264</u>	<u>-</u>	<u>305,264</u>
<u>185,868</u>	<u>-</u>	<u>185,868</u>
<u>491,132</u>	<u>-</u>	<u>491,132</u>
62,792	-	62,792
9,346	-	9,346
58,456	-	58,456
<u>39,232</u>	<u>-</u>	<u>39,232</u>
169,826	-	169,826
<u>7,925</u>	<u>-</u>	<u>7,925</u>
<u>668,883</u>	<u>-</u>	<u>668,883</u>
156,572	(19,941)	136,631
<u>829,366</u>	<u>28,764</u>	<u>858,130</u>
<u>\$ 985,938</u>	<u>\$ 8,823</u>	<u>\$ 994,761</u>

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UNITED FUND OF CARLSBAD & SOUTH EDDY COUNTY
STATEMENTS OF CASH FLOWS
Years Ended August 31, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Changes in net assets	\$ 156,424	\$ 136,631
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	7,618	9,437
Provision for uncollectible pledges	42,686	23,022
(Increase) decrease in operating assets		
Cash restricted as to use	3,209	2,190
Accounts receivable		
Unconditional promises to give	(27,488)	38,368
Prepaid expenses	(306)	10
Increase (decrease) in operating liabilities		
Accrued expenses	1,442	(746)
Campaign designations payable	(3,963)	103,391
Net cash provided by operating activities	179,622	312,303
Cash flows from investing activities		
Purchases of investments	(362)	(462)
Purchases of equipment	(1,694)	-
Net cash (used) by investing activities	(2,056)	(462)
Net increase (decrease) in cash and cash equivalents	177,566	311,841
Cash and cash equivalents at beginning of year	861,418	549,577
Cash and cash equivalents at end of year	\$ 1,038,984	\$ 861,418

The accompanying notes are an integral part of these financial statements.

UNITED FUND OF CARLSBAD & SOUTH EDDY COUNTY
STATEMENTS OF FUNCTIONAL EXPENSES
Years Ended August 31, 2015 and 2014

Year Ended August 31, 2015

	<u>Program Services</u>		<u>Management and general</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Allocations and grants</u>	<u>211 referral services</u>			
Compensation and related benefits					
Salaries and wages	\$ 34,191	\$ 32,662	\$ 33,585	\$ 24,422	\$ 124,860
Employee benefits	2,337	2,030	2,924	1,656	8,947
Employment taxes and insurance	3,035	2,254	3,035	2,168	10,492
Advertising and marketing	2,000	803	1,671	1,659	6,133
Contractual services	2,353	650	2,256	1,617	6,876
Membership, registration and fees	229	33	229	164	655
Occupancy					
Insurance	2,306	281	1,969	1,726	6,282
Rents and leases	4,574	330	-	1,264	6,168
Repairs and maintenance	451	210	3,291	1,051	5,003
Telephone, internet and web	1,104	340	1,104	789	3,337
Utilities	925	-	-	-	925
Office supplies	1,291	310	1,331	2,745	5,677
Other	2,048	3,522	5,388	9,689	20,647
Training	501	384	1,916	358	3,159
	<u>57,345</u>	<u>43,809</u>	<u>58,699</u>	<u>49,308</u>	<u>209,161</u>
Total expenses before depreciation					
Depreciation	<u>2,666</u>	<u>381</u>	<u>2,666</u>	<u>1,905</u>	<u>7,618</u>
Total functional expenses	<u>\$ 60,011</u>	<u>\$ 44,190</u>	<u>\$ 61,365</u>	<u>\$ 51,213</u>	<u>\$ 216,779</u>

The accompanying notes are an integral part of these financial statements.

