
UNITED WAY OF SOUTHEAST LOUISIANA

FINANCIAL STATEMENTS
JUNE 30, 2019



Postlethwaite & Netterville

A Professional Accounting Corporation

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UNITED WAY OF SOUTHEAST LOUISIANA

FINANCIAL STATEMENTS

JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
United Way of Southeast Louisiana
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the United Way of Southeast Louisiana (UWSELA), a nonprofit organization, which comprise the statement of financial position as of June 30, 2019, 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.

Auditors' 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 auditors' 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 UWSELA as of June 30, 2019, 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.

Report on Summarized Comparative Information

We have previously audited UWSELA's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 19, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects with the audited financial statements from which it has been derived.

Other Matters

Other Information

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information on page 24 is required by Louisiana state law and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2019, on our consideration of UWSELA's internal control over financial reporting and 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 UWSELA'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 UWSELA's internal control over financial reporting and compliance.

Postlethwaite & Netterville

Metairie, Louisiana
October 28, 2019

UNITED WAY OF SOUTHEAST LOUISIANA

Statement of Financial Position

June 30, 2019

with Summarized Comparative Totals for 2018

	2019			Summarized
	Without Donor Restrictions	With Donor Restrictions	Total	2018 Total
ASSETS				
Cash and cash equivalents	\$ 1,724,677	\$ 645,589	\$ 2,370,266	\$ 1,456,428
Investments, at fair value:				
Certificates of deposit	183,174	68,567	251,741	4,414,445
U.S. government securities	4,576,544	2,299,576	6,876,120	4,824,920
Mutual funds	-	1,421,654	1,421,654	1,421,413
Beneficial interest in assets held by others (legally restricted)	3,307,645	-	3,307,645	3,293,729
Investment in common endowment fund of Greater New Orleans Foundation	319,643	14,724	334,367	332,660
Total investments	<u>8,387,006</u>	<u>3,804,521</u>	<u>12,191,527</u>	<u>14,287,167</u>
Pledge receivables, net	4,297,747	6,250	4,303,997	4,605,613
Other assets and prepaid expenses	120,060	189,583	309,643	222,852
Right of use asset	32,317	-	32,317	42,183
Property, plant, and equipment:				
Land	302,893	-	302,893	302,893
Automobile	52,230	-	52,230	52,230
Building	1,389,058	-	1,389,058	1,285,121
Furniture and equipment	323,076	-	323,076	308,231
Less: accumulated depreciation	<u>(1,352,689)</u>	<u>-</u>	<u>(1,352,689)</u>	<u>(1,279,590)</u>
Total property, plant, and equipment	<u>714,568</u>	<u>-</u>	<u>714,568</u>	<u>668,885</u>
Total assets	<u>\$ 15,276,375</u>	<u>\$ 4,645,943</u>	<u>\$ 19,922,318</u>	<u>\$ 21,283,128</u>
LIABILITIES AND NET ASSETS				
Allocations payable	\$ 3,182,649	\$ 135,000	\$ 3,317,649	\$ 3,213,694
Designations payable	1,366,132	-	1,366,132	1,402,527
Deferred revenue	-	62,160	62,160	-
Accounts payable and accrued expenses	460,318	95,286	555,604	594,361
Program payable	-	335,458	335,458	294,104
Lease liability	32,317	-	32,317	42,183
Total liabilities	<u>5,041,416</u>	<u>627,904</u>	<u>5,669,320</u>	<u>5,546,869</u>
Net assets:				
Without donor restrictions	10,234,959	-	10,234,959	11,107,373
With donor restrictions	-	4,018,039	4,018,039	4,628,886
Total net assets	<u>10,234,959</u>	<u>4,018,039</u>	<u>14,252,998</u>	<u>15,736,259</u>
Total liabilities and net assets	<u>\$ 15,276,375</u>	<u>\$ 4,645,943</u>	<u>\$ 19,922,318</u>	<u>\$ 21,283,128</u>

The accompanying notes are an integral part of this financial statement.

