

Nido de Esperanza Charitable Society

Financial Statements

June 30, 2022

Independent Auditors' Report

Board of Directors
Nido de Esperanza Charitable Society

Opinion

We have audited the accompanying financial statement of Nido de Esperanza Charitable Society, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nido de Esperanza Charitable Society as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Nido de Esperanza Charitable Society and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 Nido de Esperanza Charitable Society's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 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 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, 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 Nido de Esperanza Charitable Society'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 Nido de Esperanza Charitable Society'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.

Report on Summarized Comparative Information

We have previously audited Nido de Esperanza Charitable Society's June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 24, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

February 22, 2023

Nido de Esperanza Charitable Society

Statement of Financial Position
June 30, 2022
(with comparative amounts at June 30, 2021)

	June 30,	
	<u>2022</u>	<u>2021</u>
ASSETS		
Cash	\$ 339,995	\$ 278,422
Investments	234,814	-
Contributions receivable	108,100	131,739
Prepaid expenses	3,828	3,604
Property and equipment, net	<u>12,318</u>	<u>8,112</u>
	<u>\$ 699,055</u>	<u>\$ 421,877</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 14,648	\$ 47,655
Refundable advance	107,000	-
Funds held for others	-	<u>50,702</u>
Total Liabilities	<u>121,648</u>	<u>98,357</u>
Net Assets		
Without donor restrictions	577,407	277,543
With donor restrictions	-	<u>45,977</u>
Total Net Assets	<u>577,407</u>	<u>323,520</u>
	<u>\$ 699,055</u>	<u>\$ 421,877</u>

See notes to financial statements

Nido de Esperanza Charitable Society

Statement of Activities Year Ended June 30, 2022 (with summarized totals for the year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
SUPPORT AND REVENUE				
Contributions	\$ 857,053	\$ 101,000	\$ 958,053	\$ 433,797
Foundation grants	28,637	62,220	90,857	124,292
In-kind Contributions				
Tangible items	453,610	-	453,610	453,633
Donated services	279,654	-	279,654	208,239
Donated rent	66,000	-	66,000	66,000
Investment return	(16,186)	-	(16,186)	-
Net assets released from restrictions	209,197	(209,197)	-	-
Total Support and Revenue	1,877,965	(45,977)	1,831,988	1,285,961
EXPENSES				
Program services	1,358,175	-	1,358,175	1,153,431
Management and general	176,625	-	176,625	173,058
Fundraising	43,301	-	43,301	38,878
Total Expenses	1,578,101	-	1,578,101	1,365,367
Change in Net Assets	299,864	(45,977)	253,887	(79,406)
NET ASSETS				
Beginning of year	277,543	45,977	323,520	402,926
End of year	\$ 577,407	\$ -	\$ 577,407	\$ 323,520

See notes to financial statements

Nido de Esperanza Charitable Society

Statement of Functional Expenses Year Ended June 30, 2022 (with summarized totals for the year ended June 30, 2021)

	Program Services	Management and General	Fundraising	2022 Total	2021 Total
Personnel Expenses					
Salaries and wages	\$ 389,634	\$ 56,901	\$ 5,058	\$ 451,593	\$ 302,062
Employee benefits	48,443	3,275	141	51,859	43,021
Payroll taxes	32,250	4,710	419	37,379	30,100
Total Personnel Expenses	<u>470,327</u>	<u>64,886</u>	<u>5,618</u>	<u>540,831</u>	<u>375,183</u>
Grants and other assistance	15,000	-	-	15,000	36,500
Donated professional services	215,478	30,250	33,926	279,654	208,239
Donated goods and supplies	453,610	-	-	453,610	453,633
Professional fees	18,253	67,612	-	85,865	83,680
Program operations	51,248	2,344	-	53,592	4,328
Program supplies	20,760	-	-	20,760	71,616
Occupancy expenses including donated rent of \$66,000 for 2022 and 2021	83,056	1,397	54	84,507	93,055
Telephone and telecommunications	5,412	790	70	6,272	6,067
Travel and transportation	571	316	-	887	3,223
Office expenses and supplies	3,462	506	45	4,013	3,725
Information technology	376	510	1,803	2,689	3,836
Credit card processing fees	-	-	1,315	1,315	1,571
Dues, membership and subscriptions	4,112	600	53	4,765	3,370
Taxes, permits and licenses	-	4,185	-	4,185	671
Staff training and development	7,883	423	-	8,306	9,356
Postage, shipping and delivery	307	616	308	1,231	1,868
Conferences and meetings	1,691	409	22	2,122	751
Insurance	4,820	1,517	63	6,400	4,238
Depreciation	<u>1,809</u>	<u>264</u>	<u>24</u>	<u>2,097</u>	<u>457</u>
 Total Expenses	 <u>\$ 1,358,175</u>	 <u>\$ 176,625</u>	 <u>\$ 43,301</u>	 <u>\$ 1,578,101</u>	 <u>\$ 1,365,367</u>

