

**HISPANIC FEDERATION, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2016 AND 2015**

**HISPANIC FEDERATION, INC.  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Hispanic Federation, Inc.

We have audited the accompanying financial statements of Hispanic Federation, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, the related statement of activities for the year ended December 31, 2016, and the related statements of functional expenses and cash flows for the years ended December 31, 2016 and 2015, 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 audits. We conducted our audits 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 Hispanic Federation, Inc. as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Report on Summarized Comparative Information**

We have previously audited Hispanic Federation, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 10, 2016. In our opinion, the summarized comparative information presented herein on page 4 for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2017, on our consideration of Hispanic Federation, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hispanic Federation, Inc.'s internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
May 10, 2017

**HISPANIC FEDERATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 3,460,341	\$ 2,282,735
Grants, contracts and contributions receivables	1,110,918	1,336,946
Prepaid expenses	<u>121,533</u>	<u>87,771</u>
Total current assets	4,692,792	3,707,452
Property and equipment, net	<u>4,867,065</u>	<u>4,996,541</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 9,559,857</u></b>	<b><u>\$ 8,703,993</u></b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 242,791	\$ 159,319
Grants and donations payable	213,518	406,297
Security deposits	-	2,600
Refundable advances	23,985	50,000
Current maturities of long-term debt	<u>73,577</u>	<u>70,708</u>
Total current liabilities	553,871	688,924
Long-term liabilities:		
Long-term debt, less current maturities	<u>1,545,817</u>	<u>1,617,139</u>
Total liabilities	<u>2,099,688</u>	<u>2,306,063</u>
Commitments and contingencies (Notes 5 and 8)		
Net assets:		
Unrestricted	7,026,243	6,157,087
Temporarily restricted	<u>433,926</u>	<u>240,843</u>
Total net assets	<u>7,460,169</u>	<u>6,397,930</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 9,559,857</u></b>	<b><u>\$ 8,703,993</u></b>

See accompanying notes to financial statements.

**HISPANIC FEDERATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**  
**(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR**  
**ENDED DECEMBER 31, 2015)**

	2016			2015
	Unrestricted	Temporarily Restricted	Total	Summarized Total
Revenue and support:				
Government grants and contracts	\$ 3,011,733	\$ -	\$ 3,011,733	\$ 3,017,462
Contributions income	5,694,823	788,533	6,483,356	2,900,864
Donations-in-kind	1,739,459	-	1,739,459	1,934,038
Special events revenue	1,552,186	-	1,552,186	1,561,513
Interest income	268	-	268	397
Other income	124,437	-	124,437	150,317
Net assets released from restrictions	<u>595,450</u>	<u>(595,450)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>12,718,356</u>	<u>193,083</u>	<u>12,911,439</u>	<u>9,564,591</u>
Expenses:				
Program services:				
Advocacy	1,301,587	-	1,301,587	1,173,802
Community assistance	4,666,278	-	4,666,278	3,955,134
Grant making	748,078	-	748,078	660,651
Technical assistance	<u>3,179,493</u>	<u>-</u>	<u>3,179,493</u>	<u>2,004,475</u>
Total program services	9,895,436	-	9,895,436	7,794,062
Management and general	561,353	-	561,353	588,485
Fundraising	1,130,920	-	1,130,920	659,271
Direct costs to donors	<u>261,491</u>	<u>-</u>	<u>261,491</u>	<u>202,768</u>
Total expenses	<u>11,849,200</u>	<u>-</u>	<u>11,849,200</u>	<u>9,244,586</u>
Increase in net assets	869,156	193,083	1,062,239	320,005
Net assets - beginning	<u>6,157,087</u>	<u>240,843</u>	<u>6,397,930</u>	<u>6,077,925</u>
NET ASSETS - ENDING	<u>\$ 7,026,243</u>	<u>\$ 433,926</u>	<u>\$ 7,460,169</u>	<u>\$ 6,397,930</u>

See accompanying notes to financial statements.

