



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, 2018
With Comparative Totals for 2017**

UNITED WAY OF SANTA FE COUNTY
For the Year Ended June 30, 2018, With Comparative Totals for 2017

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UNITED WAY OF SANTA FE COUNTY, INC.
OFFICIAL ROSTER
As of June 30, 2018

Board of Directors

Miranda Viscoli	Chair
Barbara Rand	Chair-Elect
Brian Lewis	Treasurer
Lynda Gavioli	Secretary
Alicia Bertram	Member
Keith Burks	Member
Cheryl Cabbil	Member
Barbara Damron, PhD, RN, FAAN	Member
Katherine Freeman	Member
William E. Garcia	Member
Anne W. Honstein	Member
Carol Johnson	Member
Nancy King	Member
Carl Luff	Member
Valerie Plame	Member
Stacey Quinn	Member
Rosemary Romero	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, 2018**

Financial Condition

United Way of Santa Fe County (UWSFC) finished fiscal year 2018 with an increase in net assets of \$512,820. UWSFC's cash balance was \$1,362,556. We expect \$113,569 in pledges from the 2018 campaign to be paid during fiscal year 2019. Our liabilities total \$797,090, 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, \$441,618 of payables, accrued expenses and other liabilities, and \$105,396 of accrued interest as of June 30, 2018 payable to the Santa Fe Public Schools for the purchase of Kaune Elementary School. Our net assets are \$4,942,286, of which \$432,245 are capital campaign funds to complete the remodeling of Kaune Elementary School to an Early Learning Center for three- and four-year-old children.

Results of Operations

The ever-growing awareness and support of UWSFC's Early Learning Programs contributed to the continued support of our annual campaign. We have experienced some erosion in individual donations, however we continue to sustain and grow our programs, with ongoing and new funding from private donors like the Brindle Foundation, the Daniels Fund, Anchorum, and CHRISTUS St. Vincent Regional Medical Center (CSVRMC). Therefore, sustained and new grants 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 continues to fund the 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 \$15,118, net of fees. Twenty-five percent of fiscal year 2018 designations were paid to seven specified agencies prior to fiscal year end. The remaining portion will be paid in full by January 31, 2019.

**UNITED WAY OF SANTA FE COUNTY
MANAGEMENT REVIEW OF OPERATIONS
June 30, 2018**

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. Triple P – Positive Parenting Program is a series of workshops and supports 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.
- **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, 2018**

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, 2018**

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 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

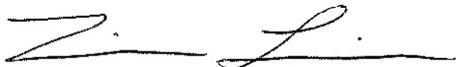
We have planned for several years to become an organization that truly has the ability to make an impact of lasting change in the community, rather than being the traditional fundraising organization passing funds through to other organizations. We believe we are making real and lasting changes for our 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 16% of our operating budget with the remaining 84% coming from the combination of private foundations, individual donations and state multi-year service awards.



Katherine Freeman
President & CEO



Brian Lewis
Treasurer

UNITED WAY OF SANTA FE COUNTY
REPORT BY MANAGEMENT
June 30, 2018

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.

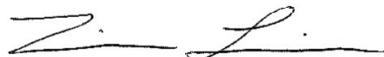
Management maintains and relies on a system of internal controls and related policies and procedures that provide reasonable assurance of the integrity and reliability of the financial statements. The system provides, at appropriate costs and within the inherent limitations of all internal control systems 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, 2018, 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, 2018, 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.

Report on Summarized Comparative Information

The prior year summarized comparative information has been derived from the UWSFC's June 30, 2017 financial statements. Those statements were audited by other auditors whose report dated November 17, 2017 has been furnished to us, and our opinion, insofar as it relates to the amounts included for prior year comparative data, is based solely on the report of the other auditors. Those auditors expressed an unmodified opinion on those statements.

