

**NEIGHBORS IN NEED OF SERVICES, INC.**

**AUDITED ANNUAL CONSOLIDATED  
FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED MARCH 31, 2018**

**NEIGHBORS IN NEED OF SERVICES, INC.**  
**AUDITED ANNUAL CONSOLIDATED FINANCIAL**  
**REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2018**

**Board of Directors**

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Claudio Ortiz

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**NEIGHBORS IN NEED OF SERVICES, INC.**  
**AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED MARCH 31, 2018**

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Oscar R. González  
Melissa González

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Neighbors in Need of Services, Inc.  
San Benito, TX

### **Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Neighbors in Need of Services, Inc. (a nonprofit organization), which comprise the consolidated statement of financial position as of March 31, 2018, and the related consolidated statements of activities, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Neighbors in Need of Services, Inc. as of March 31, 2018 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.

#### ***Other Matters***

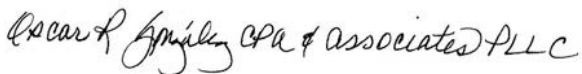
##### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidated schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The

accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 December 12, 2018 on our consideration of Neighbors in Needs of Service'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 Service's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Oscar R. Gonzalez CPA & Associates PLLC".

Oscar R. Gonzalez, CPA & Associates, PLLC  
Certified Public Accountants  
Pharr, TX  
December 12, 2018

## BASIC CONSOLIDATED FINANCIAL STATEMENTS

NEIGHBORS IN NEED OF SERVICES. INC.  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
MARCH 31, 2018

<b>ASSETS</b>	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 221,158	\$ 4,906	\$ -	\$ 226,064
Certificate of Deposit	2,671	-	-	2,671
Accounts Receivable	6,723	-	-	6,723
Grants Receivable	903,951	-	-	903,951
Prepaid Items	23,437	-	-	23,437
<b>Total Current Assets</b>	<b>1,157,940</b>	<b>4,906</b>	<b>-</b>	<b>1,162,846</b>
<b>Fixed Assets</b>				
Land	416,627	-	-	416,627
Building and Improvements	6,758,542	-	-	6,758,542
Vehicles and Equipment	2,176,529	-	-	2,176,529
Less: Accumalated Depreciation	(4,587,898)	-	-	(4,587,898)
<b>Total Fixed Assets</b>	<b>4,763,800</b>	<b>-</b>	<b>-</b>	<b>4,763,800</b>
<b>Total Assets</b>	<b>\$ 5,921,738</b>	<b>\$ 4,906</b>	<b>\$ -</b>	<b>\$ 5,926,644</b>
<b>LIABILITIES AND NET ASSETS</b>				
<b>Current Liabilities</b>				
Accounts Payable	\$ 214,547	\$ -	\$ -	\$ 214,547
Wages and Salaries Payable	612,534	-	-	612,534
Payroll Liabilities	367,539	-	-	367,539
Current Portion-Note Payable	41,483	-	-	41,483
<b>Total Current Liabilities</b>	<b>1,236,103</b>	<b>-</b>	<b>-</b>	<b>1,236,103</b>
<b>Note Payable- USDA</b>	<b>2,877,853</b>	<b>-</b>	<b>-</b>	<b>2,877,853</b>
<b>Total Liabilities</b>	<b>4,113,956</b>	<b>-</b>	<b>-</b>	<b>4,113,956</b>
<b>Net Assets</b>				
Net Assets	1,807,783	4,906	-	1,812,690
<b>Total Net Assets</b>	<b>1,807,783</b>	<b>4,906</b>	<b>-</b>	<b>1,812,690</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 5,921,738</b>	<b>\$ 4,906</b>	<b>\$ -</b>	<b>\$ 5,926,644</b>

The accompanying notes are an integral part of these financial statements.