**HISPANIC FEDERATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

	Program Services				Supporting Services				Direct Costs to Donors	Total Expenses
	Advocacy	Community Assistance	Grant Making	Technical Assistance	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Personnel expense:										
Salaries and wages	\$ 383,547	\$ 847,769	\$ 13,219	\$ 654,743	\$ 1,899,278	\$ 95,063	\$ 349,242	\$ 444,305	\$ -	\$ 2,343,583
Payroll taxes and fringe benefits	95,153	179,361	4,036	205,690	484,240	143,149	78,924	222,073	-	706,313
Total personnel expense	478,700	1,027,130	17,255	860,433	2,383,518	238,212	428,166	666,378	-	3,049,896
Contributions and grants	81,835	790,558	676,023	94,535	1,642,951	-	-	-	-	1,642,951
Consultants	105,067	352,496	9,170	134,009	600,742	86,418	35,895	122,313	-	723,055
Subcontract expenses	360,000	130,825	-	726,096	1,216,921	-	-	-	-	1,216,921
Public relations and advertising	4,295	4,459	1,100	793,749	803,603	770	212,581	213,351	-	1,016,954
Public relations and advertising-in-kind	-	1,739,459	-	-	1,739,459	-	-	-	-	1,739,459
Catering and museum admission	16,319	54,760	884	25,139	97,102	8,367	21,392	29,759	261,491	388,352
Rent	23,781	16,287	-	58,428	98,496	-	-	-	-	98,496
Credit card and other fees	28,685	3,143	-	201	32,029	7,151	301,624	308,775	-	340,804
Printing	4,042	10,927	79	7,149	22,197	-	17,428	17,428	-	39,625
Legal and accounting	11,627	16,991	10,142	16,678	55,438	18,846	-	18,846	-	74,284
Telephone	9,379	14,415	2,165	10,170	36,129	4,162	1,072	5,234	-	41,363
Travel, lodging and transportation	36,291	23,141	417	54,484	114,333	17,139	7,198	24,337	-	138,670
Gala entertainment	-	-	-	-	-	-	70,695	70,695	-	70,695
Conferences and meetings	3,701	22,832	-	2,760	29,293	-	-	-	-	29,293
Office supplies	14,483	26,878	13	27,001	68,375	9,729	3,893	13,622	-	81,997
Depreciation and amortization	46,166	40,387	10,643	15,161	112,357	57,065	557	57,622	-	169,979
Scholarships	-	72,427	-	-	72,427	-	-	-	-	72,427
Equipment	3,403	20,746	919	10,226	35,294	2,296	1,112	3,408	-	38,702
Utilities	7,070	23,655	3,685	18,291	52,701	2,616	-	2,616	-	55,317
Postage	1,940	620	-	11,691	14,251	566	58	624	-	14,875
Internships and stipends	20,011	138,968	-	246,289	405,268	239	-	239	-	405,507
Insurance	804	16,364	-	4,450	21,618	15,705	200	15,905	-	37,523
Interest	4,201	4,201	5,250	4,201	17,853	43,645	3,150	46,795	-	64,648
Repairs and maintenance	34,259	92,446	10,119	51,876	188,700	15,267	9,085	24,352	-	213,052
Other expenses	5,528	4,380	214	6,476	16,598	33,160	16,814	49,974	-	66,572
Disaster assistance	-	17,783	-	-	17,783	-	-	-	-	17,783
<b>TOTAL EXPENSES</b>	<b>\$ 1,301,587</b>	<b>\$ 4,666,278</b>	<b>\$ 748,078</b>	<b>\$ 3,179,493</b>	<b>\$ 9,895,436</b>	<b>\$ 561,353</b>	<b>\$ 1,130,920</b>	<b>\$ 1,692,273</b>	<b>\$ 261,491</b>	<b>\$ 11,849,200</b>

See accompanying notes to financial statements.