Other Matters

Other Information

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, 2018, 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, 2018

UNITED WAY OF SANTA FE COUNTY
STATEMENT OF FINANCIAL POSITION
As of June 30, 2018, With Comparative Totals For 2017

	Notes	2018	2017
ASSETS			
Current Assets			
Cash & cash equivalents			
Unrestricted	C	\$ 580,083	358,346
Restricted	C	782,473	312,936
Campaign pledges receivable, net	H	113,569	165,855
Capital campaign pledges receivable, net - current	H	21,400	291,635
Grants receivable	G	162,675	371,753
Miscellaneous receivable	G	46	11,250
Prepaid expenses and other		38,659	42,308
Total current assets		1,698,905	1,554,083
Security and equipment deposit	I	2,440	2,440
Capital campaign pledges receivable, net - non-current	H	237,606	313,007
Investments	D	268,338	888,408
Property and equipment, net	J	3,532,087	3,262,995
Total non-current assets		4,040,471	4,466,850
TOTAL ASSETS		\$ 5,739,376	6,020,933
 LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts payable		\$ 376,260	94,753
Accrued liabilities	K	65,358	54,465
Line of credit due to bank	M	-	65,000
Notes payable (current portion)	L	-	1,072,000
Funds held for other organizations		76	76
Interest payable (Kaune Building)	L	105,396	55,173
Total current liabilities		547,090	1,341,467
Long-term Liabilities:			
Notes payable	L	250,000	250,000
Total liabilities		797,090	1,591,467
Net Assets			
Unrestricted net assets			
Undesignated		(1,187,568)	(558,186)
Net investment in property and equipment		3,176,691	1,885,822
Temporarily restricted net assets	N	1,317,769	1,466,436
Permanently restricted	E	1,635,394	1,635,394
Total net assets		4,942,286	4,429,466
TOTAL LIABILITIES AND NET ASSETS		\$ 5,739,376	6,020,933

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

UNITED WAY OF SANTA FE COUNTY
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2018, With Comparative Totals For 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018 Totals	2017 Totals
Public support					
Campaign results and other support					
Amounts raised and processed by UWSFC	\$ 541,423	113,569	-	654,992	673,012
Amounts raised and processed for United Way organizations	31,019	-	-	31,019	33,543
Difference of 2017 campaign reserve to actual	-	-	-	-	6,524
Campaign results	<u>572,442</u>	<u>113,569</u>	<u>-</u>	686,011	<u>713,079</u>
Less provision for uncollectible pledges	<u>(20,582)</u>	<u>-</u>	<u>-</u>	(20,582)	<u>(26,773)</u>
Net campaign results before donor designations	<u>551,860</u>	<u>113,569</u>	<u>-</u>	665,429	<u>686,306</u>
Less donor designations	<u>(15,118)</u>	<u>-</u>	<u>-</u>	(15,118)	<u>(13,766)</u>
Net campaign results	<u>536,742</u>	<u>113,569</u>	<u>-</u>	650,311	<u>672,540</u>
Capital campaign revenue, net of discount	-	623,018	-	623,018	686,468
Bequests	659	-	-	659	18,914
County grants	103,848	-	-	103,848	55,866
State grants	939,530	-	-	939,530	987,592
Federal grants	34,732	-	-	34,732	33,323
Other grants	5,556	978,394	-	983,950	1,206,507
In-kind contributions	121,100	399,089	-	520,189	542,466
Total public support	<u>1,742,167</u>	<u>2,114,070</u>	<u>-</u>	3,856,237	<u>4,203,676</u>
Fee revenue from pledges	2,250	-	-	2,250	15,000
Other income	128,737	1,025	-	129,762	95,148
Dividends and interest	16,068	-	-	16,068	23,260
Investment (losses) gains	29,580	-	-	29,580	75,666
Net assets released from restrictions due to satisfaction of program restrictions	2,263,762	<u>(2,263,762)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>2,440,397</u>	<u>(2,262,737)</u>	<u>-</u>	177,660	<u>209,074</u>
Total public support and revenue	<u>4,182,564</u>	<u>(148,667)</u>	<u>-</u>	4,033,897	<u>4,412,750</u>
Expenses					
Programs					
Gross funds distributed	15,118	-	-	15,118	13,766
(Less donor designations)	<u>(15,118)</u>	<u>-</u>	<u>-</u>	(15,118)	<u>(13,766)</u>
Net funds distributed	-	-	-	-	-
Other program services	2,948,645	-	-	2,948,645	2,913,567
Total program services	<u>2,948,645</u>	<u>-</u>	<u>-</u>	2,948,645	<u>2,913,567</u>
General & administrative	202,913	-	-	202,913	229,931
Fundraising expense	339,577	-	-	339,577	416,842
United Way of America dues	29,942	-	-	29,942	21,478
Total operating expenses	<u>3,521,077</u>	<u>-</u>	<u>-</u>	3,521,077	<u>3,581,818</u>
Change in net assets	661,487	(148,667)	-	512,820	830,932
Net assets, beginning	<u>1,327,636</u>	<u>1,466,436</u>	<u>1,635,394</u>	4,429,466	<u>3,598,534</u>
Net assets, ending	<u>\$ 1,989,123</u>	<u>1,317,769</u>	<u>1,635,394</u>	4,942,286	<u>4,429,466</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, 2018, With Comparative Totals For 2017

