

### HISPANIC CENTER LEHIGH VALLEY

FINANCIAL STATEMENTS JUNE 30, 2017

Morey Nee Buck & Oswald, LLC Certified Public Accountants and Advisors

#### HISPANIC CENTER LEHIGH VALLEY JUNE 30, 2017

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#### INDEPENDENT AUDITOR'S REPORT

The Board of Directors
HISPANIC CENTER LEHIGH VALLEY
Bethlehem, Pennsylvania

We have audited the accompanying financial statements of Hispanic Center Lehigh Valley (a non-profit organization), which comprise the statement of financial position as of June 30, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 Hispanic Center Lehigh Valley as of June 30, 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.

#### Report on Summarized Comparative Information

We have previously audited Hispanic Center Lehigh Valley's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Morey, Nee, Buck & Oswald, LLC

Mary, Re, Buck! Board, LIC

Spring House, Pennsylvania

November xx, 2017

## HISPANIC CENTER LEHIGH VALLEY STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2017 WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2016

#### ASSETS

	<u>2017</u>	<u>2016</u>
Assets: Cash and cash equivalents Pledges receivable, net Grants receivable Prepaid expenses Land, buildings, and equipment, net	\$ 933,142 994,240 122,796 8,020 543,088	\$ 365,380 632,429 73,591 12,466 446,617
Total assets	\$ 2,601,286	<u>\$ 1,530,483</u>
LIABILITIES AND NET ASS	SETS	
Liabilities: Accounts payable Accrued payroll and related taxes Total liabilities	\$ 14,719 20,564 35,283	\$ 12,745 12,714 25,459
Net assets: Unrestricted Temporarily restricted	844,452 1,721,551	704,604 800,420
Total net assets	2,566,003	1,505,024
Total liabilities and net assets	\$ 2,601,286	\$ 1,530,483

The accompanying notes are an integral part of the audited financial statements.

# HISPANIC CENTER LEHIGH VALLEY STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

			Temporarily		2017		2016
	<u>Unr</u>	<u>estricted</u>	Restricted		<u>Totals</u>	wygrafrana	<u>Totals</u>
Revenues, gains and other suppor	t:						
Government grants	\$	305,610	\$ -	\$	305,610	\$	331,790
Contributions	***	143,441	1,201,732		1,345,173	mattania.	1,118,306
		449,051	1,201,732		1,650,783		1,450,096
Special events		43,776	-		43,776		64,706
Rent		1,450	-		1,450		500
Interest income		211	-		211		293
In kind donations		52,569	**		52,569		50,987
Net assets released from restriction	ons:						
satisfaction of donor restrictions	***************************************	<u> 151,064</u>	(151,064)		**	4*N°+++	***
Total revenues, gains							
and other support		698,121	1,050,668	-	1,748,789		1,566,582
• •							
Expenses and losses:							
Program services		502,952	-		502,952		457,613
Management and general		148,685	· .		148,685		201,109
Fund raising		36,173	lyv		36,173		48,364
3	- 4						
Total expenses and losses	1000	687,810			687,810		707,086
1				-		******	
	1	10,311	1,050,668		1,060,979		859,496
Non-operating:		•	. ,				•
Capital campaign		129,537	(129,537)		789		
T O	34						
Change in net assets		139,848	921,131		1,060,979		859,496
		,	•				,
Net assets, beginning of year		704,604	800,420		1,505,024		645,528
	***************************************						A design of the same of the sa
Net assets, end of year	\$	844,452	\$ 1,721,551	\$	2,566,003	\$	1,505,024

The accompanying notes are an integral part of the audited financial statements.

## HISPANIC CENTER LEHIGH VALLEY STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2017 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

