



HISPANIC CENTER LEHIGH VALLEY

FINANCIAL STATEMENTS

JUNE 30, 2018

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



HISPANIC CENTER LEHIGH VALLEY
JUNE 30, 2018

<u>TABLE OF CONTENTS</u>	<u>PAGE NO</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
NOTES TO THE FINANCIAL STATEMENTS	8

Morey, Nee, Buck & Oswald, LLC

Certified Public Accountants and Advisors

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, 2018, 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, 2018, 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 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Morey, Nee, Buck & Oswald, LLC

Morey, Nee, Buck & Oswald, LLC
Spring House, Pennsylvania
January 26, 2019

HISPANIC CENTER LEHIGH VALLEY
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION
AS OF JUNE 30, 2017

ASSETS		
	<u>2018</u>	<u>2017</u>
Assets:		
Cash and cash equivalents	\$ 446,042	\$ 933,142
Pledges receivable, net	1,004,505	994,240
Grants receivable	141,850	122,796
Prepaid expenses	5,687	8,020
Land, buildings, and equipment, net	<u>2,510,116</u>	<u>543,088</u>
Total assets	<u>\$ 4,108,200</u>	<u>\$ 2,601,286</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 79,768	\$ 14,719
Accrued payroll and related taxes	14,433	20,564
Mortgage debt	<u>968,031</u>	<u>-</u>
Total liabilities	<u>1,062,232</u>	<u>35,283</u>
Net assets:		
Unrestricted	1,843,478	844,452
Temporarily restricted	<u>1,202,490</u>	<u>1,721,551</u>
Total net assets	<u>3,045,968</u>	<u>2,566,003</u>
Total liabilities and net assets	<u>\$ 4,108,200</u>	<u>\$ 2,601,286</u>

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, 2018
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	2018 <u>Totals</u>	2017 <u>Totals</u>
Revenues, gains and other support:				
Government grants	\$ 311,399	\$ -	\$ 311,399	\$ 305,610
Contributions	<u>254,183</u>	<u>679,814</u>	<u>933,997</u>	<u>1,345,173</u>
	565,582	679,814	1,245,396	1,650,783
Special events	43,228	-	43,228	43,776
Rent	6,980	-	6,980	1,450
Interest income	1,235	-	1,235	211
In kind donations	53,964	-	53,964	52,569
Net assets released from restrictions:				
satisfaction of donor restrictions	<u>270,104</u>	<u>(270,104)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and other support	<u>941,093</u>	<u>409,710</u>	<u>1,350,803</u>	<u>1,748,789</u>
Expenses and losses:				
Program services	701,656	-	701,656	502,952
Management and general	143,716	-	143,716	148,685
Fund raising	<u>25,466</u>	<u>-</u>	<u>25,466</u>	<u>36,173</u>
Total expenses and losses	<u>870,838</u>	<u>-</u>	<u>870,838</u>	<u>687,810</u>
	70,255	409,710	479,965	1,060,979
Non-operating:				
Capital campaign	<u>928,771</u>	<u>(928,771)</u>	<u>-</u>	<u>-</u>
Change in net assets	999,026	(519,061)	479,965	1,060,979
Net assets, beginning of year	<u>844,452</u>	<u>1,721,551</u>	<u>2,566,003</u>	<u>1,505,024</u>
Net assets, end of year	<u>\$ 1,843,478</u>	<u>\$ 1,202,490</u>	<u>\$ 3,045,968</u>	<u>\$ 2,566,003</u>

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, 2018
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

	Program <u>Services</u>	Management <u>and General</u>	Fund <u>Raising</u>	2018 <u>Totals</u>	2017 <u>Totals</u>
Salaries	\$ 364,650	\$ 67,696	\$ -	\$ 432,346	\$ 321,687
Employee benefits	40,748	3,077	-	43,825	34,806
Payroll taxes	34,089	5,946	-	40,035	32,105
Special events	200	-	25,466	25,666	21,487
Scholarship awards	-	1,500	-	1,500	2,000
Utilities	28,839	7,396	-	36,235	32,026
Marketing	1,432	350	-	1,782	259
Interest	2,768	-	-	2,768	-
Professional fees	23,563	23,928	-	47,491	62,884
Insurance	21,734	7,449	-	29,183	27,124
Building repairs and maintenance	2,551	895	-	3,446	3,543
Client assistance	74,995	786	-	75,781	69,708
Telephone	1,622	956	-	2,578	2,601
Office supplies	10,844	12,790	-	23,634	16,631
Equipment repairs and maintenance	8,251	2,087	-	10,338	11,035
Other	34,998	5,406	-	40,404	8,972
Travel	1,199	57	-	1,256	412
Depreciation	<u>49,173</u>	<u>3,397</u>	<u>-</u>	<u>52,570</u>	<u>40,530</u>
Totals – 2018	<u>\$ 701,656</u>	<u>\$ 143,716</u>	<u>\$ 25,466</u>	<u>\$ 870,838</u>	
Totals – 2017	<u>\$ 502,952</u>	<u>\$ 148,685</u>	<u>\$ 36,173</u>		<u>\$ 687,810</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, 2018
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from governmental contracts	\$ 292,345	\$ 256,404
Cash received from contributions and events	966,960	1,035,710
Cash received from rents	6,980	1,450
Cash received from interest income	1,235	211
Cash paid for salaries and benefits	(522,337)	(348,642)
Cash paid to vendors and purchased services	(173,894)	(231,797)
Interest paid	<u>(5,989)</u>	<u>-</u>
Net cash provided by operating activities	<u>565,300</u>	<u>713,336</u>
Cash flows from financing activities:		
Proceeds from construction loan	<u>972,194</u>	<u>-</u>
Net cash provided by financing activities	<u>972,194</u>	<u>-</u>
Cash flows from investing activities:		
Building improvements	<u>(2,024,594)</u>	<u>(145,574)</u>
Net cash (used) by investing activities	<u>(2,024,594)</u>	<u>(145,574)</u>
Net increase in cash and cash equivalents	(487,100)	567,762
Cash and cash equivalents, beginning of the year	<u>933,142</u>	<u>365,380</u>
Cash and cash equivalents, end of the year	<u>\$ 446,042</u>	<u>\$ 933,142</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, 2018
WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	<u>\$ 479,965</u>	<u>\$ 1,060,979</u>
Adjustments to reconcile the change in net assets to net cash provided by operating activities:		
Amortization – included in interest expense	833	-
Depreciation	52,570	40,530
Discount of pledges receivable to present value	24,513	8,572
(Increase) decrease in operating assets:		
Pledges receivable	(34,778)	(361,811)
Grants receivable	(19,054)	(49,205)
Prepaid expenses	2,333	4,447
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	65,049	1,974
Accrued payroll and related taxes	<u>(6,131)</u>	<u>7,850</u>
Total adjustments	<u>85,335</u>	<u>(347,643)</u>
Net cash provided by operating activities	<u>\$ 565,300</u>	<u>\$ 713,336</u>