	Program	General & Administrative	Fundraising	2018 Total	2017 Total
Personnel expenses:					
Salaries	\$ 1,384,806	124,899	169,051	1,678,756	1,866,463
Payroll taxes	102,309	9,227	12,489	124,025	144,909
Payroll benefits	79,615	7,181	9,719	96,515	110,875
Retirement expense	20,484	1,847	2,500	24,831	18,383
Total personnel	<u>1,587,214</u>	<u>143,154</u>	<u>193,759</u>	<u>1,924,127</u>	<u>2,140,630</u>
General expenses:					
Professional services	189,855	20,995	62,166	273,016	304,114
Return of funds	198,331	-	-	198,331	-
Distributions	142,573	9,947	13,263	165,783	125,745
Office rent expense	107,235	5,064	6,864	119,163	116,890
Supplies	103,313	192	3,270	106,775	128,928
Repairs and maintenance	80,586	515	704	81,805	64,088
Utilities	65,219	457	617	66,293	55,378
Interest expense	56,384	1,195	1,854	59,433	111,102
Travel	50,734	4,244	2,524	57,502	60,305
Licenses, fees, permits, and taxes	44,425	4,001	5,429	53,855	28,731
Insurance	43,424	3,911	5,306	52,641	54,347
Printing & postage	38,973	164	7,678	46,815	51,078
Telephone and internet	30,377	638	867	31,882	30,480
United Way of America membership dues	-	-	29,942	29,942	21,478
Training and education	20,805	243	4,508	25,556	37,354
Meetings and events	11,558	-	8,877	20,435	18,592
Equipment leases	15,361	710	962	17,033	18,863
Dues and subscriptions	2,778	96	11,396	14,270	13,010
Software support	4,891	209	4,844	9,944	48,816
Marketing and development	2,989	5,615	-	8,604	17,153
Equipment	6,842	-	112	6,954	-
Lobbying	100	-	-	100	100
In-kind expense rent	94,100	-	-	94,100	94,140
In-kind expense advertising	27,000	-	-	27,000	9,500
Subtotal general expenses before depreciation	<u>1,337,853</u>	<u>58,196</u>	<u>171,183</u>	<u>1,567,232</u>	<u>1,410,192</u>
Depreciation	23,578	1,563	4,577	29,718	30,996
Total general expenses	<u>1,361,431</u>	<u>59,759</u>	<u>175,760</u>	<u>1,596,950</u>	<u>1,441,188</u>
Total expenses	<u>\$ 2,948,645</u>	<u>202,913</u>	<u>369,519</u>	<u>3,521,077</u>	<u>3,581,818</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 CASH FLOWS
For The Year Ended June 30, 2018, With Comparative Totals For 2017

