

## COMBINED FINANCIAL STATEMENTS



**(A SUPPORTING ORGANIZATION OF THE  
NATIONAL ALLIANCE FOR HISPANIC HEALTH)**

**FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2017**

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Combined Statement of Financial Position, as of December 31, 2018, with Summarized Financial Information for 2017	4
EXHIBIT B - Combined Statement of Activities and Change in Net Assets, for the Year Ended December 31, 2018, with Summarized Financial Information for 2017	5
EXHIBIT C - Combined Statement of Functional Expenses, for the Year Ended December 31, 2018, with Summarized Financial Information for 2017	6
EXHIBIT D - Combined Statement of Cash Flows, for the Year Ended December 31, 2018, with Summarized Financial Information for 2017	7
NOTES TO COMBINED FINANCIAL STATEMENTS	8 - 17
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Combining Schedule of Financial Position, for the Year Ended December 31, 2018	18
SCHEDULE 2 - Combining Schedule of Activities, for the Year Ended December 31, 2018	19
SCHEDULE 3 - Combining Schedule of Change in Net Assets, for the Year Ended December 31, 2018	20

# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
National Alliance for Hispanic Health  
Healthy Americas Foundation  
Washington, D.C.

We have audited the accompanying combined financial statements of the National Alliance for Hispanic Health (the Alliance) and the Healthy Americas Foundation (the Foundation), which comprise the combined statement of financial position as of December 31, 2018, and the related combined statements of activities and change in net assets, combined functional expenses and combined cash flows for the year then ended, and the related notes to the combined financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement. The financial statements of the Healthy Americas Foundation were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCPA.COM

---

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Alliance and the Foundation as of December 31, 2018, and the combined change in their net assets and their combined cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Alliance and the Foundation's 2017 combined financial statements, and we expressed an unmodified audit opinion on those audited combined financial statements in our report dated August 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

## Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining schedules on pages 18 through 20 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2019, on our consideration of the Alliance and the Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alliance and the Foundation's internal control over financial reporting and compliance.



May 21, 2019

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**COMBINED STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

**ASSETS**

	<b>2018</b>	<b>2017</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 271,731	\$ 274,772
Investments	3,571,331	3,561,502
Accounts receivable	344,253	581,277
Pledges receivable	7,762	5,864
Employee advances and other receivables	3,688	3,948
Prepaid expenses	43,242	60,341
Total current assets	<u>4,242,007</u>	<u>4,487,704</u>
<b>PROPERTY AND EQUIPMENT</b>		
Net of accumulated depreciation and amortization of \$1,150,208 and \$1,096,178 in 2018 and 2017, respectively	415,480	453,810
<b>OTHER ASSETS</b>		
Deferred compensation asset	385,799	292,839
Deposits	6,585	6,585
Total other assets	<u>392,384</u>	<u>299,424</u>
<b>TOTAL ASSETS</b>	<b>\$ 5,049,871</b>	<b>\$ 5,240,938</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 332,973	\$ 197,795
Accrued salaries and related benefits	191,810	284,472
Deferred membership dues	87,037	128,612
Deferred revenue	711,210	689,497
Total current liabilities	1,323,030	1,300,376
<b>LONG-TERM LIABILITIES</b>		
Deferred compensation liability	385,799	292,839
Total liabilities	<u>1,708,829</u>	<u>1,593,215</u>
<b>NET ASSETS</b>		
Without donor restrictions	3,145,992	3,422,124
With donor restrictions	195,050	225,599
Total net assets	<u>3,341,042</u>	<u>3,647,723</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 5,049,871</b>	<b>\$ 5,240,938</b>

See accompanying notes to combined financial statements.