UNITED WAY OF SOUTHEAST LOUISIANA

Statement of Activities

For the Year Ended June 30, 2019
with Summarized Comparative Totals for 2018

	2019			Summarized 2018
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Public Support:				
Contributions	\$ 9,348,591	\$ 288,479	\$ 9,637,070	\$ 12,331,489
Less:				
Provision for uncollectible accounts	(382,251)	-	(382,251)	(473,269)
Donor designations	(1,742,906)	(2,482)	(1,745,388)	(2,671,878)
Total public support	7,223,434	285,997	7,509,431	9,186,342
Revenue:				
Investment income, net	280,644	110,978	391,622	512,160
In-kind contributions	471,051	-	471,051	584,464
Grants, program, and consulting fees	15,224	932,970	948,194	1,067,016
Special events	123,038	-	123,038	187,017
Service fee income	84,242	-	84,242	64,116
Rental income	190,119	-	190,119	160,079
Other income	27,853	3,959	31,812	16,198
Net assets released from restrictions	1,944,751	(1,944,751)	-	-
Total public support and revenue	10,360,356	(610,847)	9,749,509	11,777,392
FUNCTIONAL EXPENSES				
Allocations to agencies and other assistance provided	6,407,815	-	6,407,815	8,608,887
Less: designations to agencies	(1,745,388)	-	(1,745,388)	(2,671,878)
Net allocations	4,662,427	-	4,662,427	5,937,009
United Way Worldwide dues	124,274	-	124,274	141,291
Depreciation expense	82,560	-	82,560	74,906
Other functional expenses	6,363,509	-	6,363,509	6,171,301
Total functional expenses	11,232,770	-	11,232,770	12,324,507
Change in net assets	(872,414)	(610,847)	(1,483,261)	(547,115)
Net assets at beginning of year	11,107,373	4,628,886	15,736,259	16,283,374
Net assets at end of year	\$ 10,234,959	\$ 4,018,039	\$ 14,252,998	\$ 15,736,259

The accompanying notes are an integral part of this financial statement.

UNITED WAY OF SOUTHEAST LOUISIANA

Statement of Functional Expenses

For the Year Ended June 30, 2019

with Summarized Comparative Totals for 2018

	2019									
	PROGRAM SERVICES			SUPPORTING SERVICES				Total Supporting Services Expenses	Total	Summarized 2018 Total
	Community Impact and Grant Distribution	Grants and Other	Total Program Expenses	Fund Raising	Marketing and Public Relations	Management and General	Total			
Allocations/designations and assistance to others	\$ 6,407,815	\$ -	\$ 6,407,815	\$ -	\$ -	\$ -	\$ -	\$ 6,407,815	\$ 8,608,887	
Less: donor designations	(1,745,388)	-	(1,745,388)	-	-	-	-	(1,745,388)	(2,671,878)	
Net allocations	<u>4,662,427</u>	<u>-</u>	<u>4,662,427</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,662,427</u>	<u>5,937,009</u>	
Salaries	445,874	1,179,608	1,625,482	1,058,361	280,804	429,323	1,768,488	3,393,970	3,192,068	
Employee benefits	84,096	196,870	280,966	212,412	55,203	80,221	347,836	628,802	590,708	
Payroll taxes	32,787	74,010	106,797	77,792	20,607	29,014	127,413	234,210	216,647	
Total salaries and related expenses	<u>562,757</u>	<u>1,450,488</u>	<u>2,013,245</u>	<u>1,348,565</u>	<u>356,614</u>	<u>538,558</u>	<u>2,243,737</u>	<u>4,256,982</u>	<u>3,999,423</u>	
Professional fees	16,472	294,460	310,932	97,920	9,661	37,867	145,448	456,380	339,167	
Supplies	5,162	37,461	42,623	15,246	7,120	1,661	24,027	66,650	76,946	
Telephone and internet	7,278	15,904	23,182	23,066	4,970	6,010	34,046	57,228	64,808	
Postage and shipping	505	2,416	2,921	5,842	229	353	6,424	9,345	11,861	
Occupancy	25,819	72,183	98,002	102,317	19,900	29,713	151,930	249,932	267,178	
Equipment rental and maintenance	10,931	19,744	30,675	24,944	5,387	8,323	38,654	69,329	75,861	
Printing, publications, and advertising	1,793	247,540	249,333	56,681	7,224	828	64,733	314,066	229,942	
Local travel and report meetings	20,229	99,654	119,883	135,874	8,423	10,353	154,650	274,533	399,774	
Training and out of town travel	15,272	44,672	59,944	34,254	5,814	4,231	44,299	104,243	68,824	
Membership dues	1,617	7,044	8,661	5,824	1,044	1,613	8,481	17,142	13,842	
Equipment purchases	964	6,128	7,092	2,045	688	660	3,393	10,485	31,930	
In-kind expenses	-	-	-	471,051	-	-	471,051	471,051	584,464	
Miscellaneous	695	1,984	2,679	2,290	461	713	3,464	6,143	7,281	
Total other expenses before national organization dues and depreciation	<u>669,494</u>	<u>2,299,678</u>	<u>2,969,172</u>	<u>2,325,919</u>	<u>427,535</u>	<u>640,883</u>	<u>3,394,337</u>	<u>6,363,509</u>	<u>6,171,301</u>	
National organization dues	-	-	-	-	-	124,274	124,274	124,274	141,291	
Depreciation	<u>8,686</u>	<u>29,836</u>	<u>38,522</u>	<u>30,177</u>	<u>5,547</u>	<u>8,314</u>	<u>44,038</u>	<u>82,560</u>	<u>74,906</u>	
Total other functional expenses	<u>678,180</u>	<u>2,329,514</u>	<u>3,007,694</u>	<u>2,356,096</u>	<u>433,082</u>	<u>773,471</u>	<u>3,562,649</u>	<u>6,570,343</u>	<u>6,387,498</u>	
TOTAL FUNCTIONAL EXPENSES	<u>\$ 5,340,607</u>	<u>\$ 2,329,514</u>	<u>\$ 7,670,121</u>	<u>\$ 2,356,096</u>	<u>\$ 433,082</u>	<u>\$ 773,471</u>	<u>\$ 3,562,649</u>	<u>\$ 11,232,770</u>	<u>\$ 12,324,507</u>	

