



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**UNITED WAY OF
SANTA FE COUNTY, INC.**

**INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2019
With Comparative Totals for 2018**

UNITED WAY OF SANTA FE COUNTY
For the Year Ended June 30, 2019, With Comparative Totals for 2018

TABLE OF CONTENTS

| | <u>Page</u> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| Official Roster | ii |
| Management Review of Operations | 1-4 |
| Report by Management | 5 |
| Independent Auditor's Report | 6-7 |
| Financial Statements: | |
| Statement of Financial Position | 8 |
| Statement of Activities | 9 |
| Statement of Functional Expenses | 10 |
| Statement of Cash Flows | 11 |
| Notes to Financial Statements | 12-29 |
| Other Reports | |
| Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 30-31 |
| Schedule of Findings and Responses | 32 |

UNITED WAY OF SANTA FE COUNTY, INC.
OFFICIAL ROSTER
As of June 30, 2019

Board of Directors

| | |
|-------------------------------|-------------|
| Miranda Viscoli | Chair |
| Barbara Rand | Chair-Elect |
| Brian Lewis | Treasurer |
| Lynda Gavioli | Secretary |
| Alicia Bertram | Member |
| Keith Burks | Member |
| Barbara Damron, PhD, RN, FAAN | Member |
| Katherine Freeman | Member |
| William E. Garcia | Member |
| Bud Hamilton | Member |
| Susie Harburg | Member |
| Anne W. Honstein | Member |
| Carol Johnson | Member |
| Nancy King | Member |
| Margie Kintz | Member |
| Carl Luff | Member |
| Stacy Quinn | Member |
| Rosemary Romero | Member |
| Maria Elena Sanchez | Member |
| Trudy Swint | Member |
| Wendy Trevisani | Member |

Administrative Personnel

| | |
|-------------------|---------------------|
| Katherine Freeman | CEO |
| Mona Kay | VP of Finance |
| Marisol Baird | Executive Assistant |

**UNITED WAY OF SANTA FE COUNTY
MANAGEMENT REVIEW OF OPERATIONS
June 30, 2019**

Financial Condition

United Way of Santa Fe County (UWSFC) finished fiscal year 2019 with a decrease in net assets of \$579,315. UWSFC's cash balance was \$303,494. We expect \$115,713 in pledges from the 2019 campaign to be paid during fiscal year 2020. Our liabilities total \$526,868, consisting of funds in the amount of \$76 held for other organizations for which UWSFC acts as fiscal sponsor, a note payable for building upgrades in the amount of \$250,000, \$171,396 of payables, accrued expenses and other liabilities, and \$105,396 of accrued interest as of June 30, 2019 payable to the Santa Fe Public Schools for the purchase of Kaune Elementary School. Our net assets are \$4,362,971, of which \$514,285 are capital campaign funds to complete the upgrades for the Early Learning Center at Kaune, which began operations in August 2018.

Results of Operations

In FY19, UWSFC's net loss of \$579,315 was in part the result of several significant foundation grants that were received in preceding fiscal years but had ending grant periods and expense disbursements in FY19. Our annual campaign pledges for several years had decreased due to a simultaneous five-year capital campaign to open the Early Learning Center at Kaune. As the capital campaign ended in FY19, the annual campaign is expected to rebound in FY20. However, we continue to sustain and grow our programs and advocacy for early childhood education, with ongoing and new funding from private donors like the Brindle Foundation, the Thornburg Foundation, and CHRISTUS St. Vincent Regional Medical Center. Therefore, sustained and new grant revenue, in combination with giving through our annual campaign, has enabled UWSFC's Early Learning Programs to continue its momentum.

Capital Campaign

UWSFC launched a Capital Campaign in fiscal year 2015 in order to create an Early Learning Center for children aged six months to five years. In fiscal year 2016, UWSFC purchased Kaune Elementary School from Santa Fe Public Schools (SFPS) and entered into a ground lease with SFPS for the school's land. The \$8 million capital campaign funded the purchase and interior remodeling of Kaune to house early learning classrooms and a variety of adult learning programs to be provided by UWSFC. In fiscal year 2018, in order to expedite the opening of the Early Learning Center at Kaune, UWSFC's Board of Directors voted to open it first as a PreK for three- and four-year old children, with the anticipation of additional early and adult learning classrooms being added as funding allows.

Designated Pledges

Individuals making donations to UWSFC may designate their donation to specific non-profit agencies. Under accounting principles generally accepted in the United States of America, UWSFC may not recognize such donations as revenue since we act as a pass-through agent. The amount of designated pledges was \$60,176 net of fees. Eighty-eight percent of fiscal year 2019 designations were paid to 19 specified agencies prior to fiscal year end. The remaining portion will be paid in full by January 31, 2020.

**UNITED WAY OF SANTA FE COUNTY
MANAGEMENT REVIEW OF OPERATIONS
June 30, 2019**

Our Mission

The mission of UWSFC is to engage the whole community, bringing together people and resources to create increased opportunities for children and families to achieve their dreams and aspirations. UWSFC's Early Learning Programs are our vehicle for achieving that mission and as such represents our overall strategy. Listed here are the components of that strategy:

- **Early Intervention** – First Born®: home visitation curriculum that serves families with children prenatal to three years old. The Great Start Family Support home visitation program provides any family experiencing a birth in Santa Fe County with three home visits within the first 30 postpartum days, if requested. The Prenatal Education and Outreach Program is an intense targeted outreach effort to find and support women during the early months of pregnancy, and to offer them prenatal support. The Family Friends and Neighbors Program supports community members providing informal day care in their homes with home visits and group activities to improve the quality of their care. UWSFC also offers a series of workshops and support for parenting across the age spectrum.
- **PreK Education** – Pre-K Classes/Parent Support Program: for 3- and 4-year-olds.
- **The Dolly Parton Imagination Library** – Funded by Santa Fe County, UWSFC administers the Dolly Parton Imagination Library, an early literacy program that sends each enrolled child an age appropriate book every month, from birth to age five. UWSFC utilizes additional funding sources for Spanish language versions of these books.
- **Navigation Services** – Also funded by Santa Fe County, UWSFC provides Navigation Services to link at-risk Santa Fe County residents to health-related social needs such as food, housing, energy assistance, transportation and behavioral health treatment.
- **Early Childhood Policy and Advocacy** – UWSFC has spearheaded a path-breaking initiative – the New Mexico Early Childhood Development Partnership – that is bringing business and community leaders to the table in an unprecedented groundswell of support for increased sustainable public funding for early childhood development. This work involves identifying viable sources and strategies for increased public funding and then creating and supporting the necessary legislation and public policy to secure these funds in perpetuity.
- **Volunteer Opportunities** – we have increased opportunities for reading and mentoring PreK students, as well as assisting at community art events and mailing books to children. These volunteers play a special role in developing trust, confidence and mastery in young children learning to read.
- **Community Engagement** – engaging more people from the public and private sectors in support of our children's education runs through all UWSFC Early Learning Programs.

**UNITED WAY OF SANTA FE COUNTY
MANAGEMENT REVIEW OF OPERATIONS
June 30, 2019**

Within UWSFC's Early Learning Programs there are five ways to partner with other community organizations:

1. Contracting for services with other organizations
2. Orchestrate collaborations that have two goals:
 - Leverage existing resources
 - Position collaboration to seek funding sources
3. Referral relationships
4. Program partnership
5. Mobilization of community around education

The Board of Directors has determined that UWSFC resources will support our Early Learning Programs and community engagement initiatives.

United Way Initiatives

UWSFC Early Learning Programs

The mission of United Way of Santa Fe County (UWSFC) is to engage the whole community, bringing together people and resources to create increased opportunities for children and families to achieve their dreams and aspirations. We achieve this mission through our Early Learning Programs. Our programs are an array of innovative child and family development initiatives that seeks to strengthen families, and the whole community, through a sequential pipeline of early intervention, education, and development opportunities.

The concept is really rather simple: if being born and raised in poverty imposes unfair conditions that decrease the likelihood of children's success compared to children born and raised in greater affluence, social justice requires the provision of supports to alleviate that disadvantage. The most just condition would be the provision of supports and resources equal to the supports and resources available to the more fortunate.

