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Leonard C. Sonnenberg, CPA

**U.S.-Mexico Border
Philanthropy Partnership**
Audited Financial Statements
December 31, 2013

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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, 2013, 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, 2013, 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, 2012 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated April 16, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

July 3, 2014



Sonnenberg & Company, CPAs

U.S.-Mexico Border Philanthropy Partnership
Statement of Financial Position
December 31, 2013
(With comparative totals for the year ended December 31, 2012)

ASSETS:	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents	\$ 53,235	\$ 88,977
Accounts Receivable	45,176	14,087
Contributions Receivable	8,873	130,000
Office Furniture & Equipment	8,058	5,492
Less: Accumulated Depreciation	<u>(4,860)</u>	<u>(4,229)</u>
Total Operating Assets	<u>110,482</u>	<u>234,327</u>
Fiscal Agent Funds (Note 5)	<u>64,569</u>	<u>-</u>
Total Non-Operating Assets	<u>64,569</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 175,051</u>	<u>\$ 234,327</u>
LIABILITIES:		
Accounts Payable & Accrued Expenses	\$ 10,445	\$ 8,220
Credit Cards Payable	<u>9,356</u>	<u>3,411</u>
Total Operating Liabilities	<u>19,801</u>	<u>11,631</u>
Fiscal Agent Payable (Note 5)	<u>64,569</u>	<u>-</u>
Total Non-Operating Liabilities	<u>64,569</u>	<u>-</u>
TOTAL LIABILITIES	<u>84,370</u>	<u>11,631</u>
NET ASSETS:		
Unrestricted	90,681	80,696
Temporarily Restricted	<u>-</u>	<u>142,000</u>
TOTAL NET ASSETS	<u>90,681</u>	<u>222,696</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 175,051</u>	<u>\$ 234,327</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, 2013
(With comparative totals for the year ended December 31, 2012)

SUPPORT and REVENUES:	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
Grants and Contributions	\$ 155,298	\$	\$ 155,298	\$ 468,315
Membership Dues	35,900		35,900	44,250
Management Fees	32,751		32,751	-
Program Income	7,612		7,612	11,538
Investment Income	36		36	128
Net Assets Released from Restrictions - Satisfaction of Donor Restrictions	<u>142,000</u>	<u>(142,000)</u>	<u>-</u>	<u>-</u>
Total Support and Revenues	<u>373,597</u>	<u>(142,000)</u>	<u>231,597</u>	<u>524,231</u>
EXPENSES:				
Program Expenses				
Family Asset Building Program	126,141		126,141	156,401
Member Services	27,788		27,788	19,212
General Programming	172,221		172,221	224,249
Grantmaking	<u>1,500</u>		<u>1,500</u>	<u>11,500</u>
Total Program expenses	<u>327,650</u>	<u>-</u>	<u>327,650</u>	<u>411,362</u>
Support Services				
Management and General	32,170		32,170	44,693
Fund-Raising	<u>3,792</u>		<u>3,792</u>	<u>3,779</u>
Total Support Services	<u>35,962</u>		<u>35,962</u>	<u>48,472</u>
Total Expenses	<u>363,612</u>	<u>-</u>	<u>363,612</u>	<u>459,834</u>
Change In Net Assets	\$ 9,985	(142,000)	(132,015)	\$ 64,397
Beginning Net Assets	<u>80,696</u>	<u>142,000</u>	<u>222,696</u>	<u>158,299</u>
Ending Net Assets	<u>\$ 90,681</u>	<u>\$ -</u>	<u>\$ 90,681</u>	<u>\$ 222,696</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, 2013
(With comparative totals for the year ended December 31, 2012)

	Program Services				Support Services			2012 Total	
	Family Asset Building	Member Services	General Programming	Grantmaking	Program Total	Management & General	Fund- Raising		Support Total
EXPENSES									
Personnel and Related									
Salaries	\$ 21,658	\$ 2,700	\$ 84,104	\$ -	\$ 108,462	\$ 16,452	\$ 2,500	\$ 18,952	\$ 243,671
Payroll Taxes	1,559	194	6,081		7,834	1,184	194	1,378	9,212
Employee Benefits	4,631	577	14,085		19,293		411	411	19,704
Insurance - Workers Comp	338	42	1,028		1,408	181	32	213	16,674
Payroll Processing Fees	364	45	1,109		1,518	196	35	231	1,795
Total Personnel and Related	28,550	3,558	106,407	-	138,515	18,013	3,172	21,185	159,700
Non-Personnel									
Accounting Fees	5,948	4,393	8,959		19,300	6,832		6,832	26,132
Bank Fees	315	626	856		1,797	175		175	1,972
Board and Committee Meetings	2,743	260	2,930		5,933	678		678	6,611
Dues and Subscriptions									497
Equipment Rental and Maintenance	410	88	2,113		2,611	371	21	392	3,003
Grantmaking				1,500	1,500				3,655
Information Technology			1,746		1,746	498		498	11,500
Insurance			2,616		2,616	330	15	345	7,627
Meals/Travel/Entertainment	3,863	277	2,791		6,931	219	40	259	2,403
Member/Community/Ind. Benefit	31,877	898	10,401		43,176				7,983
Miscellaneous	1,520	1,423	1,743		4,686	1,153	28	1,181	-
Postage and Delivery		615	55		670	59	15	74	5,867
Printing and Reproduction	610	210	521		1,341	70	4	74	744
Professional Fees	44,699	13,995	14,287		72,981	130		130	1,415
Rent	4,054		10,278		14,332	2,190	327	2,517	73,111
Repairs and Maintenance									16,849
Trainings and Workshops	1,374	1,294			2,668				-
Supplies	74	151			225	40		40	2,668
Utilities	104		3,966		4,070	492	50	542	1,864
Web Development and Hosting			2,552		2,552	289	120	409	265
Total Non-Personnel	97,591	24,230	65,814	1,500	189,135	13,526	620	14,146	2,961
Non-Cash									203,281
Depreciation									-
Total Non-Cash						631		631	631
Total Expenses	\$ 126,141	\$ 27,788	\$ 172,221	\$ 1,500	\$ 327,650	\$ 32,170	\$ 3,792	\$ 35,962	\$ 363,612
									\$ 459,834

