

**EL FUTURO, INC.**  
**DURHAM, NORTH CAROLINA**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**



**EL FUTURO, INC.**  
**YEARS ENDED JUNE 30, 2020 AND 2019**  
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## INDEPENDENT AUDITOR'S REPORT

To the Executive Committee  
El Futuro, Inc.  
Durham, North Carolina

### **Report on the Financial Statements**

We have audited the accompanying financial statements of El Futuro, Inc. (a North Carolina nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

**INDEPENDENT AUDITOR'S REPORT****CONTINUED**

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 El Futuro, Inc. as of June 30, 2020 and 2019, 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.

**Other Matters**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021 on our consideration of El Futuro, Inc. 's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Futuro, Inc. 's internal control over financial reporting and compliance.



Raleigh, North Carolina  
March 25, 2020

**EL FUTURO, INC.****STATEMENTS OF FINANCIAL POSITION****JUNE 30, 2020 and 2019****ASSETS**

	<b>2020</b>	<b>Restated 2019</b>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 1,319,039	\$ 693,690
Accounts Receivable - Net	28,973	19,747
Grants Receivable - Net	862,224	234,299
Sales Tax Receivable	6,978	5,123
Unconditional promises to give	-	4,755
Prepaid Expenses	45,813	22,643
Investments	3,453	-
<b>Total Current Assets</b>	<b>2,266,480</b>	<b>980,258</b>
<b>Fixed Assets:</b>		
Computers & Equipment	126,163	98,082
Leasehold Improvements	298,708	68,165
Website	13,500	13,500
Less: Accumulated Depreciation	(90,103)	(45,044)
Construction in Progress	-	42,870
<b>Total Fixed Assets - Net</b>	<b>348,268</b>	<b>177,573</b>
<b>Non-Current Assets:</b>		
Security Deposits	11,445	13,112
Unconditional promises to give	-	1,500
<b>Total Non-Current Assets</b>	<b>11,445</b>	<b>14,612</b>
<b>Total Assets</b>	<b>\$ 2,626,193</b>	<b>\$ 1,172,443</b>

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

**EL FUTURO, INC.****STATEMENTS OF FINANCIAL POSITION****JUNE 30, 2020 and 2019****LIABILITIES AND NET ASSETS**

	<b>2020</b>	<b>Restated 2019</b>
<b>Current Liabilities:</b>		
Accounts Payable	\$ 16,046	\$ 59,732
Accrued Expenses	130,045	42,670
<b>Total Current Liabilities</b>	<b>146,091</b>	<b>102,402</b>
<b>Non-Current Liabilities:</b>		
Notes Payable	384,000	-
Deferred Rent	33,612	18,301
<b>Total Non-Current Liabilities</b>	<b>417,612</b>	<b>18,301</b>
<b>Net Assets:</b>		
Net Assets without Donor Restrictions - Undesignated	730,385	536,740
Net Assets without Donor Restrictions - Board Designated	300,000	-
Net Assets with Donor Restrictions	1,032,105	515,000
<b>Total Net Assets</b>	<b>2,062,490</b>	<b>1,051,740</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 2,626,193</b>	<b>\$ 1,172,443</b>

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

# EL FUTURO, INC.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2020

	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Net Assets
<b>Revenue:</b>			
Grants	\$ 541,138	1,068,546	\$ 1,609,684
Contracted Services	1,319,583	-	1,319,583
Fee for Service	905,918	-	905,918
Contributions	352,589	-	352,589
In-Kind Contributions	-	43,662	43,662
Investment Income	4,512	-	4,512
Miscellaneous Revenues	3,716	-	3,716
Net Assets Released from Restrictions	595,103	(595,103)	-
<b>Total Revenues</b>	<b>3,722,559</b>	<b>517,105</b>	<b>4,239,664</b>
<b>Expenses:</b>			
Program Service Expenses	2,875,531	-	2,875,531
Supporting Service Expenses	353,383	-	353,383
<b>Total Expenses</b>	<b>3,228,914</b>	<b>-</b>	<b>3,228,914</b>
<b>Change in Net Assets</b>	<b>493,645</b>	<b>517,105</b>	<b>1,010,750</b>
<b>Net Assets - Beginning of Year - Restated</b>	<b>536,740</b>	<b>515,000</b>	<b>1,051,740</b>
<b>Net Assets - End of Year</b>	<b>\$ 1,030,385</b>	<b>\$ 1,032,105</b>	<b>\$ 2,062,490</b>

