

HISPANIC ALLIANCE

FINANCIAL STATEMENTS
December 31, 2018

(With Independent Auditors' Report Thereon)

HISPANIC ALLIANCE

FINANCIAL STATEMENTS

December 31, 2018

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MARTIN · SMITH

& COMPANY CPAs

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Hispanic Alliance
Greenville, South Carolina

Report on the Financial Statements

We have audited the accompanying statement of financial position of Hispanic Alliance (“the Alliance”), as of December 31, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of Hispanic Alliance’s management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management’s Responsibility for the Financial Statement

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 the 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. 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 Hispanic Alliance as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Martin Smith and Company CPAs PA

August 2, 2019

HISPANIC ALLIANCE
STATEMENT OF FINANCIAL POSITION
December 31, 2018

ASSETS

Cash and cash equivalents	\$ 178,775
Contributions receivable	11,650
Prepaid expenses and other assets	4,250
Property and equipment, net	<u>6,730</u>
Total assets	<u>\$ 201,405</u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ <u>5,694</u>
Total liabilities	<u>5,694</u>
Net assets:	
Without donor restrictions:	
Investment in property and equipment	6,730
Undesignated	<u>165,098</u>
	171,828
With donor restrictions	<u>23,883</u>
Total net assets	<u>195,711</u>
Total liabilities and net assets	<u>\$ 201,405</u>

See accompanying notes to financial statements.

HISPANIC ALLIANCE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support:			
Direct public grants	\$ 315,000	\$ 15,000	\$ 330,000
Contributions	66,614	21,000	87,614
Event income	13,492	-	13,492
Other income	13,986	-	13,986
Restricted contributions expended	<u>12,117</u>	<u>(12,117)</u>	<u>-</u>
Total revenue and support	<u>421,209</u>	<u>23,883</u>	<u>445,092</u>
Expenses:			
Program services	279,233	-	279,233
Supporting services:			
Management and general	79,090	-	79,090
Fundraising	<u>43,172</u>	<u>-</u>	<u>43,172</u>
Total supporting services	<u>122,262</u>	<u>-0-</u>	<u>122,262</u>
Total expenses	401,495	-0-	401,495
Changes in net assets	19,714	23,883	43,597
Net assets at beginning of year	<u>152,114</u>	<u>-0-</u>	<u>152,114</u>
Net assets at end of year	<u>\$ 171,828</u>	<u>\$ 23,883</u>	<u>\$ 195,711</u>

See accompanying notes to financial statements.

HISPANIC ALLIANCE
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

Cash flows from operating activities:	
Increase in net assets	\$ 43,597
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	546
(Increase) decrease in assets:	
Contributions receivable	(5,064)
Prepaid expenses and other assets	(4,250)
Increase (decrease) in liabilities:	
Accounts payable and accrued expenses	5,694
Contributions restricted for capital improvements	<u>-</u>
Net cash provided by operating activities	<u>40,523</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>(7,276)</u>
Net cash used in investing activities	<u>(7,276)</u>
Cash flows from financing activities:	
Contributions restricted for capital improvements	<u>-</u>
Net cash provided by financing activities	<u>-</u>
Net increase in cash and cash equivalents	33,247
Cash and cash equivalents at beginning of year	<u>145,528</u>
Cash and cash equivalents at end of year	<u>\$ 178,775</u>

Schedule of non-cash financing and investing activities:
None.

See accompanying notes to financial statements.

HISPANIC ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Supporting Services</u>		<u>Total</u>
		<u>Management And General</u>	<u>Fundraising</u>	
Wages	\$ 149,360	\$ 44,470	\$ 34,357	\$ 228,187
Payroll taxes and benefits	24,869	6,562	5,070	36,502
Student Dreamers Alliance expenses	17,699	-	-	17,699
Event expense	4,934	-	-	4,934
Special project expense	10,769	-	-	10,769
Miscellaneous	17,357	4,339	3,745	25,441
Community teams	12,503	-	-	12,503
Advertising and promotion	7,729	1,932	-	9,661
Conferences and meetings	8,933	-	-	8,933
Professional development	6,436	1,609	-	8,045
Student Dreamers Alliance scholarships	8,014	-	-	8,014
Accounting fees	-	7,637	-	7,637
Professional fees	-	6,318	-	6,318
Technology	3,758	940	-	4,698
HA network expenses	4,104	-	-	4,104
Board expenses	-	4,045	-	4,045
Insurance	836	209	-	1,045
Office	804	201	-	1,005
Dues and fees	662	165	-	827
Travel	466	116	-	582
Depreciation	-	546	-	546
	<u>\$ 279,233</u>	<u>\$ 79,090</u>	<u>\$ 43,172</u>	<u>\$ 401,495</u>

See accompanying notes to financial statements.