NEIGHBORS IN NEED OF SERVICES. INC.  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenues, Gains and Other Support				
U.S. Department of Health and Human Services	\$ -	\$ 22,034,965	\$ -	\$ 22,034,965
Texas Department of Agriculture	-	2,269,998	-	2,269,998
Program Income	45,502	-	-	45,502
Contributions and Donations	5,372,803	-	-	5,372,803
Other Revenue	136,202	20,036	-	156,238
	<u>5,554,507</u>	<u>24,324,999</u>	<u>-</u>	<u>29,879,506</u>
Net Assets Released from Restrictions				
Restrictions satisfied by incurring expenses				
imposed by donor	24,328,163	(24,328,163)	-	-
Total Revenues, Gains and Other Support	29,882,670	(3,164)	-	29,879,506
Expenses				
Program Services	27,540,086	-	-	27,540,086
Total Program Services	27,540,086	-	-	27,540,086
Supporting Services				
General and Administrative	2,036,059	-	-	2,036,059
Total Support Services	2,036,059	-	-	2,036,059
Total Expenses	<u>29,576,145</u>	<u>-</u>	<u>-</u>	<u>29,576,145</u>
Change in unrestricted net assets	306,525	(3,164)	-	303,361
Other (Income) Expense				
Other Loss on Disposal	14,563	-	-	14,563
Total Other Expense	<u>14,563</u>	<u>-</u>	<u>-</u>	<u>14,563</u>
Change in Net Assets	291,962	(3,164)	-	288,798
Net Assets, April 1, 2017	1,554,792	8,070	-	1,562,862
Prior Period	(38,970)	-	-	(38,970)
Net Assets, March 31, 2018	<u>\$ 1,807,784</u>	<u>\$ 4,906</u>	<u>\$ -</u>	<u>\$ 1,812,690</u>

The accompanying notes are an integral part of these financial statements.



NEIGHBORS IN NEED OF SERVICES, INC  
Consolidated Statement of Cash Flows  
For the Year Ended March 31, 2018

Cash Flows from Operating Activities

Change in Net Assets	\$ 288,798
Adjustments to Reconcile excess to Net Cash provided by Operating Activities:	
Depreciation	199,373
(Increase) Decrease in Accounts Receivable	13,559
(Increase) Decrease in Grant Receivable	501,200
(Increase) Decrease in Prepaid Expenses	519,953
(Increase) Decrease in Other Receivables	20,710
Increase (Decrease) in Accounts Payable	(222,999)
Increase (Decrease) in Wage & Salary Payable	11,102
Increase (Decrease) in Accrued Liabilities	(40,761)
Increase (Decrease) in Deferred Income	(543,391)
Net Cash Provided (Used) by Operating Activities	<u>747,544</u>

Cash Flows from Investing Activities

Acquisition of Capital Assets	(1,558,699)
Disposition of Capital Assets	(15,438)
Net Cash Provided (Used) by Investing Activities	<u>(1,574,137)</u>

Cash Flows from Financing Activities

Payment of Long Term Debt	(171,411)
Proceeds from Issuance of Long Term Debt	1,477,540
Net Cash Provided (Used) by Financing Activities	<u>1,306,129</u>
Net Increase (Decrease) in Cash	<u>479,537</u>
Cash and Cash Equivalents at April 1, 2017	(214,503)
Prior Period Adjustment	(38,970)
Cash and Cash Equivalents at March 31, 2018	<u>\$ 226,064</u>

Supplementary Information:

Interest Expense	51,529
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The accompanying notes are an integral part of these financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NINOS, INC.  
Notes to Financial Statements  
For the Year Ended March 31, 2018

**I. 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 principles 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.

**Cash and Cash Equivalents**

For the purpose of stating the statement of cash flows, the Organization considers all cash accounts, which are not subject to withdrawal restrictions or penalties, purchased with maturities of three months or less to be cash equivalents.

**Concentration of Risk**

In 2018, 72% of the Organization's revenues were provided through grants from the US Department of Health and Human Services.

**Recognition of Grant Support**

Head Start, Early Head Start, ARRA and THHSC grant funds are recognized as support when related program expenses are incurred. Food Program grants funds are recognized as support when complete program meals and snacks are provided to eligible participants. The amount of resources recognized under the food program is based on the number of complete program meals and snacks provided times the related rates authorized by the ' grantor.

NINOS, INC.  
Notes to Financial Statements  
For the Year Ended March 31, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Functional Allocation of Expenses**

The expenses of NINOS have been reported on a functional basis. This requires the allocation of certain expenses between program and support services based on an analysis of each expense account or in certain instances on estimates made by management.

**Inventory**

Inventory is stated at the lower of cost or market. Cost is determined by the first-in, first-out method, and market represents the lower of replacement cost or estimated net realizable value.

**Property and Equipment**

Leasehold improvements are carried at cost net of accumulated amortization. Amortization is computed on a straight-line basis over the term of the lease.

