

EL NIDO FAMILY CENTERS

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

EL NIDO FAMILY CENTERS

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
El Nido Family Centers

Report on the Financial Statements

We have audited the accompanying financial statements of El Nido Family Centers (a nonprofit organization) (El Nido), 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of El Nido 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 El Nido's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 11, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

To the Board of Directors
El Nido Family Centers

Other Matters - Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal and Non-Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis 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 January 10, 2018 on our consideration of El Nido's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Nido's internal control over financial reporting and compliance.

Green Hasson & Janks LLP

January 10, 2018
Los Angeles, California

EL NIDO FAMILY CENTERS

STATEMENT OF FINANCIAL POSITION

June 30, 2017

With Summarized Totals at June 30, 2016

| ASSETS | 2017 | | | | 2016 Total |
|---|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total | |
| CURRENT ASSETS: | | | | | |
| Cash and Cash Equivalents | \$ 4,223 | \$ - | \$ - | \$ 4,223 | \$ 226,851 |
| Investments | 1,755,497 | 479,227 | - | 2,234,724 | 2,057,758 |
| Accounts Receivable | 1,933,355 | - | - | 1,933,355 | 1,416,590 |
| Contributions and Pledges Receivable | - | 172,500 | - | 172,500 | 95,030 |
| Prepaid Expenses | 288,513 | - | - | 288,513 | 263,638 |
| TOTAL CURRENT ASSETS | 3,981,588 | 651,727 | - | 4,633,315 | 4,059,867 |
| OTHER ASSETS: | | | | | |
| Investments | - | - | 111,146 | 111,146 | 111,146 |
| Property and Equipment (Net) | 19,347 | - | - | 19,347 | 26,355 |
| TOTAL OTHER ASSETS | 19,347 | - | 111,146 | 130,493 | 137,501 |
| TOTAL ASSETS | \$ 4,000,935 | \$ 651,727 | \$ 111,146 | \$ 4,763,808 | \$ 4,197,368 |
| LIABILITIES AND NET ASSETS | | | | | |
| CURRENT LIABILITIES: | | | | | |
| Accounts Payable | \$ 274,932 | \$ - | \$ - | \$ 274,932 | \$ 275,253 |
| Accrued Liabilities | 338,897 | - | - | 338,897 | 432,672 |
| Deferred Revenue | 159,154 | - | - | 159,154 | - |
| Line of Credit | 250,000 | - | - | 250,000 | - |
| TOTAL CURRENT LIABILITIES | 1,022,983 | - | - | 1,022,983 | 707,925 |
| OTHER LIABILITIES: | | | | | |
| Accrued Pension Liability | 705,182 | - | - | 705,182 | 939,418 |
| TOTAL OTHER LIABILITIES | 705,182 | - | - | 705,182 | 939,418 |
| TOTAL LIABILITIES | 1,728,165 | - | - | 1,728,165 | 1,647,343 |
| NET ASSETS: | | | | | |
| Unrestricted | 2,272,770 | - | - | 2,272,770 | 1,955,073 |
| Temporarily Restricted | - | 651,727 | - | 651,727 | 483,806 |
| Permanently Restricted | - | - | 111,146 | 111,146 | 111,146 |
| TOTAL NET ASSETS | 2,272,770 | 651,727 | 111,146 | 3,035,643 | 2,550,025 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 4,000,935 | \$ 651,727 | \$ 111,146 | \$ 4,763,808 | \$ 4,197,368 |

