

Audited Financial Statements

EL FUTURO INC.

June 30, 2022 and 2021

El Futuro Inc.

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Mark S. Danes, CPA, PLLC

Certified Public Accountant and Consultant

Independent Auditor's Report

Board of Directors and Management
El Futuro Inc.
Durham, North Carolina

Opinion

We have audited the accompanying financial statements of El Futuro Inc. (the Organization) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of state awards for the year ended June 30, 2022, as required by the State of North Carolina, 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 audit 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 schedule of expenditures of federal and state awards 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 December 1, 2022, on our consideration of the Organization'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 solely 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 the effectiveness of the Organization's 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 the Organization's internal control over financial reporting and compliance.

Mark S. Danes, CPA, PLLC

Mark S. Danes, CPA, PLLC
5512 Frenchmans Creek Drive
Durham, North Carolina 27713
December 1, 2022

El Futuro Inc.
Statements of Financial Position
June 30, 2022 and 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 2,988,122	\$ 2,441,016
Investments	-	14,861
Grants receivables	776,555	653,292
Medical billings receivables	68,618	30,735
Other receivables	16,973	13,938
Prepaid expenses	47,387	48,541
Security deposits	11,336	11,436
Property and equipment, net	347,986	398,130
	<u>347,986</u>	<u>398,130</u>
 Total assets	 <u><u>\$ 4,256,977</u></u>	 <u><u>\$ 3,611,949</u></u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 43,910	\$ 28,394
Accrued expenses	257,550	209,663
Deferred rent	69,429	47,295
Contingent liability	-	54,048
Forgivable loan	-	394,670
	<u>-</u>	<u>394,670</u>
 Total liabilities	 <u>370,889</u>	 <u>734,070</u>
 Net Assets		
Without donor restrictions		
Undesignated	1,642,180	1,931,946
Board-designated	930,000	450,000
With donor restrictions	1,313,908	495,933
	<u>1,313,908</u>	<u>495,933</u>
 Total net assets	 <u>3,886,088</u>	 <u>2,877,879</u>
 Total liabilities and net assets	 <u><u>\$ 4,256,977</u></u>	 <u><u>\$ 3,611,949</u></u>

See accompanying notes to financial statements.

El Futuro Inc.
Statements of Activities
For the Years Ended June 30, 2022 and 2021

	2022	2021
Without donor restrictions		
Revenue and gains		
Contributions of cash and other financial assets	\$ 1,374,111	\$ 1,357,471
Contributions of nonfinancial assets	23,736	29,119
Grants	601,008	1,151,051
Clinical services (program revenue)	1,429,474	918,960
PPP loan forgiveness	394,670	384,000
Special events, net	29	100,024
Return on investments	-	4,545
Gain (loss) on disposal	(1,609)	-
Miscellaneous revenue	6,325	25,369
Total revenue and gains	3,827,744	3,970,539
Net assets released from restrictions	495,933	899,172
Total revenue, gains and reclassifications	4,323,677	4,869,711
Expenses and Losses		
Program services	3,078,978	2,825,136
Management and general	795,039	484,999
Fundraising	259,426	208,015
Total expenses and losses	4,133,443	3,518,150
Change in net assets without donor restrictions	190,234	1,351,561
With donor restrictions		
Contributions	1,313,908	363,000
Net assets released from restrictions	(495,933)	(899,172)
Change in net assets with donor restrictions	817,975	(536,172)
Change in net assets	1,008,209	815,389
Beginning net assets	2,877,879	2,062,490
Ending net assets	\$ 3,886,088	\$ 2,877,879

See accompanying notes to financial statements.