Equipment, furnishings and building in excess of \$5,000 are capitalized and carried at cost net of accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets of a period ranging from 5 to 50 years. Equipment and furnishings costing less than \$5,000 are charged to expense when incurred.

Buildings, furniture and equipment of NINOS are depreciated using the straight-line method over the following estimated useful lives

<b><u>Assets</u></b>	<b><u>Cost</u></b>
Buildings	40
Leashold Improvements	39
Land Improvements	20
Portable Buildings	15
Office Equipment	10
Motor Vehicles	5
Heavy Construction Equipment	5
Computer Equipment	5
Kitchen Equipment	5

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 NINO' S 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 a 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. In addition, it has been determined by the Internal Revenue Service not to be a "Private" foundation with the meaning of section 509 (a) of the Internal Revenue Code. There was no unrelated business income for the year ended March 31, 2018. Federal income tax and information returns for the tax years 2015, 2016, and 2017 remain subject to examination by the Internal Revenue Service.

NINOS, INC.  
Notes to Financial Statements  
For the Year Ended March 31, 2018

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Accumulation of Employee Benefits**

Employees of NINOS are entitled to paid vacation depending on length of service and other factors. At year end, there was no accrued time owed to employees.

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

**Advertising Costs**

The Organization expenses advertising costs as they are incurred. As of March 31, 2018, advertising costs totaled \$29,056.

**Estimates**

The preparation of financial statements in conformity with accounting principles 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.

**C. DEPOSITS AND INVESTMENTS AND CREDIT RISK**

At March 31, 2018, the carrying amount of the NINOS' deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$226,064 and the bank balance was \$171,654. The entire balance in the amount of \$226,064 of NINOS' cash deposits at March 31, 2018 and during the year ended March 31, 2018 was entirely covered by FDIC insurance (\$250,000 per depository institution).

**D. GRANTS AND OTHER RECIEVABLES**

Grants and other receivables as of March 31, 2018 consist of the following:

<u>Grants Receivables</u>	<u>Amount</u>
U.S. Department of Health and Human Services	\$ 706,741
TX Department of Agriculture- Nutrition program	197,210
Total Grant Receivables	<u>\$ 903,951</u>

**E. RETIREMENT PLAN**

NINOS sponsors an employee retirement plan similar to a profit-sharing plan covering employee who have completed at least six months of service. Participation in the plan begins on the 1st day of the following January, April, July, or October with satisfaction of the eligibility requirements. 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, after 5 years of service. During the year ended March 31, 2018 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, 2018 totaled \$871,875.

NINOS, INC.  
Notes to Financial Statements  
For the Year Ended March 31, 2018

**E. PROPERTY AND EQUIPMENT**

<i>Capital Assets, Not Being Depreciated:</i>	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Land	\$ 416,627	\$ -	\$ -	\$ 416,627
Construction in Progress	1,792,117		(1,792,117)	-
Total Capital Assets, Not Being Depreciated	<u>2,208,744</u>	<u>-</u>	<u>(1,792,117)</u>	<u>416,627</u>
<i>Capital Assets, Being Depreciated</i>				
Vehicles	2,081,584	-	-	2,081,584
Furniture and Equipment	94,945	-	-	94,945
Leasehold Improvements	765,674	-	-	765,674
Buildings	2,611,860	3,411,008	(30,000)	5,992,868
Total Capital Assets, Being Depreciated	<u>5,554,063</u>	<u>3,411,008</u>	<u>(30,000)</u>	<u>8,935,071</u>
<i>Less Accumulated Depreciation For:</i>				
Vehicles	(1,552,087)	(162,251)	-	(1,714,338)
Furniture and Equipment	(52,753)	(7,763)	-	(60,516)
Leasehold Improvements	(608,705)	(9,256)	-	(617,961)
Buildings	(241,954)	(11,773)	15,439	(238,288)
Portables	(1,840,310)	(1,301)	-	(1,841,611)
Sebastian	(108,155)	(7,029)	-	(115,184)
Total Accumulated Depreciation	<u>(4,403,964)</u>	<u>(199,373)</u>	<u>15,439</u>	<u>(4,587,898)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,150,099</u>	<u>3,211,635</u>	<u>(14,561)</u>	<u>4,347,173</u>
<b>Total Capital Assets</b>	<u>\$ 3,358,843</u>	<u>\$ 3,211,635</u>	<u>\$ (1,806,678)</u>	<u>\$ 4,763,800</u>

Depreciation expense for the year totaled \$199,373.