**HISPANIC FEDERATION, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Services				Supporting Services				Direct Costs to Donors	Total Expenses
	Advocacy	Community Assistance	Grant Making	Technical Assistance	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Personnel expense:										
Salaries and wages	\$ 394,529	\$ 637,943	\$ 15,310	\$ 637,359	\$ 1,685,141	\$ 102,042	\$ 329,778	\$ 431,820	\$ -	\$ 2,116,961
Payroll taxes and fringe benefits	80,458	122,800	3,703	150,085	357,046	163,721	62,324	226,045	-	583,091
Total personnel expense	474,987	760,743	19,013	787,444	2,042,187	265,763	392,102	657,865	-	2,700,052
Contributions and grants	41,812	572,732	594,904	93,956	1,303,404	-	-	-	-	1,303,404
Contributions and grants-in-kind	-	139,732	-	-	139,732	-	-	-	-	139,732
Consultants	144,640	177,381	2,615	154,459	479,095	79,110	76,508	155,618	-	634,713
Subcontract expenses	182,500	69,234	-	735,381	987,115	-	-	-	-	987,115
Public relations and advertising	10,162	2,043	-	7,168	19,373	-	-	-	-	19,373
Public relations and advertising-in-kind	-	1,794,306	-	-	1,794,306	-	-	-	-	1,794,306
Catering	17,544	40,794	818	7,757	66,913	9,273	15,999	25,272	202,768	294,953
Rent	35,263	5,200	-	8,338	48,801	-	-	-	-	48,801
Credit card and other fees	4,580	737	-	18	5,335	6,677	7,277	13,954	-	19,289
Printing	9,120	6,181	-	1,038	16,339	431	14,110	14,541	-	30,880
Legal and accounting	12,065	30,670	10,580	15,325	68,640	6,156	428	6,584	-	75,224
Telephone	9,700	15,828	1,043	11,296	37,867	4,405	690	5,095	-	42,962
Travel, lodging and transportation	58,608	14,163	282	15,166	88,219	3,714	6,192	9,906	-	98,125
Gala entertainment	-	-	-	-	-	-	92,052	92,052	-	92,052
Conferences and meetings	53,573	5,314	450	776	60,113	-	-	-	-	60,113
Office supplies	14,418	21,683	-	23,688	59,789	7,871	2,958	10,829	-	70,618
Depreciation and amortization	52,318	40,386	10,643	9,009	112,356	92,191	557	92,748	-	205,104
Scholarships	-	68,705	-	-	68,705	-	-	-	-	68,705
Equipment	760	23,182	874	6,950	31,766	1,847	699	2,546	-	34,312
Utilities	2,355	15,451	360	13,927	32,093	1,493	-	1,493	-	33,586
Postage	2,476	3,855	-	7,804	14,135	150	132	282	-	14,417
Internships and stipends	5,848	15,754	248	7,694	29,544	452	-	452	-	29,996
Insurance	729	17,426	-	4,900	23,055	19,548	-	19,548	-	42,603
Interest	4,263	4,263	5,329	4,263	18,118	44,282	3,198	47,480	-	65,598
Repairs and maintenance	24,941	58,551	13,274	71,211	167,977	21,733	3,236	24,969	-	192,946
Other expenses	7,295	1,490	218	1,907	10,910	23,389	26,033	49,422	-	60,332
Bad debt expense	3,845	10,005	-	15,000	28,850	-	17,100	17,100	-	45,950
Disaster assistance	-	39,325	-	-	39,325	-	-	-	-	39,325
<b>TOTAL EXPENSES</b>	<b>\$ 1,173,802</b>	<b>\$ 3,955,134</b>	<b>\$ 660,651</b>	<b>\$ 2,004,475</b>	<b>\$ 7,794,062</b>	<b>\$ 588,485</b>	<b>\$ 659,271</b>	<b>\$ 1,247,756</b>	<b>\$ 202,768</b>	<b>\$ 9,244,586</b>

See accompanying notes to financial statements.



