

LAAMISTAD, INC.

---

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT

JUNE 30, 2018 AND 2017

LAAMISTAD , INC.

TABLE OF CONTENTS

---

	Page
Independent Auditor's Report	1
Financial Statements:	
Statement s of Financial Position as of June 30, 2018 and 2017	2
Statement of Activities for the Year Ended June 30, 2018 (With Comparative Total for 2017)	3
Statement of Activities for the Year Ended June 30, 2017	4
Statement of Functional Expenses for the Year Ended June 30, 2018	5
Statement of Functional Expenses for the Year Ended June 30, 2017	6
Statement s of Cash Flows for the Years Ended June 30, 2018 and 2017	7
Notes to Financial Statements	8



## 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, 2018 and 2017, 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, 2018 and 2017, 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 2, 2018

LAAMISTAD, INC.  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2018 AND 2017

	2018	2017
<b>ASSETS</b>		
Cash and cash equivalents	\$ 282,213	\$ 388,049
Certificates of deposit	121,200	120,000
Grants receivable, net	135,308	85,000
Prepaid expenses	5,274	9,615
Equipment, net	15,084	13,102
Total assets	\$ 559,079	\$ 615,766
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 56,485	\$ 62,053
Deferred revenue	10,250	7,300
Total liabilities	66,735	69,353
Commitments and contingencies		
Net assets:		
Net assets without donor restrictions:		
Expended for equipment, net	15,084	13,102
Available for operations	142,127	151,007
Total net assets without donor restrictions	157,211	164,109
Net assets with donor restrictions	335,133	382,304
Total net assets	492,344	546,413
Total liabilities and net assets	\$ 559,079	\$ 615,766

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

LAAMISTAD, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018  
(WITH COMPARATIVE TOTAL FOR 2017)

	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Revenues, gains and support:				
Contributions	\$ 256,992	\$ 28,342	\$ 285,334	\$ 138,636
Grants and awards	33,980	301,408	335,388	317,669
In kind revenue	604,191	-	604,191	644,066
Program fees and other revenue	86,506	-	86,506	80,276
Special event revenue, net of direct expenses of \$71,703 and \$54,827, respectively,	69,081	-	69,081	35,410
Net assets released from restrictions	376,921	(376,921)	-	-
Total revenues, gains and support	1,427,671	(47,171)	1,380,500	1,216,057
Expenses:				
Program	1,131,851	-	1,131,851	1,260,961
General and administrative	193,885	-	193,885	159,827
Fundraising	108,833	-	108,833	75,951
Total expenses	1,434,569	-	1,434,569	1,496,739
Decrease in net assets	(6,898)	(47,171)	(54,069)	(280,682)
Net assets, beginning of year	164,109	382,304	546,413	827,095
Net assets, end of year	\$ 157,211	\$ 335,133	\$ 492,344	\$ 546,413

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

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

	Without Donor Restrictions	With Donor Restrictions	Total 2017
Revenues, gains and support:			
Contributions	\$ 136,311	\$ 2,325	\$ 138,636
Grants and awards	58,600	259,069	317,669
In kind revenue	644,066	-	644,066
Program fees and other revenue	80,276	-	80,276
Special event revenue, net of direct expenses of \$54,827	35,410	-	35,410
Net assets released from restrictions	481,480	(481,480)	-
Total revenues, gains and support	1,436,143	(220,086)	1,216,057
Expenses:			
Program	1,260,961	-	1,260,961
General and administrative	159,827	-	159,827
Fundraising	75,951	-	75,951
Total expenses	1,496,739	-	1,496,739
Decrease in net assets	(60,596)	(220,086)	(280,682)
Net assets, beginning of year	224,705	602,390	827,095
Net assets, end of year	\$ 164,109	\$ 382,304	\$ 546,413