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**COMBINED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018			2017
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>REVENUE</b>				
Contracts and grants	\$ 3,938,647	\$ -	\$ 3,938,647	\$ 2,465,967
Contributions	381,839	-	381,839	251,981
Membership dues	52,962	-	52,962	69,489
Honorariums	2,000	-	2,000	27,621
Investment (loss) income, net	(86,096)	-	(86,096)	538,015
Other revenue	1,749	-	1,749	-
Net assets released from donor restrictions	<u>30,549</u>	<u>(30,549)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>4,321,650</u>	<u>(30,549)</u>	<u>4,291,101</u>	<u>3,353,073</u>
<b>EXPENSES</b>				
Program Services:				
Educational Programs	4,210,548	-	4,210,548	2,642,023
Fund Development	<u>26,661</u>	<u>-</u>	<u>26,661</u>	<u>191,622</u>
Total program services	<u>4,237,209</u>	<u>-</u>	<u>4,237,209</u>	<u>2,833,645</u>
Supporting Services:				
Management and General	300,692	-	300,692	468,179
Other	<u>59,881</u>	<u>-</u>	<u>59,881</u>	<u>42,778</u>
Total supporting services	<u>360,573</u>	<u>-</u>	<u>360,573</u>	<u>510,957</u>
Total expenses	<u>4,597,782</u>	<u>-</u>	<u>4,597,782</u>	<u>3,344,602</u>
Change in net assets	(276,132)	(30,549)	(306,681)	8,471
Net assets at beginning of year	<u>3,422,124</u>	<u>225,599</u>	<u>3,647,723</u>	<u>3,639,252</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 3,145,992</u></b>	<b><u>\$ 195,050</u></b>	<b><u>\$ 3,341,042</u></b>	<b><u>\$ 3,647,723</u></b>

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	2018						2017	
	Program Services			Supporting Services			Total Expenses	Total Expenses
	Educational Programs	Fund Development	Total Program Services	Management and General	Other	Total Supporting Services		
Salaries	\$ 814,038	\$ 16,507	\$ 830,545	\$ 613,849	\$ 18,098	\$ 631,947	\$ 1,462,492	\$ 1,469,497
Payroll taxes and employee benefits	233,511	4,735	238,246	176,086	5,191	181,277	419,523	451,431
Total salaries, payroll taxes and employee benefits	1,047,549	21,242	1,068,791	789,935	23,289	813,224	1,882,015	1,920,928
Occupancy	3,677	-	3,677	100,000	-	100,000	103,677	93,717
Depreciation and amortization	-	-	-	54,031	-	54,031	54,031	63,164
Equipment purchases, rental and maintenance	5,023	-	5,023	6,308	-	6,308	11,331	23,558
Membership, meetings and conferences	38,472	-	38,472	54,434	1,444	55,878	94,350	33,194
Miscellaneous	41,042	-	41,042	11,112	8,143	19,255	60,297	48,146
Postage and delivery	12,701	-	12,701	1,698	-	1,698	14,399	15,112
Printing and publications	27,206	-	27,206	13,161	-	13,161	40,367	13,657
Professional fees and expenses	197,045	2,359	199,404	300,221	1,109	301,330	500,734	460,415
Subcontracts	1,672,343	-	1,672,343	-	-	-	1,672,343	529,335
Telephone and computer online expenses	39,211	1,656	40,867	29,891	2,258	32,149	73,016	76,964
Travel	74,060	1,404	75,464	16,353	(595)	15,758	91,222	66,412
Sub-total	3,158,329	26,661	3,184,990	1,377,144	35,648	1,412,792	4,597,782	3,344,602
Allocation of management and general	1,052,219	-	1,052,219	(1,076,452)	24,233	(1,052,219)	-	-
<b>TOTAL</b>	<b>\$ 4,210,548</b>	<b>\$ 26,661</b>	<b>\$ 4,237,209</b>	<b>\$ 300,692</b>	<b>\$ 59,881</b>	<b>\$ 360,573</b>	<b>\$ 4,597,782</b>	<b>\$ 3,344,602</b>

See accompanying notes to combined financial statements.

