Neighbors In Need of Services, Inc. (NINOS, INC.)

Audited Annual Consolidated Financial Report

For Fiscal Year Ended March 31, 2019



AUDITED ANNUAL CONSOLIDATED FINANCIAL REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2019

BOARD OF DIRECTORS

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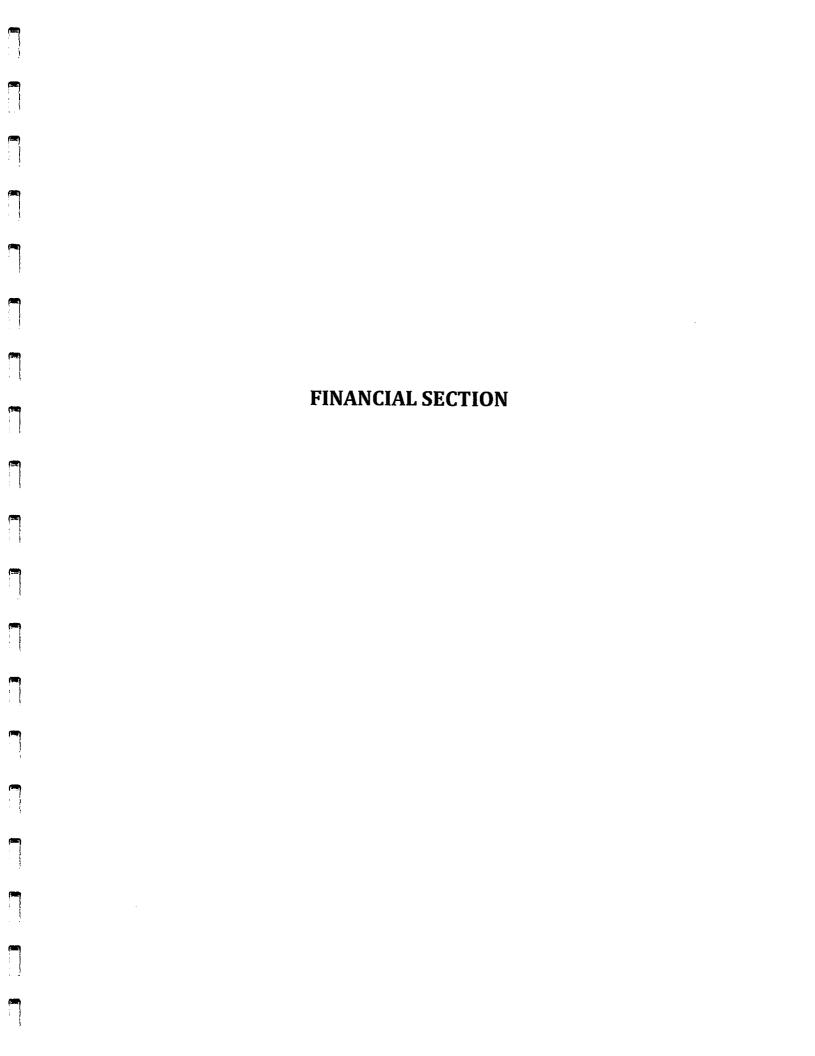
TRACY L. TORRES

Finance Director

AUDITED ANNUAL CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED MARCH 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Neighbors in Need of Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2019, and the related 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 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, 2019, 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

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also 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.

