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Leonard C. Sonnenberg, CPA

**U.S.-Mexico
Border Philanthropy Partnership
Audited Financial Statements
December 31, 2012**

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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 financial statements of U.S.-Mexico Border Philanthropy Partnership (BPP), a nonprofit organization, which comprise the statement of financial position as of December 31, 2012, 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 U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. 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 corporation'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 corporation'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 U.S.-Mexico Border Philanthropy Partnership as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited BBP's December 31, 2011 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated June 9, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, is consistent, in all material respects, with the audited financial statements from which it has been derived.


Sonnenberg & Company, CPAs

April 16, 2013

U.S.-Mexico Border Philanthropy Partnership
Statement of Financial Position
December 31, 2012
(With comparative totals for the year ended December 31, 2011)

ASSETS:	<u>2012</u>	<u>2011</u>
Cash and Cash Equivalents	\$ 88,977	\$ 161,019
Accounts Receivable	14,087	2,901
Contributions Receivable	130,000	25,000
Office Furniture & Equipment	5,492	5,492
Less: Accumulated Depreciation	<u>(4,229)</u>	<u>(3,014)</u>
TOTAL ASSETS	<u>\$ 234,327</u>	<u>\$ 191,398</u>
LIABILITIES:		
Accounts Payable & Accrued Expenses	\$ 8,220	\$ 3,706
Credit Cards Payable	3,411	10,190
Grants Payable	<u>-</u>	<u>19,203</u>
TOTAL LIABILITIES	<u>11,631</u>	<u>33,099</u>
NET ASSETS:		
Unrestricted	80,696	123,573
Temporarily Restricted	<u>142,000</u>	<u>34,726</u>
TOTAL NET ASSETS	<u>222,696</u>	<u>158,299</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 234,327</u>	<u>\$ 191,398</u>

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, 2012
(With comparative totals for the year ended December 31, 2011)

SUPPORT and REVENUES:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2012 Total</u>	<u>2011 Total</u>
Grants and Contributions	\$ 76,315	\$ 392,000	\$ 468,315	\$ 255,120
Program Income	55,788		55,788	29,935
Investment Income	128		128	407
Net Assets Released from Restrictions - Satisfaction of Donor Restrictions	<u>284,726</u>	<u>(284,726)</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	<u>416,957</u>	<u>107,274</u>	<u>524,231</u>	<u>285,462</u>
EXPENSES:				
Program Expenses				
Family Asset Building Program	156,401		156,401	162,210
Member Services	19,212		19,212	11,119
General Programming	224,249		224,249	292,872
Grantmaking	<u>11,500</u>		<u>11,500</u>	<u>47,549</u>
Total Program expenses	<u>411,362</u>	<u>-</u>	<u>411,362</u>	<u>513,750</u>
Support Services				
Management and General	44,693		44,693	50,096
Fund-Raising	<u>3,779</u>		<u>3,779</u>	<u>6,098</u>
Total Support Services	<u>48,472</u>		<u>48,472</u>	<u>56,194</u>
Total Expenses	<u>459,834</u>	<u>-</u>	<u>459,834</u>	<u>569,944</u>
Change In Net Assets	\$ (42,877)	107,274	64,397	\$ (284,482)
Beginning Net Assets	<u>123,573</u>	<u>34,726</u>	<u>158,299</u>	<u>442,781</u>
Ending Net Assets	<u>\$ 80,696</u>	<u>\$ 142,000</u>	<u>\$ 222,696</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, 2012
(With comparative totals for the year ended December 31, 2011)

	Program Services				Support Services			Total	2011	
	Family Asset Building	Member Services	General Programming	Grantmaking	Program Total	Management & General	Fund-Raising			Support Total
EXPENSES										
Personnel and Related										
Salaries	\$ 53,812	\$ 6,343	\$ 160,736	\$ -	\$ 220,891	\$ 20,379	\$ 2,401	\$ 22,780	\$ 243,671	\$ 257,615
Payroll Taxes	4,179	495	9,384		14,058	4,126	813	4,939	18,997	19,880
Employee Benefits	3,668	434	11,001		15,103	1,559	12	1,571	16,674	21,203
Insurance - Workers Comp	395	46	1,091		1,532	228	35	263	1,795	1,854
Payroll Processing Fees	391	46	1,064		1,501	240	35	275	1,776	2,550
Total Personnel and Related	62,445	7,364	183,276	-	253,085	26,532	3,296	29,828	282,913	303,102
Non-Personnel										
Accounting Fees	2,691		2,328		5,019	8,541		8,541	13,560	7,048
Bank Fees	75	430	984		1,489	123		123	1,612	1,152
Board and Committee Meetings	518	841	2,155		3,514	1,780	33	1,813	5,327	10,572
Dues and Subscriptions			106		106	391		391	497	831
Equipment Rental and Maintenance	926		2,274		3,200	394	61	455	3,655	545
Grantmaking				11,500	11,500				11,500	57,918
Information Technology	2,121	720	3,423		6,264	1,356	7	1,363	7,627	9,563
Insurance			2,043		2,043	360		360	2,403	2,351
Meals/Travel/Entertainment	5,165	659	2,051		7,875	108		108	7,983	18,273
Miscellaneous	225	210	231		666	939		939	1,605	2,966
Postage and Delivery	354	31	1,403		1,788	19		19	1,807	1,136
Printing and Reproduction	321	436	262		1,019	108	6	114	1,133	869
Professional Fees	63,098	7,743	8,593		79,434	55		55	79,489	92,459
Rent	3,910		10,152		14,062	2,151	331	2,482	16,544	15,387
Repairs & Maintenance										3,088
Trainings and Workshops	13,664	760			14,424				14,424	34,736
Supplies	786	18	700		1,504	356	4	360	1,864	1,008
Utilities	102		4,268		4,370	265	41	306	4,676	4,751
Total Non-Personnel	93,956	11,848	40,973	11,500	158,277	16,946	483	17,429	175,706	264,653
Non-Cash										
Depreciation						1,215		1,215	1,215	2,189
Total Non-Cash						1,215		1,215	1,215	2,189
Total Expenses	\$ 156,401	\$ 19,212	\$ 224,249	\$ 11,500	\$ 411,362	\$ 44,693	\$ 3,779	\$ 48,472	\$ 459,834	\$ 569,944

