



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

**Audited Annual Consolidated  
Financial Report**

**For Fiscal Year Ended March 31, 2020**

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

**NEIGHBORS IN NEED OF SERVICES, INC.**  
Audited Annual Consolidated Financial Report  
For the Fiscal Year Ended March 31, 2020

**BOARD OF DIRECTORS**

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President

**ROBERTO LOPEZ, CPA**  
Vice-President

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Member

**JUANITA ORTIZ**  
Member

**MANUELA RENDON**  
Executive Director

**TRACY L. TORRES**  
Finance Director

**NEIGHBORS IN NEED OF SERVICES, INC.**  
Audited Annual Consolidated Financial Statements  
For the Fiscal Year Ended March 31, 2020

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## **FINANCIAL SECTION**



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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.

### **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, 2020, 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, 2020, 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.

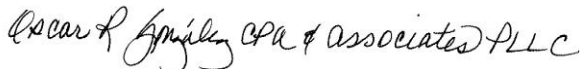
## ***Other Matters***

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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* 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 15, 2020, 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 Neighbors in Need of Services, Inc.'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.

 Oscar R. Gonzalez, CPA & Associates PLLC

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

December 15, 2020

## **BASIC FINANCIAL STATEMENTS**

**NEIGHBORS IN NEED OF SERVICES, INC.**  
Consolidated Statement of Financial Position  
March 31, 2020

	2020
<b>Assets</b>	
Cash and Cash Equivalents	\$ 950,397
Grants Receivable	761,911
Other Receivables	10,567
Prepaid Assets	19,908
Prepaid Insurance	23,993
Property and Equipment (Net)	4,351,543
<b>Total Assets</b>	<b>\$ 6,118,319</b>
<b>Liabilities</b>	
Accounts Payable	\$ 318,665
Accrued Salaries and Payroll Tax	1,099,503
Current Portion of Long-Term Debt	47,981
Long-Term Debt - USDA	2,815,935
<b>Total Liabilities</b>	<b>4,282,084</b>
<b>Net Assets</b>	
Without Donor Restrictions	1,821,835
With Donor Restrictions	14,400
<b>Total Net Assets</b>	<b>1,836,235</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 6,118,319</b>

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



**NEIGHBORS IN NEED OF SERVICES, INC.****Consolidated Statement of Activities****For the Year Ended March 31, 2020****CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:**

	2020
<b>Revenues and Gains</b>	
Program Income	\$ 234,837
Contributions and Donations	5,667,700
Other Revenue	<u>61,788</u>
<b>Total Revenues and Gains</b>	
<b>Without Donor Restrictions</b>	5,964,325
Net Assets Released from Restrictions	
Restrictions Satisfied by Expenditures Incurred	<u>24,500,421</u>
<b>Total Net Assets Released from Restrictions</b>	24,500,421
<b>Total Revenue, Gains, and Other</b>	
<b>Support Without Donor Restrictions</b>	30,464,746
<b>Expenses</b>	
Program Services	
Program Expenses	28,208,243
Support Services	
General and Administrative	2,206,195
Fundraising Expenses	<u>24,339</u>
<b>Total Expenses</b>	<u>30,438,777</u>
<b>Increase (Decrease) in Net Assets</b>	
<b>Without Donor Restrictions</b>	25,969

**CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:**

Federal Grant Revenue	
Department of Health & Human Services Commission	22,344,972
Texas Department of Agriculture	2,140,015
Other Grants and Contributions	24,545
Net Assets Released from Restrictions	<u>(24,500,421)</u>
<b>Increase (Decrease) in Net Assets</b>	
<b>With Donor Restrictions</b>	9,111
<b>Change in Net Assets</b>	35,080
Prior Period Adjustment	3,241
<b>Net Assets, Beginning of Year</b>	<u>1,797,914</u>
<b>Total Net Assets, End of Year</b>	<u><u>\$ 1,836,235</u></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, 2020**

Cash Flows from Operating Activities:		
Change in Net Assets		\$ 35,080
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense		226,917
Change in Assets and Liabilities:		
(Increase) Decrease in Grant Receivables	\$ 191,809	
(Increase) Decrease in Other Receivables	8,361	
(Increase) Decrease in Prepaid Expenses	26,311	
Increase (Decrease) in Accounts Payable	117,705	
Increase (Decrease) in Checks Issued in Excess of Funds Available	(9,108)	
Increase (Decrease) in Wage and Salary Payable	173,471	
		<u>508,549</u>
<b>Net Cash Provided (Used) by Operating Activities</b>		<u>770,546</u>
Cash Flows from Investing Activities:		
Purchase of Capital Assets	<u>(118,180)</u>	
<b>Net Cash Provided (Used) for Investing Activities</b>		<u>(118,180)</u>
Cash Flows from Financing Activities:		
Cash from Maturity of Investments	-	
Payment of Long-term Debt	<u>(38,580)</u>	
<b>Net Cash Provided (Used) for Financing Activities</b>		<u>(38,580)</u>
Net Increase (Decrease) in Cash and Cash Equivalents		613,786
Cash and Cash Equivalents at Beginning of Year		<u>336,611</u>
<b>Cash and Cash Equivalents at End of Year</b>		<u><u>\$ 950,397</u></u>

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

## **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**NEIGHBORS IN NEED OF SERVICES, INC.**  
Notes to the Consolidated Financial Statements  
For Year Ended March 31, 2020

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**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.