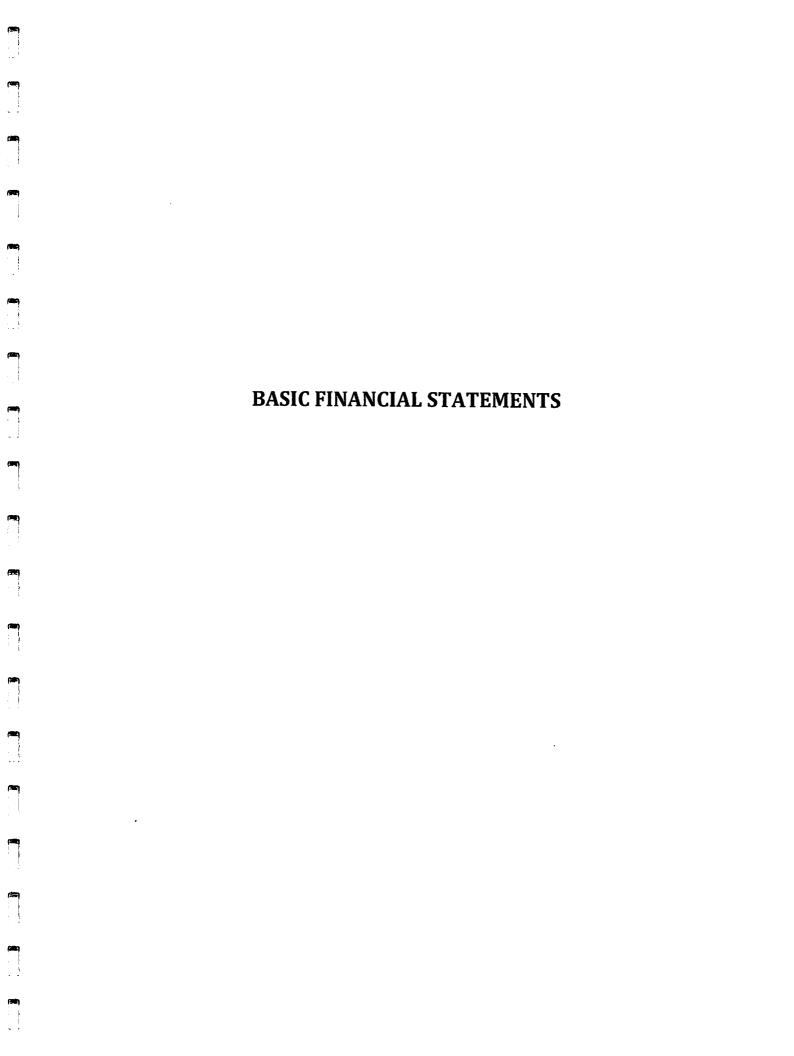
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2019, 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 solely 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 the effectiveness of ABC Organization's 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.

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

November 7, 2019



NEIGHBORS IN NEED OF SERVICES, INC. CONSOLIDATED STATEMENT OF FINANCIAL POSITION MARCH 31, 2019

	2019	Total
Assets		
Cash and Cash Equivalents	\$ 333,370	\$ 333,370
Grants Receivable	953,720	953,720
Other Receivables	18,928	18,928
Prepaid Assets	60,397	60,397
Prepaid Insurance	9,815	9,815
Property and Equipment (Net)	4,460,280	4,460,280
Total Assets	\$ 5,836,510	\$ 5,836,510
Liabilities		
Accounts Payable	\$ 200,960	\$ 200,960
Checks Issued in Excess of Funds Available	9,108	9,108
Accrued Salaries and Payroll Tax	926,032	926,032
Current Portion of Long-Term Debt	42,681	42,681
Long-Term Debt	2,859,815	2,859,815
Total Liabilities	 4,038,596	4,038,596
Net Assets		
Without Donor Restrictions	1,792,625	1,792,625
With Donor Restrictions	5,289	5,289
Total Net Assets	 1,797,914	1,797,914
Total Liabilities and Net Assets	\$ 5,836,510	\$ 5,836,510

