

EL NIDO FAMILY CENTERS

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

EL NIDO FAMILY CENTERS

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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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, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited El Nido's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 19, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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, 2020 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

February 19, 2020
Los Angeles, California

EL NIDO FAMILY CENTERS

STATEMENT OF FINANCIAL POSITION
Year Ended June 30, 2019
With Summarized Totals at June 30, 2018

ASSETS	2019			2018 Total
	Without Restrictions	With Donor Restrictions	Total	
CURRENT ASSETS:				
Cash and Cash Equivalents	\$ (38,734)	\$ -	\$ (38,734)	\$ 19,208
Restricted Cash	208,110	-	208,110	178,995
Investments	1,248,644	473,217	1,721,861	1,747,176
Accounts Receivable	2,107,207	-	2,107,207	2,141,815
Contributions and Pledges Receivable	-	92,966	92,966	439,716
Prepaid Expenses	85,375	-	85,375	90,629
TOTAL CURRENT ASSETS	3,610,602	566,183	4,176,785	4,617,539
OTHER ASSETS:				
Investments - Endowment	-	111,146	111,146	111,146
Property and Equipment (Net)	117,531	-	117,531	171,511
TOTAL OTHER ASSETS	117,531	111,146	228,677	282,657
TOTAL ASSETS	\$ 3,728,133	\$ 677,329	\$ 4,405,462	\$ 4,900,196
 LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts Payable	\$ 377,252	\$ -	\$ 377,252	\$ 394,797
Accrued Liabilities	456,996	-	456,996	305,096
Deferred Revenue	112,282	-	112,282	324,096
Line of Credit	278,191	-	278,191	223,500
TOTAL CURRENT LIABILITIES	1,224,721	-	1,224,721	1,247,489
OTHER LIABILITIES:				
Accrued Pension Liability	610,056	-	610,056	669,129
TOTAL OTHER LIABILITIES	610,056	-	610,056	669,129
TOTAL LIABILITIES	1,834,777	-	1,834,777	1,916,618
NET ASSETS:				
Without Donor Restrictions	1,893,356	-	1,893,356	2,212,972
With Donor Restrictions	-	677,329	677,329	770,606
TOTAL NET ASSETS	1,893,356	677,329	2,570,685	2,983,578
TOTAL LIABILITIES AND NET ASSETS	\$ 3,728,133	\$ 677,329	\$ 4,405,462	\$ 4,900,196

The Accompanying Notes are an Integral Part of These Financial Statements

EL NIDO FAMILY CENTERS

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

With Summarized Totals for the Year Ended June 30, 2018

	2019			2018 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
REVENUE AND SUPPORT:				
Government Contracts (Including First 5 LA)	\$ 10,034,367	\$ -	\$ 10,034,367	\$ 9,355,590
Contributions	333,325	318,400	651,725	976,137
Investment Return	140,588	8,944	149,532	132,450
Special Events (Net of Direct Event Expenses of \$161,863)	128,137	-	128,137	154,457
In-Kind Donations	23,173	-	23,173	68,348
Miscellaneous	1,617	-	1,617	10,033
Net Assets Released from Restrictions	420,621	(420,621)	-	-
TOTAL REVENUE AND SUPPORT	11,081,828	(93,277)	10,988,551	10,697,015
EXPENSES:				
Program Services	9,893,861	-	9,893,861	9,190,176
Support Services	1,480,327	-	1,480,327	1,509,079
TOTAL EXPENSES	11,374,188	-	11,374,188	10,699,255
CHANGE IN NET ASSETS BEFORE PENSION COST	(292,360)	(93,277)	(385,637)	(2,240)
Pension-Related Change	(27,256)	-	(27,256)	(49,825)
CHANGE IN NET ASSETS	(319,616)	(93,277)	(412,893)	(52,065)
Net Assets - Beginning of Year	2,212,972	770,606	2,983,578	3,035,643
NET ASSETS - END OF YEAR	\$ 1,893,356	\$ 677,329	\$ 2,570,685	\$ 2,983,578

