

Hispanic Federation, Inc.

Audited Financial Statements

December 31, 2023

Hispanic Federation, Inc.

Audited Financial Statements

December 31, 2023

CONTENTS

| | Page |
|-------------------------------------|-------------|
| Independent Auditor's Report | 1-2 |
| Financial Statements | |
| Statement of Financial Position | 3 |
| Statement of Activities | 4 |
| Statement of Functional Expenses | 5 |
| Statement of Cash Flows | 6 |
| Notes to Financial Statements | 7-18 |



Independent Auditor's Report

To the Board of Trustees of
Hispanic Federation, Inc.

Opinion

We have audited the accompanying financial statements of Hispanic Federation, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the Organization's financial statements for the year ended December 31, 2022, and we expressed an unmodified opinion on those audited financial statements in our report dated May 11, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Sax CPA's LLP

New York, NY
May 20, 2024

Hispanic Federation, Inc.

Statement of Financial Position

At December 31, 2023
(With comparative totals at December 31, 2022)

| | <u>December 31,</u> | |
|--|-----------------------------|-----------------------------|
| | <u>2023</u> | <u>2022</u> |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 22,951,519 | \$ 20,598,585 |
| Investments | 13,152,748 | 7,785,351 |
| Investments for donor-advised funds | 4,802,898 | 4,141,365 |
| Government grants, net | 9,180,753 | 2,749,776 |
| Contributions receivable, net | 5,679,813 | 7,808,845 |
| Other receivables | - | 100,000 |
| Operating lease right-of-use asset - current portion | 232,023 | 198,076 |
| Prepaid expenses and other assets | <u>167,164</u> | <u>94,223</u> |
| Total current assets | 56,166,918 | 43,476,221 |
| NON-CURRENT ASSETS | | |
| Operating lease right-of-use asset - non-current portion | 165,418 | 104,979 |
| Property and equipment, net | <u>4,002,395</u> | <u>4,163,974</u> |
| Total non-current assets | 4,167,813 | 4,268,953 |
| TOTAL ASSETS | <u>\$ 60,334,731</u> | <u>\$ 47,745,174</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 932,778 | \$ 677,310 |
| Grants and donations payable | 4,770,756 | 2,543,076 |
| Refundable advances | 2,003,135 | 136,409 |
| Deferred revenue | 55,000 | 30,000 |
| Operating lease liability - current portion | 232,959 | 199,268 |
| Other liabilities | <u>149,539</u> | <u>10,000</u> |
| Total current liabilities | 8,144,167 | 3,596,063 |
| NON-CURRENT LIABILITIES | | |
| Operating lease liability - non-current portion | <u>170,511</u> | <u>107,032</u> |
| Total Liabilities | <u>8,314,678</u> | <u>3,703,095</u> |
| NET ASSETS | | |
| Without donor restrictions | 24,652,484 | 12,006,980 |
| With donor restrictions - purpose | <u>27,367,569</u> | <u>32,035,099</u> |
| Total net assets | <u>52,020,053</u> | <u>44,042,079</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 60,334,731</u> | <u>\$ 47,745,174</u> |

The attached notes and auditor's report are an integral part of these financial statements.

Hispanic Federation, Inc.

Statement of Activities

For the year ended December 31, 2023
(With comparative totals for the year ended December 31, 2022)