This simple notion has guided the design and implementation of our programs for the last 11 plus years. UWSFC's Early Learning Programs are a complex network of sequential services, programs and opportunities – social, educational, and civic engagement – that, taken together, can change academic and social conditions, resulting in greatly increased community assets, family strengths and, ultimately, success for children.

**UNITED WAY OF SANTA FE COUNTY
MANAGEMENT REVIEW OF OPERATIONS
June 30, 2019**

New Mexico Early Childhood Development Partnership (NMECDP)

The NMECDP is an additional initiative of UWSFC, with UWSFC CEO Katherine Freeman serving as chair.


The NMECDP is a public-private partnership founded to advocate for the creation, adoption, and implementation of robust, effective, and proven early childhood programs that are available to all children, birth to age five in New Mexico. The Partnership's mission is to create awareness, support, and understanding of the overwhelming benefits of early childhood development programs, and the positive effect on future generations of New Mexicans.

Outlook

We have planned for several years to become an organization that truly has the ability to make an impact of lasting change in the community, rather than being the traditional fundraising organization passing funds through to other organizations. We believe we are making real and lasting changes for our families through our programs.

By creating new opportunities for children and families, we bring the community together to plan, advocate, and provide programs from birth to career. Our children become more successful in school and in life, our families become more resilient, our community becomes stronger both now and in the future.

United Way of Santa Fe County has a bold outlook for the future. Several years ago, our campaign represented a substantial portion of our revenue. Today our campaign represents only 21% of our operating budget with the remaining 79% coming from the combination of private foundations, individual donations, fees for services and state multi-year service awards.



Katherine Freeman
President & CEO



Brian Lewis
Treasurer

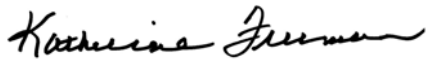
UNITED WAY OF SANTA FE COUNTY
REPORT BY MANAGEMENT
June 30, 2019

Management is responsible for the preparation and the integrity of the accompanying financial statements. These statements are prepared in accordance with accounting principles generally accepted in the United States of America and require the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. In management's opinion, the financial statements present fairly our financial position, changes in our net assets and cash flows. All financial information in this Annual Financial Report is consistent with the financial statements.

Management maintains and relies on a system of internal controls and related policies and procedures that provide reasonable assurance of the integrity and reliability of the financial statements. The system provides, at appropriate costs and within the inherent limitations of all internal control systems that transactions are executed in accordance with management's authorization and are properly recorded and reported in the financial statements and that assets are safeguarded. Our internal control system provides for careful selection and training of supervisory and management personnel and requires appropriate segregation of responsibilities and delegation of authority. In addition, we have prepared a corporate code of ethics for purposes of determining possible conflicts of interest, compliance with laws and confidentiality of proprietary information.

Our independent auditors, Hinkle + Landers, audited the annual financial statements as described in their report. They obtained an understanding of our internal control system to enable them to plan their audit and determine audit procedures to be performed.

The Board of Directors has established an independent Audit Committee. The Committee is appointed by the Board to assist the Board in its oversight function by monitoring, among other things, our financial reporting process and the independence and performance of our independent auditors. The Committee's activities include meeting periodically with management and the independent auditors to discuss their independence and to review audit results, financial reporting, internal controls and other financial matters. The independent auditors have full and free access to the Committee.



Katherine Freeman
President & CEO



Brian Lewis
Treasurer

Independent Auditor's Report

The Board of Directors of
United Way of Santa Fe County, Inc.
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the United Way of Santa Fe County (the UWSFC)(a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, 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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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.

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 the UWSFC as of June 30, 2019, 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.

Emphasis of Matter

Financial Statements

The UWSFC adopted FASB accounting standards update (ASU) 2016-14. Presentation of Financial Statements of Not-For-Profit Entities, as described in Note B. The changes required by the update have been applied retrospectively to all periods presented.

Restatement

As discussed in Note U to the financial statements, the 2019 financial statements have been restated due to implementation of ASU 2016-14. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the UWSFC's June 30, 2018 financial statements. We have previously audited the UWSFC's 2018 financial statements, and we issued an unmodified opinion on those audited financial statements in our report dated November 12, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Management Review of Operations and Report by Management

The introductory section identified in the table of contents as management review of operations and report by management have not been subjected to the auditing procedures applied in the audit of the Financial Statements and accordingly, we do not express an opinion or any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019, on our consideration of the UWSFC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the UWSFC's internal control over financial reporting and compliance.



Hinkle + Landers, P.C.
Albuquerque, NM
November 12, 2019

UNITED WAY OF SANTA FE COUNTY
STATEMENT OF FINANCIAL POSITION
As of June 30, 2019, With Comparative Totals For 2018

| | Notes | 2019 | 2018 |
|--------------------------------------------------------|--------------|---------------------|------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash & cash equivalents | | | |
| Without donor restrictions | C | \$ (8,339) | 580,083 |
| With donor restrictions | C | 311,833 | 782,473 |
| Campaign pledges receivable, net | H | 115,713 | 113,569 |
| Capital campaign pledges receivable, net - current | H | 82,535 | 21,400 |
| Grants receivable | G | 438,001 | 162,675 |
| Miscellaneous receivable | G | 20,947 | 46 |
| Prepaid expenses and other | | 40,869 | 38,659 |
| Total current assets | | 1,001,559 | 1,698,905 |
| Security and equipment deposit | I | 2,440 | 2,440 |
| Capital campaign pledges receivable, net - non-current | H | 93,464 | 237,606 |
| Endowment investments | D, E | 133,240 | 268,338 |
| Property and equipment, net | J | 3,659,136 | 3,532,087 |
| Total non-current assets | | 3,888,280 | 4,040,471 |
| TOTAL ASSETS | | \$ 4,889,839 | 5,739,376 |
| LIABILITIES AND NET ASSETS | | | |
| Current Liabilities | | | |
| Accounts payable | | \$ 91,204 | 376,260 |
| Accrued liabilities | K | 79,954 | 65,358 |
| Deferred revenue | | 238 | - |
| Funds held for other organizations | | 76 | 76 |
| Notes payable (current portion) | L | 35,160 | - |
| Interest payable (Kaune Building) | L | 105,396 | 105,396 |
| Total current liabilities | | 312,028 | 547,090 |
| Long-term Liabilities: | | | |
| Notes payable | L | 214,840 | 250,000 |
| Total liabilities | | 526,868 | 797,090 |
| Net Assets | | | |
| Net assets without donor restrictions | | | |
| Undesignated | | (129,693) | (1,187,568) |
| Net investment in property and equipment | | 3,303,740 | 3,176,691 |
| Net assets with donor restrictions | | | |
| Purpose/time restricted net assets | N | 1,062,493 | 1,317,769 |
| Restrictions perpetual in nature | E | 126,431 | 1,635,394 |
| Total net assets | | 4,362,971 | 4,942,286 |
| TOTAL LIABILITIES AND NET ASSETS | | \$ 4,889,839 | 5,739,376 |

