

**EL NIDO FAMILY CENTERS**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

**EL NIDO FAMILY CENTERS**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2018**

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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, 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 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, 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 El Nido's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 10, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 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 February 19, 2019 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.

**Emphasis of Matter**

As discussed in Note 6 to the financial statements, El Nido has adopted new accounting guidance for the presentation of net periodic pension cost and net periodic postretirement benefit cost. Our opinion is not modified with respect to this matter.

*Green Hasson & Janks LLP*

February 19, 2019  
Los Angeles, California

## EL NIDO FAMILY CENTERS

### STATEMENT OF FINANCIAL POSITION

June 30, 2018

With Summarized Totals at June 30, 2017

ASSETS	2018				2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	As Restated
<b>CURRENT ASSETS:</b>					
Cash and Cash Equivalents	\$ 198,203	\$ -	\$ -	\$ 198,203	\$ 4,223
Investments	1,197,716	549,460	-	1,747,176	2,234,724
Accounts Receivable	2,141,815	-	-	2,141,815	1,933,355
Contributions and Pledges Receivable	329,716	110,000	-	439,716	172,500
Prepaid Expenses	90,629	-	-	90,629	288,513
<b>TOTAL CURRENT ASSETS</b>	3,958,079	659,460	-	4,617,539	4,633,315
<b>OTHER ASSETS:</b>					
Investments	-	-	111,146	111,146	111,146
Property and Equipment (Net)	171,511	-	-	171,511	19,347
<b>TOTAL OTHER ASSETS</b>	171,511	-	111,146	282,657	130,493
<b>TOTAL ASSETS</b>	\$ 4,129,590	\$ 659,460	\$ 111,146	\$ 4,900,196	\$ 4,763,808
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts Payable	\$ 394,797	\$ -	\$ -	\$ 394,797	\$ 274,932
Accrued Liabilities	305,096	-	-	305,096	338,897
Deferred Revenue	324,096	-	-	324,096	159,154
Line of Credit	223,500	-	-	223,500	250,000
<b>TOTAL CURRENT LIABILITIES</b>	1,247,489	-	-	1,247,489	1,022,983
<b>OTHER LIABILITIES:</b>					
Accrued Pension Liability	669,129	-	-	669,129	705,182
<b>TOTAL OTHER LIABILITIES</b>	669,129	-	-	669,129	705,182
<b>TOTAL LIABILITIES</b>	1,916,618	-	-	1,916,618	1,728,165
<b>NET ASSETS:</b>					
Unrestricted	2,212,972	-	-	2,212,972	2,272,770
Temporarily Restricted	-	659,460	-	659,460	651,727
Permanently Restricted	-	-	111,146	111,146	111,146
<b>TOTAL NET ASSETS</b>	2,212,972	659,460	111,146	2,983,578	3,035,643
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 4,129,590	\$ 659,460	\$ 111,146	\$ 4,900,196	\$ 4,763,808

The Accompanying Notes are an Integral Part of These Financial Statements

## EL NIDO FAMILY CENTERS

### STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

With Summarized Totals for the Year Ended June 30, 2017

	2018			Total	2017 Total As Restated
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<b>REVENUE AND SUPPORT:</b>					
Government Contracts	\$ 9,355,590	\$ -	\$ -	\$ 9,355,590	\$ 9,748,501
Contributions	513,887	462,250	-	976,137	1,038,963
Investment Income	132,450	-	-	132,450	169,307
Special Events (Net of Direct Event Expenses of \$132,404)	154,457	-	-	154,457	46,163
In-Kind Donations	68,348	-	-	68,348	149,210
Miscellaneous	10,033	-	-	10,033	2,367
Net Assets Released from Purpose Restrictions	454,517	(454,517)	-	-	-
<b>TOTAL REVENUE AND SUPPORT</b>	<b>10,689,282</b>	<b>7,733</b>	<b>-</b>	<b>10,697,015</b>	<b>11,154,511</b>
<b>EXPENSES:</b>					
Program Services	9,190,176	-	-	9,190,176	9,420,346
Support Services	1,509,079	-	-	1,509,079	1,366,560
<b>TOTAL EXPENSES</b>	<b>10,699,255</b>	<b>-</b>	<b>-</b>	<b>10,699,255</b>	<b>10,786,906</b>
<b>CHANGE IN NET ASSETS BEFORE PENSION COST</b>	<b>(9,973)</b>	<b>7,733</b>	<b>-</b>	<b>(2,240)</b>	<b>367,605</b>
Pension-Related Change	(49,825)	-	-	(49,825)	118,013
<b>CHANGE IN NET ASSETS</b>	<b>(59,798)</b>	<b>7,733</b>	<b>-</b>	<b>(52,065)</b>	<b>485,618</b>
Net Assets - Beginning of Year	2,272,770	651,727	111,146	3,035,643	2,550,025
<b>NET ASSETS - END OF YEAR</b>	<b>\$ 2,212,972</b>	<b>\$ 659,460</b>	<b>\$ 111,146</b>	<b>\$ 2,983,578</b>	<b>\$ 3,035,643</b>