NEIGHBORS IN NEED OF SERVICES, INC. CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED MARCH 31, 2019

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

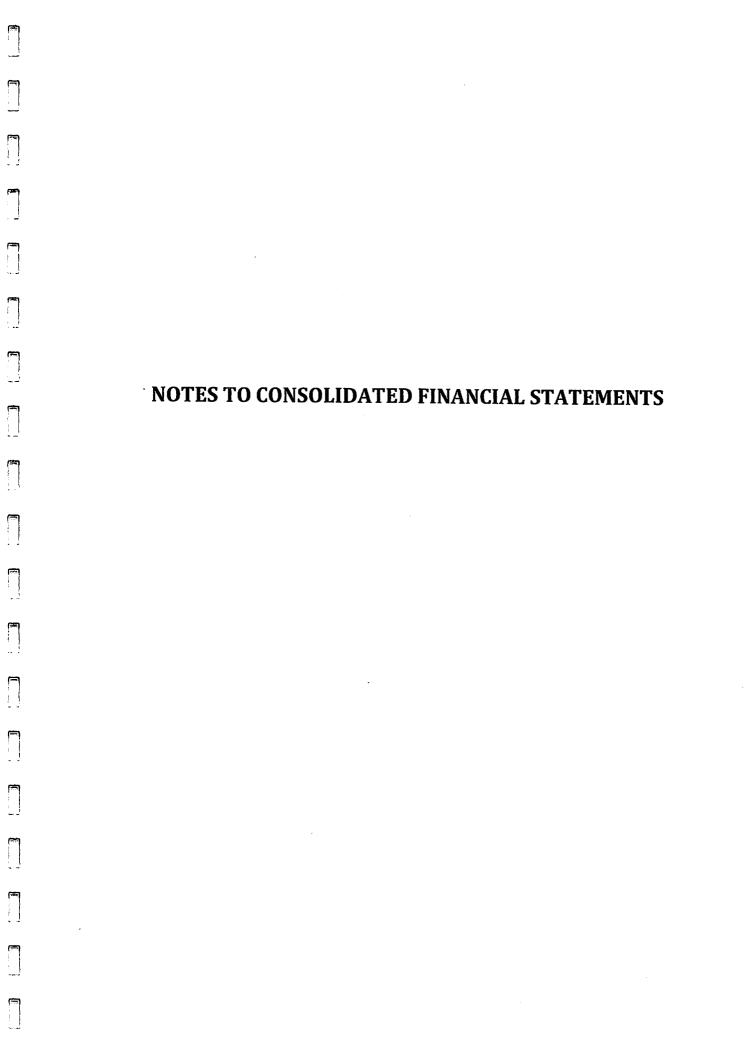
	2019	Total
Revenues and Gains	h 440.564	. 440 44
Program Income	\$ 110,761	\$ 110,761
Contributions and Donations	5,518,233	5,518,233
Other Revenue	125,115	125,115
Total Revenues and Gains		
Without Donor Restrictions	5,754,109	5,754,109
Net Assets Released from Restrictions		
Restrictions Satisfied by Expenditures Incurred	24,232,025	24,232,025
Total Net Assets Released from Restrictions	24,232,025	24,232,025
Total Revenue, Gains, and Other		
Support Without Donor Restrictions	29,986,134	29,986,134
Expenses		
Program Services		
Program Expenses	27,848,755	27,848,755
Support Services		
General and Administrative	2,184,206	2,184,206
Fundraising Expenses	19,722	19,722
Total Expenses	30,052,683	30,052,683
Increase (Decrease) in Net Assets		
Without Donor Restrictions	(66,549)	(66,549)
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:		
Federal Grant Revenue		
Department of Health and Human Services Commission	22,072,921	22,072,921
Texas Department of Agriculture	2,159,104	2,159,104
Other Grants and Contributions	14,783	14,783
Net Assets Released from Restrictions	(24,232,025)	(24,232,025)
Increase (Decrease) in Net Assets		
With Donor Restrictions	14,783	14,783
Change in Net Assets	(51,766)	(51,766)
Prior Period Adjustment	36,990	36,990
Net Assets, Beginning of Year	1,812,690	1,812,690
Total Net Assets, End of Year	\$ 1,797,914	\$ 1,797,914

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, 2019

\$ 98,556 24,182,259	
125,115	\$ 24,420,713
(19,023,089) (5,313,142)	(24,336,231)
	84,482
	-
2,671 (16,840)	
	(14,169)
	70,313 263,057 \$ 333,370
	\$ (51,766)
303,517	
(49,769) (12,205) (46,775) (13,587) 9,108 (54,041)	
	136,248 \$ 84,482
	24,182,259 14,783 125,115 (19,023,089) (5,313,142) 2,671 (16,840) 303,517 (49,769) (12,205) (46,775) (13,587) 9,108

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Neighbors In Need Of Services, Inc. ("NINOS, INC.") is a not-for-profit Texas corporation organized in 1990. The primary purpose of NINOS, INC. 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, INC. 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, INC. 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, INC. 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., Inc. and the Head Start Policy Council, both subsidiaries of NINOS, INC. for the purpose of financial reporting have been consolidated with NINOS, INC.'s 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.

<u>Financial Statement Presentation and Contributions and Support</u>

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

NINOS, INC. 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 from restrictions: Satisfaction or usage restriction. NINOS, INC. has no permanently restricted net assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Classification of Net Assets

- Net Assets with Donor Restrictions: net assets subject to donor-imposed restriction (donors include
 other types f contributors, including makers of certain grants).
- Net Assets without Donor Restrictions: net assets not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants)
- <u>Underwater Endowment Fund:</u> an endowment fund, which is donor-restricted, for which the fair value of the fund at the reporting date is less than either the amount of the original gift or the amount required to be maintained by the donor or by law that extends donor restrictions.

Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, NINOS, INC. considers all cash accounts, which are not subject to withdrawal restrictions or penalties, purchased with maturity of three months or less to be cash equivalents.

Concentration of Risk

In 2019, 74% of Neighbors in Need of Services Inc.'s revenues were provided through grants from the U.S. Department of Health and Human Services.

Concentration of Credit Risk

The Federal Deposit Insurance Corporation (FDIC) insures each depositor up to \$250,000. Deposits in some institutions may at times exceed FDIC insurance coverage. Bank account balances may at times exceed FDIC insurance limits; however, management believes its cash accounts are not exposed to any significant risk

Contributions

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restriction. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contribution as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Recognition of GrantSupport

Head Start, Early Head Start 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.

