

**UNITED WAY OF CARLSBAD  
& SOUTH EDDY COUNTY**

**Financial Statements  
and  
Independent Auditors' Report**

**For the Years Ended  
August 31, 2016 and 2015**

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**SCHLENKER & CANTWELL, P.A.**  
Certified Public Accountants

8401 Constitution Ave. N.E., Suite 100

Albuquerque, New Mexico 87110

Phone: (505) 275-3915

Fax: (505) 275-3919

## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of the United Way of Carlsbad & South Eddy County (a non-profit organization) which comprise the statement of financial position as of August 31, 2016, and the related statements of activities and changes in net assets 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 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 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 Carlsbad & South Eddy County as of August 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Prior Period Financial Statements***

The financial statements of United Way of Carlsbad & South Eddy County as of August 31, 2015, were audited by other auditors whose report dated June 24, 2016, expressed an unmodified opinion on those statements.

*Schlenker & Cantwell, P.A.*

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SCHLENKER & CANTWELL, P.A.  
Certified Public Accountants

Albuquerque, New Mexico  
December 19, 2016

**UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY**

Statements of Financial Position

For the years ended August 31, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Current Assets		
Cash and cash equivalents	\$ 820,201	\$ 1,038,984
Cash restricted as to use	9,124	5,614
Investments - short term	102,616	102,337
Unconditional promises to give, net	127,452	175,650
Prepaid expenses	<u>1,755</u>	<u>3,676</u>
Total current assets	1,061,148	1,326,261
Property and equipment, net	<u>128,815</u>	<u>136,616</u>
Total assets	<u>\$ 1,189,963</u>	<u>\$ 1,462,877</u>

LIABILITIES AND NET ASSETS

Current Liabilities		
Campaign designations payable	\$ 182,562	\$ 303,793
Accrued expenses	8,592	5,469
Funds held as fiscal agent	<u>19,930</u>	<u>2,430</u>
Total current liabilities	<u>211,084</u>	<u>311,692</u>
Net Assets		
Unrestricted	969,755	1,145,571
Temporarily restricted	<u>9,124</u>	<u>5,614</u>
Total net assets	<u>978,879</u>	<u>1,151,185</u>
Total liabilities and net assets	<u>\$ 1,189,963</u>	<u>\$ 1,462,877</u>

See independent auditors' report and notes to the financial statements

**UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY**

Statements of Activities and Changes in Net Assets

For the year ended August 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public Support and Revenue			
Campaign support			
Pledges, current campaign year	\$ 755,230	\$ 6,269	\$ 761,499
Donor designations to other organizations	(20,240)	-	(20,240)
	<hr/>	<hr/>	<hr/>
	734,990	6,269	741,259
Less provision for uncollectible pledges	(114,118)	-	(114,118)
Net campaign support	<hr/>	<hr/>	<hr/>
	620,872	6,269	627,141
Special events, net of direct costs of \$6,084	13,892	-	13,892
Interest income	2,147	-	2,147
Expense recovery and other	5,350	-	5,350
Net assets released for restrictions			
Restrictions satisfied by payment	2,759	(2,759)	-
	<hr/>	<hr/>	<hr/>
Total public support and revenue	645,020	3,510	648,530
Distributions, program services and expenses			
Distributions	105,327	-	105,327
Donor designations to other organizations	(20,240)	-	(20,240)
	<hr/>	<hr/>	<hr/>
Distributions to program partners	85,087	-	85,087
Community impact grants	487,592	-	487,592
	<hr/>	<hr/>	<hr/>
Total distributions	572,679	-	572,679
Program services			
Allocations and grants	62,813	-	62,813
211 referral services	58,568	-	58,568
Supporting services			
Management and general	56,531	-	56,531
Fundraising	60,308	-	60,308
	<hr/>	<hr/>	<hr/>
Total program and support services	238,221	-	238,221
Unallocated payments to affiliated organizations			
United Way Worldwide	9,936	-	9,936
	<hr/>	<hr/>	<hr/>
Total expenses	820,836	-	820,836
Change in net assets	(175,816)	3,510	(172,306)
Net assets, beginning of year	1,145,571	5,614	1,151,185
	<hr/>	<hr/>	<hr/>
Net assets, end of year	\$ 969,755	\$ 9,124	\$ 978,879
	<hr/>	<hr/>	<hr/>