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2017**

	<b>2018</b>	<b>2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (306,681)	\$ 8,471
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	54,031	63,164
Unrealized loss (gain)	302,255	(449,852)
Realized gain	(153,043)	(22,974)
Decrease (increase) in:		
Accounts receivable	237,024	(384,644)
Pledges receivable	(1,898)	21,880
Employee advances and other receivables	260	(3,360)
Prepaid expenses	17,099	21,259
Deferred compensation	(92,960)	(292,839)
Deposits	-	(4,300)
Increase (decrease) in:		
Accounts payable and accrued liabilities	135,178	74,706
Accrued salaries and related benefits	(92,662)	109,365
Deferred membership dues	(41,575)	7,270
Deferred revenue	21,713	(587,477)
Deferred compensation	<u>92,960</u>	<u>292,839</u>
Net cash provided (used) by operating activities	<u>171,701</u>	<u>(1,146,492)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(15,701)	(17,913)
Net (purchase) sale of investments	<u>(159,041)</u>	<u>1,173,986</u>
Net cash (used) provided by investing activities	<u>(174,742)</u>	<u>1,156,073</u>
Net (decrease) increase in cash and cash equivalents	(3,041)	9,581
Cash and cash equivalents at beginning of year	<u>274,772</u>	<u>265,191</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 271,731</u></b>	<b><u>\$ 274,772</u></b>

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

The National Alliance for Hispanic Health (the Alliance) is organized and will be operated exclusively for charitable and educational purposes. Without limiting the generality of the foregoing, the Alliance is organized for the following purposes: to identify, record and disseminate knowledge of the health and human service needs of the Hispanic population; to improve the health of the Hispanic populace and the delivery of human services thereto; to mobilize resources to facilitate implementation of services, training, research and utilization of human resources in the fields of health and well-being, including consumer education. The mission of the Alliance is to improve the health and well-being of the Hispanic community and work with others to secure health for all.

Healthy Americas Foundation (the Foundation) is a “supporting organization” under Section 509(a)(3) of the Internal Revenue Code, operating exclusively for the benefit of and to carry out the purposes of the National Alliance for Hispanic Health, a related not for profit organization. The focus is on three priority areas to achieve the Foundation’s mission.

1. Capital: the creation of an Americas community loan program to foster new approaches and expand the reach of proven solutions that have the promise of an ongoing funding stream that will return the capital investment.
2. Innovation: a seed grant program that will help community organizations throughout the Americas do the proof of concept for innovative solutions.
3. Healthy Americas: a combination of grants and loans to foster community-based programs for health and well-being throughout the Americas.

Basis of presentation -

The accompanying combined financial statements have been prepared on a combined basis for the year ended December 31, 2018, and include the assets, liabilities, net assets, support, revenue, gains, expenses and losses of the Alliance and the Foundation. All intercompany transactions have been eliminated during combination.

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14 *Presentation of Financial Statements for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018 and applied retrospectively.

The combined 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Alliance and the Foundation's combined financial statements for the year ended December 31, 2017, from which the summarized information was derived.

The combined financial statements reflect the activity of the National Alliance for Hispanic Health and Healthy Americas Foundation for the year ended December 31, 2018. All significant intercompany balances and transactions have been eliminated.

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Cash and cash equivalents -

The Alliance and the Foundation consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, and excluding money market funds held by investment managers in the amount of \$651,324 as of December 31, 2018.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the the Alliance and the Foundation maintain cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Interest, dividends, unrealized and realized gains and losses are included in investment (loss) income, net of investment expenses provided by external investment advisors and allocated internal management costs, in the Combined Statement of Activities and Change in Net Assets.

Accounts and pledges receivable -

Accounts and pledges receivable are recorded at their net realizable value, which approximates fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Property and equipment -

Building amounts primarily include the capitalized cost of purchases and other costs including development, legal and other carrying costs related to the purchase of the building. Certain improvements were made to the building that were not considered to have estimated useful lives equal to that of the related building, and therefore, they have been classified as building improvements. Property and equipment are depreciated using the straight-line method. All amounts over \$500 are capitalized. The cost of maintenance and repairs is recorded as expenses are incurred. The estimated useful lives of the assets are as follows:

Building	31.5 years
Building improvements	5-15 years
Furniture and equipment	3-5 years

Management reviews asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. A provision for impairment of the building and other long-lived assets is recorded if the estimated future undiscounted cash flows and fair values of the assets are less than their net carrying values. When considered impaired, the carrying amount of the assets is reduced, by a charge to Combined Statement of Activities and Change in Net Assets, to its current fair value. Management has determined that no provision is necessary at December 31, 2018.