# EL FUTURO, INC.

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

	<b>Restated</b>		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Total Net Assets
<b>Revenue:</b>			
Grants	\$ 61,058	\$ 848,250	\$ 909,308
Contracted Services	1,046,750	-	1,046,750
Fee for Service	800,502	-	800,502
Contributions	369,145	-	369,145
Miscellaneous Revenues	154	-	154
Net Assets Released from Restrictions	333,250	(333,250)	-
<b>Total Revenues</b>	<b>2,610,859</b>	<b>515,000</b>	<b>3,125,859</b>
<b>Expenses:</b>			
Program Service Expenses	2,205,028	-	2,205,028
Supporting Service Expenses	406,760	-	406,760
<b>Total Expenses</b>	<b>2,611,788</b>	<b>-</b>	<b>2,611,788</b>
<b>Change in Net Assets</b>	<b>(927)</b>	<b>515,000</b>	<b>514,073</b>
<b>Net Assets - Beginning of Year</b>	<b>537,667</b>	<b>-</b>	<b>537,667</b>
<b>Net Assets - End of Year - Restated</b>	<b>\$ 536,740</b>	<b>\$ 515,000</b>	<b>\$ 1,051,740</b>



**EL FUTURO, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2020**

	Program Services	Support Services		Total	Total Expenses
		General and Managerial	Fundraising Expenses		
Salaries	\$ 1,834,670	\$ 127,250	\$ 82,184	\$ 209,434	\$ 2,044,104
Rent	203,973	13,751	7,309	21,060	225,033
Contract	198,695	893	11,865	12,758	211,454
Payroll Taxes	139,045	3,119	479	3,598	142,643
Employee Benefits	168,929	529	-	529	169,458
Professional fees	70,316	46,384	629	47,013	117,329
Depreciation	42,806	1,352	901	2,253	45,059
Office Expense	26,269	10,068	4,081	14,148	40,417
In-kind Expense	29,891	3,195	1,577	4,771	34,662
Travel	24,465	3,647	3,432	7,079	31,544
Insurance	27,310	2,285	1,428	3,713	31,023
Supplies	23,608	818	155	973	24,581
Miscellaneous	15,130	4,213	-	4,213	19,343
Training	17,250	1,585	-	1,585	18,835
Repairs & Maintenance	14,381	4,158	-	4,158	18,539
Telephone and internet	14,238	561	48	609	14,847
Utilities	9,855	1,265	-	1,265	11,120
Printing and copying	5,790	318	2,295	2,613	8,403
Dues and subscriptions	5,195	2,236	187	2,423	7,618
Bank service charges	2,552	2,414	606	3,019	5,571
Postage and shipping	211	132	3,497	3,629	3,840
Meals and entertainment	242	2,021	493	2,514	2,756
Interest	711	23	-	23	734
	<u>\$ 2,875,531</u>	<u>\$ 232,218</u>	<u>\$ 121,165</u>	<u>\$ 353,383</u>	<u>\$ 3,228,914</u>

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

**EL FUTURO, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services	Support Services			Total Expenses
		General and Managerial	Fundraising Expenses	Total	
Salaries	\$ 1,431,519	\$ 119,146	\$ 81,921	\$ 201,067	\$ 1,632,586
Rent	145,702	17,988	16,189	34,177	179,879
Contract	172,553	15,457	2,299	17,756	190,309
Payroll Taxes	104,950	9,431	3,623	13,054	118,004
Employee Benefits	100,299	5,572	4,757	10,329	110,628
Professional fees	47,680	19,561	6,166	25,727	73,407
Depreciation	24,695	690	404	1,094	25,789
Office Expense	49,940	25,707	2,199	27,906	77,846
Travel	13,959	184	979	1,163	15,122
Insurance	23,009	3,333	2,423	5,756	28,765
Supplies	9,247	5,497	-	5,497	14,744
Miscellaneous	29,590	11,984	6,763	18,747	48,337
Training	18,360	5,679	1,595	7,274	25,634
Telephone and internet	10,790	1,062	214	1,276	12,066
Utilities	8,099	2,775	233	3,007	11,106
Printing and copying	7,104	2,313	1,372	3,685	10,789
Dues and subscriptions	1,560	850	2,174	3,024	4,584
Bank service charges	-	2,233	3,720	5,953	5,953
Postage and shipping	228	772	3,018	3,790	4,019
Meals and entertainment	5,742	3,952	12,521	16,473	22,215
Parking	2	5	-	5	7
	<u>\$ 2,205,028</u>	<u>\$ 254,191</u>	<u>\$ 152,569</u>	<u>\$ 406,760</u>	<u>\$ 2,611,788</u>

