

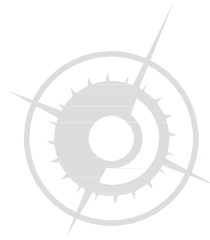
**UNITED WAY OF CARLSBAD
& SOUTH EDDY COUNTY**

Financial Statements
and
Independent Auditors' Report

For the Years Ended
August 31, 2018 and 2017

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SCHLENKER & CANTWELL, P.A.
Certified Public Accountants

8401 Constitution Ave. N.E., Suite 100

Albuquerque, New Mexico 87110

Phone: (505) 275-3915

Fax: (505) 275-3919

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the United Way of Carlsbad & South Eddy County (a nonprofit organization) which comprise the statements of financial position as of August 31, 2018 and 2017, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Way of Carlsbad & South Eddy County as of August 31, 2018 and 2017, and the changes in its net assets, cash flows and functional expenses for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schlenker & Cantwell, P.A.

SCHLENKER & CANTWELL, P.A.

Certified Public Accountants

Albuquerque, New Mexico
October 25, 2018

UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Statements of Financial Position

For the years ended August 31, 2018 and 2017

ASSETS

	2018	2017
Current assets		
Cash and cash equivalents	\$ 814,860	\$ 791,038
Cash restricted as to use	442	10,779
Investments	126,272	125,224
Unconditional promises to give, net	122,012	135,628
	<hr/>	<hr/>
Total current assets	1,063,586	1,062,669
Property and equipment, net	117,730	123,186
	<hr/>	<hr/>
Total assets	<u>\$ 1,181,316</u>	<u>\$ 1,185,855</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Campaign designations payable	\$ 262,674	\$ 200,364
Accrued expenses	10,167	8,290
Funds held as fiscal agent	17,500	19,930
	<hr/>	<hr/>
Total current liabilities	290,341	228,584
Net assets		
Unrestricted	890,293	946,492
Temporarily restricted	682	10,779
	<hr/>	<hr/>
Total net assets	890,975	957,271
	<hr/>	<hr/>
Total liabilities and net assets	<u>\$ 1,181,316</u>	<u>\$ 1,185,855</u>

See independent auditors' report and notes to the financial statements

UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Statement of Activities and Changes in Net Assets

For the year ended August 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue			
Campaign support			
Pledges, current campaign year	\$ 623,246	\$ 13,486	\$ 636,732
Less provision for uncollectible pledges	(56,482)	-	(56,482)
Campaign support, net	566,764	13,486	580,250
Special events, net of direct costs of \$3,672	29,572	-	29,572
Interest income	2,463	-	2,463
Expense recovery and other	5,328	-	5,328
Net assets released from restrictions			
Restrictions satisfied by payment	23,583	(23,583)	-
Total public support and revenue	627,710	(10,097)	617,613
Distributions			
Distributions to program partners	109,583	-	109,583
Community impact grants	334,452	-	334,452
Total distributions	444,035	-	444,035
Program services			
Allocations and grants	92,367	-	92,367
211 referral services	34,308	-	34,308
Supporting services			
Management and general	54,081	-	54,081
Fundraising	52,974	-	52,974
Total program and supporting services	233,730	-	233,730
Unallocated payments to affiliated organizations			
United Way Worldwide	6,144	-	6,144
Total expenses	683,909	-	683,909
Changes in net assets	(56,199)	(10,097)	(66,296)
Net assets, beginning of year	946,492	10,779	957,271
Net assets, end of year	\$ 890,293	\$ 682	\$ 890,975

See independent auditors' report and notes to the financial statements

UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Statement of Activities and Changes in Net Assets

For the year ended August 31, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue			
Campaign support			
Pledges, current campaign year	\$ 596,743	\$ 10,723	\$ 607,466
Less provision for uncollectible pledges	(17,260)	-	(17,260)
Campaign support, net	579,483	10,723	590,206
Special events, net of direct costs of \$6,084	14,520	-	14,520
Interest income	2,361	-	2,361
Expense recovery and other	19,386	-	19,386
Net assets released from restrictions			
Restrictions satisfied by payment	9,068	(9,068)	-
Total public support and revenue	624,818	1,655	626,473
Distributions			
Distributions to program partners	13,127	-	13,127
Community impact grants	414,728	-	414,728
Total distributions	427,855	-	427,855
Program services			
Allocations and grants	50,327	-	50,327
211 referral services	51,932	-	51,932
Supporting services			
Management and general	53,530	-	53,530
Fundraising	57,309	-	57,309
Total program and supporting services	213,098	-	213,098
Unallocated payments to affiliated organizations			
United Way Worldwide	7,128	-	7,128
Total expenses	648,081	-	648,081
Changes in net assets	(23,263)	1,655	(21,608)
Net assets, beginning of year	969,755	9,124	978,879
Net assets, end of year	\$ 946,492	\$ 10,779	\$ 957,271