The Accompanying Notes are an Integral Part of These Financial Statements

**EL NIDO FAMILY CENTERS**

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

With Summarized Totals for the Year Ended June 30, 2017

	2018										2017 Total As Restated
	Program Services					Support Services					
	Teen Parent Family Services	Child Abuse Prevention and Treatment	Parent Education and Family Development	Youth Development	Total Program Services	Administrative	Fundraising	Total Support Services	Total		
Salaries	\$ 2,782,222	\$ 315,700	\$ 1,881,045	492,263	\$ 5,471,230	\$ 689,856	\$ 139,139	\$ 828,995	\$ 6,300,225	\$ 6,271,191	
Payroll Taxes	223,500	25,505	157,042	39,461	445,508	36,494	10,435	46,929	492,437	472,514	
Employee Benefits	481,669	50,949	310,382	87,527	930,527	138,044	17,773	155,817	1,086,344	1,213,103	
<b>TOTAL PERSONNEL COSTS</b>	<b>3,487,391</b>	<b>392,154</b>	<b>2,348,469</b>	<b>619,251</b>	<b>6,847,265</b>	<b>864,394</b>	<b>167,347</b>	<b>1,031,741</b>	<b>7,879,006</b>	<b>7,956,808</b>	
Occupancy	183,348	17,333	172,616	1,225	374,522	69,767	6,996	76,763	451,285	437,033	
Subcontractors and Interns	64,109	22	355,089	12,224	431,444	5,894	10,475	16,369	447,813	339,895	
Client Expenses	177,606	185	95,438	26,541	299,770	-	11,242	11,242	311,012	359,873	
Equipment Maintenance	98,867	5,040	94,077	23,262	221,246	57,334	5,972	63,306	284,552	278,689	
Professional Fees	21,833	2,591	26,640	7,966	59,030	18,311	150,122	168,433	227,463	229,769	
Building Maintenance	73,193	5,688	107,085	13,693	199,659	6,877	246	7,123	206,782	201,424	
Supplies	87,585	3,542	67,222	13,436	171,785	26,663	1,794	28,457	200,242	186,044	
Travel and Auto Expenses	104,453	4,825	24,095	6,833	140,206	11,224	1,179	12,403	152,609	132,638	
Telecommunications	65,093	4,656	37,666	8,673	116,088	11,768	996	12,764	128,852	160,228	
Staff Training and Meetings	24,786	125	55,573	4,396	84,880	17,012	260	17,272	102,152	124,284	
In-Kind Expenses	-	-	68,348	-	68,348	-	-	-	68,348	149,210	
Insurance	28,465	2,591	19,753	5,048	55,857	6,735	604	7,339	63,196	59,569	
Bank, Investment and Payroll Services	17,509	1,594	12,630	3,108	34,841	19,424	4,452	23,876	58,717	49,311	
Equipment Lease	14,925	504	16,343	-	31,772	-	-	-	31,772	900	
Postage	6,807	310	3,968	1,563	12,648	5,011	852	5,863	18,511	19,063	
Relocation and Moving Expenses	10,258	-	2,190	-	12,448	4,105	456	4,561	17,009	7,681	
Other	962	-	49	-	1,011	13,400	199	13,599	14,610	14,047	
Membership Dues and Subscriptions	2,590	-	7,100	-	9,690	1,810	1,373	3,183	12,873	11,181	
Staff Recruitment	2,447	650	3,600	912	7,609	3,102	40	3,142	10,751	10,404	
Temporary Employment Services	-	-	-	-	-	-	-	-	-	50,547	
Annual Report and Newsletter	-	-	-	-	-	-	-	-	-	1,300	
<b>TOTAL BEFORE DEPRECIATION</b>	<b>4,472,227</b>	<b>441,810</b>	<b>3,517,951</b>	<b>748,131</b>	<b>9,180,119</b>	<b>1,142,831</b>	<b>364,605</b>	<b>1,507,436</b>	<b>10,687,555</b>	<b>10,779,898</b>	
Depreciation	4,887	482	3,866	822	10,057	1,246	397	1,643	11,700	7,008	
<b>TOTAL 2018 FUNCTIONAL EXPENSES</b>	<b>\$ 4,477,114</b>	<b>\$ 442,292</b>	<b>\$ 3,521,817</b>	<b>\$ 748,953</b>	<b>\$ 9,190,176</b>	<b>\$ 1,144,077</b>	<b>\$ 365,002</b>	<b>\$ 1,509,079</b>	<b>\$ 10,699,255</b>		
					86%	11%	3%	14%	100%		
<b>TOTAL 2017 FUNCTIONAL EXPENSES</b>	<b>\$ 4,628,030</b>	<b>\$ 452,693</b>	<b>\$ 3,545,378</b>	<b>\$ 794,245</b>	<b>\$ 9,420,346</b>	<b>\$ 1,041,297</b>	<b>\$ 325,263</b>	<b>\$ 1,366,560</b>		<b>\$ 10,786,906</b>	
					87%	10%	3%	13%		100%	