**HISPANIC FEDERATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Increase in net assets	\$ 1,062,239	\$ 320,005
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	169,979	205,104
Amortization of deferred financing costs	1,003	1,003
Bad debt expense	-	45,950
Changes in assets and liabilities:		
Grants, contracts and contributions receivables	226,028	967,405
Prepaid expenses	(33,762)	(32,036)
Accounts payable and accrued expenses	83,472	(374,616)
Grants and donations payable	(192,779)	(480,734)
Security deposits	(2,600)	(12,307)
Refundable advances	<u>(26,015)</u>	<u>12,500</u>
Net cash provided by operating activities	1,287,565	652,274
Cash used in investing activities:		
Purchase of property and equipment	(40,503)	(25,767)
Cash used in financing activities:		
Mortgage principal payments	<u>(69,456)</u>	<u>(68,509)</u>
Net increase in cash and cash equivalents	1,177,606	557,998
Cash and cash equivalents - beginning	<u>2,282,735</u>	<u>1,724,737</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 3,460,341</u>	<u>\$ 2,282,735</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 64,648</u>	<u>\$ 65,595</u>

See accompanying notes to financial statements.

**HISPANIC FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 1 - ORGANIZATION**

The Hispanic Federation, Inc. ("HF" or the "Organization") was incorporated under the laws of the state of New York on July 3, 1990, as a not-for-profit organization. HF provides grants and services to a broad network of Latino non-profit agencies serving the most vulnerable members of the Hispanic community and advocates nationally with respect to the vital issues of education, health, immigration, economic empowerment, civic engagement and the environment.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Financial Statement Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). In the statement of activities, the Organization distinguishes between contributions that increase permanently restricted net assets (subject to perpetual funding source-imposed restriction), temporarily restricted net assets (funding source-imposed restrictions have not been met) and unrestricted net assets (not subject to funding source-imposed restrictions or whose funding source-imposed restrictions have been met). Contributions with donor-imposed restrictions that are met in the same accounting period are recorded as unrestricted revenue. The Organization had no permanently restricted net assets at December 31, 2016 and 2015. The Organization had temporarily restricted net assets of \$433,926 and \$240,843, respectively, at December 31, 2016 and 2015.

Summarized comparative information

The financial statements include 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 GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2015, from which the summarized information was derived

Adoption of FASB Accounting Standards Update ("ASU") 2015-03

In 2016, HF adopted Financial Accounting Standards Board ("FASB") ASU 2015-03 *Interest-Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* (the "Update"), retroactive to January 1, 2015. The Update requires that certain debt issuance costs formerly capitalized as deferred assets in the statements of financial position and amortized over the life of the associated debt now be presented in the statements of financial position as a reduction from the related outstanding debt. In addition, the Update requires that amortization of the debt issuance costs be presented in the statement of activities as interest expense rather than depreciation and amortization.

In compliance with the Update, debt issuance costs, net of amortization, amounting to \$7,271 at December 31, 2015, and previously presented as deferred costs were reclassified to reduce outstanding long-term debt, thereby reducing previously reported total assets and total liabilities by \$7,271. In addition, \$1,003 previously included in depreciation and amortization was reclassified to interest expense in the accompanying statement of activities.

**HISPANIC FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

New Accounting Pronouncements

Effective for the year ending December 31, 2018, HF will be required to adopt FASB ASU 2016-14, *Presentation of Financial Statements for Not-for-profit Entities*, which changes the presentation of not-for-profit financial statements. The new guidance reduces the number of net asset classes from three to two and increases disclosures about financial measures and liquidity risks, among other changes. The effect of adopting this new guidance on HF's financial statements has not yet been determined.

Effective for the year ending December 31, 2019, HF will adopt the provisions of FASB ASU 2014-09, *Revenue from Contracts with Customers*, which will replace the current revenue recognition guidance pertaining to contracts with customers contained in GAAP. The effect of adopting ASU 2014-09 on HF's financial statements has not yet been determined.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of cash on deposit and money market accounts that are readily convertible into cash.

Fair Value Measurements

FASB Accounting Standards Codification ("ASC") 820, *Fair Value Measurement*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). Categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Under this standard, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date.

The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 - inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 - inputs to the valuation methodology include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and, inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**HISPANIC FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Donations-in-kind

HF receives media time, print advertising, toys, and various other goods as donations. Management estimated the value of these items received in 2016 and 2015 to be \$1,739,459 and \$1,934,038, respectively. Management's estimates are based on the assessment of the cost of such items had they been purchased at their fair values. These donations are reflected in "Revenue and support" and in "Program services" in the accompanying statement of activities.