CASH FLOWS FROM OPERATING ACTIVITIES:	<u>2018</u>	<u>2017</u>
Cash received from grantors	\$ 2,271,138	2,122,564
Cash received from contributors & support	1,104,595	1,200,180
Cash received from other income	140,966	89,257
Interest income & dividends	16,068	23,260
Cash payments to vendors & contractors	(1,101,543)	(1,221,462)
Cash payments for wages & benefits	(1,913,234)	(2,128,242)
Interest paid	(59,433)	(111,102)
Net cash provided/(used) by operating activities	<u>458,557</u>	<u>(25,545)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	2,162,105	428,715
Proceeds from sales of donated stock	399,089	438,826
Purchase of investments	(1,462,232)	(6,515)
Purchase of property and equipment	(298,810)	(112,035)
Net cash provided/(used) by investing activities	<u>800,152</u>	<u>748,991</u>
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital campaign contributions	569,565	512,446
Proceeds from issuance of debt/line of credit	-	65,000
Principal payments	(1,137,000)	(1,000,000)
Net cash provided/(used) by financing activities	<u>(567,435)</u>	<u>(422,554)</u>
 Net increase (decrease) in cash	691,274	300,892
 Cash, restricted cash, & cash equivalents, beginning of year	<u>671,282</u>	<u>370,390</u>
 Cash, restricted cash, & cash equivalents, end of year	\$ <u>1,362,556</u>	<u>671,282</u>
 RECONCILIATION OF CHANGE IN NET ASSETS TO CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ 512,820	830,932
 Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	29,718	30,996
Adjustment related to fixed assets	-	5,533
Donated stock (in-kind)	(399,089)	(438,826)
Realized and unrealized losses on investments	(29,580)	(75,666)
 Changes in assets and liabilities:		
Campaign pledges receivable	52,286	43,574
Capital campaign revenue	(223,929)	(247,642)
Grants receivable	209,078	(160,724)
Designation fees receivable	-	11,326
Miscellaneous receivable	11,204	(5,891)
Prepaid expenses	3,649	5,747
Security deposits	-	(465)
Accounts payable	281,507	(36,827)
Accrued expenses	10,893	12,388
Net cash provided (used) by operating activities	\$ <u>458,557</u>	<u>(25,545)</u>
 Supplementary Information		
In-kind expense rent	\$ 94,100	94,140
In-kind expense advertising	27,000	9,500
In-kind contributions-stock donation	399,089	438,826
	\$ <u>520,189</u>	<u>542,466</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, 2018, With Comparative Totals for 2017

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 Learning Early 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

United Way reports 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 are available for general use by the Organization. Temporarily restricted net assets are principally donor contributions that are restricted in their use: if restrictions expire before the assets are expended, the assets are reclassified to unrestricted net assets. Permanently restricted net assets which are donor designated include an endowment. The endowment corpus shall be preserved in perpetuity and only designated funds may be used by the Organization for operations according to the endowment documents. No annual distributions for operations shall be made if such a distribution would cause the gifts to decrease below the original value of the gifts.

Unrestricted and Board Designated Net Assets

Unrestricted amounts 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 2018 and 2017, and accordingly, these financials do not reflect any activity related to this class of net assets.

Temporarily Restricted Net Assets

Temporarily restricted net assets result from contributions and other inflows of assets whose use by the UWSFC is limited by donor-imposed stipulations that expire by passage of time or can be fulfilled and removed by actions of the UWSFC pursuant to those stipulations. When a donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. See Note N for more detail.

Permanently Restricted Net Assets

Permanently restricted net assets result from contributions and other inflows of assets whose use by the UWSFC is limited by donor-imposed stipulations that cannot be removed by actions of the UWSFC. The UWSFC had permanently restricted net assets related to their Endowment Fund. See Note E for more detail.

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-

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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. However, management felt the risks related to these balances were within an acceptable range. As of June 30, 2018, the UWSFC cash balances in the New Mexico Bank & Trust were underinsured by \$584,488.

Investments

Investments consist of mutual funds that are stated at fair market value. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

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, 2018 and 2017, 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 combined 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

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designated by donors to specific agencies (and thus, not included in net revenue or expense) totaled, net of fees, \$15,118 in 2018 and \$13,766 in 2017.

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 temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, United Way reports the support as unrestricted.

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. 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 restricted support. In the absence of such stipulations. Contributions of property and equipment are recorded as unrestricted support.

Property and Equipment

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 unrestricted support 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 restricted support. 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	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

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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, 2018.

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.

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 \$30,164 in 2018 and \$26,691 in 2017.

Support

The UWSFC 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. When a donor restriction expires, restricted net assets are reclassified to unrestricted net assets 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 \$121,100 in 2018 and related to advertising and program supplies was \$103,640 in 2017. These amounts have been included in both revenues and expenses. The UWSFC had no donated services in fiscal years 2018 and 2017.

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

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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 restricted net assets to unrestricted net assets 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.

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 \$24,831 and \$18,383 for the years ended June 30, 2018 and 2017, respectively.

Functional Allocation of Expenses

Expenses have been functionally allocated between Program Services and Supporting Services based on an analysis of personnel time and space utilized for the related activities.

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

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.

Accounting for Uncertainty in Income Taxes

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 2015. 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, 2017, from which the summarized information was derived.