*Financial Statement Presentation and Contributions and Support*

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.

**NEIGHBORS IN NEED OF SERVICES, INC.**  
Notes to the Consolidated Financial Statements  
For Year Ended March 31, 2020

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**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 of 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)
- *Underwater Endowment Fund*: - 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 2020, 80% 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.

**NEIGHBORS IN NEED OF SERVICES, INC.**  
Notes to the Consolidated Financial Statements  
For Year Ended March 31, 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

*Recognition of Grant Support*

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 number 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 \$5,667,700 in such services during 2019-2020.

*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.

**NEIGHBORS IN NEED OF SERVICES, INC.**  
Notes to the Consolidated Financial Statements  
For Year Ended March 31, 2020

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**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:

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

**NEIGHBORS IN NEED OF SERVICES, INC.**  
Notes to the Consolidated Financial Statements  
For Year Ended March 31, 2020

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**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, 2020. Federal income tax and information returns for tax years 2017, 2018 and 2019 remain subject to examination by the Internal Revenue Service.

*New Accounting Standards*

In year 2020, the organization adopted new statements or financial accounting standards issued by the Financial Accounting Standards Board (FASB):

- ASU 2018-08 – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions made.

ASU 2018-08 - Not for Profit Entities (NFP): Defines a contribution as an unconditional transfer of cash or other assets, as well as unconditional promises to give, to an entity, or a reduction settlement, or cancelation of its liabilities in a voluntary nonreciprocal transfer by another entity acting other than an owner.

The requirements of this standard will take effect for most nonprofit organizations with annual reporting periods beginning after December 15, 2019, and for interim periods within fiscal year beginning after December 15, 2020.

*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.



**NEIGHBORS IN NEED OF SERVICES, INC.**  
Notes to the Consolidated Financial Statements  
For Year Ended March 31, 2020

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Marketing Costs

The Organization expenses marketing costs as they are incurred. As of March 31, 2020, marketing costs totaled \$35,037.

Estimates

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

**NOTE 2-AVAILABILITY AND LIQUIDITY**

The following represents NINOS, INC.'s financial assets at March 31, 2020.

Financial assets at year end:	2020
Cash and cash equivalents	\$ 950,397
Accounts receivables	772,478
Total financial assets	1,722,875
Less amounts not available to be used within one year:	
Funds restricted by donors	14,400
Investments designated for capital purchases	-
	14,400
Financial assets available to meet general expenditures over the next twelve months	\$ 1,708,475

**NEIGHBORS IN NEED OF SERVICES, INC.**  
Notes to the Consolidated Financial Statements  
For Year Ended March 31, 2020

**NOTE 3-DEPOSITS AND INVESTMENTS**

At March 31, 2020, the carrying amount of the NINOS, INC. deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$950,397 and the bank balance was \$635,809. Deposits are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000.

NINOS, INC. deposits at March 31, 2020 are shown below:

Bank	Type	Carrying Amount	Bank Balance	FDIC Insurance Coverage	Amount Over (Under) Insured
BBVA Compass	Checking	\$ 910,057	\$ 597,057	\$ 250,000	\$ (347,057)
Frost	Checking	38,752	38,752	250,000	211,248
	Petty Cash	1,588	-		
Total Cash and Cash Equivalents		<u>\$ 950,397</u>	<u>\$ 635,809</u>		

**NOTE 4 - GRANTS AND OTHER RECEIVABLES**

Grants and other receivables as of March 31, 2020 consist of the following:

Receivables	Amount
U.S. Department of Health and Human Services	\$ 438,571
TX Department of Agriculture-Health Nutrition Program	323,340
Total Grants Receivable	<u>761,911</u>
Other Accounts Receivable	10,567
Total Receivables	<u><u>\$ 772,478</u></u>

**NOTE 5 - 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 1<sup>st</sup> 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, 2020 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, 2020 totaled \$880,810.

**NEIGHBORS IN NEED OF SERVICES, INC.**  
Notes to the Consolidated Financial Statements  
For Year Ended March 31, 2020

**NOTE 6 - 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 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, INC. The future operations of NINOS, INC. are contingent upon continual funding from the U.S. Department of Health and Human Services and the U.S. Department of Agriculture.