Income taxes -

The Alliance and the Foundation are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Beginning January 1, 2018, they are subject to unrelated business income taxes on qualified transportation fringe benefits provided to its employees.

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Income taxes (continued) -

The Alliance and the Foundation are not private foundations.

Uncertain tax positions -

For the year ended December 31, 2018, the Alliance and the Foundation have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Net asset classification -

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions are recorded as net assets without donor restrictions. Assets restricted solely through the actions of the Board are referred to as Board designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors (or certain grantors) are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

Contracts and grants -

The Alliance and the Foundation receive funding under contracts and grants from foundations and non-Federal organizations for direct and indirect program costs. The Alliance receives grants from the U.S. Government. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such contracts and grants are considered exchange transactions and are recorded as income without donor restrictions to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Amounts due from foundations, non-Federal organizations and the U.S. Government for reimbursable expenses incurred in accordance with the grant agreements are reported as accounts receivable. Advances received from contracts and grants in progress, in excess of allowable costs incurred, are reported as deferred revenue.

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Contributions -

Contributions are recorded as revenue in the year notification is received from the donor. Contributions with donor restrictions are recognized as without donor restriction only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying combined financial statements. Contributions with donor restrictions are reported as contributions without donor restrictions when the restrictions are met in the same reporting period.

Use of estimates -

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Direct costs, such as salaries of program related employees and other costs are charged to the program which originated the cost. Indirect costs, the largest of which are payroll related costs of administrative staff, are allocated to programs and support services based on a calculated formula percentage.

Risks and uncertainties -

The Alliance and the Foundation invest in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying combined financial statements.

Fair value measurement -

The Alliance and the Foundation adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The Alliance and the Foundation account for a significant portion of their financial instruments at fair value or consider fair value in their measurement. In accordance with FASB ASC 820, *Fair Value Measurement*, the Alliance and the Foundation have categorized their financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy.

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Fair value measurement (continued) -

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Combining Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market the Alliance and the Foundation have the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

For disclosure of inputs and valuation techniques, see Note 2.

Reclassification -

Certain amounts in the prior year's combined financial statements have been reclassified to conform to the current year's presentation. The reclassifications are primarily due to the adoption of ASU 2016-14, as discussed above, which requires two classifications of net assets from the previously presented three classes. Net assets previously classified as of December 31, 2017 as unrestricted net assets in the amount of \$3,417,723, are now classified as without donor restrictions. Net assets previously classified as temporarily restricted net assets in the amount of \$230,000, are now classified as net assets with donor restrictions.

New accounting pronouncements (not yet adopted) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted.

In June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution.

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

New accounting pronouncements (not yet adopted) -

The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606). The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. The ASU is effective for fiscal years beginning after December 15, 2018.

The Alliance and the Foundation plan to adopt the new ASUs at the respective required implementation dates.

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2018:

<b>Asset Class:</b>	<b>Fair Value</b>		
	<b>The Alliance</b>	<b>Foundation</b>	<b>Total</b>
<b>Investments:</b>			
Money market funds	\$ 564,326	\$ 86,998	\$ 651,324
Mutual funds	<u>1,637,856</u>	<u>1,282,151</u>	<u>2,920,007</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 2,202,182</u></b>	<b><u>\$ 1,369,149</u></b>	<b><u>\$ 3,571,331</u></b>
<b>Deferred Compensation:</b>			
Mutual funds	\$ <u>385,799</u>	\$ -	\$ <u>385,799</u>
<b>TOTAL DEFERRED COMPENSATION</b>	<b><u>\$ 385,799</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 385,799</u></b>

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy as determined by management. The Alliance and the Foundation's investments as of December 31, 2018 were as follows:

<b>Asset Class:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Investments:</b>			
Money market funds	\$ 651,324	\$ -	\$ -	\$ 651,324
Mutual funds	<u>2,920,007</u>	<u>-</u>	<u>-</u>	<u>2,920,007</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 3,571,331</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,571,331</u></b>
<b>Deferred Compensation:</b>				
Mutual funds	\$ <u>385,799</u>	\$ -	\$ -	\$ <u>385,799</u>
<b>TOTAL DEFERRED COMPENSATION</b>	<b><u>\$ 385,799</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 385,799</u></b>

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**2. INVESTMENTS (Continued)**

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the year ended December 31, 2018. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money market funds* - The money market fund is an open-end mutual fund that is registered with the Securities and Exchange Commission and is deemed to be actively traded.
- *Mutual funds* - Valued at the daily closing price as reported by the fund. Mutual funds held by the Alliance and the Foundation are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily net asset value and to transact at that price. Mutual funds held by the Alliance and the Foundation are deemed to be actively traded.

