

LAAMISTAD, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2016 AND 2015

LAAMISTAD, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
LaAmistad, Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of LaAmistad, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

We believe 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 LaAmistad, Inc. as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Brooks, McGinnis & Company, LLC

Atlanta, Georgia
November 7, 2016

LAAMISTAD, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash and cash equivalents	\$ 534,216	\$ 348,472
Grants receivable, net	340,000	290,081
Prepaid expenses	4,185	5,951
Equipment, net	6,937	10,347
Total assets	\$ 885,338	\$ 654,851

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued liabilities	\$ 30,243	\$ 17,729
Deferred revenue	28,000	-
Total liabilities	58,243	17,729
Commitments and contingencies		
Net assets:		
Unrestricted net assets	224,705	130,463
Temporarily restricted net assets	602,390	506,659
Total unrestricted net assets	827,095	637,122
Total liabilities and net assets	\$ 885,338	\$ 654,851

The accompanying notes are an integral part of these financial statements.

LAAMISTAD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016
(WITH COMPARATIVE TOTAL FOR 2015)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>	<u>Total 2015</u>
Revenues, gains and support:				
Contributions	\$ 75,564	\$ 55,245	\$ 130,809	\$ 203,907
Government grants	100,000	-	100,000	-
Other grants and awards	75,000	477,500	552,500	593,965
In kind revenues	512,478	-	512,478	428,289
Program fees and other revenue	48,479	-	48,479	26,020
Special event revenue, net of direct expenses of \$75,313 and \$82,215	43,273	-	43,273	60,691
Net assets released from restrictions	437,014	(437,014)	-	-
Total revenues, gains and support	<u>1,291,808</u>	<u>95,731</u>	<u>1,387,539</u>	<u>1,312,872</u>
Expenses:				
Program	1,005,786		1,005,786	800,115
General and administrative	140,643		140,643	87,028
Fundraising	51,137		51,137	40,261
Total expenses	<u>1,197,566</u>	<u>-</u>	<u>1,197,566</u>	<u>927,404</u>
Increase in net assets	94,242	95,731	189,973	385,468
Net assets, beginning of year	<u>130,463</u>	<u>506,659</u>	<u>637,122</u>	<u>251,654</u>
Net assets, end of year	<u>\$ 224,705</u>	<u>\$ 602,390</u>	<u>\$ 827,095</u>	<u>\$ 637,122</u>

The accompanying notes are an integral part of these financial statements.

LAAMISTAD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>
Revenues, gains and support:			
Contributions	\$ 62,890	\$ 141,017	\$ 203,907
Grants and awards	-	593,965	593,965
In kind revenues	428,289	-	428,289
Program fees and other revenue	26,020	-	26,020
Special event revenue, net of direct expenses of \$82,215	60,691	-	60,691
Net assets released from restrictions	398,379	(398,379)	-
Total revenues, gains and support	<u>976,269</u>	<u>336,603</u>	<u>1,312,872</u>
Expenses:			
Program	800,115	-	800,115
General and administrative	87,028	-	87,028
Fundraising	40,261	-	40,261
Total expenses	<u>927,404</u>	<u>-</u>	<u>927,404</u>
Increase in net assets	48,865	336,603	385,468
Net assets, beginning of year	<u>81,598</u>	<u>170,056</u>	<u>251,654</u>
Net assets, end of year	<u>\$ 130,463</u>	<u>\$ 506,659</u>	<u>\$ 637,122</u>

The accompanying notes are an integral part of these financial statements.