UNITED WAY OF SANTA FE COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2019, With Comparative Totals For 2018

| | | With Donor Restrictions | | | |
|-----------------------------------------------------------------------------------|-------------------------------|------------------------------|---------------------------|------------------------|------------------|
| | Without Donor Restrictions | Purpose/Time Restrictions | Perpetual Restrictions | 2019 Totals | 2018 Totals |
| Public support | | | | | |
| Campaign results and other support | | | | | |
| Amounts raised and processed by UWSFC | \$ 612,566 | 165,713 | - | 778,279 | 650,135 |
| Amounts raised and processed for United Way organizations | 41,445 | - | - | 41,445 | 31,019 |
| Difference of previous campaign reserve to actual Campaign results | 21,031 | - | - | 21,031 | (1,810) |
| | <u>675,042</u> | <u>165,713</u> | <u>-</u> | 840,755 | <u>679,344</u> |
| Less provision for uncollectible pledges | (18,945) | - | - | (18,945) | (20,582) |
| Net campaign results before donor designations | <u>656,097</u> | <u>165,713</u> | <u>-</u> | 821,810 | <u>658,762</u> |
| Less donor designations | (60,176) | - | - | (60,176) | (15,118) |
| Net campaign revenue | <u>595,921</u> | <u>165,713</u> | <u>-</u> | 761,634 | <u>643,644</u> |
| Capital campaign revenue, net of discount | - | 342,277 | - | 342,277 | 664,919 |
| Bequests | - | - | - | - | 659 |
| County grants | 150,908 | - | - | 150,908 | 103,848 |
| State grants | 1,121,963 | - | - | 1,121,963 | 939,530 |
| Federal grants | 34,243 | - | - | 34,243 | 34,732 |
| Other grants | - | 682,450 | - | 682,450 | 983,950 |
| In-kind contributions | 117,224 | 15,397 | - | 132,621 | 484,955 |
| Total public support | <u>2,020,259</u> | <u>1,205,837</u> | <u>-</u> | 3,226,096 | <u>3,856,237</u> |
| Fee revenue from pledges | - | - | - | - | 2,250 |
| Other income | 352,727 | 46,075 | - | 398,802 | 129,762 |
| Dividends and interest | 7,436 | - | - | 7,436 | 16,068 |
| Investment (losses) gains | 6,809 | - | - | 6,809 | 29,580 |
| Net assets released from restrictions due to satisfaction of program restrictions | 1,649,095 | (1,507,188) | (141,907) | - | - |
| Total revenue | <u>2,016,067</u> | <u>(1,461,113)</u> | <u>(141,907)</u> | 413,047 | <u>177,660</u> |
| Total public support and revenue | <u>4,036,326</u> | <u>(255,276)</u> | <u>(141,907)</u> | 3,639,143 | <u>4,033,897</u> |
| Expenses | | | | | |
| Programs | | | | | |
| Gross funds distributed | 60,176 | - | - | 60,176 | 15,118 |
| (Less donor designations) | (60,176) | - | - | (60,176) | (15,118) |
| Net funds distributed | - | - | - | - | - |
| Other program services | 3,479,843 | - | - | 3,479,843 | 2,948,645 |
| Total program services | <u>3,479,843</u> | <u>-</u> | <u>-</u> | 3,479,843 | <u>2,948,645</u> |
| General & administrative | 382,812 | - | - | 382,812 | 202,913 |
| Fundraising expense | 317,367 | - | - | 317,367 | 339,577 |
| United Way of America dues | 38,436 | - | - | 38,436 | 29,942 |
| Total operating expenses | <u>4,218,458</u> | <u>-</u> | <u>-</u> | 4,218,458 | <u>3,521,077</u> |
| Change in net assets | <u>(182,132)</u> | <u>(255,276)</u> | <u>(141,907)</u> | (579,315) | <u>512,820</u> |
| Net assets, beginning | 1,989,123 | 1,317,769 | 1,635,394 | 4,942,286 | 4,429,466 |
| Restatement | 1,367,956 | - | (1,367,956) | - | - |
| Net assets, beginning restated | <u>3,356,179</u> | <u>1,317,769</u> | <u>268,338</u> | 4,942,286 | <u>4,429,466</u> |
| Net assets, ending | <u>\$ 3,174,047</u> | <u>1,062,493</u> | <u>126,431</u> | 4,362,971 | <u>4,942,286</u> |

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements.

UNITED WAY OF SANTA FE COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
For The Year Ended June 30, 2019, With Comparative Totals For 2018

| | Program | General & Administrative | Fundraising | 2019 Total | 2018 Total |
|-----------------------------------------------|---------------------|-----------------------------|----------------|-------------------------|------------------|
| Personnel expenses: | | | | | |
| Salaries | \$ 1,732,122 | 247,507 | 168,872 | 2,148,501 | 1,678,756 |
| Payroll taxes | 131,155 | 18,741 | 12,787 | 162,683 | 124,025 |
| Payroll benefits | 80,719 | 11,534 | 7,870 | 100,123 | 96,515 |
| Retirement expense | 13,245 | 1,893 | 1,291 | 16,429 | 24,831 |
| Total personnel | <u>1,957,241</u> | <u>279,675</u> | <u>190,820</u> | <u>2,427,736</u> | <u>1,924,127</u> |
| General expenses: | | | | | |
| Professional services | 301,176 | 59,639 | 43,739 | 404,554 | 307,748 |
| Supplies | 161,111 | 459 | 3,124 | 164,694 | 106,775 |
| Repairs and maintenance | 153,568 | 1,031 | 703 | 155,302 | 81,805 |
| Distributions | 119,529 | 17,080 | 11,653 | 148,262 | 131,051 |
| Office rent expense | 107,595 | 8,090 | 5,518 | 121,203 | 119,163 |
| Travel | 62,127 | 2,814 | 3,562 | 68,503 | 57,502 |
| Insurance | 44,766 | 6,397 | 4,364 | 55,527 | 52,641 |
| Utilities | 52,916 | 720 | 491 | 54,127 | 66,293 |
| Bad debt | 50,150 | - | - | 50,150 | - |
| Printing & postage | 42,128 | 788 | 5,923 | 48,839 | 46,815 |
| Licenses, fees, permits, and taxes | 41,013 | 1,223 | 597 | 42,833 | 53,855 |
| Telephone and internet | 38,244 | 1,555 | 700 | 40,499 | 31,882 |
| Software support and equipment | 30,348 | 1,071 | 7,454 | 38,873 | 16,898 |
| United Way of America membership dues | - | - | 38,436 | 38,436 | 29,942 |
| Training and education | 28,866 | 559 | 6,941 | 36,366 | 25,556 |
| Meetings and events | 11,939 | 126 | 15,508 | 27,573 | 20,435 |
| Dues and subscriptions | 8,027 | 282 | 12,517 | 20,826 | 14,270 |
| Lobbying | 16,331 | - | - | 16,331 | 100 |
| Equipment leases | 12,387 | 710 | 485 | 13,582 | 17,033 |
| Marketing and development | 8,371 | 71 | 1,053 | 9,495 | 8,604 |
| Interest expense | 9,064 | 224 | 152 | 9,440 | 59,433 |
| Return of funds | - | - | - | - | 198,331 |
| In-kind expense rent | 106,100 | - | - | 106,100 | 94,100 |
| In-kind equipment | 1,305 | - | - | 1,305 | - |
| In-kind meeting room | - | - | - | - | 2,000 |
| In-kind expense advertising | 5,580 | - | 1,860 | 7,440 | 25,000 |
| Subtotal general expenses before depreciation | <u>1,412,641</u> | <u>102,839</u> | <u>164,780</u> | <u>1,680,260</u> | <u>1,567,232</u> |
| Depreciation | 109,961 | 298 | 203 | 110,462 | 29,718 |
| Total general expenses | <u>1,522,602</u> | <u>103,137</u> | <u>164,983</u> | <u>1,790,722</u> | <u>1,596,950</u> |
| Total expenses | <u>\$ 3,479,843</u> | <u>382,812</u> | <u>355,803</u> | <u>4,218,458</u> | <u>3,521,077</u> |