Donated Services and Materials

In-kind support is recorded as revenue and expense in the accompanying consolidated statements of activities only if the contribution meets the requirements of Not-for-Profit Entities. For contributed services to be recognized as revenue, services must be those that would normally be paid for, the same as those normally provided by the donor, and clearly measurable. The Organization received \$5,518,233 in such services during 2018-2019.

Functional Allocation of Expenses

The expenses of NINOS, INC. 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.

Fair Value Measurements

Generally accepted accounting principles define fair value, establish a framework for measuring fair value and establish hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair market value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset and liability or, in absences of a principal market the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value into three broad levels:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the assets or liabilities, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

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, INC. are depreciated using the straight-line method over the following estimated useful lives:

40 Years
39 Years
20 Years
15 Years
10 Years
5 Years
5 Years
5 Years
5 Years

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, INC.'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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Income Taxes

NINOS, INC. 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 within the meaning of Section 509 (a) of the Internal Revenue Code. There was no unrelated business income for the year ended March 31, 2019. Federal income tax and information returns for tax years 2016, 2017 and 2018 remain subject to examination by the Internal Revenue Service.

New Accounting Standards

In year 2018, the organization adopted new statements or financial accounting standards issued by the Financial Accounting Standards Board (FASB):

ASU 2016-14 – Presentation of Financial Statements of Not for Profit Entities.

ASU 2016-14 - Presentation of Financial Statements of Not for Profit Entities (NFP): the objective is to improve financial statement presentation by (NFP) organizations on Financial performance, cash flows, and liquidity. 1) Improve the use usefulness of information provided to donors, grantors, creditors, and other users of an NFP's financial statements, 2) Reduce complexities or costs for preparers or users of financial statements, or 3) both improve usefulness and reduce complexities or cost. Present on the face to of the statement of financial position amounts for two classes of net assets at the end of the period, rather than for the currently required three classes. NFP will report amounts for new assets with donor restrictions and net assets without donor restrictions as well as the currently required amount for total net assets.

The requirements of this standard will take effect for most nonprofit organizations with annual reporting periods beginning after December 15, 2017, and for interim periods within fiscal year beginning after December 15, 2018.

Compensated Absences

Employees of NINOS, INC. are entitled to paid vacation depending on length of service and other factors. At year end, there were 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Marketina Costs

The Organization expenses marketing costs as they are incurred. As of March 31, 2019, marketing costs totaled \$59,138.

Estimates

The preparation of financial statements is 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.

NOTE 2-DEPOSITS AND INVESTMENTS

At March 31, 2019, the carrying amount of the NINOS, INC. deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$333,370 and the bank balance was \$458,289. Deposits are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000.

NINOS, INC. deposits at March 31, 2019 are shown below:

						FDIC		
		(Carrying		Iı	nsurance	An	nount Over
Bank	Туре	Amount Bank Balance			Coverage	(Un	der) Insured	
BBVA Compass	Checking	\$	310,789	\$ 435,536	\$	250,000	\$	(185,536)
Frost	Checking		22,581	 22,753		250,000		227,247
Total Cash a	nd Cash Equivalents	\$	333,370	\$ 458,289				

NOTE 3 - GRANTS AND OTHER RECEIVABLES

Grants and other receivables as of March 31, 2019 consist of the following:

Receivables	 <u>Amount</u>
U.S. Department of Health and Human Services	\$ 553,543
TX Department of Agriculture-Health Nutrition Program	400,177
Total Grants Receivable	953,720
Other Accounts Receivable	18,928
Total Receivables	\$ 972,648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2019

NOTE 4 - RETIREMENT PLAN

NINOS, INC. 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, INC. may contribute an amount to be determined annually by the board of directors. Limited employee contributions are provided for by the plan However, with the consent of the Plan Administrator, a participant may rollover amounts from another qualified plan. Employees will be 100% vested as to the employer contributions plus earnings after 5 years of service. "Rollover" contributions are automatically 100% vested. During the year ended March 31, 2019 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, 2019 totaled \$882,478.