	Program	Management	Fund	2017	2016
	Services	and General	<u>Raising</u>	<u>Totals</u>	<u>Totals</u>
			_		
Salaries	\$ 253,367	\$ 68,320	\$ -	\$ 321,687	\$ 304,524
Employee benefits	28,557	6,249	**	34,806	30,930
Payroll taxes	25,567	6,538	**	32,105	35,322
Special events	708	606	20,173	21,487	24,279
Scholarship awards	•	2,000	-	2,000	3,000
Utilities	26,187	5,839	-	32,026	31,851
Marketing	199	60	-	259	2,010
Professional fees	10,920	35,964	16,000	62,884	99,365
Insurance	24,673	2,451	<b>~</b>	27,124	26,619
Building repairs and					
maintenance	2,276	1,267	*	3,543	4,965
Client assistance	68,969	739	<b></b>	69,708	75,156
Telephone	1,591	1,010	-	2,601	2,491
Office supplies	9,426	7,205		16,631	11,929
Equipment repairs					
and maintenance	9,898	1,137	-	11,035	13,925
Other	4,588	4,384	-	8,972	5,052
Travel	372	40	-	412	1,408
Depreciation	<u>35,654</u>	4,876	-	<u>40,530</u>	34,260
Totals – 2017	\$ 502,952	<u>\$ 148,685</u>	<u>\$ 36,173</u>	<u>\$ 687,810</u>	
Totals – 2016	<u>\$ 457,613</u>	<u>\$ 201,109</u>	<u>\$ 48,364</u>		<u>\$ 707,086</u>

The accompanying notes are an integral part of the audited financial statements.

# HISPANIC CENTER LEHIGH VALLEY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

	<u>2017</u>	<u> 2016</u>
Cash flows from operating activities:		
Cash received from governmental contracts Cash received from contributions and events Cash received from rents Cash received from interest income Cash paid for salaries and benefits Cash paid to vendors and purchased services	\$ 256,404 1,035,710 1,450 211 (348,642) (231,797)	\$ 309,833 550,583 500 293 (332,056) (289,401)
Net cash provided by operating activities	713,336	239,752
Cash flows from investing activities:		
Building improvements	(145,574)	(230,774)
Net cash (used) by investing activities	(145,574)	(230,774)
Net increase in cash and cash equivalents	567,762	8,978
Cash and cash equivalents, beginning of the year	365,380	356,402
Cash and cash equivalents, end of the year	\$ 933,142	\$ 365,380

The accompanying notes are an integral part of the audited financial statements.

# HISPANIC CENTER LEHIGH VALLEY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2017 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

	2017	<u>2016</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,060,979	<u>\$ 859,496</u>
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Depreciation	40,530	34,260
Discount of pledges receivable to present value	8,572	9,039
(Increase) decrease in operating assets:	·	·
Pledges receivable	(361,811)	(641,468)
Grants receivable	(49,205)	(21,957)
Prepaid expenses	4,447	(5,946)
Increase (decrease) in operating liabilities:		
Accounts payable	1,974	2,931
Accrued payroll and related taxes	<u>7,850</u>	3,397
Total adjustments	(347,643)	(619,744)
Net cash provided by operating activities	\$ 713,336	\$ 239,752

#### Organization and Purpose

Hispanic Center Lehigh Valley is a tax exempt 501(c)(3) not-for-profit organization. The purpose of the center is to improve the quality of life of Hispanic and other families by empowering them to become more self-sufficient, while promoting an intercultural understanding in the Lehigh Valley. The major source of revenue for the Organization are contributions and grants from governmental agencies.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Basis of Presentation**

Financial presentation follows the recommendations of the Financial Accounting Standards Board under which the Organization 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.

#### **Basis of Accounting**

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP) and accordingly reflect all significant receivables, payables, and other liabilities.

#### **Program Services**

The Hispanic Center Lehigh Valley provides the following primary program services:

#### Social Services:

This program provides services to individuals looking for employment. Services provided include employment preparation and counseling, job placement, tracking and monitoring, resume writing, interview preparation and job search techniques, information and referrals and life skills education.

#### Women, Infants, and Children (WIC):

This program provides nutritional and supplemental dietary services to pregnant and post-partum women, infants and children through five years of age.

#### Senior Center:

This program is designed to provide seniors, ages 60 and over, with daily hot meals, nutrition, education and social activities.

#### Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Comparative Financial Information**

The financial statements include certain prior year summarized comparative information in total but not by asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

#### **Expense Allocation**

Expenses are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

#### Property, Equipment and Depreciation

Property and equipment are recorded at cost or, if donated, at fair market value at the date of the gift. Depreciation is provided by the straight-line method over the estimated useful lives of the related assets ranging from three to thirty years. The Organization capitalizes all expenditures for property and equipment of over \$500. All repairs and maintenance charges are expensed in the period incurred.

#### Support

Support that is restricted by the donor, including promises to give, is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a donor restriction expires (that is, when a stipulated time restriction ends or a 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.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Donated Assets

Donated materials are recorded at their fair value at the date of the gift. Contributed services are reported in the financial statements for voluntary donations of services when those services (1) create or enhance non-financial assets or (2) require specialized skills provided by individuals possessing those skills and are services that would be typically purchased if not provided by donation.

