

Nido de Esperanza Charitable Society

Financial Statements

June 30, 2023

Independent Auditors' Report

Board of Directors
Nido de Esperanza Charitable Society

Opinion

We have audited the accompanying financial statements of Nido de Esperanza Charitable Society, which comprise the statement of financial position as of June 30, 2023, 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, 2023, 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, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 22, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

December 7, 2023

Nido de Esperanza Charitable Society

Statement of Financial Position
June 30, 2023
(with comparative amounts at June 30, 2022)

	June 30,	
	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 314,557	\$ 339,995
Investments	256,705	234,814
Contributions receivable	156,445	108,100
Prepaid expenses	35,505	3,828
Property and equipment, net	<u>14,317</u>	<u>12,318</u>
	<u>\$ 777,529</u>	<u>\$ 699,055</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 43,200	\$ 14,648
Refundable advance	<u>-</u>	<u>107,000</u>
Total Liabilities	<u>43,200</u>	<u>121,648</u>
Net Assets		
Without donor restrictions	655,573	577,407
With donor restrictions	<u>78,756</u>	<u>-</u>
Total Net Assets	<u>734,329</u>	<u>577,407</u>
	<u>\$ 777,529</u>	<u>\$ 699,055</u>

See notes to financial statements

Nido de Esperanza Charitable Society

Statement of Activities
Year Ended June 30, 2023
(with summarized totals for the year ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
SUPPORT AND REVENUE				
Contributions	\$ 636,656	\$ 20,000	\$ 656,656	\$ 958,053
Foundation grants	193,000	315,395	508,395	90,857
In-kind Contributions				
Tangible items	547,283	-	547,283	453,610
Donated services	343,089	-	343,089	279,654
Donated rent	66,000	-	66,000	66,000
Investment return	21,891	-	21,891	(16,186)
Net assets released from restrictions	256,639	(256,639)	-	-
Total Support and Revenue	2,064,558	78,756	2,143,314	1,831,988
EXPENSES				
Program services	1,730,963	-	1,730,963	1,358,175
Management and general	186,433	-	186,433	176,625
Fundraising	68,996	-	68,996	43,301
Total Expenses	1,986,392	-	1,986,392	1,578,101
Change in Net Assets	78,166	78,756	156,922	253,887
NET ASSETS				
Beginning of year	577,407	-	577,407	323,520
End of year	\$ 655,573	\$ 78,756	\$ 734,329	\$ 577,407

See notes to financial statements

Nido de Esperanza Charitable Society

Statement of Functional Expenses Year Ended June 30, 2023 (with summarized totals for the year ended June 30, 2022)

	Program Services	Management and General	Fundraising	2023 Total	2022 Total
Personnel Expenses					
Salaries and wages	\$ 496,755	\$ 66,378	\$ 2,790	\$ 565,923	\$ 451,593
Employee benefits	66,678	4,618	84	71,380	51,859
Payroll taxes	40,938	5,471	228	46,637	37,379
Total Personnel Expenses	<u>604,371</u>	<u>76,467</u>	<u>3,102</u>	<u>683,940</u>	<u>540,831</u>
Grants and other assistance	29,000	-	-	29,000	15,000
Donated professional services	268,896	34,948	39,245	343,089	279,654
Donated goods and supplies	547,283	-	-	547,283	453,610
Professional fees	371	64,757	-	65,128	85,865
Program operations	73,847	2,356	-	76,203	53,592
Program supplies	17,511	-	-	17,511	20,760
Occupancy expenses including donated rent of \$66,000 for 2023 and 2022	87,235	1,491	28	88,754	84,507
Equipment rental and maintenance	1,467	196	8	1,671	-
Telephone and telecommunications	5,929	792	33	6,754	6,272
Travel and transportation	1,524	-	-	1,524	887
Office expenses and supplies	1,710	228	10	1,948	4,013
Information technology	59,000	511	1,919	61,430	2,689
Fundraising consultant expense	-	-	23,500	23,500	-
Credit card processing fees	-	-	1,064	1,064	1,315
Dues, membership and subscriptions	3,154	422	18	3,594	4,765
Taxes, permits and licenses	-	883	-	883	4,185
Staff training and development	16,766	-	-	16,766	8,306
Postage, shipping and delivery	55	969	-	1,024	1,231
Conferences and meetings	4,400	534	22	4,956	2,122
Insurance	5,267	1,454	29	6,750	6,400
Depreciation	<u>3,177</u>	<u>425</u>	<u>18</u>	<u>3,620</u>	<u>2,097</u>
 Total Expenses	 <u>\$ 1,730,963</u>	 <u>\$ 186,433</u>	 <u>\$ 68,996</u>	 <u>\$ 1,986,392</u>	 <u>\$ 1,578,101</u>