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

LAAMISTAD, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 418,167	\$ 104,167	\$ 34,722	\$ 557,056
Payroll taxes and benefits	<u>86,037</u>	<u>13,114</u>	<u>6,557</u>	<u>105,708</u>
Total personnel	504,204	117,281	41,279	662,764
Program services, food and supplies	102,640	-	-	102,640
Contractor and outside services	21,361	-	-	21,361
Office supplies	-	788	-	788
Professional fees	4,298	12,698	-	16,996
Insurance	4,669	4,669	-	9,338
Facilities	467,263	8,025	4,200	479,488
Telephone and internet	7,877	1,575	1,050	10,502
Advertising and publicity	13,074	33,993	5,230	52,297
Fundraising	-	-	56,212	56,212
Depreciation	6,465	1,293	862	8,620
Other	<u>-</u>	<u>13,563</u>	<u>-</u>	<u>13,563</u>
Total expenses	\$ <u>1,131,851</u>	\$ <u>193,885</u>	\$ <u>108,833</u>	\$ <u>1,434,569</u>
Percentage of total	<u>78%</u>	<u>14%</u>	<u>8%</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, 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	75,208	12,074	6,037	93,319
Total personnel	<u>567,214</u>	<u>81,715</u>	<u>29,250</u>	<u>678,179</u>
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	-	10,062	-	10,062
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.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
Cash flows from operating activities:		
Decrease in net assets	\$ (54,069)	\$ (280,682)
Adjustments to reconcile decrease in net assets to net cash used in operations:		
Depreciation	8,620	5,915
(Increase) decrease in:		
Grants receivable, net	(50,308)	255,000
Prepaid expenses	4,341	(5,430)
Increase (decrease) in:		
Accounts payable and accrued liabilities	(5,568)	31,810
Deferred revenue	2,950	(20,700)
Total adjustments	(39,965)	266,595
Net cash used in operating activities	(94,034)	(14,087)
Cash flows from investing activities:		
Acquisition of equipment	(10,602)	(12,080)
Reinvestment of interest on certificates of deposit	(1,200)	-
Purchase of certificates of deposit	-	(120,000)
Net cash used in investing activities	(11,802)	(132,080)
Net decrease in cash and cash equivalents	(105,836)	(146,167)
Cash and cash equivalents, beginning of year	388,049	534,216
Cash and cash equivalents, end of year	\$ 282,213	\$ 388,049

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

LAAMISTAD, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

---

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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions described as follows:

- Net assets without donor restrictions are resources not subject to donor-imposed restrictions or law.
- Net assets with donor restrictions are resources whose use by the Organization is limited by donor-imposed restrictions the either expire by the passage of time, can be fulfilled by actions of the Organization, or require the corpus to be maintained in perpetuity. The Organization has no net assets with donor restriction that are required to be held in perpetuity.

Contributions

Depending on the existence and/or nature of any donor restrictions, contributions are recorded as support with donor restrictions or support without donor restrictions. Time and capital donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

LAAMISTAD, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

---

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, 2018 and 2017, the estimated value of donated goods is \$123,186 and \$119,872, respectively, and has been reflected in these financial statements as in kind revenue of \$110,733 and \$106,478, respectively, and special events revenue of \$12,453 and \$13,394, 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, 2018 and 2017 of \$492,288 and \$522,288 respectively, has been reflected in these financial statements as in kind revenue of \$489,288 and \$519,288 respectively, and special events revenue of \$3,000 for each year.

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 \$4,170 and \$18,300, respectively, for the years ended June 30, 2018 and 2017.

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. The Statements of Functional Expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the various programs and supporting services benefited. The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. The expenses that are allocated include professional fees, advertising and publicity, insurance, facilities, telephone and internet, and depreciation which are allocated on the basis of estimates of how the expenses support the programs and supporting services, as well as salaries and wages and payroll taxes and benefits which are allocated on the basis of estimates of time and effort.

LAAMISTAD, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

---

1. Nature of Organization and Significant Accounting Policies – Continued

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 as of June 30, 2018 and 2017. As of June 30, 2018 and 2017, cash deposits exceed the FDIC insurance coverage by \$172,764 and \$257,530, respectively.

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 and classified by the Internal Revenue Service as an organization other than a private foundation. In the opinion of Management, the Organization continues to operate as a tax exempt organization and, accordingly, no provisions for federal and state income taxes have been recorded in the accompanying financial statements. Income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. For the years ended June 30, 2018 and 2017, the Organization did not have any unrelated business income, and accordingly, there is no unrelated business income tax. The Organization's management believes it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization's income tax returns are subject to examination by the appropriate regulatory authorities and remain open to examination for the last three years.

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.

LAAMISTAD, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

---

1. Nature of Organization and Significant Accounting Policies – Continued

New Accounting Policy

In August 2016, the Financial Accounting Standards Board issued ASU 2016-14, *Not-for-Profit Entities (Topic 958), Presentation of Financial Statements of Not-For-Profit Entities*, which improves the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The guidance requires retrospective application. The Organization adopted this guidance for the year ended June 30, 2018. This new accounting policy did not affect net assets.

Subsequent Events

Subsequent events have been evaluated through November 2, 2018, which is the date the financial statements were available to be issued. There were no significant subsequent events that required recognition or disclosure in the financial statements.

2. Liquidity and Availability of Financial Assets

The Organization is substantially supported by contributions without donor restrictions. However, the Organization sometimes receives contributions with donor restrictions for various programs. Because a donor's restrictions require funds to be used in a particular manner or in a future period, the Organization maintains those funds with donor restrictions so that they are available to meet those responsibilities as they are required to be met. The Organization considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures may be incurred for program, administrative purposes, or fundraising.