A number of unpaid volunteers have made or have agreed to make significant contributions of their time to the Organization. The value of such contributions is not reflected in the accompanying financial statements since these services do not require specialized skills.

Property and Equipment

Property and equipment are recorded at cost and are depreciated by the straight-line method over their estimated useful lives. Leasehold improvements are amortized by the straight-line method over the lesser of the term of the related lease or the estimated useful lives of the assets.

Maintenance and repairs are charged to operations when incurred. Expenditures for major additions and improvements are capitalized, and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Grants, Contracts and Contributions Receivables

Grants, contracts and contributions receivables are stated at the amount management expects to collect. Management evaluates such receivables and establishes an allowance for doubtful accounts based on a history of write-offs and collections and current credit conditions. At December 31, 2016 and 2015, management determined that no allowance was required.

Revenue Recognition

Contributions are recognized as revenue when they are unconditionally promised. Revenue from cost-reimbursement grants is recognized when HF has expended the program costs in accordance with the grant agreements; revenue from conditional grants is recognized when HF has complied with substantially all of the conditions set forth in the grant agreement.

Revenue from contributions is reflected as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor or grantor restrictions. Amounts received with donor stipulations that limit the use of the assets for certain purposes are reported as unrestricted support if the stipulated purpose restriction is accomplished in the same year. Advances received from grantor agencies under cost-reimbursement grants prior to HF's expenditures of the specified program costs and advances received under conditional grant agreements prior to HF's compliance with the specified grant conditions are reflected on the accompanying statements of financial position as "Refundable advances."

Deferred Special Events Revenue

Funds related to and received in advance of a fundraising event are deferred until the actual occurrence of the event at which time the contributions are then recognized as revenue.

**HISPANIC FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Deferred Financing Costs

Deferred financing costs are initially recorded at cost and are amortized using the straight-line method, which approximates the effective interest method, over the terms of the respective loan. Amortization of loan fees amounted to \$1,003 for each of the years ended December 31, 2016 and 2015, and are included in "Interest expense" on the accompanying statements of activities. The corresponding loan balance is shown net of unamortized loan cost at December 31, 2016 and 2015.

Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated by management among the programs and supporting services benefited.

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the current year's presentation. The increase in net assets previously reported for 2015 was not affected by these changes.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, HF has evaluated subsequent events through May 10, 2017, the date on which these financial statements were available to be issued. There were no material subsequent events that required recognition or disclosure in these financial statements.

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Property and equipment:		
Land	\$ 599,813	\$ 599,813
Buildings	5,702,787	5,702,787
Improvements	44,052	44,052
Equipment, furniture and fixtures	<u>624,261</u>	<u>583,758</u>
	6,970,913	6,930,410
Less: accumulated depreciation and amortization	<u>2,103,848</u>	<u>1,933,869</u>
Property and equipment, net	<u>\$ 4,867,065</u>	<u>\$ 4,996,541</u>

**NOTE 4 - SPECIAL EVENTS AND FUNDRAISING**

During 2016 and 2015, HF held an annual gala event to raise funds to support its program services and its grant-making programs that provide operational support grants to member agencies. Many of these grants are utilized to support member agencies' operations and infrastructure, including their fundraising activities.

In addition to the annual gala, HF held the "Night of 1,000 Friends" event in both November 2016 and 2015.

**HISPANIC FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 4 - SPECIAL EVENTS AND FUNDRAISING (CONTINUED)**

The Organization conducts two ongoing fundraising programs and activities, which are the Annual Gala and Night of 1000 Friends. In addition, there was an online fundraising event, Hamilton, which was associated with the eponymous Broadway musical, benefiting the Organization during 2016. Details of the three special events and the other fundraising activities are as follows:

	<u>For the year ended December 31, 2016</u>				
	<u>Annual</u>	<u>Night of</u>		<u>Other</u>	
	<u>Gala</u>	<u>1000 Friends</u>	<u>Hamilton</u>	<u>Fundraising</u>	<u>Total</u>
				<u>Activities</u>	
Direct costs to donors:					
Catering and museum admission	<u>\$ 261,491</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,491</u>
Fundraising costs:					
Personnel expenses:					
Salaries and wages	\$ 28,662	\$ -	\$ -	\$ 320,580	\$ 349,242
Payroll taxes and fringe benefits	6,318	-	-	72,606	78,924
Consultants	15,350	-	-	20,545	35,895
Public relations and advertising	-	-	212,581	-	212,581
Catering	-	13,393	-	7,999	21,392
Credit card and other fees	1,160	-	300,464	-	301,624
Printing	16,904	224	-	300	17,428
Telephone	80	-	-	992	1,072
Travel, lodging and transportation	-	-	-	7,198	7,198
Entertainment	70,695	-	-	-	70,695
Office supplies	1,465	-	-	2,428	3,893
Depreciation and amortization	-	-	-	557	557
Equipment	246	-	-	866	1,112
Postage	-	-	-	58	58
Interest	-	-	-	3,150	3,150
Insurance	200	-	-	-	200
Repairs and maintenance	1,012	-	-	8,073	9,085
Other expenses	<u>11,876</u>	<u>2,025</u>	<u>-</u>	<u>2,913</u>	<u>16,814</u>
Total fundraising costs	<u>\$ 153,968</u>	<u>\$ 15,642</u>	<u>\$ 513,045</u>	<u>\$ 448,265</u>	<u>\$ 1,130,920</u>

**HISPANIC FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 4 - SPECIAL EVENTS AND FUNDRAISING (CONTINUED)**

	<u>For the year ended December 31, 2015</u>			
	<u>Annual Gala</u>	<u>Night of 1000 Friends</u>	<u>Other Fundraising Activities</u>	<u>Total</u>
Direct costs to donors:				
Catering	\$ <u>202,768</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>202,768</u>
Fundraising costs:				
Personnel expenses:				
Salaries and wages	\$ 26,223	\$ -	\$ 303,555	\$ 329,778
Payroll taxes and fringe benefits	5,259	-	57,065	62,324
Consultants	19,477	1,650	55,381	76,508
Catering	-	9,702	6,297	15,999
Printing	13,533	-	577	14,110
Legal and accounting	-	-	428	428
Telephone	45	-	645	690
Travel, lodging and transportation	-	36	6,156	6,192
Entertainment	92,052	-	-	92,052
Office supplies	1,562	264	1,132	2,958
Depreciation and amortization	-	-	557	557
Equipment	346	-	353	699
Postage	-	-	132	132
Interest	-	-	3,198	3,198
Repairs and maintenance	-	-	3,236	3,236
Other expenses	27,526	-	5,784	33,310
Bad debt expense	<u>-</u>	<u>-</u>	<u>17,100</u>	<u>17,100</u>
Total fundraising costs	<u>\$ 186,023</u>	<u>\$ 11,652</u>	<u>\$ 461,596</u>	<u>\$ 659,271</u>

**NOTE 5 - COMMITMENTS**

In October 2011, HF entered into an operating lease agreement to sublet space in Washington, D.C. The lease was amended in January 2016 extending the term through January 2021. In October 2013, HF entered into an agreement to rent space in Upper Manhattan, New York, under a non-cancelable operating lease agreement that expires in September 2018. HF also leases equipments under non-cancelable operating leases which expire periodically through September 2019. Future minimum lease payments under all operating leases at December 31, 2016, are as follows: \$137,807 (2017), \$75,960 (2018), \$16,838 (2019), \$15,621 (2020), \$1,306 (2021). Total rent expense under these operating leases for the years ended December 31, 2016 and 2015, was \$136,388 and \$95,105, respectively.

**HISPANIC FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 6 - FAIR VALUE MEASUREMENTS**

Assets and liabilities measured at fair value are based on one or more of three valuation techniques identified in the tables below. The valuation techniques are as follows:

- (a) *Market approach.* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- (b) *Cost approach.* Amount that would be required to replace the service capacity of an asset (replacement cost); and
- (c) *Income approach.* Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models).

