

## COMBINING FINANCIAL STATEMENTS



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

**FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2016**

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

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# 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 combining financial statements of the National Alliance for Hispanic Health (the Alliance) and the Healthy Americas Foundation (the Foundation), which comprise the combining statement of financial position as of December 31, 2017, and the related combining statements of activities, change in net assets, combined functional expenses and combined cash flows for the year then ended, and the related notes to the combining financial statements.

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

Management is responsible for the preparation and fair presentation of these combining 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 combining 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 combining 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 combining 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 combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 combining financial statements.

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

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## Opinion

In our opinion, the combining financial statements referred to above present fairly, in all material respects, the combining financial position of the Alliance and the Foundation as of December 31, 2017, and the combining change in their net assets and their combining 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 2016 combining financial statements, and we expressed an unmodified audit opinion on those audited combining financial statements in our report dated May 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited combining financial statements from which it has been derived.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2018, 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.



August 9, 2018

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

**COMBINING STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<b>ASSETS</b>				
	<b>2017</b>			<b>2016</b>	
	<u>The Alliance</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>	<u>Total</u>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 261,180	\$ 13,592	\$ -	\$ 274,772	\$ 265,191
Investments	1,934,919	1,626,583	-	3,561,502	4,262,662
Accounts receivable	581,277	-	-	581,277	196,633
Pledges receivable	4,564	1,300	-	5,864	27,744
Due from supporting organization	51,703	-	(51,703)	-	-
Employee advances and other receivables	3,899	49	-	3,948	588
Prepaid expenses	<u>57,845</u>	<u>2,496</u>	<u>-</u>	<u>60,341</u>	<u>81,600</u>
Total current assets	<u>2,895,387</u>	<u>1,644,020</u>	<u>(51,703)</u>	<u>4,487,704</u>	<u>4,834,418</u>
<b>PROPERTY AND EQUIPMENT</b>					
Net of accumulated depreciation and amortization of \$1,096,178 and \$1,349,108 in 2017 and 2016, respectively	<u>453,810</u>	<u>-</u>	<u>-</u>	<u>453,810</u>	<u>499,061</u>
<b>OTHER ASSETS</b>					
Deferred compensation asset	292,839	-	-	292,839	-
Deposits	<u>6,585</u>	<u>-</u>	<u>-</u>	<u>6,585</u>	<u>2,285</u>
Total other assets	<u>299,424</u>	<u>-</u>	<u>-</u>	<u>299,424</u>	<u>2,285</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 3,648,621</u></b>	<b><u>\$ 1,644,020</u></b>	<b><u>\$ (51,703)</u></b>	<b><u>\$ 5,240,938</u></b>	<b><u>\$ 5,335,764</u></b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable and accrued liabilities	\$ 137,392	\$ 60,403	\$ -	\$ 197,795	\$ 123,089
Accrued salaries and related benefits	284,472	-	-	284,472	175,107
Due to supporting organization	-	51,703	(51,703)	-	-
Deferred membership dues	128,612	-	-	128,612	121,342
Deferred revenue	<u>586,191</u>	<u>103,306</u>	<u>-</u>	<u>689,497</u>	<u>1,276,974</u>
Total current liabilities	<u>1,136,667</u>	<u>215,412</u>	<u>(51,703)</u>	<u>1,300,376</u>	<u>1,696,512</u>
<b>LONG-TERM LIABILITIES</b>					
Deferred compensation liability	<u>292,839</u>	<u>-</u>	<u>-</u>	<u>292,839</u>	<u>-</u>
Total liabilities	<u>1,429,506</u>	<u>215,412</u>	<u>(51,703)</u>	<u>1,593,215</u>	<u>1,696,512</u>
<b>NET ASSETS</b>					
Unrestricted	2,219,115	1,203,009	-	3,422,124	3,409,252
Temporarily restricted	<u>-</u>	<u>225,599</u>	<u>-</u>	<u>225,599</u>	<u>230,000</u>
Total net assets	<u>2,219,115</u>	<u>1,428,608</u>	<u>-</u>	<u>3,647,723</u>	<u>3,639,252</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 3,648,621</u></b>	<b><u>\$ 1,644,020</u></b>	<b><u>\$ (51,703)</u></b>	<b><u>\$ 5,240,938</u></b>	<b><u>\$ 5,335,764</u></b>

See accompanying notes to combining financial statements.

