

MANA DE SAN DIEGO
FINANCIAL STATEMENTS
AND
REPORT OF INDEPENDENT AUDITOR
DECEMBER 31, 2018

I. REPORT OF INDEPENDENT AUDITOR

Independent Auditor's Report

The Board of Directors
MANA de San Diego

Report on the Financial Statements

We have audited the accompanying financial statements of MANA de San Diego, which comprise the statement of financial position as of December 31, 2018, and the related statements of activities and change in net assets, cash flows, and functional expenses, for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MANA de San Diego as of December 31, 2018, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

March 16, 2019
New York, New York



II. FINANCIAL STATEMENTS

MANA DE SAN DIEGO
 STATEMENT OF FINANCIAL POSITION
 AS OF DECEMBER 31, 2018 (with comparative totals for 2017)

ASSETS	<u>2018</u>	<u>2017</u>
Current Assets:		
Cash and cash equivalents	\$375,674	\$405,202
Contributions receivable	700	4,000
Interest in net assets of the Endowment Fund	61,360	67,697
Prepaid expenses	<u>18,002</u>	<u>13,414</u>
Total Current Assets	455,736	490,313
Non-Current Assets:		
Fixed assets – net	-	2,622
Other assets	<u>821</u>	<u>821</u>
Total Non-current Assets	<u>821</u>	<u>3,443</u>
Total Assets	<u>\$456,557</u>	<u>\$493,756</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 24,809	\$ 26,315
Unearned membership dues	<u>1,050</u>	<u>1,200</u>
Total Current Liabilities	<u>25,859</u>	<u>27,515</u>
NET ASSETS		
Without donor restrictions	279,838	270,544
With donor restrictions – purpose restricted	89,500	128,000
With donor restrictions – perpetual in nature	<u>61,360</u>	<u>67,697</u>
Total Net Assets	<u>430,698</u>	<u>466,241</u>
Total Liabilities and Net Assets	<u>\$456,557</u>	<u>\$493,756</u>

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

MANA DE SAN DIEGO
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018 (with comparative totals for 2017)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2018</u>	<u>2017</u>
REVENUES AND OTHER SUPPORT				
Grants	\$130,152	\$ -	\$130,152	\$ 43,952
Contributions	293,325	28,500	321,825	132,544
Special event	-	-	-	184,131
Interest income and other income	2,720	-	2,720	2,019
Memberships	45,372	-	45,372	41,600
In-kind contributions	77,838	-	77,838	62,218
Net assets released from restrictions	<u>67,000</u>	<u>(67,000)</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	616,407	(38,500)	577,907	466,464
EXPENSES				
Program services	413,723	-	413,723	268,497
Management and general	114,963	-	114,963	120,499
Fund raising expenses	<u>78,427</u>	<u>-</u>	<u>78,427</u>	<u>155,739</u>
Total Expenses	607,113	-	607,113	544,735
Change in net assets from operating activities	9,294	(38,500)	(29,206)	(78,271)
Non-operating activities:				
Contribution restricted for permanent endowment	-	-	-	-
Appropriated for expenditure	-	(2,442)	(2,442)	(909)
Investment return	<u>-</u>	<u>3,895</u>	<u>(3,895)</u>	<u>8,380</u>
Change in net assets from non-operating activities	<u>-</u>	<u>(6,337)</u>	<u>(6,337)</u>	<u>7,471</u>
Change in net assets	9,294	(44,837)	(35,543)	(70,800)
Net assets, beginning of year	<u>270,544</u>	<u>195,697</u>	<u>466,241</u>	<u>537,041</u>
Net assets, end of year	<u>\$279,838</u>	<u>\$150,860</u>	<u>\$430,698</u>	<u>\$466,241</u>

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

MANA DE SAN DIEGO
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018 (with comparative totals for 2017)

	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Change in net assets	\$ (29,206)	\$ (70,800)
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation	2,622	4,351
Change in assets and liabilities:		
Decrease (increase) in:		
Contributions receivable	3,300	7,500
Prepaid expenses	(4,588)	(1,800)
Other assets	-	200
Increase (decrease) in:		
Accounts payable and accrued expenses	(1,506)	12,837
Unearned membership dues	<u>(150)</u>	<u>(7,661)</u>
Net cash (used) by operating activities	<u>(29,528)</u>	<u>(55,373)</u>
Cash flows from investing activities:		
Contribution to Endowment Fund	-	(7,471)
Purchase of fixed assets	<u>-</u>	<u>(593)</u>
Net cash (used) by investing activities	<u>-</u>	<u>(8,064)</u>
Cash flows from financing activities:	-	-
Net (decrease) in cash	(29,528)	(63,437)
Cash - at beginning of year	<u>405,202</u>	<u>468,639</u>
Cash - at end of year	<u><u>\$375,674</u></u>	<u><u>\$405,202</u></u>
Supplemental data:		
Interest paid	\$ -	\$ -
Income tax paid	\$ -	\$ -