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

# EL FUTURO, INC.

## STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	Restated 2019
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets	\$ 1,010,750	\$ 514,073
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	45,059	25,789
Donated Stock	(3,453)	-
(Increase) decrease in:		
Accounts Receivable	(9,226)	116,435
Grants Receivable	(627,925)	(191,858)
Sales Tax Receivable	(1,855)	129
Unconditional Promises to Give	6,255	29
Prepaid Expenses	(23,170)	(16,528)
Security Deposits	1,667	2,777
Increase (decrease) in:		
Accounts Payable	(43,687)	36,577
Accrued Expenses	87,376	(6,024)
Deferred Rent	15,311	16,993
<b>Net Cash Flows Provided by Operating Activities</b>	<b>457,103</b>	<b>498,392</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of Property and Equipment	(215,754)	(102,186)
Purchase of Construction in Process	-	(42,870)
<b>Net Cash Flows Used in Investing Activities</b>	<b>(215,754)</b>	<b>(145,056)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from PPP Loan	384,000	-
<b>Net Cash Flows Used in Investing Activities</b>	<b>384,000</b>	<b>-</b>
<b>Net Change in Cash</b>	<b>625,349</b>	<b>353,336</b>
<b>Cash and Cash Equivalents - Beginning</b>	<b>693,690</b>	<b>340,354</b>
<b>Cash and Cash Equivalents - Ending</b>	<b>\$ 1,319,039</b>	<b>\$ 693,690</b>

*See Independent Auditor's Report and Accompanying Notes to the Financial Statements*

**EL FUTURO, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:****Nature of Activities**

El Futuro, Inc. (the Organization) is a nonprofit organization that serves the mental health and substance abuse needs of Latinos and their families primarily in central North Carolina with clinics offering therapy in Siler City and Durham. El Futuro, Inc. aims to address the unique mental health needs of the Latino community through three initiatives: 1) Promotion of Latino behavioral health awareness, 2) Enhancement of existing services in the community, and 3) Provision of culturally competent clinical services.

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America as applicable to not-for-profit organizations.

**Basis of Presentation**

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP").

**Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net Assets Without Donor Restrictions* – Net assets available for use in general operations and not subject to donor restrictions.

*Net Assets With Donor Restrictions* – Net assets subject to donor-imposed restrictions. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization had net assets with donor restrictions of \$1,032,105 and \$515,000 for the years ended June 30, 2020 and 2019, respectively.

**EL FUTURO, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Changes in Accounting Principles**

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The update clarifies and improves the guidance in GAAP related to two accounting issues: (a) how to distinguish reciprocal (exchange) transactions from nonreciprocal (contributions) transactions and (b) how to determine whether a contribution is conditional or unconditional. If the revenue stream was determined to be an exchange transaction, the Organization follows ASC Topic 606. The Organization adopted the guidance of ASC Topic 958 using the modified retrospective method to all periods presented. Adopting this standard had no effect on previously reported changes in net assets.

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. Accounting Standards Codification (ASC) Topic 606 outlines a single model to account for revenue arising from contracts with customers and supersedes most current revenue recognition guidance on the same topic. The core principle is the recognition of contract revenue from customers when an entity transfers promised goods or services in an amount that reflects the consideration the Organization expects to receive in exchange for those goods or services. Additionally, ASC Topic 606 requires expanded disclosures relating to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The effective date for this new revenue recognition standard is for annual reporting periods beginning after December 15, 2018. The Organization adopted the guidance of ASC Topic 606 using the modified retrospective method applied to those contracts that were not completed as of the adoption date. Adopting this standard had no effect on previously reported net assets.

Entities other than public business entities, not-for-profit entities that are conduit bond obligors, or employee benefit plans that furnish their financial statements with the SEC can elect not to provide certain disclosures that are required for public business entities.

**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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

*See Independent Auditor's Report*

**EL FUTURO, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)****Cash and Cash Equivalents**

Cash and cash equivalents represent highly liquid investments with original maturities of three months or less at date of purchase.

**Contributions**

In accordance with FASB ASC 958-605, contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions depending on the existence and nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with donor restrictions depending on the nature of the restriction. When a stipulated time restriction ends or a 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.

**Promises to Give**

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

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Pledges receivable were \$0 and \$6,255 for the year ended June 30, 2020 and 2019, respectively. There were no allowances for uncollectible promises to give on June 30, 2020 and 2019.

