

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2017**

AYUDA, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ayuda, Inc.
Washington, D.C.

We have audited the accompanying financial statements of Ayuda, Inc., which comprise the statement of financial position as of September 30, 2018, and the related statement of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ayuda, Inc. as of September 30, 2018, and the change 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.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRCPA.COM

Report on Summarized Comparative Information

We have previously audited Ayuda, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2019 on our consideration of Ayuda, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ayuda, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

January 23, 2019

AYUDA, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

ASSETS

	<u>2018</u>	<u>2017</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,085,899	\$ 629,804
Grants receivable	635,892	631,873
Pledges receivable	-	1,250
Prepaid expenses	<u>79,276</u>	<u>50,801</u>
Total current assets	<u>1,801,067</u>	<u>1,313,728</u>
FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS		
Furniture, equipment and leasehold improvements	119,351	91,502
Less: Accumulated depreciation and amortization	<u>(59,887)</u>	<u>(57,445)</u>
Net furniture, equipment and leasehold improvements	<u>59,464</u>	<u>34,057</u>
OTHER ASSETS		
Deposits	<u>53,720</u>	<u>47,248</u>
TOTAL ASSETS	<u>\$ 1,914,251</u>	<u>\$ 1,395,033</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 130,480	\$ 102,520
Accrued salaries and other payroll liabilities	157,036	56,948
Deferred rent	39,778	31,271
Deferred revenue	<u>25,104</u>	<u>-</u>
Total current liabilities	352,398	190,739
LONG-TERM LIABILITIES		
Deferred rent, net of current portion	<u>151,283</u>	<u>151,458</u>
Total liabilities	<u>503,681</u>	<u>342,197</u>
NET ASSETS		
Unrestricted	668,966	513,109
Temporarily restricted	<u>741,604</u>	<u>539,727</u>
Total net assets	<u>1,410,570</u>	<u>1,052,836</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,914,251</u>	<u>\$ 1,395,033</u>

See accompanying notes to financial statements.

AYUDA, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>			<u>2017</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
REVENUE AND SUPPORT				
Foundation and state grants	\$ 92,046	\$ 1,282,525	\$ 1,374,571	\$ 1,015,902
Government grants	2,698,945	-	2,698,945	1,946,154
Program service fees	299,937	-	299,937	503,153
In-kind contributions	3,252,005	-	3,252,005	2,001,431
Contributions	226,939	-	226,939	192,629
Indirect contributions	40,335	-	40,335	36,495
Special events	173,275	-	173,275	153,125
Net assets released from donor imposed restrictions	<u>1,080,648</u>	<u>(1,080,648)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>7,864,130</u>	<u>201,877</u>	<u>8,066,007</u>	<u>5,848,889</u>
EXPENSES				
Program Services	7,136,152	-	7,136,152	5,289,362
General and Administrative	239,817	-	239,817	153,900
Fundraising	<u>332,304</u>	<u>-</u>	<u>332,304</u>	<u>275,274</u>
Total expenses	<u>7,708,273</u>	<u>-</u>	<u>7,708,273</u>	<u>5,718,536</u>
Change in net assets	155,857	201,877	357,734	130,353
Net assets at beginning of year	<u>513,109</u>	<u>539,727</u>	<u>1,052,836</u>	<u>922,483</u>
NET ASSETS AT END OF YEAR	<u>\$ 668,966</u>	<u>\$ 741,604</u>	<u>\$ 1,410,570</u>	<u>\$ 1,052,836</u>