The Accompanying Notes are an Integral Part of These Financial Statements

EL NIDO FAMILY CENTERS

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

With Summarized Totals for the Year Ended June 30, 2016

| | 2017 | | | Total | 2016 Total |
|---|---------------------|---------------------------|---------------------------|---------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | | |
| REVENUE AND SUPPORT: | | | | | |
| Government Contracts | \$ 9,748,501 | \$ - | \$ - | \$ 9,748,501 | \$ 8,786,566 |
| Contributions | 487,463 | 551,500 | - | 1,038,963 | 547,149 |
| Investment Income | 169,307 | - | - | 169,307 | 109,934 |
| Special Events (Net of Direct Event Expenses of \$132,917) | 46,163 | - | - | 46,163 | 77,282 |
| In-Kind Donations | 149,210 | - | - | 149,210 | 98,021 |
| Miscellaneous | 2,367 | - | - | 2,367 | 99,049 |
| Net Assets Released from Purpose Restrictions | 383,579 | (383,579) | - | - | - |
| TOTAL REVENUE AND SUPPORT | 10,986,590 | 167,921 | - | 11,154,511 | 9,718,001 |
| EXPENSES: | | | | | |
| Program Services | 9,420,346 | - | - | 9,420,346 | 8,472,138 |
| Support Services | 1,545,277 | - | - | 1,545,277 | 1,517,168 |
| TOTAL EXPENSES | 10,965,623 | - | - | 10,965,623 | 9,989,306 |
| CHANGE IN NET ASSETS BEFORE PENSION COST | 20,967 | 167,921 | - | 188,888 | (271,305) |
| Pension-Related Change Other than Net Periodic Pension Cost | 296,730 | - | - | 296,730 | (147,369) |
| CHANGE IN NET ASSETS | 317,697 | 167,921 | - | 485,618 | (418,674) |
| Net Assets - Beginning of Year | 1,955,073 | 483,806 | 111,146 | 2,550,025 | 2,968,699 |
| NET ASSETS - END OF YEAR | \$ 2,272,770 | \$ 651,727 | \$ 111,146 | \$ 3,035,643 | \$ 2,550,025 |