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

HISPANIC CENTER LEHIGH VALLEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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.

HISPANIC CENTER LEHIGH VALLEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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, 2017, 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.

HISPANIC CENTER LEHIGH VALLEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

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	\$ 182,095
Donor restricted – Fowler Community Wellness Center	84,960
Donor restricted - capital campaign	<u>178,987</u>
Total cash and cash equivalents	<u>\$ 446,042</u>

HISPANIC CENTER LEHIGH VALLEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

3. PLEDGES RECEIVABLE

As of June 30, 2018, unconditional pledges receivable for the capital campaign were as follows:

Amounts due in:	
Less than one year	\$ 324,981
One to five years	716,334
More than five years	<u>-</u>
	1,041,315
Less fair value adjustments:	
Discount of 3% to present value	(36,810)
Allowance for doubtful accounts	<u>-</u>
Pledges receivable	<u>\$ 1,004,505</u>

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, 2019 are discounted at 3%.

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 \$141,850 in grants receivable as of June 30, 2018. 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>	<u>Cost</u>	<u>Depreciation Expense</u>	<u>Accumulated Depreciation</u>	<u>Net book Value</u>
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Buildings and improvements	2,963,182	47,310	502,631	2,460,551
Vehicle and equipment	<u>96,218</u>	<u>5,260</u>	<u>66,653</u>	<u>29,565</u>
Totals	<u>\$ 3,079,400</u>	<u>\$ 52,570</u>	<u>\$ 569,284</u>	<u>\$ 2,510,116</u>

During the year ended June 30, 2018, construction on the Fowler Community Wellness Center was completed. Approximately, \$2,000,000 was added to Buildings and improvements, subject to depreciation.

HISPANIC CENTER LEHIGH VALLEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

6. CONSTRUCTION LOAN

During the year, the Organization entered into a construction and bridge loan with BB+T Bank to finance construction and renovation costs being performed on the Fowler Community Wellness Center.

The due date of the loan is five years from the date of closing, which was August 2017, at which time all principal and accrued interest not yet paid will be due. No penalty will be charged if the Organization prepays the principal balance during the loan term.

The Organization is required to make interest-only monthly payments during the first five years of the loan. Interest is a stated rate of 3.75% on the unpaid outstanding balance for the term of the loan. The loan is collateralized by a first lien on property located at 502 E 4th Street, Bethlehem, Pennsylvania and all business assets.

Long-term debt consists of the following at June 30:

Total long-term debt	\$ 972,194
Less unamortized debt issuance cost	<u>(4,163)</u>
Long-term debt, less unamortized debt issuance cost	<u>\$ 968,031</u>

Future maturities of long-term debt are as follows:

Year Ending <u>June 30.</u>	
2019	\$ -
2020	-
2021	-
2022	-
2023	<u>972,194</u>
	<u>\$ 972,194</u>

Total interest expense for the year ended June 30, 2018 was \$10,962 including \$9,027 which was capitalized.

In 2018, the Organization retroactively adopted the requirements to present debt issuance costs as a reduction of the carrying amount of the debt rather than as an asset. Amortization of the debt issuance costs is reported as interest expense in the statement of activities.

HISPANIC CENTER LEHIGH VALLEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

7. 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	\$ 147,402
Senior Center	44,215
Food Pantry	9,753
Social Services	23,246
Relief Funds	43,988
Administrative	<u>1,500</u>
Net assets released for operations	<u>\$ 270,104</u>
Capital and related Improvements	<u>\$ 928,771</u>

8. NET ASSETS: TEMPORARILY RESTRICTED

Temporarily restricted net assets are available for the following purposes:

NAP Grant	\$ 13,500
Relief Funds	3,335
Homeless Management	12,150
Capital and related improvements	169,000
Uncollected pledges for debt repayment	<u>1,004,505</u>
Total net assets: temporarily restricted	<u>\$ 1,202,490</u>

9. 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.

HISPANIC CENTER LEHIGH VALLEY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

10. *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.

11. *SUBSEQUENT EVENTS*

Management has evaluated subsequent events and transactions through January 26, 2019 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.