See independent auditors' report and notes to the financial statements

**UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY**

Statements of Activities and Changes in Net Assets

For the year ended August 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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)
	<hr/>	<hr/>	<hr/>
	864,567	14,863	879,430
Less provision for uncollectible pledges	(42,686)	-	(42,686)
Net campaign support	<hr/>	<hr/>	<hr/>
	821,881	14,863	836,744
Special events, net of direct costs of \$8,561	5,264	-	5,264
Interest income	2,228	-	2,228
Expense recovery and other	4,495	-	4,495
Net assets released for restrictions			
Restrictions satisfied by payment	18,072	(18,072)	-
	<hr/>	<hr/>	<hr/>
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)
	<hr/>	<hr/>	<hr/>
Distributions to program partners	327,084	-	327,084
Community impact grants	139,819	-	139,819
	<hr/>	<hr/>	<hr/>
Total distributions	466,903	-	466,903
Program services			
Allocations and grants	59,994	-	59,994
211 referral services	44,234	-	44,234
Supporting services			
Management and general	61,349	-	61,349
Fundraising	51,202	-	51,202
	<hr/>	<hr/>	<hr/>
Total program and support services	216,779	-	216,779
Unallocated payments to affiliated organizations			
United Way Worldwide	8,625	-	8,625
	<hr/>	<hr/>	<hr/>
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
	<hr/>	<hr/>	<hr/>
Net assets, end of year	<u>\$ 1,145,571</u>	<u>\$ 5,614</u>	<u>\$ 1,151,185</u>

See independent auditors' report and notes to the financial statements

**UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY**

Statements of Cash Flows

For the years ended August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (172,306)	\$ 156,424
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation	7,801	7,618
Provisions for uncollectable pledges	114,118	42,686
(Increase) decrease in operating assets		
Cash restricted as to use	(3,510)	3,209
Unconditional promises to give	(65,920)	(27,488)
Prepaid expenses	1,921	(306)
Increase (decrease) in operating liabilities		
Campaign designations payable	(121,231)	(3,963)
Accrued expenses	3,123	1,442
Funds held as fiscal agent	17,500	-
Net cash (used) provided by operating activities	<u>(218,504)</u>	<u>179,622</u>
Cash flows from investing activities		
Purchases of investments	(279)	(362)
Purchases of equipment	-	(1,694)
Net cash used by investing activities	<u>(279)</u>	<u>(2,056)</u>
Net (decrease) increase in cash and cash equivalents	(218,783)	177,566
Cash and cash equivalents, beginning of year	<u>1,038,984</u>	<u>861,418</u>
Cash and cash equivalents, end of year	<u>\$ 820,201</u>	<u>\$ 1,038,984</u>

See independent auditors' report and notes to the financial statements



**UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY**

Statement of Functional Expenses

For the year ended August 31, 2016

	Program Services		Management and General	Fundraising	Total
	Allocations and Grants	211 Referral Services			
Compensation and related benefits					
Salaries and wages	\$ 41,682	\$ 37,267	\$ 37,267	\$ 37,267	\$ 153,483
Employee benefits	3,387	5,887	3,387	3,387	16,048
Employment taxes and insurance	3,102	3,103	3,102	3,102	12,409
Advertising and marketing	557	1,368	557	557	3,039
Membership, registration and fees	233	233	233	233	932
Occupancy					
Insurance	4,138	2,217	2,217	2,217	10,789
Rents and leases	900	1,315	1,316	1,315	4,846
Repairs and maintenance	1,505	957	957	957	4,376
Telephone, internet and web	876	1,007	876	876	3,635
Utilities	768	-	-	-	768
Office supplies	951	957	974	1,388	4,270
Other	1,193	2,557	2,124	6,268	12,142
Training	791	1,310	791	791	3,683
Total expenses before depreciation	<u>60,083</u>	<u>58,178</u>	<u>53,801</u>	<u>58,358</u>	<u>230,420</u>
Depreciation	<u>2,730</u>	<u>390</u>	<u>2,730</u>	<u>1,950</u>	<u>7,801</u>
Total functional expenses	<u>\$ 62,813</u>	<u>\$ 58,568</u>	<u>\$ 56,531</u>	<u>\$ 60,308</u>	<u>\$ 238,221</u>

