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Leonard C. Sonnenberg, CPA

U.S.-Mexico Border Philanthropy Partnership
Audited Financial Statements
December 31, 2011



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
U.S.-Mexico Border Philanthropy Partnership

We have audited the accompanying statement of financial position of U.S.-Mexico Border Philanthropy Partnership (BPP), a nonprofit Organization, as of December 31, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of BPP management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of U.S.-Mexico Border Philanthropy Partnership as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America

Sonnenberg & Company, CPAs

June 9, 2012

U.S.-Mexico Border Philanthropy Partnership
Statement of Financial Position
December 31, 2011

ASSETS:

Cash and Cash Equivalents	\$ 161,019
Accounts Receivable	2,901
Contributions Receivable	25,000
Office Furniture & Equipment	5,492
Less: Accumulated Depreciation	<u>(3,014)</u>

TOTAL ASSETS	<u>\$ 191,398</u>
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LIABILITIES:

Accounts Payable	\$ 3,706
Credit Cards Payable	10,190
Grants Payable	<u>19,203</u>

TOTAL LIABILITIES	<u>33,099</u>
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NET ASSETS:

Unrestricted	123,573
Temporarily Restricted	<u>34,726</u>

TOTAL NET ASSETS	<u>158,299</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 191,398</u>
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The Accompanying Notes are an Integral Part of the Financial Statements

U.S.-Mexico Border Philanthropy Partnership
Statement of Activities
For the Year Ended December 31, 2011

SUPPORT and REVENUES:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Grants and Contributions	\$ 107,120	\$ 148,000	\$ 255,120
Program Income	29,935		29,935
Investment Income	407		407
Net Assets Released from Restrictions - Satisfaction of Donor Restrictions	<u>394,024</u>	<u>(394,024)</u>	<u>-</u>
Total Support and Revenues	<u>531,486</u>	<u>(246,024)</u>	<u>285,462</u>
 EXPENSES:			
Program Expenses			
Family Asset Building Program	162,210		162,210
Member Services	11,119		11,119
General Programming	292,872		292,872
Grantmaking	47,549		47,549
Total Program expenses	<u>513,750</u>	<u>-</u>	<u>513,750</u>
Support Services			
Management and General	50,096		50,096
Fund-Raising	6,098		6,098
Total Support Services	<u>56,194</u>	<u>-</u>	<u>56,194</u>
Total Expenses	<u>569,944</u>	<u>-</u>	<u>569,944</u>
Change In Net Assets	(38,458)	(246,024)	(284,482)
Beginning Net Assets	<u>162,031</u>	<u>280,750</u>	<u>442,781</u>
Ending Net Assets	<u>\$ 123,573</u>	<u>\$ 34,726</u>	<u>\$ 158,299</u>

The Accompanying Notes are an Integral Part of the Financial Statements

U.S.-Mexico Border Philanthropy Partnership
Statement Of Functional Expenses
For the Year Ended December 31, 2011

	Program Services				Support Services			Total
	Family Asset Building	Member Services	General Programming	Grantmaking	Program Total	Management & General	Fund-Raising	
EXPENSES								
Personnel and Related								
Salaries	\$ 37,938	\$	\$ 194,228	\$	\$ 232,166	\$ 22,949	\$ 2,500	\$ 25,449
Payroll Taxes	2,982		11,149		14,131	4,790	959	5,749
Employee Benefits	3,180		16,921		20,101	911	191	1,102
Insurance - Workers Comp	278		1,298		1,576	241	37	278
Payroll Processing Fees	383		1,732		2,115	385	50	435
Total Personnel and Related	44,761	-	225,328	-	270,089	29,276	3,737	33,013
Non-Personnel								
Accounting Fees						7,048		7,048
Bank Fees				301	1,053	99		99
Board and Committee Meetings	4,267		4,307		8,574	1,998		1,998
Dues and Subscriptions	132		624		756	75		75
Equipment Rental and Maintenance						472	73	545
Grantmaking	10,750		7,771	47,168	57,918			57,918
Information Technology	261				8,032	1,397	134	1,531
Insurance						2,351		2,351
Meals/Travel/Entertainment	11,728		6,545		18,273			18,273
Miscellaneous			2,966		2,966			2,966
Postage and Delivery			1,100		1,100			1,136
Printing and Reproduction	21		661	80	762	95	36	869
Professional Fees	58,752	11,119	18,583		88,454	2,250	1,755	92,459
Rent	1,420		11,659		13,079	2,000	308	2,308
Repairs & Maintenance			3,088		3,088			3,088
Trainings and Workshops	29,931		4,680		34,611	125	125	34,736
Supplies	121		447		568	440		1,008
Utilities	66		4,361		4,427	281	43	4,751
Total Non-Personnel	117,449	11,119	67,544	47,549	243,661	18,631	2,361	20,992
Non-Cash								
Depreciation						2,189		2,189
Total Non-Cash	-	-	-	-	-	2,189	-	2,189
Total Expenses	\$ 162,210	\$ 11,119	\$ 292,872	\$ 47,549	\$ 513,750	\$ 50,096	\$ 6,098	\$ 56,194

