

**HISPANIC FEDERATION, INC.**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

**HISPANIC FEDERATION, INC.  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

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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. (the "Organization"), which comprise the statements of financial position as of December 31, 2015 and 2014, the related statement of activities for the year ended December 31, 2015, and the related statements of functional expenses and cash flows for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, 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 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 13, 2015. In our opinion, the summarized comparative information presented herein on page 4 for the year ended December 31, 2014, 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, 2016, 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, 2016

**HISPANIC FEDERATION, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2015 AND 2014**

	<b>2015</b>	<b>2014</b>
<b><u>ASSETS</u></b>		
Current assets:		
Cash and cash equivalents	\$ 2,282,735	\$ 1,724,737
Grant and contract receivables	1,336,946	2,350,301
Prepaid expenses	87,771	55,735
Total current assets	3,707,452	4,130,773
Property and equipment, net	4,996,541	5,175,878
Other assets:		
Deferred financing costs, net	7,271	8,274
<b>TOTAL ASSETS</b>	<b>\$ 8,711,264</b>	<b>\$ 9,314,925</b>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 159,319	\$ 533,935
Grants and donations payable	406,297	887,031
Security deposits	2,600	14,907
Deferred special events revenue	50,000	-
Refundable advances	-	37,500
Current maturities of long-term debt	70,708	68,287
Total current liabilities	688,924	1,541,660
Long-term liabilities:		
Long-term debt, less current maturities	1,624,410	1,695,340
Total liabilities	2,313,334	3,237,000
Commitments and contingencies (Notes 5 and 6)		
Net assets:		
Unrestricted	6,157,087	5,897,925
Temporarily restricted	240,843	180,000
Total net assets	6,397,930	6,077,925
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 8,711,264</b>	<b>\$ 9,314,925</b>

See accompanying notes to financial statements.

**HISPANIC FEDERATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
**(WITH SUMMARIZED COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR**  
**ENDED DECEMBER 31, 2014)**

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Summarized Total
Revenue and support:				
Government grants and contracts	\$ 3,017,462	\$ -	\$ 3,017,462	\$ 2,885,751
Contributions income	2,567,531	333,333	2,900,864	3,070,240
Donations-in-kind	1,934,038	-	1,934,038	1,413,187
Special events revenue	1,561,513	-	1,561,513	1,206,190
Interest income	397	-	397	797
Other income	150,317	-	150,317	139,300
Net assets released from restrictions	<u>272,490</u>	<u>(272,490)</u>	<u>-</u>	<u>-</u>
Total revenue and support	<u>9,503,748</u>	<u>60,843</u>	<u>9,564,591</u>	<u>8,715,465</u>
Expenses:				
Program services:				
Advocacy	1,173,802	-	1,173,802	1,108,308
Community assistance	3,955,134	-	3,955,134	3,603,162
Grant making	660,651	-	660,651	558,326
Technical assistance	<u>2,004,475</u>	<u>-</u>	<u>2,004,475</u>	<u>1,788,227</u>
Total program services	7,794,062	-	7,794,062	7,058,023
Management and general	588,485	-	588,485	471,515
Fundraising	659,271	-	659,271	493,286
Direct costs to donors	<u>202,768</u>	<u>-</u>	<u>202,768</u>	<u>160,201</u>
Total expenses	<u>9,244,586</u>	<u>-</u>	<u>9,244,586</u>	<u>8,183,025</u>
Increase in net assets	259,162	60,843	320,005	532,440
Net assets - beginning	<u>5,897,925</u>	<u>180,000</u>	<u>6,077,925</u>	<u>5,545,485</u>
NET ASSETS - ENDING	<u>\$ 6,157,087</u>	<u>\$ 240,843</u>	<u>\$ 6,397,930</u>	<u>\$ 6,077,925</u>

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
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	93,194	557	93,751	-	206,107
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	43,279	3,198	46,477	-	64,595
Repairs and maintenance	24,941	58,551	13,274	71,211	167,977	21,733	3,236	24,969	-	192,946
Other expenses	11,875	2,227	218	1,925	16,245	30,066	33,310	63,376	-	79,621
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.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