UNITED WAY OF SANTA FE COUNTY
STATEMENT OF CASH FLOWS
For The Year Ended June 30, 2019, With Comparative Totals For 2018

| CASH FLOWS FROM OPERATING ACTIVITIES: | <u>2019</u> | <u>2018</u> |
|---------------------------------------------------------------------------|-----------------------|--------------------|
| Cash received from grantors | \$ 1,664,088 | 2,271,138 |
| Cash received from contributors & support | 777,266 | 1,062,694 |
| Cash received from other income | 377,901 | 140,966 |
| Interest income & dividends | 7,436 | 16,068 |
| Cash payments to vendors & contractors | (1,799,208) | (1,101,543) |
| Cash payments for wages & benefits | (2,413,140) | (1,913,234) |
| Interest paid | (9,440) | (59,433) |
| Net cash provided/(used) by operating activities | <u>(1,395,097)</u> | <u>416,656</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sales of investments | 161,650 | 2,162,105 |
| Proceeds from sales of donated stock | 17,776 | 363,855 |
| Purchase of investments | (13,388) | (1,462,232) |
| Purchase of property and equipment | (237,511) | (298,810) |
| Net cash provided/(used) by investing activities | <u>(71,473)</u> | <u>764,918</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Capital campaign contributions | 407,508 | 646,700 |
| Principal payments | - | (1,137,000) |
| Net cash provided/(used) by financing activities | <u>407,508</u> | <u>(490,300)</u> |
| Net increase (decrease) in cash | (1,059,062) | 691,274 |
| Cash, restricted cash, & cash equivalents, beginning of year | <u>1,362,556</u> | <u>671,282</u> |
| Cash, restricted cash, & cash equivalents, end of year | <u>\$ 303,494</u> | <u>1,362,556</u> |
| RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED/(USED) | | |
| BY OPERATING ACTIVITIES | | |
| Change in net assets | \$ (579,315) | 512,820 |
| Adjustments to reconcile change in net assets | | |
| to net cash provided (used) by operating activities: | | |
| Depreciation expense | 110,462 | 29,718 |
| Donated stock (in-kind) | (17,776) | (363,855) |
| Realized and unrealized losses on investments | (6,809) | (29,580) |
| Bad debt expense | 50,150 | - |
| Capital campaign revenue | (324,501) | (301,064) |
| Changes in assets and liabilities: | | |
| Campaign pledges receivable | (2,144) | 52,286 |
| Grants receivable | (325,476) | 209,078 |
| Miscellaneous receivable | (20,901) | 11,204 |
| Prepaid expenses | (2,210) | 3,649 |
| Accounts payable | (291,173) | 281,507 |
| Accrued expenses | 14,596 | 10,893 |
| Net cash provided (used) by operating activities | <u>\$ (1,395,097)</u> | <u>416,656</u> |
| Supplementary Information | | |
| In-kind expense rent | \$ 106,100 | 94,100 |
| In-kind expense advertising | 7,440 | 25,000 |
| In-kind equipment | 1,305 | - |
| In-kind meeting room | - | 2,000 |
| In-kind contributions-stock donation | 17,776 | 363,855 |
| | <u>\$ 132,621</u> | <u>484,955</u> |

SEE INDEPENDENT AUDITOR'S REPORT
The accompanying notes are an integral part of these financial statements.

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

NOTE A – NATURE OF OPERATIONS

The United Way of Santa Fe County, Inc. (Organization) is a New Mexico not-for-profit corporation, chartered in 1954, with governance by a volunteer Board of Directors. United Way is organized to create lasting change that improves the quality of life and health in our community. Additionally, the United Way has developed the UWSFC Early Learning Programs a comprehensive innovative community development model serving as the vehicle to help achieve the goal of the United Way. To accomplish our goal, the United Way is involved in a variety of activities including provision of services, creating collaborations civic engagement and community organizing, policy and advocacy, and fundraising.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared using the accrual basis of accounting. Under this method, all revenues earned and determinable in amount and receivable by the organization are recognized. Expenses incurred but not paid as of the close of business at June 30 are accrued. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: Net assets with donor restrictions and net assets without donor restrictions are defined as follows:

Without Donor Restrictions

Amounts without donor restrictions are those net assets currently available at the discretion of the Board for use in the UWSFC's programs, and those resources invested in land, buildings and equipment. There were no Board designated net assets held during fiscal year 2019 and 2018, and accordingly, these financials do not reflect any activity related to this class of net assets.

Net Assets with Donor Restrictions—Net assets are the result of contributions and other inflows of assets that are subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions can be fulfilled and removed by actions of the organization pursuant to those stipulations or by the passage of time. Other donor restrictions are perpetual in nature. Net assets perpetual in nature result from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that cannot be removed by actions of the UWSFC. See Note N for more detail.

Net Assets with Donor Restrictions- Perpetual in Nature—Net assets resulting from contributions and other inflows of assets, the use of which is limited by donor-imposed stipulations that cannot be removed by actions of the UWSFC. The UWSFC had net assets with permanent donor restrictions related to their Endowment Fund. Note E for more detail.

New Accounting Pronouncement

During 2018, the UWSFC adopted the provisions of Accounting Standards Update (“ASU”) 2016-14: Not-for-Profit-Entities (Topic 958) Presentation of Financial Statements of Not-for-Profit Entities, which improves the current net asset classification and the related information presented in the financial statements and notes about the Organizations’ liquidity, financial performance, and cash flows. The ASU has been applied retrospectively to all periods presented.

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

Liquidity and Availability of Financial Resources

The Organization regularly monitors liquidity to meet cash flow requirements and operating needs. The availability of financial assets is primarily affected by management designations, the nature of the underlying assets, external limitations imposed by donors or contracts with others. The Organizations are not substantially supported by restricted grants. Because a donor's restriction required resources to be used in a particular manner or in a future period, the UWSFC must maintain sufficient resources to meet those responsibilities to its donors. These financial assets may not be available for general expenditure within one year. As part of the Organization's liquidity management it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the UWSFC may invest cash in excess of daily requirements in short-term investments. Occasionally, the board designates a portion of any operating surplus to its liquidity reserve.

Liquidity is as follows:

| | <u>2019</u> | <u>2018</u> |
|----------------------------------------------------------------------------------------|---------------------------|--------------------|
| Current assets, at year end | \$ 1,001,559 | 1,698,905 |
| Less those unavailable for general expenditures with in year, due to: | | |
| Restricted by donor with purpose restrictions | <u>(1,062,493)</u> | <u>(1,317,769)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ (60,934)</u> | <u>381,136</u> |

Donor restricted funds are available for expenditure upon satisfaction of the restriction, the expected timing of which is not generally determinable in advance.

Cash, Restricted Cash, and Cash Equivalents

The UWSFC considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash includes money market funds and interest-bearing instruments with maturities at the date of purchase of three months or less. United Way maintains deposits in financial institutions that at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). Management believes that there is not a significant risk with respect to these deposits.

Concentration of Credit Risk – Uninsured Cash Balances

The UWSFC maintains cash funds in six separate financial institutions located in Santa Fe, New Mexico. Currently, the FDIC insures bank balances up to \$250,000, per institution. The SIPC insures money market balances up to \$500,000, however SIPC does not protect the value of the balances. As of June 30, 2019, the UWSFC bank balances were fully insured by FDIC.

Investments

Investments are carried at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recorded on a specific identification method upon the sale of investment assets. Realized and unrealized gains and losses, as well as investment expenses are reflected within the investment return, net, in the statement of activities. Investment income and gains (losses) restricted by donors are reported as increases (decreases) in net assets without donor restrictions unless donor-imposed restrictions have not been met in the reporting period in which the income and gains are recognized.

Investments are exposed to various risks such as significant world events, interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the fair value of investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

position.

The fair value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition may differ than the amounts reported in these financial statements. Fair value estimates for securities are currently volatile, difficult to predict, and subject to material changes that could affect the UWSFC's financial condition and results of operations in the future.

Prepaid Expenses

Prepaid expenses consist of insurance that is paid ahead of time and reduced throughout the fiscal year.

Accounts, Grants and Contracts Receivables

Contracts, grants, and other receivables are stated at unpaid balances, less an allowance for doubtful accounts. Management estimates the adequacy of the allowance for uncollectible receivables based on historical collections, specific impaired receivables, and other situations that may affect the collection of the receivables. Receivables are charged off in the period in which the management determines the receivable is uncollectible. As of June 30, 2019 and 2018, management estimates all receivables to be fully collectible; therefore, no provision for an allowance for uncollectible receivables has been recorded.

Pledged Receivables

Unconditional pledges to give are recognized as contribution revenues and receivables in the period the pledge is made. Conditional pledges to give are recognized when the conditions on which they depend are substantially met. Pledge receivables are allowance based on the receivables that have gone uncollected by the fiscal year end. Additionally, the non-current capital campaign pledge receivables are discounted at 3% each year.

