

**UNITED WAY OF LAREDO, INC.
LAREDO, TEXAS**

Audited Financial Statements

**For the Year Ended
December 31, 2017**

United Way of Laredo, Inc.
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FLORES AUDITING, PLLC
3112 SPRING CREEK
LAREDO, TX 78045
Tel: (956) 717-4193; Fax: (956) 410-1000

Gloria E. 'Gigi' Flores, CPA

Jorge C. Flores, Manager

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
United Way of Laredo, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of United Way of Laredo, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, 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 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.

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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit 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 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 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 Laredo, Inc. as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018, on our consideration of United Way of Laredo, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering United Way of Laredo, Inc.'s internal control over financial reporting and compliance.



Flores Auditing, PLLC

Laredo, TX
November 16, 2018

**UNITED WAY OF LAREDO, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017**

	Unrestricted	Temporarily Restricted	2017 Total
ASSETS			
Current Assets:			
Cash and cash equivalents - note 2	\$ 691,132	\$ -	\$ 691,132
Investments - note 3	231,428	1,167,286	1,398,714
Restricted cash - CFC & SECC	-	91,221	91,221
Receivables:			
Pledges less allowance of \$50,673 - note 4	-	807,251	807,251
Pledges receivable - CFC & SECC	-	101,081	101,081
Total Current Assets	922,560	2,166,839	3,089,399
 Land, buildings and equipment, at cost, less accumulated depreciation of \$246,011 - note 5	 101,957	 -	 101,957
TOTAL ASSETS	\$ 1,024,517	\$ 2,166,839	\$ 3,191,356
 LIABILITIES AND NET ASSETS			
Liabilities:			
Collections in Advance for 2017-2018 Campaign	\$ -	\$ 312,418	\$ 312,418
Pledges Receivable for 2017-2018 Campaign	-	738,555	738,555
Donor designations payable - CFC & SECC	-	192,302	192,302
Total Liabilities	-	1,243,275	1,243,275
 Net Assets:			
Unrestricted:			
General Operations	922,560	-	922,560
Land, buildings and equipment	101,957	-	101,957
Temporarily restricted	-	923,564	923,564
Total Net Assets	1,024,517	923,564	1,948,081
 TOTAL LIABILITIES AND NET ASSETS	\$ 1,024,517	\$ 2,166,839	\$ 3,191,356

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF LAREDO, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2017 Total</u>
PUBLIC SUPPORT AND OTHER REVENUE			
Community, CFC, and State pledges, 2016-2017 campaign	\$ -	\$ 1,603,190	\$ 1,603,190
Less: Non-UW CFC and State designations	-	(333,190)	(333,190)
Uncollected prior year campaign contributions	-	(56,925)	(56,925)
Provision for uncollectible pledges 2016-2017	-	34,845	34,845
Donor designations 2016-2017 campaign - note 10	-	(324,356)	(324,356)
Available to United Way of Laredo, Inc.	-	923,564	923,564
Net assets released from restrictions 2016-2017 campaign)	1,005,498	(1,005,498)	-
Grants and contracts	209,057	-	209,057
Interest income	4,402	-	4,402
Other income	30,946	-	30,946
TOTAL PUBLIC SUPPORT AND OTHER REVENUE	1,249,903	(81,934)	1,167,969
EXPENSES			
Program Services:			
Gross funds distributed - note 10	1,092,907	-	1,092,907
Less donor designations - note 10	(324,356)	-	(324,356)
Net funds distributed	768,551	-	768,551
Other program services - note 12	184,118	-	184,118
Other program services	177,974	-	177,974
Total Program Services	1,130,643	-	1,130,643
Support Services:			
Fundraising	52,558	-	52,558
Management and general (Allocated 9.75%)	25,668	-	25,668
United Way Worldwide	12,404	-	12,404
Total Support Services	90,630	-	90,630
TOTAL EXPENSES	1,221,273	-	1,221,273
CHANGE IN NET ASSETS	28,630	(81,934)	(53,304)
Net assets, beginning of year	995,887	1,005,498	2,001,385
Net assets, end of year	<u>\$ 1,024,517</u>	<u>\$ 923,564</u>	<u>\$ 1,948,081</u>