The Accompanying Notes are an Integral Part of These Financial Statements

EL NIDO FAMILY CENTERS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2017

With Summarized Totals for the Year Ended June 30, 2016

| | 2017 | | | | | | | | | | 2016 Total |
|---|--------------------------------|--|---|----------------------|------------------------------|---------------------|-------------------|------------------------------|----------------------|---------------------|---------------|
| | Program Services | | | | | Support Services | | | | Total | |
| | Teen Parent Family Services | Child Abuse Prevention and Treatment | Parent Education and Family Development | Youth Development | Total Program Services | Administrative | Fundraising | Total Support Services | | | |
| Salaries | \$ 2,935,444 | \$ 319,283 | \$ 1,804,899 | 506,039 | \$ 5,565,665 | \$ 588,084 | \$ 117,442 | \$ 705,526 | \$ 6,271,191 | \$ 5,829,051 | |
| Payroll Taxes | 218,480 | 24,177 | 134,962 | 37,991 | 415,610 | 48,607 | 8,297 | 56,904 | 472,514 | 433,609 | |
| Employee Benefits | 546,075 | 53,267 | 314,836 | 98,694 | 1,012,872 | 363,010 | 15,938 | 378,948 | 1,391,820 | 1,171,292 | |
| TOTAL PERSONNEL COSTS | 3,699,999 | 396,727 | 2,254,697 | 642,724 | 6,994,147 | 999,701 | 141,677 | 1,141,378 | 8,135,525 | 7,433,952 | |
| Occupancy | 170,366 | 15,252 | 169,794 | 8,775 | 364,187 | 64,257 | 8,589 | 72,846 | 437,033 | 369,085 | |
| Client Expenses | 143,030 | 1,451 | 185,840 | 28,808 | 359,129 | 244 | 500 | 744 | 359,873 | 232,937 | |
| Subcontractors and Interns | 43,816 | - | 275,179 | 13,400 | 332,395 | 7,500 | - | 7,500 | 339,895 | 304,714 | |
| Professional Fees | 26,125 | 2,322 | 34,215 | 3,833 | 66,495 | 6,102 | 157,172 | 163,274 | 229,769 | 203,844 | |
| Building Maintenance | 74,146 | 5,197 | 86,025 | 32,255 | 197,623 | 3,314 | 487 | 3,801 | 201,424 | 177,425 | |
| Supplies | 69,574 | 3,339 | 76,379 | 10,266 | 159,558 | 24,102 | 2,384 | 26,486 | 186,044 | 212,595 | |
| Equipment Maintenance | 62,013 | 5,244 | 54,692 | 10,588 | 132,537 | 35,447 | 2,675 | 38,122 | 170,659 | 199,614 | |
| Telecommunications | 84,580 | 6,253 | 43,476 | 7,542 | 141,851 | 16,465 | 1,912 | 18,377 | 160,228 | 138,258 | |
| In-Kind Expenses | - | - | 149,210 | - | 149,210 | - | - | - | 149,210 | 98,021 | |
| Travel and Auto Expenses | 92,276 | 5,130 | 21,753 | 11,231 | 130,390 | 1,660 | 588 | 2,248 | 132,638 | 150,898 | |
| Staff Training and Meetings | 30,708 | 318 | 81,380 | 1,039 | 113,445 | 10,536 | 303 | 10,839 | 124,284 | 104,941 | |
| Equipment | 46,422 | 4,439 | 38,210 | 12,653 | 101,724 | 5,590 | 716 | 6,306 | 108,030 | 74,279 | |
| Insurance | 28,091 | 2,372 | 18,267 | 4,784 | 53,514 | 5,756 | 299 | 6,055 | 59,569 | 56,335 | |
| Temporary Employment Services | 19,036 | 1,347 | 29,077 | - | 49,460 | 950 | 137 | 1,087 | 50,547 | 116,958 | |
| Bank, Investment and Payroll Services | 14,619 | 1,262 | 9,052 | 2,479 | 27,412 | 17,631 | 4,268 | 21,899 | 49,311 | 43,470 | |
| Postage | 7,572 | 490 | 4,892 | 1,367 | 14,321 | 3,560 | 1,182 | 4,742 | 19,063 | 14,542 | |
| Other | 788 | 117 | 20 | 779 | 1,704 | 12,297 | 46 | 12,343 | 14,047 | 17,801 | |
| Membership Dues and Subscriptions | 2,227 | - | 4,825 | 75 | 7,127 | 3,255 | 799 | 4,054 | 11,181 | 7,773 | |
| Staff Recruitment | 4,753 | 224 | 3,937 | 849 | 9,763 | 621 | 20 | 641 | 10,404 | 11,389 | |
| Relocation and Moving Expenses | 4,322 | 871 | 1,928 | 276 | 7,397 | 284 | - | 284 | 7,681 | 3,862 | |
| Annual Report and Newsletter | - | - | - | - | - | - | 1,300 | 1,300 | 1,300 | 2,163 | |
| Equipment Lease | 592 | 47 | 250 | 11 | 900 | - | - | - | 900 | 2,841 | |
| TOTAL BEFORE DEPRECIATION | 4,625,055 | 452,402 | 3,543,098 | 793,734 | 9,414,289 | 1,219,272 | 325,054 | 1,544,326 | 10,958,615 | 9,977,697 | |
| Depreciation | 2,975 | 291 | 2,280 | 511 | 6,057 | 742 | 209 | 951 | 7,008 | 11,609 | |
| TOTAL 2017 FUNCTIONAL EXPENSES | \$ 4,628,030 | \$ 452,693 | \$ 3,545,378 | \$ 794,245 | \$ 9,420,346 | \$ 1,220,014 | \$ 325,263 | \$ 1,545,277 | \$ 10,965,623 | | |
| | | | | | 86% | 11% | 3% | 14% | 100% | | |
| TOTAL 2016 FUNCTIONAL EXPENSES | \$ 4,656,893 | \$ 472,818 | \$ 2,512,851 | \$ 829,576 | \$ 8,472,138 | \$ 1,156,106 | \$ 361,062 | \$ 1,517,168 | | \$ 9,989,306 | |
| | | | | | 85% | 12% | 3% | 15% | | 100% | |

The Accompanying Notes are an Integral Part of These Financial Statements

EL NIDO FAMILY CENTERS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2017

With Summarized Totals for the Year Ended June 30, 2016

| | 2017 | 2016 |
|--|----------------------|-----------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Change in Net Assets | \$ 485,618 | \$ (418,674) |
| Adjustments to Reconcile Change in Net Assets to | | |
| Net Cash Used in Operating Activities: | | |
| Depreciation | 7,008 | 11,609 |
| Net Realized and Unrealized Gains on Investments | (100,072) | (43,320) |
| Increase in: | | |
| Accounts Receivable | (516,765) | (80,700) |
| Contributions and Pledges Receivable | (77,470) | (5,000) |
| Prepaid Expenses | (24,875) | (81,351) |
| Increase (Decrease) in: | | |
| Accounts Payable | (321) | 89,109 |
| Accrued Liabilities | (93,775) | (55,712) |
| Deferred Revenue | 159,154 | (57,549) |
| Accrued Pension Liability | (234,236) | 156,906 |
| | (395,734) | (484,682) |
| NET CASH USED IN OPERATING ACTIVITIES | (395,734) | (484,682) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of Fixed Assets | - | (3,706) |
| Reinvested Interest and Dividends | (69,235) | (66,561) |
| Proceeds on Sale of Investments | - | 225,000 |
| Purchases of Investments | (7,659) | - |
| | (76,894) | 154,733 |
| NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES | (76,894) | 154,733 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net Borrowings on Line of Credit | 250,000 | - |
| | 250,000 | - |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (222,628) | (329,949) |
| Cash and Cash Equivalents - Beginning of Year | 226,851 | 556,800 |
| | 226,851 | 556,800 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 4,223 | \$ 226,851 |