See independent auditors' report and notes to the financial statements

**UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY**

Statement of Functional Expenses

For the year ended August 31, 2015

	Program Services		Management and General	Fundraising	Total
	Allocations and Grants	211 Referral Services			
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	2,755	330	1,819	1,264	6,168
Repairs and maintenance	2,270	210	1,472	1,051	5,003
Telephone, internet and web	1,104	386	1,104	789	3,383
Utilities	925	-	-	-	925
Office supplies	1,291	310	1,331	2,744	5,676
Other	2,031	3,520	5,372	9,679	20,602
Training	501	384	1,916	358	3,159
Total expenses before depreciation	<u>57,328</u>	<u>43,853</u>	<u>58,683</u>	<u>49,297</u>	<u>209,161</u>
Depreciation	<u>2,666</u>	<u>381</u>	<u>2,666</u>	<u>1,905</u>	<u>7,618</u>
Total functional expenses	<u>\$ 59,994</u>	<u>\$ 44,234</u>	<u>\$ 61,349</u>	<u>\$ 51,202</u>	<u>\$ 216,779</u>

## UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Notes to the Financial Statements

August 31, 2016 and 2015

### **NOTE 1 - NATURE OF ORGANIZATION**

An independently and locally governed local affiliate of United Way Worldwide; United Way 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 applied in the presentation of the accompanying financial statements follows:

#### **Basis of Accounting**

The financial statements of the organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

#### **Basis of Presentation**

The Organization follows accounting standards set by the Financial Accounting Standards Board ("FASB") in its Accounting Standards Codification (ASC) 958-205, "Financial Statements of Not-for-Profit Organizations". Under ASC 958-205, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted Net Assets* - represents net assets that are not subject to donor-imposed stipulations. A portion of net assets has been designated for endowment purposes pursuant to Board of Directors' resolutions. Since the amount resulted from an internal designation and is not donor-restricted, it is classified as unrestricted net assets.

*Temporarily Restricted Net Assets* - represents net assets subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. Temporarily restricted net assets include earnings on donor-restricted funds that the Foundation has not appropriated for expenditure.

*Permanently Restricted Net Assets* - represents net assets subject to donor-imposed stipulations that must be maintained in perpetuity by the Foundation.

# UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Notes to the Financial Statements

August 31, 2016 and 2015

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### Nature of Activities

#### Program Services

*Allocations & distributions:* The Organization's community support program goals are to provide economic assistance to twenty-five (25) 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.

*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.

### 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 WAY OF CARLSBAD & SOUTH EDDY COUNTY**

Notes to the Financial Statements

August 31, 2016 and 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2016 and 2015. The Organization's volunteers donated service hours are as follows:

	<u>2016</u>	<u>2015</u>
Volunteer advocacy hours (approximately)	1,600	4,000

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, 2016 and 2015.

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, 2016 and 2015, is comprised of amounts received with donor imposed use restrictions specifically intended to benefit the community impact initiatives detailed above in program services.

Investments

Investments as of August 31, 2016 and 2015, 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

**UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY**

Notes to the Financial Statements

August 31, 2016 and 2015

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial Instruments and Credit Risk (continued)

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, 2016 and 2015, was established at \$43,600, or approximately 3% of the 2016 campaign pledges, and \$38,600, or approximately 3% of the 2015 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:

Buildings and improvements	10-40 years
Furniture, fixtures and equipment	3-10 years

Property and Equipment (continued)

The Organizations policy is to capitalize expenditures for property and equipment and donated property and equipment received that exceed \$1,000 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 \$1,000 that materially prolong the useful lives of assets are capitalized. Repairs and maintenance for normal upkeep are expensed as incurred.

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, 2016 and 2015, the Organization had not experienced impairment losses on its long-lived assets.

## UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Notes to the Financial Statements

August 31, 2016 and 2015

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### Functional Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

#### 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, 2016 and 2015, the Organization did not recognize any interest and penalties.