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition may differ than the amounts reported in these financial statements. Fair value estimates for securities are currently volatile, difficult to predict, and subject to material changes that could affect the UWSFC's financial condition and results of operations in the future.

Revenue Recognition

Annual fundraising campaigns are conducted each year to carry out United Way's mission. Pledges from campaigns continue to be received into the following calendar year. Pledges that are donor designated for payment to specific agencies or other third parties are accounted for as agency transactions, rather than as revenue and expense of United Way. Amounts representing pledges designated by donors to specific agencies (and thus, not included in net revenue or expense) totaled, net of fees, \$60,176 in 2019 and \$15,118 in 2018.

All pledges and other contributions are considered to be available for unrestricted use unless specifically restricted by donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions that increases that net asset class. However, if a restriction is fulfilled in the same time period in which the contribution is received, United Way reports the support as without donor restrictions.

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are computed using risk free interest rates applicable to the years in which the promises are received.

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

The provision for uncollectible pledges is computed based upon a five-year historical average adjusted by management estimates of current economic factors. It is applied to the gross campaign including donor option pledges.

Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

Property, Equipment, and Depreciation

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as support with donor restrictions. Depreciation is computed using the straight-line method. The UWSFC capitalizes all expenditures for property and equipment with a cost of \$5,000 or more with useful lives in excess of two years. Items with a cost of less than \$5,000 are expensed in the year of acquisition. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized. The major classifications of property and equipment and the related depreciable lives are as follows:

| <u>Type</u> | <u>Useful Lives</u> |
|------------------------------------|---------------------|
| Building and building improvements | 10-39 years |
| Leasehold improvements | 2 - 39 years |
| Furniture and equipment | 3 - 5 years |
| Computer equipment and other | 3 - 5 years |

Impairment of Long-Lived Assets

The UWSFC accounts for long-lived assets in accordance with the provisions of FASB ASC 360- 10 and subsections. ASC 360-10 requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell. Management does not believe impairment indicators are present as of June 30, 2019.

Accrued Leave

For full-time employees whose work does not adhere to the annually established school year schedule, PTO will be accrued at the rate of 6.15 hours per pay period, to be pro-rated for employees working less than 40 hours per week, down to 20 hours per week. PTO balances will carry forward from year to year, but an employee may not, unless otherwise approved by the President or the Board of Directors, exceed the amount that he or she would accrue over the course of one year of work. When this limit is reached, the employee's accrued PTO balance will remain at this cap until such time that the balance is lowered by the employee using PTO. This policy is not applicable to employees of the SFCP PreK Program whose work necessitates their consistent presence, and as these employees do not accrue PTO.

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

The following table outlines the accrual rates:

| <u>Employee Classification</u> | <u>Computation of PTO</u> |
|---------------------------------------------------------------------------------------------|--------------------------------------|
| Full-time (40hrs) Professional and Admin Staff (1st to 5th years) | 20 days |
| Full-time (40hrs) Professional and Admin Staff (5th year plus) | 25 days |
| Permanent part-time staff (any permanent employee who works less than 40hrs, down to 20hrs) | accrued at a prorated full-time rate |

The annual leave balance at year end was \$37,446 in 2019 and \$30,164 in 2018.

Support

The UWSFC reports contributions of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Contributed (Donated) Services

Contributions of services are recognized in the accompanying financial statements in accordance with FASB ASC 958-605-25-16; if the services received:

- enhance or create non-financial assets,
- require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

A substantial number of unpaid volunteers have made significant contributions of their time to develop United Way's programs, principally in board activities, fundraising and programs. The value of this contributed time is not reflected in these financial statements. Donated goods and services are recorded at their estimated fair value at the date of donation. Services that require specific expertise are recorded when received. The estimated value of contributed goods and services related to rent expense and advertising was \$114,845 in 2019 and related to advertising and program supplies was \$121,100 in 2018. These amounts have been included in both revenues and expenses. The UWSFC had no donated services in fiscal years 2019 and 2018.

Contributed (Donated) Assets

The UWSFC may receive contributions of non-cash assets and use of facilities. Donated marketable securities and other non-cash donations are recorded as in-kind contributions at their estimated fair values at the date of donation. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Absent donor stipulations regarding how long those donated assets must be maintained, the UWSFC reports the expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The UWSFC reclassifies net assets with donor restrictions to net assets without donor restrictions at that time unless the donor has restricted the donated asset to a specific purpose. See Note O for additional detail regarding donated assets and use of facilities.

Advertising

The UWSFC expenses advertising costs as incurred. Advertising costs are incurred primarily for the dissemination of program information.

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

Retirement Benefits

The UWSFC provides a retirement plan under Section 403(b) of the Internal Revenue Code. Eligible employees are entitled to immediately participate in the 403(b)-retirement plan, with the Organization matching their contributions up to 3% of their earnings after one year of employment. Employer contributions to the retirement plan were \$16,429 and \$24,831 for the years ended June 30, 2019 and 2018, respectively.

Functional Allocation of Expenses

The costs of providing the various programs and other activities of the UWSFC have been summarized on a functional basis in the statement of functional expenses. Salary and other personnel costs that are not directly coded to a programmatic activity are allocated based on time certifications and the best estimate of employees. Bad debt is allocated to program expenses based on actuals. Repairs, maintenance and depreciation expenses are allocated among the programs, supporting services, and fundraising activities benefited.

Other operating costs are allocated using various allocation methodologies including allocations based on personnel, square footage, or revenue generated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Income Taxes

The UWSFC is a non-profit organization and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified by the Internal Revenue Service as an organization that is not a private foundation.

The UWSFC files its Federal Form 990 tax return in the U.S. federal jurisdiction and the online charitable registration in the Office of the Attorney General for the State of New Mexico. The UWSFC is generally no longer subject to examination by the Internal Revenue Service and the New Mexico Taxation and Revenue Department for fiscal years before 2016. The UWSFC is not currently under audit nor has the UWSFC been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose.

Comparative Financial Statements

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 UWSFC's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Reclassifications

Certain reclassifications may have been made to 2018 amounts to conform to 2019 presentation.

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

NOTE C – CASH, RESTRICTED CASH, AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at June 30:

| <u>Type</u> | | <u>2019</u> | <u>2018</u> |
|----------------------|----|-----------------------|-------------------------|
| Checking and savings | \$ | 303,419 | 1,362,456 |
| Petty cash | | 75 | 100 |
| Total | \$ | <u>303,494</u> | <u>1,362,556</u> |

Cash and restricted cash consist of the following at June 30:

| <u>Cash and Restricted Cash</u> | | <u>2019</u> | <u>2018</u> |
|---------------------------------|----|-----------------------|-------------------------|
| Without donor restrictions | \$ | (8,339) | 580,083 |
| With donor restrictions | | 311,833 | 782,473 |
| Total cash and cash equivalents | \$ | <u>303,494</u> | <u>1,362,556</u> |

Restricted Cash and Investments

Cash and investments are restricted for the perpetually restricted endowment and to satisfy purpose or time restrictions.