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, 2012
(With comparative totals for the year ended December 31, 2011)

CASH FLOWS FROM -	<u>2012</u>	<u>2011</u>
OPERATING ACTIVITIES:		
Change In Net Assets	\$ 64,397	(284,482)
Adjustments to Reconcile Change in Net Assets		
To Net Cash Provided by Operating Activities:		
Depreciation	1,215	2,189
(Increase) Decrease in:		
Accounts Receivable	(11,186)	(2,002)
Contributions Receivable	(105,000)	175,000
Increase (Decrease) in:		
Accounts Payable & Accrued Expenses	4,514	(294)
Credit Cards Payable	(6,779)	6,997
Grants Payable	<u>(19,203)</u>	<u>19,203</u>
Net Cash Used by Operating Activities	(72,042)	(83,388)
Cash and Cash Equivalents at:		
Beginning of Year	<u>161,019</u>	<u>244,407</u>
End of Year	<u>\$ 88,977</u>	<u>161,019</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, 2012

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 bi-national 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 bi-national 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, 2012

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 that are restricted by the donor as increases in unrestricted net assets if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a 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. At December 31, 2012, BPP had temporarily restricted net assets of \$142,000.

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, 2012, the BPP did not have any permanently restricted net assets.

Comparative Totals

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 U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the U.S.-Mexico Border Philanthropy Partnership's financial statements for the year ended December 31, 2011 from which the summarized information was derived.

Cash and Cash Equivalents

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

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 2. Summary of Significant Accounting Policies (continued)

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

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 U.S. 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.

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 2. Summary of Significant Accounting Policies (continued)

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.

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 did not have any fair value measurements at December 31, 2012.

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 72% of the BPP’s revenue is derived from contributions from two private foundations, Charles Stewart Mott Foundation and the W.K. Kellogg Foundation.

Note 4. Contributions Receivable

At December 31, 2012, accounts and contributions receivable are as follows:

Kellogg Foundation	\$100,000
Charles Stewart Mott Foundation	25,000
Pledge-Member of the Board of Directors	<u>5,000</u>
Total contributions receivable	<u>\$130,000</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.

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2012

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*. There was no outstanding grants payable at December 31, 2012.

Note 6. Operating Lease

The BPP leases office space under a non-cancelable 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. BPP has the option to extend the lease for an additional period of three years beginning January 2014. Rental expense was \$15,953 for the year ended December 31, 2012.

BPP also leased its copying machine under a non-cancelable operating lease through the end of the 2012. Monthly rental payments were \$237 plus cost of additional copies. Rental expense was \$2,998 for the year ended December 31, 2012.

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

December 31, 2013	\$	16,490
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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. 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, 2012, the BPP contributed \$1,050, 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 12/31/11	Received 2012	Used 2012	Balance 12/31/12
Family Asset Building Program \$	7,078	\$ 217,000	\$ (107,078)	\$ 117,000
Grantmaking	2,648		(2,648)	-
Technical Assistance	-	175,000	(150,000)	25,000
Time Restriction	25,000		(25,000)	-
Total	\$ 34,726	\$ 392,000	\$ (284,726)	\$ 142,000

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2012

Note 9. Related Party Transactions

During the year ended December 31, 2012, BPP received a grant in the amount of \$17,000 from Citi Bank for which a member of the Board of Directors is Senior Vice-President of Community Development.

Note 10. Management's Review and Subsequent Events

BPP has performed an evaluation of subsequent events through April 16, 2013, which is the date the financial statements were available to be issued.

On January 22, 2013, BPP entered into a fiscal agency agreement with Barrow Neurological Foundation.

In January 2013, BPP obtained a copying machine under a lease agreement. The lease is for a term of 48 months ending January 2017.

Management is not aware of any other subsequent events that would require adjustment to, or disclosures in, the financial statements.