the family center la familia

AUDITED FINANCIAL STATEMENTS

June 30, 2019

THE FAMILY CENTER / LA FAMILIA

TABLE OF CONTENTS

succeed rlr LLP
CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Family Center/La Familia
Fort Collins, Colorado

We have audited the accompanying financial statements of The Family Center/La Familia, 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.

Auditors' 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, as established by the Auditing Standards Board. Those standards require that we plan and perform the audit 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 auditors' 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Family Center/La Familia 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.

RLR, LLP

Fort Collins, Colorado
January 21, 2020

THE FAMILY CENTER / LA FAMILIA

STATEMENT OF FINANCIAL POSITION
June 30, 2019

ASSETS	
Current Assets	
Cash and cash equivalents	$ 515,342
Accounts receivable	2,157
Grants receivable	167,947
Prepaid expenses	18,502
Total current assets	703,948
Fixed Assets	
Property and equipment	713,609
Less accumulated depreciation	(225,163)
Total fixed assets	488,446
Total assets	$ 1,192,394
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable and other liabilities	$ 65,838
Accrued compensation	69,299
Total current liabilities	135,137
Long-Term Liabilities	
Note payable	540,430
Total long-term liabilities	540,430
Total liabilities	675,567
Net Assets	
Without donor restrictions	70,756
With donor restrictions	446,071
Total net assets	516,827
Total liabilities and net assets	$ 1,192,394

See accompanying notes to financial statements.

THE FAMILY CENTER / LA FAMILIA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Program revenue	$ 913,867	$ -	$ 913,867
Grants and allocations	34,875	962,977	997,852
Contributions	26,679	158,962	185,641
Fundraising income	30,799	-	30,799
In-kind contributions	82,920	-	82,920
Interest income	72	-	72
Other income	1,015	-	1,015
Net assets released from restrictions	749,567	(749,567)	-
Total support and revenue	1,839,794	372,372	2,212,166
Expenses			
Program services	1,808,161	-	1,808,161
Support services:			
General and administrative	252,639	-	252,639
Fundraising	7,593	-	7,593
Total expenses	2,068,393	-	2,068,393
Change in Net Assets (Note 2)	(228,599)	372,372	143,773
Net Assets, Beginning of Year	299,355	73,699	373,054
Net Assets, End of Year	$ 70,756	$ 446,071	$ 516,827

See accompanying notes to financial statements.

THE FAMILY CENTER / LA FAMILIA

STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Program Services	General and Administrative	Fundraising	Total
Compensation and related				
Salaries and wages	$ 1,085,851	$ 163,862	$ -	$ 1,249,713
Employee benefits	19,688	8,147	-	27,835
Payroll taxes	88,735	18,979	-	107,714
Total compensation	1,194,274	190,988	-	1,385,262
Operating expenses				
Advertising	4,121	13,036	663	17,820
Contract labor	194,805	85	-	194,890
Dues and licensing	21,403	4,113	-	25,516
Appreciation and special events	10,532	412	6,143	17,087
Insurance	17,402	-	-	17,402
Interest	14,940	5,078	-	20,018
Leased equipment	7,391	1,014	-	8,405
Loss on asset disposal	-	1,792	-	1,792
Miscellaneous	2,815	-	96	2,911
Office expense	19,251	2,071	258	21,580
Occupancy	99,499	2,025	400	101,924
Postage and printing	202	738	-	940
Professional fees	19,902	10,917	-	30,819
Repairs and maintenance	24,606	3,140	-	27,746
Seminars and training	23,355	4,648	-	28,003
Supplies	102,512	7,498	33	110,043
Telephone	8,810	1,258	-	10,068
Travel	24,515	680	-	25,195
Total operating expenses	1,790,335	249,493	7,593	2,047,421
Depreciation	17,826	3,146	-	20,972
Total expenses	$ 1,808,161	$ 252,639	$ 7,593	$ 2,068,393

See accompanying notes to financial statements.

THE FAMILY CENTER / LA FAMILIA

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2019

Cash Flows From Operating Activities	
Change in net assets	$ 143,773
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Depreciation	20,972
Loss on disposal of fixed assets	1,792
Changes in assets and liabilities:	
Decrease in accounts receivable	37,692
(Increase) in grants receivable	(119,482)
Decrease in unconditional promises to give	10,386
(Increase) in prepaid expenses	(11,150)
Increase in accounts payable	33,909
Increase in accrued compensation	14,642
Net cash provided by operating activities	132,534
Cash Flows From Investing Activities	
Purchase of fixed assets	(5,918)
Net cash (used) by investing activities	(5,918)
Net Increase in Cash and Cash Equivalents	126,616
Cash and Cash Equivalents, Beginning of Year	388,726
Cash and Cash Equivalents, End of Year	$ 515,342
Supplemental Disclosures of Non-Cash Operating Activities:	
Contributed goods and services	$ 82,920
In-kind expenses	$ (82,920)

See accompanying notes to financial statements.