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF LAREDO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Program Services	Support Services		Total Support Services	2017 Total Expenses
		Fund Raising	Management and General		
SALARIES AND RELATED EXPENSES					
Salaries	\$ 85,132	\$ -	\$ 9,197	\$ 9,197	\$ 94,329
Employee health and retirement benefits	17,951	-	1,939	1,939	19,890
Payroll taxes and related expenses	7,282	-	787	787	8,069
TOTAL SALARIES AND RELATED EXPENSES	110,365	-	11,923	11,923	122,288
OTHER DIRECT OPERATING EXPENSES					
Advertising and public relations	981	-	106	106	1,087
Bank charges	1,553	-	168	168	1,721
Building occupancy:					
Building supplies	1,282	-	139	139	1,421
Insurance	11,233	-	1,214	1,214	12,447
Land lease	7,055	-	762	762	7,817
Repairs and maintenance	7,299	-	789	789	8,088
Telephone	9,108	-	984	984	10,092
Utilities	5,324	-	575	575	5,899
Campaign events	-	49,422	-	49,422	49,422
Conferences and seminars	392	-	42	42	434
Equipment lease	4,687	-	506	506	5,193
Legal and professional	2,527	-	273	273	2,800
Membership dues - United Way of Texas and other	-	-	6,440	6,440	6,440
Miscellaneous and CFC Event	1,303	-	141	141	1,444
Postage and shipping	1,365	-	147	147	1,512
Supplies and other	5,321	3,136	575	3,711	9,032
Depreciation of buildings and equipment	8,179	-	884	884	9,063
TOTAL OTHER DIRECT OPERATING EXPENSES	177,974	52,558	25,668	78,226	256,200
United Way Worldwide	-	-	-	12,404	12,404
TOTAL FUNCTIONAL EXPENSES	\$ 177,974	\$ 52,558	\$ 25,668	\$ 90,630	\$ 268,604

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF LAREDO, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017**

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ (53,304)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,063
(Increase) Decrease in Assets:	
CFC and SECC restricted cash	18,224
Pledges receivable - United Way of Laredo, Inc.	18,652
Pledges receivable - CFC & SECC	237,220
Increase (Decrease) in Liabilities:	
Accounts payable and accrued expenses	-
Collections in advance	(66,029)
Pledges receivable	(20,112)
Donor designations payable - CFC & SECC	<u>(255,444)</u>
Net cash provided by operating activities	<u>(111,730)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Certificate of Deposit	<u>-</u>
Net cash provided by investing activities	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(111,730)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>802,862</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 691,132</u></u>

The accompanying notes are an integral part of these financial statements.

**UNITED WAY OF LAREDO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 1: Significant Accounting Policies

Organization

The United Way of Laredo, Inc. (the United Way) was incorporated in 1963 under the name of the United Fund of Laredo as a non-profit corporation to bring together in united appeal all possible campaigns or community - accepted health, welfare and recreational agencies and to solicit funds and property for such agencies.

The United Way of Laredo has been designated by the Federal Coordinating Committee (CFC) as its local fiscal agent for its campaigns and manages all its financial activities.

The United Way of Laredo, Inc. has also been designated by the State Employee Charitable Campaign (SECC) as its local fiscal agent for its campaigns and financial activities. The United Way only collects from the local Texas A&M International University and Laredo Community College. All the other local state entities send their collections directly to United Way of Texas.

Financial Statement Presentation

The United Way of Laredo 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. Unrestricted net assets are those funds presently available for use by the United Way including amounts available for general and administrative expenses. These unrestricted net assets may also include board-designated funds. Temporarily restricted net assets are contributions that have donor-imposed stipulations that can be fulfilled by certain actions of United Way and its Agency funds, the Combined Federal Campaign (CFC) and the State Employee Charitable Campaign (SECC). These contributions are restricted for program expenditures in the future. Permanently restricted net assets are contributions that have donor-imposed restrictions whereby the amount of the gift is held in perpetuity and only the income generated can be used as stipulated by the donor. The United Way of Laredo has no permanently restricted net assets.