| | Without Donor Restrictions | With Donor Restrictions | Total 12/31/23 | Total 12/31/22 |
|---|----------------------------------|-------------------------------|-----------------------------|-----------------------------|
| REVENUE AND SUPPORT | | | | |
| Contributions | \$ 9,902,357 | \$ 11,582,939 | \$ 21,485,296 | \$ 18,104,013 |
| Contributions for UNIDOS | | | | |
| disaster relief and recovery program | - | 815,691 | 815,691 | 1,419,054 |
| Contributions for COVID19 Relief | - | 226,971 | 226,971 | 75,000 |
| Contributions to donor-advised funds | 3,710,045 | - | 3,710,045 | 3,677,332 |
| In-Kind donations | 1,061,928 | - | 1,061,928 | 1,189,327 |
| Government grants | 37,907,485 | - | 37,907,485 | 10,203,447 |
| Event income (net of expenses with a direct benefit to donor) | 3,266,208 | - | 3,266,208 | 2,642,536 |
| Investment return, net of fees | 1,875,288 | - | 1,875,288 | (1,713,038) |
| Other income | 255,162 | - | 255,162 | 594,986 |
| Net assets released from restrictions | 17,293,131 | (17,293,131) | - | - |
| Total revenue and support | <u>75,271,604</u> | <u>(4,667,530)</u> | <u>70,604,074</u> | <u>36,192,657</u> |
| EXPENSES | | | | |
| Program services: | | | | |
| Advocacy | 3,420,105 | - | 3,420,105 | 4,001,577 |
| Community assistance | 45,031,799 | - | 45,031,799 | 18,543,663 |
| Organizational development assistance | 6,532,455 | - | 6,532,455 | 5,618,275 |
| Technical assistance | 1,558,404 | - | 1,558,404 | 3,721,346 |
| Total program services | <u>56,542,763</u> | <u>-</u> | <u>56,542,763</u> | <u>31,884,861</u> |
| Supporting services: | | | | |
| Management and general | 3,916,172 | - | 3,916,172 | 2,400,765 |
| Fundraising | 2,167,165 | - | 2,167,165 | 1,557,163 |
| Total supporting services | <u>6,083,337</u> | <u>-</u> | <u>6,083,337</u> | <u>3,957,928</u> |
| Total expenses | <u>62,626,100</u> | <u>-</u> | <u>62,626,100</u> | <u>35,842,789</u> |
| Change in net assets | 12,645,504 | (4,667,530) | 7,977,974 | 349,868 |
| NET ASSETS, <i>beginning of year</i> | <u>12,006,980</u> | <u>32,035,099</u> | <u>44,042,079</u> | <u>43,692,211</u> |
| NET ASSETS, <i>end of year</i> | <u><u>\$ 24,652,484</u></u> | <u><u>\$ 27,367,569</u></u> | <u><u>\$ 52,020,053</u></u> | <u><u>\$ 44,042,079</u></u> |

The attached notes and auditor's report are an integral part of these financial statements.

Hispanic Federation, Inc.

Statement of Functional Expenses

For the year ended December 31, 2023
(With comparative totals for the year ended December 31, 2022)

| | Program Services | | | | Supporting Services | | | Total Expenses 12/31/23 | Total Expenses 12/31/22 | |
|---|---------------------|----------------------|---------------------------------------|----------------------|------------------------|------------------------|---------------------|----------------------------|----------------------------|---------------------------|
| | Advocacy | Community Assistance | Organizational Development Assistance | Technical Assistance | Total Program Services | Management and General | Fundraising | | | Total Supporting Services |
| Salaries | \$ 1,424,617 | \$ 2,272,638 | \$ 181,783 | \$ 700,224 | \$ 4,579,262 | \$ 1,793,658 | \$ 835,407 | \$ 2,629,065 | \$ 7,208,327 | \$ 5,783,039 |
| Payroll taxes and employment benefits | 472,728 | 757,941 | 36,342 | 212,241 | 1,479,252 | 519,571 | 173,471 | 693,042 | 2,172,294 | 1,689,078 |
| Total salaries and related expenses | <u>1,897,345</u> | <u>3,030,579</u> | <u>218,125</u> | <u>912,465</u> | <u>6,058,514</u> | <u>2,313,229</u> | <u>1,008,878</u> | <u>3,322,107</u> | <u>9,380,621</u> | <u>7,472,117</u> |
| Contributions and grants | 468,555 | 22,891,226 | 5,139,431 | 274,500 | 28,773,712 | - | 157,646 | 157,646 | 28,931,358 | 12,995,187 |
| Disaster assistance | - | 1,617,407 | - | - | 1,617,407 | - | - | - | 1,617,407 | 2,269,644 |
| Consultants | 192,086 | 2,086,281 | 123,260 | 107,641 | 2,509,268 | 171,662 | 367,600 | 539,262 | 3,048,530 | 2,625,048 |
| Subrecipient expenses | 215,670 | 9,109,784 | 900,000 | 72,000 | 10,297,454 | - | - | - | 10,297,454 | 4,219,247 |
| Legal and accounting | 870 | 15,284 | - | - | 16,154 | 137,667 | - | 137,667 | 153,821 | 193,818 |
| Public relations and outreach | 95,953 | 1,964,890 | 2,955 | 8,134 | 2,071,932 | - | 1,331 | 1,331 | 2,073,263 | 901,551 |
| Public relations and outreach in-kind | - | 1,021,042 | - | - | 1,021,042 | - | - | - | 1,021,042 | 1,189,327 |
| Catering and museum admission | 57,847 | 187,106 | 10,720 | 7,497 | 263,170 | 11,343 | 52,043 | 63,386 | 326,556 | 89,804 |
| Occupancy | 27,024 | 187,049 | 17,576 | 7,514 | 239,163 | 226,912 | 3,742 | 230,654 | 469,817 | 374,908 |
| Credit card and other fees | 9,934 | 12,427 | 15,220 | 848 | 38,429 | 67,813 | 40,803 | 108,616 | 147,045 | 103,550 |
| Office expenses (including in-kind) | 22,576 | 299,690 | 5,460 | 3,450 | 331,176 | 42,754 | 45,719 | 88,473 | 419,649 | 209,575 |
| Information and technology | 102,717 | 205,823 | 8,876 | 38,486 | 355,902 | 82,970 | 16,368 | 99,338 | 455,240 | 233,768 |
| Travel, lodging, and transportation | 58,423 | 161,167 | 36,509 | 37,887 | 293,986 | 24,493 | 82,075 | 106,568 | 400,554 | 177,410 |
| Gala and event expenses | - | - | - | - | - | - | 817,085 | 817,085 | 817,085 | 488,421 |
| Conferences and meetings | 33,029 | 178,065 | 7,118 | 2,233 | 220,445 | 21,995 | 34,406 | 56,401 | 276,846 | 162,231 |
| Scholarships | - | 194,985 | 24,440 | - | 219,425 | - | - | - | 219,425 | 184,880 |
| Internships and stipends | 118,767 | 1,391,143 | 8,137 | 19,654 | 1,537,701 | 39,800 | - | 39,800 | 1,577,501 | 1,458,675 |
| Insurance | - | - | - | - | - | 107,999 | - | 107,999 | 107,999 | 79,998 |
| Repairs and maintenance | 24,976 | 65,748 | 5,614 | 20,189 | 116,527 | 40,619 | 16,574 | 57,193 | 173,720 | 151,877 |
| Other expenses | 68,777 | 375,268 | 6,820 | 30,244 | 481,109 | 52,380 | 104,396 | 156,776 | 637,885 | 461,318 |
| Depreciation | 25,556 | 36,835 | 2,194 | 15,662 | 80,247 | 196,626 | 3,830 | 200,456 | 280,703 | 275,989 |
| Bad debt | - | - | - | - | - | 377,910 | - | 377,910 | 377,910 | - |
| Total other expenses | <u>1,522,760</u> | <u>42,001,220</u> | <u>6,314,330</u> | <u>645,939</u> | <u>50,484,249</u> | <u>1,602,943</u> | <u>1,743,618</u> | <u>3,346,561</u> | <u>53,830,810</u> | <u>28,846,226</u> |
| Total expenses | <u>3,420,105</u> | <u>45,031,799</u> | <u>6,532,455</u> | <u>1,558,404</u> | <u>56,542,763</u> | <u>3,916,172</u> | <u>2,752,496</u> | <u>6,668,668</u> | <u>63,211,431</u> | <u>36,318,343</u> |
| Less: direct costs of special events | - | - | - | - | - | - | (585,331) | (585,331) | (585,331) | (475,554) |
| Total expenses reported by function on the statement of activities | <u>\$ 3,420,105</u> | <u>\$ 45,031,799</u> | <u>\$ 6,532,455</u> | <u>\$ 1,558,404</u> | <u>\$ 56,542,763</u> | <u>\$ 3,916,172</u> | <u>\$ 2,167,165</u> | <u>\$ 6,083,337</u> | <u>\$ 62,626,100</u> | <u>\$ 35,842,789</u> |