AYUDA, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017	
	Program Services	General and Administrative	Fundraising	Total Expenses	Total Expenses
Salaries	\$ 2,258,550	\$ 110,763	\$ 177,979	\$ 2,547,292	\$ 2,049,176
Fringe benefits and taxes	420,767	18,911	32,177	471,855	362,319
Travel	26,368	2,856	2,984	32,208	25,987
Professional services	186,034	29,235	16,921	232,190	181,317
Accounting/audit	53,126	2,862	4,984	60,972	47,499
Technology support	42,806	1,705	15,655	60,166	27,793
Emergency fund	159,287	-	-	159,287	256,915
Equipment expense	14,422	1,462	1,137	17,021	16,614
Supplies	40,864	9,514	5,828	56,206	57,927
Dues and subscriptions	16,217	2,597	8,637	27,451	19,410
Interpreter fees	263,887	-	-	263,887	202,303
Insurance	22,252	240	813	23,305	21,729
Occupancy	310,166	23,814	39,797	373,777	304,609
Postage and delivery	12,790	1,235	2,196	16,221	18,919
Printing and advertising	8,465	389	17,825	26,679	19,234
Telephone and fax	30,448	2,057	2,414	34,919	28,675
Training and development	16,446	525	1,337	18,308	15,308
Depreciation and amortization	-	14,705	-	14,705	8,149
Licenses and permits	3,319	3,621	1,620	8,560	10,268
In-kind contributions	3,239,154	12,851	-	3,252,005	2,001,431
Bad debt expense	-	-	-	-	23,436
Miscellaneous	10,784	475	-	11,259	19,518
TOTAL	\$ 7,136,152	\$ 239,817	\$ 332,304	\$ 7,708,273	\$ 5,718,536

AYUDA, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 357,734	\$ 130,353
Adjustments to reconcile in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	14,705	8,149
(Increase) decrease in:		
Grants receivable	(4,019)	(315,844)
Pledges receivable	1,250	30,120
Prepaid expenses	(28,475)	1,568
Deposits	(6,472)	(15,264)
Increase in:		
Accounts payable and accrued liabilities	27,960	18,855
Accrued salaries and other payroll liabilities	100,088	11,384
Deferred rent	8,332	69,186
Deferred revenue	<u>25,104</u>	<u>-</u>
Net cash provided (used) by operating activities	<u>496,207</u>	<u>(61,493)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(40,112)</u>	<u>(24,737)</u>
Net cash used by investing activities	<u>(40,112)</u>	<u>(24,737)</u>
Net increase (decrease) in cash and cash equivalents	456,095	(86,230)
Cash and cash equivalents at beginning of year	<u>629,804</u>	<u>716,034</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,085,899</u>	<u>\$ 629,804</u>

AYUDA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Ayuda, Inc. is a not-for-profit organization, incorporated under the laws of the District of Columbia, providing legal, advocacy, empowerment and educational services that benefit low-income Latino and foreign-born families in the Washington, D.C. metropolitan area. These activities are funded primarily through foundation grants and public contributions.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Ayuda, Inc.'s financial statements for the year ended September 30, 2017, from which the summarized information was derived.

Cash and cash equivalents -

Ayuda, Inc. considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, Ayuda, Inc. maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Grants and pledges receivable -

Grants and pledges receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Furniture, equipment and leasehold improvements -

Furniture, equipment and leasehold improvements are stated at cost. Furniture and equipment are depreciated on a straight-line basis over the estimated useful life of the related assets, generally five years. Leasehold improvements are amortized over the remaining life of the lease.

Depreciation and amortization expense for the year ended September 30, 2018 totaled \$14,705. Ayuda, Inc. capitalizes all items over \$5,000. The cost of maintenance and repairs is recorded as expenses are incurred.

Uncertain tax positions -

For the year ended September 30, 2018, Ayuda, Inc. has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

AYUDA, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Income taxes -

Ayuda, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Ayuda, Inc. is not a private foundation.

Net asset classification -

The net assets of Ayuda, Inc. are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operations of Ayuda, Inc. and include both internally designated and designated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by actions of Ayuda, Inc. and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Ayuda, Inc. receives funding under grants and contracts from the U.S. Government and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as income without donor restrictions to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

In-kind contributions -

Ayuda, Inc. receives donated services from attorneys, consultants, graduate students, and health care clinics. The total amount of donated services received for the year ended September 30, 2018 totaled \$3,252,005.