The accompanying notes are an integral part of this financial statement.

UNITED WAY OF SOUTHEAST LOUISIANA

Statement of Cash Flows
For the Year Ended June 30, 2019
with Comparative Totals for 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$ (1,483,261)	\$ (547,115)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	82,560	74,906
Amortization of right of use asset	9,866	-
Provision for uncollectible accounts	382,251	473,269
Discount on pledges receivable	(1,150)	78,278
Net realized and unrealized gain on investments	(208,470)	(379,900)
Changes in assets and liabilities:		
Pledges receivable, net	(79,485)	248,077
Legal settlement receivable	-	1,007,500
Other assets and prepaid expenses	(86,791)	5,234
Allocations and designations payable	67,560	(761,649)
Deferred revenue	62,160	-
Accounts payable and accrued liabilities	(38,757)	63,913
Program payable	41,354	106,000
Lease liability	(9,866)	(9,439)
Net cash (used in) provided by operating activities	<u>(1,262,029)</u>	<u>359,074</u>
Cash flows from investing activities:		
Purchases of property and equipment	(128,243)	(91,312)
Net sales (purchases) of investments	<u>2,304,110</u>	<u>(2,512,358)</u>
Net cash provided by (used in) investing activities	<u>2,175,867</u>	<u>(2,603,670)</u>
Net change in cash and cash equivalents	913,838	(2,244,596)
Cash and cash equivalents - Beginning of year	<u>1,456,428</u>	<u>3,701,024</u>
Cash and cash equivalents - End of year	\$ <u><u>2,370,266</u></u>	\$ <u><u>1,456,428</u></u>

The accompanying notes are an integral part of this financial statement.

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

1. Organization

United Way of Southeast Louisiana (UWSELA) is a not-for-profit 501(c)(3) charitable organization founded in 1952 serving residents of Jefferson, Orleans, Plaquemines, St. Bernard, St. Tammany, Tangipahoa and Washington parishes and governed by a volunteer board. UWSELA's mission is to eradicate poverty in Southeast Louisiana. UWSELA collaborates with government, business, faith groups, and other nonprofits in the seven-parish region to identify and address serious issues. UWSELA raises funds through an annual workplace campaign, individual and corporate gifts, grants, and partnerships. UWSELA provides grants to support programs and groups working together in a collaborative way that supports our vision of "equitable communities where all individuals are healthy, educated, and economically stable."

2. Summary of Significant Accounting Policies

A summary of United Way of Southeast Louisiana's (UWSELA) significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Basis of Accounting

The financial statements of UWSELA are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis of Presentation

Financial statement presentation follows the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958, Presentation of Financial Statements of Not-for-Profit Entities. Under ASC 958, UWSELA is required to report information regarding its financial position and activities according to two classes of net assets:

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 UWSELA. These net assets may be used at the discretion of the UWSELA's management and the Board of Trustees (Board).

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 UWSELA or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Amounts received with donor stipulations that limit the use of the donated assets are reported as restricted support. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restriction and are reported in the statement of activities as net assets released from restrictions.

The financial statements include certain prior year summarized comparative information in total but not by net asset class or function. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with UWSELA's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

2. Summary of Significant Accounting Policies (continued)

Public Support and Revenue

In accordance with ASC 958-605, Revenue Recognition of Not-for-Profit Entities, contributions to UWSELA are recorded when an unconditional pledge is made. Allowances are provided for amounts estimated to be uncollectible. The allowance for uncollectible pledges is maintained at a level which the Board considers adequate based on prior collection experience and current economic conditions. All contributions are considered to be available for unrestricted use unless specifically restricted by donors. Pledges outstanding that are designated for future periods are reported as with donor restrictions.

Revenue is recognized when earned. Program fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

In addition, custodial funds, whereby UWSELA simply serves as a conduit for contributions to others based on donor designations, are included in public support in UWSELA's financial statements but are then subtracted from public support and the related expense. UWSELA honors all designations.