See notes to financial statements

Nido de Esperanza Charitable Society

Statements of Cash Flows
Year Ended June 30, 2022
(with comparative amounts for the year ended June 30, 2021)

	Year Ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 253,887	\$ (79,406)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	2,097	457
Unrealized loss on investments	16,186	-
Changes in operating assets and liabilities		
Contributions receivable	23,639	(78,774)
Prepaid expenses	(224)	(1,876)
Accounts payable and accrued expenses	(33,007)	36,662
Refundable advance	107,000	-
Funds held for others	(50,702)	50,702
Net Cash from Operating Activities	318,876	(72,235)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(6,303)	(8,569)
Purchase of investments	(251,000)	-
	(257,303)	(8,569)
 Net Change in Cash	61,573	(80,804)
 CASH		
Beginning of year	278,422	359,226
End of year	\$ 339,995	\$ 278,422

See notes to financial statements

Nido de Esperanza Charitable Society

Notes to Financial Statements
June 30, 2022

1. Organization

The Nido de Esperanza Charitable Society (the "Organization") was incorporated on February 27, 2018, as a not-for-profit organization that seeks to break the cycle of poverty by changing the first 1,000 days of a child's life. The Organization works with families from pregnancy through Pre-K/Head Start placement, taking a holistic approach (mind, body, soul) that supports both the child and the parents.

The Organization provides personalized parenting support through mentoring and educating parents, including instruction by various health care professionals, and builds deep community connections between families through weekly group meetings. The Organization recognizes the critical time of pregnancy and works with mothers to provide assistance in such areas as nutrition support, access to medical care, and preparation of birthing plans. Recognizing the importance of literacy and its impact on breaking the cycle of poverty, the Organization provides books and reading support groups for families. The Organization also supports families through material assistance, especially items essential in the first 1,000 days of a child's life – such as diapers, formula, food, clothing, and baby equipment.

The Organization continues to flourish, as evidenced by the increased number of families served (16.5% higher than the prior year) and the expanded scope of services provided to families. The Organization has created a new Prenatal Wellness Center to intervene and support families even earlier in their parenting journey. In-kind contributions, so essential to the Organization's operations and the provision of material assistance and services to families, increased by 34% in the past year as a result of strengthened relationships in the community and with other organizations. The Organization is poised to serve more families in the coming year with the continued investment in the professional team and community relationships. While the Organization's mission is to break the cycle of poverty by changing the first 1,000 days of a child's life, it also seeks to have a greater impact on the families served. Three mothers - graduates of the program who have subsequently received significant training and qualifications - now are part of the professional team serving other families in the community.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which requires management to make estimates and assumptions that affect the 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. Accordingly, actual results could differ from those estimates.

Nido de Esperanza Charitable Society

Notes to Financial Statements
June 30, 2022

2. Summary of Significant Accounting Policies (*continued*)

Net Asset Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets are classified as with or without donor restrictions. Net assets without donor restrictions include funds having no restriction as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use is limited by donors for a specific time period or purpose and may include net assets to be held in perpetuity.