See notes to financial statements

Nido de Esperanza Charitable Society

Statements of Cash Flows
Year Ended June 30, 2023
(with comparative amounts for the year ended June 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 156,922	\$ 253,887
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation expense	3,620	2,097
Realized and Unrealized gains and losses on investments	(21,891)	16,186
Changes in operating assets and liabilities		
Contributions receivable	(48,345)	23,639
Prepaid expenses	(31,677)	(224)
Accounts payable and accrued expenses	28,552	(33,007)
Refundable advance	(107,000)	107,000
Funds held for others	-	(50,702)
Net Cash from Operating Activities	(19,819)	318,876
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,619)	(6,303)
Purchase of investments	(248,655)	(251,000)
Proceeds from sale of investments	248,655	-
	(5,619)	(257,303)
 Net Change in Cash	(25,438)	61,573
 CASH		
Beginning of year	339,995	278,422
End of year	\$ 314,557	\$ 339,995

See notes to financial statements

Nido de Esperanza Charitable Society

Notes to Financial Statements
June 30, 2023

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, the largest graduating class (32 three-year-olds during 2023), and the expanded scope of services provided to families. The Prenatal Wellness Center was created in 2022 to intervene and support families even earlier in their parenting journey. During fiscal 2023, the Organization has intensively served 35 pregnant mothers. In-kind contributions, which are essential to the Organization's operations and the provision of material assistance and services to families, increased by 20% 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, 2023

2. Summary of Significant Accounting Policies (continued)

Recent Accounting Pronouncements

Leases

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU No. 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs a part of the right-of-use asset.

The Organization adopted the requirements of the new standard effective July 1, 2022, using the modified retrospective transition method, which applies the provisions of the standard at the effective date without any adjustments to the comparative periods presented. The Organization has made an accounting policy election not to recognize right-of-use assets and lease liabilities that arise from short-term leases for any class of underlying asset.

The Organization's leases do not meet any of the criteria required in the new standard and therefore, no right-of-use assets and lease liabilities have been recognized.

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.

Nido de Esperanza Charitable Society

Notes to Financial Statements
June 30, 2023

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

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.

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

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, less cost to sell. There were no asset impairments for the years ended June 30, 2023 and 2022.

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.

Refundable Advance

Refundable advance relates to conditional contributions to program services where cash has been received, but the condition has not been met and there is a right-of-return. Such amounts will be recognized as contributions when the revenue becomes unconditional. Refundable advance at June 30, 2023 and 2022 consists of conditional contributions of \$0 and \$107,000, respectively.

Nido de Esperanza Charitable Society

Notes to Financial Statements
June 30, 2023

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

In-kind Contributions

Non-cash contributions (in-kind contributions) that are significant in amount and can be reasonably valued are recorded at fair value. Goods received without an objective basis of valuation are not recorded.

US GAAP requires the value of donated services to be recorded if the donated services create or enhance nonfinancial assets or require specialized skills. Many volunteers have contributed significant amounts of their time to activities of the Organization. However, since the above requirements were not met, the value of those contributed services has not been recorded in the financial statements.

The Organization receives donations of food, baby products, donated services, and property to run its programs. In-kind contributions for the fiscal 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Merchandise	\$ 547,283	\$ 453,610	Program and Administration	No associated donor restrictions	(a)
Services	343,089	279,654	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>\$ 956,372</u>	<u>\$ 799,264</u>			

- (a) The Organization estimates fair value 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.

Nido de Esperanza Charitable Society

Notes to Financial Statements
June 30, 2023

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

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 December 7, 2023.

Prior Year Summarized Comparative Information

Information as of and for the year ended June 30, 2022, 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, 2022, from which the summarized comparative information was derived.