Year Ended August 31, 2014

Program Services		Management and general	Fundraising	Total
Allocations and grants	211 referral services			
\$ 37,257	\$ 2,711	\$ 30,636	\$ 23,713	\$ 94,317
1,811	-	1,589	1,167	4,567
2,940	224	2,586	1,949	7,699
3,769	2,403	2,910	2,162	11,244
2,579	-	2,270	1,612	6,461
282	-	258	164	704
2,731	-	2,380	1,700	6,811
1,336	1,500	1,269	835	4,940
331	-	318	207	856
85	621	816	568	2,090
1,154	-	1,003	736	2,893
742	372	857	1,043	3,014
828	50	5,089	594	6,561
3,644	993	3,172	423	8,232
59,489	8,874	55,153	36,873	160,389
3,303	472	3,303	2,359	9,437
<u>\$ 62,792</u>	<u>\$ 9,346</u>	<u>\$ 58,456</u>	<u>\$ 39,232</u>	<u>\$ 169,826</u>

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UNITED FUND OF CARLSBAD & SOUTH EDDY COUNTY
NOTES TO FINANCIAL STATEMENTS
August 31, 2015 and 2014

Note 1. Organization

An independently and locally governed local affiliate of United Way Worldwide; United Fund of Carlsbad & South Eddy County (the "Organization") was incorporated as a tax-exempt nonprofit organization in the State of New Mexico on August 26, 1957, and is primarily and directly responsible for its own operations. The Organization's organizational purpose, as stipulated in the Amended and Restated Articles of Incorporation dated May 12, 2012, is to carry on programs for charitable, religious, educational, and scientific purposes, including, for such purposes, the making of distributions to organizations that qualify as exempt organizations by the Internal Revenue Code. The Organization's primary sources of support and revenue are derived from unrestricted and temporarily restricted contributions from the local community.

Note 2. Summary of Significant Accounting Policies

This summary of significant accounting policies of the Organization is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the presentation of the statements of financial position, statements of activities, statements of cash flows and the statements of functional expenses.

Nature of Activities

Program Services

Allocations & distributions: The Organization's community support program goals are to provide economic assistance to fourteen (14) local "supported" nonprofit entities providing the following services to the local community:

Boys and girls club	Domestic violence shelter
Special needs providers	Youth scouting
Income disadvantaged nutrition	Literacy assistance
Youth safe-house	Income disadvantaged transitional housing
Youth court advocacy providers	

In addition, the Organization provided expanded direct financial assistance to the community impact initiatives primarily comprised of education, health and income emerging needs in the community.

211 referral services: The Organization provides health and human service referrals for Carlsbad and south Eddy County residents for a variety of purposes such as food, housing, utilities, child care, education, volunteer and senior services.

Supporting Services

Management & General: The Organization's management and general services are comprised of the perpetual activities necessary for the administrative processes and management of the financial responsibilities of the Organization.

UNITED FUND OF CARLSBAD & SOUTH EDDY COUNTY
NOTES TO FINANCIAL STATEMENTS
August 31, 2015 and 2014

Note 2. **Summary of Significant Accounting Policies** (continued)

Nature of Activities (continued)

Supporting Services (continued)

Fundraising: The Organization's fundraising services are comprised of the activities necessary to identify, encourage, cultivate and secure public and private financial support from local individuals, businesses, foundations and institutions to perpetuate the viability and future of the Organization.

Basis of Presentation

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB"). The FASB sets generally accepted accounting principles ("GAAP") that the Organization follows to ensure the consistent reporting of its financial condition, changes in net assets and cash flows. References to GAAP issued by the FASB in the accompanying footnotes are to the FASB Accounting Standards Codification ("ASC").

The Organization's financial statements have been prepared in accordance with standards of accounting and financial reporting under ASC 958, *Not-for-Profit Entities* and the AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*. Under this authoritative guidance, the Organization is required to provide financial statements which are prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Resources are reported for accounting purposes in separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying financial statements, net assets having similar characteristics have been combined into similar categories.

- *Unrestricted* – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of the Board of Directors. Restricted net assets received and expended in the same year are classified as unrestricted.
- *Temporarily Restricted* – Net assets whose use by the Organization is subject to donor-imposed stipulations that can be fulfilled by actions of the Organization pursuant to those stipulations or that expire through the passage of time.
- *Permanently Restricted* – Net assets that are subject to donor-imposed stipulations that assets be maintained permanently by the Organization. The donors of these assets permit the Organization to use all or part of the investment return of these assets for continuing operations which maybe be subject to certain restrictions.

