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Leonard C. Sonnenberg, CPA

**U.S.-Mexico Border
Philanthropy Partnership
Audited Financial Statements
December 31, 2014**

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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, 2014, 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, 2014, 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 BPP's December 31, 2013 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated July 3, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

May 12, 2015

Sonnenberg & Company, CPAs

U.S.-Mexico Border Philanthropy Partnership
Statement of Financial Position
December 31, 2014
(With comparative totals for the year ended December 31, 2013)

ASSETS:	<u>2014</u>	<u>2013</u>
Cash and Cash Equivalents	\$ 19,968	\$ 53,235
Accounts Receivable	6,720	45,176
Contributions Receivable	-	8,873
Office Furniture & Equipment	8,058	8,058
Less: Accumulated Depreciation	<u>(6,346)</u>	<u>(4,860)</u>
Total Operating Assets	<u>28,400</u>	<u>110,482</u>
Fiscal Agent Funds (Note 5)	<u>87,313</u>	<u>64,569</u>
Total Non-Operating Assets	<u>87,313</u>	<u>64,569</u>
TOTAL ASSETS	<u>\$ 115,713</u>	<u>\$ 175,051</u>
LIABILITIES:		
Accounts Payable & Accrued Expenses	\$ 9,155	\$ 10,445
Credit Cards Payable	23,191	9,356
Total Operating Liabilities	<u>32,346</u>	<u>19,801</u>
Fiscal Agent Payable (Note 5)	<u>87,313</u>	<u>64,569</u>
Total Non-Operating Liabilities	<u>87,313</u>	<u>64,569</u>
TOTAL LIABILITIES	<u>119,659</u>	<u>84,370</u>
NET ASSETS (DEFICIT):		
Unrestricted	<u>(3,946)</u>	<u>90,681</u>
TOTAL NET ASSETS (DEFICIT)	<u>(3,946)</u>	<u>90,681</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 115,713</u>	<u>\$ 175,051</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, 2014
(With comparative totals for the year ended December 31, 2013)

SUPPORT and REVENUES:	2014	2013
Grants and Contributions	\$ 150,496	\$ 155,298
Membership Dues	37,775	35,900
Management Fees	25,659	32,751
Program Income	24,164	7,612
Investment Income	13	36
Total Support and Revenues	238,107	231,597
EXPENSES:		
Program Expenses		
General Programming	224,477	172,221
Member Services	42,808	27,788
Family Asset Building Program	4,375	126,141
Special Project Portal	3,378	-
Grantmaking	-	1,500
Total Program expenses	275,038	327,650
Support Services		
Management and General	41,332	32,170
Fund-Raising	16,364	3,792
Total Support Services	57,696	35,962
Total Expenses	332,734	363,612
Change In Net Assets	\$ (94,627)	\$ (132,015)
Beginning Unrestricted Net Assets	90,681	222,696
Ending Unrestricted Net Assets (Deficit)	\$ (3,946)	\$ 90,681

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, 2014
(With Comparative Totals from Fiscal Year Ended December 31, 2013)