The attached notes and auditor's report are an integral part of these financial statements.

Hispanic Federation, Inc.

Statement of Cash Flows

For the year ended December 31, 2023
(With comparative totals for the year ended December 31, 2022)

| | December 31, | |
|--|----------------------|----------------------|
| | 2023 | 2022 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 7,977,974 | \$ 349,868 |
| Adjustments to reconcile change in net assets to net cash provided by/(used for) operating activities: | | |
| Depreciation | 280,703 | 275,989 |
| Bad debt expense | 377,910 | - |
| Realized and unrealized (gain)/loss on investments | (1,383,500) | 1,900,862 |
| Changes in operating lease right-of-use assets and liabilities | 2,784 | 3,245 |
| Change in net assets and liabilities: | | |
| Government grants | (6,808,887) | 1,356,138 |
| Contributions receivable | 2,129,032 | (3,376,026) |
| Other receivables | 100,000 | (28,000) |
| Prepaid expenses and other assets | (72,941) | 95,801 |
| Accounts payable and accrued expenses | 255,468 | (97,007) |
| Grant and donations payable | 2,227,680 | (3,008,447) |
| Refundable advances | 1,866,726 | 74,905 |
| Deferred revenue | 25,000 | (180,000) |
| Agency funds payable | 139,539 | - |
| Total adjustments | (860,486) | (2,982,540) |
| Net cash provided by/(used for) operating activities | 7,117,488 | (2,632,672) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of investments | (7,893,255) | (4,592,789) |
| Proceeds from sale of investments | 3,607,459 | 3,034,271 |
| Investment income reinvested | (359,634) | (155,364) |
| Purchase of fixed assets | (119,124) | (88,308) |
| Net cash used for investing activities | (4,764,554) | (1,802,190) |
| Net increase/(decrease) in cash and cash equivalents | 2,352,934 | (4,434,862) |
| CASH AND CASH EQUIVALENTS, <i>beginning of year</i> | 20,598,585 | 25,033,447 |
| CASH AND CASH EQUIVALENTS, <i>end of year</i> | \$ 22,951,519 | \$ 20,598,585 |
| SUPPLEMENTAL DISCLOSURE CASH FLOW INFORMATION: | | |
| Cash paid during the year for interest | \$ - | \$ - |

The attached notes and auditor's report are an integral part of these financial statements.