LAAMISTAD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program	General and Administrative	Fundraising	Total Expenses
Salaries and wages	\$ 376,836	\$ 65,860	\$ 21,953	\$ 464,649
Payroll taxes and benefits	74,821	12,305	6,153	93,279
Total personnel	451,657	78,165	28,106	557,928
Program services, food and supplies	73,132	-	-	73,132
Contractor and outside services	11,300	-	-	11,300
Office supplies	-	8,600	-	8,600
Professional fees	19,294	27,094	-	46,388
Insurance	4,207	4,207	-	8,414
Facilities	435,575	3,525	1,200	440,300
Telephone and internet	5,933	1,186	790	7,909
Advertising and publicity	-	5,908	-	5,908
Fundraising	-	-	20,416	20,416
Depreciation	4,688	938	625	6,251
Other	-	11,020	-	11,020
Total expenses	\$ 1,005,786	\$ 140,643	\$ 51,137	\$ 1,197,566
Percentage of total	84%	12%	4%	100%

The accompanying notes are an integral part of these financial statements.

LAAMISTAD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015

	Program	General and Administrative	Fundraising	Total Expenses
Salaries and wages	\$ 248,359	\$ 48,087	\$ 16,029	\$ 312,475
Payroll taxes and benefits	33,201	5,244	2,622	41,067
Total personnel	281,560	53,331	18,651	353,542
Program services, food and supplies	140,620	-	-	140,620
Contractor and outside services	13,023	-	-	13,023
Office supplies	-	4,362	-	4,362
Professional fees	1,613	9,213	-	10,826
Insurance	2,839	2,839	-	5,678
Facilities	350,075	3,525	1,200	354,800
Telephone and internet	4,462	892	595	5,949
Advertising and publicity	-	1,149	-	1,149
Fundraising	-	-	19,025	19,025
Depreciation	5,923	1,185	790	7,898
Other	-	10,532	-	10,532
	\$ 800,115	\$ 87,028	\$ 40,261	\$ 927,404
Percentage of total	86%	10%	4%	100%

The accompanying notes are an integral part of these financial statements.

LAAMISTAD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ <u>189,973</u>	\$ <u>385,468</u>
Adjustments to reconcile increase in net assets to net cash provided by operations:		
Depreciation	6,251	7,898
(Increase) decrease in:		
Grants receivable	(49,919)	(197,748)
Prepaid expenses	1,766	12,891
Increase in:		
Accounts payable and accrued liabilities	12,514	13,424
Deferred revenue	<u>28,000</u>	<u>-</u>
Total adjustments	<u>(1,388)</u>	<u>(163,535)</u>
Net cash provided by operating activities	<u>188,585</u>	<u>221,933</u>
 Cash flows from investing activities:		
Acquisition of equipment	<u>(2,841)</u>	<u>(3,561)</u>
Net cash used in investing activities	<u>(2,841)</u>	<u>(3,561)</u>
 Net increase in cash and cash equivalents	185,744	218,372
 Cash and cash equivalents, beginning of year	<u>348,472</u>	<u>130,100</u>
 Cash and cash equivalents, end of year	<u>\$ <u>534,216</u></u>	<u>\$ <u>348,472</u></u>

The accompanying notes are an integral part of these financial statements.

LAAMISTAD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Nature of Organization and Significant Accounting Policies

Nature of Organization

The accompanying financial statements include the accounts of LaAmistad, Inc. (the Organization), a nonprofit organization incorporated in 2006 under the laws of the State of Georgia. The Organization's defined mission is to prepare Latino students and families for success through academic and life enrichment programs. The Organization has served over 1,000 students in its after school program, and the Organization has the largest community-based adult English as a second language program in the state of Georgia with over 5,000 students served. Support for the Organization's activities is provided primarily by individual, foundation, corporate and church contributions.

Method of Reporting

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). This basis of accounting involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Financial Statement Presentation

In accordance with GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets described as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that must be maintained permanently by the Organization. The Organization had no permanently restricted net assets as of June 30, 2016 and 2015.

Contributions

The Organization records unconditional promises to give and contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of donor restrictions.