Donated Services and In-Kind Contributions

Although a large number of volunteers have donated significant amounts of their time to UWSELA's fund raising campaigns and allocation activities, these services were not reflected in the accompanying financial statement of activities because they do not meet the necessary criteria for recognition under U.S. GAAP.

Included in revenue and functional expenses is \$471,051 and \$584,464 donated during the years ended June 30, 2019 and 2018, respectively. During 2019, \$116,047 was related to food, beverage, and space for fundraising events, and \$355,004 was related to advertising. During 2018, \$37,000 was related space for fundraising events, \$25 for disaster relief, and \$547,439 was related to advertising.

Investments

Investments are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. See Note 4 for discussion of fair value measurements.

Property and Equipment

Purchased property and equipment are stated at cost. Donated property and equipment are recorded at fair value at the date of receipt. Individual items of \$1,000 or more are capitalized. Depreciation of automobiles, furniture, and equipment is provided over the estimated useful lives of the respective assets (three to ten years) using the straight-line method. The building is depreciated using the straight-line method over a period of thirty years.

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

2. Summary of Significant Accounting Policies (continued)

Allocations/Grants

Annual grants to programs and collaborative groups are established after the completion of the annual fund raising campaign and accrued upon approval by the Board. Donor designated pledges are assessed both a fund raising and management and general fee based on actual historical costs in accordance with United Way Worldwide Membership Requirements. Unexpended grants to programs and collaborative groups are returned to net assets in the year in which the amounts of the unexpended grants are determined.

Functional Expenses

Expenses are presented according to their functional classification of program or supporting services in the statement of functional expenses. Allocable expenses are spread using the full-time equivalent method which is based on the number of full-time employees in each department.

Program services consist of grant distribution, grant monitoring, and grant outcomes. "Other Programs" include Individual Development Account (IDA), Volunteer Income Tax Assistance, Earned Income Tax Credit programs, Success by Six, Rebuilding Grants & Assistance related to floods and tornadoes, volunteerism, public policy, Financial Stability/Prosperity Center, Grade Level Reading, Louisiana Prisoner Re Entry, SNAP ENT, and Equity Initiative.

Income Taxes

UWSELA is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from State income taxes under Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. Accordingly, no provision for income taxes has been included in the financial statements.

FASB ASC 740 provides detailed guidance for financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in an entity's financial statement. As of June 30, 2019, UWSELA has determined that it does not have any uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Tax returns generally remain subject to examination by the taxing authorities for three years.

Statement of Cash Flows

For purposes of the statement of cash flows, cash equivalents are defined as short-term, highly liquid investments that are both readily convertible to known amounts of cash and having original maturities of three months or less.

Use of Estimates

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

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

2. Summary of Significant Accounting Policies (continued)

Change in Accounting Principle

In June 2018, the FASB issued ASU No. 2018-08 Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made to clarify and improve the scope and the accounting guidance for contributions received and contributions made. The amendments in this ASU assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. UWSELA adopted this ASU during the fiscal year ended June 30, 2019. The ASU was applied on a modified prospective basis, and the adoption had no impact to agreements not completed as of the date of implementation.

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net assets.

3. Liquidity and Availability of Resources

UWSELA has a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Board has approved a reserve policy that requires four months of annual grants and four months of operating expenses be maintained. Spending of this reserve balance requires Board approval. Excess cash is invested in a ladder from three months to two years which can include certificates of deposit and/or United States treasury bills and notes depending on market conditions, as well as utilizing a repurchase agreement and a federated money market account. UWSELA cash flows have seasonal variations during the year attributable to the annual campaign and when payments are received from donors on pledges. To manage liquidity, UWSELA maintains a line of credit of \$1,000,000, which it could draw upon (see Note 13).

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

3. Liquidity and Availability of Resources (continued)

UWSELA's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,370,266	\$ 1,456,428
Investments	8,549,515	8,580,510
Pledge receivables, net	3,731,125	3,883,891
Other receivables	212,514	163,080
Total financial assets available within one year	<u>14,863,420</u>	<u>14,083,909</u>
Less amounts unavailable for general expenditures within one year, due to:		
Restricted by donors with purpose restrictions	<u>(4,003,315)</u>	<u>(4,022,117)</u>
Total amounts unavailable for general expenditures within one year	<u>(4,003,315)</u>	<u>(4,022,117)</u>
Total amounts unavailable to management without Board approval:		
Board designated for building renovation	(310,528)	(349,348)
Board designated reserves	(4,285,830)	(4,956,250)
Board designated for donor advised funds	(144,349)	(493,524)
Board designated Pay it Forward fund	<u>(38,156)</u>	<u>(38,156)</u>
Total amount unavailable to management without Board's approval	<u>(4,778,863)</u>	<u>(5,837,278)</u>
Total financial assets available to management for general expenditures within one year	<u>\$ 6,081,242</u>	<u>\$ 4,224,514</u>

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

4. Investments and Fair Value Measurements

Investment income on the Statement of Activities is presented net of external investment fees of \$14,142 and \$14,093 for the years ended June 30, 2019 and 2018, respectively.