Included in investment loss in the Combined Statement of Activities and Change in Net Assets are the following for the year ended December 31, 2018:

	<u>The Alliance</u>	<u>Foundation</u>	<u>Total</u>
Interest and dividends	\$ 38,465	\$ 27,025	\$ 65,490
Unrealized loss	(138,531)	(163,724)	(302,255)
Realized gain	58,306	94,737	153,043
Investment expenses provided by external investment advisors	(895)	(1,479)	(2,374)
<b>TOTAL INVESTMENT LOSS NET OF INVESTMENT EXPENSES</b>	<b>\$ (42,655)</b>	<b>\$ (43,441)</b>	<b>\$ (86,096)</b>

**3. PROPERTY AND EQUIPMENT**

Property and equipment are composed of the following as of December 31, 2018:

	<u>The Alliance</u>	<u>Foundation</u>	<u>Total</u>
Land	\$ 271,250	\$ -	\$ 271,250
Building and improvements	1,007,666	-	1,007,666
Furniture, fixtures and equipment	286,772	-	286,772
Less: Accumulated depreciation and amortization	(1,150,208)	-	(1,150,208)
<b>PROPERTY AND EQUIPMENT, NET</b>	<b>\$ 415,480</b>	<b>\$ -</b>	<b>\$ 415,480</b>

As of July 8, 2008, the land and building at 1501 16<sup>th</sup> Street NW, Washington, D.C. were appraised for \$2.9 million. Based on sales comps from Reis, Inc., the average sale price of compatible land and buildings in a 5 mile radius in 2015 was \$6 million.

Depreciation and amortization expense was \$54,031 in 2018.

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**4. REVOLVING LOAN**

In August 2017, the Alliance entered into a \$2,000,000 revolving loan, which matures on August 10, 2020. Amounts borrowed under this agreement bear interest at a per annum rate equal to Wall Street Journal Prime, floating with a floor of 4.00%. The loan is secured with a First Deed of Trust and Assignment of Leases, Rents Profits, and Contracts on the commercial real estate located at 1501 16<sup>th</sup> Street NW, Washington, D.C. 20036. The loan is subject to debt covenants.

As of December 31, 2018, there was no outstanding balance on the revolving loan.

**5. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following as of December 31, 2018:

	<u>The Alliance</u>	<u>Foundation</u>	<u>Total</u>
<b>Lucy Delgado Fund</b>	\$ <u>          -</u>	\$ <u>      195,050</u>	\$ <u>      195,050</u>

**6. NET ASSETS RELEASED FROM RESTRICTIONS**

The following net assets with donor restrictions were released by incurring expenses which satisfied the restricted purposes specified by the donors:

	<u>The Alliance</u>	<u>Foundation</u>	<u>Total</u>
<b>Lucy Delgado Fund</b>	\$ <u>          -</u>	\$ <u>      30,549</u>	\$ <u>      30,549</u>

**7. RECEIVABLES AND DEFERRED REVENUE**

As of December 31, 2018, accounts receivable from foundations, Federal and non-Federal organizations; and pledges receivable consisting of unconditional promises to give, amounted to \$344,253 and \$7,762, respectively. The Alliance and the Foundation expect these receivables to be collected within one-year.

As of December 31, 2018, deferred revenue from Federal and non-Federal grants for which allowable costs have not yet been incurred amounted to \$711,210. The Alliance and the Foundation expect to incur the expenses within one year.

**8. CONTINGENCY**

The Alliance receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits.