Restricted cash is as follows:

| <u>Restricted Cash</u> | | <u>2019</u> | <u>2018</u> |
|---------------------------------------------------------|----|-----------------------|-----------------------|
| Net assets with purpose restrictions | \$ | 1,062,493 | 1,317,769 |
| Less: outstanding receivables with purpose restrictions | | (750,660) | (535,296) |
| Total restricted cash | \$ | <u>311,833</u> | <u>782,473</u> |

Restricted investments are as follows:

| | | <u>2019</u> | <u>2018</u> |
|----------------------------------------------|----|-----------------------|-----------------------|
| Perpetually restricted endowment investments | \$ | <u>133,240</u> | <u>268,338</u> |

NOTE D – INVESTMENTS

Investment at June 30, include:

| | | <u>2019</u> | | <u>2018</u> | |
|---------------------------|----|-----------------------|-----------------------|-----------------------|-----------------------|
| | | <u>Original Cost</u> | <u>Fair Value</u> | <u>Original Cost</u> | <u>Fair Value</u> |
| Investments | | | | | |
| Securities & equity funds | \$ | 163,910 | 67,649 | 138,512 | 151,855 |
| Bond & fixed income | | 64,352 | 65,591 | 123,895 | 116,483 |
| Total investments | \$ | <u>228,262</u> | <u>133,240</u> | <u>262,407</u> | <u>268,338</u> |

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

Investment activity for each fiscal year, consists of the following:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------|--------------------------|----------------|
| Beginning Balance | \$ 268,338 | 888,408 |
| Investment income (loss), net | 13,164 | 49,576 |
| Contributions | 13,388 | 1,462,232 |
| Withdrawals | (161,650) | (2,131,643) |
| Other debits | - | (235) |
| Ending Balance | <u>\$ 133,240</u> | <u>268,338</u> |

NOTE E – ENDOWMENT

The endowment investments are as follows:

| Endowment | <u>2019</u> | <u>2018</u> |
|------------------|--------------------------|----------------|
| Investments | \$ <u>133,240</u> | <u>268,338</u> |
| Total Endowment | \$ <u>133,240</u> | <u>268,338</u> |

Interpretation of Relevant Law

The UWSFC is subject to the State Prudent Management of Institutional Funds Act (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the Board of Directors appropriates such amounts for expenditure. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The UWSFC’s Board of Directors has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the UWSFC considers a fund to be underwater if the fair value of the fund is less than the sum of:

- (a) the original value of initial and subsequent gift amounts donated to the fund and
- (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The UWSFC has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law. Additionally, in accordance with SPMIFA, the UWSFC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the organization
- (7) The investment policies of the UWSFC.

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

Changes in endowment net assets as of June 30, 2019:

| | 2019 | | |
|---------------------------------------------|-------------------------------|----------------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of the year | \$ (1,367,056) | 1,635,394 | 268,338 |
| Restatement for new FASB standards | 1,367,056 | (1,367,056) | - |
| Investment income/(loss) | | | |
| Net realized and unrealized gain/(loss) | 6,809 | - | 6,809 |
| Contribution of endowment assets | - | - | - |
| Distributions | - | (141,907) | (141,907) |
| Endowment net assets, end of the year | <u>\$ 6,809</u> | <u>126,431</u> | <u>133,240</u> |

Changes in endowment net assets as of June 30, 2018:

| | 2018 | | |
|---------------------------------------------|-------------------------------|----------------------------|-----------------------|
| | Without Donor Restrictions | With Donor Restrictions | Total |
| Endowment net assets, beginning of the year | \$ (746,986) | 1,635,394 | 888,408 |
| Investment income/(loss) | | | |
| Net realized and unrealized gain/(loss) | 29,580 | - | 29,580 |
| Contribution of endowment assets | - | - | - |
| Distributions | (649,650) | - | (649,650) |
| Endowment net assets, end of the year | <u>\$ (1,367,056)</u> | <u>1,635,394</u> | <u>268,338</u> |

The balance of the endowment fund is perpetually restricted.

Return Objectives and Risk Parameters

The UWSFC has adopted investment and spending policies for endowment assets which attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of funds with donor restrictions that must be held in perpetuity or for a donor- specified period(s). Under this policy, as approved by the Board of Directors the endowment assets are invested in a manner that is intended to produce results which exceed the price and yield results of investment vehicle specific benchmarks while assuming an appropriate level of risk. The investment policy calls for expectation of 4% plus the rate of the Consumer Price Index. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the UWSFC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). In the case of gifts by donors with permanent restrictions (endowment funds), preservation of the value of the original gift is the primary emphasis of the UWSFC. The UWSFC will target a diversified asset allocation of moderate long-term growth of principal and income, as well as stability within prudent risk parameters and constraints.

Spending Policy and How the Investment Objectives Relates to Spending Policy

In accordance with the UWSFC's investment policy approved by the Board of Directors, no distributions will occur beginning in fiscal year 2020 until the deficit in endowment corpus is resolved

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

The net asset composition of the endowment is as follows:

| With Donor Restrictions | 2019 | 2018 |
|--------------------------------|---------------------|-------------|
| Endowment corpus | \$ 1,635,394 | 1,635,394 |
| Deficit in endowment corpus | (1,502,154) | (1,367,056) |
| | \$ 133,240 | 268,338 |

The deficit of the endowment corpus is a result of the following:

- purchase and renovations of the Kaune Elementary School,
- operations,
- and, market fluctuations.

See Note V for more detail on the repayment plan of the endowment deficit beginning in fiscal year 2020.

NOTE F - FAIR VALUES MEASURED ON RECURRING BASIS

Under FASB ASC 820-10-05, the Financial Accounting Standards Board establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on the UWSFC's financial statements as reflected herein. The UWSFC measures certain financial assets and liabilities at fair value on a recurring basis, including its derivative liabilities. The UWSFC's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy.

The three levels are as follows:

Level 1

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization 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; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3

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

The fair value of investment securities is the market value based on the quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

The following table sets forth value measurements by level, within the fair value hierarchy, the

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

UWSFC's financial assets measured at fair value as of June 30:

| Type | Level 1 | |
|-------------|-------------------|-------------|
| | 2019 | 2018 |
| Investments | \$ 133,240 | 268,338 |

The carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses, and other liabilities approximate fair value due to the short maturity periods of these instruments. The fair value of long-term debt, if any, is the carrying value due to the adjustable market rate of interest.

NOTE G – GRANTS & OTHER RECEIVABLES

Accounts receivable aging summary and other receivable at year end are as follows:

| Type | 2019 | 2018 |
|----------------------------------------------|-------------------|-------------|
| Current (1-30) | \$ 458,948 | 162,721 |
| Total grants and other receivables | \$ 458,948 | 162,721 |
| Customer | | |
| Christus St. Vincent | \$ 183,500 | - |
| CYFD First Born Home Visiting Program | 112,338 | 44,111 |
| CYFD PreK Extended Day | 53,436 | 24,687 |
| Dolly Parton Imagination Library | 26,091 | 2,464 |
| CYFD PreK | 20,503 | 11,796 |
| City of Santa Fe Children & Youth Commission | 19,663 | - |
| Kids Kitchen, LLC | 13,659 | - |
| SF County Navigation | 11,970 | 9,455 |
| SFCF Pritzker | 10,500 | - |
| State of New Mexico | 4,791 | - |
| Summer ELC | 1,353 | - |
| Santa Fe Community Foundation | 506 | - |
| Region IX Education Cooperative | 390 | - |
| Other | 248 | 45 |
| Thornburg | - | 50,000 |
| Anderson Charitable Foundation | - | 20,000 |
| SCC First Born | - | 163 |
| Total grants and other receivables | \$ 458,948 | 162,721 |

As of June 30, 2019 and 2018, management estimates all receivables to be fully collectible; therefore, no provision for an allowance for uncollectible receivables has been recorded.

NOTE H – PLEDGES RECEIVABLE

Campaign pledges receivable are comprised of the following unconditional promises to give at June 30:

| Type | 2019 | 2018 |
|-------------------------------------------|-------------------|-------------|
| Campaign pledges receivables | \$ 134,658 | 134,151 |
| Less: allowance for uncollectible pledges | (18,945) | (20,582) |
| Net campaign pledges receivable | \$ 115,713 | 113,569 |

All campaign pledges are expected to be received within one year.