The Accompanying Notes are an Integral Part of These Financial Statements

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1 - ORGANIZATION

El Nido Family Centers (El Nido) was established in 1925 and incorporated as a not-for-profit organization in the State of California in 1954. Concerned with the welfare of children and youth, El Nido provides counseling, family life education and service coordination to children, adolescents and families in the most disadvantaged communities throughout Los Angeles County. Since 1925, El Nido has worked to help make families stronger so they can have healthier, more productive futures.

El Nido serves pregnant teenagers and young parents, families or individuals affected by child abuse, youth facing problems in school, at home or with the law, and parents struggling to raise their children.

El Nido operates four major program areas:

- **Teen Parent Family Services.** This program area offers a variety of services to pregnant or parenting adolescents and their babies and helps young children develop cognitively and behaviorally so they will be successful in school as well as in life in general.
- **Child Abuse Prevention and Treatment.** This program area focuses on abused children in an effort to reduce trauma and symptoms and heal emotional wounds. It also focuses on the family to prevent the causes of abusive behavior and enhance family functioning.
- **Parent Education and Family Development.** Programs in this area are designed to increase parenting skills and knowledge and improve the quality of parent-child relations.
- **Youth Development.** This program area provides counseling, education and social activities in an attempt to reduce the incidence of teenage pregnancy, juvenile crime and gang violence among youth by strengthening their support networks including his or her family, school and community.

El Nido receives funds from federal, state, local and private funding sources.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) ACCOUNTING

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of El Nido are maintained in accordance with the principles of net assets accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

- **Unrestricted Net Assets.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving income from investments less expenses incurred in providing program related services, raising contributions, and performing administrative functions.
- **Temporarily Restricted Net Assets.** El Nido reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the 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 purpose or time restrictions. El Nido has \$651,727 of temporarily restricted net assets at June 30, 2017.
- **Permanently Restricted Net Assets.** These net assets are received from donors who stipulate that resources are to be maintained permanently, but permit El Nido to expend all of the income (or other economic benefits) derived from the donated assets. El Nido has \$111,146 of permanently restricted net assets at June 30, 2017.

(c) CASH AND CASH EQUIVALENTS

Cash and cash equivalents are short-term, highly liquid investments with maturities of three months or less at the time of purchase. The carrying value of cash and cash equivalents at June 30, 2017 approximates its fair value.

El Nido maintains its cash and cash equivalents in bank deposit accounts and other investment accounts, which, at times, may exceed federally insured limits. El Nido has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(d) INVESTMENTS

Investments in equity and debt securities with readily determinable market values are reported at fair value. The fair value of investments is valued at the closing price on the last business day of the fiscal year. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Interest and dividend income is recorded when earned.

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) INVESTMENTS (continued)

Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain long-term investments, it is reasonably possible that changes in the values of these investments will occur in the near term and that such changes could materially affect the amounts reported in the statement of financial position.

Investments are made according to the investment policies adopted by El Nido's Board of Directors. These guidelines provide for investments in equities, fixed income, and other securities with performance measured against appropriate indices. The investments are managed by outside investment managers contracted by El Nido.

(e) ACCOUNTS RECEIVABLE

Receivables are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for doubtful accounts, if any, represents their estimated net realizable value. The allowance for doubtful accounts, if any, is estimated based on historical collection trends, type of funding source, the age of outstanding receivables and existing economic conditions. If events or changes in circumstances indicate that specific receivable balances may be impaired, further consideration is given to the collectability of those balances and the allowance is adjusted accordingly. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. At June 30, 2017, all accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

(f) CONTRIBUTIONS AND PLEDGES RECEIVABLE

Unconditional contributions, including pledges recorded at estimated fair value, are recognized as revenues in the period received. El Nido reports unconditional contributions as restricted support if they are received with donor stipulations that limit the use of the donated assets. Pledges receivable at June 30, 2017 are due in their entirety within one year.