The Accompanying Notes are an Integral Part of the Financial Statements

U.S.-Mexico Border Philanthropy Partnership
Statement Of Cash Flows
For the Year Ended December 31, 2011

CASH FLOWS FROM -
OPERATING ACTIVITIES:

Change In Net Assets	\$ (284,482)
Adjustments to Reconcile Change in Net Assets	-
To Net Cash Provided by Operating Activities:	
Depreciation	2,189
(Increase) Decrease in:	
Accounts Receivable	(2,002)
Contributions Receivable	175,000
Increase (Decrease) in:	
Accounts Payable	(294)
Credit Cards Payable	6,997
Grants Payable	<u>19,203</u>
Net Cash Used by Operating Activities	(83,388)
Cash and Cash Equivalents at:	
Beginning of Year	<u>244,407</u>
End of Year	<u><u>\$ 161,019</u></u>

The Accompanying Notes are an Integral Part of the Financial Statements

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2011

Note 1. Organization

Nature of Organization

U.S.-Mexico Border Philanthropy Partnership (BPP) is a not-for-profit public benefit corporation organized under the Nonprofit Public Benefit Corporation Law for charitable purposes on June 9, 2008.

The BPP is a binational membership organization that brings together individuals and institutions from the U.S. and Mexico that serve in, and care about the U.S.-Mexico border region. BPP provides tools and opportunities that help strengthen members' ability to pursue and achieve their individual missions in the border. BPP offers cross-regional networking, learning, professional and organizational development tools, products and services to members.

The BPP's principal activities involve family asset building support for leaders and practitioners; member services to support the ongoing institutional and organizational needs of members; general programming to advance the work of BPP in the binational region; and grantmaking in the form of small technical assistance grants to member.

Family Asset Building: The Family Asset Building (FAB) program offers targeted trainings on innovation and evaluation for organizations working to help low-income families and communities get out of poverty and reach financial stability. The FAB program also explores asset building in a Mexico context and the policy issues facing practitioners in the region.

Member Services: The Member Services program includes access to the organized trainings, resources, webinars, and reports on organizational leadership and resource development.

General Programming: The General programming includes specific activities, resources, and programs to increase and advance general knowledge of border region issues, challenges, and opportunities in cultural, social development, and dialogue.

Grantmaking: The BPP grantmaking includes small technical assistance in the form of sub-grants to member organizations to facilitate the development and implementation of fundraising and development plans, leadership development and trainings for board and staff leaders of member organizations, as well as supporting the growth and development of Family Asset Building activities of member organizations.

Income Taxes

The BPP is exempt from income taxes in accordance with Section 501(c)(3) of the Internal Revenue Code, and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes is included in the accompanying financial statements.

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2011

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements are presented on the accrual basis, in accordance with U.S. generally accepted accounting principles. Under the accrual basis, revenues are recorded when earned and expenses are recorded when incurred, resulting in related receivables and payables.

Financial Statement Presentation

BPP presents its financial statements in accordance with U.S. generally accepted accounting principles for Nonprofit Organizations, and the American Institute of Certified Public Accountants (AICPA) *Audit and Accounting Guide for Not-for-Profit Entities*. These guides require that net assets, and revenue be classified as unrestricted, temporarily restricted, and permanently restricted based upon the following criteria:

Unrestricted: These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted: BPP reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program restrictions. At December 31, 2011, BPP had temporarily restricted net assets of \$34,726.

Permanently Restricted: These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit the BPP to expend the income (or other economic benefits) derived from the donated assets. At December 31, 2011, the BPP did not have any permanently restricted net assets.

Cash and Cash Equivalents

Cash equivalents consist primarily of undeposited funds and securities with original maturities of 90 days or less.