Note 1. Summary of Significant Accounting Policies

Nature of Activities

The Family Center/La Familia (the Center) is a non-profit organization incorporated in Colorado in 1996 for the purpose of providing services and advocacy in the Fort Collins community, with the primary goal to strengthen and stabilize working families with children through supportive services such as childcare, parent enrichment programs, and after-school tutoring. The main focus of the Center is to provide services that build stronger, safer families. The Center's primary programs are: early childcare education, healthy living programs, family strengthening services, youth enrichment programs, adult education services, resource and referral programs, and therapeutic family support.

The Center is a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code.

New Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The Organization has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to the comparative period presented. The new standard changes the following aspects of the Organization's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 8).

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Center reports 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.

- Net Assets Without Donor Restrictions—Net assets that are not subject to or are no longer subject to donor-imposed stipulations.
- Net Assets With Donor Restrictions—Net assets for which use is limited by donor-imposed time and/or purpose restrictions. The Center had $446,071 of net assets with donor restrictions at June 30, 2019.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Center has adopted a policy to classify donor restricted contributions as net assets without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

Note 1. Summary of Significant Accounting Policies (continued)

Fair Value

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center can access at the measurement date.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.
- Level 3 - Unobservable inputs for the asset or liability. In these situations, the Center develops inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Center's assessment of the quality, risk or liquidity profile of the asset or liability.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Center considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents. The carrying value of cash and cash equivalents approximates their fair value because of the short-term maturities of these financial instruments.

The Center maintains cash balances on deposit at financial institutions. At times, cash balances at financial institutions may exceed federally insured limits guaranteed by the Federal Deposit Insurance Corporation. The Center has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk on these accounts.

Note 1. Summary of Significant Accounting Policies (continued)

Receivables

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Unconditional pledges receivable are recognized as revenues in the period the pledge is received. Conditional pledges receivable are recognized when the conditions on which they depend are substantially met.

Grants receivable are recognized based on the ratio of program expenses incurred to total anticipated program expenses.

Property and Equipment

Property and equipment are stated at cost or, if donated, at the approximate fair market value at the date of donation using Level 3 inputs of the fair value hierarchy. Donations of buildings and equipment are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. The Center's capitalization policy requires long-term assets acquired for $1,000 or more with a useful life of more than two years to be capitalized.

Depreciation and amortization of buildings and equipment are provided on the straight-line method over the asset's estimated useful life, ranging up to 39.5 years for building, and 3-15 years for equipment.

Revenue Recognition

The Center receives program service revenue from individuals using its services and from state and county agencies whose contracts with the Center provide for subsidized childcare for qualifying families.

The Center recognizes revenues in the accounting period in which they are earned and become measurable. Under ASC 958-605-25, contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and nature of any donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon satisfaction of the time and/or purpose restrictions.

Grant revenue is recognized as earned revenue when funds are expended for allowable grant expenditures in accordance with funding guidelines. Unconditional promises to give are recognized as revenue in the period that pledges are received, and as assets, decreases in liabilities, or expenses depending on the form of the benefit received. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Grant Contingencies

The Center receives financial assistance from various governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audit could become a liability of the Center. However, in the opinion of the Center, any such disallowed claims would not have a material effect on the financial statements or on the overall financial position of the Center at June 30, 2019.

Note 1. Summary of Significant Accounting Policies (continued)

Functional Expense Allocation

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions. The expenses include compensation, occupancy, professional services and certain other expenses. Those expenses are allocated based on management's estimate of the relative attention and effort exerted towards specific functional areas. Other expenses and support services that can be identified with a specific function are allocated directly according to their natural expenditure classification.

In-Kind Contributed Goods and Services

In-kind contributions consist of donated facilities and interest (see Note 4). The Center recognizes contribution revenue for certain services received at the fair value of those services provided when those services create or enhance non-financial assets or require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Materials are recorded at fair value at the date of donation using Level 3 inputs of the fair value hierarchy. The Center recognized $82,920 of in-kind contributions during the year ending June 30, 2019.

No amounts have been reflected in the accompanying financial statements for volunteer services since no objective basis is available to measure the value of such services. However, a substantial number of volunteers have donated significant amounts of their time to the Center's program services and its fund-raising campaigns.

Advertising

The cost of advertising is charged to expense as incurred. Advertising expense for the year ended June 30, 2019 was $17,820.

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.

Income Tax Status

The Center is a nonprofit corporation and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision is made in these financial statements for income taxes.

The Center has adopted the recognition requirements for uncertainty in income taxes as required by ASC 740-10. The standard prescribes a comprehensive model for how an organization should recognize, measure, present and disclose in the financial statements uncertainty in income taxes of the organization. The Center's income tax filings are subject to audit by various taxing authorities.

In evaluating the Center's tax provisions and accruals, interpretations and tax planning strategies are considered. The Center believes their estimates are appropriate based on current facts and circumstances and have not recorded any reserves, or related accruals for interest and penalties for uncertainty in income taxes at June 30, 2019.

Reclassification

Certain reclassifications have been made to conform to current year presentation. These reclassifications have no effect on previously reported results of operations or net assets.