LAAMISTAD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Nature of Organization and Significant Accounting Policies – Continued

Donated Facilities, Goods and Services

All non-cash gifts are carried at their estimated fair value at the date of receipt if reasonably determinable. For the years ended June 30, 2016 and 2015, the estimated value of donated goods is \$49,200 and \$69,044, respectively, and has been reflected in these financial statements as in kind revenue of \$28,789 and \$36,664, respectively, and special events revenue of \$20,411 and \$32,380, respectively. The Organization receives the use of facilities and vehicles owned by other entities for its programs and offices. The facilities, including utilities, cleaning and maintenance, and the vehicles are provided to the Organization for no cost. Therefore, the estimated fair market rental value of these facilities and vehicles for the years ended June 30, 2016 and 2015 of \$453,600 and \$393,500 respectively, has been reflected in these financial statements as in kind revenue of \$450,100 and \$388,400 respectively, and special events revenue of \$3,500 and \$5,100, respectively.

A substantial number of volunteers have donated significant amounts of their time to the Organization's programs and supporting services. If donated services received either created or enhanced non-financial assets or required specialized skills which would need to be purchased if not donated, GAAP requires the value of those donated services to be recorded. The estimated value of the donated services which meet the above requirements has been reflected in these financial statements as in kind revenue at the fair value of the services received, which was approximately \$33,589 and \$3,225, respectively, for the years ended June 30, 2016 and 2015.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The costs of providing the various programs and other activities are summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the various programs and supporting services benefited.

Concentration of Credit Risk

Cash and cash equivalents consist of demand deposits at a commercial bank. The account balances, as reflected in the institution's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at June 30, 2016 and 2015. At June 30, 2016 and 2015, cash deposits exceed the FDIC insurance coverage by \$299,562 and \$114,343, respectively.

LAAMISTAD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

1. Nature of Organization and Significant Accounting Policies – Continued

Equipment, Net

Equipment is recorded at cost. The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. The cost of the equipment is depreciated over the estimated useful lives of the related assets using the straight-line method, which range from 3 to 5 years.

Income Taxes

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. The Organization believes that there were no uncertain positions taken that would require recognition of a liability (or asset) or disclosure in the financial statement as of June 30, 2016 or 2015. Accordingly, no provision or benefit for income taxes has been recorded in the accompanying financial statements. The Organization's income tax returns are subject to examination by the appropriate regulatory authorities for all open years, which typically includes the last three years filed.

Deferred Revenue

Deferred revenue represents the amount of special event sponsorships and program fees related to the subsequent year. These amounts are recognized as revenue in the subsequent period when earned.

Advertising

Advertising is expensed as incurred.

Subsequent Events

Subsequent events have been evaluated through November 7, 2016, which is the date the financial statements were available to be issued, and there were no significant subsequent events.

Reclassification of Amounts

Certain amounts previously reported have been reclassified to conform to the current year financial statement presentation.

LAAMISTAD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

2. Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all cash investments and highly liquid investments with maturities of three months or less to be cash equivalents. Cash and cash equivalents at June 30 consist of the following:

	2016	2015
Demand deposits:		
Unrestricted available for operations	\$ 271,826	\$ 131,894
Temporarily restricted (net of receivables for multi-year grants)	262,390	216,578
	\$ 534,216	\$ 348,472

3. Grants Receivable, Net

Grants receivable consisted of multi-year grants totaling \$340,000 and \$290,081, respectively, as of June 30, 2016 and 2015. Management expects the grants receivable at June 30, 2016 to be fully collected in fiscal 2017. Therefore, no allowance for doubtful accounts has been established. The grants receivable at June 30, 2015 are shown net of a \$1,585 discount for the net present value of future cash flows, which is calculated using an effective rate of approximately 1%. There is no discount associated with the grants receivable at June 30, 2016.

4. Equipment, Net

Organization equipment consists of the following at June 30:

	2016	2015
Website	\$ 9,376	\$ 6,535
Computers and office equipment	20,358	20,358
	29,734	26,893
Less accumulated depreciation	(22,797)	(16,546)
Total equipment, net	\$ 6,937	\$ 10,347

Depreciation expense for the years ended June 30, 2016 and 2015 was \$6,251 and \$7,898, respectively.

