

LAAMISTAD, INC.

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2017 AND 2016

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, 2017 and 2016, 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, 2017 and 2016, 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
October 31, 2017

LAAMISTAD, INC.
 STATEMENTS OF FINANCIAL POSITION
 JUNE 30, 2017 AND 2016

	2017	2016
ASSETS		
Cash and cash equivalents	\$ 388,049	\$ 534,216
Certificates of deposit	120,000	-
Grants receivable, net	85,000	340,000
Prepaid expenses	9,615	4,185
Equipment, net	13,102	6,937
Total assets	\$ 615,766	\$ 885,338
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 62,053	\$ 30,243
Deferred revenue	7,300	28,000
Total liabilities	69,353	58,243
Commitments and contingencies		
Net assets:		
Unrestricted net assets	164,109	224,705
Temporarily restricted net assets	382,304	602,390
Total net assets	546,413	827,095
Total liabilities and net assets	\$ 615,766	\$ 885,338

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

LAAMISTAD, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017
(WITH COMPARATIVE TOTAL FOR 2016)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
Revenues, gains and support:				
Contributions	\$ 136,311	\$ 2,325	\$ 138,636	\$ 130,809
Government grant	-	-	-	100,000
Other grants and awards	58,600	259,069	317,669	552,500
In kind revenues	644,066	-	644,066	562,478
Program fees and other revenue	80,276	-	80,276	48,479
Special event revenue, net of direct expenses of \$54,827 and \$75,313, respectively, in fiscal 2017 and 2016	35,410	-	35,410	43,273
Net assets released from restrictions	<u>481,480</u>	<u>(481,480)</u>	<u>-</u>	<u>-</u>
Total revenues, gains and support	<u>1,436,143</u>	<u>(220,086)</u>	<u>1,216,057</u>	<u>1,437,539</u>
Expenses:				
Program	1,260,961	-	1,260,961	1,019,763
General and administrative	159,827	-	159,827	171,075
Fundraising	<u>75,951</u>	<u>-</u>	<u>75,951</u>	<u>56,728</u>
Total expenses	<u>1,496,739</u>	<u>-</u>	<u>1,496,739</u>	<u>1,247,566</u>
Increase (decrease) in net assets	(60,596)	(220,086)	(280,682)	189,973
Net assets, beginning of year	<u>224,705</u>	<u>602,390</u>	<u>827,095</u>	<u>637,122</u>
Net assets, end of year	<u>\$ 164,109</u>	<u>\$ 382,304</u>	<u>\$ 546,413</u>	<u>\$ 827,095</u>

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

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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2016</u>
Revenues, gains and support:			
Contributions	\$ 75,564	\$ 55,245	\$ 130,809
Government grant	100,000	-	100,000
Other grants and awards	75,000	477,500	552,500
In kind revenues	562,478	-	562,478
Program fees and other revenue	48,479	-	48,479
Special event revenue, net of direct expenses of \$75,313	43,273	-	43,273
Net assets released from restrictions	<u>437,014</u>	<u>(437,014)</u>	<u>-</u>
Total revenues, gains and support	<u>1,341,808</u>	<u>95,731</u>	<u>1,437,539</u>
Expenses:			
Program	1,019,763	-	1,019,763
General and administrative	171,075	-	171,075
Fundraising	<u>56,728</u>	<u>-</u>	<u>56,728</u>
Total expenses	<u>1,247,566</u>	<u>-</u>	<u>1,247,566</u>
Increase in net assets	94,242	95,731	189,973
Net assets, beginning of year	<u>130,463</u>	<u>506,659</u>	<u>637,122</u>
Net assets, end of year	<u>\$ 224,705</u>	<u>\$ 602,390</u>	<u>\$ 827,095</u>

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

LAAMISTAD, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 492,006	\$ 69,641	\$ 23,213	\$ 584,860
Payroll taxes and benefits	<u>75,208</u>	<u>12,074</u>	<u>6,037</u>	<u>93,319</u>
Total personnel	567,214	81,715	29,250	678,179
Program services, food and supplies	127,453	-	-	127,453
Contractor and outside services	15,839	-	-	15,839
Office supplies	-	1,685	-	1,685
Professional fees	11,415	19,415	-	30,830
Insurance	4,035	4,035	-	8,070
Facilities	504,763	3,525	1,200	509,488
Telephone and internet	11,914	2,383	1,588	15,885
Advertising and publicity	-	36,120	5,557	41,677
Recruiting and outreach	13,892	-	-	13,892
Fundraising	-	-	37,764	37,764
Depreciation	4,436	887	592	5,915
Other	<u>-</u>	<u>10,062</u>	<u>-</u>	<u>10,062</u>
Total expenses	<u>\$ 1,260,961</u>	<u>\$ 159,827</u>	<u>\$ 75,951</u>	<u>\$ 1,496,739</u>
Percentage of total	<u>84%</u>	<u>11%</u>	<u>5%</u>	<u>100%</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

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 376,836	\$ 65,860	\$ 21,953	\$ 464,649
Payroll taxes and benefits	<u>74,821</u>	<u>12,305</u>	<u>6,153</u>	<u>93,279</u>
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	-	36,340	5,591	41,931
Recruiting and outreach	13,977	-	-	13,977
Fundraising	-	-	20,416	20,416
Depreciation	4,688	938	625	6,251
Other	<u>-</u>	<u>11,020</u>	<u>-</u>	<u>11,020</u>
Total expenses	<u>\$ 1,019,763</u>	<u>\$ 171,075</u>	<u>\$ 56,728</u>	<u>\$ 1,247,566</u>
Percentage of total	<u>82%</u>	<u>13%</u>	<u>5%</u>	<u>100%</u>

