

# NEIGHBORS IN NEED OF SERVICES, INC.

AUDITED ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED MARCH 31, 2014

SCHRIVER|CARMONA|CARRERA P.L.L.C.  
*Certified Public Accountants*

**NEIGHBORS IN NEED OF SERVICES, INC.**  
**AUDITED ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2014**

**TABLE OF CONTENTS**

<b>FINANCIAL SECTION (GAAP BASIS):</b>	<b><u>Exhibit</u></b>	<b><u>Page</u></b>
Independent Auditors' Report		1
Consolidated Financial Statements		
Consolidated Statement of Financial Position	1 – 1	3
Consolidated Statement of Activities	1 – 2	4
Consolidated Statement of Cash Flows	1 – 3	5
Notes to Consolidated Financial Statements		6
<b>SUPPLEMENTARY INFORMATION:</b>		
Consolidated Schedule of Functional Expenses	2 – 1	12
<b>SINGLE AUDIT SECTION</b>		
Independent Auditors' Report on Internal Control Over Financial Reporting And on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Governmental Auditing Standards</i>		13
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and On Internal Control Over Compliance In Accordance with <i>OMB Circular A-133</i>		15
Schedule of Findings and Questioned Costs		17
Schedule of Status of Prior Audit Findings		18
Schedule of Expenditures of Federal Awards	4 – 1	19
Notes to Schedule of Expenditures of Federal Awards		20

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2014, on our consideration of Neighbors in Need of Services, 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 Neighbors in Need of Services, Inc.'s internal control over financial reporting and compliance.



Schriver, Carmona & Carrera, PLLC  
Certified Public Accountants  
San Antonio, Texas  
November 18, 2014

NEIGHBORS IN NEED OF SERVICES, INC  
Consolidated Statement of Activities  
For the Year Ended March 31, 2014

	Unrestricted	Temporarily Restricted	Total 2014
Support, Revenues and Reclassifications			
U.S. Health and Human Services Commission	\$ 19,567,548	\$ -	\$ 19,567,548
Texas Dept of Agriculture	2,049,578	-	2,049,578
Program Income	15,058	-	15,058
Contributions and Donations (In Kind)	4,892,538	-	4,892,538
Other Revenue	141,963	3,600	145,563
Net Assets Released from Restrictions			
Restrictions Satisfied by Payments	15,600	(15,600)	-
Total Support, Revenue and Reclassifications	<u>26,682,285</u>	<u>(12,000)</u>	<u>26,670,285</u>
Expenses			
Program Services:			
Program Expenses	24,978,165	-	24,978,165
Total Program Services	<u>24,978,165</u>	<u>-</u>	<u>24,978,165</u>
Support Services:			
General and Administrative	1,654,990	-	1,654,990
Total Support Services	<u>1,654,990</u>	<u>-</u>	<u>1,654,990</u>
Total Expenses	<u>26,633,155</u>	<u>-</u>	<u>26,633,155</u>
Change in Net Assets	49,130	(12,000)	37,130
Net Assets - April 1, 2013	<u>2,290,378</u>	<u>7,161</u>	<u>2,297,539</u>
Prior Period Adjustment	<u>(135,173)</u>	<u>-</u>	<u>(135,173)</u>
Net Assets - March 31, 2014	<u>\$ 2,204,335</u>	<u>\$ (4,839)</u>	<u>\$ 2,199,496</u>

See accompanying notes to financial statements.

NEIGHBORS IN NEED OF SERVICES, INC.  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2014

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. REPORTING ENTITY**

Neighbors In Need Of Services, Inc. ("NINOS") is a not-for-profit Texas corporation organized in 1990. The primary purpose of NINOS is to operate the Head Start Program in Cameron and Willacy Counties as sponsored by the U.S. Department of Health and Human Services. NINOS provides child development services including education services to children from infancy up to compulsory enrollment in school. These services are available to children based on family income guidelines and include children with disabilities. NINOS also operates the Child and Adult Care Food Program from the Texas Department of Human Services, which is sponsored by the U.S. Department of Agriculture. The Food Program participates with the Head Start and Early Head Start Programs in providing support for nutrition assistance services. NINOS also receives funding from the Head Start/Early Head Start Regional office via the Training and Technical Assistance Program (T/TA). The financial activity of Advocacy of NINOS, Inc. and the Head Start Policy Council, both subsidiaries of NINOS for the purpose of financial reporting have been consolidated with NINOS' financial activity and all appropriate consolidating eliminations have been made as a result of the consolidation.

**B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The financial statements are prepared on the accrual basis in conformity with accounting principals generally accepted in the United States of America.

**Financial Statement Presentation and Contributions and Support**

NINOS has elected to adopt Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, NINOS is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

NINOS also elected to adopt SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is, when the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions: satisfaction or usage restriction. NINOS has no permanently restricted net assets.

All property, equipment, and furnishings have been acquired with Federal grant assistance; therefore, any proceeds received from the disposition of such property are to be administered as follows. If NINOS' program for which the property was acquired is still receiving grant support from the same federal program, the grantor may authorize use of any proceeds received for allowable costs of that program. Otherwise, the net amount of any proceeds received must be remitted to the grantor.