NOTE 5 - CONTINGENCIES

NINOS, INC. 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, INC. may be required to reimburse the grantor. NINOS, INC. believes 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, INC. The future operations of NINOS, INC. are contingent upon continual funding form the U.S. Department of Health and Human Services and the U.S. Department of Agriculture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2019

NOTE 6 - PROPERTY AND EQUIPMENT

A summary of property and equipment at March 31, 2019 follows:

	Beginning			Ending
	Balance			Balance
	4/1/2018	Increases	Decreases	3/1/2019
Capital Assets, Not Being Depreciated:				
Land	\$ 416,627	\$ -	\$	\$ 416,627
Total Capital Assets, Not Being Depreciated	416,627	-	-	416,627
Capital Assets, Being Depreciated:				
Vehicles	2,081,584	-	(286,930)	1,794,654
Furniture and Equipment	94,945	-	-	94,945
Leasehold Improvements	765,674	-	-	765,674
Buildings	5,992,868			5,992,868
Total Capital Assets, Being Depreciated	8,935,071	-	(286,930)	8,648,141
Less Accumulated Depreciation For:				
Vehicles	(1,714,608)	(117,119)	286,930	(1,544,797)
Furniture and Equipment	(60,517)	(7,063)	-	(67,580)
Leasehold Improvements	(617,964)	(9,256)	-	(627,220)
Buildings	(238,290)	(96,360)	-	(334,650)
Portables	(1,841,607)	(66,959)	-	(1,908,566)
Sebastian	(114,915)	(6,760)		(121,675)
Total Accumulated Depreciation	(4,587,901)	(303,517)	286,930	(4,604,488)
Total Capital Assets, Being Depreciated, Net	4,347,170	(303,517)		4,043,653
Total Capital Assets	\$ 4,763,797	\$ (303,517)	\$ -	\$4,460,280

Depreciation expense for the year totaled \$303,517.

NOTE 7 - OPERATING LEASES

NINOS, INC. leases operating space for all of its centers under operating leases primarily from governmental agencies. The lease agreements are generally form a one to five-year term. Total rent paid for the year ended March 31, 2019 was \$55,679. Total minimum lease payment obligations of these leases are as follows:

Year	Α	Amount			
2020	\$ 55,679				
2021		55,679			
2022		55,679			
2023		55,679			
2024		55,679			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2019

NOTE 8 - NOTES PAYABLE

NINOS, INC. has notes payable with the USDA. USDA (3) loan was approved for \$2,999,100, 2.75% interest rate with monthly payments of \$10,467 due, May 30, 2057.

	1	Beginning					Ending		
	Ba	alance as of				Ba	alance as of	Du	e Within
	4	/01/2018	P	roceeds	Retired	3	/31/2019	0	ne Year
Note Payable - USDA (3)	\$	2,919,336	\$	43,264	\$ (60,104)	\$	2,902,496	\$	42,681

The Long-Term payments are as follows:

_	Principal	Interest	Total
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	47,829	77,916	125,745
2025-2029	260,674	368,051	628,725
2030-2034	300,546	328,178	628,724
2035-2039	346,517	282,207	628,724
2040-2044	399,520	229,205	628,725
2045-2049	460,630	168,095	628,725
2050-2054	531,087	97,638	628,725
2055-2059	377,430	20,717	398,147
	\$ 2,902,496	\$ 1,896,724	\$ 4,799,220

NOTE 9 - IN-KIND CONTRIBUTIONS

NINOS, INC. received a total of \$5,518,233 in In-Kind contributions related to rent, donations and professional services. This amount is reflected in the financial statements.

NOTE 10 - PRIOR PERIOD ADJUSTMENT

Prior period adjustment as of March 31, 2019 consist of the following:

1 1		<u> </u>
Total prior period adjustment	\$	(36,990)
To correct prior year cash balances		(37,175)
To correct prior year loan balance		(5,624)
To correct prior year retained earnings	*	5,809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR YEAR ENDED MARCH 31, 2019

NOTE 11 - LITIGATION

As of March 31, 2019, NINOS, INC. was not involved in any claims or litigation.

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (FASB ASC 825-10) require disclosure of the fair value information about financial instruments, whether or not recognized in the balance sheet. In case where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows.

In the regard, the derived fair value estimates cannot be sustained by comparison to independent markets and, cases could not be realized in immediate settlement of the instruments. Certain financial instruments and all nonfinancial instruments are excluded from these disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Organization.

The following methods and assumptions were used by NINOS, INC., Inc. in estimating its fair value disclosure for financial instruments:

Cash and Cash Equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents is the fair value.

Time deposits: Fair values of certificates of deposit are at cost plus accrued interest.