The Accompanying Notes are an Integral Part of These Financial Statements

EL NIDO FAMILY CENTERS

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2019

With Summarized Totals for the Year Ended June 30, 2018

	2019										2018 Total
	Program Services					Support Services					
	Child Abuse Prevention and Treatment	Parent Education and Family Development	Teen Parent Family Services	Youth Development	Total Program Services	Administrative	Fundraising	Total Support Services	Total		
Salaries	\$ 320,171	\$ 1,793,086	\$ 2,958,523	479,524	\$ 5,551,304	\$ 696,302	\$ 150,480	\$ 846,782	\$ 6,398,086	\$ 6,300,225	
Payroll Taxes	26,059	147,221	235,809	39,292	448,381	22,929	11,069	33,998	482,379	492,437	
Employee Benefits	37,353	265,145	470,350	76,377	849,225	132,208	16,951	149,159	998,384	1,086,344	
TOTAL PERSONNEL COSTS	383,583	2,205,452	3,664,682	595,193	6,848,910	851,439	178,500	1,029,939	7,878,849	7,879,006	
Subcontractors and Interns	-	371,016	527,666	14,885	913,567	23,557	580	24,137	937,704	447,813	
Occupancy	25,697	162,712	245,819	646	434,874	48,864	4,986	53,850	488,724	451,285	
Client Expenses	296	135,458	279,510	58,063	473,327	-	-	-	473,327	311,012	
Equipment Maintenance	5,595	75,819	116,041	11,426	208,881	46,651	9,144	55,795	264,676	284,552	
Professional Fees	2,455	32,768	22,967	3,495	61,685	22,700	149,610	172,310	233,995	227,463	
Building Maintenance	6,187	135,455	63,249	17,062	221,953	8,849	966	9,815	231,768	206,782	
Supplies	3,425	75,121	79,751	14,694	172,991	20,283	1,844	22,127	195,118	200,242	
Travel and Auto Expenses	6,995	24,372	83,690	11,246	126,303	3,621	746	4,367	130,670	152,609	
Staff Training and Meetings	657	16,445	89,366	659	107,127	19,826	1,082	20,908	128,035	102,152	
Telecommunications	4,525	26,809	61,562	6,192	99,088	8,358	870	9,228	108,316	128,852	
Insurance	2,406	20,839	29,511	4,810	57,566	9,897	957	10,854	68,420	63,196	
Bank, Investment and Payroll Services	4,543	11,039	16,754	2,706	35,042	19,037	4,559	23,596	58,638	58,717	
In-Kind Expenses	-	23,173	-	-	23,173	-	-	-	23,173	68,348	
Other	-	452	418	-	870	21,967	-	21,967	22,837	14,610	
Equipment Lease	-	-	21,879	-	21,879	-	-	-	21,879	31,772	
Postage	110	4,193	4,632	1,277	10,212	5,762	689	6,451	16,663	18,511	
Membership Dues and Subscriptions	-	8,247	3,792	168	12,207	2,531	1,075	3,606	15,813	12,873	
Staff Recruitment	263	2,566	3,496	617	6,942	2,402	-	2,402	9,344	10,751	
Relocation and Moving Expenses	39	134	1,985	-	2,158	300	-	300	2,458	17,009	
TOTAL BEFORE DEPRECIATION	446,776	3,332,070	5,316,770	743,139	9,838,755	1,116,044	355,608	1,471,652	11,310,407	10,687,555	
Depreciation	2,493	18,802	29,665	4,146	55,106	6,691	1,984	8,675	63,781	11,700	
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 449,269	\$ 3,350,872	\$ 5,346,435	\$ 747,285	\$ 9,893,861	\$ 1,122,735	\$ 357,592	\$ 1,480,327	\$ 11,374,188		
					87%	10%	3%	13%	100%		
TOTAL 2018 FUNCTIONAL EXPENSES	\$ 442,292	\$ 3,521,817	\$ 4,477,114	\$ 748,953	\$ 9,190,176	\$ 1,144,077	\$ 365,002	\$ 1,509,079		\$ 10,699,255	
					86%	11%	3%	14%		100%	