The net property and equipment balance has been recorded as a separate component in unrestricted net assets.

#### Income Taxes

NINOS is not-for-profit organized under Section 501 (c) (3) of the Internal Revenue Code and is generally exempt from Federal income taxes and, accordingly, no provision for income taxes is included in the financial statements.

#### Accumulation of Employee Benefits

Employees of NINOS are entitled to paid vacation depending on length of service and other factors.

Sick leave is not accrued because it does not vest. Employees are not paid for any unused sick leave at termination of employment.

#### Statement of Cash Flows

For purpose of reporting cash flows, cash includes cash on hand and cash in banks.

During the year ended March 31, 2014 NINOS paid no income taxes and paid interest of \$6,047.

#### Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires managements to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **NOTE C – Deposits and Investments and Credit Risk**

At March 31, 2014, the carrying amount of the NINOS' deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$865,666 and the bank balance was \$1,029,472. \$500,000 of NINOS' cash deposits at March 31, 2014 and during the year ended March 31, 2014 was entirely covered by FDIC insurance (\$250,000 per depository institution). \$529,472 was unsecured. NINOS has not experienced any losses on these accounts and management believes it is not exposed to any significant credit risk on the excess amounts.

#### **Note F – Retirement Plan**

NINOS sponsors an employee retirement plan similar to a profit-sharing plan covering employees who have completed at least six months of service. Under the plan, NINOS may contribute an amount to be determined annually by the board of directors. Employees may also make voluntary "Tax Deferred" contributions up to 15% of their pay to the plan. Employees will be 100% vested as to the employer contributions plus earnings. During the year ended March 31, 2014 the board of directors authorized contributions to the plan of 8% of an eligible employee's salary. The total employer contributions for the year ended March 31, 2014 totaled \$902,068.

#### **Note G – Contingencies**

NINOS participants in programs that are sponsored by Federal government grants. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If program expenditures or support claims are disallowed due to noncompliance with grant program regulations, NINOS may be required to reimburse the grantor. NINOS believes *it* is has substantially complied with applicable laws and regulations and any subsequent examinations will not have a material effect on any of the individual governmental resources of the overall financial position of NINOS.

The future operations of NINOS are contingent upon continual funding from the U.S. Department of Health and Human Services and the U.S. Department of Agriculture.

#### **Note H – Operating Leases**

NINOS leases operating space for all of its centers under operating leases primarily from governmental agencies. The lease agreements are generally for a one to five year term. Total rent paid for the year ended March 31, 2014 was \$75,705. Total minimum lease payment obligations of these leases are as follows:

<u>Year ending March 31,</u>	
2015	\$28,085
2016	28,085
2017	28,085
2018	28,085
2019 and thereafter	28,085
Total	<u>\$140,425</u>

NEIGHBORS IN NEED OF SERVICES, INC  
Consolidated Schedule of Functional Expenses  
For the Year Ended March 31, 2014

	Program Expense	Support Services	Total Expenses
Salary & Wages	10,391,771	1,328,935	11,720,706
Employee Benefits	3,307,023	-	3,307,023
Payroll Tax Expense	1,259,016	-	1,259,016
Classroom Expense	545,327	-	545,327
Depreciation & Amortization	220,843	9,256	230,099
Dues & Subscriptions	-	15,325	15,325
Insurance Expense	357,469	-	357,469
Interest Expense	6,047	-	6,047
Nutrition Program	1,703,245	-	1,703,245
Parent Services	83,845	-	83,845
Professional Services	30,971	50,693	81,664
Property Taxes	463	-	463
Rent	75,705	-	75,705
Repair & Maintenance	303,970	2,706	306,676
Scholarship Expenses	15,600	-	15,600
Staff Development	-	27,152	27,152
Supplies	134,891	167,235	302,126
Telephone	103,944	-	103,944
Travel	37,092	53,688	90,780
Vehicle Expense	118,961	-	118,961
Utilities	450,257	-	450,257
Other	939,187	-	939,187
In Kind Utilization	4,892,538	-	4,892,538
Total Expenses	24,978,165	1,654,990	26,633,155

See accompanying notes to financial statements.



### **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.

A handwritten signature in cursive script, appearing to read "Schriver Carmona Carrera".

Schrivier, Carmona & Carrera, PLLC  
Certified Public Accountants  
San Antonio, Texas  
November 18, 2014

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Schrivver, Carmona & Carrera, PLLC  
Certified Public Accountants  
San Antonio, Texas  
November 18, 2014

**NEIGHBORS IN NEED OF SERVICES, INC.**  
**STATUS OF PRIOR YEAR FINDINGS**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2014**

**Section II - Financial Statement Findings**

No matters were noted.

**Section III – Federal Awards Findings**

No matters were noted.

## NEIGHBORS IN NEED OF SERVICES, INC.

### NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS FISCAL YEAR ENDED MARCH 31, 2014

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal Award Programs of Neighbors in Need of Services, Inc. ( a nonprofit organization ).

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

3. Relationship to Federal Financial Reports Basis of Accounting

Amounts reported in the accompanying schedule may not agree with the amounts reported in the related Federal financial reports filed with the grantor agencies because of accruals made in the schedule, which will be included in future reports filed with the agencies.