(g) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation, if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets, as follows:

| | |
|------------------------|-------------|
| Leasehold Improvements | Lease Term |
| Office Equipment | 3 - 7 Years |
| Computer Equipment | 3 - 5 Years |
| Vehicles | 5 Years |

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) PROPERTY AND EQUIPMENT (continued)

Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars and the useful life is greater than three years.

(h) LONG-LIVED ASSETS

El Nido reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the book value of the assets may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated fair value. No impairment losses were recognized on long-lived assets during the year ended June 30, 2017.

(i) DEFERRED REVENUE

Deferred revenue includes amounts received for government contracts in excess of program costs. Deferred revenue is recorded as revenue in the period in which the related services are rendered and program costs are incurred.

(j) CONCENTRATIONS

During the year ended June 30, 2017, El Nido earned \$4,870,862 (44% of total revenue and support) under contracts administered by the U.S. Department of Health and Human Services. El Nido anticipates that it will continue to run these programs. There can be no assurance that El Nido will be able to obtain future grant agreements at the same level of funding upon the expiration of the current term of the contracts.

The primary accounts receivable balance outstanding at June 30, 2017 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to accounts receivable is limited, as the majority of El Nido's receivables consist of earned fees from contract programs granted by governmental agencies.

El Nido holds investments in the form of mutual funds. Market values of such investments are routinely reviewed by the Finance Committee of the Board of Directors.

(k) DONATED MATERIALS AND SERVICES

Contributions of donated non-cash assets are recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. El Nido recognized \$149,210 of in-kind services during the year ended June 30, 2017.

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) INCOME TAXES

El Nido is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

(m) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing El Nido's programs and other activities have been presented in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. El Nido uses proportional salary dollars to allocate indirect costs.

(n) 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 reported amounts of assets, liabilities, revenues and expenses as of the date and for the period presented. Actual results could differ from those estimates.

(o) COMPARATIVE TOTALS

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 El Nido's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

(p) RECLASSIFICATION

For comparability, certain June 30, 2016 amounts have been reclassified, where appropriate, to conform with the financial statement presentation used at June 30, 2017.

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, which establishes a comprehensive revenue recognition standard for virtually all industries in U.S. GAAP, including those that previously followed industry-specific guidance. For non-public entities, the new standard was originally effective for annual periods beginning after December 15, 2017. In August 2015, the FASB issued ASU 2015-14, *Revenue from Contracts with Customers (Topic 606) - Deferral of Effective Date*, which deferred the effective date for one year. Accordingly, this ASU will be effective for El Nido for the year ending December 31, 2019. El Nido is currently evaluating the effect the provisions of ASU 2014-09 will have on its financial statements.

In February 2016, FASB issued ASU No. 2017-02, *Leases*, which is intended to improve financial reporting about leasing transactions. The new standard will require organizations that lease assets with terms of more than 12 months to recognize on the statement of financial position the assets and liabilities for the rights and obligations created by those leases. The ASU also will require disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements and providing additional information about the amounts recorded in the financial statements. For El Nido, the ASU will be effective for the year ending June 30, 2021.

In August 2016, FASB issued ASU No. 2017-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*, which is intended to reduce complexity in financial reporting. The ASU focuses on improving the current net asset classification requirements and information presented in financial statements that is useful in assessing a nonprofit's liquidity, financial performance, and cash flows. For El Nido, the ASU will be effective for the year ending June 30, 2019.

(r) SUBSEQUENT EVENTS

El Nido has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2017 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through January 10, 2018, the date these financial statements were available to be issued. No such material events or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS

El Nido has implemented the fair value accounting standard. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets (or liabilities). Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices in active markets, interest rates and yield curves. Fair values determined by Level 3 utilize unobservable inputs for the asset (or liability) and include situations where there is little, if any, market activity for the asset (or liability).