El Futuro Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2022

	Program Services	Management and General	Fundraising	2022 Total
Salaries	\$ 2,083,704	\$ 443,051	\$ 166,727	\$ 2,693,482
Employee benefits	198,450	42,196	15,879	256,525
Rent	166,014	39,654	13,170	218,838
Payroll taxes	152,325	32,388	12,188	196,901
Professional fees	14,490	159,166	16,152	189,808
Contract services	154,935	1,500	-	156,435
Supplies	80,774	13,228	5,585	99,587
Office expenses	45,261	14,535	11,424	71,220
Depreciation	44,167	2,427	1,941	48,535
Telephone and internet	38,099	6,323	3,172	47,594
Insurance	27,953	6,677	2,217	36,847
Repairs and maintenance	19,826	4,736	1,573	26,135
Utilities	12,107	2,892	960	15,959
Dues and subscriptions	12,639	472	202	13,313
Meals and entertainment	4,086	6,856	773	11,715
Honorariums, stipends and awards	11,670	-	-	11,670
Bank service charges	-	10,755	-	10,755
Training	7,990	2,416	264	10,670
Printing and copying	3,000	2,967	2,701	8,668
Travel	622	1,324	1,366	3,312
Postage and shipping	866	751	1,361	2,978
Interest	-	-	-	-
Miscellaneous	-	725	1,771	2,496
	<u>\$ 3,078,978</u>	<u>\$ 795,039</u>	<u>\$ 259,426</u>	<u>\$ 4,133,443</u>

See accompanying notes to financial statements.

El Futuro Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2021

	Program Services	Management and General	Fundraising	2021 Total
Salaries	\$ 1,845,823	\$ 324,634	\$ 136,822	\$ 2,307,279
Employee benefits	176,071	30,967	13,051	220,089
Rent	192,473	7,672	6,137	206,282
Payroll taxes	134,867	23,720	9,997	168,584
Professional fees	27,591	56,173	940	84,704
Contract services	233,867	2,944	1,250	238,061
Supplies	60,111	7,659	21,658	89,428
Office expenses	5,442	5,629	277	11,348
Depreciation	47,368	2,603	2,082	52,053
Telephone and internet	17,624	893	714	19,231
Insurance	32,754	2,091	1,480	36,325
Repairs and maintenance	16,267	1,650	696	18,613
Utilities	10,405	271	217	10,893
Dues and subscriptions	3,735	904	227	4,866
Meals and entertainment	2,088	166	26	2,280
Program Honorariums, Stipends & Awards	-	-	-	-
Bank service charges	-	7,700	-	7,700
Training	14,627	2,923	328	17,878
Printing and copying	1,631	677	6,878	9,186
Travel	594	-	34	628
Postage and shipping	805	498	5,201	6,504
Interest	-	5,225	-	5,225
Miscellaneous	993	-	-	993
	<u>\$ 2,825,136</u>	<u>\$ 484,999</u>	<u>\$ 208,015</u>	<u>\$ 3,518,150</u>

See accompanying notes to financial statements.

El Futuro Inc.
Statements of Cash Flows
For the Year Ended June 30, 2022

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ 1,008,209	\$ 815,389
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	48,535	52,053
Forgiveness of PPP loan	(394,670)	(384,000)
Loss on disposal of equipment	1,609	-
Donated investments	-	(10,477)
Unrealized loss (gain) on investments	-	(445)
Changes in assets and liabilities:		
Grants receivable	(123,263)	208,932
Medical billings receivables	(37,883)	(1,762)
Other receivables	(3,035)	(6,960)
Prepaid expenses	1,154	(2,728)
Security deposits	100	9
Accounts payable	15,516	12,348
Deferred rent	22,134	13,683
Accrued expenses and contingencies	(6,161)	133,666
Total adjustments	(475,964)	14,319
Net cash provided by (used in) operating activities	532,245	829,708
Cash Flows From Investing Activities		
Purchases of property and equipment	-	(101,915)
Proceeds from sale of investments	14,861	
Purchases of investments	-	(486)
Net cash provided by (used in) investing activities	14,861	(102,401)
Cash Flows From Financing Activities		
Proceeds from forgivable loan	-	394,670
Net cash provided by (used in) financing activities	-	394,670
Net increase (decrease)	547,106	1,121,977
Cash, cash equivalents and restricted cash at start of year	2,441,016	1,319,039
Cash, cash equivalents and restricted cash at end of year	\$ 2,988,122	\$ 2,441,016
Supplemental Disclosures		
Cash paid for interest	\$ -	\$ -
Cash paid for taxes	\$ -	\$ -

See accompanying notes to financial statements.