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

In 2016, the Organization launched a capital campaign to obtain funding for the development of the Early Learning Center in collaboration with Santa Fe Public Schools. Capital campaign pledges receivable are comprised of the following unconditional promises to give at June 30:

| <u>Type</u> | <u>2019</u> | <u>2018</u> |
|-----------------------------------------|--------------------------|----------------|
| Capital campaign pledges receivables | \$ 204,335 | 280,200 |
| Less: Discount to net present value | (28,336) | (21,194) |
| Net capital campaign pledges receivable | <u>\$ 175,999</u> | <u>259,006</u> |

Capital Campaign pledge receivable with due dates extending beyond one year have been discounted at a 3% annual rate of interest. The capital campaign pledges receivables are restricted in use for costs and expenses of the Early Learning Center.

| | <u>2019</u> | <u>2018</u> |
|--------------------|--------------------------|----------------|
| Amounts due in: | | |
| Less than one year | \$ 82,535 | 21,400 |
| One to five years | 121,800 | 258,800 |
| Total | <u>\$ 204,335</u> | <u>280,200</u> |

NOTE I – SECURITY DEPOSIT

The UWSFC has a security deposits related to their office space and equipment rent. Security deposits are as follows at June 30:

| | <u>2019</u> | <u>2018</u> |
|-------------------|------------------------|--------------|
| Security deposit | \$ 1,975 | 1,975 |
| Equipment deposit | 465 | 465 |
| Total deposits | <u>\$ 2,440</u> | <u>2,440</u> |

NOTE J – PROPERTY, EQUIPMENT, AND DEPRECIATION

Property and equipment consisted of the following at June 30:

| <u>Type</u> | <u>2018</u> | <u>Additions</u> | <u>Deletions</u> | <u>2019</u> |
|----------------------------------------|----------------------------|-----------------------|------------------|-------------------------|
| Property and equipment not depreciated | | | | |
| CIP | \$ 110,726 | 12,596 | - | 123,322 |
| Property and equipment depreciated | | | | |
| Building and building improvements | 3,374,905 | 224,915 | - | 3,599,820 |
| Leasehold improvements | 148,056 | - | - | 148,056 |
| Furniture & equipment | 37,670 | - | - | 37,670 |
| Computer equipment and other | 68,169 | - | - | 68,169 |
| Total property and equipment | <u>3,739,526</u> | <u>237,511</u> | <u>-</u> | <u>3,977,037</u> |
| Less: accumulated depreciation | | | | |
| Building | (1,566) | (84,348) | - | (85,914) |
| Leasehold improvements | (108,281) | (23,659) | - | (131,940) |
| Furniture and equipment | (36,226) | (476) | - | (36,702) |
| Computer equipment and other | (61,366) | (1,979) | - | (63,345) |
| Total accumulated depreciation | <u>(207,439)</u> | <u>(110,462)</u> | <u>-</u> | <u>(317,901)</u> |
| Total property and equipment, net | <u>\$ 3,532,087</u> | <u>127,049</u> | <u>-</u> | <u>3,659,136</u> |

Depreciation expense for the years ended June 30, 2019 and 2018 was \$110,462 and \$29,718, respectively.

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

NOTE K – ACCRUED LIABILITIES

Accrued liabilities at June 30, consist of the following:

| | 2019 | 2018 |
|------------------------------------|------------------|--------|
| Accrued annual leave | \$ 37,446 | 30,164 |
| Accrued payroll | 36,387 | 26,512 |
| Accrued payroll taxes and benefits | 6,121 | 8,682 |
| Total accrued liabilities | \$ 79,954 | 65,358 |

NOTE L – NOTES PAYABLE

Notes payable consists of the following as of June 30:

| | 2019 | 2018 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|---------|
| Unsecured loan with Santa Fe Community Foundation for \$250,000. Proceeds of the loan to be used solely for advancing the implementation of child and parent services at the Santa Fe Early Learning Center at Agua Fria. Quarterly payments of principal and interest at 3% beginning December 31, 2019. All outstanding principal and interest due September 2024. | \$ 250,000 | 250,000 |
| Interest expense | \$ 9,440 | 59,433 |

The schedule of future payment of long-term debt is as follows at June 30:

| | |
|------------|------------|
| 2020 | \$ 35,160 |
| 2021 | 48,123 |
| 2022 | 49,583 |
| 2023 | 51,088 |
| 2024 | 52,638 |
| Thereafter | 13,408 |
| Total | \$ 250,000 |

Accrued interest, related to the purchase of the Kaune building, with balance of \$105,396 at June 30, 2019, will be paid in four quarterly payments in fiscal year 2020.

NOTE M – LINE OF CREDIT

In March 2019, the UWSFC renewed a variable rate non-disclosable revolving line of credit loan with a limit of \$120,000. The line of credit is to be paid in one payment of all outstanding principal plus all accrued unpaid interest on March 22, 2019. The current interest rate is 6.00%. Starting in April 2019, if there is a balance, the UWSFC will pay regular monthly payment of all accrued unpaid interest due as of each payment date. As of June 30, 2019, the balance on the line of credit was \$0.

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

NOTE N – NET ASSETS WITH DONOR RESTRICTIONS

Various contributions have been restricted by donors. Net assets with donor restrictions related to assets restricted from program use are as follows:

| | <u>2018</u> | <u>Revenue</u> | <u>Expenses</u> | <u>2019</u> |
|-----------------------------------------------------------|---------------------|------------------|--------------------|------------------|
| Net Assets with Donor Restrictions in Purpose/Time | | | | |
| Outstanding pledge contributions | \$ 113,569 | 115,713 | (113,569) | 115,713 |
| Early Learning Programs (Santa Fe Children's Project) | 188,590 | 439,450 | (374,499) | 253,541 |
| New Mexico Early Childhood Project | 481,282 | 323,500 | (626,133) | 178,649 |
| Capital campaign contributions | 432,245 | 352,674 | (270,634) | 514,285 |
| Family, Friends, and Neighbors | 101,058 | 20,000 | (121,058) | - |
| UWSFC emergency fund | 1,025 | 575 | (1,295) | 305 |
| Total Net Assets with Donor Restrictions in Purpose/Time | \$ 1,317,769 | 1,251,912 | (1,507,188) | 1,062,493 |

NOTE O – IN-KIND CONTRIBUTIONS

The UWSFC utilizes volunteer services to meet project requirements. In 2019, the UWSFC had 45 volunteers that contributed 600 volunteer hours.

At year end the UWSFC recognizes in-kind contributions as follows:

| <u>Type</u> | <u>2019</u> | <u>2018</u> |
|-----------------------------|-------------------|-------------|
| In-kind rent | \$ 106,100 | 94,100 |
| In-kind advertising | 7,440 | 25,000 |
| In-kind equipment | 1,305 | - |
| In-kind meeting room | - | 2,000 |
| Donated stock | 17,776 | 363,855 |
| Total in-kind contributions | \$ 132,621 | 484,955 |

NOTE P – OPERATING LEASES

The UWSFC rents office space and equipment under multiple leases that expire in various months are years between 2019 and 2026. Monthly payments range from \$26 to \$5,996 and the lease terms range from 1 year to 10 years. These leases have been accounted for as operating leases by the UWSFC.

Minimum future lease payments as of June 30, 2019, are as follows:

| <u>Year ending</u> | <u>Amount</u> |
|--------------------|---------------|
| 2020 | \$ 110,132 |
| 2021 | 60,454 |
| 2022 | 60,095 |
| 2023 | 53,734 |
| 2024 | 51,000 |
| Thereafter | 97,750 |

Total lease expenses for the years ended June 30, 2019 and 2018 were \$134,785 and \$136,196, respectively.

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

Beginning January 1, 2015, the UWSFC entered into a lease agreement with the Board of Education of the Santa Fe Schools (Board), to rent the Agua Fria Elementary School for administrative office space and service space for the Early Learning Community Collaboration Compact programs. The lease is subject to the prior approval of the New Mexico State Board of Finance. The term of the lease is for five years, beginning on January 1, 2015 or the date the lease is approved by the State Board of Finance, whichever is later, and ending December 30, 2019. The lease may be renewed annually for not more than three consecutive one-year period.

The UWSFC is required to pay base rent of \$94,100 per year. However, the annual rent payment for base rent will be offset by the amount of the Allowable Costs, as defined in the agreement, incurred by the UWSFC to provide the services to the Santa Fe Schools at Agua Fria Elementary School. The UWSFC submits monthly certification of allowable costs of services which details the amount of resources spent on behalf of the UWSFC by program and type, in order to, ensure the monthly allowable costs equal or exceed the base rent. Any amount of offset which exceeds the amount of base rent will be credited against the next month's base rent. If the lease is terminated for any reason, then any credit due to UWSFC from Board will be treated as a donation of services to Board as a governmental entity and the UWSFC will have no payment obligation to the UWSFC for any credit balance. Any deficiencies will be paid by the UWSFC. It is management's belief that it is unlikely that allowable costs would not exceed base rent amount due. Any credits due to the UWSFC at termination will be treated as a donation of services. In-kind revenue and expense related to this lease is \$94,100.