The Accompanying Notes are an Integral Part of These Financial Statements

## EL NIDO FAMILY CENTERS

### STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

With Summarized Totals for the Year Ended June 30, 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Net Assets	\$ (52,065)	\$ 485,618
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	11,700	7,008
Contribution of Stock	(35,185)	-
Proceeds on Sale of Contributed Stock	35,185	-
Net Realized and Unrealized Gains on Investments	(56,470)	(100,072)
(Increase) Decrease in:		
Accounts Receivable	(208,460)	(516,765)
Contributions and Pledges Receivable	(267,216)	(77,470)
Prepaid Expenses	197,884	(24,875)
Increase (Decrease) in:		
Accounts Payable	119,865	(321)
Accrued Liabilities	(33,801)	(93,775)
Deferred Revenue	164,942	159,154
Accrued Pension Liability	(36,053)	(234,236)
	<b>(159,674)</b>	<b>(395,734)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(163,865)	-
Reinvested Interest and Dividends	(75,980)	(69,235)
Proceeds on Sale of Investments	619,999	-
Purchases of Investments	-	(7,659)
	<b>380,154</b>	<b>(76,894)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net (Repayments) Borrowings on Line of Credit	(26,500)	250,000
	<b>193,980</b>	<b>(222,628)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>193,980</b>	<b>(222,628)</b>
Cash and Cash Equivalents - Beginning of Year	4,223	226,851
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<b>\$ 198,203</b>	<b>\$ 4,223</b>

The Accompanying Notes are an Integral Part of These Financial Statements

# EL NIDO FAMILY CENTERS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### 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.

#### (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.

# EL NIDO FAMILY CENTERS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) ACCOUNTING (continued)

- **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 \$659,460 of temporarily restricted net assets at June 30, 2018.
- **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, 2018.

#### (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, 2018 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.

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.

# EL NIDO FAMILY CENTERS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (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, 2018, 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, 2018 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

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, 2018.

#### (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.

# EL NIDO FAMILY CENTERS

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### **(j) CONCENTRATIONS**

During the year ended June 30, 2018, El Nido earned \$5,353,697 (50% 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, 2018 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 \$68,348 of in-kind services during the year ended June 30, 2018.

#### **(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, 2017, from which the summarized information was derived.

## EL NIDO FAMILY CENTERS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (p) NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, which improves and converges the revenue recognition requirements of U.S. GAAP and International Financial Reporting Standards. The ASU replaces the existing accounting standards for revenue recognition with a single comprehensive five-step model, which is intended to provide principles within a single framework for revenue recognition of transactions involving contracts with customers across all industries. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also requires more detailed disclosures to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The guidance has subsequently been amended through a series of ASUs between August 2015 and September 2017 to improve the operability and understandability of the implementation guidance on principal versus agent considerations, licensing implementation guidance, scope exceptions, and various other narrow aspects, as identified and addressed in such updates. For El Nido, the ASU and subsequent amendments will be effective for the year ending June 30, 2020.