The Organization had a significant amount of their fundraising activities performed by volunteers during the year. The fundraising activities did not meet the criteria described above and thus, were not recorded in the Organization's statement of activities.

#### Pledges Receivable

Pledges receivable represent unconditional promises to give and are reported at fair value by discounting the expected future pledge payments using the applicable federal rate at the statement of financial position date. Changes in the fair value of pledges receivable are reported in the statement of activities as contribution revenue except for changes in the allowance, if any, which are reported as program expenses at each subsequent reporting date. Pledges receivable past due by 90 days are, in the opinion of management, not material to the financial statements.

#### Accounting for Uncertainty in Income Taxes

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires Hispanic Center Lehigh Valley to report information regarding its exposure to various tax positions taken. Management has performed their evaluation and believes there are no unrecognized tax positions that are required to be disclosed.

The Organization's policy is to classify income tax related interest and penalties, if any, in interest expense and other expenses, respectively.

#### 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are summarized below:

General operating - unrestricted	\$ 99,615
Donor restricted - operating	178,068
Donor restricted - capital campaign	<u>655,459</u>
Total cash and cash equivalents	\$ 933,142

#### 3. PLEDGES RECEIVABLE

As of June 30, 2017, unconditional pledges receivable for the capital campaign were as follows:

Amounts due in:		
Less than one year	\$	393,287
One to five years		613,250
More than five years	***************************************	
		1,006,537
Less fair value adjustments: Discount of 1% to present value Allowance for doubtful accounts		(12,297)
Pledges receivable	\$_	994,240

Pledges were discounted to their present value assuming their respective terms, and at the discount rate corresponding to the date each pledge will be received. Pledges due after June 30, 2017 are discounted at 1%.

The Organization believes the balance of pledges will be collected in full and no allowance has been made for uncollectible pledges.

#### 4. GRANTS RECEIVABLE

The Organization had \$122,796 in grants receivable as of June 30, 2017. The grants receivable consisted of amounts due in connection with three governmental grants that were awarded to the Organization during the fiscal year but not yet paid as of year-end.

#### 5. LAND, BUILDINGS AND EQUIPMENT, NET

Fixed assets and accumulated depreciation accounts are composed of the following:

<u>Description</u>	Cost	•	Accumulated <u>Depreciation</u>	Net book <u>Value</u>
Land Buildings and improvements Vehicle and equipment	\$ 20,000 964,322 75,479	\$ - 37,571 2,959	\$ - 455,320 61,393	\$ 20,000 509,002 <u>14,086</u>
Totals	\$1,059,801	<u>\$ 40,530</u>	<u>\$ 516,713</u>	\$ 543,088

#### 6. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by the donors. The purpose for which restrictions were accomplished:

NAP Grant	\$ 89,09	17
Food Pantry Program	3,46	57
Administrative	6,25	52
Fowler Center	10,98	32
Social Services	11,00	0(
Senior Center	30,26	<u> 6</u>
Net assets released for operations	<u>\$ 151,06</u>	<u>54</u>
Capital and Related Improvements	<u>\$ 129,53</u>	<u>37</u>

#### 7. NET ASSETS: TEMPORARILY RESTRICTED

Temporarily restricted net assets are available for the following purposes:

PPH Social Services	\$ 246
Sands Food Pantry	1,000
Senior sneaker	24,000
Senior Center and social services	63,403
Capital and related improvements	638,662
Uncollected pledges for capital improvements	 994,240
Total net assets: temporarily restricted	\$ <u>1,721,551</u>

#### 8. CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

A significant amount of the Organization's revenue and support was provided by contributions and governmental grants. It is always considered reasonably possible that benefactors, grantors or contributors may be lost in the near term.

### 9. CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

Hispanic Center Lehigh Valley maintains its cash balances in two financial institutions located in Pennsylvania. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000.

There are times throughout the year when the Organization's cash balances exceed the federally insured limit. The Organization considers the risk of total loss associated with exceeding the federally insured limits minimal.

#### 10. SUBSEQUENT EVENTS

Management has evaluated subsequent events and transactions through October 31, 2017 which is the date on which the financial statements were available to be issued. No events or transactions that require disclosure or recognition were identified.