**Accounts and Grants Receivable**

The Organization has accounts receivables in the form of medical billing receivables and grants receivable. Medical billing receivables totaled \$28,973 and \$19,747 for the year ended June 30, 2020 and 2019, respectively. Accounts receivables related to grant expenditures totaled \$862,224 and \$234,299 for the year ended June 30, 2020 and 2019, respectively.

# EL FUTURO, INC.

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2020 AND 2019**

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Accounts Receivable (Continued)

Receivables from clients are reported at amounts management expects to collect on balances outstanding at year-end. After management has used reasonable collection efforts or insurance claims have been denied, account balances are directly written off as stated in the allowance for bad debts accounting policy.

#### Property and Equipment

The Organization capitalizes property and equipment purchases valued at \$500 or greater. Lesser amounts are expensed. Property and equipment are recorded at cost, or if donated, at the approximate fair market value at the date of donation. Depreciation is computed using primarily the straight-line method over the estimated useful lives of the assets which are 3-5 years for computer hardware and software, and 15 years for leasehold improvements.

Depreciation expense totaled \$45,059 and \$25,789 for the years ended June 30, 2020 and 2019, respectively.

#### Accrued Expenses

Accrued expenses are primarily made up of accrued paid leave and accrued retirement. Accrued expenses for the years ended June 30, 2020 and 2019 are as follows:

	<b>2020</b>	<b>2019</b>
Accrued Paid Leave	\$ 92,399	\$ 40,156
Accrued Retirement	37,541	-
Other Accrued Expenses	105	2,514
Total Accrued Expenses	<u>\$ 130,045</u>	<u>\$ 42,670</u>

#### Concentrations of Credit Risk

The Organization maintains its cash balances at one financial institution located in North Carolina. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, the balances in these accounts may be in excess of federally insured limits. At June 30, 2020 and 2019, the Organization had uninsured cash balances in the amount of \$540,826 and \$313,330, respectively.

*See Independent Auditor's Report*

# EL FUTURO, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

#### Concentrations of Credit Risk (Continued)

The organization had receivables from one grantor totaling 46% and 54% of total grant receivables for the years ended June 30, 2020 and 2019, respectively.

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on management's judgment.

The expenses that are allocated include the following:

Expense	Allocation Factors
Occupancy	Square footage
Depreciation	Square footage
Salaries & Benefits	Time and effort
Telephone and Internet	Time and effort
Insurance	Square footage

#### Contributed Services

No amounts have been reflected in the financial statements for donated services. The Organization generally pays for services requiring specific expertise. Many individuals volunteer their time and perform a variety of tasks that assist the Organization in the office; however, these services do not meet the criteria for recognition as contributed services under FASB ASC 958-605.

#### Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and classified by the Internal Revenue Service as an organization other than a private foundation. Additionally, since the organization is publicly supported, contributions made to the organization qualify for the charitable contribution's deduction under the Internal Revenue Code. The organization is also exempt from North Carolina State income tax.

*See Independent Auditor's Report*



**EL FUTURO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

**Income Taxes (Continued)**

If applicable, penalties and interest assessed by income tax authorities related to uncertain tax positions are included as expenses in the statement of activities. There were no interest and penalties recorded or included in the financial statements for the years ended June 30, 2020 and 2019. The Organization is not currently under examination by the Internal Revenue Service or the state of North Carolina.

**2. REVENUE RECOGNITION:**

The Organization follows the guidance of Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*. The Organization derives its revenues primarily from providing third party insurance and medical services. All these revenues are recorded in the period in which the services are rendered.

**Nature of Services and Revenue Streams**

Clinical Service Insurance

The Organization receives payments from LME/MCOs in exchange for providing medical services to qualifying patients. The revenue related to these payments is recognized during the period the medical services are provided. Clinical service insurance income is recognized net of any bad debts during the fiscal year.

Clinical Service Self-Pay

The Organization receives payments from patients in exchange for providing medical services. The revenue related to these payments is recognized during the period the medical services are provided. Clinical service self-pay income is recognized net of any bad debts during the fiscal year.

# EL FUTURO, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

### 2. REVENUE RECOGNITION: (Continued)

#### Disaggregation of Revenue

In the following table, revenue recognized under the scope of ASC Topic 606 is disaggregated by major product line and timing of revenue recognition.