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

The following table presents information about El Nido's assets that are measured at fair value on a recurring basis at June 30, 2017 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

| | Year Ended June 30, 2017 | Fair Value Measurements Using | | |
|----------------------------|-----------------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Fixed Income Mutual Funds: | \$ 1,055,181 | \$ 1,055,181 | \$ - | \$ - |
| Equity Mutual Funds: | 1,036,851 | 1,036,851 | - | - |
| Exchange Traded Funds: | 249,727 | 249,727 | - | - |
| Cash Equivalents | 4,111 | 4,111 | - | - |
| TOTAL INVESTMENTS | \$ 2,345,870 | \$ 2,345,870 | \$ - | \$ - |

The fair values of investments within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

Investment income for the year ended June 30, 2017 consists of the following:

| | |
|-----------------------------------|-------------------|
| Interest and Dividends | \$ 69,235 |
| Net Realized and Unrealized Gains | 100,072 |
| TOTAL INVESTMENT INCOME | \$ 169,307 |

El Nido recognizes transfers at the beginning of each reporting period. Transfers between Level 1 and 2 investments generally relate to whether a market becomes active or inactive. Transfers between Level 2 and 3 investments relate to whether significant relevant observable inputs are available for the fair value measurement in their entirety and when redemption rules become more or less restrictive. There were no transfers between levels during the year ended June 30, 2017.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2017 consist of the following:

| | |
|-------------------------------------|------------------|
| Leasehold Improvements | \$ 94,342 |
| Office Equipment | 83,446 |
| Computer Equipment | 24,858 |
| Vehicles | 34,999 |
| TOTAL | 237,645 |
| Less: Accumulated Depreciation | (218,298) |
| PROPERTY AND EQUIPMENT (NET) | \$ 19,347 |

Depreciation expense for the year ended June 30, 2017 was \$7,008.

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2017 consist of the following:

| | | |
|---|-----------|----------------|
| Accrued Vacation | \$ | 229,824 |
| Other Accrued Expenses | | 109,073 |
| <i>TOTAL ACCRUED LIABILITIES</i> | \$ | 338,897 |

NOTE 6 - EMPLOYEE BENEFIT PLANS

El Nido has a defined benefit plan (the plan) that covers all eligible employees of El Nido who have completed twelve consecutive months with one thousand or more hours of service. The plan is funded in accordance with the Employee Retirement Income Security Act of 1974. Plan assets, which include a combination of cash and cash equivalents, certificates of deposit, U.S. Government securities, corporate debt instruments and corporate stocks are held by a trustee and are not accessible for non-pension purposes.

During the fiscal year ended June 30, 2005, there was a plan curtailment as a result of the plan amendment adopted effective July 1, 2004. El Nido's management, with the approval of the Board of Directors, agreed to cease further benefit accruals under the plan.

The following table sets forth the plan's funded status and amounts recognized in El Nido's statement of financial position at June 30, 2017:

| | | |
|---|-----------|------------------|
| ACTUARIAL PRESENT VALUE | | |
| OF BENEFIT OBLIGATION: | | |
| Accumulated Benefit Obligation | \$ | 2,677,959 |
| Plan Assets at Fair Value | \$ | 1,972,777 |
| Projected Benefit Obligation | | (2,677,959) |
| <i>ACCRUED PENSION LIABILITY</i> | \$ | (705,182) |

The net periodic pension cost for the year ended June 30, 2017 includes the following components:

| | | |
|---|-----------|---------------|
| Interest Cost | \$ | 132,714 |
| Expected Return on Plan Assets | | (93,690) |
| Amortization of Transition Obligations | | 8,841 |
| Amortization of Actuarial Loss | | 14,629 |
| <i>NET PERIODIC PENSION COST</i> | \$ | 62,494 |
| Employer Contributions | \$ | - |
| Benefits Paid | | 218,067 |
| Weighted Average Assumptions: | | |
| Discount Rates: | | |
| Pre-Retirement | | 5.00% |
| Post-Retirement | | 5.00% |
| Expected Return on Plan Assets | | 5.00% |
| Rate of Compensation Increase | | 0.00% |

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 6 - EMPLOYEE BENEFIT PLANS (continued)

Net periodic pension cost of \$62,494 for the year ended June 30, 2017 has been reflected in employee benefits expense in the statement of functional expenses.

The expected long-term rate of return on plan assets was selected using the “building block” approach described by the Actuarial Standards Board in Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. Based on El Nido’s investment policy for the pension plan, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical thirty-year-period rolling averages.

An additional minimum contribution of \$75,988 is required by March 15, 2018.