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Reclassifications

Certain reclassifications may have been made to 2017 amounts to conform to 2018 presentation.

NOTE C – CASH, RESTRICTED CASH, AND CASH EQUIVALENTS

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

<u>Type</u>		<u>2018</u>	<u>2017</u>
Checking and savings	\$	1,362,456	671,183
Petty cash		100	99
Total cash and cash equivalents	\$	<u>1,362,556</u>	<u>671,282</u>

Restricted Cash and Investments

Cash and investments are considered to be restricted for the permanent endowment and to satisfy temporary restrictions. Restricted cash is as follows:

		<u>2018</u>	<u>2017</u>
Cash to satisfy temporary restrictions	\$	<u>782,473</u>	<u>312,936</u>

Restricted investments are as follows:

		<u>2018</u>	<u>2017</u>
Endowment permanently restricted investment	\$	<u>268,338</u>	<u>888,408</u>

NOTE D – INVESTMENTS

Investment at June 30, include:

	<u>2018</u>		<u>2017</u>	
	<u>Original Cost</u>	<u>Fair Value</u>	<u>Original Cost</u>	<u>Fair Value</u>
Investments				
Securities & equity funds	\$ 138,512	151,855	501,912	541,672
Bond & fixed income	123,895	116,483	345,116	346,736
Total investments	\$ <u>262,407</u>	<u>268,338</u>	<u>847,028</u>	<u>888,408</u>

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

		<u>2018</u>	<u>2017</u>
Beginning Balance	\$	888,408	1,200,013
Investment income (loss), net		49,576	97,919
Contributions		1,462,232	-
Withdrawals		(2,131,643)	(393,786)
Other debits		(235)	(15,738)
Ending Balance	\$	<u>268,338</u>	<u>888,408</u>

NOTE E – ENDOWMENT

The United Way classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowments, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument. The remaining portion of the donor- restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets

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until those amounts are appropriated for expenditure. The endowment investments are as follows:

Endowment Investments	2018	2017
Investments	\$ 268,338	888,408
Total Endowment	<u>\$ 268,338</u>	<u>888,408</u>

The net asset composition of the endowment is as follows:

Permanently Restricted Endowment	2018	2017
Perm Restricted Endowment	\$ 1,635,394	1,635,394
Deficit in endowment corpus	(1,367,056)	(746,986)
	<u>\$ 268,338</u>	<u>888,408</u>

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

	2018		
	Unrestricted	Permanently Restricted	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
Distributions	(649,650)	-	(649,650)
Endowment net assets, June 30, 2018	<u>\$ (1,367,056)</u>	<u>1,635,394</u>	<u>268,338</u>

Changes in endowment net assets as of June 30, 2017:

	2017		
	Unrestricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	\$ (435,381)	1,635,394	1,200,013
Investment income/(loss)			
Net realized and unrealized gain/(loss)	75,666	-	75,666
Distributions	(387,271)	-	(387,271)
Endowment net assets, June 30, 2017	<u>\$ (746,986)</u>	<u>1,635,394</u>	<u>888,408</u>

Return Objectives and Risk Parameters

The United Way 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 donor-restricted funds 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.

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Spending Policy and How the Investment Objectives Relates to Spending Policy

In accordance with the United Way's investment policy approved by the Board of Directors distributions are not expected to exceed 5% to 7% of the market value of the funds.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the United Way 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 permanently restricted gifts by donors (endowment funds), preservation of the value of the original gift is the primary emphasis of the United Way. The United Way 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.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor- restricted endowment funds may fall below the level that the donor or accounting standard requires the UWSFC to retain as a fund in perpetuity. In accordance with accounting policies generally accepted in the United States of America, the deficiencies are reported as unrestricted net assets. Please refer to the table above for the deficiencies as of June 30, 2018 and 2017.

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

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limited market activity of the instrument.