In February 2016, FASB issued ASU No. 2016-02, *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. 2016-14, *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.

In March 2017, FASB issued ASU No. 2017-07, *Compensation-Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. The ASU amends ASC 715, *Compensation - Retirement Benefits*, to require organizations to (1) disaggregate the current service cost component from the other components of net benefit cost and present it with other current compensation costs for related employees in the statement of activities and (2) present the other components elsewhere in the statement of activities and outside of income from operations if such a subtotal is presented. El Nido has elected to early adopt the provisions of this ASU for the year ending June 30, 2018. As required by the ASU, the comparative totals for June 30, 2017 have been retrospectively restated.

## EL NIDO FAMILY CENTERS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**(p) NEW ACCOUNTING PRONOUNCEMENTS** (continued)

In June 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify the accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in 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. For El Nido, the ASU will be effective for the year ending June 30, 2020.

**(q) RECLASSIFICATIONS**

Certain June 30, 2017 balances have been reclassified to conform to the presentation used at June 30, 2018.

**(r) SUBSEQUENT EVENTS**

El Nido has evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2018 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through February 19, 2019, 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).

The following table presents information about El Nido's assets that are measured at fair value on a recurring basis at June 30, 2018 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2018	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:	\$ 921,743	\$ 921,743	\$ -	\$ -
Equity Mutual Funds:	489,312	489,312	-	-
Exchange Traded Funds:	440,558	440,558	-	-
Cash Equivalents	6,709	6,709	-	-
<b>TOTAL INVESTMENTS</b>	<b>\$ 1,858,322</b>	<b>\$ 1,858,322</b>	<b>\$ -</b>	<b>\$ -</b>

## EL NIDO FAMILY CENTERS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### NOTE 3 - INVESTMENTS AND FAIR VALUE MEASUREMENTS (continued)

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, 2018 consists of the following:

Interest and Dividends	\$	75,980
Net Realized and Unrealized Gains		<u>56,470</u>
<b>TOTAL INVESTMENT INCOME</b>	\$	<u><u>132,450</u></u>

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 generally 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, 2018.

#### NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2018 consist of the following:

Leasehold Improvements	\$	251,884
Office Equipment		47,915
Computer Equipment		24,858
Vehicles		<u>34,999</u>
<b>TOTAL</b>		359,656
Less: Accumulated Depreciation		<u>(188,145)</u>
<b>PROPERTY AND EQUIPMENT (NET)</b>	\$	<u><u>171,511</u></u>

Depreciation expense for the year ended June 30, 2018 was \$11,700.

#### NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consist of the following:

Accrued Vacation	\$	203,650
Other Accrued Expenses		<u>101,446</u>
<b>TOTAL ACCRUED LIABILITIES</b>	\$	<u><u>305,096</u></u>

#### 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.

## EL NIDO FAMILY CENTERS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### NOTE 6 - EMPLOYEE BENEFIT PLANS (continued)

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, 2018:

<b>ACTUARIAL PRESENT VALUE</b>	
<b>OF BENEFIT OBLIGATION:</b>	
Accumulated Benefit Obligation	\$ 2,707,719
Plan Assets at Fair Value	\$ 2,038,590
Projected Benefit Obligation	(2,707,719)
<b>ACCRUED PENSION LIABILITY</b>	<b>\$ (669,129)</b>

The net periodic pension cost for the year ended June 30, 2018 includes the following components:

Interest Cost	\$ 132,064
Expected Return on Plan Assets	(97,257)
Amortization of Transition Obligations	8,841
Amortization of Actuarial Loss	4,258
<b>NET PERIODIC PENSION COST</b>	<b>\$ 47,906</b>
Employer Contributions	\$ 75,988
Benefits Paid	131,256
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%

The pension-related change of \$49,825, which includes the net periodic pension cost above, is reflected in the statement of activities in accordance with the early adoption of ASU 2017-07 [see Note 2(p)].

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.

## EL NIDO FAMILY CENTERS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### NOTE 6 - EMPLOYEE BENEFIT PLANS (continued)

Benefits expected to be paid as of June 30, 2018 are:

##### Years Ending June 30

2019	\$	96,950
2020		114,991
2021		136,405
2022		144,726
2023		146,735
Five Years Thereafter		898,223

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, 2018	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	\$ 603,820	\$ 603,820	\$ -	\$ -
Fixed Income Mutual Funds	1,016,364	1,016,364	-	-
Exchange Traded Funds	414,385	414,385	-	-
Cash Equivalents	4,021	4,021	-	-
<b>TOTAL INVESTMENTS</b>	<b>\$ 2,038,590</b>	<b>\$ 2,038,590</b>	<b>\$ -</b>	<b>\$ -</b>

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.