UWSELA utilizes fair value measurements to record certain assets and to determine fair value disclosures. In accordance with FASB ASC Topic 820, Fair Value Measurements, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, we develop inputs using the best information available in the circumstances.

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

4. Investments and Fair Value Measurements (continued)

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability. Below is a description of the valuation methodologies used to measure fair value. There have been no changes in the methodologies used during the years ended June 30, 2019 and 2018.

Brokered certificates of deposit are short term and are valued at fair value, which is reflective of cost plus accrued interest.

U.S. Treasury securities and mutual funds are valued at the closing price reported on the active or observable market on which the individual securities are traded.

Investments in endowments other than mutual funds are valued at the fair value of the trust investments as reported to UWSELA by the trustees, and include the use of Net Asset Values (NAV) as the primary input to measure fair value.

The following is a schedule of investments held by UWSELA at June 30, 2019, including the fair value detailed by level of measurement.

	Total Fair Value	Level 1	Level 2	Level 3
Investments:				
Certificates of deposit	\$ 251,741	\$ 251,741	\$ -	\$ -
U.S. Treasury securities	6,876,120	6,876,120	-	-
Investments in endowments:				
Mutual funds	1,421,654	1,421,654	-	-
Beneficial interest in assets held by others	3,307,645	-	-	3,307,645
Investment in common endowment fund of				
Greater New Orleans Foundation	334,367	-	334,367	-
	<u>\$12,191,527</u>	<u>\$ 8,549,515</u>	<u>\$ 334,367</u>	<u>\$ 3,307,645</u>

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

4. Investments and Fair Value Measurements (continued)

The following is a schedule of investments held by UWSELA at June 30, 2018, including the fair value detailed by level of measurement.

	Total			
	Fair Value	Level 1	Level 2	Level 3
Investments:				
Certificates of deposit	\$ 4,414,445	\$ 4,414,445	\$ -	\$ -
U.S. Treasury securities	4,824,920	4,824,920	-	-
Investments in endowments:				
Mutual funds	1,421,413	1,421,413	-	-
Beneficial interest in assets held by others	3,293,729	-	-	3,293,729
Investment in common endowment fund of				
Greater New Orleans Foundation	332,660	-	332,660	-
Total	<u>\$14,287,167</u>	<u>\$10,660,778</u>	<u>\$ 332,660</u>	<u>\$ 3,293,729</u>

5. Allowance for Uncollectible Pledges

An analysis of activity in the allowance for uncollectible pledges is as follows for the years ended June 30, 2019 and 2018:

	2019	2018
Balance – beginning of year	\$ 523,820	\$ 664,010
Add (deduct):		
Provision for uncollectible pledges	382,251	473,269
Cancellations and removal of excess shrinkage	(315,762)	(613,459)
Balance - end of year	<u>\$ 590,309</u>	<u>\$ 523,820</u>

6. Pledges Receivable – Promises to Give

Pledges receivable consists of campaign promises to give. Concentrations of credit risk with respect to the promises to give are limited due to the large number of contributors comprising UWSELA's contributor base and their dispersion across different industries in Southeast Louisiana.

Pledges receivable due within one year are recorded at fair value with no discount recorded, as collection is expected within 12 months. UWSELA has two long-term pledges, with expected collection dates in future years. As such, a discount to net present value has been recorded on these pledges. A pledge receivable from one donor accounts for approximately 17.0% and 20.0% of pledges receivable, net, at June 30, 2019 and 2018, respectively.

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

6. Pledges Receivable – Promises to Give (continued)

Pledges receivable at June 30, 2019 included:

	Without Donor Restrictions	With Donor Restrictions	Total
Current campaign	\$ 4,111,400	\$ 6,250	\$ 4,117,650
Prior campaigns	853,784	-	853,784
Less: discount to net present value at 4.25%	(77,128)	-	(77,128)
Less: allowance for uncollectible pledges	(590,309)	-	(590,309)
Pledges receivable, net	<u>\$ 4,297,747</u>	<u>\$ 6,250</u>	<u>\$ 4,303,997</u>

Estimated to be collected as follows:

Within one year	\$ 3,731,124
In one to five years	572,873
	<u>\$ 4,303,997</u>

Pledges receivable at June 30, 2018 included:

	Without Donor Restrictions	With Donor Restrictions	Total
Current campaign	\$ 5,136,734	\$ 20,155	\$ 5,156,889
Prior campaigns	50,822	-	50,822
Less: discount to net present value at 4.25%	(78,278)	-	(78,278)
Less: allowance for uncollectible pledges	(523,820)	-	(523,820)
Pledges receivable, net	<u>\$ 4,585,458</u>	<u>\$ 20,155</u>	<u>\$ 4,605,613</u>