Note 1. Summary of Significant Accounting Policies (continued)

Subsequent Events

Management has evaluated subsequent events through January 21, 2020, the date on which the financial statements were available to be issued.

Note 2. Fiscal Sponsorship and Subsequent Event

During the year ended June 30, 2019, the Center entered into a fiscal sponsorship agreement with one of its programs, La Cocina Therapeutic Family Support (the "Program"). The agreement noted the Program had grown substantially during the fiscal year, and the Program's long term mission differed from that of the Center. The agreement required the Center to continue to operate the Program until the Program received its tax exempt status as an independent 501(c)(3) entity and transitioned to La Cocina (the "Company"). During the year ended June 30, 2019, the Center was required to hold, operate, track, and report all revenues and expenses of the Program. Upon receipt of the Company's tax exempt status, the Center was to pay the Company for any remaining net asset balance attributed to the Program, and the agreement would be terminated and the Program would be dissolved.

Subsequent to the year ended June 30, 2019, the Program notified the Center in writing to enact a termination clause, which required the agreement to terminate within 60 days of the notice. Per the agreement, the Center assisted the Company to transition all grant awards in progress to the Company, and the Center assigned those grant agreements to the Company for the remaining term noted with each funding agency. Accordingly, the Company has assumed all remaining obligations stated in those grant agreements. Subsequent to the year ended June 30, 2019, the Center has remitted to the Company the remaining funds received of $103,006 related to those grant agreements.

Note 3. Property and Equipment

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

Office equipment	$	7,992
Program equipment		18,674
Building and improvements		686,943
		713,609
Less accumulated depreciation		(225,163)
Net Property and Equipment	$	488,446

Note 4. Notes Payable

In 2008, the Center purchased the building in which they operate and obtained financing through a long term note payable, collateralized by the building. In 2010, the Center refinanced the note payable through a third-party charitable organization. The Center reduced the principal outstanding for the existing note payable with the funds raised from a capital campaign associated with the refinance. The remaining balance due was refinanced, and the amount payable from the Center to the third-party charitable organization was $540,430. The new agreement required no payments for 20 years, and no interest to be accrued. At that time, management estimated the imputed interest rate to be 3.5%. The third-party charitable organization has a lien on the building in the event the Center defaults on the loan agreement by violating various operational requirements the agreement has set forth. When the agreement expires in 2030, the third-party charitable organization has the option to forgive the debt, refinance the debt, or request full payment of the amount due to the lender. No payments are due from the Center until the agreement reaches full maturity, or if operational requirements are violated.

Note 4. Notes Payable (continued)

Because the note payable agreement contains certain conditions that the Center must meet while operating in the building, management considers the interest-free note to be conditional, and the Center will recognize donated interest income and expense annually over the life of the note so long as the ongoing conditions continue to be met. In-kind interest revenue and expense recognized during the year ended June 30, 2019 for the note was $18,995.

Note 5. Leasing Arrangement

During the fiscal year, the Center entered into a one year lease agreement beginning November 1, 2018 to rent space to house the Program, disclosed in Note 2. The lease requires a monthly payment of $2,500 per month for the first six months of the lease term, and $3,000 per month for the remaining six months. During the year ended June 30, 2019, rent expense under this agreement was $21,000. Minimum required lease payments of $12,000 are due in the year ending June 30, 2020.

Subsequent to the year ended June 30, 2019, the lease was transferred away from the Center and to the Company, following the termination of the fiscal sponsorship agreement described in Note 2.

Note 6. Net Assets with Donor Restrictions

At June 30, 2019, net assets with donor restrictions were restricted for the following purposes:

Family Strengthening Services:		
La Cocina Therapeutic Family Support	$	238,733
Health and Wellness		780
Family Development		136,401
Advocacy and Resource Referral		4,079
Other Family Strengthening Services		847
Early Childhood Education		65,231
Total Net Assets with Donor Restrictions	$	446,071

Note 7. Concentration of Revenue

The Center's mission is to provide services to qualifying families in and around the north Fort Collins, Colorado area. Therefore, significantly all of the clients of the Center are geographically concentrated.

During the year ended June 30, 2019, state and local government funding received by the Center for its childcare and family strengthening services represented approximately 35% of total support and revenue. As these grants must be applied for and awarded annually, a reduction in this funding could significantly impair the Center's ability to start new programs and continue to fund existing programs.

Note 8. Liquidity and Availability of Financial Assets

The Center 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.

Note 8. Liquidity and Availability of Financial Assets (continued)

The Center 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:

Cash and cash equivalents	$ 515,342
Accounts receivable	2,157
Grants receivable	167,947
	$ 685,446

In addition to financial assets available to meet general expenditures over the year, the Center operates with a balanced budget and anticipates covering its general expenditures by collecting sufficient revenues, and by utilizing donor-restricted resources from current and prior years gifts. The statement of cash flows identifies the sources and uses of the Center's cash and shows net positive cash and cash equivalents generated by operations of $132,534 for fiscal year ending June 30, 2019.