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**Hogar Albergue de Niños
de San Germán, Inc.
Audited Financial Statements
June 30, 2023**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors

Hogar Albergue de Niños de San Germán, Inc.

PO Box 1375

San Germán, Puerto Rico 00683

Report on the Financial Statements

We have audited the accompanying balance sheet of Hogar Albergue de Niños de San Germán, Inc. (a nonprofit organization) as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to 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 purposes of expressing 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 Hogar Albergue de Niños de San Germán, Inc. as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Orlando C. Palmer Mellowes, C.P.A., Esq.
License No. 3586, expires December 1, 2025
Mayagüez, Puerto Rico
January 2, 2024



Hogar Albergue de Niños de San Germán, Inc.
Statement of Financial Position
June 30, 2023

ASSETS

Current Assets

Cash and cash equivalents		\$ 244,881
Cash restricted by proposals:		
United Way	640	
Justice-Voca	17,964	
Justice-CESF	2,581	
AAFAF	2,883	
Legislative Funds	2,122	26,190
Unconditional promises to give		14,500
Food and clothes inventory		<u>25,691</u>
Total Current Assets		311,262

Fixed Assets

Furniture and fixtures	25,227	
Equipment	58,296	
Vehicles	72,740	
Leasehold improvements	<u>109,374</u>	
Sub Total	265,637	
Less: Accumulated depreciation	<u>(218,956)</u>	46,681

TOTAL ASSETS \$ 357,943

LIABILITIES

Accounts payable		\$ -
Note payable - PPP		-
Withheld Taxes Payable		4,789
Accrued expenses		<u>7,037</u>
TOTAL LIABILITIES		11,826

NET ASSETS

Unrestricted		319,927
Temporally restricted		<u>26,190</u>
TOTAL NET ASSETS		<u>346,117</u>
TOTAL NET ASSETS AND LIABILITIES		<u><u>\$ 357,943</u></u>

See accompanying notes and independent auditor's report.

Hogar Albergue de Niños de San Germán, Inc.
Statement of Activities
For the Year Ended June 30, 2023

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions			
Department of Justice - V.O.C.A.		281,725	281,725
CESF		30,030	30,030
AAFAF		22,826	22,826
Donated right of use of building	30,000		30,000
Donated services	22,221		22,221
Donations in cash	229,565		229,565
Donations in kind	112,792		112,792
Fondos Unidos de Puerto Rico		28,141	28,141
Legislative Funds		26,000	26,000
PPP - Loan Forgiveness	80,000		80,000
P.A.N.		23,716	23,716
Residential Facilities	165,430		165,430
Interest	121		121
Net assets released from restrictions			
Restrictions satisfied by payments	535,676	(535,676)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	\$ 1,175,805	\$ (123,238)	\$ 1,052,567
EXPENSES			
Program Services	\$ 926,363	\$ -	\$ 926,363
Supporting Services	134,111	-	134,111
Fundraising	800	-	800
TOTAL EXPENSES	1,061,274	-	1,061,274
CHANGE IN NET ASSETS	\$ 114,531	\$ (123,238)	\$ (8,707)
NET ASSETS AT BEGINNING OF YEAR	225,695	149,428	375,123
Prior Period Adjustment	(20,299)		(20,299)
NET ASSETS AT END OF YEAR	\$ 319,927	\$ 26,190	\$ 346,117

See accompanying notes and independent auditor's report.

Hogar Albergue de Niños de San Germán, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2023

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Fund Raising</u>	<u>Totals</u>
Compensation and related expenses				
Compensation				
Professional services	\$ 111,620	\$ 24,133	\$ -	\$ 135,753
Wages	516,404	76,786	-	593,190
Payroll taxes	54,281	8,071	-	62,352
Total compensation and related expenses	<u>682,305</u>	<u>108,990</u>	<u>-</u>	<u>791,295</u>
Equipment				
Auto	9,082	-	-	9,082
Depreciation	9,588	730	-	10,318
Repairs & maintenance	7,076	2,190	-	9,266
Total equipment expenses	<u>25,746</u>	<u>2,920</u>	<u>-</u>	<u>28,666</u>
Administration				
Bank charges	-	1,875	-	1,875
Licences and fees	-	165	-	165
Insurance	9,284	-	-	9,284
Supplies	2,041	6,138	-	8,179
Right of use of building	22,500	7,500	-	30,000
Utilities	26,091	6,523	-	32,614
	<u>59,916</u>	<u>22,201</u>	<u>-</u>	<u>82,117</u>
Other				
Activities	4,783	-	800	5,583
Didactic materials	11,109	-	-	11,109
Clothing	6,377	-	-	6,377
Personal effects	9,040	-	-	9,040
Food	126,037	-	-	126,037
Pharmacy and labs	1,050	-	-	1,050
Total other expenses	<u>158,396</u>	<u>-</u>	<u>800</u>	<u>159,196</u>
TOTAL FUNCTIONAL EXPENSES	<u>\$ 926,363</u>	<u>\$ 134,111</u>	<u>\$ 800</u>	<u>\$ 1,061,274</u>
Percents	87.29%	12.64%	0.08%	100.00%