Hispanic Federation, Inc.

Notes to Financial Statements

December 31, 2023

Note 1 - Organization

The Hispanic Federation, Inc. ("Organization") was incorporated under the laws of the state of New York on July 3, 1990, as a not-for-profit organization. The Organization is the nation's premier Latino nonprofit membership organization with offices in New York, Washington, D.C., Connecticut, North Carolina, Florida, Illinois, and Puerto Rico. The Organization uplifts millions of Hispanic children, youth, and families locally and nationally through four essential service pillars:

- **Advocacy** services focused on advancing the interests and aspirations of Latinos and their community-based organizations through, among other things, coalition building, policy research, public education, advocacy, and voter mobilization. In 2023, the Organization's advocacy work focused on expanding immigrant justice and opportunities, advancing equity in federal benefits for Puerto Rico, and the protection of health care access, including reproductive health, LGBTQ+ rights, and voting rights.
- **Community Assistance** programs that support and uplift Latino families and communities with direct social services in the areas of education, immigration, health care, economic development, and the environment. In 2023, the Organization expanded its digital equity offerings, immigration assistance, farm and food workers relief aid, educational programming, and health prevention work to serve a much larger number of youth workers, new Americans, and families across its growing footprint in 42 states and territories.
- **Organizational Development Assistance** that fortifies a network of more than 650 Latino front-line grassroots organizations with emergency assistance, programmatic, and capacity-building grants that help its nonprofit grantees address emerging and growing community and operational needs.
- **Technical assistance** programs designed to help its network of Latino nonprofit member agencies support their core operational and infrastructural needs, including board governance, staff leadership development, fundraising, financial management, strategic planning, program development and other critical areas.

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The Organization has prepared the accompanying financial statements using the accrual basis of accounting, which is the process of recording revenue and expenses when earned or incurred.

b. Recently Adopted Accounting Standards

Effective January 1, 2023, the Organization adopted Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* ("Topic 326"). Financial assets, which potentially subject the Organization to credit losses, consist primarily of held-to-maturity marketable securities, contracts receivable and contract assets. Expected losses are recorded to an allowance for credit losses valuation account that is net against the corresponding asset to present the net amount expected to be collected on the financial asset. The credit loss allowance is determined through analysis of the financial assets and assessments of risk that are based on historical trends and evaluation of the impact of current and projected economic conditions. Contribution as well as government grant revenue recognized under FASB Accounting Standards Codification ("ASC") 958-605 are not included in this standard. Based on the analysis performed all open receivables as of December 31, 2023 are related to contributed revenue as such the impact of the adoption was not material to the financial statements.

Hispanic Federation, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

c. Basis of Presentation

The Organization's net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Net Assets without Donor Restrictions* - represents those resources for which there are no restrictions by donors as to their use.

The Organization's Board of Directors established a board-designated fund, the Hispanic Federation Legacy Fund ("Legacy Fund"), with the expressed purpose of using it as the future basis for the creation of an organizational endowment, which would be duly constituted and managed by the Organization's Board of Directors. The purpose of the Organization's Legacy Fund is to help ensure the long-term financial stability of the mission, programs, employment, and ongoing operations of the Organization. The Legacy Fund may only be spent with the prior approval of the Executive Committee of the Board of Directors. No funds were appropriated or withdrawn from the fund during 2023 and 2022.

Activity of the board designated fund was as follows:

| | December 31, | |
|-----------------------------|----------------------|---------------------|
| | 2023 | 2022 |
| Balance - beginning of year | \$ 7,346,897 | \$ 6,386,667 |
| Transfers in | 4,183,210 | 960,230 |
| Balance - end of year | <u>\$ 11,530,107</u> | <u>\$ 7,346,897</u> |

- *Net Assets with Donor Restrictions* represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

d. Revenue Recognition

The Organization follows the requirements of the FASB's ASC 958-605 for recording contributions, which are recognized at the time a contribution becomes unconditional in nature. Contributions are recorded in one of the classes of net assets described above, depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they are received, they are classified as without donor restrictions. The donor-advised funds are recorded at fair value. See Note 4 for additional details.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

Hispanic Federation, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

d. Revenue Recognition - Continued

Government grants have been evaluated and are considered to be conditional non-reciprocal transactions that fall under the scope of FASB ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance-related outcomes are achieved, and other conditions under the agreements are met. Cash received in advance of the conditions being met is treated as a liability. All government grants receivable as of December 31, 2023 are due within one year.

