

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

AYUDA, INC.

CONTENTS

	PAGE NO.
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statement of Financial Position, as of September 30, 2017, with Summarized Financial Information for 2016	4
EXHIBIT B - Statement of Activities and Change in Net Assets, for the Year Ended September 30, 2017, with Summarized Financial Information for 2016	5
EXHIBIT C - Statement of Functional Expenses, for the Year Ended September 30, 2017, with Summarized Financial Information for 2016	6
EXHIBIT D - Statement of Cash Flows, for the Year Ended September 30, 2017, with Summarized Financial Information for 2016	7
NOTES TO FINANCIAL STATEMENTS	8 - 12

GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Ayuda, Inc., which comprise the statement of financial position as of September 30, 2017, and the related statement of activities and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Ayuda, Inc. as of September 30, 2017, and the change in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Report on Summarized Comparative Information

We have previously audited Ayuda, Inc.'s 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Friedman

January 30, 2018

AYUDA, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

ASSETS

	<u>2017</u>	<u>2016</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 629,804	\$ 716,034
Grants receivable	631,873	316,029
Pledges receivable, net of allowance for doubtful accounts	1,250	20,830
Prepaid expenses	<u>50,801</u>	<u>52,369</u>
Total current assets	<u>1,313,728</u>	<u>1,105,262</u>
FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS		
Furniture, equipment and leasehold improvements	91,502	66,765
Less: Accumulated depreciation and amortization	<u>(57,445)</u>	<u>(49,296)</u>
Net furniture, equipment and leasehold improvements	<u>34,057</u>	<u>17,469</u>
OTHER ASSETS		
Deposits and other assets	47,248	31,984
Pledges receivable, net of current maturities, allowance for doubtful accounts, and present value discount	<u>-</u>	<u>10,540</u>
Total other assets	<u>47,248</u>	<u>42,524</u>
TOTAL ASSETS	<u>\$ 1,395,033</u>	<u>\$ 1,165,255</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 102,520	\$ 83,665
Accrued salaries and other payroll liabilities	56,948	45,564
Deferred rent	<u>31,271</u>	<u>12,726</u>
Total current liabilities	<u>190,739</u>	<u>141,955</u>
LONG-TERM LIABILITIES		
Deferred rent, net of current portion	<u>151,458</u>	<u>100,817</u>
Total liabilities	<u>342,197</u>	<u>242,772</u>
NET ASSETS		
Unrestricted	513,109	347,417
Temporarily restricted	<u>539,727</u>	<u>575,066</u>
Total net assets	<u>1,052,836</u>	<u>922,483</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,395,033</u>	<u>\$ 1,165,255</u>

See accompanying notes to financial statements.

AYUDA, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Foundation grants	\$ 11,632	\$ 975,959	\$ 987,591	\$ 719,981
Government grants	1,946,154	28,311	1,974,465	1,602,729
Program service fees	503,153	-	503,153	613,856
In-kind contributions	2,001,431	-	2,001,431	1,563,810
Contributions	192,343	-	192,343	78,680
Indirect contributions	36,495	-	36,495	20,663
Special events	153,125	-	153,125	104,224
Miscellaneous	286	-	286	225
Net assets released from donor imposed restrictions	1,039,609	(1,039,609)	-	-
Total revenue	5,884,228	(35,339)	5,848,889	4,704,168
EXPENSES				
Program Services	5,289,362	-	5,289,362	4,289,383
General and Administrative	153,900	-	153,900	75,124
Fundraising	275,274	-	275,274	279,866
Total expenses	5,718,536	-	5,718,536	4,644,373
Change in net assets	165,692	(35,339)	130,353	59,795
Net assets at beginning of year	347,417	575,066	922,483	862,688
NET ASSETS AT END OF YEAR	\$ 513,109	\$ 539,727	\$ 1,052,836	\$ 922,483

AYUDA, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017			Total Expenses	2016
	Program Services	General and Administrative	Fundraising		Total Expenses
Salaries	\$ 1,871,975	\$ 33,591	\$ 143,610	\$ 2,049,176	\$ 1,706,361
Fringe benefits and taxes	314,719	17,816	29,784	362,319	278,917
Travel	19,530	2,793	3,664	25,987	27,511
Professional services	151,090	20,597	9,630	181,317	154,615
Accounting/audit	43,314	841	3,344	47,499	44,296
Technology support	22,248	3,676	1,869	27,793	23,587
Emergency fund	256,915	-	-	256,915	239,322
Equipment expense	15,326	251	1,037	16,614	13,004
Supplies	40,407	14,799	2,721	57,927	26,901
Dues and subscriptions	10,585	1,998	6,827	19,410	15,143
Interpreter fees	202,303	-	-	202,303	160,536
Insurance	20,775	226	728	21,729	22,230
Occupancy	278,958	5,581	20,070	304,609	272,412
Postage and delivery	13,131	309	5,479	18,919	17,114
Printing and advertising	4,916	476	13,842	19,234	18,346
Telephone and fax	24,009	2,928	1,738	28,675	22,774
Training and development	12,729	129	2,450	15,308	11,486
Depreciation and amortization	-	8,149	-	8,149	6,515
Licenses and permits	6,549	2,209	1,510	10,268	8,034
In-kind contributions	1,979,523	-	21,908	2,001,431	1,563,810
Bad debt expense	-	18,373	5,063	23,436	-
Miscellaneous	360	19,158	-	19,518	11,459
TOTAL	\$ 5,289,362	\$ 153,900	\$ 275,274	\$ 5,718,536	\$ 4,644,373