The Accompanying Notes are an Integral Part of These Financial Statements

EL NIDO FAMILY CENTERS

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

With Summarized Totals for the Year Ended June 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ (412,893)	\$ (52,065)
Adjustments to Reconcile Change in Net Assets to Net Cash Used in Operating Activities:		
Depreciation	63,781	11,700
Contribution of Stock	(25,134)	(35,185)
Proceeds on Sale of Contributed Stock	25,134	35,185
Net Realized and Unrealized Gains on Investments	(97,719)	(56,470)
(Increase) Decrease in:		
Accounts Receivable	34,608	(208,460)
Contributions and Pledges Receivable	346,750	(267,216)
Prepaid Expenses	5,254	197,884
Increase (Decrease) in:		
Accounts Payable	(17,545)	119,865
Accrued Liabilities	151,900	(33,801)
Deferred Revenue	(211,814)	164,942
Accrued Pension Liability	(59,073)	(36,053)
	(196,751)	(159,674)
NET CASH USED IN OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(9,801)	(163,865)
Reinvested Interest and Dividends	(51,813)	(75,980)
Proceeds on Sale of Investments	174,847	619,999
Purchases of Investments	-	-
	113,233	380,154
NET CASH PROVIDED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (Repayments) Borrowings on Line of Credit	54,691	(26,500)
	(28,827)	193,980
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents - Beginning of Year	198,203	4,223
	\$ 169,376	\$ 198,203
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH - END OF YEAR		
Cash and Cash Equivalents	\$ (38,734)	\$ 19,208
Restricted Cash	208,110	178,995
	\$ 169,376	\$ 198,203
TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED CASH		

The Accompanying Notes are an Integral Part of These Financial Statements

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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) NET ASSETS

Net assets, revenues, gains, and losses are classified based on the existence of absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions.

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) NET ASSETS (continued)

- **Net Assets with Donor Restrictions.** Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

(c) CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

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, 2019 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.

Restricted cash includes funds required to be set aside for an unemployment reserve and a workers' compensation self-insurance reserve. The restricted cash balance at June 30, 2019 is \$208,110.

(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, 2019

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, 2019, 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. Contributions and pledges receivable at June 30, 2019 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	5 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, 2019.

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2019, El Nido earned \$4,790,764 (43% 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, 2019 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 \$23,173 of in-kind services during the year ended June 30, 2019.

(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.

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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, 2018, from which the summarized information was derived.

(p) NEW ACCOUNTING PRONOUNCEMENTS

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. El Nido implemented the ASU during the year ended June 30, 2019.

In November 2016, FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash*, which is intended to address diversity in practice due to a lack of guidance on how to classify and present changes in restricted cash or restricted cash equivalents in the statement of cash flows. As permitted by the ASU, El Nido adopted this guidance during the year ended June 30, 2019.

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.

In May 2014, FASB issued 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.

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) NEW ACCOUNTING PRONOUNCEMENTS (continued)

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, 2022.

(q) RECLASSIFICATIONS

For comparability, certain June 30, 2018 amounts have been reclassified, where appropriate, to confirm to the financial statement presentation used at 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, 2019 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through February 19, 2020, 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, 2019

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, 2019 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2019	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	\$ 697,658	\$ 697,658	\$ -	\$ -
Equity Mutual Funds	543,590	543,590	-	-
Exchange Traded Funds	558,479	558,479	-	-
Cash Equivalents	33,280	33,280	-	-
TOTAL INVESTMENTS	\$ 1,833,007	\$ 1,833,007	\$ -	\$ -

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 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, 2019.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019 consist of the following:

Leasehold Improvements	\$ 261,686
Office Equipment	47,915
Computer Equipment	24,857
Vehicles	34,999
TOTAL	369,457
Less: Accumulated Depreciation	(251,926)
PROPERTY AND EQUIPMENT (NET)	\$ 117,531

Depreciation expense for the year ended June 30, 2019 was \$63,781.