Either party has the right to terminate the lease for breach by the other party of any material condition of the lease, subject to the provisions outlined in the lease agreement. The UWSFC can terminate the lease by providing written notice to the Board, at least 60 days prior to either the end of the original term or the expiration of any renewals, if applicable.

NOTE Q – JOINT COST ALLOCATIONS

The UWSFC did not participate in joint activities during the 2019 year or the 2018 year that required allocations.

NOTE R – ECONOMIC DEPENDENCY

The UWSFC receives a significant portion of its revenue in the form of grants, contracts, and other contributions. The UWSFC expects these grants, contracts, and awards to continue into the foreseeable future. If, however, a significant portion of these funds are not continued, the UWSFC's ability to continue all programs would be diminished. The following is a summary of concentrations from contributions and grants as of June 30:

| <u>Concentrations</u> | | <u>2019</u> | <u>2018</u> |
|------------------------------|----|-------------------------|-------------------------|
| Contributions and grants | \$ | <u>3,226,096</u> | <u>3,856,237</u> |
| Total revenue | \$ | <u>3,639,143</u> | <u>4,033,897</u> |
| Concentration percentage | | <u>89%</u> | <u>96%</u> |

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

NOTE S – PROGRAM EXPENSES

Designations distributed for the years ended June 30, 2019 and 2018 are as follows:

| Designations | 2019 | 2018 |
|--------------------------------------------------------------------|---------------------|------------------|
| Kids Kitchen LLC | \$ 50,000 | - |
| Life Center Foundation | 1,063 | 818 |
| New Vistas | 744 | 851 |
| Esparanza Shelter for Battered Families | 425 | 213 |
| La Familia Medical Center | 213 | 213 |
| Boys & Girls Club of Santa Fe/Del Norte | 204 | - |
| Adelante | 164 | - |
| National Dance Institute of New Mexico | 123 | - |
| Partners in Education | 123 | - |
| SFCF Empty Stocking Fund | 123 | - |
| The Interfaith Community Shelter | 123 | - |
| Busy Bugs Head Start | 106 | - |
| NM National Multiple Sclerosis Society | 106 | - |
| Nambe Headstart | 85 | - |
| The Food Depot | 82 | 325 |
| Literacy Volunteers of Santa Fe | 82 | - |
| Santa Fe Children's Museum | 82 | - |
| Santa Fe Community College Foundation | 82 | - |
| Santa Fe Symphony | 82 | - |
| United Way of Northern New Mexico | 43 | - |
| Kitchen Angels | - | 196 |
| Santa Fe Animal Shelter | - | 137 |
| All others | 6,121 | 12,365 |
| Total donor designations | \$ 60,176 | 15,118 |
| | | |
| Initiative Expense | 2019 | 2018 |
| UWSFC Learning Early Programs (CYFD State Grant) | \$ 1,070,573 | 929,530 |
| UWSFC Learning Early Programs (Other Grants and Donor Directed) | 1,852,636 | 1,616,354 |
| New Mexico Early Childhood Partnership | 616,810 | 417,879 |
| Total expenditures | 3,540,019 | 2,963,763 |
| Less donor designations | (60,176) | (15,118) |
| Total initiative expense | \$ 3,479,843 | 2,948,645 |

NOTE T – JOINT VENTURE

In July 2018, United Way of Santa Fe County entered into a joint venture with The Food Depot, a food bank located in Santa Fe, New Mexico, and created the nonprofit organization, Kids Kitchen, LLC, which will be housed at UWSFC's Early Learning Center at Kaune, and for which United Way of Santa Fe County will serve as its fiscal agent. UWSFC and The Food Depot have a 50/50 interest in Kids Kitchen, LLC. The purposes for which Kids Kitchen, LLC was organized are:

- Providing meals to youth under various government sponsored and reimbursed food and food insecurity programs;
- Providing meals on a paid basis to other interested youth and senior oriented programs and

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

institutions;

- Providing job training for persons in the Members' service area; and
- Conducting, assisting or supporting other endeavors in keeping with the missions and charters of its Members.

Beginning September 2018, Kids Kitchen, LLC began paying the UWSFC \$5,000 per month for accounting and HR services. This revenue is recorded as administrative fees by the UWSFC.

The following table is a breakdown of support, revenue, and expenses, presented on UWSFC's statement of activities, as noted in the table of contents, for the fiscal years ended June 30:

| | 2019 | 2018 |
|------------------------------------|-------------------|------|
| Support and revenue | | |
| Other income | | |
| Kids Kitchen expense reimbursement | \$ 99,306 | - |
| Administrative fees | 50,000 | - |
| In-kind contributions | | |
| In-kind rent | 12,000 | - |
| Total support and revenue | \$ 161,306 | - |
| Expenses | | |
| Personnel expenses | \$ 88,603 | - |
| Professional services | 7,022 | - |
| Supplies | 85 | - |
| Repairs and maintenance | 341 | - |
| Distributions | 50,000 | - |
| Travel | 61 | - |
| Printing and postage | 18 | - |
| Licenses, fees, permits, and taxes | 104 | - |
| Telephone and internet | 529 | - |
| Software support and equipment | 2,210 | - |
| Training and education | 189 | - |
| Dues and subscriptions | 49 | - |
| Marketing and development | 95 | - |
| In-kind expense rent | 12,000 | - |
| Total expenses | \$ 161,306 | - |

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2019, With Comparative Totals for 2018

NOTE U – RESTATEMENT

Beginning net assets were restated as follows:

| <u>Net Assets</u> | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|-------------------------|---------------------------------------|------------------------------------|------------------|
| Beginning | \$ 1,989,123 | 2,953,163 | 4,942,286 |
| ASU 2016-14 restatement | 1,367,056 | (1,367,056) | - |
| Beginning, restated | <u>\$ 3,356,179</u> | <u>1,586,107</u> | <u>4,942,286</u> |

Net assets were restated due to the implementation of ASU 2016-14.

NOTE V – EVALUATION OF SUBSEQUENT EVENTS

On September 3, 2019 the UWSFC entered into an inter-company promissory note with the Endowment Fund of the UWSFC. The UWSFC Endowment Fund agreement to lend the UWSFC \$1,502,155 related to building purchase to support the PreK program and services. In exchange the UWSFC agreed to pay the UWSFC Endowment Fund the amount of the principal plus interest, beginning January 31, 2020. Interest will be charged upon the unpaid principal until the full amount of the principal has been paid. The UWSFC will pay interest at a yearly rate of 5%. Monthly principal payments in the amount of \$4,172.65 will begin on or before January 31, 2020. Principal and all accrued interest is due on or before January 31, 2050. The date can be extended with mutual agreement of the UWSFC and the UWSFC Endowment Fund. Interest payments are due December 31 of each year. Additionally, no additional distributions of the Endowment Fund will be occurring until agreed upon by the UWSFC and the UWSFC Endowment Fund.

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are issued. The UWSFC recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. The UWSFC's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before financial statements are available to be issued. The organization has evaluated subsequent events through November 12, 2019, which is the date the financial statements were available to be issued.



INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors of
United Way of Santa Fe County, Inc.
Santa Fe, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the United Way of Santa Fe County, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional allocation of expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the UWSFC internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of UWSFC’s internal control. Accordingly, we do not express an opinion on the effectiveness of UWSFC’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

November 12, 2019

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the UWSFC's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Hinkle + Landers, PC
Albuquerque, NM
November 12, 2019

**UNITED WAY OF SANTA FE COUNTY, INC.
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2019**

| Reference # | Finding | Status of Prior Year Findings | Type of Finding |
|------------------------------|----------------|----------------------------------------------|----------------------------|
| Prior Year Findings | | | |
| NONE | | | |
| Current Year Findings | | | |
| NONE | | | |

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting