Audited Financial Statements

United Way of Laredo, Inc.

December 31, 2022

CG&B

Canales, Garza & Baum, PLLC

CERTIFIED PUBLIC ACCOUNTANTS

United Way of Laredo, Inc.

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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* 15

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Directors
United Way of Laredo, Inc.
Laredo, Texas

Report on the Audit of the Financial Statements

Opinion

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, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of United Way of Laredo, Inc. as of December 31, 2022, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities of the Audit of the Financial Statements section of our report. We are required to be independent of United Way of Laredo, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Laredo, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 United Way of Laredo, Inc.'s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about United Way of Laredo, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2023, 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 solely 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 the effectiveness of United Way of Laredo, Inc.'s 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.

Canales, Garza & Baum, PLLC

Laredo, Texas
November 15, 2023

UNITED WAY OF LAREDO, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022

ASSETS	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Current Assets:			
Cash and Cash Equivalents	$ 880,639	$ -	$ 880,639
Cash and Cash Equivalents-Restricted		49,243	49,243
Pledges Receivable - United Way		680,703	680,703
Pledges Receivable - SECC		64,449	64,449
Investments	214,288	1,084,426	1,298,714
Total Current Assets	1,094,927	1,878,821	2,973,748
Property & Equipment, net of Accumulated Depreciation	56,642	-	56,642
Total Non Current Assets	56,642	-	56,642
TOTAL ASSETS	$ 1,151,569	$ 1,878,821	$ 3,030,390
LIABILITIES AND NET ASSETS			
Current Liabilities:			
Accounts Payable	$ -	$ -	$ -
Collections in Advance for 2022-2021 Campaign		398,992	398,992
Pledges Receivable for 2022-2023 Campaign		616,526	616,526
Donor Designated Payable - SECC		113,692	113,692
Total Current Liabilities	-	1,129,209	1,129,209
NET ASSETS			
Without Donor Restrictions	1,151,569	-	1,151,569
With Donor Restrictions	-	749,612	749,612
TOTAL NET ASSETS	1,151,569	749,612	1,901,181
TOTAL LIABILITIES AND NET ASSETS	$ 1,151,569	$ 1,878,821	$ 3,030,390

See accompanying notes to financial statements.

UNITED WAY OF LAREDO, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS AND OTHER SUPPORT			
Community and State Pledges, 2021-2022 Campaign	$ -	$ 1,030,000	$ 1,030,000
Less: Non-UW and State Designations			-
Uncollected Prior Year Campaign Contributions		(45,853)	(45,853)
Provision for Uncollectible Pledges 2021-2022		(2,932)	(2,932)
Donor Designations 2021-2022 Campaign - Note L		(239,916)	(239,916)
Grants and Contracts	161,914		161,914
Interest Income	8,152		8,152
Other Income	30,431		30,431
TOTAL REVENUES, GAINS AND OTHER SUPPORT	200,497	741,298	941,795
Net assets released from restrictions	877,648	(877,648)	
TOTAL REVENUES, GAINS AND OTHER SUPPORT WITHOUT DONOR RESTRICTIONS	1,078,145	(136,350)	941,795
EXPENSES			
Program Services			
Gross Funds Distributed	725,388		725,388
Less: Donor Designations - Note L	(239,916)		(239,916)
Net Funds Distributed	485,472	-	485,472
Other Program Services - Note N	221,078		221,078
Other Program Services	244,934		244,934
Total Program Services	951,484	-	951,484
Support Services			
Fundraising	51,686		51,686
Management and General	27,886		27,886
Total Support Services	79,572	-	79,572
TOTAL EXPENSES	1,031,055	-	1,031,055
CHANGE IN NET ASSETS	47,090	(136,350)	(89,260)
NET ASSETS AT BEGINNING OF YEAR	1,104,479	885,962	1,990,441
NET ASSETS AT END OF YEAR	$ 1,151,569	$ 749,612	$ 1,901,181

See accompanying notes to financial statements.