Campaigns

Campaign years for United Way of Laredo begin on February 1 and end on January 31, of the following year.

During the calendar year of 2016 there were three campaign years open:

Campaign Year 2015-2016	Closed January 31, 2017
Campaign Year 2016-2017	Closed January 31, 2018
Campaign Year 2017-2018	Will close on January 31, 2019

UNITED WAY OF LAREDO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Allocations to agencies are made between January 1 and December 31 and are distributed monthly on the 1st of each month based on the results of the campaign that began in the previous year and ended in the current year. There are no allocations payable from United Way as of December 31, 2017.

The 2017-2018 campaign that began during this year is for allocations to be made during 2018. Pledges collected in 2017 for this campaign are reflected as Collections in Advance for 2017-2018 Campaign in the liabilities section of the Statement of Financial Position.

The pledges receivable for the 2017-2018 Campaign as of December 31, 2017 are reflected as part of the total of pledges receivable and offset by a liability account referred to as Pledges Receivable for 2017-2018 Campaign. This campaign will be recognized as revenue in the 2018 financial statements.

Campaign years for CFC and SECC begin on January 1 and end on December 31 of the same year.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The United Way of Laredo 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. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose 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 restrictions.

Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and all investments with a maturity of three months or less when purchased.

UNITED WAY OF LAREDO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Donated Materials and Services

Donated materials, equipment and services for donated advertising are reflected as contributions in the financial statements at their estimated values at date of receipt. No amounts have been reflected for donated services since no objective basis is available to measure the value of such services. Nevertheless, a substantial number of volunteers donated significant amounts of their time in the organization's fund-raising campaigns.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The Board and Management have determined that 9.75% of United Way's management and general expenses are used for program services. Functional expenses are considered expenses of the year incurred, and accordingly are charged to operations on a current basis.

Federal Income Tax Status

United Way of Laredo, Inc. is exempt for federal income taxes under Section 501 (c)(3) of the Internal Revenue Code.

Pledges Receivable

Pledges receivable are expected to be collected within thirteen months and are recorded at net realizable value.

Compensated Absences

Vacation and sick leave are provided to employees on a use or lose basis. Therefore, an accrual for compensated absences is not applicable to United Way of Laredo.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method based on estimated useful lives of individual units of 3-30 years.

UNITED WAY OF LAREDO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Concentration of Credit Risk

United Way maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. United Way has not experienced any losses in such accounts. United Way believes it is not exposed to any significant credit risk on cash and certificates of deposit.

Note 2: Cash and Cash Equivalents

Cash and cash equivalents at December 31, 2017 consist of the following:

Checking Accounts	\$ 691,132
Total	<u>\$ 691,132</u>

Interest earned on the certificates of deposit is deposited monthly in the operating checking account.

Note 3: Investments

Investments at December 31, 2017 consist of the following:

Certificates of Deposit (maturities of 6 months to 1 year)	\$ 1,398,714
Total	<u>\$ 1,398,714</u>

Interest earned on the certificates of deposit is deposited monthly in the operating checking account.

On December 31, 2017 all certificates of deposit were collateralized.

**UNITED WAY OF LAREDO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 4: Pledges Receivable

Pledges receivable of the United Way of Laredo, Inc., net of allowance for uncollectible pledges, at December 31, 2017 consists of the following:

United Way of Laredo 2016-2017 Campaign	\$ 119,369
United Way of Laredo 2017-2018 Campaign	738,555
Allowance for Uncollectible	<u>(50,673)</u>
	<u>\$ 807,251</u>

Amount due in:

Less than one year 2016-2017 Campaign	\$ 68,696
More than one year 2017-2018	738,555
	<u>\$ 807,251</u>

The allowance for uncollectible pledges is based on the 2015-2016 campaign's actual write-off percentage of pledges paid. This percentage was 3.99%. Pledges receivable for CFC and SECC are recorded at actual net realizable balances without any allowance for uncollectible pledges.