Revenue Recognition

Contributions – Unconditional promises to give are recognized as revenue when the gifts' underlying promises are received by the organization. The Organization reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets to a specific time period or specific purpose. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the combined statement of activities and changes in net asset as net assets released from restrictions.

UNITED FUND OF CARLSBAD & SOUTH EDDY COUNTY
NOTES TO FINANCIAL STATEMENTS
August 31, 2015 and 2014

Note 2. Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Contributed Services – Support arising from contributed services are recorded at their estimated fair value at the date of service if the services require specialized skills, are provided by individuals possessing these skills and would need to be purchased by the Organization, if not provided by donation.

(Unaudited) Uncompensated volunteers conduct a significant portion of the Organization's community advocacy programs, services and functions. The estimated fair value of these contributed services is not reflected in the accompanying financial statement because the services do not meet the requirements for recognition under ASC 958-605, "Accounting for Contributions Received and Contributions Made" as of August 31, 2015 and 2014. The Organization's volunteers donated service hours are as follows:

	2015	2014
Volunteer advocacy hours (approximately)	4,000	3,950

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank accounts and money market accounts with original maturities of three months or less at the date of purchase. Cash equivalents are stated at cost plus accrued interest, which approximates fair value and are classified as Level 1 assets.

The Organization places its cash and cash equivalents with high credit quality institutions. Substantially all of the Organization's non-interest bearing cash balances are fully insured at August 31, 2015 and 2014, due to a temporary Federal Depository Insurance Corporation (FDIC) program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance eligible accounts. Beginning 2013, insurance coverage will revert to \$250,000 per depositor at each financial institution, and the Organization's non-interest bearing cash balance may again exceed federally insured limits.

For the purpose of the statements of cash flows, the Organization considers cash, cash equivalents and certificates of deposit investments with original maturities of three months or less to be cash equivalents.

Cash Restricted as to Use

Cash restricted as to use as of August 31, 2015 and 2014, is comprised of amounts received with donor imposed use restrictions specifically intended to benefit the community impact initiatives detailed above in program services.

UNITED FUND OF CARLSBAD & SOUTH EDDY COUNTY
NOTES TO FINANCIAL STATEMENTS
August 31, 2015 and 2014

Note 2. Summary of Significant Accounting Policies (continued)

Investments

Investments as of August 31, 2015 and 2014, are comprised of certificates of deposit with original maturities in excess of three months and are reported at cost which approximates fair values in the statements of financial position.

Financial Instruments and Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of short-term investments (cash equivalents) and pledges receivable. The Organization's cash management procedures are intended to limit its exposure to credit risk. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk therein.

Receivables

Unconditional promises to give are expected to be collected within one campaign cycle, which is typically the 18-month period beginning each September. Conditional promises to give are not included as support until such time as the conditions upon which they depend are substantially met.

An allowance for uncollectible, undesignated promises to give is established at the completion of each annual campaign. The allowance for uncollectible promises to give is based on historical collection experience and management's estimates of the collectability of the promises received. The allowance for uncollectible promises to give August 31, 2015 and 2014, was established at \$38,600, or approximately 3% of the 2015 campaign pledges, and \$28,022, or approximately 1% of the 2014 campaign pledges.

Prepaid Expenses

Expense items primarily comprised of insurance which will benefit future periods are recognized as prepaid expense and are amortized over actual periods benefited.

Property and Equipment

Property and equipment are stated at cost if purchased, or at fair value, if donated. Depreciation is calculated using the straight-line method over the following estimated useful lives of the assets:

	<u>Years</u>
Buildings and improvements	10-40
Furniture, fixtures and equipment	3-10

The Organizations policy is to capitalize expenditures for property and equipment and donated property and equipment received that exceed \$250 and have a useful life greater than one year. When items are retired or disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities and changes in net assets. Repairs or betterments in excess of \$250 that materially prolong the useful lives of assets are capitalized. Repairs and maintenance for normal upkeep are expensed as incurred.