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**8. CONTINGENCY (Continued)**

Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2018. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

**9. SUPPORTING ORGANIZATION**

The Alliance is affiliated with the Foundation. The Foundation was formed and acts as a "supporting organization" to the Alliance under Section 509(a)(3) of the IRC.

The Foundation performs fundraising activities solely for the benefit of the Alliance. The Alliance provides program and administrative personnel and related services to the Foundation, for which the Foundation reimburses the Alliance. The Foundation provides program services to the Alliance.

During the year ended December 31, 2018, the Foundation provided approximately \$441,919 in services. The amount due to the Foundation at December 31, 2018 was \$55,282. The amount owed to the Foundation includes other expenses paid by the Foundation for the Alliance.

**10. EMPLOYEE BENEFIT PLANS**

The Alliance maintains a defined contribution 401(a) Plan, covering all eligible full-time employees who have one year of service and are age 21 or older. Employees are fully vested after six years of employment. The Alliance contributes 10% of eligible employees' gross salaries to the Plan.

The Alliance also maintains a non-qualified deferred compensation plan for its President and CEO. The amount contributed varies based on the IRS contribution limit for the fiscal year and individual elections. Contributed funds are invested in mutual funds. These investments are recorded at their value. Under the deferred compensation plan, the Alliance's obligation is limited to the fair value of the amounts set aside under the terms of the agreement. Total pension and deferred compensation expense for the year ended December 31, 2018 totaled \$152,854.

**11. LIQUIDITY AND AVAILABILITY**

Financial assets available for use for general expenditures within one year of the Combined Statement of Financial Position date comprise the following at December 31, 2018:

Cash and cash equivalents	\$ 271,731
Investments	3,571,331
Accounts receivable	344,253
Pledges receivable	7,762
Employee advances and other receivables	<u>3,688</u>
Subtotal financial assets available within one year	4,198,765
Less: Donor restricted funds	<u>(195,050)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b><u>\$ 4,003,715</u></b>

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**11. LIQUIDITY AND AVAILABILITY (Continued)**

The Alliance and the Foundation have a policy to structure their financial assets to be available and liquid as its obligations become due. As of December 31, 2018, the Alliance and the Foundation have financial assets equal to approximately 11 months of operating expenses.

**12. SUBSEQUENT EVENTS**

In preparing these combined financial statements, the Alliance and the Foundation have evaluated events and transactions for potential recognition or disclosure through May 21, 2019, the date the combined financial statements were issued.

## **SUPPLEMENTAL INFORMATION**

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**COMBINING SCHEDULE OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2018**

**ASSETS**

	<u>The Alliance</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 254,792	\$ 16,939	\$ -	\$ 271,731
Investments	2,202,182	1,369,149	-	3,571,331
Accounts receivable	344,253	-	-	344,253
Pledges receivable	5,387	2,375	-	7,762
Due from supporting organization	-	55,282	(55,282)	-
Employee advances and other receivables	3,284	404	-	3,688
Prepaid expenses	<u>40,964</u>	<u>2,278</u>	<u>-</u>	<u>43,242</u>
Total current assets	<u>2,850,862</u>	<u>1,446,427</u>	<u>(55,282)</u>	<u>4,242,007</u>
<b>PROPERTY AND EQUIPMENT</b>				
Net of accumulated depreciation and amortization of \$1,150,208 and \$1,096,178 in 2018 and 2017, respectively	<u>415,480</u>	<u>-</u>	<u>-</u>	<u>415,480</u>
<b>OTHER ASSETS</b>				
Deferred compensation asset	385,799	-	-	385,799
Deposits	<u>6,585</u>	<u>-</u>	<u>-</u>	<u>6,585</u>
Total other assets	<u>392,384</u>	<u>-</u>	<u>-</u>	<u>392,384</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,658,726</u></b>	<b><u>\$ 1,446,427</u></b>	<b><u>\$ (55,282)</u></b>	<b><u>\$ 5,049,871</u></b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>				
Accounts payable and accrued liabilities	\$ 270,329	\$ 62,644	\$ -	\$ 332,973
Accrued salaries and related benefits	191,810	-	-	191,810
Due to supporting organization	55,282	-	(55,282)	-
Deferred membership dues	87,037	-	-	87,037
Deferred revenue	<u>711,210</u>	<u>-</u>	<u>-</u>	<u>711,210</u>
Total current liabilities	1,315,668	62,644	(55,282)	1,323,030
<b>LONG-TERM LIABILITIES</b>				
Deferred compensation liability	<u>385,799</u>	<u>-</u>	<u>-</u>	<u>385,799</u>
Total liabilities	<u>1,701,467</u>	<u>62,644</u>	<u>(55,282)</u>	<u>1,708,829</u>
<b>NET ASSETS</b>				
Without donor restrictions	1,957,259	1,188,733	-	3,145,992
With donor restrictions	<u>-</u>	<u>195,050</u>	<u>-</u>	<u>195,050</u>
Total net assets	<u>1,957,259</u>	<u>1,383,783</u>	<u>-</u>	<u>3,341,042</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,658,726</u></b>	<b><u>\$ 1,446,427</u></b>	<b><u>\$ (55,282)</u></b>	<b><u>\$ 5,049,871</u></b>