Estimated to be collected as follows:

Within one year	\$ 3,883,891
In one to five years	721,722
	<u>\$ 4,605,613</u>

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

7. Retirement Plans

UWSELA has a Safe Harbor 401(k) Plan for all employees. UWSELA makes a discretionary contribution to the plan each December for eligible employees. For the year ended June 30, 2019, the discretionary contribution was 7% of eligible earnings, but the Board retains authority to change the contribution amount annually. In addition to the discretionary contribution, UWSELA matches 100% of the first 3% of employee salary deferrals and 50% of the next 2%. The maximum match is 4%. For the years ended June 30, 2019 and 2018, UWSELA contributed \$260,024 and \$246,402, respectively, to the plan. Expenses associated with the administration of the plan are deducted from non-vested assets forfeited by participants.

8. Net Assets Without Donor Restriction

UWSELA's Board has historically designated as board designated endowments certain contributions received without donor stipulations and the investment returns related to such contributions. Amounts so designated are included in net assets without donor restrictions in the statement of financial position in accordance with FASB ASC Topic 958, Not-for-Profit Entities. The net assets without donor restriction of UWSELA, including the amounts designated by the Board at June 30, 2019 and 2018, are summarized as follows:

	<u>2019</u>	<u>2018</u>
Board designated operating reserve	\$ 4,285,830	\$ 4,956,250
Beneficial interest held by others (board designated)	3,307,645	3,293,729
Land, building, equipment and automobiles	689,377	638,198
Financial stability (Prosperity Center)	403,148	470,624
Board designated endowment funds	319,643	317,936
Board designated building renovation and upkeep	310,528	349,348
Louisiana prisoner re-entry initiative	217,238	75,000
Working capital	211,059	120,000
Donor advised funds	144,349	493,524
Subsequent revenue for operating budget	82,997	225,017
SNAP ENT Program	80,977	-
SB6/Collaborative Support/Grade-Level Reading	75,000	-
Board designated Pay it Forward fund	38,156	38,156
Undistributed Fall 2019 and Fall 2018 campaign	32,723	20,365
Equity initiative	16,326	50,000
2018-2019 & 2017-2018 special event revenue	11,769	5,475
Board designated impact grant fund	8,194	8,194
Board net asset to be determined	-	43,550
Board designated rebuilding initiative	-	2,007
	<u>\$ 10,234,959</u>	<u>\$ 11,107,373</u>

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

9. Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
<u>Donor restricted - permanent</u>		
Ratepayer endowment funds	\$ 1,730,545	\$ 1,702,211
Endowment funds at Greater New Orleans Foundation	14,724	14,724
	<u>1,745,269</u>	<u>1,716,935</u>
 <u>Donor restricted - temporary</u>		
IDA Program	479,396	781,443
Flood relief efforts	396,967	623,216
Financial Stability (Prosperity Center)	320,823	374,704
Ratepayer endowment funds	286,941	311,247
SB6/Collaborative Support/Grade-Level Reading	284,595	149,077
Undistributed Fall 2019 and Fall 2018 Campaign	222,977	376,553
Women United fund	104,373	94,703
Louisiana prisoner re-entry initiative	40,107	15,106
Rebuilding initiative	38,923	32,350
Club Connect	30,919	41,152
Stemfest Northshore	30,000	-
Loyola Nancy Marsiglia Institute	11,100	475
Tornado relief efforts	10,082	10,351
United for SELA Fund - Government Shutdown	6,130	-
School to career/Ready By 21	4,350	5,644
Make Change NOLA	2,685	-
Alice report	2,402	49,796
Hurricane Harvey Relief	-	44,199
Hospitality cares	-	1,727
Equity initiative	-	208
	<u>2,272,770</u>	<u>2,911,951</u>
	<u>\$ 4,018,039</u>	<u>\$ 4,628,886</u>

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

10. Concentration of Credit Risk

UWSELA maintains cash balances and certificates of deposit at various financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. From time to time the amounts on deposit may exceed the federally insured limits.

Securities purchased under agreements to resell included in cash and cash equivalents, totaling \$1,779,539 and \$1,226,086 were fully collateralized by government agency securities at June 30, 2019 and 2018, respectively.

The investments in UWSELA's endowment funds are not guaranteed or otherwise secured by the trustees. The endowment funds are held at the Greater New Orleans Foundation, and in mutual funds and other investments as described in Note 12.