	June 30 2020	June 30 2019
<b>Major Services</b>		
Clinical Service Insurance	\$ 821,410	\$ 720,230
Clinical Service Self-Pay	84,509	80,272
Total Service Revenue	<u>\$ 905,919</u>	<u>\$ 800,502</u>
<b>Timing of Revenue Recognition</b>		
Services transferred over time	\$ 821,410	\$ 720,230
Services transferred at a point in time	84,509	80,272
Total Service Revenue	<u>905,919</u>	<u>800,502</u>

The Organization assesses certain economic factors and the potential for significant changes in those economic factors and its impact on the nature, amount, timing and uncertainty of revenue and cash flows. Factors such as type of customer, geographical location of customers, and type of contract have been assessed and management feels have limited impact on the performance of the Organization.

#### Contract Balances

Contract assets are disclosed in the balance sheet as Accounts Receivable and represent fees owed by customers. As the contract payments are fixed per the contract agreement, management does not have any unbilled contract assets. Contract liabilities are disclosed in the balance sheet as deferred advertising.

#### Significant Judgements When Applying the Guidance

The Organization assesses judgments and changes in judgments that significantly affect the determination and timing of revenue.

**EL FUTURO, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****3. FAIR MARKET VALUE MEASUREMENTS:**

The Organization applies Generally Accepted Accounting Principles (GAAP) for fair value measurements of financial assets that are recognized or disclosed at fair value in the financial statements on a recurring basis. GAAP 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. GAAP also establishes a framework for measuring fair value and expands disclosures about fair value measurements.

Professional standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level One Inputs) and the lowest priority to measurements involving significant unobservable inputs (Level Three Inputs). The three levels of the fair value hierarchy are as follows:

- Level One Inputs – are unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level Two Inputs – include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly.
- Level Three Inputs – are unobservable and significant to the overall fair value for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

# EL FUTURO, INC.

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2020 AND 2019**

### 3. FAIR MARKET VALUE MEASUREMENTS: (Continued)

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2020:

<u>Fair Value Measurements at Reporting Date Using:</u>				
	Quoted Prices in Active Markets for Identical Assets (Level One Inputs)	Significant Other Observable Inputs (Level Two Inputs)	Significant Unobservable Inputs (Level Three Inputs)	Total
Common Stock	\$ 3,453	\$ -	\$ -	\$ 3,453
Total Investments	\$ 3,453	\$ -	\$ -	\$ 3,453

As of June 30, 2020, the Organization did not have any measurable financial assets.

### 4. NOTES PAYABLE:

On April 22, 2020, the Organization acquired a loan through the Paycheck Protection Program in the amount of \$384,000. It calls for monthly principal payments of \$22,872 for two years at a fixed interest rate of 1%. This loan may be eligible for forgiveness. Based on the current guidance from Congress and the Small Business Administration (SBA), the Organization expects to receive full forgiveness.

Unless forgiven, future maturities of long-term debt are as follows:

June 30, 2021	\$ 179,007
June 30, 2022	204,993
	<u>\$ 384,000</u>

# EL FUTURO, INC.

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2020 AND 2019**

### 5. NET ASSETS WITH DONOR RESTRICTIONS:

The net assets with donor restrictions are contributions with donor-imposed stipulations. These stipulations are removed when the Organization expends the donated assets or places those assets in service for the purposes specified. The restrictions consist of the following for the year ended June 30, 2020:

	<b>6/30/19</b>	<b>Additions</b>	<b>Released</b>	<b>6/30/20</b>
Fox Family Foundation	\$ 5,000	\$ -	\$ 5,000	\$ -
Kenan Charitable Trust	250,000	250,000	250,000	250,000
Blue Cross Blue Shield of NC - Year 2	100,000	100,000	-	200,000
Blue Cross Blue Shield of NC - Year 3	-	50,000	-	50,000
The Duke Endowment	150,000	250,000	150,000	250,000
Galloway Ridge Foundation	8,000	8,000	8,000	8,000
LENS Grant	-	107,000	-	107,000
Kenan Charitable Trust	-	94,000	-	94,000
Z Smith Reynolds	-	45,000	45,000	-
Hope and Grace	-	76,650	76,650	-
TCF - Tierra Firme Grant	-	25,000	25,000	-
Oak Foundation - Triangle	-	-	-	-
Capicity Bulding Award	-	23,105	-	23,105
TCF Environmental	-	20,000	-	20,000
Orange County Partnership for Young Children	-	16,500	16,500	-
Carolina Hurricanes - Game	-	-	-	-
Changer Grant	-	15,000	-	15,000
Duke University Health System Grant	-	15,000	-	15,000
United Way of Chatham County	-	9,335	9,335	-
Town of Chapel Hill	-	5,750	5,750	-
United Way of Chatham County - Covid Relief	-	1,868	1,868	-
Conditional Promises To Give	2,000	-	2,000	-
<b>Total</b>	<b>\$ 515,000</b>	<b>\$ 1,112,208</b>	<b>\$ 595,103</b>	<b>\$ 1,032,105</b>