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

**COMBINING STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>			<u>2016</u>	
	<u>The Alliance</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>	<u>Total</u>
<b>UNRESTRICTED REVENUE AND SUPPORT</b>					
Contracts and grants	\$ 2,364,154	\$ 685,029	\$ (583,216)	\$ 2,465,967	\$ 2,563,214
Contributions	193,126	58,855	-	251,981	297,527
Membership dues	69,489	-	-	69,489	78,632
Honorariums	27,621	-	-	27,621	1,944
Investment income	260,979	278,236	-	539,215	300,727
Net assets released from donor restrictions	<u>-</u>	<u>4,401</u>	<u>-</u>	<u>4,401</u>	<u>-</u>
Total unrestricted revenue and support	<u>2,915,369</u>	<u>1,026,521</u>	<u>(583,216)</u>	<u>3,358,674</u>	<u>3,242,044</u>
<b>TEMPORARILY RESTRICTED REVENUE AND SUPPORT</b>					
Net assets released from donor restrictions	<u>-</u>	<u>(4,401)</u>	<u>-</u>	<u>(4,401)</u>	<u>-</u>
Total revenue	<u>2,915,369</u>	<u>1,022,120</u>	<u>(583,216)</u>	<u>3,354,273</u>	<u>3,242,044</u>
<b>EXPENSES</b>					
Program Services:					
Educational Programs	2,547,359	677,880	(583,216)	2,642,023	2,681,394
Fund Development	<u>-</u>	<u>191,622</u>	<u>-</u>	<u>191,622</u>	<u>162,753</u>
Total program services	<u>2,547,359</u>	<u>869,502</u>	<u>(583,216)</u>	<u>2,833,645</u>	<u>2,844,147</u>
Supporting Services:					
Management and General	385,697	83,682	-	469,379	877,944
Other	<u>42,778</u>	<u>-</u>	<u>-</u>	<u>42,778</u>	<u>37,806</u>
Total supporting services	<u>428,475</u>	<u>83,682</u>	<u>-</u>	<u>512,157</u>	<u>915,750</u>
Total expenses	<u>2,975,834</u>	<u>953,184</u>	<u>(583,216)</u>	<u>3,345,802</u>	<u>3,759,897</u>
<b>CHANGE IN NET ASSETS</b>	<b><u>\$ (60,465)</u></b>	<b><u>\$ 68,936</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 8,471</u></b>	<b><u>\$ (517,853)</u></b>

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

**COMBINING STATEMENT OF CHANGE IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<u>2017</u>			<u>2016</u>	
	<u>The Alliance</u>	<u>Foundation</u>	<u>Eliminations</u>	<u>Total</u>	<u>Total</u>
<b>UNRESTRICTED NET ASSETS</b>					
Net assets at beginning of year	\$ 2,279,580	\$ 1,129,672	\$ -	\$ 3,409,252	\$ 3,927,105
Change in unrestricted net assets	<u>(60,465)</u>	<u>73,337</u>	<u>-</u>	<u>12,872</u>	<u>(517,853)</u>
<b>UNRESTRICTED NET ASSETS AT END OF YEAR</b>	<b><u>\$ 2,219,115</u></b>	<b><u>\$ 1,203,009</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,422,124</u></b>	<b><u>\$ 3,409,252</u></b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>					
Net assets at beginning of year	\$ -	\$ 230,000	\$ -	\$ 230,000	\$ 230,000
Change in temporarily restricted net assets	<u>-</u>	<u>(4,401)</u>	<u>-</u>	<u>(4,401)</u>	<u>-</u>
<b>TEMPORARILY RESTRICTED NET ASSETS AT END OF YEAR</b>	<b><u>\$ -</u></b>	<b><u>\$ 225,599</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 225,599</u></b>	<b><u>\$ 230,000</u></b>
<b>TOTAL NET ASSETS</b>	<b><u>\$ 2,219,115</u></b>	<b><u>\$ 1,428,608</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,647,723</u></b>	<b><u>\$ 3,639,252</u></b>