See independent auditors' report and notes to the financial statements

UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Statements of Cash Flows

For the years ended August 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities		
Changes in net assets	\$ (66,296)	\$ (21,608)
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	5,456	5,629
Provision for uncollectable pledges	56,482	17,260
(Increase) decrease in operating assets:		
Cash restricted as to use	10,337	(1,655)
Unconditional promises to give, net	(42,866)	(25,436)
Prepaid expenses	-	1,755
Increase (decrease) in operating liabilities:		
Campaign designations payable	62,310	17,802
Accrued expenses	1,877	(302)
Funds held as fiscal agent	(2,430)	-
Net cash provided (used) by operating activities	<u>24,870</u>	<u>(6,555)</u>
Cash flows from investing activities		
Purchases of investments	<u>(1,048)</u>	<u>(1,382)</u>
Net cash used by investing activities	<u>(1,048)</u>	<u>(1,382)</u>
Net increase (decrease) in cash	23,822	(7,937)
Cash and cash equivalents, beginning of year	<u>791,038</u>	<u>798,975</u>
Cash and cash equivalents, end of year	<u>\$ 814,860</u>	<u>\$ 791,038</u>

See independent auditors' report and notes to the financial statements

UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Statement of Functional Expenses
For the year ended August 31, 2018

	<u>Program Services</u>		<u>Management</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Allocations</u>	<u>211 Referral</u>	<u>and General</u>		
	<u>and Grants</u>	<u>Services</u>			
Compensation and related benefits					
Salaries and wages	\$ 57,529	\$ 18,923	\$ 34,516	\$ 27,319	\$ 138,287
Employee benefits	5,507	2,337	3,464	2,745	14,053
Employment taxes and insurance	4,481	1,561	2,826	2,280	11,148
Advertising and marketing	1,017	451	597	526	2,591
Contractual services	2,680	2,680	2,680	2,680	10,720
Membership, registration and fees	31	31	41	31	134
Occupancy					
Insurance	2,064	1,440	1,710	1,586	6,800
Rents and leases	3,865	852	1,768	1,345	7,830
Repairs and maintenance	333	647	1,129	880	2,989
Telephone, internet and web	1,921	471	1,031	737	4,160
Utilities	1,180	-	-	-	1,180
Office supplies	2,054	527	1,312	966	4,859
Other	5,850	1,832	1,797	11,513	20,992
Training	1,400	101	664	366	2,531
Total expenses before depreciation	<u>89,912</u>	<u>31,853</u>	<u>53,535</u>	<u>52,974</u>	<u>228,274</u>
Depreciation	<u>2,455</u>	<u>2,455</u>	<u>546</u>	<u>-</u>	<u>5,456</u>
Total expenses	<u>\$ 92,367</u>	<u>\$ 34,308</u>	<u>\$ 54,081</u>	<u>\$ 52,974</u>	<u>\$ 233,730</u>

See independent auditors' report and notes to the financial statements

UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Statement of Functional Expenses
For the year ended August 31, 2017

	<u>Program Services</u>				
	<u>Allocations and Grants</u>	<u>211 Referral Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Compensation and related benefits					
Salaries and wages	\$ 30,761	\$ 32,458	\$ 32,458	\$ 32,458	\$ 128,135
Employee benefits	2,094	2,094	2,094	2,094	8,376
Employment taxes and insurance	2,633	2,633	2,633	2,633	10,532
Advertising and marketing	596	596	643	941	2,776
Contractual services	4,282	4,282	4,282	4,282	17,128
Membership, registration and fees	31	31	41	31	134
Occupancy					
Insurance	1,763	1,763	1,763	1,762	7,051
Rents and leases	2,690	1,790	1,790	1,790	8,060
Repairs and maintenance	242	998	998	998	3,236
Telephone, internet and web	820	952	820	820	3,412
Utilities	756	-	-	-	756
Office supplies	1,061	1,499	1,061	1,061	4,682
Other	1,440	1,779	1,582	5,855	10,656
Training	600	667	634	634	2,535
Total expenses before depreciation	<u>49,769</u>	<u>51,542</u>	<u>50,799</u>	<u>55,359</u>	<u>207,469</u>
Depreciation	<u>558</u>	<u>390</u>	<u>2,731</u>	<u>1,950</u>	<u>5,629</u>
Total expenses	<u>\$ 50,327</u>	<u>\$ 51,932</u>	<u>\$ 53,530</u>	<u>\$ 57,309</u>	<u>\$ 213,098</u>