These contributions are reflected in the financial statements as in-kind contributions, recorded at fair value, and charged to the programs benefited.

AYUDA, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of 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.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of Ayuda, Inc.'s financial statements, it is not expected to alter Ayuda, Inc.'s reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. Ayuda, Inc. has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In June 2018, FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP.

AYUDA, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncements (not yet adopted) (continued) -

The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. Ayuda, Inc. has not yet decided on a transition method. The ASU is effective for years beginning after December 15, 2018.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

Ayuda, Inc. plans to adopt the new ASU's at the required implementation dates.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation.

2. **LINE OF CREDIT**

Ayuda, Inc. has a \$200,000 bank line of credit, which matures April 8, 2019. Amounts borrowed under this agreement bear interest at the bank's prime rate (5.25% at September 30, 2018). There was no outstanding balance on this line of credit as of September 30, 2018. The line is secured by cash held in accounts at the same financial institutions.

3. **TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at September 30, 2018:

Program Services	\$ 501,856
General Support - Time Restricted	<u>239,748</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 741,604</u>

4. **NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor-imposed restrictions by incurring expenses or by the passage of time, which satisfied the restricted purposes specified by the donors:

Program Services	\$ 487,729
General Support - Passage of Time	<u>592,919</u>
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	<u>\$ 1,080,648</u>

AYUDA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

5. LEASE COMMITMENTS

Ayuda, Inc. entered into a ten-year lease agreement, commencing August 7, 2011, for its Washington, D.C. office. Base rent starts with monthly installments of \$12,104, plus its share of operating expenses, and increases by 4% each anniversary date.

During 2013, Ayuda, Inc. entered into a five-year lease agreement, commencing in April 2013, for office space in Falls Church, Virginia. Base rent starts with monthly installments of \$4,176, plus its share of operating expenses, and increases by 3% each anniversary date. Ayuda, Inc. received three months of rent abatement at the beginning of this lease. This lease ended March 31, 2018 and was not renewed.

During 2017, Ayuda, Inc. entered into a five-year lease agreement, commencing April 2017, for office space in Washington, D.C. Base rent starts with monthly installments of \$3,448, plus its share of operating expenses, and increases by 4% each anniversary date. Ayuda, Inc. received two months of rent abatement at the beginning of the lease.

During 2018, Ayuda, Inc. entered into a seven-year lease agreement, commencing May 2018, for office space in Fairfax, Virginia. Base rent starts with monthly installments of \$5,892, plus its share of operating expenses, and increases by 4% each anniversary date. Ayuda, Inc. received nine months of a 50% rent abatement at the beginning of the lease.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the accompanying Statement of Financial Position.

Rent expense for the year ended September 30, 2018 totaled \$373,777, and is included in occupancy expense in the accompanying Statement of Functional Expenses. The deferred rent liability was \$191,061 at September 30, 2018.

At September 30, 2018, the future minimum lease payments under these lease agreements are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2019	\$ 379,576
2020	417,322
2021	395,985
2022	221,631
2023	159,413
Thereafter	<u>332,099</u>
	<u>\$ 1,906,026</u>

6. CONTINGENCY

Ayuda, Inc. receives grants from various agencies of the United States Government. Beginning for fiscal year ended September 30, 2016, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

AYUDA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

6. CONTINGENCY (Continued)

The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits.

Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2018. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

7. RETIREMENT PLAN

Ayuda, Inc. offers a retirement benefit plan through a qualified 403(b) tax-deferred annuity plan covering all eligible employees. Under the Plan, Ayuda, Inc. deducts a percentage for the employee's income each pay period, up to the legally allowed limit per the employee's election. Starting in 2017, the Plan permits contributions by the employer. Ayuda, Inc. contributed a 2% match. Contributions to the Plan during the year ended September 30, 2018 totaled \$39,796.

8. SUBSEQUENT EVENTS

In preparing these financial statements, Ayuda, Inc. has evaluated events and transactions for potential recognition or disclosure through January 23, 2019, the date the financial statements were issued.