AYUDA, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 130,353	\$ 59,795
Adjustments to reconcile in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	8,149	6,515
(Increase) decrease in:		
Grants receivable	(315,844)	144,572
Pledges receivable	30,120	34,071
Prepaid expenses	1,568	2,482
Deposits and other assets	(15,264)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	18,855	28,032
Accrued salaries and other payroll liabilities	11,384	(1,747)
Deferred rent	<u>69,186</u>	<u>(4,264)</u>
Net cash (used) provided by operating activities	<u>(61,493)</u>	<u>269,456</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>(24,737)</u>	<u>(1,049)</u>
Net cash used by investing activities	<u>(24,737)</u>	<u>(1,049)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	<u>-</u>	<u>(6,633)</u>
Net cash used by financing activities	<u>-</u>	<u>(6,633)</u>
Net (decrease) increase in cash and cash equivalents	(86,230)	261,774
Cash and cash equivalents at beginning of year	<u>716,034</u>	<u>454,260</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ <u>629,804</u>	\$ <u>716,034</u>

AYUDA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

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

Basis of presentation -

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

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Ayuda, Inc.'s financial statements for the year ended September 30, 2016, from which the summarized information was derived.

Cash and cash equivalents -

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

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

Grants and pledges receivable -

Grants receivable approximate fair value. Management considers all amounts to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

Pledges receivable are recorded at their net realizable value, which approximates fair value. Pledges receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. The allowance for doubtful accounts has been determined based a percentage of the total amount due.

Furniture, equipment and leasehold improvements -

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

Depreciation and amortization expense for the year ended September 30, 2017 totaled \$8,149. Ayuda, Inc. capitalizes all items over \$1,000. The cost of maintenance and repairs is recorded as expenses are incurred.

AYUDA, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

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

Uncertain tax positions -

For the year ended September 30, 2017, Ayuda, Inc. has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Income taxes -

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

Net asset classification -

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

³⁵₁₇ **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operations of Ayuda, Inc. and include both internally designated and designated resources.

³⁵₁₇ **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by actions of Ayuda, Inc. and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Revenue recognition -

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

Ayuda, Inc. receives funding under grants and contracts from the U.S. Government. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Expenditures under government grants and contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these grants and contracts, Ayuda, Inc. will record such disallowance's at the time the final assessment is made.

In-kind contributions -

Ayuda, Inc. receives donated services from attorneys, consultants, graduate students, and health care clinics. The total amount of donated services received for the year ended September 30, 2017 totaled \$2,001,431. These contributions are reflected in the financial statements as in-kind contributions, recorded at fair value, and charged to the programs benefited.

AYUDA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

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

New accounting pronouncements (not yet adopted) -

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

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

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

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

AYUDA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

2. LINE OF CREDIT

Ayuda, Inc. has a \$200,000 bank line of credit, which matures April 8, 2019. Amounts borrowed under this agreement bear interest at the bank's prime rate plus 1% (5.25% at September 30, 2017). There was no outstanding balance on this line of credit as of September 30, 2017. The lines are secured by cash held in accounts at the same financial institutions.

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2017:

Program Services	\$ 311,764
General Support - Time Restricted	<u>227,963</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 539,727</u>

4. NET ASSETS RELEASED FROM RESTRICTIONS

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

Program Services	\$ 462,386
General Support - Passage of Time	<u>577,223</u>
	<u>\$ 1,039,609</u>

5. LEASE COMMITMENTS

Ayuda, Inc. currently holds the following three active lease agreements:

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

During 2013, Ayuda, Inc. entered into a new five-year lease agreement, commencing in April 2013, for office space in Falls Church, Virginia. Base rent starts with monthly installments of \$4,176, plus its share of operating expenses, and increases by 3% each anniversary date. Ayuda, Inc. received three months of rent abatement at the beginning of this lease.

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

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

AYUDA, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017

5. LEASE COMMITMENTS (Continued)

Rent expense for the year ended September 30, 2017 totaled \$304,609, and is included in occupancy expense in the accompanying Statement of Functional Expenses. The deferred rent liability was \$182,729 at September 30, 2017.

At September 30, 2017, the future minimum lease payments under these lease agreements are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2018	\$ 264,322
2019	260,122
2020	270,369
2021	244,990
2022	<u>66,484</u>
	<u>\$ 1,106,287</u>

6. CONTINGENCY

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

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

Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2017. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

7. RETIREMENT PLAN

Ayuda, Inc. offers a retirement benefit plan through a qualified 403(b) tax-deferred annuity plan covering all eligible employees. Under the plan, Ayuda, Inc. deducts a percentage for the employee's income each pay period, up to the legally allowed limit per the employee's election. Starting 2017, the plan permits contributions by the employer. Ayuda, Inc. contributed a 2% match. Contributions to the plan during the year ended September 30, 2017 totaled \$13,457.

8. SUBSEQUENT EVENTS

In preparing these financial statements, Ayuda, Inc. has evaluated events and transactions for potential recognition or disclosure through January 30, 2018, the date the financial statements were issued.