El Futuro Inc.
Notes to Financial Statements
June 30, 2022

Note 1 - Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

\$

El Futuro (the Organization) is a North Carolina nonprofit organization recognized by the Internal Revenue Service as a charitable, tax-exempt organization. El Futuro was volunteer-founded in 2004 in direct response to the increasing wave of Latin American immigrants and the critical lack of bilingual mental health providers to meet the needs of this growing part of our community. Today, the Organization 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. It 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.

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also exempt from North Carolina income and franchise taxes under the North Carolina Non-Profit Corporation Act. However, income from certain activities not directly related to the Organization's tax-exempt purpose, if present, may be subject to taxation as unrelated business income. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Summary of Significant Accounting Policies:

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization 's management and the Board of Directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions, if any, are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

El Futuro Inc.
Notes to Financial Statements
June 30, 2022

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents and Restricted Cash

As a general rule, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

There was no restricted cash for the periods presented.

Receivables

The Organization uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific account balances. For medical billing, only half of the total charge is recorded as a receivable. All other balances are deemed to be fully collectible. After management has used reasonable collection efforts or insurance claims have been denied, account balances are directly written off.

Property and Equipment

Effective July 1, 2021, the Organization capitalizes all property and equipment purchases over \$5,000 that benefit more than one year (with the previous threshold being \$500). Purchased property and equipment are carried at cost. Donated property and equipment are recorded as revenue at their estimated fair value as of the date of the contribution.

Major additions and betterments are charged to the property and equipment accounts while replacements, maintenance or repairs, which do not improve or extend the life of the respective assets, are expensed in the year incurred. Fully depreciated assets are retained in the property and equipment accounts until they are removed from service.

The Organization reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment, there were no impairments at June 30, 2022 and 2021.

Property and equipment are depreciated over the estimated useful lives of the assets based on the straight-line method. The estimated lives of the assets (in years) are shown below:

Leasehold improvements	14-15
Computers and equipment	3-10
Website	3

Accrued Expenses

Accrued expenses are primarily made up of accrued salaries and wages, paid leave and retirement plan contributions.

El Futuro Inc.
Notes to Financial Statements
June 30, 2022

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Uncertain Tax Positions

The Organization has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. It should be noted that the prior three tax years remain subject to examination by major tax jurisdictions.

General Expenditures

The Organization considers the costs related to its normal activities to be general expenditures unless such costs are limited by the donors for specified, restricted purposes. Accordingly, the related resources for the latter have been excluded in the quantitative information detailing the financial assets available to meet general expenditures within one year.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries and benefits	Time and effort
Depreciation	Time and effort
Occupancy expenses	Time and effort
Insurance	Time and effort
Telephone and internet	Time and effort

The remaining categories on the statement of functional expenses are allocated based on approximate direct usage.

Revenue Recognition - Contributions

Contributions are recognized when the donor makes a promise to give the Organization that is, in substance, unconditional.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

El Futuro Inc.
Notes to Financial Statements
June 30, 2022

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Contributions of Nonfinancial Assets and Services

The Organization routinely receives nonfinancial assets to use as it sees fit. There is no set policy on whether such donated assets will be monetized or utilized in the Organization's activities. These decisions are made on a case-by-case basis. Unless otherwise noted, contributed nonfinancial assets do not have donor-imposed restrictions.

For the year ended June 30, 2022, the Organization received donated information technology equipment and services valued at \$23,736. The estimated fair value was based on comparable prices in the area served by the Organization. All of it was utilized during the year.