Fair Value Measurements

The Organization follows US GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

The Organization follows US GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using Net Asset Value ("NAV") per share as a practical expedient.

Investments and Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Realized and unrealized gains and losses are included in the determination of changes in net assets.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures for property and equipment with costs in excess of \$1,000 and a useful life in excess of one year. Leasehold improvements are amortized over 10 years. Purchased property and equipment are recorded at cost at the date of acquisition. Minor costs of maintenance and repairs are expensed as incurred. All property and equipment purchased with government funding is capitalized, unless the government agency retains legal title to such assets, in which case it is expensed as incurred.

Depreciation and amortization is recognized on the straight-line method over the estimated useful lives of such assets as follows:

Furniture, equipment and computers	3 - 5 years
Leasehold improvements	10 years

Nido de Esperanza Charitable Society

Notes to Financial Statements
June 30, 2022

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment (continued)

Property and equipment are reviewed for impairment if the use of the asset significantly changes, or another indicator of possible impairment is identified. If the carrying amount for the asset is not recoverable, the asset is written down to its fair value. There were no asset impairments for the years ended June 30, 2022 and 2021.

Contributions

Contributions are recognized when cash or unconditional promises to give have been received or ownership of donated assets is transferred to the Organization. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows.

In-kind Contributions

As of July 1, 2021, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2020-07, Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). ASU 2020-07 brings more transparency and consistency to the presentation and disclosure of gifts in-kind. The standard does not change the accounting for gifts-in-kind, however, provides matters related to presentation and disclosure.

The Organization receives donations of food, baby products, donated services and property to run its programs. In-kind contributions for the fiscal 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>	<u>Utilization in Programs/Activities</u>	<u>Donor Restrictions</u>	<u>Valuation Techniques and Inputs</u>
Merchandise	\$ 453,610	\$ 453,633	Program and Administration	No associated donor restrictions	(a)
Services	279,654	208,239	Program and Administration	No associated donor restrictions	(b)
Rent	<u>66,000</u>	<u>66,000</u>	Program and Administration	No associated donor restrictions	(c)
	<u>\$ 799,264</u>	<u>\$ 727,872</u>			

Nido de Esperanza Charitable Society

Notes to Financial Statements
June 30, 2022

2. Summary of Significant Accounting Policies (continued)

In-kind Contributions (continued)

- (a) The Organization estimates fair value on the based on the values provided by unrelated donor organizations or the selling prices of similar items of similar quality in New York City.
- (b) Contributed services are valued at the estimated fair value based on current rates for similar services.
- (c) In valuing the contributed space, the Organization estimated the fair value on the basis of recent comparable rental prices in the particular area of New York City.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the statement of activities. Specific expenses that are readily identifiable to a single program or activity are charged to that function. Certain expenses are attributable to more than one program or supporting function and have been allocated in reasonable ratios determined by management. These expenses include salaries and wages, payroll taxes and employee benefits, which are allocated based on estimates of time and effort.

Accounting for Uncertainty in Income Taxes

The Organization operates as a nonprofit corporation under section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes; accordingly, no provision is made for current or deferred income taxes. Management has determined the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. Periods since inception remain open to examination.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 22, 2023.

Prior Year Summarized Comparative Information

Information as of and for the year ended June 30, 2021, is presented for comparative purposes only. Certain activity by net asset classification is not included in these financial statements. Accordingly, such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements as of and for the year ended June 30, 2021, from which the summarized comparative information was derived.

Nido de Esperanza Charitable Society

Notes to Financial Statements
June 30, 2022

3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist of cash and receivables, which are expected to be collected in the normal course of business. The Organization's investments consist of one alternative investment fund. The Organization places its cash with high credit quality financial institutions which at times, may exceed federally insured limits.