Benefits expected to be paid as of June 30, 2017 are:

| Years Ending June 30 | |
|-----------------------------|---------------------|
| 2018 | \$ 97,977 |
| 2019 | 105,545 |
| 2020 | 123,514 |
| 2021 | 144,851 |
| 2022 | 153,087 |
| Five Years Thereafter | 901,884 |
| TOTAL | \$ 1,526,858 |

Plan assets consist primarily of listed securities and the percentage of the fair value of total plan assets of each major category of plan assets at the measurement date are as follows:

| | Year Ended June 30, 2017 | Fair Value Measurements Using | | |
|---------------------------|-----------------------------|--|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Equity Mutual Funds | \$ 871,679 | \$ 871,679 | \$ - | \$ - |
| Fixed Income Mutual Funds | 887,897 | 887,897 | - | - |
| Exchange Traded Funds | 209,194 | 209,194 | - | - |
| Cash Equivalents | 4,007 | 4,007 | - | - |
| TOTAL INVESTMENTS | \$ 1,972,777 | \$ 1,972,777 | \$ - | \$ - |

The fair values of investments within Level 1 inputs were obtained based on quoted market prices at the closing of the last business day of the fiscal year.

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 6 - EMPLOYEE BENEFIT PLANS (continued)

The investment strategy of El Nido has the following objectives:

- To achieve a balanced return of current income and appropriate growth of principal.
- To achieve returns in excess of the rate of inflation plus spending over the investment horizon in order to preserve the purchasing power of plan assets.
- To preserve capital and minimize costs.

Risk control is an important element in the investment of plan assets and is achieved through a diversified target allocation and the prohibition of investing in commodities and futures contracts, derivative instruments, private placements, options, limited partnerships, and venture-capital investments. In addition, short selling and margin transactions are prohibited.

El Nido sponsors a 401(k) retirement plan for the benefit of its employees who are at least 18 years of age. Employees may contribute a percentage of their compensation to the plan up to the maximum permitted under law. El Nido contributes to the Plan on a discretionary basis, and such employer contributions are subject to the plan's vesting rules. For the year ended June 30, 2017, El Nido made no discretionary contribution to the plan.

NOTE 7 - LINE OF CREDIT

El Nido has a revolving line of credit with a bank in the amount of \$600,000 that will expire in March 2018. The line of credit is secured by personal property and bears interest at the greater of a floating rate equal to prime plus 1% or 5%. At June 30, 2017, \$250,000 was outstanding on this line of credit. The prime rate at June 30, 2017 was 4.25%.

NOTE 8 - COMMITMENTS AND CONTINGENCIES

(a) OBLIGATIONS UNDER OPERATING LEASES

El Nido leases various facilities under operating leases with various terms expiring through March 2020. Future minimum payments, by year, and in the aggregate, under these leases consist of the following:

| Year Ending June 30 | |
|---------------------|--------------------------|
| 2018 | \$ 208,190 |
| 2019 | 162,879 |
| 2020 | <u>98,370</u> |
| TOTAL | <u>\$ 469,439</u> |

Rent expense under operating leases for the year ended June 30, 2017 was \$437,033, which is included in occupancy expense.

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 8 - COMMITMENTS AND CONTINGENCIES (continued)

(b) CONTRACTS

El Nido's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, El Nido has no provisions for the possible disallowance of program costs on its financial statements.

(c) LEGAL PROCEEDINGS

In the ordinary course of conducting its business, El Nido becomes involved in various lawsuits. Some of these proceedings may result in judgments being assessed against El Nido which, from time to time, may have an impact on changes in net assets. El Nido does not believe that these proceedings, individually or in the aggregate, are material to the accompanying financial statements.

NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2017 are restricted for the following purposes:

| | | |
|--|-----------|----------------|
| Ask Harold / Harold Cares | \$ | 231,810 |
| Business Academy/Technology Education | | 227,758 |
| Pacoima Community Center | | 99,543 |
| School Choice | | 76,727 |
| Scholarship | | 15,889 |
| | | <hr/> |
| TOTAL TEMPORARILY RESTRICTED NET ASSETS | \$ | 651,727 |
| | | <hr/> |

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS (ENDOWMENT)

El Nido's endowment consists of donor restricted funds which are included in permanently restricted net assets. Permanently restricted net assets are comprised of the corpus of the Payson Wolff Scholarship Fund. Income from these funds is used to underwrite scholarships to El Nido clients who are graduating from high school and are pursuing higher education.

El Nido's management understands California State law as (1) requiring the preservation of the fair value of the original gifts as of the gift date of the donor restricted endowment funds, absent donor stipulations to the contrary and (2) allowing the spending of income and gains on permanently restricted endowments, absent explicit donor stipulations that all or a portion of such gains be maintained in perpetuity.