The Organization files as a tax-exempt organization. As of August 31, 2016, its 2015 through 2012 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.

#### 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.

## UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Notes to the Financial Statements

August 31, 2016 and 2015

### **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### 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 received in accordance with the Organizations funding distribution schedule.

#### Advertising Costs

The Organization expenses advertising and marketing costs as they are incurred. Advertising and marketing expenses totaled \$3,039 and \$6,133 for the years ended August 31, 2016 and 2015.

#### 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.

### **NOTE 3 – INVESTMENTS**

Investments at August 31, 2016 and 2015, consist of certificates of deposit and Community fund funds aggregating \$102,616 and \$102,337, 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 \$2,147 and \$2,228 for years ended August 31, 2016 and 2015, respectively.

### **NOTE 4 – ACCOUNTS RECEIVABLE**

Accounts receivable is comprised of the following as of August 31, 2016 and 2015:

	2016	2015
Pledges receivable in less than 1 year	\$ 177,052	\$ 214,250
Less allowance for uncollectable pledges	(43,600)	(38,600)
	<u>\$ 127,452</u>	<u>\$ 175,650</u>



**UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY**

Notes to the Financial Statements

August 31, 2016 and 2015

**NOTE 5 – PROPERTY AND EQUIPMENT**

Property and equipment consists of the following as of August 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Land	\$ 10,000	\$ 10,000
Buildings and improvements	134,506	134,506
Office equipment and furnishings	<u>25,382</u>	<u>25,382</u>
	169,888	169,888
	<u>(41,073)</u>	<u>(33,272)</u>
	<u>\$ 128,815</u>	<u>\$ 136,616</u>

Depreciation expense for the years ended August 31, 2016 and 2015 is \$7,801 and \$7,618, respectively.

**NOTE 6 – RETIREMENT PLAN**

The organization provides a SIMPLE IRA retirement plan for employee's who have attained the age of 21. The plan provides for up to a 3% matching contribution of compensation, or a 2% non-elective contribution for each eligible employee. The organization's contribution was \$2,518 and \$2,559 for the years ended August 31, 2016 and 2015, respectively.

**NOTE 7 - FAIR VALUE MEASUREMENT**

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include: Quoted prices for similar assets or liabilities in active markets; Quoted prices for identical or similar assets or liabilities in inactive markets; Inputs other than quoted prices that are observable for the asset or liability; Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

**UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY**

Notes to the Financial Statements

August 31, 2016 and 2015

**NOTE 7 - FAIR VALUE MEASUREMENT (continued)**

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2016 and 2015. Although not required, the table below includes cash restricted for long-term purposes to reconcile the tables to the consolidated statements of financial position.

*Carlsbad Community Foundation:* Valued at evaluated price which is based on a compilation of primarily observable market information or a broker quote in a non-active market.

*Certificates of Deposit:* Valued at the NAV for shares held by the Foundation at year-end as determined by quoted market prices.

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of August 31, 2016:

<u>Description</u>		<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>		<u>Total</u>
Carlsbad Community Foundation	\$	-	\$	21,226	\$	-	\$	-
Certificates of Deposit		102,616		-		-		-
<b>Total</b>	\$	102,616	\$	21,226	\$	-	\$	-

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets at fair value as of August 31, 2015:

<u>Description</u>		<u>Level 1</u>		<u>Level 2</u>		<u>Level 3</u>		<u>Total</u>
Carlsbad Community Foundation	\$	-	\$	20,345	\$	-	\$	-
Certificates of Deposit		102,337		-		-		-
<b>Total</b>	\$	102,337	\$	20,345	\$	-	\$	-

**UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY**

Notes to the Financial Statements

August 31, 2016 and 2015

**NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
Stuff the Bus	\$ 9,124	\$ 5,614

**NOTE 9 - SUPPLEMENTAL DISCLOSURE OF CASH FLOWS**

The Organization was not under obligation to pay interest or income taxes for the years ended August 31, 2016 and 2015. The Organization did not have non-cash transaction activity for the years ended August 31, 2016 and 2015.

**NOTE 10 – 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.

**NOTE 11 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 19, 2016, the date the financial statements were available to be issued.