See accompanying notes and independent auditor's report.

Hogar Albergue de Niños de San Germán, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ (8,707)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	10,318
(Increase) decrease in:	
Contributions restricted by proposal	75,009
Unconditional promises to give	41,129
Inventory	(1,270)
Increase (decrease) in:	
Accounts payable	-
Note payable	(80,000)
Withheld Taxes Payable	(1,078)
Accrued expenses	(520)
Total adjustments	<u>43,588</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	34,881
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment in property and equipment	<u>(5,760)</u>
NET CASH USED BY INVESTING ACTIVITIES	(5,760)
CASH FLOWS FROM FINANCING ACTIVITIES	
	(20,299)
NET CASH USED BY INVESTING ACTIVITIES	(20,299)
NET INCREASE (DECREASE) IN CASH	8,823
CASH AT BEGINNING OF YEAR	<u>236,058</u>
CASH AT END OF YEAR	<u>\$ 244,881</u>

See accompanying notes and independent auditor's report.

Hogar Albergue de Niños de San Germán, Inc.
Notes to Audited Financial Statements
June 30, 2023

NOTE A – NATURE AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Hogar Albergue de Niños de San Germán, Inc. (The Organization), incorporated as a non-for-profit organization on April 3, 1990, under the laws of Puerto Rico, provides temporary shelter and every required service to abused children in their facilities located in the city of San Germán, Puerto Rico. The maximum capacity is 20 children, and they stay in the facilities up to a legal maximum of two years.

Children are provided with a variety of services supplied by physical, mental health and social professionals in order to restore their self-esteem and physical health as soon as possible. Afterwards, they are properly taken care of until the Family and Children Administration agents take them back to their parents, to foster homes or are adopted. The Organization is supported primarily through federal and local government grants, private contributions, and the United Way.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promise receivables. The allowance is based on prior year's experience and management's analysis of specific promises made.

Donated goods, services and rent

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation are recorded at their fair values in the period received.

Restricted and unrestricted revenue and support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. Restrictions on contributions for acquiring property and equipment expire when the asset is placed in service unless donors provide more specific instructions.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

Financial Statement Presentation

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205, *Non-for-Profit Entities – Presentation of Financial Statements*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. As permitted by the statement, the Organization has discontinued its use of fund accounting.

Contributions

The Organization has also adopted FASB ASC 958-605, *Non-for-Profit Entities - Revenue Recognition*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions.

Income Taxes

The organization is a non-for-profit organization that is exempt from federal income taxes under Section 501 (c)(3) of the Internal Service Revenue Code, and exempt from state and local income taxes under Section 1101.01(a)(2) of the Puerto Rico Internal Revenue Code.

Cash and Cash Equivalents

For the purpose of statement of cash flows, the Organization included as cash and cash equivalents: petty cash, unrestricted cash on deposit with banks and other institutions and a certificate of deposit available for current use with an initial maturity of one year or less to be cash equivalents.

NOTE B – RESTRICTIONS ON NET ASSETS

Restricted assets obtained through proposal are available for the following purposes:

DOJ, VOCA – For the payment of wages and professional services.

DOJ, CESF – For the payment of wages and professional services.

United Way – For the payment of wages and professional services.

AAFAF – For the payment of wages and professional services.

Legislative Funds – For the payment of utilities, wages and professional services.

NOTE C – PROMISES TO GIVE

Unconditional promises to give consist of the following:

Agency	Amount
Family Dpt. - Residential Facilities	\$ 14,500
Totals	\$ 14,500

Unconditional promises to give are due in less than one year.

NOTE D – NOTE PAYABLE

Management acquired a loan with First Bank in may 5, 2021, under the Paycheck Protection Program of the Small Business Administration. The loan was forgiven in September 2022.

Subsequent Events

Management has evaluated subsequent events through January 2, 2023, the date on which the financial statements were available to be issued.