*See Independent Auditor's Report*

# EL FUTURO, INC.

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2020 AND 2019**

### 5. NET ASSETS WITH DONOR RESTRICTIONS:

The restrictions consist of the following for the year ended **June 30, 2019**:

	<b>6/30/18</b>	<b>Additions</b>	<b>Released</b>	<b>6/30/19</b>
Fox Family Foundation	\$ 2,500	\$ 5,000	\$ 2,500	\$ 5,000
Cardinal Innovations	126,000	-	126,000	-
Kenan Charitable Trust	-	250,000	-	250,000
Blue Cross Blue Shield of NC	-	100,000	-	100,000
The Duke Endowment	200,000	150,000	200,000	150,000
Galloway Ridge Foundation	4,000	8,000	4,000	8,000
Conditional Promises To Give	750	2,000	750	2,000
<b>Total</b>	<b>\$ 333,250</b>	<b>\$ 515,000</b>	<b>\$ 333,250</b>	<b>\$ 515,000</b>

### 6. IN-KIND CONTRIBUTIONS:

The Organization received in-kind contributions in the amount of \$43,662 and \$0 for the years ended June 30, 2020 and 2019, respectively. The most in-kind donations are for various office supplies.

### 7. LEASE COMMITMENTS:

Effective November 1, 2018, the Organization leased additional space in Lakewood Shopping Center in Durham, North Carolina from RAD Durham. The lease will expire on June 30, 2033. Monthly rent requirements for the coterminous leases increase annually 1 to 2 percent until 2028. Accounting Standards require rent expense to be recognized equally over the life of the lease. As such, the difference between actual rental payments versus straight-lined annualized rent causes deferred rent liability in the early years and then that liability is reduced as it is applied in the later years. Rates for future years vary and have been accounted for in the future minimum lease payments schedule below.

The Organization leases an office space in Siler City for \$725 a month through February 2019. In March 2019, the monthly rate increased to \$2,100 a month through January 2022.

*See Independent Auditor's Report*

# EL FUTURO, INC.

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2020 AND 2019**

### 7. LEASE COMMITMENTS: (Continued)

Rent expense for the years ended June 30, 2020 and June 30, 2019 was \$215,476 and \$179,879 respectively.

Future minimum lease payments required under these capital leases are as follows:

Years Ending June 30,	
2021	\$ 193,825
2022	186,697
2023	175,437
2024	178,946
2025	182,397
Thereafter	1,493,275
Total Minimum Lease Payments	<u>\$ 2,410,577</u>

### 8. RETIREMENT PLAN:

The Organization has a Section 403(b) Retirement Plan. Each employee is eligible to participate in the plan and to elect to have elective deferrals made on his or her behalf immediately upon becoming employed by the Organization. The employee elects to become a participant by executing an election to reduce his or her compensation and filing it with the Organization. Employee contributions can be made up to the maximum amount allowed by the Internal Revenue Code. The plan provides for employer matching contributions or employer non-elective contributions. Retirement expense totaled \$37,541 and \$0 for the years ending June 30, 2020 and 2019, respectively.

### 9. CONTINGENT LIABILITIES:

The Organization receives state support for several of its programs. Periodic audits and reviews are performed by agencies of the state and questions may arise relating to the expenditures of these funds. Such audits or reviews could result in a refund of monies to the state. Management believes that any required refund would be immaterial. No provision has been made in the accompanying financial statements for returns of state funds.

# EL FUTURO, INC.

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2020 AND 2019**

### 10. LINE OF CREDIT:

The Organization has a line of credit with a financial institution. The line of credit allows the Organization to borrow on a revolving basis up to \$60,000 with interest accruing at a variable rate equal to the prime rate plus 1.0%. Unless renewed, the line of credit expires on May 5, 2021. As of June 30, 2020 and 2019, the line of credit balance was \$0.

### 11. LIQUIDITY AND AVAILABILITY:

The following reflects the Organization's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date.