	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	\$ 373,601	\$ 501,485	\$ 20,060	\$ 528,415	\$ 1,423,561	\$ 103,543	\$ 224,333	\$ 327,876	\$ -	\$ 1,751,437
Payroll taxes and fringe benefits	61,961	106,231	4,430	110,564	283,186	24,475	37,824	62,299	-	345,485
Total personnel expense	435,562	607,716	24,490	638,979	1,706,747	128,018	262,157	390,175	-	2,096,922
Contributions and grants	62,536	453,802	475,100	13,100	1,004,538	-	30,275	30,275	-	1,034,813
Contributions and grants-in-kind	-	198,780	-	-	198,780	-	-	-	-	198,780
Consultants	94,204	144,548	2,332	214,231	455,315	79,533	17,261	96,794	-	552,109
Subcontract expenses	210,000	517,551	-	774,287	1,501,838	-	-	-	-	1,501,838
Public relations and advertising	5,463	2,950	-	-	8,413	1,144	2,500	3,644	-	12,057
Public relations and advertising-in-kind	-	1,214,407	-	-	1,214,407	-	-	-	-	1,214,407
Catering	11,913	28,662	258	6,611	47,444	6,248	19,679	25,927	160,201	233,572
Rent	21,367	24,462	-	6,960	52,789	-	-	-	-	52,789
Printing	5,910	19,310	343	4,810	30,373	275	16,444	16,719	-	47,092
Legal and accounting	8,681	22,011	7,061	12,892	50,645	13,559	1,240	14,799	-	65,444
Telephone	10,991	17,770	771	8,341	37,873	2,775	876	3,651	-	41,524
Travel, lodging and transportation	42,163	22,173	196	6,707	71,239	4,743	8,479	13,222	-	84,461
Gala entertainment	-	-	-	-	-	-	70,605	70,605	-	70,605
Conferences and meetings	46,467	37,716	2,902	1,007	88,092	16,318	2,485	18,803	-	106,895
Office supplies	9,498	10,155	-	15,438	35,091	9,184	1,552	10,736	-	45,827
Depreciation and amortization	53,549	40,387	10,643	22,020	126,599	74,926	557	75,483	-	202,082
Scholarships	-	56,212	-	-	56,212	-	-	-	-	56,212
Equipment	5,766	21,253	904	2,701	30,624	1,599	65	1,664	-	32,288
Utilities	1,308	19,271	293	8,607	29,479	184	71	255	-	29,734
Postage	4,583	4,811	171	3,365	12,930	496	22	518	-	13,448
Internships and stipends	9,219	3,226	293	4,551	17,289	986	-	986	-	18,275
Insurance	200	10,944	-	-	11,144	23,576	-	23,576	-	34,720
Interest	4,443	4,443	5,554	4,443	18,883	45,104	3,332	48,436	-	67,319
Repairs and maintenance	35,258	63,287	26,812	38,714	164,071	35,163	7,297	42,460	-	206,531
Other expenses	9,227	1,897	203	463	11,790	25,056	25,759	50,815	-	62,605
Bad debt expense	20,000	15,000	-	-	35,000	2,628	22,630	25,258	-	60,258
Disaster assistance	-	40,418	-	-	40,418	-	-	-	-	40,418
<b>TOTAL EXPENSES</b>	<b>\$ 1,108,308</b>	<b>\$ 3,603,162</b>	<b>\$ 558,326</b>	<b>\$ 1,788,227</b>	<b>\$ 7,058,023</b>	<b>\$ 471,515</b>	<b>\$ 493,286</b>	<b>\$ 964,801</b>	<b>\$ 160,201</b>	<b>\$ 8,183,025</b>

See accompanying notes to financial statements.



**HISPANIC FEDERATION, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Increase in net assets	\$ 320,005	\$ 532,440
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	206,107	202,082
Bad debt expense	45,950	60,258
Changes in assets and liabilities:		
Grants and contracts receivable	967,405	(1,075,903)
Prepaid expenses	(32,036)	(8,419)
Accounts payable and accrued expenses	(374,616)	122,302
Grants and donations payable	(480,734)	498,952
Security deposits	(12,307)	13,357
Refundable advances	<u>12,500</u>	<u>-</u>
Net cash provided by operating activities	652,274	345,069
Cash used in investing activities:		
Purchase of property and equipment	(25,767)	(37,108)
Cash used in financing activities:		
Mortgage principal payments	<u>(68,509)</u>	<u>(65,783)</u>
Net increase in cash and cash equivalents	557,998	242,178
Cash and cash equivalents - beginning	<u>1,724,737</u>	<u>1,482,559</u>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b><u>\$ 2,282,735</u></b>	<b><u>\$ 1,724,737</u></b>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 64,595</u>	<u>\$ 67,319</u>

See accompanying notes to financial statements.

