Orlando C. Palmer Mellowes
Attorney at Law
Certified Public Accountant

Hogar Albergue de Niños de San Germán, Inc.

Audited Financial Statements

June 30, 2025

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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 Audit of the Financial Statements

Opinion

We have audited the financial statements of Hogar Albergue de Niños de San Germán, Inc. (a nonprofit organization) which comprises the Balance Sheet as of June 30, 2025, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended, and the related Notes to Financial Statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, financial position of Hogar Albergue de Niños de San Germán, Inc. as of December 31, 2025, 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.

Basis for Opinion

We conducted our audits 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 Hogar Albergue de Niños de San Germán, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Hogar Albergue de Niños de San Germán, Inc.'s ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these 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 Hogar Albergue de Niños de San Germán, Inc.'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 Hogar Albergue de Niños de San Germán, Inc.'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.

COLEGIO DE CONTADORES PÚBLICOS AUTORIZADOS DE PUERTO RICO

CPA

$5.00 SELLO $2.00 ÍNDICE

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HOGAR ALBERGUE DE NIÑOS DE SAN GERMAN INC

Orlando C. Palmer Mellowes, C.P.A., Esq.
License No. 3586, expires December 1, 2028
Mayagüez, Puerto Rico
January 13, 2026

Hogar Albergue de Niños de San Germán, Inc.
Statement of Financial Position
June 30, 2025

ASSETS		
Current Assets		
Cash and cash equivalents		159,124
Cash restricted by proposals:		
United Way	2,117	
Justice-Voca	57,973	
Legislative Funds	-	60,090
Unconditional promises to give		45,310
Food and clothes inventory		13,846
Total Current Assets		278,370
Fixed Assets		
Furniture and fixtures	36,882	
Equipment	62,659	
Vehicles	96,707	
Leasehold improovements	112,524	
Sub Total	308,772	
Less: Accumulated depreciation	(223,595)	85,177
TOTAL ASSETS		$ 363,547
LIABILITIES		
Accounts payable		$ -
Withheld Taxes Payable		9,553
Accrued expenses		9,829
TOTAL LIABILITIES		19,382
NET ASSETS		
Unrestricted		284,075
Temporally restricted		60,090
TOTAL NET ASSETS		344,165
TOTAL NET ASSETS AND LIABILITIES		$ 363,547

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, 2025

	Unrestricted	Temporarily Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT			
Contributions			
Department of Jutice - V.O.C.A.		399,103	399,103
Donated right of use of building	30,000		30,000
Donated services	35,721		35,721
Donations in cash	265,698		265,698
Donations in kind	211,710		211,710
Fondos Unidos de Puerto Rico		18,914	18,914
Legislative Funds		21,028	21,028
P.A.N.		34,301	34,301
Residential Facilities	496,167		496,167
Interest	103		103
Net assets released from restrictions			
Restrictions satisfied by payments	460,374	(460,374)	-
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	$ 1,499,773	$ 12,972	$ 1,512,745
EXPENSES			
Program Services	$ 1,299,894	$ -	$ 1,299,894
Supporting Services	129,345	-	129,345
Fundraising	8,175	-	8,175
TOTAL EXPENSES	1,437,414	-	1,437,414
CHANGE IN NET ASSETS	**$ 62,359**	**$ 12,972**	**$ 75,331**
NET ASSETS AT BEGINNING OF YEAR	212,397	47,118	259,515
Prior Period Adjusment	9,319		9,319
NET ASSETS AT END OF YEAR	$ 284,075	$ 60,090	$ 344,165

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, 2025

	Program Services	Supporting Services	Fund Raising	Totals
Compensation and related expenses				
Compensation				
Professional services	$ 141,406	$ 15,910	$ -	$ 157,316
Wages	665,550	79,357	-	744,907
Payroll taxes	66,312	7,907	-	74,219
Total compensation and related expenses	873,268	103,174	-	976,442
Equipment				
Auto	14,269	-	-	14,269
Depreciation	17,876	2,094	-	19,970
Repairs & maintenance	14,153	4,574	-	18,727
Total equipment expenses	46,298	6,668	-	52,966
Administration				
Bank charges	-	2,405	-	2,405
Licences and fees	-	1,593	-	1,593
Insurance	33,390	-	-	33,390
Supplies	1,584	3,974	-	5,558
Right of use of building	22,500	7,500	-	30,000
Utilities	16,123	4,031	-	20,154
	73,597	19,503	-	93,100
Other				
Activities	30,271		8,175	38,446
Didactic materials	-	-	-	-
Clothing	12,655	-	-	12,655
Personal effects	31,275	-	-	31,275
Food	227,964	-	-	227,964
Pharmacy and labs	4,566	-	-	4,566
Total other expenses	306,731	-	8,175	314,906
TOTAL FUNCTIONAL EXPENSES	**$ 1,299,894**	**$ 129,345**	**$ 8,175**	**$ 1,437,414**
Percents	90.43%	9.00%	0.57%	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, 2025

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$	75,331
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation		19,970
(Increase) decrease in:		
Contributions restricted by proposal		(12,972)
Unconditional promises to give		(10,242)
Inventory		17,322
Increase (decrease) in:		
Accounts payable		-
Withheld Taxes Payable		4,468
Accrued expenses		2,972
Total adjustments		21,518
NET CASH PROVIDED BY OPERATING ACTIVITIES		**96,849**
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in property and equipment, net		(58,084)
NET CASH USED BY INVESTING ACTIVITIES		**(58,084)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Prior period adjustment, net		9,319
NET CASH USED BY INVESTING ACTIVITIES		**9,319**
NET INCREASE (DECREASE) IN CASH		48,084
CASH AT BEGINNING OF YEAR		111,040
CASH AT END OF YEAR	**$**	**159,124**

See accompanying notes and independent auditor's report.

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.
United Way – 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	$ 45,310
Totals	$ 45,310

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

Subsequent Events

Management has evaluated subsequent events through January 12, 2026, the date on which the financial statements were available to be issued.

NOTE D – PRRIOR PERIOD ADJUSTMENT

Consists in the recognition of income in a transaction previously recorded as an intra company transaction but was actually a deposit from a CESF Grant in November 2023.