**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 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.

**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, 2018 was \$57,655. Total minimum lease payment obligations of these leases are as follows:

2019 -\$63,352  
2020- \$63,352  
2021 -\$63,352  
2022 -\$63,352  
2023 -\$63,352

NINOS, INC.  
Notes to Financial Statements  
For the Year Ended March 31, 2018

**I. IN-KIND CONTRIBUTIONS**

NINOS Inc. received a total of \$5,372,803 in In-Kind contributions related to rent, donations and volunteer labor. This amount is reflected in the financial statements.

**J. NOTE PAYABLE**

NINOS has a note payable with USDA. USDA (3) loan was approved for \$2,999,100, 2.75% interest rate , of which \$2,955,836 was drawn as of year-ended 3/31/18. The remaining amount was drawn by June 2018, as the final payments were made on construction.

	<b>Balance</b>			<b>Balance</b>	<b>Current</b>
	<u>04/01/2017</u>	<u>Proceeds</u>	<u>Retired</u>	<u>03/31/2018</u>	<u>Portion</u>
Note Payable -USDA (1)	\$77,791	\$--	\$77,791	\$--	\$--
Note Payable –USDA (2)	20,640	--	20,640	--	--
Note Payable –USDA(3)	1,478,296	1,477,540	36,490	2,919,346	41,483
	<b>\$1,576,727</b>	<b>\$1,477,540</b>	<b>\$134,921</b>	<b>\$2,919,346</b>	<b>\$41,483</b>

The long term payments are as follows:

	PRINCIPAL	INTEREST	TOTAL
2019	41,483	84,262	125,745
2020	42,681	83,064	125,745
2021	43,914	81,831	125,745
2022	45,182	80,563	125,745
2023	46,486	79,259	125,745
2024 – 2028	253,358	375,366	628,725
2029 - 2033	292,112	336,613	628,725
2034 – 2038	336,792	291,932	628,725
2039 – 2043	388,308	240,417	628,725
2044 - 2048	447,702	181,022	628,725
2049 - 2053	516,182	112,542	628,725
2054 - 2057	465,236	34,113	499,349
<b>TOTAL</b>	<b>2,919,436</b>	<b>1,980,988</b>	<b>4,900,424</b>

**K. PRIOR PERIOD ADJUSTMENT**

To correct beginning account balances.

To adjust loan balance to actual	(\$5,626)
To correct prior year grant receivable	54,553
To correct prior year retain earnings	(9,957)

NINOS, INC.  
Notes to Financial Statements  
For the Year Ended March 31, 2018

**L. LITIGATION**

The Organization is currently involved in claims and litigation. In the opinion of legal counsel, these matters are in the preliminary stages and will not have a material effect on the financial position or results of the Organization.

**M. SUBSEQUENT EVENTS**

NINOS, Inc. was awarded a loan from the USDA in the amount of \$2,999,100, 2.75% interest to provide funding for the construction of an Administrative/Training Site in Rio Hondo TX that was completed in August of 2017. As of fiscal year end 3/31/18, \$2,955,836 has been drawn down on the construction loan, with the remaining amount drawn by June 2018 as the final payments were made on construction.

Subsequent events have also been evaluated through December 12, 2018 the date the report was available to be issued.



## SUPPLEMENTARY INFORMATION

NEIGHBORS IN NEED OF SERVICES, INC.  
CONSOLIDATED SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE FISCAL YEAR ENDED MARCH 31, 2018

	Program Services	Support Services	Total Expenses
Classroom	\$ 290,803	\$ -	\$ 290,803
Dues and Publications	-	4,105	4,105
Depreciation	190,116	9,256	199,372
In-kind Utilization	5,372,803	-	5,372,803
Interest Expense	51,529	-	51,529
Insurance	349,428	-	349,428
Nutrition Program	1,954,154	-	1,954,154
Parent Services	71,581	-	71,581
Professional Fees	46,955	41,814	88,769
Rent	71,098	-	71,098
Repairs and Maintenance	387,579	52,731	440,310
Scholarship	23,200	-	23,200
Salaries	12,151,837	1,675,652	13,827,489
Payroll Taxes	1,451,629	-	1,451,629
Employee Benefits	3,445,602	-	3,445,602
Property taxes	105	-	105
Staff Development	-	30,311	30,311
Supplies	111,406	160,142	271,548
Telephone	127,636	-	127,636
Travel	68,966	62,048	131,014
Vehicle	85,030	-	85,030
Utilities	406,427	-	406,427
Other	882,203	-	882,203
Total Expenses	<u>\$ 27,540,086</u>	<u>\$ 2,036,059</u>	<u>\$ 29,576,145</u>