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques.

Management assesses the collectability of all outstanding receivables based upon historical trends and experience with donors. Based on that review, management has concluded that all receivables are collectible. As such, no allowance for uncollectable accounts was deemed necessary as of December 31, 2023 and 2022.

Fundraising revenue (Event income) - Fundraising revenue is comprised of payments received from third parties (individuals and corporations) to support and/or attend fundraising events. Fundraising revenue includes an exchange transaction component for the value of the goods or services received, which follows revenue recognition guidance under ASC Topic 606. The amount paid by individuals and corporations that is above the value of goods or services received is considered a contribution. Revenue is recognized at the time the fundraising event occurs.

e. Cash and Cash Equivalents

The Organization considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents, except for cash held with an investment custodian for long-term purposes.

f. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk consist of cash, money market accounts, and investment securities placed with financial institutions that management deems to be creditworthy. At year-end and at various times throughout the year, balances were in excess of insured amounts. The Organization did not suffer any losses due to bank failure.

g. Management Estimates

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

h. Investments

Investments are recorded at fair value, which is defined as the price that would be received when selling an asset in an orderly transaction between market participants at the measurement date. Unrealized gains and losses and investment management fees are included in the statement of activities.

Hispanic Federation, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

i. Property and Equipment

Equipment and furniture that exceed \$2,000 and have a useful life of greater than one year are recorded at cost or fair value at the date of the gift.

Depreciation is computed using the straight-line method over the estimated useful life of the respective asset as follows:

- Buildings - 39 years
- Building improvements - 15 years
- Equipment and furniture - 5-10 years

j. Leases

The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use ("ROU") assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

k. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The following expenses were allocated using time and effort as the basis:

- Salaries
- Payroll taxes and employee benefits
- Internships and stipends

The following expenses were allocated using salary as the basis:

- Office expenses
- Repairs and maintenance
- Other expenses

Certain shared costs are allocated based on full-time equivalent. All other expenses have been charged directly to the applicable program or supporting services.

Hispanic Federation, Inc.

Notes to Financial Statements

December 31, 2023

Note 2 - Summary of Significant Accounting Policies - Continued

l. Advertising

Advertising costs are expensed as incurred.

m. Donated Goods and Services

Donated marketable securities and other non-cash donations are recorded as contributions at fair value on the date of donation. Donated services are recognized in circumstances where the service creates or enhances a non-financial asset or where those services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind.

Board members and other individuals volunteer their time and perform a variety of services that assist the Organization. These services do not meet the criteria outlined above and have not been recorded in the financial statements.

The Organization received media time, publications, outreach and education support valued at \$1,061,928 and \$1,189,327 during the years ended December 31, 2023 and 2022, respectively. Contributed services are valued at the estimated fair value based on the assessment of the cost of such items had they been purchased on the open market.

n. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2020 and later are subject to examination by applicable taxing authorities.

o. Prior Year Comparative Information

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

Note 3 - Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1- Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2- Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3- Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Hispanic Federation, Inc.

Notes to Financial Statements

December 31, 2023

Note 3 - Investments - Continued

Investments consist of:

| | December 31, | |
|-------------------------------------|----------------------|----------------------|
| | 2023 | 2022 |
| Investments for donor advised funds | \$ 4,802,898 | \$ 4,141,365 |
| Other Investments | 13,152,748 | 7,785,351 |
| Total | <u>\$ 17,955,646</u> | <u>\$ 11,926,716</u> |

The fair value hierarchy is as follows:

| | December 31, 2023 | | | |
|--------------------|----------------------|-------------|-------------------|----------------------|
| | Level 1 | Level 2 | Other (a) | Total |
| Cash | \$ 2,766,378 | \$ - | \$ - | \$ 2,766,378 |
| Fixed income funds | 5,045,057 | - | - | 5,045,057 |
| Equity funds | 9,666,476 | - | - | 9,666,476 |
| Real estate funds | 164,324 | - | - | 164,324 |
| Hedge funds | - | - | 313,411 | 313,411 |
| Total | <u>\$ 17,642,235</u> | <u>\$ -</u> | <u>\$ 313,411</u> | <u>\$ 17,955,646</u> |

| | December 31, 2022 | | | |
|--------------------|----------------------|-------------|-------------------|----------------------|
| | Level 1 | Level 2 | Other (a) | Total |
| Cash | \$ 2,551,777 | \$ - | \$ - | \$ 2,551,777 |
| Common Stock | 3,037,549 | - | - | 3,037,549 |
| Fixed income funds | 5,986,826 | - | - | 5,986,826 |
| Equity funds | 170,628 | - | - | 170,628 |
| Hedge funds | - | - | 179,936 | 179,936 |
| Total | <u>\$ 11,746,780</u> | <u>\$ -</u> | <u>\$ 179,936</u> | <u>\$ 11,926,716</u> |