LAAMISTAD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

5. Temporarily Restricted Net Assets

Temporarily restricted net assets are comprised of contributions the Organization received subject to donor-imposed restrictions consisting of the following at June 30:

	2016	2015
Net assets temporarily restricted as to purpose:		
Expansion and replication in Metropolitan Atlanta	\$ 185,168	\$ 138,795
Other replication and website development	-	627
Scholarships	60,500	60,500
Personnel	16,722	16,656
Total temporarily restricted as to purpose	262,390	216,578
Net assets temporarily restricted as to time and purpose:		
Expansion and replication in Metropolitan Atlanta	300,000	273,415
Net assets temporarily restricted as to time	40,000	16,666
Total temporarily restricted net assets	\$ 602,390	\$ 506,659

6. Net Assets Released from Restrictions

The following net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes or by occurrence of other events specified by donors for the years ended June 30:

	2016	2015
Program restriction accomplished:		
Expansion and replication in Metropolitan Atlanta	\$ 228,627	\$ 168,230
Other replication and website development	18,427	20,720
English for Successful Living	27,000	22,500
After school program	95,141	106,400
Summer camp	100	100
Fire relief	-	49,168
Personnel	51,053	14,594
Total program restriction releases	420,348	381,712
Time release of multi-year grant	16,666	16,667
Total net assets released from restrictions	\$ 437,014	\$ 780,091

LAAMISTAD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

7. Related Party Transactions

The Organization is related to Peachtree Presbyterian Church, Inc. (the “Church”), as it is operated from the Church premises, a member of the Organization’s Board of Directors is a Church employee, and certain employees are shared by the two organizations (as described further below). The Church provides certain cash contributions, facilities, a bus and other goods and services to LaAmistad, Inc. During the years ending June 30, 2016 and 2015, the Church provided cash contributions to the Organization totaling \$66,250 and \$58,250, respectively. As of June 30, 2016, the Organization received a contingent pledge from the Church, of which they expect to collect \$52,500 during fiscal 2017. Since the funding is contingent upon the Church meeting certain fundraising criteria, it is not recognized as assets or revenue in the accompanying financial statements until it is collected. The prior year contingent pledge from the Church of \$48,750 was fully collected during fiscal 2016 and is included in the \$66,250 contributions total above.

Additionally, the Church donated the use of facilities used for the Organization’s offices and certain programs and events. The value of the donated use of the facilities, including utilities, cleaning and maintenance, is included in the financial statements with a corresponding facilities expense of \$210,875 and \$197,200, respectively, for the years ended June 30, 2016 and 2015. The value of the donated use of a bus used for Organization programs is included in the financial statements with a corresponding program services, food and supplies expense of \$9,800 and \$33,600, respectively, for the years ended June 30, 2016 and 2015.

For the years ending June 30, 2016 and 2015, the Church donated other goods and services to the Organization totaling \$49,200 and \$68,265, respectively, including graphic design and printing.

The Church employs the Organization’s Business Manager and certain other employees. While the Organization pays salaries directly to its employees, the Church provides certain employee benefits to the employees of LaAmistad, Inc., and then receives a monthly reimbursement from LaAmistad, Inc. for its share of these employment expenses. During fiscal 2016 and 2015, the Organization paid the Church \$20,280 and \$34,048, respectively, for these benefits.

8. Commitments and Contingencies

Certain grants and contracts often require the fulfillment of certain conditions as set forth in the instrument or agreement. Failure to fulfill the conditions could result in the return of funds to the grantors. Although the return of funds is a possibility, management of the Organization deems the contingency unlikely. The grants and contracts are subject to audit by the grantor. They have the authority to determine liabilities or limit or suspend participation in various sponsored programs. During the years ended June 30, 2016 and 2015, the Organization was in compliance with these terms and conditions.