Note 5: Property and Depreciation

Property is reported at the purchase cost, except for certain donated items, which are reported at the estimated value on the date of donation. Depreciation is provided on a straight-line method over the estimated useful life of the related assets, three to thirty years.

Building	30 Years	\$ 244,691
Furniture & Equipment	3 – 5 Years	103,277
Accumulated Depreciation		<u>(246,011)</u>
Property - Net		<u>\$ 101,957</u>

Total depreciation expense was \$9,063.

UNITED WAY OF LAREDO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 6: Retirement Benefits

Contributions are made to individual employee IRA accounts. The total amount is determined by the board on a yearly basis. The total amount contributed during 2017 was \$2,371. No other post-retirement benefits are provided.

Note 7: Operating Leases

United Way leases a document processor and land on a yearly basis. Lease payments made during 2017 were \$13,010.

Note 8: Payments to Affiliate Organizations

In accordance with the affiliation agreements with the state and national organizations, dues paid to these organizations were based on a percentage of the United Way's total pledges received or campaign goal for the prior year. United Way of Laredo paid dues to the following affiliated organizations:

United Way Worldwide	\$ 12,404
United Way of Texas	6,180
Total	<u>\$ 18,584</u>

Note 9: Administrative Expenses

The United Way of Laredo has acted as the Principal Combined Fund Organization (PCFO) for the Greater Southwest Texas Combined Federal Campaign (CFC) since 1989. The United Way has also acted as the Local Campaign Manager (LCM) for the State Employee Charitable Campaign since 1994. As compensation for its duties and expenses as (PCFO) and (LCM), United Way received an administrative fee from CFC and SECC as follows:

Combined Federal Campaign	\$ 15,578
State Employee Charitable Campaign	9,600
Total	<u>\$ 25,178</u>

UNITED WAY OF LAREDO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 10: Donor Designations and Distributions to Agencies

United Way of Laredo, Inc. honors donor designations if allocated to the following agencies:

	Donor Designation	Invested by the Community	Total
Bethany House	\$ 36,700	\$ 55,300	\$ 92,000
Big Brothers Big Sisters	2,137	3,488	5,625
Boy Scouts	3,435	23,565	27,000
Boys & Girls Clubs of Laredo	17,125	138,875	156,000
Boys & Girls Clubs of Zapata	2,089	33,911	36,000
Casa de Misericordia	26,679	43,321	70,000
Catholic Social Services	6,959	13,041	20,000
Children's Advocacy Center	10,827	29,173	40,000
Communities In Schools	6,700	26,300	33,000
Gateway Community Health Center	3,293	26,707	30,000
Girl Scouts	3,272	21,728	25,000
Imaginarium of South Texas	1,566	5,434	7,000
Kidney Foundation of Laredo	7,171	21,829	29,000
Laredo Animal Protective Soc	39,110	(3,053)	36,057
Laredo Crime Stoppers	3,944	18,556	22,500
Laredo HSDA HIV/AIDS Svs.	2,415	14,585	17,000
Literacy Volunteers of Am.-Ldo.	3,325	19,175	22,500
P.I.L.L.A.R.	2,327	5,298	7,625
Ruthe B. Cowl Center	9,427	12,573	22,000
Sacred Heart Children's Home	48,269	151,731	200,000
Salvation Army	28,200	77,400	105,600
Serving Children & Adults Need	4,456	15,544	20,000
South Texas Food Bank	29,469	39,531	69,000
Carrizo Springs United Way	482	(482)	-
Crystal City United Way	3,365	(3,365)	-
Eagle Pass United Way	20,939	(20,939)	-
Zapata Food and Shelter	257	(257)	-
Zapata Food Bank	184	(184)	-
Zapata Girls Scouts	104	(104)	-
Zapata Youth and Education	130	(130)	-
	<u>\$ 324,356</u>	<u>\$ 768,551</u>	<u>\$ 1,092,907</u>

**UNITED WAY OF LAREDO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

Note 11: Designated Allocations-CFC and SECC

United Way of Laredo, Inc. honors donor designations. The Combined Federal Campaign and the State Employee Charitable Campaign made allocations to the following agencies as of December 31, 2017.