UNITED FUND OF CARLSBAD & SOUTH EDDY COUNTY
NOTES TO FINANCIAL STATEMENTS
August 31, 2015 and 2014

Note 2. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

In accordance with ASC 360-10, *Property, Plant and Equipment*, the Organization periodically reviews the carrying value of long-lived assets held and used, and assets to be disposed of, for possible impairment when events and circumstances warrant such a review. For the years ended August 31, 2015 and 2014, the Organization had not experienced impairment losses on its long-lived assets.

Income Tax Status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. In addition, the Organization qualifies for the charitable contribution deduction under Section 170 of the Code and has been classified as an organization that is not a private foundation. Income determined to be unrelated business taxable income (UBTI) would be taxable.

The Organization has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits. When applicable, the Organization recognizes interest and penalties related to unrecognized tax benefits as accrued expenses in the accompanying financial statements. During the year ended August 31, 2015 and 2014, the Organization did not recognize any interest and penalties.

The Organization files as a tax-exempt organization. As of August 31, 2015, its 2014 through 2011 fiscal year tax returns are open for examination by the IRS. The Organization is not aware of any matters which would jeopardize its tax-exempt status. There are no federal or state examinations in progress.

Fair Value Measurements

The Organization categorizes its assets and liabilities measured at fair value into a three level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level II Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level III Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

UNITED FUND OF CARLSBAD & SOUTH EDDY COUNTY
NOTES TO FINANCIAL STATEMENTS
August 31, 2015 and 2014

Note 2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements (continued)

Subsequent to initial recognition, the Organization may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

ASC 820, Fair Value Measurements and Disclosures ("ASC 820") allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Organization has not elected to measure any existing financial instruments at fair value. However, it may elect to measure newly acquired financial instruments at fair value in the future.

Fair values are measured using independent pricing models or other model-based valuation techniques such as appraised values, adjusted for the security's credit rating, prepayment assumptions, and other factors such as credit loss assumptions. The Organization does not have any assets or liabilities that are valued using Level I or Level III inputs.

Fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Organization's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Organization uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be reclassified from Level I to Level II or Level II to Level III.

Expense Recognition

Expenses are generally reported as decreases in unrestricted net assets. Expirations of donor-imposed time or purpose stipulations that simultaneously increase one class of net assets and decrease another are reported as transfers between the applicable classes of net assets. Gains and losses on investments and other assets and liabilities are reported as increases and decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law.

Allocations

Allocations result from contributions by donors that are not specifically directed to individual organizations and agencies. These funds are allocated for distribution to various member agencies and programs based on need and other criteria deemed appropriate by the Board of Directors. Total allocations are accrued at the conclusion of each annual fundraising campaign when approved by the Board of Directors, which is performed annually in January of the following year.

Designations

Designations result from contributions by donors that are specifically directed to individual organizations and agencies. When received, these funds are distributed to the intended organizations as the pledges are receipted in accordance with the Organizations funding distribution schedule.

UNITED FUND OF CARLSBAD & SOUTH EDDY COUNTY
NOTES TO FINANCIAL STATEMENTS
August 31, 2015 and 2014

Note 2. Summary of Significant Accounting Policies (continued)

Advertising Costs

The Organization expenses advertising and marketing costs as they are incurred. Advertising and marketing expenses totaled \$6,133 and \$11,244 for the years ended August 31, 2015 and 2014.

Functional Expenses

The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Accordingly, certain costs are incurred which benefit more than one program. The Organization allocates these expenses among programs and support services based upon time, use and square footage estimates. Expenses that are specifically identifiable are charged directly to the appropriate functional category.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the 2015 presentation.

Note 3. Investments

Investments at August 31, 2015 and 2014, consist of certificates of deposit aggregating \$102,337 and \$101,975, respectively. The certificates of deposit are stated at cost, which approximates fair value with maturities ranging from 6 (six) to 12 (twelve) months on the date of acquisition.