- (a) Hedge funds are reported at fair value utilizing the net asset values provided by fund managers. Investments measured at fair value using the net asset value per share (or its equivalent) practical expedient have been excluded from the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Level 1 securities are valued at the closing price reported on the active market they are traded on.

Hispanic Federation, Inc.

Notes to Financial Statements

December 31, 2023

Note 3 - Investments - Continued

The following summarizes investment return:

| | December 31, | |
|-------------------------------------|---------------------|-----------------------|
| | 2023 | 2022 |
| Interest and dividends income | \$ 557,289 | \$ 243,639 |
| Realized and unrealized gain/(loss) | 1,383,500 | (1,900,862) |
| Investment fees | (65,501) | (55,815) |
| Total investment return | <u>\$ 1,875,288</u> | <u>\$ (1,713,038)</u> |

Note 4 - Donor Advised Funds

The Organization has donor-advised funds. The funds allow individuals to make a charitable donation, receive an immediate tax deduction and then recommend grants from the fund over time. The contributions received that have been designated for the donor advised fund are assets of the Organization. Donors can contribute to the fund as frequently as they like and then recommend grants whenever the timing is right for them. The Organization has variance power and ultimately has discretion on how to distribute the funds.

Activity in the Organization's donor-advised funds can be summarized as follows:

| | December 31, 2023 | | |
|---------------------------------|---------------------------|--------------------------------------|---------------------|
| | Miranda Family Fund | Aaron Sanchez Scholarship Fund | Total |
| Beginning | \$ 4,140,221 | \$ 1,144 | \$ 4,141,365 |
| Contributions | 3,710,046 | - | 3,710,046 |
| Grants | (3,534,910) | (2,050) | (3,536,960) |
| Investment income (net of fees) | 487,541 | 906 | 488,447 |
| Ending | <u>\$ 4,802,898</u> | <u>\$ -</u> | <u>\$ 4,802,898</u> |

| | December 31, 2022 | | |
|---------------------------------|---------------------------|--------------------------------------|---------------------|
| | Miranda Family Fund | Aaron Sanchez Scholarship Fund | Total |
| Beginning | \$ 3,509,794 | \$ 361,442 | \$ 3,871,236 |
| Contributions | 3,640,431 | 36,901 | 3,677,332 |
| Grants | (2,705,774) | (367,839) | (3,073,613) |
| Investment income (net of fees) | (304,230) | (29,360) | (333,590) |
| Ending | <u>\$ 4,140,221</u> | <u>\$ 1,144</u> | <u>\$ 4,141,365</u> |

Hispanic Federation, Inc.

Notes to Financial Statements

December 31, 2023

Note 5 - Contributions Receivable

Contributions receivable are expected to be collected in the following periods:

| | | |
|--|-------------------|---------------------|
| Year ending: | | |
| | December 31, 2024 | \$ 3,636,660 |
| | December 31, 2025 | 1,613,436 |
| | December 31, 2026 | 606,717 |
| | | <u>5,856,813</u> |
| Less: discount to present value at 4.25% | | (177,000) |
| Total | | <u>\$ 5,679,813</u> |

Total contributions receivable of approximately 69% and 31% were due from three donors at December 31, 2023 and 2022, respectively.

Note 6 - Operating Lease Right-of-Use Asset and Operating Lease Liability

The Organization evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization's obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of December 31, 2023 and 2022 was 2.92% and 0.59%, respectively.

The Organization leases space in Connecticut, New York, Florida and Puerto Rico under lease agreements expiring at various dates through May 31, 2026, which were determined to be operating leases.

For the years ended December 31, 2023 and 2022, the total operating lease cost was \$291,146 and \$219,325, respectively, and total short-term lease cost was approximately \$108,045 and \$117,666, respectively. As of December 31, 2023 and 2022, the weighted-average remaining lease term for the Organization's operating leases was approximately 23 months and 15 months, respectively.

Cash paid for operating leases for the years ended December 31, 2023 and 2022 was \$288,403 and \$333,747. There were no noncash investing and financing transactions related to leasing.