For the year ended June 30, 2021, the Organization received donated materials that were sold at auction for \$29,119. Again, all of it was utilized during the year it was provided.

Other donated services have not been reflected in the accompanying financial statements since they do not meet the criteria for recognition under U.S. GAAP. Nevertheless, a substantial number of volunteers have donated significant amounts of their time for both program and supporting services. Management estimates 700 and 500 volunteer hours for the years ended June 30, 2022 and 2021, respectively.

Revenue Recognition - Exchange Transactions

The Organization considers a contract with a client (or patient) to exist when there is approval and commitment from the Organization and the client, the rights of the parties and payment terms are identified, the contract has commercial substance, and the collectability of consideration is probable.

The Organization evaluates each service deliverable contracted with the client to determine whether it represents promises to transfer distinct services. These are referred to as performance obligations. One or more service deliverables often represent a single performance obligation. This evaluation requires significant judgment and the impact of combining or separating performance obligations may change the time over which revenue from the contract is recognized.

The Organization derives its program revenue from clinical service fees charged to clients and third-party payers (including health insurers and government programs) for the provision of mental health counseling services. Clinical service revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled to in exchange for providing patient care. These amounts are due from patients, third-party payers and others and include variable consideration for retroactive adjustments due to settlement of audits, reviews and investigations. Generally, the Organization bills patients and third-party payers several days after the services are performed. Revenue is recognized over time as performance obligations are satisfied. The Organization determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payers, discounts provided to uninsured patients in accordance with the Organization's policies. Consistent with the Organization's mission, care is often provided to patients who do not have the ability to pay. Therefore, the Organization has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances (for example, copays and deductibles). Patients who meet the Organization's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts determined to qualify as charity care are not reported as revenue.

El Futuro Inc.
Notes to Financial Statements
June 30, 2022

Note 1 - Nature of Activities and Summary of Significant Accounting Policies (Continued)

Revenue Recognition - Exchange Transactions (Continued)

The viability of the Organization's program service fees is dependent on [1] the strength of the overall economy in Durham and Siler City, North Carolina and the general vicinities, and [2] the Organization's ability to collect on its contracts.

The timing of revenue recognition results in contract assets that are captured on the statement of financial position in the line item "Medical billings receivables". The balance at the beginning of fiscal year 2021 (i.e., June 30, 2020) was \$28,973.

The Organization considers receivables to be past due if payments are not received within 365 days. Past due accounts are not charged interest and there are no late fees.

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.

Note 2 - Investments

The Organization's portfolio at June 30, 2021 consisted of cash and stocks held at a brokerage firm and are recorded at market value. Given the amounts involved, further disclosure related to the Organization's investments is not considered necessary.

Note 3 - Grants Receivable

The Organization's grants receivable (as much as \$100,000 each) are from various government and private agencies and all are unsecured. All items are expected to be collected within one year of the statement of financial position date.

Note 4 - Property and Equipment

Property and equipment consisted of the following as of June 30:

	2022	2021
Leasehold improvements	\$ 367,258	\$ 367,258
Computers and equipment	115,224	159,528
Website	13,500	13,500
Total property and equipment	495,982	540,286
Less accumulated depreciation	(147,996)	(142,156)
	<u>\$ 347,986</u>	<u>\$ 398,130</u>

Depreciation expense totaled \$48,535 and \$52,053 for the years ended June 30, 2022 and 2021, respectively.

El Futuro Inc.
Notes to Financial Statements
June 30, 2022

Note 5 - 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 (4.75% at June 30, 2022) plus 1.0%. The line expires on May 5, 2024. As of June 30, 2022 and 2021, the outstanding balance was zero.

Note 6 - Forgivable Loans

In April 2020, the Organization received a forgivable loan of \$384,000 with an interest rate of 1% per annum under the Paycheck Protection Program (PPP) implemented by the Small Business Administration (SBA) with support from the U.S. Department of the Treasury. No repayments were made in fiscal years 2020 or 2021 and the loan was formally forgiven on June 28, 2021 and taken into revenue on that date.