The following table sets forth value measurements by level, within the fair value hierarchy, the UWSFC's financial assets measured at fair value as of June 30:

Type	Level 1	
	2018	2017
Investments	\$ 268,338	888,408

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	2018	2017
Current (1-30)	\$ 162,721	119,039
31-90 days	-	201,464
Greater than 90 days	-	62,500
Total grants and other receivables	\$ 162,721	383,003
Customer	2018	2017
Thornburg	\$ 50,000	-
CYFD First Born Home Visiting Program	44,111	62,887
CYFD Prek Extended Day	24,687	15,444
Anderson Charitable Foundation	20,000	-
CYFD Prek	11,796	19,247
SF County Navigation	9,455	-
Dolly Parton Imagination Library	2,464	9,001
SCC First Born	163	-
Other	45	1,464
Kellogg Foundation	-	200,000
SVHsupport	-	62,500
Los Alamos National Labs	-	11,250
Southwest NM Council of Governments	-	1,210
Total grants and other receivables	\$ 162,721	383,003

As of June 30, 2018 and 2017, management estimates all receivables to be fully collectible; therefore, no provision for an allowance for uncollectible receivables has been recorded.

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NOTE H – PLEDGES RECEIVABLE

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

<u>Type</u>	<u>2018</u>	<u>2017</u>
Campaign pledges receivables	\$ 134,151	192,628
Less: allowance for uncollectible pledges	(20,582)	(26,773)
Net campaign pledges receivable	\$ <u>113,569</u>	<u>165,855</u>

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

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>2018</u>	<u>2017</u>
Capital campaign pledges receivables	\$ 280,200	650,331
Less: Discount to net present value	(21,194)	(45,690)
Net capital campaign pledges receivable	\$ <u>259,006</u>	<u>604,641</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 receivable are restricted in use for costs and expenses of the Early Learning Center.

	<u>2018</u>	<u>2017</u>
Amounts due in:		
Less than one year	\$ 21,400	291,635
One to five years	258,800	358,696
Total	\$ <u>280,200</u>	<u>650,331</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>2018</u>	<u>2017</u>
Security deposit \$	1,975	1,975
Equipment deposit	465	465
Total deposits \$	<u>2,440</u>	<u>2,440</u>

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NOTE J – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

<u>Type</u>	<u>2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>2018</u>
Property and equipment not depreciated				
Building (under renovation)	3,193,661	291,970	-	3,485,631
Property and equipment depreciated				
Leasehold improvements	148,056	-	-	148,056
Furniture & equipment	37,670	-	-	37,670
Computer equipment and other	61,329	6,840	-	68,169
Total property and equipment	<u>3,440,716</u>	<u>298,810</u>	-	<u>3,739,526</u>
Less: accumulated depreciation				
Building	-	(1,566)	-	(1,566)
Leasehold improvements	(83,220)	(25,061)	-	(108,281)
Furniture and equipment	(35,494)	(732)	-	(36,226)
Computer equipment and other	(59,007)	(2,359)	-	(61,366)
Total accumulated depreciation	<u>(177,721)</u>	<u>(29,718)</u>	-	<u>(207,439)</u>
Total property and equipment, net	<u>\$ 3,262,995</u>	<u>269,092</u>	-	<u>3,532,087</u>

The UWSFC owns a building which is being renovated in order to be usable space. As a result, this building is classified as a non-depreciating asset. As the building is put into use, the areas in use will begin to be depreciated.

Depreciation expense for the years ended June 30, 2018 and 2017 was \$29,718 and \$30,996, respectively.

NOTE K – ACCRUED LIABILITIES

Accrued liabilities at June 30, consist of the following:

	<u>2018</u>	<u>2017</u>
Accrued annual leave	\$ 30,164	26,691
Accrued payroll	26,512	25,372
Accrued payroll taxes and benefits	8,682	2,402
Total accrued liabilities	<u>\$ 65,358</u>	<u>54,465</u>

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NOTE L – NOTES PAYABLE

Notes payable consists of the following as of June 30:

	2018	2017
Loan with Board of Education of the Santa Fe Public Schools with initial payment of \$1,000,000 at closing, \$1,000,000 plus accrued interest of 5% on the first anniversary of closing date, and on the second anniversary of closing date the remaining balance of \$1,072,000 (in 2018), plus accrued interest at 5%. UWSFC accrues interest monthly.	\$ -	1,072,000
Unsecured loan with Santa Fe Community Foundation for up to \$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 interest only payments at 3%, all outstanding principal and interest due September 2019.	250,000	250,000
	\$ 250,000	1,322,000
Interest expense	\$ 59,433	111,102

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

	2019	\$	250,000
.	2020		-
.	2021		-
:	2022		-
.	2023		-
.	Thereafter		-
:	Total	\$	250,000

NOTE M – LINE OF CREDIT

In March 2018, the UWSFC entered into a variable rate nondisclosable 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 2018, 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, 2018, the balance on the line of credit was \$0.