The aggregate future minimum lease payments under those operating leases as of December 31, 2023 were as follows:

| | | |
|------------------------------|-------------------|-------------------|
| Year ending: | | |
| | December 31, 2024 | \$ 241,677 |
| | December 31, 2025 | 134,137 |
| | December 31, 2026 | 40,250 |
| | | <u>416,064</u> |
| Less: present value discount | | (12,594) |
| Total lease obligation | | <u>\$ 403,470</u> |

Hispanic Federation, Inc.

Notes to Financial Statements

December 31, 2023

Note 7 - Property and Equipment

Property and equipment assets consist of the following:

| | December 31, | |
|--------------------------------------|---------------------|---------------------|
| | 2023 | 2022 |
| Land | \$ 599,813 | \$ 599,813 |
| Building | 5,702,787 | 5,702,787 |
| Building improvements | 50,657 | 50,657 |
| Equipment, furniture, and automobile | 1,164,419 | 1,059,663 |
| | <u>7,517,676</u> | <u>7,412,920</u> |
| Less: accumulated depreciation | (3,515,281) | (3,248,946) |
| Total property and equipment | <u>\$ 4,002,395</u> | <u>\$ 4,163,974</u> |

Note 8 - Commitments and Contingencies

The Organization participates in several federal, state, and other grant programs governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2023 may be impaired.

In the opinion of management, there are no significant contingent liabilities related to non-compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

From time to time, the Organization may become involved in litigation incidental to its business. Based on the Organization's understanding of the facts of any such matters and, where necessary, the advice of counsel, management does not believe that matters currently pending, either individually or in the aggregate, will have a material impact on the Organization's financial position or results of operations.

Note 9 - Net Assets with Donor Restrictions

Within the community assistance program, educational projects consist of two programs: the college readiness, education, access, and retention program ("CREAR") and the Latino educational advancement project ("LEAP"). CREAR provides college students with a comprehensive support system, including peer mentors, leadership seminars, professional mentorships, specialized academic support, and internship opportunities. LEAP uses advocacy, coalition building, and public education-focused activities to promote high-quality educational standards and practices, which improves the long-term success of Latino students.

Within the community assistance program, the UNIDOS Disaster Relief and Recovery Program was created after the immense devastation of Puerto Rico by Hurricane Maria. The program aims to serve the immediate and long-term needs of families and communities in Puerto Rico. The Organization has distributed millions of pounds of food, water, and essentials to those most affected by the hurricane in Puerto Rico. The Organization has also provided emergency relief assistance to countries in Central and South America, such as Mexico and Guatemala, affected by natural disasters.

Hispanic Federation, Inc.

Notes to Financial Statements

December 31, 2023

Note 9 - Net Assets with Donor Restrictions - Continued

Within the community assistance program, COVID Assistance - the Organization created the most far-reaching Latino COVID-19 relief effort in the nation, partnering with over 280 community nonprofits to respond to urgent calls for help from New York to California, from Florida to Oregon, providing over \$16 million in emergency relief funding to organizations and businesses in need.

Within the technical assistance program, digital Career Nonprofit Accelerator program - the Organization received a grant to launch a groundbreaking accelerator program to help Latino workforce development providers meet the challenge of preparing workers today for the jobs of tomorrow. The program allows the Organization to work with 20 Latino nonprofit organizations across the nation to provide "career-aligned" digital skills training to thousands of Latinos.

Activity in the class of net assets with donor restrictions is as follows:

| | December 31, 2023 | | | |
|--|--------------------------------|----------------------|----------------------------------|-------------------------------|
| | Beginning Balance 1/1/23 | Increases | Released from Restrictions | Ending Balance 12/31/23 |
| Program restricted: | | | | |
| Advocacy: | | | | |
| Advocacy - General | \$ 593,320 | \$ 4,376,040 | \$ (1,730,264) | \$ 3,239,096 |
| Civic Participation | 1,082,160 | 1,005,651 | (766,398) | 1,321,413 |
| Community Assistance: | | | | |
| Community Assistance - General | 965,094 | 419,810 | (198,606) | 1,186,298 |
| COVID-19 Pandemic Assistance | 8,602,860 | 226,971 | (4,283,043) | 4,546,788 |
| Educational programs | 600,945 | 2,923,450 | (658,196) | 2,866,199 |
| Hurricane relief | 3,277,806 | 290,097 | (870,734) | 2,697,169 |
| UNIDOS Disaster Relief and Recovery program | 7,369,716 | 815,691 | (1,673,052) | 6,512,355 |
| Organization Development Assistance | 263,485 | 1,050,000 | (385,644) | 927,841 |
| Technical Assistance: | | | | |
| Digital Career Nonprofit Accelerator program | 3,394,467 | 721,330 | (1,844,251) | 2,271,546 |
| Technical Assistance - General | 5,018,812 | 414,000 | (4,041,342) | 1,391,470 |
| Other | 866,434 | 382,561 | (841,601) | 407,394 |
| Total program restricted | \$ 32,035,099 | \$ 12,625,601 | \$ (17,293,131) | \$ 27,367,569 |

Hispanic Federation, Inc.