The Organization's financial assets as of June 30, 2018 (reduced by amounts that are not available for general use in the next 12 months) available within one year after this date to satisfy liabilities at this date and for future general expenditure are as follows:

Cash and cash equivalents	\$	282,213
Certificates of deposit		121,200
Grants receivable		135,308
Total financial assets available		<u>538,721</u>
Less:		
Grants receivable - due in more than one year, net		(42,808)
Cash restricted by donors for college scholarships		<u>(55,383)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>440,530</u></u>

LAAMISTAD, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

---

2. Liquidity and Availability of Financial Assets – Continued

The Organization structures its financial assets to be available as its general expenditure, liabilities, and other obligations come due; such liabilities aggregated \$56,485 as of June 30, 2018. In addition to financial assets available to meet general expenditures over the next twelve months, the Organization utilizes an operating budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

3. 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 as of June 30 consist of the following:

	<u>2018</u>	<u>2017</u>
Without donor restrictions available for operations	\$ 82,388	\$ 90,745
With donor restrictions	<u>199,825</u>	<u>297,304</u>
Total cash and cash equivalents	\$ <u><u>282,213</u></u>	\$ <u><u>388,049</u></u>

4. Grants Receivable, Net

Grants receivable consisted of multi-year grants totaling \$135,308 and \$85,000, respectively, as of June 30, 2018 and 2017, with \$92,500 and \$42,808 respectively, expected to be collected in fiscal 2019 and 2020. Management expects the grants receivable as of June 30, 2018 to be fully collectible, and therefore, no allowance for doubtful accounts has been established. The grants receivable as of June 30, 2018 are shown net of a \$2,192 discount for the net present value of future cash flows, which is calculated using an effective rate of approximately 2.5%. There is no discount associated with the grants receivable as of June 30, 2017.

LAAMISTAD, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

---

5. Equipment, Net

Organization equipment consists of the following as of June 30:

	2018	2017
Website	\$ 9,376	\$ 9,376
Computers and office equipment	32,438	32,438
Software	10,602	-
	52,416	41,814
Less accumulated depreciation	(37,332)	(28,712)
Total equipment, net	\$ 15,084	\$ 13,102

Depreciation expense for the years ended June 30, 2018 and 2017 was \$8,620 and \$5,915, respectively .

6. Net Assets with Donor Restrictions

Net assets with donor restrictions are comprised of contributions the Organization received subject to donor-imposed restrictions consisting of the following as of June 30:

	2018	2017
Program restrictions:		
After school program	\$ 90,309	\$ 8,426
Scholarships	55,383	60,500
Expansion and replication in Metropolitan Atlanta	54,133	228,378
Total net assets with program restrictions	199,825	297,304
Time restrictions:		
Grants receivable, net	135,308	85,000
Total net assets with donor restrictions	\$ 335,133	\$ 382,304

LAAMISTAD, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

---

7. 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:

	2018	2017
Program restriction accomplished:		
Expansion and replication in Metropolitan Atlant	\$ 174,245	\$ 256,789
Other replication and website development	1,100	17,691
English for Successful Living	30,250	30,420
After school program	131,209	159,357
Summer camp	35,000	500
Personnel	-	16,723
College Assistance	5,117	-
Total net assets released from restrictions	\$ 376,921	\$ 481,480

8. 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. For the years ended June 30, 2018 and 2017, the Church provided cash contributions to the Organization totaling \$75,000 and \$71,603, respectively. In April 2018, the Organization received a contingent pledge from the Church, of which they expect to collect \$56,250 during fiscal 2019. Since the funding is contingent upon the Church meeting certain fundraising criteria, it is not recognized as an asset or revenue in the accompanying financial statements until it is collected. The prior year contingent pledge from the Church of \$56,250 was fully collected during fiscal 2018 and is included in the \$75,000 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 \$222,375 and \$210,375, respectively, for the years ended June 30, 2018 and 2017. 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, 2018 and 2017.

For the years ended June 30, 2018 and 2017, the Church donated other goods and services to the Organization totaling \$64,498 and \$62,938, respectively, including graphic design and printing.



LAAMISTAD, INC.  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018 AND 2017

---

8. Related Party Transactions – Continued

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. For the year ended June 30, 2018 and 2017, the Organization paid the Church \$40,137 and \$32,949, respectively, for these benefits.

9. 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 deems the contingency unlikely. The grants and contracts are subject to audit by the grantor. The grantor has the authority to determine liabilities or limit or suspend participation in various sponsored programs. For the years ended June 30, 2018 and 2017, the Organization was in compliance with these terms and conditions.