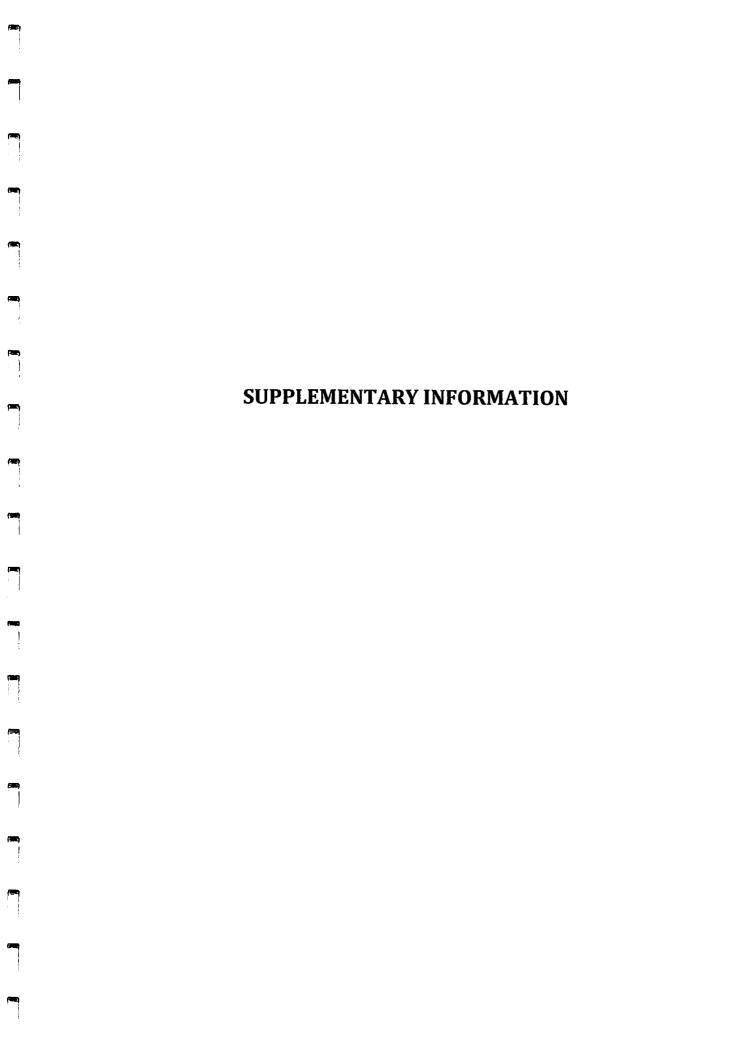
Accounts Receivable: The carrying amount approximates fair value because of the short maturity of these instruments.

Payable and Accruals: The carrying amounts approximate fair value because of the short maturity period.

	Carrying			
Financial Assets:	 Amount	Fair Value		
Cash and Cash Equivalents	\$ 333,370	\$	333,370	
Grants Receivable	953,720		953,720	
Other Receivables	18,928		18,928	
Prepaid Assets	60,397		60,397	
Prepaid Insurance	9,815		9,815	
Financial Liabilities:				
Accounts Payable	200,960		200,960	
Accrued Salaries	926,032		926,032	
Current Portion of Long-Term Debt	42,681		42,681	