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, 2018, El Nido made no discretionary contribution to the plan.

**EL NIDO FAMILY CENTERS**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**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 April 2019. 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, 2018, \$223,500 was outstanding on this line of credit. The prime rate at June 30, 2018 was 5.00%.

**NOTE 8 - COMMITMENTS AND CONTINGENCIES**

**(a) OBLIGATIONS UNDER OPERATING LEASES**

El Nido leases various facilities under operating leases with various terms expiring through April 2023. Future minimum payments, by year, and in the aggregate, under these leases consist of the following:

<b>Year Ending June 30</b>	
2019	\$ 381,100
2020	339,925
2021	200,958
2022	58,263
2023	<u>49,761</u>
<b>TOTAL</b>	<b>\$ <u>1,030,007</u></b>

Rent expense under operating leases for the year ended June 30, 2018 was \$451,285, which is included in occupancy expense.

**(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.

## EL NIDO FAMILY CENTERS

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### NOTE 9 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2018 are restricted for the following purposes:

Ask Harold / Harold Cares	\$	290,220
Intergenerational Services		213,245
Business Academy/Technology Education		67,635
Parental Counseling/Training		38,686
School Choice		31,569
Scholarship		18,105
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$</b>	<b>659,460</b>

#### 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.

Endowment net asset composition by type of fund at June 30, 2018 is as follows:

<b>Endowment Net Asset Composition by Type of Fund at June 30, 2018</b>	Temporarily Restricted	Permanently Restricted	Total
Donor-Restricted	\$ -	\$ 111,146	\$ 111,146
<b>Changes in Endowment Net Assets for the Year Ended June 30, 2018</b>			
Endowment Net Assets - Beginning of Year	\$ -	\$ 111,146	\$ 111,146
Investment Income	7,922	-	7,922
Appropriated for Expenditure	(7,922)	-	(7,922)
<b>ENDOWMENT NET ASSETS - END OF YEAR</b>	<b>\$ -</b>	<b>\$ 111,146</b>	<b>\$ 111,146</b>

**EL NIDO FAMILY CENTERS**

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2018

**EL NIDO FAMILY CENTERS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2018

Federal Grantor/Passed Through Grantor/Program or Cluster Title	Contract Number	Federal CFDA Number	Governmental Revenue		Passed Through to Subrecipients
			Federal	Nonfederal	
<b>FEDERAL AWARDS</b>					
<b>MAJOR AWARDS</b>					
U.S. Department of Health and Human Services Pass-through City of Los Angeles Housing and Community Investment Department Community Services Block Grant Family Source Centers	C-129915	93.569	\$ 776,602	\$ -	\$ 116,356
Family Source Centers	C-129285	93.569	456,028	-	-
U.S. Department of Housing and Urban Development Pass-through City of Los Angeles Housing and Community Investment Department Community Development Block Grant Family Source Centers	C-129285	14.218	350,122	-	79,940
Pass-through City of Compton Community Development Block Grant 7/1/17 - 6/30/18	23347	14.218	15,000	-	-
<b>TOTAL MAJOR AWARDS</b>			1,597,752	-	196,296
<b>NON-MAJOR AWARDS</b>					
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 7/1/17 - 6/30/18	CLC15-003	93.558	1,596,889	-	-
U.S. Department of Health and Human Services Administration for Children and Families Early Head Start 8/1/2016 - 7/31/2017	09CH9055/04	93.600	211,177	-	-
8/1/2017 - 7/31/2018	09CH9055/05	93.600	1,591,378	-	-
Pass-through State of California Department of Public Health Maternal, Child and Adolescent Health Adolescent Family Life Program 7/1/17 - 6/30/18	17-10136	93.994	721,624	-	-
<b>TOTAL NON-MAJOR AWARDS</b>			4,121,067	-	-
<b>TOTAL FEDERAL AWARDS</b>			\$ 5,718,819	\$ -	\$ 196,296

**Notes to the Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2018:**

**1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the Federal award activity of El Nido under programs of the Federal government for the year ended June 30, 2018. 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