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

LAAMISTAD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	2017	2016
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ <u>(280,682)</u>	\$ <u>189,973</u>
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operations:		
Depreciation	5,915	6,251
(Increase) decrease in:		
Grants receivable	255,000	(49,919)
Prepaid expenses	(5,430)	1,766
Increase (decrease) in:		
Accounts payable and accrued liabilities	31,810	12,514
Deferred revenue	<u>(20,700)</u>	<u>28,000</u>
Total adjustments	<u>266,595</u>	<u>(1,388)</u>
Net cash provided by (used in) operating activities	<u>(14,087)</u>	<u>188,585</u>
 Cash flows from investing activities:		
Acquisition of equipment	(12,080)	(2,841)
Purchase of certificates of deposit	<u>(120,000)</u>	<u>-</u>
Net cash used in investing activities	<u>(132,080)</u>	<u>(2,841)</u>
Net increase (decrease) in cash and cash equivalents	(146,167)	185,744
Cash and cash equivalents, beginning of year	<u>534,216</u>	<u>348,472</u>
Cash and cash equivalents, end of year	<u>\$ <u>388,049</u></u>	<u>\$ <u>534,216</u></u>

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

LAAMISTAD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017 and 2016.

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, 2017 AND 2016

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, 2017 and 2016, the estimated value of donated goods is \$119,872 and \$99,200, respectively, and has been reflected in these financial statements as in kind revenue of \$106,478 and \$78,789, respectively, and special events revenue of \$13,394 and \$20,411, 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, 2017 and 2016 of \$522,288 and \$453,600 respectively, has been reflected in these financial statements as in kind revenue of \$519,288 and \$450,100 respectively, and special events revenue of \$3,000 and \$3,500, 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 \$18,300 and \$33,589, respectively, for the years ended June 30, 2017 and 2016.

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 of cash and cash equivalents and certificates of deposit, as reflected in the institution's records, are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 at June 30, 2017 and 2016. At June 30, 2017 and 2016, cash deposits exceed the FDIC insurance coverage by \$257,530 and \$299,562, respectively.

LAAMISTAD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017 or 2016. 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 October 31, 2017, 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, 2017 AND 2016

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:

	2017	2016
Demand deposits:		
Unrestricted available for operations	\$ 90,745	\$ 271,826
Temporarily restricted (net of receivables for multi-year grants)	297,304	262,390
	\$ 388,049	\$ 534,216

3. Grants Receivable, Net

Grants receivable consisted of multi-year grants totaling \$85,000 and \$340,000, respectively, as of June 30, 2017 and 2016, with \$60,000 and \$25,000 respectively, expected to be collected in fiscal 2018 and 2019. Management expects the grants receivable at June 30, 2017 to be fully collectible, and therefore, no allowance for doubtful accounts has been established.

4. Equipment, Net

Organization equipment consists of the following at June 30:

	2017	2016
Website	\$ 9,376	\$ 9,376
Computers and office equipment	32,438	20,358
	41,814	29,734
Less accumulated depreciation	(28,712)	(22,797)
Total equipment, net	\$ 13,102	\$ 6,937

Depreciation expense for the years ended June 30, 2017 and 2016 was \$5,915 and \$6,251, respectively.

LAAMISTAD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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:

	2017	2016
Net assets temporarily restricted as to purpose:		
Expansion and replication in Metropolitan Atlanta	\$ -	\$ 185,168
After school program	8,426	-
Scholarships	60,500	60,500
Personnel	-	16,722
Total temporarily restricted as to purpose	68,926	262,390
Net assets temporarily restricted as to time and purpose:		
Expansion and replication in Metropolitan Atlanta	228,378	300,000
Net assets temporarily restricted as to time	85,000	40,000
Total temporarily restricted net assets	\$ 382,304	\$ 602,390

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:

	2017	2016
Program restriction accomplished:		
Expansion and replication in Metropolitan Atlanta	\$ 256,789	\$ 228,627
Other replication and website development	17,691	18,427
English for Successful Living	30,420	27,000
After school program	159,357	95,141
Summer camp	500	100
Personnel	16,723	51,053
Total program restriction releases	481,480	420,348
Time release of multi-year grant	-	16,666
Total net assets released from restrictions	\$ 481,480	\$ 437,014

LAAMISTAD, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

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, 2017 and 2016, the Church provided cash contributions to the Organization totaling \$71,603 and \$66,250, respectively. As of June 30, 2017, the Organization received a contingent pledge from the Church, of which they expect to collect \$56,250 during fiscal 2018. 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 \$52,500 was fully collected during fiscal 2017 and is included in the \$71,603 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 \$210,375 and \$210,875, respectively, for the years ended June 30, 2017 and 2016. 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 for both the years ended June 30, 2017 and 2016.

For the years ending June 30, 2017 and 2016, the Church donated other goods and services to the Organization totaling \$62,938 and \$49,200, 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 2017 and 2016, the Organization paid the Church \$32,949 and \$20,280, 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, 2017 and 2016, the Organization was in compliance with these terms and conditions.