	<u>6/30/2020</u>
Cash and Cash Equivalents	\$ 1,319,039
Receivables	898,175
Investments	3,453
Financial Assets at Year-End	<u>\$ 2,220,667</u>
Financial Assets at Year-End	\$ 2,220,667
Less those Unavailable for General Expenditures within One Year, due to:	
Contractual or donor restrictions	
Restricted by donor with time or purpose restrictions	<u>(1,032,105)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 1,188,562</u>

The Organization has enough financial assets available to meet over 4 months of expenses based on total expenses for 2020 of \$3,228,914, which management deems to be sufficient. Property and equipment, prepaid expenses and security deposits are not included in financial assets above. Any monies collected from the sale of fixed assets or the return of security deposits that occur within one year would provide additional resources. Additionally, the Board may choose to use board designated net assets for purposes other than those originally designated.



**EL FUTURO, INC.****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020 AND 2019****12. RECLASSIFICATIONS:**

Certain amounts in the 2019 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the previously reported increase in net assets.

**13. PRIOR PERIOD ADJUSTMENT:**

The Organization discovered 2019 reimbursable grant expenses when they went to prepare 2019 GCC grant reports in late 2020. In the previous year, the Organization estimated 2019 GCC grant receivables because they did not process grant reports in time for the audit. Because of the understatement of revenue, the prior period financials were restated as of June 30, 2019 by increasing Grants Receivable and increasing Unrestricted Net Position by \$70,629, both of which are on the Statement of Net Position. Even though this increased contracted services revenue and total net income for 2019 by \$70,629 it did not cause a tax impact because the organization is a non-profit.

**14. EVENTS OCCURRING AFTER REPORTING DATE:**

The COVID-19 pandemic is affecting the financial markets, individuals, businesses, and not-for-profit organizations as these financial statements were prepared. It is anticipated that the Organization will be affected by this major event in the following ways: programs may be cancelled or postponed resulting in decreased revenues and expenses, additional expenses may be necessary to comply with guidelines, and there may be other ramifications. The financial and operational effects of this major event have not been factored into the presentation of these financial statements.

The Organization has evaluated events and transactions that occurred between June 30, 2020 and March 25, 2021 which is the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

# EL FUTURO, INC.

## SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED JUNE 30, 2020

<u>Federal/State Grantor/Pass-through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract #</u>	<u>Receipts</u>	<u>Total Federal Expenditures</u>
<b>Federal Awards:</b>				
<b>US Department of Justice</b>				
National Institute of Justice	16.560	2018-ZD-CX-0001	\$ 81,749	\$ 81,749
Passed through NC Governors Crime Commission				
El Futuro Latino Services 2017	16.575	2017-VA-GX-0050	47,138	47,138
El Futuro - UVS Rural Latino Crime Victims - 2018	16.575	2018-V2-GX-0061	235,506	235,506
El Futuro - UVS Rural Latino Crime Victims - 2019	16.575	2019-V2-GX-0067	271,443	271,443
<b>Total US Department of Justice</b>			<u>635,836</u>	<u>635,836</u>
<b>US Department of Health and Human Services</b>				
Block Grant on Community Mental Health Services	93.958	1461-5232-6Y-3B	60,000	60,000
Passed through North Carolina Department of Health and Human Services	93.224	00038021	105,832	105,832
<b>Total US Department of Health and Human Services</b>			<u>165,832</u>	<u>165,832</u>
<b>Total Federal Awards</b>			<u>\$ 801,668</u>	<u>\$ 801,668</u>

The information on this schedule has been prepared on the accrual basis of accounting. Therefore, receipts are recognized when received and expenditures are recognized when paid.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
El Futuro, Inc.  
Durham, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of El Futuro, Inc. (a North Carolina nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated TBD.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered El Futuro, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Futuro, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified deficiencies in internal control that we consider to be material weaknesses.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

**Continued**

*Grant Accounting*

Management had difficulty identifying that a single audit was required based on the amount of expenditures of federal awards spent during the year. Management is responsible for tracking all expenditures of federal awards throughout the year to ensure compliance with all grant reporting requirements.

*Journal Entries*

We proposed four material audit adjustments that in our opinion would not have been discovered except through our auditing procedures. Management is responsible for establishing controls to ensure that they are able to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles. Currently, management does not have controls in place to ensure that all adjustments that need to be made are recorded.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether El Futuro, Inc. 's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Raleigh, North Carolina  
March 25, 2021

# EL FUTURO, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2020

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### Section I. Summary of Auditor's Results

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Noncompliance material to the financial statement noted?