UNITED WAY OF LAREDO, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Total Program Services	Management and General	Fundraising	Total
SALARIES AND RELATED EXPENSES				
Salaries	$ 94,092	$ 10,165	$ -	$ 104,257
Employee Health and Retirement Benefits	27,646	2,987	-	30,633
Payroll Taxes and Related Expenses	9,188	993	-	10,181
TOTAL SALARIES AND RELATED EXPENSES	130,927	14,145	-	145,072
OTHER OPERATING EXPENSES				-
Advertising and Public Relations	9,491	1,025	-	10,516
Bank Charges	1,439	155	-	1,594
Building Occupancy				
Building Supplies	2,643	286	-	2,929
Insurance	14,037	1,516	-	15,553
Land Lease	8,608	930	-	9,538
Repairs and Maintenance	5,469	591	-	6,060
Telephone	6,670	721	-	7,391
Utilities	4,708	509	-	5,217
Campaign Events	-	-	46,183	46,183
Conferences and Seminars	60	6	-	66
Equipment Lease	6,445	696	-	7,141
Legal and Professional	18,050	1,950	-	20,000
Membership Dues - UW of Texas and Other	-	1,425	-	1,425
Membership Dues - UW Worldwide	18,214	1,968	-	20,182
Miscellaneous	3,159	341	-	3,500
Postage and Shipping	897	97	-	994
Supplies and Other	5,937	641	5,503	12,081
Total Expenses Before Depreciation	$ 236,755	$ 27,002	$ 51,686	$ 315,442
Depreciation	8,179	884	-	9,063
Total Expenses	$ 244,934	$ 27,886	$ 51,686	$ 324,505

See accompanying notes to financial statements.

UNITED WAY OF LAREDO, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

Cash Flows From Operating Activities:	
Increase (Decrease) in Net Assets	$ (89,260)
Adjustments to Reconcile Change in Net Assets to Cash From Operating Activities:	
Depreciation Expense	9,063
(Increase) Decrease in Assets:	
Pledges Receivable - United Way of Laredo, Inc.	(75,525)
Pledges Receivable - SECC	(1,813)
Increase (Decrease) in Liabilities:	
Accounts Payable	(39,162)
Collections in Advance	139,815
Pledges Receivable - 2022-2023 Campaign	72,060
Donor Designations Payable SECC	6,290
Net Cash Provided By Operating Activities	21,468
Net Increase (Decrease) in Cash & Cash Equivalents	21,468
Beginning Cash & Cash Equivalents	908,414
Ending Cash & Cash Equivalents	$ 929,881

See accompanying notes to financial statements.

United Way of Laredo, Inc.
Notes to Financial Statements
December 31, 2022

NOTE A – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The United Way of Laredo, Inc. (the Organization) 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, 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.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

Net assets of the Organization are classified based on the existence or absence of donor-imposed restrictions. Net assets are classified as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time. This class also includes assets previously restricted where restriction have expired or been met.

Net Assets with Donor Restrictions – Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Earnings related to net assets with donor restrictions will be included in net assets without donor restrictions unless specifically required to be included in donor restricted net assets by the donor or by applicable state law.

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 2022 there were three campaign years open:

Campaign Year 2020-2021	Closed January 31, 2022
Campaign Year 2021-2022	Closed January 31, 2023
Campaign Year 2022-2023	Will close on January 31, 2024

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, 2022.

The 2022-2023 campaign that began during this year is for allocations to be made during 2023. Pledges collected in 2022 for this campaign are reflected as Collections in Advance for 2022-2023 Campaign in the liabilities section of the Statement of Financial Position.

The pledges receivable for the 2022-2023 Campaign as of December 31, 2022 are reflected as part of the total of pledges receivable and offset by a liability account referred to as Pledges Receivable for 2022-2023 Campaign. This campaign will be recognized as revenue in the 2023 financial statements.

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

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Contributions

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

Property and Equipment

It is the Organization's policy to capitalize property and equipment over $1,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives ranging from three to thirty years.

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.

Cost Allocation

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 a not-for-profit organization that is exempt for federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation.

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.

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 B – ADOPTION OF ACCOUNTING PRONOUNCEMENT

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations who follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two - net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Organization, including required disclosures about liquidity and availability of resources. The new standard is effective for the year ending December 31, 2018 and thereafter and must be applied on a retrospective basis. The Organization adopted the ASU effective January 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

NOTE C – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

United Way has $1,094,927 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenditures consisting of cash and investments. Some of the Organization’s contributions are restricted. Because a donor’s restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general

NOTE C – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

expenditures within one year. The Organization has financial assets on hand to meet 60 days of normal operating expense, which are, on average, approximately $171,843. The Organization is structured so that its financial assets are available as its general expenditures, liabilities and other obligations come due.

NOTE D – NET ASSETS – WITH DONOR RESTRICTIONS

The restrictions on net assets at the end of 2022 are related to funds received from various donors and are available for program services. Net assets with Donor Restrictions available for program service expenditures at December 31, 2022 were $749,612. Net assets released from donor restricted net assets subject to expenditure for a specified purpose for the year ended December 31, 2022 is $877,648.

NOTE E – CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2022 was $880,639. Interest earned on the certificates of deposit is deposited monthly in the operating checking account.