The primary long-term financial objective for El Nido's endowments is to preserve the real (inflation-adjusted) purchasing power of endowment assets and income after accounting for endowment spending, inflation and costs of portfolio management.

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 10 - PERMANENTLY RESTRICTED NET ASSETS (ENDOWMENT) (continued)

Endowment net asset composition by type of fund at June 30, 2017 is as follows:

| Endowment Net Asset Composition by Type of Fund at June 30, 2017 | Temporarily Restricted | Permanently Restricted | Total |
|---|---------------------------|---------------------------|-------------------|
| Donor-Restricted | \$ - | \$ 111,146 | \$ 111,146 |
| Changes in Endowment Net Assets for the Year Ended June 30, 2017 | | | |
| Endowment Net Assets - Beginning of Year | \$ - | \$ 111,146 | \$ 111,146 |
| Investment Income | 8,022 | - | 8,022 |
| Appropriated for Expenditure | (8,022) | - | (8,022) |
| <i>ENDOWMENT NET ASSETS - END OF YEAR</i> | \$ - | \$ 111,146 | \$ 111,146 |

EL NIDO FAMILY CENTERS

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2017

EL NIDO FAMILY CENTERS

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS

Year Ended June 30, 2017

| FEDERAL AWARDS Federal Grantor/Passed Through Grantor/Program or Cluster Title | Contract Number | Federal CFDA Number | Governmental Revenue | | Passed Through to Subrecipients |
|---|--------------------|---------------------------|----------------------|-------------|---------------------------------------|
| | | | Federal | Nonfederal | |
| MAJOR AWARDS | | | | | |
| U.S. Department of Health and Human Services | | | | | |
| Administration for Children and Families | | | | | |
| Early Head Start | | | | | |
| 8/1/2015 - 7/31/2016 | 09CH9122-03 | 93.600 | \$ 221,698 | \$ - | \$ - |
| 8/1/2016 - 7/31/2017 | 09CH9122-04 | 93.600 | 1,557,451 | - | - |
| Pass-through State of California | | | | | |
| Department of Public Health | | | | | |
| Maternal, Child and Adolescent Health | | | | | |
| Adolescent Family Life Program | | | | | |
| 7/1/16-6/30/17 | 12-10064 | 93.994 | <u>1,015,861</u> | - | - |
| TOTAL MAJOR AWARDS | | | <u>2,795,010</u> | - | - |
| NON-MAJOR AWARDS | | | | | |
| U.S. Department of Health and Human Services | | | | | |
| County of Los Angeles | | | | | |
| Department of Public Social Services | | | | | |
| Job Opportunities and Basic Skills Training | | | | | |
| Cal-Learn Case Management 7/1/16 - 6/30/17 | CLC15-003 | 93.558 | 1,707,200 | - | - |
| Pass-through City of Los Angeles Housing and Community Investment Department | | | | | |
| Family Source Centers | C-127958 | 93.569 | 294,280 | - | - |
| Family Source Centers | C-129285 | 93.569 | 74,372 | - | - |
| U.S. Department of Housing and Urban Development | | | | | |
| Pass-through City of Los Angeles Housing and Community Investment Department | | | | | |
| Family Source Centers | C-128420 | 14.218 | 787,452 | - | 209,061 |
| Family Source Centers | C-127958 | 14.218 | 350,577 | - | - |
| Family Source Centers | C-129285 | 14.218 | 88,600 | - | - |
| Pass-through City of Compton | | | | | |
| Community Development Block Grant | | | | | |
| 7/1/16 - 6/30/17 | 23347 | 14.218 | <u>16,746</u> | - | - |
| TOTAL NON-MAJOR AWARDS | | | <u>3,319,227</u> | - | <u>209,061</u> |
| TOTAL FEDERAL AND NON-FEDERAL AWARDS | | | <u>\$ 6,114,237</u> | <u>\$ -</u> | <u>\$ 209,061</u> |

Notes to the Schedule of Expenditures of Federal and Non-Federal Awards for the Year Ended June 30, 2017:

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal and Non-Federal Awards (Schedule) includes the Federal award activity of El Nido under programs of the Federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of El Nido, it is not intended to and does not present the financial position, changes in net assets, or cash flows of El Nido.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

El Nido has not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

See Independent Auditor's Report