United Way of Coastal Bend	\$	162
United Way of Central Ohio, Inc		948
United States Coast Guard Acade		116
The Arc New London County, Inc.		185
Smile Train		328
Salt Lake Film Society		46
Retired PAWS		208
Phi Beta Kappa Society		116
NASA College Scholarship Fund I		116
LGBT Charities		46
Heroes for Children		231
Heart & Health Charities		238
Friends of the Israel Defense F		214
America's Most Cost-Effective C		555
Adopt-a-Soldier Platoon, Inc.		231
82ND AIRBORNE DIV HIST SOC		58
Border Patrol Foundation		7,960
A Soldiers Child, Inc.		116
America's Charities		810
American Radio Relay League		231
American Red Cross		979
Animal Charities of America		4,813
Border Patrol Museum & Memorial		3,150
Cancer Cure of America		2,260
CancerCURE of America		653
Catholic Service Organizatns Am		1,304
Charity Without Borders		1,280
Child Aid International		231
Child Aid USA		1,430
Children's Charities of America		1,873
Children's Medical & Research C		8,395
Children First-America's Charit		5,226
Christian Aid USA		278
Christian Charities USA		2,002
Christian Children's Charities		2,344
Christian Service Charities		1,164

UNITED WAY OF LAREDO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 11: Designated Allocations – CFC and SECC (continued):

Community Health Ch Texas	238
Community Health Charities	49,831
Conservation & Preservation Ch	253
Diabetes Charities of America	1,109
Drug Enforcement Admin Survivor	131
Ducks Unlimited, Inc.	116
Earth Shares	405
Educate America	871
Federal Law Enforcement Offc Fn	763
First Book	116
Folds of Honor Foundation, Inc.	231
Global Impact	255
Health & Medical Research Chari	4,028
Health First-America's Charitie	1,515
Heart and Stroke Research Fund	46
Human Care Charities of America	897
International Children's Care	178
Jewish Aid Worldwide	409
Local Independent Charities TX	1,104
Medical Research Charities	1,811
Military Family and Veterans Sv	6,458
Military Support Groups of Am	1,175
NRA Foundation	616
Postal Employees' Relief Fund	46
Roger Van Amelunxen Foundation	48,416
Smithsonian Institution	493
United Way of Laredo, Inc.	132,312
USO	317
Wild Animals Worldwide	112
Women, Children & Family Servic	666
Wounded Warrior Project	4,658
Wounded Warriors Family Support	257
Neighbor to Nation	110
Fund for Veterans Assistance	8
America's Best Charities	1,708

\$ 311,956

UNITED WAY OF LAREDO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

Note 12: Other Program Services

Other Program Services consists of the Information and Referral Program. Funds are received from the Health and Human Services Commission to provide for the 211 program.

FLORES AUDITING, PLLC

3112 SPRING CREEK

LAREDO, TX 78045

Tel: (956) 717-4193; Fax (956) 410-1000

GLORIA E. 'GIGI' FLORES, CPA

JORGE C. FLORES, MANAGER

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
United Way of Laredo, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of United Way of Laredo, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered United Way of Laredo, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of United Way of Laredo, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of United Way of Laredo, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

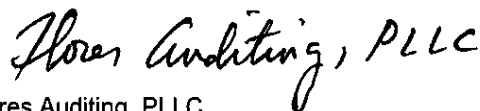
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether United Way of Laredo, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Flores Auditing, PLLC

Laredo, TX

November 16, 2018