11. Occupancy

UWSELA leases space in the Norman Mayer Memorial Building to nonprofit agencies that support UWSELA's work. There is one tenant who is in a monthly lease with no expiry date; however, this tenant terminated the lease effective September 30, 2019. A second tenant's lease began on March 1, 2018, was renewed during the 2019 fiscal year and is a monthly lease with no expiry date. However, subsequent to June 30, 2019, this tenant provided notice to UWSELA of its intent to terminate the lease at October 31, 2019. Rental income associated with these leases totaled \$190,119 and \$160,079 for the years ended June 30, 2019 and 2018, respectively. Building expenses related to the leases totaled \$337,160 and \$369,358 for the years ended June 30, 2019 and 2018, respectively. These expenses have been included in the statement of functional expenses in their natural classification. Considering lease terminations subsequent to year end noted above, the following is a schedule of future rental income under the lease agreements.

<u>Year Ended June 30</u>	
2020	<u>\$ 23,159</u>

12. Endowment Assets

As required by GAAP, net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Following is a description of UWSELA's endowment funds.

UWSELA has a board-designated, irrevocable endowment fund with the Greater New Orleans Foundation to receive and invest funds for the benefit of UWSELA. All income received from the endowment is without restriction and is used to cover operating expenses. There were no contributions to the endowment fund for the years ended June 30, 2019 and 2018. Investment income for the years ended June 30, 2019 and 2018, net of administrative expenses and grants, totaled \$13,916 and \$126,644, respectively. The amount of the endowment reflected in the statement of financial position as beneficial interest in assets held by others is \$3,307,645 and \$3,293,729 at June 30, 2019 and 2018, respectively. Contributions to the endowment fund are considered to be without donor restriction because they are board-designated funds. Endowment funds considered permanently designated by the Board, due to legal restrictions, are \$2,218,076 at June 30, 2019 and 2018.

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

12. Endowment Assets (continued)

UWSELA's donor-restricted common endowment funds with the Greater New Orleans Foundation consist of four separate funds. The original investment of \$14,724 in three of the endowment funds is permanently donor-restricted. All income is without donor restriction. There were no contributions to the endowment funds for the years ended June 30, 2019 and 2018. Investment income for the years ended June 30, 2019 and 2018, net of administrative expenses and grants, totaled \$1,706 and \$13,059, respectively. The amount of endowments reflected in the statement of financial position as investment in common endowment fund is \$334,367 and \$332,660 at June 30, 2019 and 2018, respectively.

The New Orleans Electric Ratepayers Fund is a donor-restricted endowment fund of UWSELA. The original investment in the endowment fund and all short and long term capital gains are permanently donor-restricted. Investment income and unrealized gains and losses are donor-restricted. There were no contributions to the endowment for the years ended June 30, 2019 and 2018. Investment income for the years ended June 30, 2019 and 2018, net of withdrawals, totaled \$4,029 and \$59,314, respectively. As of June 30, 2019 and 2018, the amount of endowments reflected in the statement of financial position as mutual funds is \$1,421,654 and \$1,421,413, respectively. As of June 30, 2019 and 2018, the amount of endowments reflected in the statement of financial position as U.S. Treasury securities is \$586,464 and \$580,864, respectively.

Interpretation of Relevant Law

The Board of UWSELA has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, UWSELA classifies as net assets with permanent donor restriction (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with permanent donor restriction is classified as net assets with temporary donor restriction until those amounts are appropriated for expenditures by UWSELA in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, UWSELA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- 1) The duration and preservation of the fund
- 2) The purposes of UWSELA and the donor-restricted endowment fund
- 3) General economic conditions
- 4) The possible effect of inflation and deflation
- 5) The expected total return from income and the appreciation of investments
- 6) Other resources of UWSELA
- 7) The investment policies of UWSELA

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

12. Endowment Assets (continued)

Financial Summary

The following summarizes the financial activity of the endowment assets of UWSELA for the year ended June 30, 2019:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 1, 2018	\$ 3,611,666	\$ 2,028,182	\$ 5,639,848
Investment return:			
Investment income	16,529	38,428	54,957
Net appreciation (realized and unrealized)	<u>139,188</u>	<u>52,751</u>	<u>191,939</u>
Total investment return	155,717	91,179	246,896
Contributions	-	-	-
Appropriation of endowment assets for grants	<u>(140,095)</u>	<u>(87,151)</u>	<u>(227,246)</u>
Endowment net assets, June 30, 2019	<u>\$ 3,627,288</u>	<u>\$ 2,032,210</u>	<u>\$ 5,659,498</u>

The following summarizes the financial activity of the endowment assets of UWSELA for the year ended June 30, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, June 1, 2017	\$ 3,471,963	\$ 1,968,869	\$ 5,440,832
Investment return:			
Investment income	14,137	42,283	56,420
Net appreciation (realized and unrealized)	<u>263,626</u>	<u>102,137</u>	<u>365,763</u>
Total investment return	277,763	144,420	422,183
Contributions	-	-	-
Appropriation of endowment assets for grants	<u>(138,060)</u>	<u>(85,107)</u>	<u>(223,167)</u>
Endowment net assets, June 30, 2018	<u>\$ 3,611,666</u>	<u>\$ 2,028,182</u>	<u>\$ 5,639,848</u>