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

MANA DE SAN DIEGO
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018 (with comparative totals for 2017)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>2018</u>	<u>2017</u>
Salaries	\$123,886	\$ 43,682	\$40,375	\$207,943	\$157,025
Payroll taxes and fringe benefits	<u>9,803</u>	<u>4,029</u>	<u>3,187</u>	<u>17,019</u>	<u>12,705</u>
Total Salaries and Related Costs	133,689	47,711	43,562	224,962	169,730
Transportation and conferences	11,485	2,345	7,490	21,320	14,567
Special event expenses	-	-	-	-	107,184
Scholarships	51,100	-	-	51,100	40,700
Supplies	24,952	2,540	357	27,849	20,550
Printing, postage and copying	6,989	3,607	856	11,452	5,760
Meals and catering	48,043	1,884	1,308	51,235	27,632
Contracted services	9,631	3,345	70	13,046	2,561
Occupancy	17,075	3,298	3,595	23,968	13,005
Telephone and postage	2,371	4,083	293	6,747	6,942
Professional fees	12,059	22,726	18,779	53,564	38,089
Membership dues	4,375	399	100	4,874	4,810
Insurance	-	9,428	-	9,428	6,461
Miscellaneous	1,074	901	2,017	3,992	333
Volunteer expenses	18,904	75	-	18,979	16,498
Bank and credit card charges	2,277	1,861	-	4,138	3,344
In-kind expense	69,699	8,139	-	77,838	62,218
Depreciation	-	<u>2,621</u>	-	<u>2,621</u>	<u>4,351</u>
	<u>\$413,723</u>	<u>\$114,963</u>	<u>\$78,427</u>	<u>\$607,113</u>	<u>\$544,735</u>

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

NOTE 1 – CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018, MANA de San Diego adopted Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958– Presentation of Financial Statements of Not-for-Profit Entities). The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled “net assets without donor restrictions” and “net assets with donor restrictions”, (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements.

Implementation of ASU 2016-14 did not require reclassification or restatement of any opening balances related to the period presented. MANA de San Diego net assets previously reported as temporarily restricted are now reported as net assets with donor restrictions. Likewise, MANA de San Diego net assets previously reported as unrestricted are now reported as net assets without donor restrictions.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

MANA de San Diego is a not-for-profit corporation organized on August 24, 1998 under the laws of the State of California. Its purpose is to strengthen the San Diego community by developing Latina leadership, based on a strong commitment to education as the avenue to success. MANA de San Diego seeks to empower Latinas to become advocates in areas affecting the Latina; to become versed in policy areas surrounding health, economic parity, social and academic opportunity.

Basis of Accounting

The accounts of MANA de San Diego are maintained on the accrual basis in accordance with generally accepted accounting principles in the United States of America, as codified by the Financial Accounting Standards Board. MANA de San Diego does not provide an allowance for uncollectible accounts receivables, but rather expenses such items in the period that they become uncollectible. This practice differs from generally accepted accounting principles, but its impact is deemed immaterial.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The classification of an organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of two classes of net assets – without donor restrictions, and with donor restrictions - be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities. These classes are defined as follows:

Without Donor Restrictions

These resources are not subject to donor-imposed restrictions. The board of directors has discretionary control over these resources.

Without Donor Restrictions

These resources are subject to donor-imposed restrictions that will be satisfied by action of MANA de San Diego or by the passage of time.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the allocation of expenses among various functions during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking account and money market balances and are valued at their carrying amount due to their short maturities. The carrying value of cash and cash equivalents approximates the fair value thereof as of the date of these financial statements. Management believes the organization is not exposed to any significant credit risk on cash and cash equivalents. Accounts are insured by the Federal Deposit Insurance Corporation. As of December 31, 2018 the company had no uninsured balances.

Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest in Net Assets of the Endowment Fund

In August 2008, the Financial Accounting Standards Board issued authoritative guidance for endowments which provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). UPMIFA requires the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, MANA de San Diego classifies as donor restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

MANA de San Diego has chosen not to manage its underlying assets directly, but to utilize the independent investment management services of the San Diego Foundation. Investment and management fees are recognized in the year in which they occur. MANA de San Diego's Endowment Fund investment policy and strategy is to emphasize total return; that is, the aggregate return from capital appreciation and dividend and interest income in an attempt to provide a predictable stream of funding to programs supported by its Endowment Fund while seeking to maintain the purchasing power of the Endowment Fund assets. Within this framework, specific investment objectives for investments include liquidity, preservation of capital, and preservation of purchasing power and long-term growth of capital.

MANA de San Diego's investment policy establishes an achievable return objective through diversification of asset classes. The current long-term return objective is to produce, after investment expenses, a minimum annual compound total rate of return of 5% in excess of the rate of inflation. Actual returns in any given year may vary from this amount.

The Endowment Fund is maintained in pooled investment portfolios. Interest, dividends, and realized and unrealized gains and losses in the investment pools are allocated monthly to the Endowment Fund in proportion to its share in the investment pools. The San Diego Foundation's spending policy is to allocate 5% per annum of the preceding thirty-six month average fair market value invested in the pool to each participant's distributable balance. If the fair market value of the Endowment Fund's principal, at the end of each month, is less than the corpus, which includes the initial and all subsequent gifts from donors, the distribution is limited to interest and dividends received.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Fixed assets are recorded at cost if purchased or at fair market value at the date of donation. Depreciation is recorded on the straight-line basis over the useful life of the assets. The costs of assets retired or otherwise disposed of and the related accumulated depreciation are removed from the accounts and any gain or loss is included in the Statement of Activities. Expenses for maintenance and repairs are charged to earnings as incurred.

Unearned Membership Dues

Unearned membership dues represent the prorated share of the total dues assessed to members of the organization that have been collected but not earned.

Revenue Recognition

Grants and contributions are recorded as revenue when received or pledged, whichever occurs first. Gifts of cash are reported as donor restricted support if they are received with donor stipulations that limit the use of the grant to one of the Organization's programs or to future periods. In addition, the Organization recognizes revenues when sponsorship agreements are satisfied, special events are held, or membership revenue is earned. Revenue recognized on grants and contributions that have been earned or committed to MANA de San Diego, but have not been received, is reflected as grants receivable in the accompanying statement of financial position.

In-Kind Contributions

During the year ended December 31, 2018, donated products, materials, supplies, and professional services in the amount of \$77,838 have been valued and reported within the financial statements. In addition, MANA de San Diego has received voluntary services donated by individuals. The donation of the voluntary services, has not been reflected in the financial statements. The impact of those services upon the financial statements is unknown as there is no objective basis available to measure the value of such services. However, because recognition of donated services as revenue would also involve recognition of corresponding expenses, there would be no effect on the net balances.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain categories of expenses are attributable to both program services and supporting activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries & benefits, occupancy, telephone, and professional fees, which are allocated on the basis of estimates of time & effort.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Credit Risk

Credit risk is the failure of another party to perform in accordance with the contract terms. Financial instruments that potentially subject MANA de San Diego to concentrations of credit risk consist of cash and cash equivalents, contributions receivable, and interest in net assets of the Endowment Fund.

MANA de San Diego places its cash and cash equivalents with high-credit, quality financial institutions. As of December 31, 2018, MANA de San Diego has cash accounts and cash equivalents which are fully insured by the Federal Deposit Insurance Corporation. As of December 31, 2018, the Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. Accordingly, MANA de San Diego believes no significant concentration of credit risk exists with respect to its cash, and cash equivalents..

Marketable and nonmarketable investments subject MANA de San Diego to various levels of risk associated with economic, operating, and political events beyond management's control. Consequently, management's judgment as to the level of losses that currently exist or may develop in the future involves the consideration of current and anticipated conditions and their potential effects on MANA de San Diego's Endowment Fund. Due to the level of risk associated with investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term could materially impact the amounts reflected in the accompanying financial statements.

Income Taxes

MANA de San Diego is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The organization has been classified as a publicly supported charitable organization under Section 509(a)(1) of the Internal Revenue Code and qualifies for the maximum charitable deduction by donors. MANA de San Diego is subject to taxes on unrelated business income ("UBIT"), if applicable.