Property and Equipment

Property and equipment purchased with BPP funds are capitalized at cost. Donated equipment is recorded at estimated fair value. The BPP policy is to capitalize acquisitions valued greater than \$2,000. Depreciation is provided over the estimated useful lives or over the term of the respective assets on a straight-line basis as follows:

Equipment	3-5 years
Furniture	7 years

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2011

Note 2. Summary of Significant Accounting Policies (continued)

Impairment of Long-lived Assets

BPP evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the estimated future cash flows (undiscounted and without interest charges) from the use of an asset are less than the carrying value, a write-down will be recorded to reduce the related asset to its estimated fair value. To date, no such write-downs have occurred.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Functional Allocation of Expenses

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

Donated Services

No amounts have been reflected in the financial statements for donated services. BPP generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks to assist BPP. BPP receives approximately 2,500 volunteer hours per year.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements

Fair Value Measurements—Management adopted SFAS No. 157, Fair Value Measurement (SFAS No.157), as it pertains to BPP's financial assets and liabilities, on December 31, 2010. SFAS No.157 defines fair value as 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. Fair value should be based on assumptions that market participants would use, including a consideration of non-performance risk.

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2011

Note 2. Summary of Significant Accounting Policies (continued)

Management assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs are quoted market prices for identical instruments in an active market that the entity has the ability to access and are the most observable. Level 2 inputs include quoted market prices for similar assets and observable inputs such as interest rates, currency exchange rates, commodity rates, and yield curves. Level 3 inputs are not observable in the market and include management's judgments about the assumptions market participants would use in pricing the asset or liability. BPP assets at December 31, 2011 are considered Level 1 inputs.

Note 3. Concentrations

BPP maintains two bank accounts at one banking institution. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the BPP bank accounts exceed federally insured deposit limits. BPP has not experienced any losses in such accounts.

Approximately 50% of the BPP's revenue is derived from contributions from two private foundations, Charles Stewart Mott Foundation and the Annie Casey Foundation.

Note 4. Accounts and Contributions Receivable

At December 31, 2011, accounts and contributions receivable are as follows:

Charles Stewart Mott Foundation	\$25,000
Various	<u>2,901</u>
Total receivable	<u>\$27,901</u>

The BPP has no substantial problems collecting receivables; therefore, no allowance for uncollectible accounts has been reported. The contribution receivable is due within one year and has not been discounted.

Note 5. Grants Payable

Grants authorized but unpaid at year end are measured at fair value and reported as liabilities in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. Grants to be paid in less than one year totaled \$19,203 at December 31, 2011.

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2011

Note 6. Operating Lease

The BPP leases office space under a noncancelable operating lease agreement beginning November 2010 for a term of three years. Rental expense is to increase by 3% each year beginning on its commencement date, January 2012. Rental expense was \$15,388 for the year ended December 31, 2011.

Future minimum lease payments under the operating lease for the year ended:

December 31, 2012	\$	16,166
December 31, 2013		16,490
	\$	<u>32,656</u>

BPP has the option to extend the lease for an additional period of three years beginning January 2014.

Note 7: Retirement Plan

The BPP established a 403(b) retirement plan covering all regular full-time employees. Employees are eligible to participate after one year of employment. The BPP may provide an annual match for participating employees. The annual match is not guaranteed and is reviewed annually. For the year ending December 31, 2011, the BPP contributed \$1,300, which is included in employee benefits on the Statement of Activities.

Note 8: Temporarily Restricted Net Assets:

Temporarily Restricted Net Assets are as follows:

	Balance <u>12/31/10</u>	Received <u>2011</u>	Used <u>2011</u>	Balance <u>12/31/11</u>
Family Asset Building Program \$	80,750	\$ 98,000	\$ (171,672)	\$ 7,078
Grantmaking		50,000	(47,352)	2,648
Time Restriction	200,000		(175,000)	25,000
Total	<u>\$ 280,750</u>	<u>\$ 148,000</u>	<u>\$ (394,024)</u>	<u>\$ 34,726</u>

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2011

Note 9. Related Party Transactions

The following member organizations received technical assistance grant awards from the BPP as part of a program to support Mexico based community foundations in 2011.

<u>Name of Organization</u>	<u>Board Member</u>	<u>Amount</u>
Fundación Comunitaria de la Frontera Norte	Karen Yarza	\$2,443
Fundación del Empresariado Chihuahuense, A.C.	Francisco Solis	\$5,000
Fundación Empresariado Sonorense, A.C.	Jaime Gonzalez	\$5,000

An independent committee of outside volunteers reviewed and approved the grant proposal recipients. The independent committee members all signed a conflict of interest statement.

Note 10. Date of Management Review

The BPP has performed an evaluation of subsequent events through June 9, 2012, which is the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require adjustment to, or disclosures in, the financial statements.