NOTE F - INVESTMENTS

Investments consisting of certificates of deposits with maturities of six months to one year at December 31, 2021 were $1,298,714. Interest earned on the certificates of deposit is deposited monthly in the operating checking account. On December 31, 2022 all certificates of deposit were FDIC insured.

NOTE G – PLEDGES RECEIVABLE

Pledges receivable of the United Way of Laredo, Inc., net of allowance for uncollectible pledges, at December 31, 2022 consists of the following:

United Way of Laredo 2021-2022 Campaign	$ 113,879
United Way of Laredo 2022-2023 Campaign	616,526
Allowance for Uncollectible	(49,702)
	$ 680,703
Amount due in:	
Less than one year 2020-2021 Campaign	$ 64,178
More than one year 2022-2023	616,526
	$ 680,703

The allowance for uncollectible pledges is based on the 2020-2021 campaign's actual write-off percentage of pledges paid. This percentage was 4.82%. Pledges receivable for SECC are recorded at actual net realizable balances without any allowance for uncollectible pledges.

NOTE H – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Depreciable:	
Building	$ 244,691
Furniture & Equipment	103,277
	347,968
Accumulated Depreciation	(291,326)
Total Property & Equipment, Net	$ 56,642

Total depreciation expense in 2022 was $9,063.

NOTE I – 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 2022 was $1,500. No other post-retirement benefits are provided.

NOTE J – OPERATING LEASES

United Way leases a document copier for $357 per month. The lease is set to expire April 2024.

	PAYMENTS DUE BY YEAR
2023	$ 4,284
2024	1,428
	$ 5,712

NOTE K – 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 America	$ 20,182
United Way of Texas	1,425
Total	$ 21,607

United Way of Laredo, Inc.
Notes to Financial Statements
December 31, 2022

NOTE L - 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	20,733	42,467	63,200
Boy Scouts	3,218	15,382	18,600
Boys & Girls Clubs of Laredo	12,454	94,146	106,600
Boys & Girls Clubs of Zapata	16,668	9,982	26,650
Casa de Misericordia	15,075	32,825	47,900
Catholic Social Services	3,913	4,887	8,800
Children's Advocacy Center	8,959	18,341	27,300
Communities In Schools	6,462	16,238	22,700
Gateway Community Health Center	7,280	13,420	20,700
Girl Scouts	2,045	15,355	17,400
Holding Institute	550	(12,212)	(11,662)
Imaginarium of South Texas	956	4,044	5,000
Kidney Foundation of Laredo	7,392	4,908	12,300
Laredo Animal Protective Soc	22,594	1,106	23,700
Laredo Crime Stoppers	2,479	12,921	15,400
Laredo HSDA HIV/AIDS Svs.	3,297	6,603	9,900
Literacy Volunteers of Am.-Ldo.	5,232	10,168	15,400
Ruthe B. Cowl Center	6,577	8,723	15,300
Sacred Heart Children's Home	29,566	107,234	136,800
Salvation Army	14,722	45,078	59,800
Serving Children & Adults Need	2,509	11,291	13,800
South Texas Food Bank	16,288	31,012	47,300
Carrizo Springs United Way	1,838	(1,838)	-
Crystal City United Way	3,656	(3,656)	-
Eagle Pass United Way	24,935	(24,935)	-
Zapata Food and Shelter	468	(468)	-
Zapata Health and Safety	-	-	-
Zapata Youth and Education	52	(52)	-
COVID-19 Emergency Relief Fund	-	22,500	22,500
Community Initiative Venture Fund	-	-	-
	$ 239,916	$ 485,472	$ 725,388

NOTE M – DESIGNATED ALLOCATIONS: SECC

United Way of Laredo, Inc. honors donor designations. The State Employee Charitable Campaign made allocations to the following agencies as of December 31, 2022.

Adopt-A-Beach	$	44
America's Best Charities		3,764
America's Charities		283
Community Health Ch. of TX		3,216
Earth Share		309
Fund for Veterans Assistance		228
Global Impact		779
Local Ind. Charities of TX		301
Neighbor to Nation		(26)
United Way of Capital Area		143
United Way of Coastal Bend		4
United Way of Hidalgo County		16
United Way of Laredo, Inc.		36,862
United Way of San Antonio		143
	$	46,066

NOTE N – 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.

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CERTIFIED PUBLIC ACCOUNTANTS

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*

Members of the Board of Directors
United Way of Laredo, Inc.
Laredo, Texas

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 the United Way of Laredo, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, 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 15, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the United Way of Laredo, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 the United Way of Laredo, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance

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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.

Canales, Garza & Baum, PLLC

Laredo, Texas
November 15, 2023