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

12. Endowment Assets (continued)

Endowment Net Asset Composition by Type of Fund as of June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor - restricted endowment funds	\$ -	\$ 2,032,210	\$ 2,032,210
Board - designated endowment funds	<u>3,627,288</u>	<u>-</u>	<u>3,627,288</u>
June 30, 2019	<u>\$ 3,627,288</u>	<u>\$ 2,032,210</u>	<u>\$ 5,659,498</u>

Endowment Net Asset Composition by Type of Fund as of June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor - restricted endowment funds	\$ -	\$ 2,028,182	\$ 2,028,182
Board - designated endowment funds	<u>3,611,666</u>	<u>-</u>	<u>3,611,666</u>
June 30, 2018	<u>\$ 3,611,666</u>	<u>\$ 2,028,182</u>	<u>\$ 5,639,848</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA requires UWSELA to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies may result from unfavorable market fluctuations occurring after the investment of new permanently restricted contributions and continued appropriation for programs that was deemed prudent by the Board. At June 30, 2019 and 2018, there were no such deficiencies.

Return Objectives and Risk Parameters

UWSELA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

Endowment assets include those assets of donor-restricted funds that UWSELA must hold in perpetuity or for a donor-specified period(s) as well as board-designated endowment funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to preserve the principal of the endowment assets.

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

12. Endowment Assets (continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, UWSELA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). UWSELA targets a diversified asset allocation to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

UWSELA has a policy of appropriating for distribution each year the donors' contributions and the investment earnings for the year. Accordingly, over the long-term, UWSELA expects the current spending policy to allow for preservation of the principal.

13. Line of Credit

UWSELA has a line of credit with a financial institution in the amount of \$1,000,000 with a variable interest rate based on the published "Money Rates" in the Wall Street Journal. The line of credit matures on January 23, 2021. At June 30, 2019 and 2018, there was no outstanding balance on the line of credit.

14. Compensated Absences Payable

Employee personal leave is cumulative and may be carried forward from year to year, up to a maximum of 60 workdays. Upon separation, employees are paid for any unused personal leave days. The accrued liability was \$312,831 and \$283,026 at June 30, 2019 and 2018, respectively.

15. Gain on Settlement

During 2017, UWSELA settled a claim filed with the Deepwater Horizon Court-Supervised Settlement Program for \$2,600,000. The revenue and receivable related to this settlement were recorded in 2017, and the remaining receivable was collected by UWSELA during 2018. The 2018 cash receipt of \$1,007,500 was net of \$292,500 in attorney fees. A related party represented UWSELA in these settlement negotiations. This transaction was completed during 2018 and thus had no impact to the 2019 financial statements.

16. Related Parties

UWSELA purchased general liability and umbrella insurance policies from Hartwig-Moss Insurance Agency (Hartwig-Moss). The president of Hartwig-Moss is a member of the Finance and Operations Committee of UWSELA. The total paid to Hartwig-Moss during 2019 and 2018 was \$57,683 and \$52,856, respectively.

The Chairman of the Board of UWSELA represented UWSELA's legal interests during the Deepwater Horizon Court-Supervised Settlement Program. That board member's firm received payments of \$292,500 during 2018 related to the settlement.

UNITED WAY OF SOUTHEAST LOUISIANA

Notes to Financial Statements

June 30, 2019

17. Subsequent Events

As discussed in Note 11, lease agreements were terminated by UWSELA tenants subsequent to June 30, 2019.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, which was October 28, 2019 and determined that no additional events occurred that required disclosure. Subsequent events occurring after this date have not been evaluated for inclusion in these financial statements.

UNITED WAY OF SOUTHEAST LOUISIANA
Schedule of Compensation, Benefits and Other Payments to Agency Head

For the Year Ended June 30, 2019

Agency Head: Michael Williamson, President/CEO

Not applicable. Public funds not used for agency head compensation, benefits, and other payments during the fiscal year ended June 30, 2019.

**INDEPENDENT AUDITORS' 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 Trustees
United Way of Southeast Louisiana
New Orleans, Louisiana

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 Southeast Louisiana (a nonprofit organization) (UWSELA) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2019.

Internal Control over Financial Reporting

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

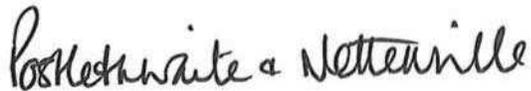
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether UWSELA'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 UWSELA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering UWSELA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Metairie, Louisiana
October 28, 2019