## FEDERAL AWARDS SECTION



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Oscar R. González

Melissa González

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of  
Neighbors in Need of Services, Inc.  
San Benito, TX

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Neighbors in Need of Services (a nonprofit organization), which comprise the statement of financial position as of March 31, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Neighbors in Need of Services, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neighbors in Need of Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Neighbors in Need of Services, Inc.'s internal control.

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

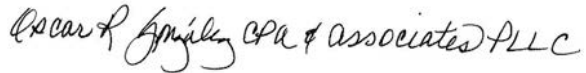
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Neighbors in Need of Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Oscar Gonzalez CPA & Associates PLLC". The signature is written in a cursive, flowing style.

Oscar Gonzalez, CPA and Associates, PLLC  
Certified Public Accountants  
Pharr, Texas  
December 12, 2018



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Oscar R. González  
Melissa González

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors of  
Neighbors in Need of Services, Inc.  
San Benito, TX

### **Report on Compliance for Each Major Federal Program**

We have audited Neighbors in Need of Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Neighbor in Need of Services, Inc.'s major federal programs for the year ended March 31, 2018. Neighbor in Need of Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Neighbors in Need of Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Neighbors in Need of Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Neighbors in Need of Services, Inc.'s compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, Neighbors in Need of Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2018.

### **Report on Internal Control Over Compliance**

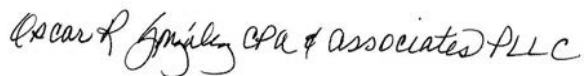
Management of Neighbors in Need of Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Neighbor in Need of Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures

that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Neighbor in Need of Services, Inc.'s internal control over compliance.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Oscar R. Gonzalez CPA & Associates PLLC".

Oscar R. Gonzalez, CPA and Associates, PLLC  
Pharr, TX  
December 12, 2018

**NEIGHBORS IN NEED OF SERVICES, INC**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED MARCH 31, 2018**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?

\_\_\_\_\_ YES        X   NO

One or more significant deficiencies identified that  
are not considered to be material weaknesses?

\_\_\_\_\_ YES        X   None Reported

Non-compliance material to financial  
statements noted?

\_\_\_\_\_ YES        X   NO

**2. Federal Awards**

Internal control over major programs:

One or more material weaknesses identified?

\_\_\_\_\_ YES        X   NO

One or more significant deficiencies identified that  
are not considered to be material weaknesses?

\_\_\_\_\_ YES        X   None Reported

Type of auditor's report issued on compliance for  
major programs:

Unmodified

Any audit findings disclosed that are required  
to be reported in accordance with section 200.516(b)  
of Uniform Guidance?

\_\_\_\_\_ YES        X   NO

Dollar threshold used to distinguish between  
type A and type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

  X   YES      \_\_\_\_\_ NO

Identification of major programs:

CFDA Numbers

93.600

10.558

Name of Federal Program or Cluster

Head Start/ Early Head Start

Child and Adult Care Food Program

**B. Financial Statement Findings**

None

**C. Federal Award Findings**

None



NINOS NEIGHBORS IN NEED OF SERVICES, INC.  
SCHEDULE OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2018

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Head Start Program and Early Head Start*	93.60	06CH385-25	22,034,965
Total Direct Program			<u>22,034,965</u>
Total U.S. Department of Health and Human Services			<u>22,034,965</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed Through Texas Department of Agriculture (TDA)			
Child and Adult Care Food Program	10.558	16166TX332N1099	2,269,998
Total Passed Through TDA			<u>2,269,998</u>
Total U.S. Department of Agriculture			<u>2,269,998</u>
Total Federal Financial Assistance			<u>24,304,963</u>

\* Audited as Major Program

The accompanying notes are an intergral part of this schedule.

**NEIGHBORS IN NEED OF SERVICES, INC.**  
**NOTES ON ACCOUNTING POLICIES**  
**FOR FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2018**

1. General

The accompanying Schedule of Expenditures of Federal and Awards presents the activity of all federal 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

4. Indirect Cost Rate

Neighbors In Need Of Services, Inc. did not elect to use the 10% de minimis indirect cost rate.