In March 2021, the Organization received another forgivable loan of \$394,670 with an interest rate of 1% per annum under the PPP implemented by the SBA. No repayments were made in fiscal years 2021 or 2022 and the loan was formally forgiven on August 10, 2022 and taken into revenue in fiscal year 2022.

Note 7 - Lease Commitments to Others

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 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 creates a deferred rent liability that is adjusted each year. Rates for future years vary and have been accounted for in the future minimum lease payments schedule below.

2023	\$ 174,935
2024	178,433
2025	181,851
2026	183,669
2027	185,506
Thereafter	1,116,990
	<u>\$ 2,021,384</u>

Note 8 - Commitments

The Organization receives significant financial assistance from its grantors. Entitlement to the recovery of the applicable direct and indirect costs is generally conditioned upon compliance with the terms and conditions of the grant agreements and applicable federal or state regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance reviews and audits by grantors. In management's opinion, the likelihood of an adverse material outcome upon its financial position from those reviews and audits is remote.

Note 9 - Concentration of Risk

The Organization's accounts at various financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and may at times exceed the federally insured limits. The Organization has never experienced any losses in such accounts. Amounts over the FDIC limit totaled \$681,384 at June 30, 2022.

El Futuro Inc.
Notes to Financial Statements
June 30, 2022

Note 10 - Restricted Net Assets

Net assets with donor restrictions are as follows at June 30:

	2022	2021
Passage of time:		
Kenan Charitable Trust	\$ -	\$ 150,000
Leon Levine Foundation	125,000	-
Mary Duke Biddle Foundation	10,000	-
Specific purpose:		
Kenan Charitable Trust	300,000	4,155
Anonymous Foundation	200,633	-
Duke Endowment	200,000	-
Blue Cross Blue Shield of NC	200,000	150,000
Duke University Hospital Chaplain Fund	-	100,000
Duke Office of Durham & Community Affairs	84,717	9,243
LENS-NC Oak Foundation of MDC	75,000	-
Z Smith Reynolds	50,000	-
LENS Grant	-	52,819
Hispanc Federation	25,000	-
City of Durham Participatory Budget	23,558	-
Foundation for a Healthy Carolina	20,000	-
Oak Foundation	-	10,000
TCF Education and Youth	-	10,000
NC Area Health Education Centers	-	6,383
Galloway Ridge Foundation	-	3,333
	<u>\$ 1,313,908</u>	<u>\$ 495,933</u>

Note 11 - Related Party Transactions

It is not unusual for members of the Board of Directors to make contributions to the Organization, either as individuals or through their business interests. The amounts involved for the years presented are not considered material to the financial statements taken as a whole.

Note 12 - Conditional Grants

Several grantors have made funds available totaling approximately \$2,006,000 based on the Organization's ability to perform specific services in the future. These grants will expire at various times through fiscal year 2024. No portion of this amount has been reflected as revenue or net assets in the accompanying financial statements.

El Futuro Inc.
Notes to Financial Statements
June 30, 2022

Note 13 - Release of Restrictions

Net assets released from donor restrictions are as follows for the year ended June 30:

	2022	2021
Satisfaction of time restrictions	\$ 150,000	\$ 515,000
Satisfaction of purpose restrictions:		
Blue Cross Blue Shield of NC	-	100,000
Duke University Hospital Chaplain Fund	100,000	-
Kenan Charitable Trust	150,000	89,845
Kenan Charitable Trust - Katy Sims	4,155	-
NC Area Health Education Centers	6,383	68,617
LENS Grant	52,819	67,287
Triangle Community Foundation (TCF) Environmental	-	20,000
Triangle Community Foundation - Education & Youth	10,000	-
Duke University Health System Grant	-	15,000
Galloway Ridge Foundation	3,333	12,667
Oak Foundation - Triangle Capacity Building Award	10,000	10,000
Duke Office of Durham & Community Affairs	9,243	757
	<u>\$ 495,933</u>	<u>\$ 899,172</u>

Note 14 - Defined Contribution Plan

The Organization has a Section 403(b) Retirement Plan. Each employee is eligible to participate in the plan and 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 \$39,000 and \$38,000 for the years ended June 30, 2022 and 2021, respectively.