3. Concentration of Credit Risk

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist of cash on deposit with financial institutions, investments held at financial institutions and contributions receivable. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000. At times cash balances may exceed the FDIC and SIPC limit. As of June 30, 2023 and 2022, the Organization's uninsured cash and cash equivalents, balances on deposit totaled approximately \$65,000 and \$90,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000 (\$250,000 for cash holdings). As of June 30, 2023 and 2022, the Organization's had no uninsured investment holdings.

Nido de Esperanza Charitable Society

Notes to Financial Statements
June 30, 2023

3. Concentration of Credit Risk *(continued)*

As of June 30, 2023 and 2022, one donor comprised 62% and 93% of the contributions receivable balance.

4. Investments

The following are the classes and major categories of investments at June 30, 2023:

	Investments measured at Net Asset Value (1)	Cost
Alternative Investments		
Fund of Funds	<u>\$ 256,705</u>	<u>\$ 248,655</u>

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.

Nido de Esperanza Charitable Society

Notes to Financial Statements
June 30, 2023

4. Investments (continued)

Information regarding investments valued using NAV as a practical expedient at June 30, 2023 is as follows:

	<u>Fair Value</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Fund of Funds			
Fixed Income Fund (see "a" below)	\$ 98,749	Daily	None
Inflation Protection Fund (see "b" below)	24,397	Daily	None
International Equity Fund (see "c" below)	53,110	Daily	None
U.S Equity Index Fund (see "d" below)	80,449	Daily	None
	<u>\$ 256,705</u>		

This category invests in fixed income securities. The fund's objective is to earn current income while preserving capital by primarily investing in a diversified mix of fixed income securities.

- a. This category primarily invests in fixed income securities and has exposure to commodities by holding futures. The fund's objective is to earn current income, while preserving capital, and to protect principal from long-term loss of purchasing power due to inflation through investments such as inflation-linked securities, inflation sensitive commodities, derivatives, senior secured floating rate loans, securitized products, real assets, alternative investments, and cash and cash equivalents.
- b. This category primarily invests in equities of non-U.S. domiciled companies traded on a stock exchange, non-U.S. Equity index futures and, to a lesser extent, non-U.S. private equity and private real estate. The fund's objective is to attain long-term capital appreciation from a diversified portfolio of primarily non-U.S. domiciled companies.
- c. This category primarily invests in U.S. equities. The fund's objective is to attain long-term capital appreciation from a passively managed, broadly diversified portfolio comprised primarily of equities of companies domiciled in the U.S. and traded on a regulated U.S. stock exchange.

5. Contributions Receivable

At June 30, 2023 and 2022, 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, 2023 and 2022.

Nido de Esperanza Charitable Society

Notes to Financial Statements
June 30, 2023

6. Property and Equipment

Property and equipment consist of the following at June 30,

	<u>2023</u>	<u>2022</u>
Furniture, equipment and computers	\$ 13,941	\$ 8,321
Leasehold improvements	6,550	6,550
Less accumulated depreciation	<u>(6,174)</u>	<u>(2,553)</u>
	<u>\$ 14,317</u>	<u>\$ 12,318</u>

7. Net Asset With Donor Restrictions

The Organization had net asset with donor restrictions of \$78,756 to support its food insecurity and other initiatives as of June 30, 2023. There were no net asset with donor restrictions for the year ended June 30, 2022.

The Organization had net asset with donor restriction releases of \$256,639 and \$209,197 to support its Prenatal, Mother Cohorts, Food Distribution and various other initiatives for the years ended June 30, 2023 and 2022.

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 Directors are members of the Church and one-third of the Organization's Board of Directors 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. For the year ended June 30, 2023, the fair value of the rent of \$66,000 and administrative support services of \$9,355 has been recorded as an in-kind donation to the Organization. For the year ended 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. 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, 2023 and 2022, the Organization has a receivable of \$97,000 and \$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, 2023

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>2023</u>	<u>2022</u>
Financial Assets:		
Cash	\$ 314,557	\$ 339,995
Investment	256,705	234,814
Contributions receivable	<u>156,445</u>	<u>108,100</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	727,707	682,909
Less amounts unavailable for general expenditures within on year due to:		
Restricted by donors	<u>(78,756)</u>	<u>-</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 648,951</u>	<u>\$ 682,909</u>

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

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