4. Investments

The following are the classes and major categories of investments at June 30, 2022:

	Investments measured at Net Asset Value (1)	Cost
Alternative Investments		
Fund of Funds	<u>\$ 234,814</u>	<u>\$ 251,000</u>

(1) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

Information regarding investments valued using NAV as a practical expedient at June 30, 2022, is as follows:

	Fair Value	Redemption Frequency	Redemption Notice Period
Fund of Funds			
Multiple Asset Fund (see "a" below)	\$ 234,814	Daily	None

a. This category includes a balanced, broadly diversified, multiple asset class of funds. The fund's objective is to attain current income and capital appreciation by investing in a broad mix of different types of investments.

5. Contributions Receivable

At June 30, 2022 and 2021, all receivables are expected to be collected during the next year. Management has determined that the contributions receivable are fully collectible; therefore, no allowance for uncollectible accounts is considered necessary at June 30, 2022 and 2021.

Nido de Esperanza Charitable Society

Notes to Financial Statements
June 30, 2022

6. Property and Equipment

Property and equipment consists of the following at June 30,

	<u>2022</u>	<u>2021</u>
Furniture, equipment and computers	\$ 8,322	\$ 5,569
Leasehold improvements	6,550	3,000
Less accumulated depreciation	<u>(2,554)</u>	<u>(457)</u>
	<u>\$ 12,318</u>	<u>\$ 8,112</u>

7. Net Asset With Donor Restrictions

The Organization had net asset with donor restrictions of \$45,977 to support its food insecurity initiatives as of June 30, 2021.

The Organization had net asset with donor restriction releases of \$209,197 and \$113,924 to support its COVID-19 Crisis Response and Relief Fund and other initiatives for the year ended June 30, 2022 and 2021.

8. Related Party Transaction

The Organization commenced operations in June 2016 as a community outreach of Christ Church United Methodist (the "Church"), a nonprofit organization, before it became a separate 501(c)(3) in February 2018. Two-thirds of the Organization's Board of Trustees are members of the Church and one-third of the Organization's Board of Trustees serve on the Board of Trustees of the Church. The Church provides facility space for use in its operations and administrative support services to the Organization at no cost. At June 30, 2022, the fair value of the rent of \$66,000 and administrative support services of \$10,380 has been recorded as an in-kind donation to the Organization. At June 30, 2021, the fair value of the rent of \$66,000 and administrative support services of \$42,980 has been recorded as an in-kind donation to the Organization. The Church solicits donations from its congregants and the general public by hosting an annual auction with part of the proceeds to benefit the Organization. At June 30, 2022, the Organization has a receivable of \$100,000 from the Church included in contributions receivable on the statement of financial position.

Nido de Esperanza Charitable Society

Notes to Financial Statements
June 30, 2022

9. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise of the following:

	<u>2022</u>	<u>2021</u>
Financial Assets:		
Cash	\$ 339,995	\$ 278,422
Investment	234,814	-
Contributions receivable	<u>108,100</u>	<u>131,739</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	682,909	410,161
Less amounts unavailable for general expenditures within on year due to:		
Funds held for others	-	(50,702)
Restricted by donors	<u>-</u>	<u>(45,977)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 682,909</u>	<u>\$ 313,482</u>

Contributions are solicited on a regular basis to increase support and revenue and to improve cash flow.

10. Sponsorship Agreement

During fiscal 2021, the Organization entered into a fiscal sponsorship agreement with Helping Immigrants Thrive (HIMT). Per the terms of the agreement, the sponsorship is for a limited period until HIMT acquires its own 501(c)(3) IRS designation. The Organization is not receiving a fee for providing services for HIMT. HIMT is an organization focusing on enabling undocumented immigrants in Manhattan achieve financial self-sufficiency, independence and a brighter future with dignity, enabling them to be contributing members of the community. During the year ended June 30, 2021, the Organization received two donations from the HIMT founder totaling \$61,952 that were designated for HIMT. At June 30, 2021, the balance of unspent funds designated for HIMT totaled \$50,702 and are included as fund held for others on the statement of financial position. The remaining funds under this agreement were expended during fiscal 2022.

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