Note 15 - New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued *Accounting Standards Update (ASU) 2016-02, Leases*. ASU 2016-02 changes how an entity reports and measures all leases of property, plant, and equipment. The ASU is effective for annual periods beginning after December 15, 2021. Management is evaluating the impact the update will have on the Organization's financial statements.

Note 16 - Subsequent Events

In accordance with U.S. GAAP, the Organization has evaluated all events subsequent to the statement of financial position date of June 30, 2022 through December 1, 2022, which is the date these financial statements were available to be issued, and has determined that there are no subsequent events that require disclosure.

El Futuro Inc.
Notes to Financial Statements
June 30, 2022

Note 17 - Availability and Liquidity

The following represents the Organization's financial assets availability and liquidity at June 30:

	2022	2021
Financial assets at year end:		
Cash and cash equivalents	\$ 2,988,122	\$ 2,441,016
Investments	-	14,861
Grants receivables	776,555	653,292
Medical billings receivables	68,618	30,735
Other receivables	16,973	13,938
Total	<u>3,850,268</u>	<u>3,153,842</u>
Less amounts not available to be used within one year:		
Net assets with donor restrictions	1,313,908	495,933
Less net assets with time restrictions to be met in less than a year	(135,000)	(150,000)
Board-designated cash reserves	<u>930,000</u>	<u>450,000</u>
	<u>2,108,908</u>	<u>795,933</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 1,741,360</u></u>	<u><u>\$ 2,357,909</u></u>

The Organization's goal is generally to maintain financial assets to meet three months of operating expenses (approximately \$930,000). As part of the Organization's liquidity management plan, cash in excess of daily requirements is invested in money market funds and other conservative investments.

Note 18 - Reclassifications

Certain financial statement items in the prior year have been reclassified to conform with the current year presentation with no impact on the prior year's net assets or change in net assets.

El Futuro Inc.
Schedule of Expenditures of State Awards
For the Year ended June 30, 2022

	<i>Project Number(s)</i>	<i>State Expenditures</i>
NC Department of Public Safety		
<i>Governor's Crime Commission:</i>		
El Futuro - Enhanced Latino Mental Health Services - 2021	014801	\$ 251,468
El Futuro - Enhanced Latino Mental Health Services - 2019	013508	83,253
El Futuro - Underserved Rural Latino Crime Victims - 2020	014209	<u>266,426</u>
subtotal		601,147
<i>Juvenile Crime Prevention Council</i>		
El Futuro's Chatham County Clinical Program	31747	17,953
NC Department of Health and Human Services		
<i>Office of Rural Health:</i>		
Health Center Program	42290	59,741
<i>Division of Mental Health, Developmental Disabilities and Substance Abuse Services</i>		
Effective Families	120283	32,597
<i>Alliance Behavioral Health</i>		
Substance Use Outpatient Program	SST22-01-0046	<u>61,815</u>
		<u><u>\$ 773,253</u></u>

The schedule of expenditures of state awards (the Schedule) includes the state grant activity of El Futuro Inc. under programs of the the State of North Carolina for the year ended June 30, 2022. Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization. Amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The Schedule is presented on the accrual basis of accounting.

See accompanying independent auditor's report.

Mark S. Danes, CPA, PLLC

Certified Public Accountant and Consultant

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*

Board of Directors and Management
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. (the Organization), which comprise the statement of financial position as of June 30, 2022 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 December 1, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 the Organization'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 an 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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.

Mark S. Danes, CPA, PLLC

Mark S. Danes, CPA, PLLC
5512 Frenchmans Creek Drive
Durham, North Carolina 27713
December 1, 2022