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

**COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017					2016		
	Program Services			Supporting Services		Total Expenses	Total Expenses	
	Educational Programs	Fund Development	Total Program Services	Management and General	Other			Total Supporting Services
Salaries	\$ 627,039	\$ 132,648	\$ 759,687	\$ 686,337	\$ 23,473	\$ 709,810	\$ 1,469,497	\$ 1,507,285
Payroll taxes and employee benefits	192,627	40,750	233,377	210,843	7,211	218,054	451,431	422,398
Total salaries, payroll taxes and employee benefits	819,666	173,398	993,064	897,180	30,684	927,864	1,920,928	1,929,683
Building maintenance	-	-	-	43,787	-	43,787	43,787	42,858
Depreciation and amortization	-	-	-	63,164	-	63,164	63,164	63,699
Equipment purchase, rental and maintenance	16,337	-	16,337	7,221	-	7,221	23,558	18,347
Insurance	3,227	-	3,227	30,826	-	30,826	34,053	34,176
Meetings and conferences	3,053	-	3,053	19,960	-	19,960	23,013	31,138
Membership	5,832	-	5,832	2,292	2,057	4,349	10,181	10,682
Postage and delivery	9,802	-	9,802	5,309	1	5,310	15,112	18,715
Printing	9,505	-	9,505	(97)	-	(97)	9,408	4,495
Professional fees	301,855	15,192	317,047	140,144	3,224	143,368	460,415	299,447
Publications	358	-	358	3,891	-	3,891	4,249	4,456
Scholarships and stipends	1,980	-	1,980	-	-	-	1,980	86,740
Storage	310	-	310	3,226	-	3,226	3,536	3,364
Subcontracts	529,335	-	529,335	-	-	-	529,335	965,797
Supplies and materials	18,194	142	18,336	14,182	142	14,324	32,660	22,032
Telephone and computer online expenses	46,002	2,890	48,892	25,295	2,777	28,072	76,964	82,402
Travel	49,600	-	49,600	15,592	1,220	16,812	66,412	117,478
Utilities	-	-	-	12,341	-	12,341	12,341	12,891
Investment fees	-	-	-	1,200	-	1,200	1,200	1,915
Unreimbursed expenses	-	-	-	709	2,457	3,166	3,166	69
Miscellaneous	1,881	-	1,881	8,243	216	8,459	10,340	9,513
Sub-total	1,816,937	191,622	2,008,559	1,294,465	42,778	1,337,243	3,345,802	3,759,897
Allocation of management and general	825,086	-	825,086	(825,086)	-	(825,086)	-	-
<b>TOTAL</b>	<b>\$ 2,642,023</b>	<b>\$ 191,622</b>	<b>\$ 2,833,645</b>	<b>\$ 469,379</b>	<b>\$ 42,778</b>	<b>\$ 512,157</b>	<b>\$ 3,345,802</b>	<b>\$ 3,759,897</b>

See accompanying notes to combining financial statements.

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

**COMBINED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 8,471	\$ (517,853)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	63,164	63,699
Unrealized gain	(449,852)	(230,047)
Realized gain	(22,974)	(5,973)
(Increase) decrease in:		
Accounts receivable	(384,644)	445,247
Pledges receivable	21,880	(17,618)
Employee advances and other receivables	(3,360)	396
Prepaid expenses	21,259	(17,388)
Deposits	(4,300)	-
Deferred compensation	(292,839)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	74,706	(47,823)
Accrued salaries and related benefits	109,365	3,701
Deferred membership dues	7,270	113,692
Deferred revenue	(587,477)	1,009,384
Deferred compensation	292,839	-
Net cash (used) provided by operating activities	<u>(1,146,492)</u>	<u>799,417</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(17,913)	(16,654)
Net sale (purchase) of investments	<u>1,173,986</u>	<u>(921,388)</u>
Net cash provided (used) by investing activities	<u>1,156,073</u>	<u>(938,042)</u>
Net increase (decrease) in cash and cash equivalents	9,581	(138,625)
Cash and cash equivalents at beginning of year	<u>265,191</u>	<u>403,816</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 274,772</u></b>	<b><u>\$ 265,191</u></b>

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

**NOTES TO COMBINING FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**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 combining financial statements have been prepared on a combining basis for the year ended December 31, 2017, 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 combining financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-810, *Not-for-Profit Entities, Consolidation*.

The combining 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 combining financial statements for the year ended December 31, 2016, from which the summarized information was derived.

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 \$51,183 as of December 31, 2017.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000.

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

**NOTES TO COMBINING FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

Cash and cash equivalents (continued) -

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 income in the Combining Statement of Activities.

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 Combining Statement of Activities, to its current fair value. Management has determined that no provision is necessary at December 31, 2017.

Income taxes -

The Alliance and the Foundation are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC). Accordingly, no provision for income taxes has been made in the accompanying combining financial statements. The Alliance and the Foundation are not private foundations.

Uncertain tax positions -

For the year ended December 31, 2017, 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 combining financial statements.

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

**NOTES TO COMBINING FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Alliance and the Foundation.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Alliance and the Foundation and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combining Statement of Activities as net assets released from restrictions.

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 unrestricted income 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.

Contributions -

Unrestricted and temporarily restricted contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions are recognized as unrestricted support 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 temporarily restricted net assets in the accompanying combining financial statements.

Donor restricted contributions, with restrictions that are met in the same reporting period, are reported as unrestricted contributions.

Use of estimates -

The preparation of the combining 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 combining financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

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

**NOTES TO COMBINING FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combining Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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 combining 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. 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.

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**NOTES TO COMBINING FINANCIAL STATEMENTS  
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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

New accounting pronouncements (not yet adopted) -

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Combining Statement of Activities. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Alliance and the Foundation's combining financial statements, it is not expected to alter the Alliance and the Foundation's reported financial position.

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. The Alliance and the Foundation have not yet selected a transition method and are currently evaluating the effect that the updated standard will have on their combining financial statements.