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**COMBINING SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>The Alliance</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<b>REVENUE AND SUPPORT WITHOUT DONOR RESTRICTIONS</b>				
Contracts and grants	\$ 3,835,341	\$ 515,080	\$ (411,774)	\$ 3,938,647
Contributions	250,157	131,682	-	381,839
Membership dues	52,962	-	-	52,962
Honorariums	2,000	-	-	2,000
Investment (loss) income, net	(42,655)	(43,441)	-	(86,096)
Other revenue	-	1,749	-	1,749
Net assets released from donor restrictions	<u>-</u>	<u>30,549</u>	<u>-</u>	<u>30,549</u>
Total revenue and support without donor restrictions	<u>4,097,805</u>	<u>635,619</u>	<u>(411,774)</u>	<u>4,321,650</u>
<b>EXPENSES</b>				
Program Services:				
Educational Programs	4,104,379	517,943	(411,774)	4,210,548
Fund Development	<u>-</u>	<u>26,661</u>	<u>-</u>	<u>26,661</u>
Total program services	<u>4,104,379</u>	<u>544,604</u>	<u>(411,774)</u>	<u>4,237,209</u>
Supporting Services:				
Management and General	195,401	105,291	-	300,692
Other	<u>59,881</u>	<u>-</u>	<u>-</u>	<u>59,881</u>
Total supporting services	<u>255,282</u>	<u>105,291</u>	<u>-</u>	<u>360,573</u>
Total expenses	<u>4,359,661</u>	<u>649,895</u>	<u>(411,774)</u>	<u>4,597,782</u>
Change in net assets without donor restrictions	(261,856)	(14,276)	-	(276,132)
<b>REVENUE AND SUPPORT WITH DONOR RESTRICTIONS</b>				
Net assets released from donor restrictions	<u>-</u>	<u>(30,549)</u>	<u>-</u>	<u>(30,549)</u>
<b>TOTAL CHANGE IN NET ASSETS</b>	<b><u>\$ (261,856)</u></b>	<b><u>\$ (44,825)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ (306,681)</u></b>

**NATIONAL ALLIANCE FOR HISPANIC HEALTH  
HEALTHY AMERICAS FOUNDATION**

**COMBINING SCHEDULE OF CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>The Alliance</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>				
Net assets at beginning of year	\$ 2,219,115	\$ 1,203,009	\$ -	\$ 3,422,124
Change in net assets without donor restrictions	<u>(261,856)</u>	<u>(14,276)</u>	<u>-</u>	<u>(276,132)</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS AT END OF YEAR</b>	<b><u>\$ 1,957,259</u></b>	<b><u>\$ 1,188,733</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,145,992</u></b>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>				
Net assets at beginning of year	\$ -	\$ 225,599	\$ -	\$ 225,599
Change in net assets with donor restrictions	<u>-</u>	<u>(30,549)</u>	<u>-</u>	<u>(30,549)</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS AT END OF YEAR</b>	<b><u>\$ -</u></b>	<b><u>\$ 195,050</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 195,050</u></b>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 1,957,259</u></b>	<b><u>\$ 1,383,783</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,341,042</u></b>