For the tax year ended December 31, 2018 the organization did not owe any UBIT. Management evaluated the organization's tax positions and concluded that MANA de San Diego had taken no uncertain tax positions that require adjustment to the financial statements. MANA de San Diego files informational returns in the United States federal, as well as the State of California, jurisdictions. With few exceptions, MANA de San Diego is no longer subject to income tax examinations by the U.S. federal tax authority for years before 2014 which is the standard statute of limitations look-back period.

MANA DE SAN DIEGO
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 3 – FIXED ASSETS

Fixed assets at December 31, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>
Equipment and furniture	\$ 21,141	\$ 21,141
Less: accumulated depreciation	<u>(21,141)</u>	<u>(18,519)</u>
Fixed assets - net	<u>\$ -</u>	<u>\$ 2,622</u>

Depreciation expense was \$2,622 for the year ended December 31, 2018.

NOTE 4 – NET ASSETS – ENDOWMENT ASSETS

Endowment assets are restricted in perpetuity; the income derived from these investments is expendable to support the operations of MANA de San Diego. The total amount of donor restricted net assets on the statement of financial position includes the donor-restricted endowment fund of \$61,360 displayed in the table below.

The endowment fund is categorized in the following net asset classes as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$61,360</u>	<u>\$61,360</u>

Changes in the endowment fund by net asset classification for the year ended December 31, 2018 is summarized as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets – beginning	\$ -	\$67,697	\$67,697
Interest and dividends	-	1,098	1,098
Fees	-	(718)	(718)
Net realized gains (losses)	-	1,869	1,869
Net unrealized gains (losses)	<u>-</u>	<u>(6,144)</u>	<u>(6,144)</u>
Total investment return	-	(3,895)	(3,895)
Endowment assets appropriated for expenditure	<u>-</u>	<u>(2,442)</u>	<u>(2,442)</u>
Endowment net assets – ending	<u>\$ -</u>	<u>\$61,360</u>	<u>\$61,360</u>

NOTE 4 – NET ASSETS – ENDOWMENT ASSETS (CONTINUED)

From time-to-time, the fair value of assets associated with the donor restricted endowment fund may fall below the level that the donor has required that MANA de San Diego retain as a fund of perpetual duration. There were no such deficiencies of this nature reported as of December 31, 2018 and 2017.

NOTE 5 – NET ASSETS

Net assets without donor restrictions

At December 31, 2018 and 2017, all unrestricted net assets are undesignated as to their use.

Net assets with donor restrictions

At December 31, 2018 and 2017, donor restricted net assets, are available for the following programs :

	<u>2018</u>	<u>2017</u>
Core support	\$61,000	\$128,000
Program	<u>28,500</u>	<u>-</u>
Donor restricted net assets	<u>\$89,500</u>	<u>\$128,000</u>

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose. Purpose restrictions accomplished were as follows:

	<u>2018</u>	<u>2017</u>
Core support	\$47,000	\$ 36,461
Program	-	45,560
Scholarships	<u>20,000</u>	<u>25,500</u>
Total net assets released from restrictions	<u>\$67,000</u>	<u>\$107,521</u>

NOTE 6 – LIQUIDITY

At December 31, 2018, all net assets with donor restrictions are available for payment of qualifying program expenses as such expenditures are incurred. Likewise, all net assets without donor restrictions are available to meet cash needs for general expenditures of MANA de San Diego within one year.

NOTE 7 - NEW ACCOUNTING PRONOUNCEMENT

The Financial Accounting Standards Board (FASB) issued an Accounting Standards Update (ASU) No. 2016-02, *Leases*. The ASU which becomes effective for annual periods beginning after December 15, 2019, requires the full obligation of long term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

NOTE 8 – OPERATING LEASE

MANA de San Diego had entered into an amended lease agreement, for office space located at 2515 Camino Del Rio South, San Diego, CA through August 14, 2018. Upon expiration of this lease the facilities presently used are leased under a month-to-month arrangement. MANA de San Diego will be responsible for paying its pro-rata share of operating expenses and utilities. Rental expense for the office totaled \$14,246 for the year ended December 31, 2018.

NOTE 9 - COMPARATIVE DATA

The financial information for 2017, presented for comparative purposes, is not intended to be a complete financial statement presentation. Such information does not include sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with MANA de San Diego's audited financial statements for the year ended December 31, 2018, from which the summarized information was derived.

NOTE 10 - SUBSEQUENT EVENTS

The management of MANA de San Diego has evaluated events and transactions for potential recognition or disclosure through the date of the independent auditors' report, which is the date the financial statements were available to be issued.