See independent auditors' report and notes to the financial statements

UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Notes to the Financial Statements

August 31, 2018 and 2017

NOTE 1 - NATURE OF ORGANIZATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

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

Net Assets

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

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

Permanently Restricted Net Assets - represents net assets subject to donor-imposed stipulations that must be maintained in perpetuity by the Organization. The Organization has no permanently restricted net assets as of August 31, 2018 and 2017.

UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Notes to the Financial Statements

August 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Nature of Activities

Program Services:

Allocations & Grants: The Organization's community support program goals are to provide economic assistance to seventeen locally "supported" nonprofit entities providing the following services to the local community:

Boys and Girls Club	Domestic violence shelter
Special needs providers	Income disadvantaged transitional housing
Income disadvantaged nutrition	
Youth safe-house	
Youth court advocacy providers	

In addition, the Organization provided expanded direct financial assistance to the community impact initiatives which are comprised of the emerging educational, health and financial needs of the community.

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

Supporting Services:

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

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

Revenue Recognition

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

UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Notes to the Financial Statements

August 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Unaudited - Uncompensated volunteers conduct a significant portion of the Organization's community advocacy programs, services and functions. The estimated fair value of these contributed services is not reflected in the accompanying financial statement because the services do not meet the requirements for recognition under ASC 958-605, "Accounting for Contributions Received and Contributions Made" as of August 31, 2018 and 2017. The Organization's volunteers donated service hours as follows:

	<u>2018</u>	<u>2017</u>
Volunteer advocacy hours (approximately)	2,980	6,000

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank accounts and money market accounts with original maturities of three months or less at the date of purchase.

The Organization places its cash and cash equivalents with high credit quality institutions. Substantially all of the Organization's non-interest bearing cash balances are fully insured as of August 31, 2018 and 2017.

Cash Restricted as to Use

Cash restricted as to use as of August 31, 2018 and 2017, is comprised of amounts received with donor-imposed use restrictions specifically intended to benefit the community impact initiatives detailed above in program services.

Investments

Investments as of August 31, 2018 and 2017, are comprised of certificates of deposit with original maturities of six to twelve months and are reported at cost. Investments also include investments made with Carlsbad Community Foundation ("CCF") in that organization's endowment fund holding and are recorded at fair market value.

Financial Instruments and Credit Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist primarily of short-term investments and pledges receivable.

UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Notes to the Financial Statements

August 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments and Credit Risk (continued)

The Organization's cash management procedures are intended to limit its exposure to credit risk. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant financial risk therein.

Receivables

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

An allowance for uncollectible, undesignated promises to give is established at the completion of each annual campaign. The allowance for uncollectible promises to give is based on historical collection experience and management's estimates of the collectability of the promises received. The allowance for uncollectible promises to give was established at \$43,600, or approximately 7%, of the 2018 and 2017 campaign pledges.

Prepaid Expenses

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

Property and Equipment

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

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

The Organization capitalizes expenditures for property and equipment, and donated property and equipment, that exceed \$1,000 and have a useful life greater than one year. When items are retired or disposed of, the cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statement of activities and changes in net assets. Repairs or betterments in excess of \$1,000 that materially prolong the useful lives of assets are capitalized. Repairs and maintenance for normal upkeep are expensed as incurred.

In accordance with ASC 360-10, *Property, Plant and Equipment*, the Organization periodically reviews the carrying value of long-lived assets held and used, and assets to be disposed of, for possible impairment when events and circumstances warrant such review. For the years ended August 31, 2018 and 2017, the Organization has not experienced any impairment losses on its long-lived assets.

UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Notes to the Financial Statements

August 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Functional Expense Allocation

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

Income Tax Status

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

The Organization has concluded that there are no significant uncertain tax positions requiring disclosure, and there are no material amounts of unrecognized tax benefits. When applicable, the Organization recognizes interest and penalties related to unrecognized tax benefits as accrued expenses in the accompanying financial statements. The Organization did not recognize any interest and penalties for the years ended August 31, 2018 and 2017.

As of August 31, 2018, the Organization's 2015, 2016 and 2017 fiscal year tax returns are open for examination by the IRS. The Organization is not aware of any matters which would jeopardize its tax-exempt status. There are no federal or state examinations in progress.

Expense Recognition

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

Allocations

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

Designations

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

UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Notes to the Financial Statements

August 31, 2018 and 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs

The Organization expenses advertising and marketing costs as they are incurred. Advertising and marketing expenses totaled \$2,591 and \$2,776 for the years ended August 31, 2018 and 2017, respectively.

Use of Estimates

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

NOTE 3 - INVESTMENTS

Investments consist of certificates of deposit and investments made with CCF in that organization's endowment fund. The fair market value of the investments held at CCF are recorded at their fair value as stated by CCF. The certificates of deposit are stated at cost, which are not required to be classified in one of the levels prescribed by the fair value hierarchy. The fair market value of the investments held at CCF are recorded at their fair value as stated by CCF.

Earnings on the investments totaled \$763 and \$1,382 for the years ended August 31, 2018 and 2017, respectively.

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

Accounts receivable is comprised of the following as of August 31:

	<u>2018</u>	<u>2017</u>
Pledges receivable in less than one year	\$ 165,612	\$ 179,228
Allowance for uncollectable pledges	(43,600)	(43,600)
Unconditional promises to give, net	<u>\$ 122,012</u>	<u>\$ 135,628</u>

UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Notes to the Financial Statements

August 31, 2018 and 2017

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of August 31:

	<u>2018</u>	<u>2017</u>
Land	\$ 10,000	\$ 10,000
Buildings and improvements	134,506	134,506
Office equipment and furnishings	25,382	25,382
Total property and equipment	169,888	169,888
Accumulated Depreciation	(52,158)	(46,702)
Property and equipment, net	<u>\$ 117,730</u>	<u>\$ 123,186</u>

Depreciation expense for the years ended August 31, 2018 and 2017 is \$5,456 and \$5,629, respectively.

NOTE 6 - RETIREMENT PLAN

The Organization provides a SIMPLE IRA retirement plan for employees who have attained the age of 21. The plan provides for up to a 3% matching contribution of compensation, or a 2% non-elective contribution for each eligible employee. The Organization's contribution was \$3,980 and \$2,520 for the years ended August 31, 2018 and 2017, respectively.

NOTE 7 - FAIR VALUE MEASUREMENT

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

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the 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; Inputs that are derived principally from, or corroborated by, observable market data by correlation or other means.

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

UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Notes to the Financial Statements

August 31, 2018 and 2017

NOTE 7 - FAIR VALUE MEASUREMENT (continued)

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

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at August 31, 2018 and 2017. Although not required, the table below includes cash restricted for long-term purposes to reconcile the tables to the statements of financial position.

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

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of August 31, 2018:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Carlsbad Community Foundation	\$ -	\$ 22,888	\$ -	\$ 22,888
Total investments	\$ -	\$ 22,888	\$ -	\$ 22,888

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of August 31, 2017:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Carlsbad Community Foundation	\$ -	\$ 22,125	\$ -	\$ 22,125
Total investments	\$ -	\$ 22,125	\$ -	\$ 22,125

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of August 31:

	<u>2018</u>	<u>2017</u>
Stuff the Bus	\$ -	\$ 9,366
Day of Caring	682	1,413
Total temporarily restricted net assets	\$ 682	\$ 10,779

UNITED WAY OF CARLSBAD & SOUTH EDDY COUNTY

Notes to the Financial Statements

August 31, 2018 and 2017

NOTE 9 - SUPPLEMENTAL DISCLOSURE OF CASH FLOWS

The Organization did not pay interest or income taxes for the years ended August 31, 2018 and 2017. The Organization did not have any non-cash transaction activity for the years ended August 31, 2018 and 2017.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Credit and Operational Risk

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

NOTE 11 - SUBSEQUENT EVENTS

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 25, 2018, the date the financial statements were available to be issued.