The following tables summarize the Organization's assets or liabilities measured at fair value on a recurring basis, categorized by GAAP's valuation hierarchy:

<u>Description</u>	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at December 31, 2016	Valuation Technique
Money market funds	\$ <u>6,688</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>6,688</u>	(a)

<u>Description</u>	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 2: Significant Other Observable Inputs	Level 3: Significant Unobservable Inputs	Total at December 31, 2015	Valuation Technique
Money market funds	\$ <u>7,083</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,083</u>	(a)

Money market funds, which are included in cash and cash equivalents, are valued at their net asset value as reported by the funds' custodians.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.



**HISPANIC FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 7 - CONCENTRATIONS OF CREDIT RISK**

At December 31, 2016 and 2015, and routinely throughout both 2016 and 2015, the Organization had bank deposits in excess of federally insured limits. The Organization has not experienced any losses in these accounts and believes that it is not exposed to any significant credit risk with respect to cash.

Grants from various New York State governmental agencies accounted for 12% and 20% of total revenue and support for the years ended December 31, 2016 and 2015, respectively. In addition, grants from various New York City governmental agencies accounted for 11% and 16% of total revenue and support for the years ended December 31, 2016 and 2015, respectively.

**NOTE 8 - LONG-TERM DEBT**

HF has a mortgage note payable (the "Note") to Popular Community Bank which is secured by the Organization's real estate. In March 2013, HF and Popular Community Bank entered into an agreement to modify certain terms of the Note. The significant modifications were to extend the maturity date to April 2023 and to fix the interest rate at 3.69% per annum through maturity. The modified note is payable in monthly installments of \$11,092, including interest, and commenced in May 2013, with a balloon payment of approximately \$1,120,000 at maturity. Additionally, Popular Community Bank reduced the debt service coverage ratio requirement to 1.20 to 1. At December 31, 2016 and 2015, the management of HF believed that they were in compliance with this covenant.

Details of long-term debt at December 31, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Mortgage payable	\$ 1,625,662	\$ 1,695,118
Less: unamortized deferred financing costs	6,268	7,271
Less: current portion	<u>73,577</u>	<u>70,708</u>
Long-term debt, net of current portion	<u>\$ 1,545,817</u>	<u>\$ 1,617,139</u>

Maturities of long-term debt are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2017	\$ 73,577
2018	76,377
2019	79,284
2020	82,156
2021	85,428
Thereafter	1,228,840

**NOTE 9 - TAX EXEMPT STATUS**

HF qualifies as a charitable organization as defined by Internal Revenue Code ("IRC") Section 501(c)(3) and, accordingly, is exempt from federal income taxes under IRC Section 501(a). Additionally, since HF is a Section 509(a)(2) publicly supported organization, contributions made to HF qualify for the maximum charitable contribution deduction under the IRC. HF is also exempt from New York State and New York City income taxes.

The Organization files tax returns in the U.S. federal jurisdiction and in the state of New York. The Organization's Federal Form 990 return was audited by the Internal Revenue Service during 2015 and a no change letter was issued.

**HISPANIC FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2016 AND 2015**

**NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS**

As of December 31, 2016 and 2015, temporarily restricted net assets are available for the following purposes:

	<u>2016</u>	<u>2015</u>
College readiness, education, access and retention project	\$ 183,926	\$ 240,843
Latino educational advancement project	<u>250,000</u>	<u>-</u>
	<u>\$ 433,926</u>	<u>\$ 240,843</u>

During the year ended December 31, 2016, net assets of \$595,450 were released from restriction for the college readiness, education, access and retention project.

**NOTE 11 - EMPLOYEE SAVINGS PLAN**

HF sponsors a 403(b) plan covering substantially all of its full-time employees. Under the plan, employees can elect to defer a percentage of their salary, subject to IRC limits, and HF may elect to make a discretionary contribution. HF made a discretionary contribution in the amount of \$121,883 and \$117,615 during the years ended December 31, 2016 and 2015, respectively.

**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  
Hispanic Federation, 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 Hispanic Federation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 10, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Hispanic Federation, 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 Hispanic Federation, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Hispanic Federation, 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 Hispanic Federation, Inc.'s financial statements are free of 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 Hispanic Federation, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hispanic Federation, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
May 10, 2017