**NOTE 7 - PROPERTY AND EQUIPMENT**

A summary of property and equipment at March 31, 2020 follows:

	Beginning Balance 4/1/2019	Increases	Decreases	Ending Balance 3/1/2020
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 416,627	\$ -	\$ -	\$ 416,627
<i>Total Capital Assets, Not Being Depreciated</i>	<u>416,627</u>	<u>-</u>	<u>-</u>	<u>416,627</u>
<i>Capital Assets, Being Depreciated:</i>				
Vehicles	1,794,654	-	-	1,794,654
Furniture and Equipment	94,945	-	-	94,945
Leasehold Improvements	765,674	-	-	765,674
Buildings	5,992,868	118,180	-	6,111,048
<i>Total Capital Assets, Being Depreciated</i>	<u>8,648,141</u>	<u>118,180</u>	<u>-</u>	<u>8,766,321</u>
<i>Less Accumulated Depreciation For:</i>				
Vehicles	(1,544,797)	(110,978)	-	(1,655,775)
Furniture and Equipment	(67,580)	(3,563)	-	(71,143)
Leasehold Improvements	(627,220)	(9,256)	-	(636,476)
Buildings	(334,650)	(96,360)	-	(431,010)
Portables	(1,908,566)	-	-	(1,908,566)
Sebastian	(121,675)	(6,760)	-	(128,435)
<i>Total Accumulated Depreciation</i>	<u>(4,604,488)</u>	<u>(226,917)</u>	<u>-</u>	<u>(4,831,405)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>4,043,653</u>	<u>(108,737)</u>	<u>-</u>	<u>3,934,916</u>
<i>Total Capital Assets</i>	<u>\$ 4,460,280</u>	<u>\$ (108,737)</u>	<u>\$ -</u>	<u>\$ 4,351,543</u>

Depreciation expense for the year totaled \$226,917.

**NEIGHBORS IN NEED OF SERVICES, INC.**  
Notes to the Consolidated Financial Statements  
For Year Ended March 31, 2020

**NOTE 8 – 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, 2020 was \$73,355. Total minimum lease payment obligations of these leases are as follows:

Year	Amount
2021	\$ 73,355
2022	73,355
2023	73,355
2024	73,355
2025	73,355

**NOTE 9 – 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.

	Beginning Balance as of 4/01/2019	Proceeds	Retired	Ending Balance as of 3/31/2020	Due Within One Year
Note Payable - USDA (3)	\$ 2,902,496	\$ -	\$ (38,580)	\$ 2,863,916	\$ 47,981

The Long-Term payments are as follows:

	Principal	Interest	Total
2021	\$ 47,981	\$ 77,623	\$ 125,604
2022	49,318	76,286	125,604
2023	50,692	74,912	125,604
2024	52,103	73,501	125,604
2025	53,554	72,050	125,604
2026-2030	290,992	337,028	628,020
2031-2035	333,832	294,188	628,020
2036-2040	382,979	245,041	628,020
2041-2045	439,362	188,658	628,020
2046-2050	504,045	123,975	628,020
2051-2055	578,251	49,769	628,020
2056-2057	80,807	488	81,295
	<u>\$ 2,863,916</u>	<u>\$ 1,613,519</u>	<u>\$ 4,477,435</u>

**NEIGHBORS IN NEED OF SERVICES, INC.**  
Notes to the Consolidated Financial Statements  
For Year Ended March 31, 2020

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**NOTE 10 – IN-KIND CONTRIBUTIONS**

NINOS, INC. received a total of \$5,667,700 in In-Kind contributions related to rent, donations and professional services. This amount is reflected in the financial statements.

**NOTE 11 – PRIOR PERIOD ADJUSTMENT**

Prior period adjustment as of March 31, 2020 consist of the following:

To correct prior year cash balances	\$ 3,241
Total Prior Period Adjustment	<u>\$ 3,241</u>

**NOTE 12 – LITIGATION**

As of March 31, 2020, NINOS, INC. was not involved in any claims or litigation.

**NOTE 13 – 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.

**NEIGHBORS IN NEED OF SERVICES, INC.**  
Notes to the Consolidated Financial Statements  
For Year Ended March 31, 2020

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**NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)**

*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.