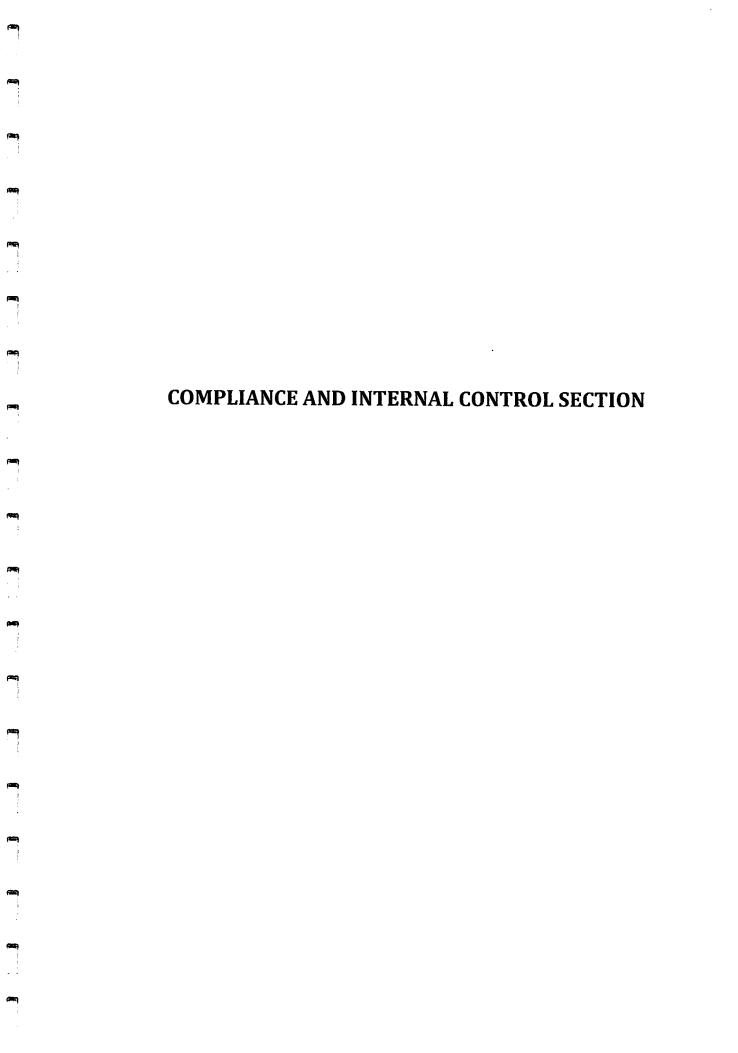
NOTE 13 - SUBSEQUENT EVENTS

For the purposes of reporting subsequent events, management has considered events occurring up to November 7, 2019, the date of the report was available to be issued.



NEIGHBORS IN NEED OF SERVICES, INC. CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED MARCH 31, 2019

	Prog	ram Services		Support S	Servic	ces		
	Progr	am Expenses		eneral and ministrative		ndraising Expense		Total
Expenses	<u>g.</u>	um Emponees				жрепас		Total
Auto Expense	\$	89,434	\$	_	\$	-	\$	89,434
Building Occupancy		339,474	•	_	•	-	Ψ	339,474
Classroom Supplies		406,331		-		_		406,331
Contracted Services		16,020		69,742		_		85,762
Depreciation		296,757		6,760		_		303,517
Dues and Subscriptions		8,740		-				8,740
Employee Benefits		3,765,432		-		_		3,765,432
Food Expense		1,613,292		_		-		1,613,292
Fundraising		•		-		5,322		5,322
In-Kind Salary		5,518,233		_		•		5,518,233
Insurance Expense		336,669		_		-		336,669
Interest Expense		76,159		-		-		76,159
Kitchen Supplies		190,789		_		-		190,789
Marketing		· -		44,738		14,400		59,138
Medical Supplies		95,740		,		-		95,740
Office Expense		35,835		-		-		35,835
Office Supplies		43,899		81,050		•		124,949
Other Expense		182,837		10,972		_		193,809
Parent Services		45,160		-		-		45,160
Payroll Taxes		1,394,120		-		-		1,394,120
Rent Expense		55,679		-		•		55,679
Repairs and Maintenance		390,387		54,939		-		445,326
Salary and Wages		11,994,262		1,815,234		-		13,809,496
Staff Development		359,454		-		-		359,454
Telephone Expense		135,299		-		-		135,299
Travel Expense		81,995		100,771		-		182,766
Utilities Expense		376,758		-		-		376,758
Total Expenses	\$	27,848,755	\$	2,184,206	\$	19,722	\$	30,052,683



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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.

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, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2019, 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 November 7, 2019.

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.