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NOTE N – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes for periods after June 30:

	<u>2017</u>	<u>Revenue</u>	<u>Expenses</u>	<u>2018</u>
Temporarily Restricted Net Assets:				
Outstanding pledge contributions	\$ 165,855	113,569	(165,855)	113,569
Early Learning Programs (Santa Fe Children's Project)	79,207	601,126	(344,328)	336,005
New Mexico Early Childhood Project	513,772	226,847	(406,751)	333,868
Capital campaign contributions	650,611	1,022,107	(1,240,474)	432,244
Family, Friends, and Neighbors	55,627	150,421	(104,990)	101,058
FEMA	1,364	-	(1,364)	-
UWSFC emergency fund	-	1,025	-	1,025
Total Temporarily Restricted	<u>\$ 1,466,436</u>	<u>2,115,095</u>	<u>(2,263,762)</u>	<u>1,317,769</u>

NOTE O – IN-KIND CONTRIBUTIONS

The UWSFC utilizes volunteer services to meet project requirements. In 2018, the UWSFC had 24 volunteers that contributed 315 volunteer hours.

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

<u>Type</u>	<u>2018</u>	<u>2017</u>
In-kind rent	\$ 94,100	94,140
In-kind advertising	27,000	9,500
Donated stock	399,089	438,826
Total in-kind contributions	<u>\$ 520,189</u>	<u>542,466</u>

NOTE P – OPERATING LEASES

The UWSFC rents office space and equipment under multiple leases that expire in various months are years between 2018 and 2026. Monthly payments range from \$37 to \$5,792 and the lease terms range from 2 years to 10 years. These leases have been accounted for as operating leases by the UWSFC.

Minimum future lease payments as of June 30, 2018, are as follows:

<u>Year ending</u>	<u>Amount</u>
2019	\$ 104,430
2020	53,308
2021	51,358
2022	51,000
2023	51,000
Thereafter	148,750

Total lease expenses for the years ended June 30, 2018 and 2017 were \$136,196 and \$135,753, respectively.

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

UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018, With Comparative Totals for 2017

than three consecutive one-year period.

The UWSFC is required to pay base rent of \$94,140 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 \$94,140.

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 2018 year or the 2017 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:

Concentrations		2018	2017
Contributions and grants	\$	<u><u>3,856,237</u></u>	<u><u>4,203,676</u></u>
Total revenue	\$	<u><u>4,033,897</u></u>	<u><u>4,412,756</u></u>
Concentration percentage		<u><u>96%</u></u>	<u><u>95%</u></u>

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UNITED WAY OF SANTA FE COUNTY, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018, With Comparative Totals for 2017

NOTE S – PROGRAM EXPENSES

Designations distributed for the years ended June 30, 2018 and 2017 are as follows:

Designations	2018	2017
New Vistas	\$ 851	435
Life Center Foundation	818	837
Food Depot	325	748
La Familia Medical Center	213	218
Esparanza Shelter for Battered Families	213	121
Kitchen Angels	196	623
Santa Fe Animal Shelter	137	121
St. Elizabeth's Shelter	-	628
Southwest Care Center	-	502
All others	12,365	9,533
Total donor designations	\$ 15,118	13,766
Initiative Expense	2018	2017
UWSFC Learning Early Programs (CYFD State Grant)	\$ 929,530	982,604
UWSFC Learning Early Programs (Other Grants and Donor Directed)	1,616,354	1,526,593
New Mexico Early Childhood Partnership	417,879	418,136
Total expenditures	2,963,763	2,927,333
Less donor designations	(15,118)	(13,766)
Total initiative expense	\$ 2,948,645	2,913,567

NOTE T – EVALUATION OF SUBSEQUENT EVENTS

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, 2018, which is the date the financial statements were available to be issued.

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 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.



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, 2018, 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, 2018.

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, 2018

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, 2018

**UNITED WAY OF SANTA FE COUNTY, INC.
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2018**

<u>Reference #</u>	<u>Finding</u>	<u>Status of Prior Year Findings</u>	<u>Type of Finding</u>
<hr/>			
Prior Year Findings			
NONE			
<hr/>			
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