**HISPANIC FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**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, 2015 and 2014. The Organization had temporarily restricted net assets of \$240,843 and \$180,000, respectively, at December 31, 2015 and 2014.

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

Financial Accounting Standards Board ("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.

**HISPANIC FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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

Fair Value Measurements (Continued)

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.

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 2015 and 2014 to be \$1,934,038 and \$1,413,187, 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.

Deferred Financing Costs

Costs relating to obtaining the long-term debt described in Note 9 are capitalized and amortized over the term of the related debt using the straight-line method. When a loan is paid in full, any unamortized financing costs are removed from the related accounts and charged to operations. Accumulated amortization at December 31, 2015 and 2014, was \$19,729 and \$18,726, respectively. Amortization of deferred financing costs charged to operations at December 31, 2015 and 2014, was \$1,003 for each respective year.

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.

**HISPANIC FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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

Grant and Contract Receivables

Grant and contract 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, 2015 and 2014, management determined that no allowance was required. During the year ended December 31, 2015, management determined that receivables recorded at December 31, 2014, in the amount of \$45,950 were not collectible and, therefore, wrote them off to bad debt expense.

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.

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.

New Accounting Pronouncements

On April 7, 2015, the FASB issued Accounting Standards Update ("ASU") No. 2015-03, *Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. The new guidance requires that debt issuance costs be presented in the statement of financial position as a direct deduction from the carrying amount of the related liability. Such treatment is consistent with the current presentation of debt discounts or premiums. As it stood prior to amendment, debt issuance costs were reported in the statement of financial position as an asset (i.e., a deferred charge), whereas debt discounts and premiums were, and remain, reported as deductions from or additions to the debt itself. The Organization's management has elected to adopt this new guidance in 2016.

Subsequent Events

In accordance with FASB ASC 855, *Subsequent Events*, HF has evaluated subsequent events through May 10, 2016, 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.

**HISPANIC FEDERATION, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2015 and 2014:

	2015	2014
Property and equipment:		
Land	\$ 599,813	\$ 599,813
Buildings	5,702,787	5,702,787
Improvements	44,052	44,052
Equipment, furniture and fixtures	583,758	557,991
	6,930,410	6,904,643
Less: accumulated depreciation and amortization	1,933,869	1,728,765
Property and equipment, net	\$ 4,996,541	\$ 5,175,878

**NOTE 4 - SPECIAL EVENTS AND FUNDRAISING**

During 2015 and 2014, 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.

Besides the annual gala, HF held the "Night of 1,000 Friends" event in November 2015. This event was also held in November 2014.

**HISPANIC FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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

The Organization also conducts other ongoing fundraising programs and activities. Details of the two special events and the other fundraising activities are as follows:

	<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	\$ 202,768	\$ -	\$ -	\$ 202,768
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	-	-	17,100	17,100
Total fundraising costs	<u>\$ 186,023</u>	<u>\$ 11,652</u>	<u>\$ 461,596</u>	<u>\$ 659,271</u>