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, 2017:

<b>Asset Class:</b>	<b>Fair Value</b>		
	<b><u>The Alliance</u></b>	<b><u>Foundation</u></b>	<b><u>Total</u></b>
<b>Investments:</b>			
Money market funds	\$ 50,748	\$ 435	\$ 51,183
Mutual funds	<u>1,884,171</u>	<u>1,626,148</u>	<u>3,510,319</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 1,934,919</u></b>	<b><u>\$ 1,626,583</u></b>	<b><u>\$ 3,561,502</u></b>
<b>Deferred Compensation -</b>			
Mutual funds	\$ <u>292,839</u>	\$ -	\$ <u>292,839</u>
<b>TOTAL DEFERRED COMPENSATION</b>	<b><u>\$ 292,839</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 292,839</u></b>

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**2. INVESTMENTS (Continued)**

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, 2017 were as follows:

<b>Asset Class:</b>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Investments:</b>				
Money market funds	\$ 51,183	\$ -	\$ -	\$ 51,183
Mutual funds	<u>3,510,319</u>	<u>-</u>	<u>-</u>	<u>3,510,319</u>
<b>TOTAL INVESTMENTS</b>	<b><u>\$ 3,561,502</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 3,561,502</u></b>
<b>Deferred Compensation:</b>				
Mutual funds	\$ <u>292,839</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>292,839</u>
<b>TOTAL DEFERRED COMPENSATION</b>	<b><u>\$ 292,839</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 292,839</u></b>

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 years ended December 31, 2017. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money market funds* - Valued at the daily closing price as reported by the fund. The money market fund is an open-end funds that are registered with the Securities and Exchange Commission (SEC). This fund is required to publish its daily net asset value (NAV) and to transact at that price. The money market fund 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 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 income in the Combining Statement of Activities are the following for the year ended December 31, 2017:

	<u>The Alliance</u>	<u>Foundation</u>	<u>Total</u>
Interest and dividends	\$ 37,258	\$ 29,131	\$ 66,389
Unrealized gain	221,596	228,256	449,852
Realized gain	<u>2,125</u>	<u>20,849</u>	<u>22,974</u>
<b>TOTAL INVESTMENT INCOME</b>	<b><u>\$ 260,979</u></b>	<b><u>\$ 278,236</u></b>	<b><u>\$ 539,215</u></b>

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**3. PROPERTY AND EQUIPMENT**

Property and equipment are composed of the following as of December 31, 2017:

	<u>The Alliance</u>	<u>Foundation</u>	<u>Total</u>
Land	\$ 271,250	\$ -	\$ 271,250
Building and improvements	1,004,460	-	1,004,460
Furniture, fixtures and equipment	274,278	-	274,278
Less: Accumulated depreciation and amortization	<u>(1,096,178)</u>	<u>-</u>	<u>(1,096,178)</u>
<b>PROPERTY AND EQUIPMENT, NET</b>	<b><u>\$ 453,810</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 453,810</u></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 \$63,164 in 2017.

**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, 2017, there was no outstanding balance on the revolving loan.

**5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following as of December 31, 2017:

	<u>The Alliance</u>	<u>Foundation</u>	<u>Total</u>
Lucy Delgado Fund	<u>\$ -</u>	<u>\$ 225,599</u>	<u>\$ 225,599</u>

**6. NET ASSETS RELEASED FROM RESTRICTIONS**

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

	<u>The Alliance</u>	<u>Foundation</u>	<u>Total</u>
Lucy Delgado Fund	<u>\$ -</u>	<u>\$ 4,401</u>	<u>\$ 4,401</u>

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**7. RECEIVABLES AND DEFERRED REVENUE**

As of December 31, 2017, accounts receivable from foundations, Federal and non-Federal organizations; and pledges receivable consisting of unconditional promises to give, amounted to \$581,277 and \$5,864, respectively. The Alliance and the Foundation expect these receivables to be collected within one-year.

As of December 31, 2017, deferred revenue from Federal and non-Federal grants for which allowable costs have not yet been incurred amounted to \$689,497. 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.

Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2017. 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.

During the year ended December 31, 2017, the Alliance provided approximately \$555,351 in services. The amount due to the Alliance at December 31, 2017 was \$51,703. The amount owed to the Alliance includes other expenses paid by the Alliance for the Foundation, including labor, fringe benefits and other expenses that are provided by the Alliance for the Foundation.

**10. EMPLOYEE BENEFIT PLANS**

The Alliance maintains a defined contribution 401(a) Plan, covering all full-time employees who have met the eligibility requirements of the Plan, which is one year of service. Employees are fully vested after five 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, 2017 totaled \$165,561.

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**11. SUBSEQUENT EVENTS**

In preparing these combining financial statements, the Alliance and the Foundation have evaluated events and transactions for potential recognition or disclosure through August 9, 2018, the date the combining financial statements were issued.