<b>Financial Assets:</b>	<b>Carrying Amount</b>	<b>Fair Value</b>
Cash and Cash Equivalents	\$ 950,397	\$ 950,397
Grants Receivable	761,911	761,911
Other Receivables	10,567	10,567
Prepaid Assets	19,908	19,908
Prepaid Insurance	23,993	23,993
<b>Financial Liabilities:</b>		
Accounts Payable	318,665	318,665
Accrued Salaries and Payroll Tax	1,099,503	1,099,503

**NOTE 14 – SUBSEQUENT EVENTS**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The extent of the impact of COVID-19 on Neighbors in Need of Services, Inc.'s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on Neighbors in Need of Services, Inc.'s customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact Neighbors in Need of Services, Inc.'s financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

For the purposes of reporting subsequent events, management has considered events occurring up to December 15, 2020, the date of the report was available to be issued.

## **SUPPLEMENTARY INFORMATION**

**NEIGHBORS IN NEED OF SERVICES, INC.**  
**Consolidated Schedule of Functional Expenses**  
**For the Year Ended March 31, 2020**

	<u>Program Services</u>	<u>Support Services</u>		
	Program Expenses	General and Administrative	Fundraising Expense	Total
<b>Expenses</b>				
Auto Expense	\$ 85,693	\$ -	\$ -	\$ 85,693
Building Occupancy	336,839	-	-	336,839
Classroom Supplies	323,137	-	-	323,137
Contracted Services	13,455	100,669	-	114,124
Depreciation	217,661	9,256	-	226,917
Dues and Subscriptions	85,663	-	-	85,663
Employee Benefits	3,622,012	-	-	3,622,012
Food Expense	1,577,719	-	-	1,577,719
Fundraising	-	-	9,939	9,939
In-Kind Salary	5,667,700	-	-	5,667,700
Insurance Expense	322,334	-	-	322,334
Interest Expense	87,024	-	-	87,024
Kitchen Supplies	179,943	-	-	179,943
Marketing	-	20,637	14,400	35,037
Medical Supplies	109,903	-	-	109,903
Office Expense	57,684	-	-	57,684
Office Supplies	67,856	79,046	-	146,902
Other Expense	173,096	17,850	-	190,946
Parent Services	39,426	-	-	39,426
Payroll Taxes	1,428,539	-	-	1,428,539
Rent Expense	73,355	-	-	73,355
Repairs and Maintenance	417,130	51,488	-	468,618
Salary and Wages	12,310,736	1,837,004	-	14,147,740
Staff Development	405,853	-	-	405,853
Telephone Expense	138,130	-	-	138,130
Travel Expense	77,299	90,245	-	167,544
Utilities Expense	390,056	-	-	390,056
<b>Total Expenses</b>	<u><u>\$ 28,208,243</u></u>	<u><u>\$ 2,206,195</u></u>	<u><u>\$ 24,339</u></u>	<u><u>\$ 30,438,777</u></u>



## **COMPLIANCE AND INTERNAL CONTROL SECTION**



Oscar R. González, CPA  
&  
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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.

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, 2020, 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 15, 2020.

**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.

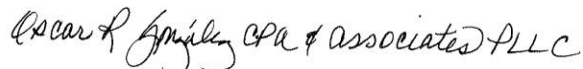
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 cursive script that reads "Oscar R. Gonzalez CPA & Associates PLLC".

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

December 15, 2020

## **FEDERAL AWARDS SECTION**



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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.

### **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, 2020. 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, 2020.

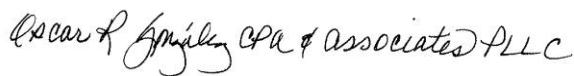
## Report on Internal Control Over Compliance

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, 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.

Handwritten signature of Oscar R. Gonzalez in cursive script.

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

Pharr, TX  
December 15, 2020

**NEIGHBORS IN NEED OF SERVICES, INC**  
**Schedule of Findings and Questioned Costs**  
**For the Fiscal Year Ended March 31, 2020**

**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 Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start/ Early Head Start

**B. Financial Statement Findings**

None

**C. Federal Award Findings**

None

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

## Schedule of Expenditures of Federal Awards

For the Year Ended March 31, 2020

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Sub-Recipient
<i><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></i>				
Head Start Program and Early Head Start	93.600	06CH385-25	\$ 22,344,972	\$ -
Total Direct Program			22,344,972	-
Total U.S. Department of Health and Human Services			22,344,972	-
<i><u>U.S. DEPARTMENT OF AGRICULTURE</u></i>				
Passed Through Texas Department of Agriculture (TDA) Child and Adult Care Food Program	10.558	16166TX332N1099	2,140,015	-
Total U.S. Department of Agriculture			2,140,015	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 24,484,987	\$ -

The accompanying notes are an integral part of this schedule.



**NEIGHBORS IN NEED OF SERVICES, INC.**  
Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended March, 31, 2020

- 1. General** – 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. 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. 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. Program Income** - The clinic reports program income based on the requirements presented in 45 CFR 75.307. The net program income recognized as of March 31, 2020 is \$234,837.
- 5. 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.