Notes to Financial Statements

December 31, 2023

Note 9 - Net Assets with Donor Restrictions - Continued

| | December 31, 2022 | | | Ending Balance 12/31/22 |
|---|--------------------------------|----------------------|----------------------------------|-------------------------------|
| | Beginning Balance 1/1/22 | Increases | Released from Restrictions | |
| Program restricted: | | | | |
| Advocacy: | | | | |
| Advocacy - General | 383,343 | 928,885 | (717,908) | 593,320 |
| Civic Participation | 534,652 | 2,349,784 | (1,802,276) | 1,082,160 |
| Community Assistance: | | | | |
| Educational programs | 632,005 | 452,300 | (483,360) | 600,945 |
| Community Assistance - General COVID-19 Pandemic Assistance | 845,368 | 560,000 | (440,274) | 965,094 |
| Hurricane relief | 16,192,890 | 75,000 | (7,665,030) | 8,602,860 |
| UNIDOS Disaster Relief and Recovery program | - | 3,845,446 | (567,640) | 3,277,806 |
| Organization Development Assistance | 7,477,283 | 1,419,055 | (1,526,622) | 7,369,716 |
| Technical Assistance: | 148,400 | 1,000,000 | (884,915) | 263,485 |
| Digital Career Nonprofit Accelerator program | | | | |
| Technical Assistance - General | 230,053 | 3,545,000 | (380,586) | 3,394,467 |
| Other | 5,267,576 | 1,191,748 | (1,440,482) | 5,018,812 |
| Total program restricted | 85,031 | 991,525 | (210,122) | 866,434 |
| | <u>\$ 31,796,601</u> | <u>\$ 16,358,743</u> | <u>\$(16,119,215)</u> | <u>\$ 32,035,099</u> |

Note 10 - Special Events

In 2022, the organization resumed holding its annual Gala event and in 2023 in addition to the gala event, the Organization expanded the events to Puerto Rico where there were two new fundraising events. Direct expenses of the events that benefited donors are netted with revenue in the public support section of the statement of activities, while other indirect costs of the event are shown as fundraising expenses on the statement of functional expenses.

The following summarizes special event income:

| | December 31, | |
|---|---------------------|---------------------|
| | 2023 | 2022 |
| Gross revenue | \$ 3,851,539 | \$ 3,118,090 |
| Less: expenses with a direct benefit to donor | (585,331) | (475,554) |
| | 3,266,208 | 2,642,536 |
| Less: other event expenses | (457,078) | (12,837) |
| Total | <u>\$ 2,809,130</u> | <u>\$ 2,629,699</u> |

Hispanic Federation, Inc.

Notes to Financial Statements

December 31, 2023

Note 11 - Pension Plan

The Organization sponsors a 403(b)-plan. Under the plan, employees can elect to defer a percentage of their salary, subject to Internal Revenue Code ("IRC") limits, and the Organization may elect to make a discretionary contribution. The Organization made a discretionary contribution in the amount of \$296,975 and \$257,616 in the years ended December 31, 2023 and 2022, respectively.

Note 12 - Availability and Liquidity

Financial assets at December 31, 2023 available to meet cash needs for general expenditures within one year are as follows:

| | | |
|---|------------------|----------------------|
| Cash and cash equivalents | \$ 22,951,519 | |
| Investments | 13,152,748 | |
| Government grants | 9,180,753 | |
| Contributions receivable, due within one year | <u>3,636,660</u> | |
| Total financial assets | | \$ 48,921,680 |
| Less amounts not available to be used within one year: | | |
| Board designed Legacy Fund | | (11,530,107) |
| Purpose restricted contributions | | <u>(25,324,416)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | | <u>\$ 12,067,157</u> |

The Organization regularly monitors liquidity to meet its operational needs. The Organization attempts to operate within a balanced budget and anticipates collecting sufficient revenue from the current year and future year government and other grants to cover general expenditures.

Additionally, as outlined in Note 2c, the Organization's Board of Directors established a board-designated fund, the Hispanic Federation Legacy Fund ("Legacy Fund"). The Legacy Fund may only be spent with the prior approval of the Executive Committee of the Board of Directors.

Note 13 - Significant Concentrations

Total government grants and contracts receivable of approximately 70% and 40% were due from two government funders at December 31, 2023 and 2022, respectively. In addition, approximately 42% and 14% of total revenue and support was received from the same two funders during the years ended December 31, 2023 and 2022, respectively.

Note 14 - Subsequent Events

Subsequent events have been evaluated through May 20, 2024, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.