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 5 - ACCRUED LIABILITIES

Accrued liabilities at June 30, 2019 consist of the following:

Accrued Vacation	\$	204,333
Other Accrued Expenses		252,663
TOTAL ACCRUED LIABILITIES	\$	456,996

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 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, 2019:

ACTUARIAL PRESENT VALUE OF BENEFIT OBLIGATION:		
Accumulated Benefit Obligation	\$	2,765,851
Plan Assets at Fair Value	\$	2,155,795
Projected Benefit Obligation		(2,765,851)
ACCRUED PENSION LIABILITY	\$	(610,056)

The net periodic pension cost for the year ended June 30, 2019 includes the following components:

Interest Cost	\$	134,639
Expected Return on Plan Assets		(101,010)
Amortization of Transition Obligations		8,841
Amortization of Actuarial Loss		5,774
NET PERIODIC PENSION COST	\$	48,244
Employer Contributions	\$	86,329
Benefits Paid		123,118
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, 2019

NOTE 6 - EMPLOYEE BENEFIT PLANS (continued)

The pension-related change of \$27,256, which includes the net periodic pension cost above, is reflected as a separate line item in the statement of activities.

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.

Benefits expected to be paid as of June 30, 2019 are:

Years Ending June 30		
2020	\$	117,830
2021		139,174
2022		147,419
2023		147,423
2024		160,386
Five Years Thereafter	\$	906,379

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, 2019	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	\$ 660,414	\$ 660,414	\$ -	\$ -
Fixed Income Mutual Funds	847,515	847,515	-	-
Exchange Traded Funds	645,996	645,996	-	-
Cash Equivalents	1,870	1,870	-	-
TOTAL INVESTMENTS	\$ 2,155,795	\$ 2,155,795	\$ -	\$ -

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 FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 6 - EMPLOYEE BENEFIT PLANS (continued)

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, 2019, 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 April 2020. 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, 2019, \$278,191 was outstanding on this line of credit. The prime rate at June 30, 2019 was 5.50%.

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:

Year Ending June 30	
2020	\$ 370,376
2021	222,000
2022	68,939
2023	<u>49,761</u>
TOTAL	<u>\$ 711,076</u>

Rent expense under operating leases for the year ended June 30, 2019 was \$488,724, 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, 2019

NOTE 9 - NET ASSETS WITH DONOR RESTRICTIONS

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

Ask Harold/Harold Cares	\$	275,717
Business Academy/Technology Education		125,807
Intergenerational Services		78,564
Parental Counseling/Training		50,000
Teen Family Health		15,000
Scholarship		21,095
TOTAL NET ASSETS SUBJECT TO PURPOSE RESTRICTIONS	\$	566,183
Subject to Endowment Spending Policy and Appropriation:		
Endowment Corpus	\$	111,146
TOTAL SUBJECT TO ENDOWMENT SPENDING POLICY AND APPROPRIATION		111,146
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	\$	677,329

NOTE 10 - NET ASSETS RELEASED FROM DONOR RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended June 30, 2019:

Satisfaction of Purpose Restrictions:		
Ask Harold/Harold Cares	\$	50,503
Business Academy/Technology Education		91,828
Intergenerational Services		134,681
Parental Counseling/Training		36,686
Teen Family Health		10,000
Scholarship		47,010
School Choice		37,569
Other		3,400
Endowment Appropriation		8,944
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$	420,621

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 11- ENDOWMENTS

El Nido's endowment consists of donor restricted funds which are restricted in perpetuity. They 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 such 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, 2019 is as follows:

Endowment Net Asset Composition by Type of Fund at June 30, 2019	Without Donor Restrictions	With Donor Restrictions	Total
Donor-Restricted	\$ -	\$ 111,146	\$ 111,146
Changes in Endowment Net Assets for the Year Ended June 30, 2019			
Endowment Net Assets - Beginning of Year	\$ -	\$ 111,146	\$ 111,146
Investment Return	8,944	-	8,944
Appropriated for Expenditure	(8,944)	-	(8,944)
<i>ENDOWMENT NET ASSETS - END OF YEAR</i>	<i>\$ -</i>	<i>\$ 111,146</i>	<i>\$ 111,146</i>

EL NIDO FAMILY CENTERS

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

NOTE 12 - LIQUITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by El Nido at June 30, 2019 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statement of financial position are summarized in the following table:

Financial Assets at June 30, 2019:	
Cash and Cash Equivalents	\$ 169,376
Investments	1,833,007
Accounts Receivable	2,107,207
Contributions and Pledges Receivable	<u>92,966</u>
TOTAL FINANCIAL ASSETS AT JUNE 30, 2019	4,202,556
Less Amounts Not Available to Be Used within One Year, Due to:	
Donor-Imposed Restrictions	
Funds Held for Perpetual Endowments	(111,146)
Funds Held with Purpose Restrictions	(473,217)
Contributions and Pledges Receivable Held with Purpose or Time Restrictions	(92,966)
Restricted Cash	<u>(208,110)</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	\$ <u>3,317,117</u>

El Nido regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. El Nido is substantially supported by unrestricted contributions and government grants and contracts. As part of El Nido's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

El Nido's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. As described in Note 11, the endowment earnings will be appropriated by the Board of Directors for use in accordance with donor stipulations.

In the event of an unanticipated liquidity need, El Nido has a line of credit facility of \$600,000 that it may draw upon (refer to Note 7).

EL NIDO FAMILY CENTERS

SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2019

EL NIDO FAMILY CENTERS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2019

Federal Grantor/Passed Through Grantor/Program or Cluster Title	Contract Number	Federal CFDA Number	Governmental Revenue		Passed Through to Subrecipients
			Federal	Nonfederal	
FEDERAL AWARDS					
MAJOR AWARDS					
U.S. Department of Health and Human Services					
Passed-through County of Los Angeles					
Temporary Assistance for Needy Families					
Job Opportunities and Basic Skills Training					
Cal-Learn Case Management 7/2018 - 8/2018	CLC15-003	93.558	\$ 233,571	\$ -	\$ -
Cal-Learn Case Management 9/2018 - 6/2019	CLC15-003	93.558	1,329,276	-	-
TOTAL MAJOR AWARDS			1,562,847	-	-
NON-MAJOR AWARDS					
U.S. Department of Health and Human Services:					
Administration for Children and Families					
Early Head Start					
8/1/2017 - 7/31/2018	09CH9122/05	93.600	190,211	-	-
8/1/2018 - 7/31/2019	09CH010599/01	93.600	1,475,197	-	-
Pass-through State of California					
Department of Public Health					
Maternal, Child and Adolescent Health					
Adolescent Family Life Program					
7/1/18 - 6/30/19	17-10136	93.994	723,786	-	-
U.S. Department of Health and Human Services:					
Pass-through City of Los Angeles:					
Community Investment Department					
Community Services Block Grant					
Family Source Centers	C-131689	93.569	774,687	-	101,664
Family Source Centers	C-131597	93.569	787,822	-	96,133
U.S. Department of Housing and Urban Development:					
Pass-through City of Compton					
Community Development Block Grant					
7/1/18 - 6/30/19	23347	14.218	10,000	-	-
TOTAL NON-MAJOR AWARDS			3,961,703	-	197,797
TOTAL FEDERAL AWARDS			\$ 5,524,550	\$ -	\$ 197,797

See Independent Auditor's Report

EL NIDO FAMILY CENTERS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS Year Ended June 30, 2019

Notes to the Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2019:

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, 2019. 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