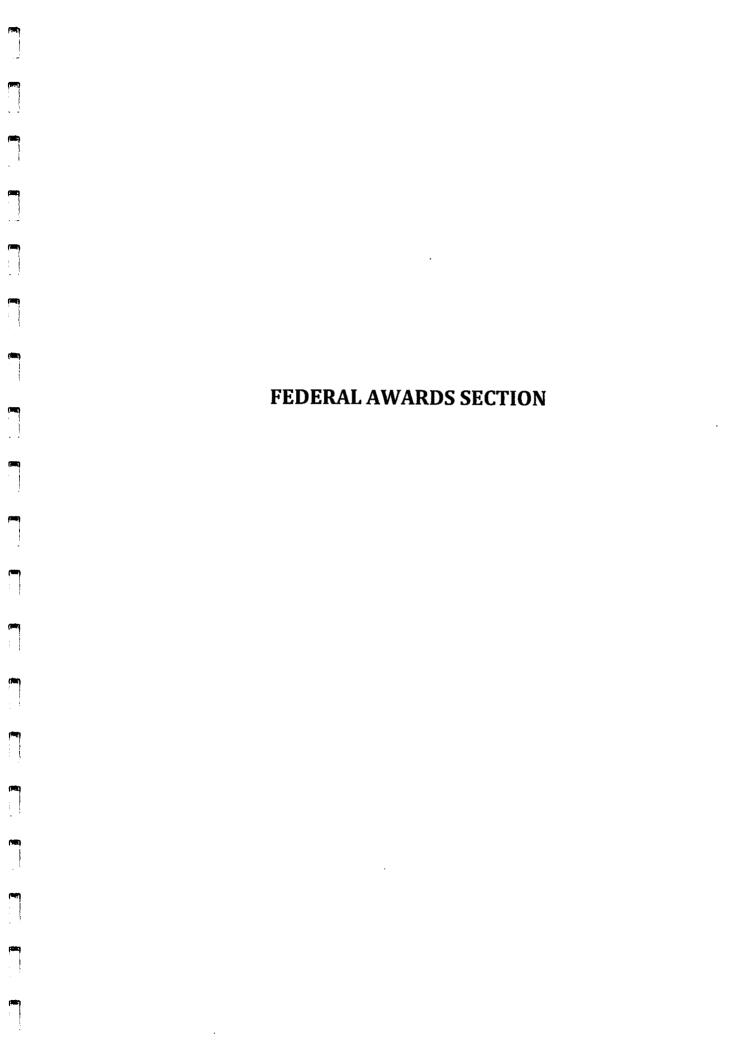
Cocar of Sprile coa & associated PLLC

Oscar R. Gonzalez, CPA & Associates, PLLC

Certified Public Accountants

Pharr, TX

November 7, 2019



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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.

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 Neighbors in Need of Services, Inc.'s major federal programs for the year ended March 31, 2019. Neighbors 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, 2019.

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 Neighbors 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 Neighbors 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 a combination of deficiencies, in internal control over 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.

Oscar R. Gonzalez, CPA & Associates, PLLC

Cocar of Smiles CPa & associates PLLC

Certified Public Accountants

Pharr, TX

November 7, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE FISCAL YEAR ENDED MARCH 31, 2019

A. <u>S</u>	<u>ummary</u>	<u>of</u>	<u>Audito</u>	<u>r's</u>	Results
-------------	---------------	-----------	---------------	------------	----------------

	1. Financial Statements						
•	Type of auditor's report issued:		<u>Unmodi</u>	fied			
	Internal control over financial rep	oorting:					
1	One or more material weakn	esses identified?		YES	X	_ NO	
à	One or more significant defice are not considered to be mat			YES	X	_ None Report	ed
a	Non-compliance material to finan statements noted?	cial		YES	X	_ NO	
•	Federal Awards Internal control over major programme	ams:					
	One or more material weakn	esses identified?		YES	X	_ NO	
•	One or more significant deficare not considered to be mat			YES	X	_ None Reporte	èd
•	Type of auditor's report issued on major programs:	compliance for	<u>Unmodi</u>	<u>fied</u>			
7	Any audit findings disclosed that a in accordance with Title 2 U.S. Coo Part 200, Uniform Administrative and Audit Requirements for Feder	le of Federal Regulations Requirements, Cost Principles		YES	X	_ NO	
7	Dollar threshold used to distinguistype A and type B programs:	sh between	\$750,00	<u>o</u>			
	Auditee qualified as a low-risk aud	litee?	X	YES		_ NO	
•	Identification of major programs: <u>CFDA Numbers</u>	Name of Federal Program or Cl	uster				
•	93.600 10.558	Head Start/ Early Head Start Child and Adult Care Food Prog					
9	B. Financial Statement Findings						
	None						
9	C. <u>Federal Award Findings</u>						
	None						

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED MARCH 31, 2019

Federal Grantor/ Pass-through Grantor Program Title		Pass-Through Entity Identifying Number	Federal Expenditures	•	nditures to Recipient
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES	<u> </u>				
Head Start Program and Early Head Start	93.600	06CH385-25	\$ 22,226,120	\$	-
Total Direct Program			22,226,120		-
Total U.S. Department of Health and Human Services	;		22,226,120		-
•					
U.S. DEPARTMENT OF AGRICULTURE					
Passed Through Texas Department of Agriculture (TDA)					
Child and Adult Care Food Program	10.558	16166TX332N1099	2,159,103	·	
Total U.S. Department of Agriculture			2,159,103		
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 24,385,223	\$	-

The accompanying notes are an intergral part of this schedule.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED MARCH, 31, 2019

- **1.** <u>General</u> The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal programs of Neighbors In Need of Services, Inc. (a nonprofit organization).
- **2.** <u>Basis of Accounting</u> 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. All the information presented in the schedule has been prepared 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 statement.
- **3.** Relationship to Federal Financial Reports Basis of Accounting Amount 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 the future report filed with the agencies.
- **4.** <u>Program Income</u> The clinic reports program income based on the requirements presented in 45 CFR 75.307. The net program income recognized as of March 31, 2019 is \$110,761.
- **5.** <u>Indirect Cost Rate Neighbors In Need of Services, Inc. has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.</u>