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, 2013
(With comparative totals for the year ended December 31, 2012)

CASH FLOWS FROM -	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES:		
Change In Net Assets	\$ (132,015)	64,397
Adjustments to Reconcile Change in Net Assets To Net Cash Provided by Operating Activities:		
Depreciation	631	1,215
(Increase) Decrease in:		
Accounts Receivable	(31,089)	(11,186)
Contributions Receivable	121,127	(105,000)
Fiscal Agent Funds	(64,569)	-
Increase (Decrease) in:		
Accounts Payable & Accrued Expenses	2,225	4,514
Credit Cards Payable	5,945	(6,779)
Grants Payable	-	(19,203)
Fiscal Agent Payable	<u>64,569</u>	<u>-</u>
Net Cash Used by Operating Activities	(33,176)	(72,042)
INVESTING ACTIVITIES:		
Purchase of Equipment	<u>(2,566)</u>	<u>-</u>
Cash Used by Investing Activities	<u>(2,566)</u>	<u>-</u>
Net Change in Cash & Cash Equivalents	(35,742)	(72,042)
Cash and Cash Equivalents at:		
Beginning of Year	<u>88,977</u>	<u>161,019</u>
End of Year	<u>\$ 53,235</u>	<u>88,977</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, 2013

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, 2013

Note 1. Organization (continued)

Income Taxes (continued)

The BPP has reviewed its position for all open tax years and believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The BPP's federal and state Exempt Organization Tax Returns are subject to examination, generally for three years after they were filed.

The BPP adopted the provisions of FASB ASC 740-10-25 (formerly FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ["Fin 48"]). Under FASB ASC 740-10-25, an Organization must recognize the tax benefit associated with tax taken for tax return purposes when it is more likely than not the position will be sustained. The implementation of FASB ASC 740-10-25 had no impact on the BPP's financial statements. The BPP does not believe that there are any material uncertain tax positions and, accordingly, it will not recognize any liability for unrecognized tax benefits. For the year ended December 31, 2013, there was no interest or penalties recorded or included in the financial statements.

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, 2013, BPP had no temporarily restricted net assets.

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 2. Summary of Significant Accounting Policies (continued)

Financial Statement Presentation (continued)

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, 2013, 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, 2012 from which the summarized information was derived.

Cash and Cash Equivalents

Cash equivalents consist primarily of undeposited funds at December 31, 2013.

Office Furniture 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:

Office Furniture	7 years
Equipment	3-5 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.

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 2. Summary of Significant Accounting Policies (continued)

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. 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.

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, 2013.

Note 3. Concentrations

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

Approximately 30% of the BPP's revenue is derived from a contribution from the Charles Stewart Mott Foundation.

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 4. Accounts and Contributions Receivable

Accounts receivable consists of the following at December 31, 2013:

Management Fees	\$	30,251
Membership Dues		14,925
Total	\$	<u>45,176</u>

At December 31, 2013, contributions receivable of \$8,873 is due from the Charles Stewart Mott Foundation.

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.

Note 5. Fiscal Agent Agreements

The BPP Board of Directors approved fiscal agency as a new member service in 2013. All fiscal agency agreements are approved by the Board of Directors. Three fiscal agency relationships were approved in 2013. The funds held in fiscal agency are the property of the individual entities, and managed by BPP.

At December 31, 2013, BPP held the following funds:

San Diego Smart Border Coalition	\$	35,444
Tichi Munoz Fundacion		28,514
North American Research Partnership		611
Total	\$	<u>64,569</u>

Note 6. Management Fee Revenue

The BPP collects a fee for services performed under the fiscal agency agreements. The fee is based on 10% of asset value or \$500, whichever is greater, which is based on expected administrative requirements.

Note 7. 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 \$16,325 for the year ended December 31, 2013.

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 7. Operating Lease (continued)

In January 2013, BPP obtained a copying machine under a lease agreement. The lease is for a term of 48 months ending January 2017 with a minimum monthly payment of \$237.

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

December 31,	
2014	\$ 19,658
2015	20,163
2016	20,682
2017	<u>237</u>
Total	<u>\$ 60,740</u>

Note 8. Temporarily Restricted Net Assets

Temporarily Restricted Net Assets are as follows:

	Balance <u>12/31/12</u>	Received <u>2013</u>	Used <u>2013</u>	Balance <u>12/31/13</u>
Family Asset Building Program	\$ 117,000	\$	\$ (117,000)	\$ -
Technical Assistance	25,000		(25,000)	-
Total	<u>\$ 142,000</u>	<u>\$ -</u>	<u>\$ (142,000)</u>	<u>\$ -</u>

Note 9: 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. The BPP did not make a contribution for the year ended December 31, 2013.

Note 10. Related Party Transactions

During the year ended December 31, 2013, BPP received a grant in the amount of \$25,000 from Citi Bank for which a member of the Board of Directors is Senior Vice-President of Community Development.

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2013

Note 11. Management's Review and Subsequent Events

BPP has performed an evaluation of subsequent events through July 3, 2014, which is the date the financial statements were available to be issued.

The office space lease agreement was extended for an additional 36 month period beginning January 1, 2014.

The Executive Directors employment contract was extended for an additional five years beginning January 24, 2014.

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