\_\_\_yes      X no

#### Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?      X yes      \_\_\_no
- Significant Deficiency(ies) identified that are not considered to be material weaknesses?      \_\_\_yes      X no
- Noncompliance material to federal awards?      \_\_\_yes      X no

Type of auditor's report issued on compliance for major federal programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with 2CFR Section 200-516(a)?

\_\_\_yes      X no

Identification of major federal programs:

CFDA No.	Names of Federal Program or Cluster
16.575	Governors Crime Commission Grants

Dollar threshold used to distinguish between Type A and Type B Programs:

\$ 750,000

Auditee qualified as low-risk auditee?

\_\_\_ yes      X no

#### State Awards

There is no major state program for El Futuro, Inc.

# EL FUTURO, INC.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2020

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### Section II – Financial Statement Findings

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#### Significant Deficiencies

N/A

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### Section III – Federal Award Findings and Questioned Costs

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#### **Finding 2020-001**

**1) Criteria:** The Organization must establish and maintain effective internal control over federal awards that provides reasonable assurance that the Organization is managing the federal awards in compliance with federal statutes, regulations and terms and conditions of the federal award.

**Condition:** One expenditure from a sample of 46 selected for testing did not agree to the provided support.

**Cause:** Lack of compliance with designed internal controls over disbursements allows for payment of expenditures that were not accurate.

**Effect:** Amount requested from the Governors Crime Commission was not accurate.

**Recommendation:** We recommend that adequate documentation be retained to support the amounts charged to the grant.

**Management Response:** The amount requested for staff salary reimbursement is compared to the budgeted line item amount for each employee. If the amount requested exceeds the budgeted amount for a specific employee, the amount requested is reduced to the budgeted amount. Also, if the employee works less than the budgeted salary amount, then the lesser amount will be requested for reimbursement.

The discrepancy noted by the auditors related to the necessity of providing an “hourly pay rate” for salaried employees who are charged on the grant according to the percent effort they provided to the funded activities. Because salaried personnel work varying numbers of hours in a given month, the percent effort calculation and the hourly pay rate times number of hours worked calculations often result in different dollar amounts to be reported to the funder, yet both calculations must be reported.

The Organization has worked closely with the federal grants manager to identify ways to improve this reporting process so that it is more efficient and accurate for the funder’s and the Organization’s purposes. One of the improvements that has already resulted from this collaboration is a simpler reporting of percent effort worked for staff.

## EL FUTURO, INC.

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**FOR THE YEAR ENDED JUNE 30, 2020**

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#### Section III – Federal Award Findings and Questioned Costs

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Documentation on how the salary reimbursement was calculated is now reviewed by one other team member prior to submission. All supporting documentation used to calculate the salary reimbursement is also saved with the submission packet and shared with the Finance Director, Director of Advancement & Strategy, and Staff Administrative Assistant.

#### **Finding 2020-002**

**2) Criteria:** The Organization must establish and maintain effective internal control over federal awards that provides reasonable assurance that the Organization is managing the federal awards in compliance with federal statutes, regulations and terms and conditions of the federal award.

**Condition:** The Organization was unable to provide a lead schedule that identified all direct costs that had been reimbursed by Federal Awards for the first three months of one grant award.

**Cause:** This was the Organization's first single Audit and they were unaware of this requirement.

**Effect:** Without lead sheets identifying all costs, it is difficult for auditors to get comfortable with direct costs.

**Recommendation:** We recommend that adequate lead schedules be prepared to support the amounts charged to the grant.

**Management Response:** Due to staff turnover at the close of one, two-year federal award period, 3 months of payment detail from GCC reimbursement requests were not downloaded from the GCC grants processing system before GCC "closed" the award in the online system. When that award was closed, El Futuro no longer had access to that payment detail report and therefore was not able to provide it during the audit. This meant that the Organization could provide documentation on the expenses submitted for reimbursement and the amount that was approved and paid. The only missing information was the detail on which line item requests were paid in full and which were paid in part. Going forward, the Organization now saves a copy of the entire document packet submitted to GCC. This includes: monthly bank statements, vendor bills, payment record from Bill.com, employee time and activity sheets, payroll journals, and all other supporting documentation that is submitted to GCC for reimbursement. Once payment is approved and paid, we immediately enter the online GCC grants management platform and download the payment detail to save to our files. These files are shared with the Finance Director, the Director of Advancement & Strategy and a Staff Administrative Assistant to ensure file copies are maintained in case of future staff changes, or other unforeseen circumstances.

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**Section IV – State Award Findings and Questioned Costs**

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N/A





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