	Program Services				Support Services			Total	2013
	Family Asset Building	Member Services	General Programming	Special Project Portal	Program Total	Management & General	Fund-Raising		
EXPENSES									
Personnel and Related									
Salaries	\$ -	\$ 3,116	\$ 99,035	\$ 2,077	\$ 104,228	\$ 9,906	\$ 10,386	\$ 20,292	\$ 124,520
Payroll Taxes		899	1,348	600	2,847	3,201	2,998	6,199	9,046
Employee Benefits		604	15,094	402	16,100	2,013	2,013	4,026	20,126
Insurance - Workers Comp		38	959	26	1,023	128	128	256	1,704
Payroll Processing Fees		52	1,248	22	1,322	157	144	301	1,621
Total Personnel and Related		4,709	117,684	3,127	125,520	15,405	15,669	31,074	156,594
Non-Personnel									
Accounting & Audit Fees	781	6,292	15,496	6	22,575	8,908	115	9,023	31,598
Bank Fees/Credit Card Processing		298	1,248		1,546	1,562		1,562	3,108
Board and Committee Meetings		105	2,708		2,813	816	2	818	3,631
Dues and Subscriptions			97		97	99		99	196
Equipment Rental and Maintenance		350	2,334		2,684	332		332	3,003
Fiscal Agency Expense						1,137		1,137	
Grantmaking									1,500
Information Technology	199	1,476	3,621		5,296	436	22	458	2,244
Insurance		79	3,029		3,108	354	49	403	2,961
Meals/Travel/Entertainment	15	1,025	1,001		2,041	1,465		1,465	7,190
Member/Community/Ind. Benef		596	5,010		5,606				5,606
Miscellaneous			853		853	189	18	207	1,060
Postage and Delivery	6	704	875		1,585	66	1	67	744
Printing and Reproduction		370	2,314		2,684	215	27	242	2,926
Professional Fees	3,371	26,369	48,141	245	78,126	1,174	105	1,279	79,405
Rent		378	13,771		14,149	2,399	266	2,665	16,814
Small Equipment purchases		14	889		903	109	7	116	1,019
Trainings and Workshops						350		350	2,668
Supplies & Office Expense	3	27	1,341		1,371	305		305	265
Utilities (telephone, telecom & internet)		16	3,700		3,716	479	75	554	4,612
Web Develop & Hosting			365		365	46	8	54	2,961
Total Non-Personnel	4,375	38,099	106,793	251	149,518	20,441	695	21,136	170,654
Non-Cash									
Depreciation						1,486		1,486	631
Bad Debt						4,000		4,000	
Total Non-Cash						5,486		5,486	631
Total Expenses	\$ 4,375	\$ 42,808	\$ 224,477	\$ 3,378	\$ 275,038	\$ 41,332	\$ 16,364	\$ 57,696	\$ 332,734
									\$ 363,612

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, 2014
(With comparative totals for the year ended December 31, 2013)

CASH FLOWS FROM -	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES:		
Change In Net Assets	\$ (94,627)	(132,015)
Adjustments to Reconcile Change in Net Assets To Net Cash Provided by Operating Activities:		
Depreciation	1,486	631
Bad Debt	4,000	-
(Increase) Decrease in:		
Accounts Receivable	34,456	(31,089)
Contributions Receivable	8,873	121,127
Fiscal Agent Funds	(22,744)	(64,569)
Increase (Decrease) in:		
Accounts Payable & Accrued Expenses	(1,290)	2,225
Credit Cards Payable	13,835	5,945
Fiscal Agent Payable	<u>22,744</u>	<u>64,569</u>
Net Cash Used by Operating Activities	(33,267)	(33,176)
INVESTING ACTIVITIES:		
Purchase of Equipment	<u>-</u>	<u>(2,566)</u>
Cash Used by Investing Activities	<u>-</u>	<u>(2,566)</u>
Net Change in Cash & Cash Equivalents	(33,267)	(35,742)
Cash and Cash Equivalents at:		
Beginning of Year	<u>53,235</u>	<u>88,977</u>
End of Year	<u>\$ 19,968</u>	<u>53,235</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, 2014

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.

Special Projects Portal: A public, binational and bilingual database portal-with multilayer mapping capabilities- that will showcase philanthropic and charitable investment, as well as, socio-economic demographic data in a regional and comparative focus on both sides of the U.S.-Mexico border region.

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 1. Organization (continued)

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.

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. Under this provision, 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 this provision 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, 2014, 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, 2014, BPP had no temporarily restricted net assets.

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2014

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, 2014, 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, 2013 from which the summarized information was derived.

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, 2014

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, 2014.

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 45% 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, 2014

Note 4. Accounts and Contributions Receivable

At December 31, 2014 accounts receivable of \$6,720 is for membership dues. The BPP has no substantial problems collecting receivables; therefore, no allowance for uncollectible accounts has been reported.

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. During 2014, BPP was fiscal agent for three organizations. The funds held in fiscal agency are the property of the individual entities, and managed by BPP.

At December 31, 2014, BPP held the following funds:

San Diego Smart Border Coalition	\$ 82,628
North American Research Partnership	185
Other	4,500
Total	<u>\$ 87,313</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. The lease was extended for an additional 36 months beginning January 2014. Rental expense was \$16,814 for the year ended December 31, 2014.

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,		
	2015 \$	20,163
	2016	20,682
	2017	237
Total	<u>\$</u>	<u>41,082</u>

U.S.-Mexico Border Philanthropy Partnership
Notes to the Financial Statements
For the Year Ended December 31, 2014

Note 8: 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, 2014.

Note 9. Management's Review

BPP has performed an evaluation of subsequent events through May 12, 2015, 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.