**HISPANIC FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

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

	<u>For the year ended December 31, 2014</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>160,201</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>160,201</u>
Fundraising costs:				
Personnel expenses:				
Salaries and wages	\$ 28,602	\$ -	\$ 195,731	\$ 224,333
Payroll taxes and fringe benefits	3,826	-	33,998	37,824
Contributions and grants	-	-	30,275	30,275
Consultants	12,804	4,290	167	17,261
Public relations and advertising	-	-	2,500	2,500
Catering	-	13,548	6,131	19,679
Printing	16,411	-	33	16,444
Legal and accounting	-	-	1,240	1,240
Telephone	395	-	481	876
Travel, lodging and transportation	-	-	8,479	8,479
Entertainment	70,605	-	-	70,605
Conferences and meetings	-	-	2,485	2,485
Office supplies	1,122	-	430	1,552
Depreciation and amortization	-	-	557	557
Equipment	65	-	-	65
Utilities	-	-	71	71
Postage	-	-	22	22
Interest	-	-	3,332	3,332
Repairs and maintenance	-	-	7,297	7,297
Other expenses	21,249	-	4,510	25,759
Bad debt expense	-	-	22,630	22,630
Total fundraising costs	<u>\$ 155,079</u>	<u>\$ 17,838</u>	<u>\$ 320,369</u>	<u>\$ 493,286</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 its maturity date through January 2021. HF also leases equipment under noncancelable operating leases which expire periodically through November 2018. Future minimum lease payments under all operating leases at December 31, 2015, are as follows: \$96,979 (2016), \$91,623 (2017), \$73,536 (2018), \$15,020 (2019), \$15,621 (2020). Total rent expense under these operating leases for the years ended December 31, 2015 and 2014, was \$95,105 and \$61,910, respectively.

**HISPANIC FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**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, 2015	Valuation Technique
Money market funds	\$ <u>7,083</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,083</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, 2014	Valuation Technique
Money market funds	\$ <u>7,477</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,477</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, 2015 AND 2014**

**NOTE 7 - CONCENTRATION OF CREDIT RISK**

At December 31, 2015 and 2014, and routinely throughout both 2015 and 2014, 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 20% of total revenue and support for each of the years ended December 31, 2015 and 2014. In addition, grants from various New York City governmental agencies accounted for 16% and 11% of total revenue and support for the years ended December 31, 2015 and 2014, 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. The Note was due to mature in April 2019 and was payable in monthly installments of \$31,112, including interest at the rate of 6.5% per annum through April 2016. The interest rate was then to be adjusted to and fixed at the greater of 6.5% or the one-month LIBOR plus 5.5% for the remainder of the Note term. The monthly payments of principal and interest were also to be adjusted at that date in an amount sufficient to amortize the Note through maturity. The Note agreement also contained restrictive covenants, the most significant of which related to the maintenance of a debt service coverage ratio of at least 1.25 to 1.

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, 2015, the management of HF believed that they were in compliance with this covenant.

Details of long-term debt at December 31, 2015 and 2014, are as follows:

	<u>2015</u>	<u>2014</u>
Mortgage payable	\$ 1,695,118	\$ 1,763,627
Less: current portion	<u>70,708</u>	<u>68,287</u>
Long-term debt, net of current portion	<u>\$ 1,624,410</u>	<u>\$ 1,695,340</u>

Maturities of long-term debt are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2016	\$ 70,708
2017	73,577
2018	76,377
2019	79,284
2020-2023	1,395,172

**HISPANIC FEDERATION, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 9 - TAX EXEMPT STATUS**

HF qualifies as a charitable organization as defined by Internal Revenue Code Section 501(c)(3) and, accordingly, is exempt from federal income taxes under Internal Revenue Code ("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 IRS during 2015 and a no change letter was issued. With few exceptions, the Organization is no longer subject to U.S. or New York State income tax examinations by taxing authorities for years before 2012.

**NOTE 10 - TEMPORARILY RESTRICTED NET ASSETS**

As of December 31, 2015 and 2014, temporarily restricted net assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
College readiness, education, access and retention project	\$ 240,843	\$ -
Civic participation project	<u>-</u>	<u>180,000</u>
	<u>\$ 240,843</u>	<u>\$ 180,000</u>

During the year ended December 31, 2015, net assets of \$272,490 were released from restriction for the following purposes:

	<u>2015</u>
College readiness, education, access and retention project	\$ 92,490
Civic participation project	<u>180,000</u>
	<u>\$ 272,490</u>

**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 contribution in the amount of \$117,615 during the year ended December 31, 2015. HF made no contributions to the plan during the year ended December 31, 2014.



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

To the Board of Directors  
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, 2015, 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, 2016.

**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.



CITRIN COOPERMAN & COMPANY, LLP  
CERTIFIED PUBLIC ACCOUNTANTS

New York, New York  
May 10, 2016