HISPANIC ALLIANCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Nature of Organization

Hispanic Alliance (“the Alliance”) is a non-profit organization based in Greenville, South Carolina. Its mission is to foster collaboration and connectivity among people, resources and cultures to build thriving communities. The Alliance is incorporated under the laws of South Carolina and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

b) Basis of Accounting

The financial statements of the Alliance have been prepared utilizing the accrual method of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. The financial statements present financial position and results of activities in conformity with accounting principles generally accepted in the United States of America.

c) Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (“FASB”) in the *Accounting Standards Codification* (“ASC”). Under FASB ASC the Alliance is required to report information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations and currently available for operating purposes under the direction of the Board of Directors (“the Board”), designated by the Board for specific purposes, or invested in property and equipment.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Alliance and/or the passage of time. When a restriction expires, 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.

d) Contributions and Revenue

The Alliance records contributions received as support without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time or purpose of restrictions.

Contributions are recognized when received or when the donor makes an unconditional promise to give to the Alliance. Contributions which are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions and reported in the Statement of Activities as restricted contributions expended as the restrictions expire.

Noncash contributions are recorded as support at their estimated fair value at the date of the donation. Such donations are reported as support without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as support with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Alliance reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash balances in depository institutions.

HISPANIC ALLIANCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

f) Contributions Receivable

Unconditional promises to give that are expected to be collected in future years are recorded as other revenue and support at the present value of their estimated future cash flows. The discounted value of the unconditional promises to give is computed using interest rates applicable to the year in which the promises are received. Amortization of the discount is included in other revenue. Conditional promises to give are not included as support until the conditions are substantially met. Intentions to give are not recorded as assets or contribution revenue.

g) Property and Equipment

Property and equipment are stated at cost if purchased or fair market value at the date of donation. Major additions in excess of \$1,000 are capitalized and major items retired are removed from the accounts. Replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets are expensed currently. Straight-line depreciation is taken on the recorded value of the property and equipment at annual rates of 20%.

h) Income Taxes

The Alliance is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. A federal Form 990 is filed annually. The Alliance has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* topic of FASB ASC. This guidance addresses the accounting uncertainty in income taxes recognized in an organization's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It also provides related guidance on measurement classification, interest and penalties, and disclosure. The Alliance has determined that it has no uncertain tax positions requiring accrual and disclosure.

i) Use of Estimates

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

- Depreciable lives of assets and methods of depreciation
- An allowance for uncollectible accounts

j) Functional Allocation of Expenses

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

k) Statement of Financial Position Presentation

Assets and liabilities presented in the Statement of Financial Position are recorded in order of liquidity or nearness to conversion to cash.

l) New Accounting Pronouncement

During the year ended December 31, 2018, the Alliance adopted the requirements of the FASB ASC No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities (ASU 2016-14)* (“the Update”). This Update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by the Update is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (See Footnote 6).

HISPANIC ALLIANCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2) CASH AND CASH EQUIVALENTS

The Alliance maintains cash balances at one financial institution located in South Carolina. Accounts are protected by federal depository insurance (“FDIC”) up to \$250,000. At December 31, 2018, the Alliance had no uninsured cash balances.

3) PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2018, are summarized as follows:

Equipment	\$ <u>7,276</u>
	7,276
Less accumulated depreciation	<u>(546)</u>
	\$ <u><u>6,730</u></u>

Depreciation expense for the year ended December 31, 2018, was \$546.

4) NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at December 31, 2018:

Educational	\$ 10,897
Scholarships	<u>12,986</u>
	\$ <u><u>23,883</u></u>

Releases from restrictions of \$12,117 for the year ended December 31, 2018, represent funds used for educational expenses and scholarships from restricted contributions.

5) DONATED SERVICES

A number of individuals have donated a significant amount of time to the Alliance’s programs; however, no amounts have been reflected for donated services.

The Alliance is provided free rent on its office space at South Pleasantburg Drive, Greenville, South Carolina. The amount of free rent is estimated to be \$12,000.

HISPANIC ALLIANCE
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

6) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Alliance’s financial assets as of December 31, 2018, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable because certain net assets are donor restricted and the Board has set aside funds for on operational reserve (See Footnote 4). The Alliance has the following financial assets that could readily be made available within one year of the Statement of Financial Position date to fund expenses without limitations:

Financial assets:	
Cash	\$ 178,775
Contributions receivable	11,650
Financial assets, at year-end	<u>190,425</u>
Less those unavailable for general expenditures within one year due to:	
Donor imposed restrictions:	
Restrictions by donor with purpose restrictions	<u>(23,883)</u>
	<u>(23,883)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 166,542</u>

The Alliance has a policy to structure its financial assets to be available as its general expenses, liabilities and other obligations come due. The Alliance monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash.

7) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Alliance has adopted the provisions of the *Fair Value Measurements* topic of FASB ASC. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. Level 1 inputs represent fair values obtained using quoted prices in active markets. Level 2 inputs represent fair values obtained from observable market data but not from quoted market prices. Level 3 inputs represent unobservable inputs that are supported by little or no market activity and are generally based on the entity’s own assumptions.

The following methods and assumptions are used to estimate the fair value of each financial instrument:

Cash, accounts payable and accrued expenses – the carrying values approximate fair value due to their short maturities.

Contributions receivable - the carrying values approximate fair value due to their short maturities.

8) SUBSEQUENT EVENTS

In preparing these financial statements, the Alliance has evaluated events and transactions for potential recognition or disclosure through August 2, 2019, the date the financial statements were available to be issued. There were no such events requiring recording or disclosure for the year ended December 31, 2018.