Earnings on the investments totaled \$2,228 and \$2,156 for years ended August 31, 2015 and 2014, respectively.

Note 4. Accounts Receivable

Accounts receivable is comprised of the following as of August 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Pledges receivable in less than 1 year	\$ 214,250	\$ 218,870
Less allowance for uncollectible pledges	<u>(38,600)</u>	<u>(28,022)</u>
	<u>\$ 175,650</u>	<u>\$ 190,848</u>

UNITED FUND OF CARLSBAD & SOUTH EDDY COUNTY
NOTES TO FINANCIAL STATEMENTS
August 31, 2015 and 2014

Note 5. Property and Equipment

Property and equipment consists of the following as of August 31, 2015 and 2014:

	2015	2014
Land	\$ 10,000	\$ 10,000
Buildings and improvements	134,506	134,506
Office equipment and furnishings	25,382	23,689
	169,888	168,195
Less accumulated depreciation	(33,272)	(25,654)
	\$ 136,616	\$ 142,541

Depreciation expense for the years ended August 31, 2015 and 2014 is \$7,618 and \$9,437, respectively.

Note 6. Fair Value Measurements

The Organization uses fair value measurements to record fair value adjustments to certain assets and to determine fair value disclosures. Additional information on the Organization's fair value measurements is located in Note 2, Significant Accounting Policies. The Organization's financial instruments consist of cash and cash equivalents, investments, accounts receivable and accounts payable. The carrying values of these financial instruments approximate their fair value.

The following presents the fair value hierarchy, measuring fair value at quoted prices in active markets for identical assets (Level I), significant other observable inputs (Level II), and significant unobservable inputs (Level III). Assets measured at fair value on a recurring basis as of August 31, 2015 and 2014, and are as follows:

Assets at Fair Value at August 31, 2015					
	August 31, 2015	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total (Losses) Year Ended August 31, 2015
Investments	\$ <u>102,337</u>	\$ <u>102,337</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

Assets at Fair Value at August 31, 2014					
	August 31, 2014	Quoted Prices in Active Markets for Identical Assets (Level I)	Significant Observable Inputs (Level II)	Significant Unobservable Inputs (Level III)	Total (Losses) Year Ended August 31, 2014
Investments	\$ <u>101,975</u>	\$ <u>101,975</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

UNITED FUND OF CARLSBAD & SOUTH EDDY COUNTY
NOTES TO FINANCIAL STATEMENTS
August 31, 2015 and 2014

Note 6. Fair Value Measurements (continued)

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practical to estimate that value:

- The Organization's current assets and current liabilities, excluding the instruments above are reported at the carrying amount which approximates fair value because of the short maturities.

Note 7. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for the following purposes or for future periods at August 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Restricted as to purpose		
Stuff-the-bus	\$ <u>5,614</u>	\$ <u>8,823</u>

Note 8. Supplemental Disclosure of Cash Flows

The Organization was not under obligation to pay interest or income taxes for the years ended August 31, 2015 and 2014. The Organization did not have non-cash transaction activity for the years ended August 31, 2015 and 2014.

Note 9. Commitments and Contingencies

Credit and Operational Risk

Due to the fact that Organization's programs are concentrated in southern Eddy County, New Mexico, the level of restricted and unrestricted contributions may be affected by changes in economic or other conditions which affect this locale.

In addition, to geographic concentration risk, other risk factors that may affect the Organization's future ability to carry out its mission, including: the Organization's ongoing dependency availability and volume of volunteer assistance needed versus the collection of funding available to liquidate the obligations presented by the Organization's short-term liabilities and the risk of loss of community, corporate and private support.

Litigation

The Organization is not aware of the existence of any pending or threatened proceeding that would have a material adverse effect on its financial position or results of operations for the years ended August 31, 2015 and 2014.

UNITED FUND OF CARLSBAD & SOUTH EDDY COUNTY
NOTES TO FINANCIAL STATEMENTS
August 31, 2015 and 2014

Note 10. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 24, 2016, the date the financial statements were available to be issued.