



ADELANTE MUJERES

**INDEPENDENT AUDITORS' REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2017

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HANSEN HUNTER & CO. P.C.

Certified Public Accountants

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HANSEN HUNTER & CO. P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Adelante Mujeres
Forest Grove, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Adelante Mujeres (an Oregon not-for-profit corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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



HANSEN HUNTER & CO. P.C.
Certified Public Accountants

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Adelante Mujeres, as of June 30, 2017, 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.

Hansen Hunter & Co. P.C.

September 25, 2017

ADELANTE MUJERES

STATEMENT OF FINANCIAL POSITION
June 30, 2017

ASSETS

Current assets

Cash and cash equivalents	\$ 275,194
Grants receivable, current portion	367,586
Accounts, contracts and contributions receivable	191,531
Prepaid expenses	<u>28,888</u>

Total current assets 863,199

Property and equipment

Land	337,794
Building and improvements	460,009
Equipment	<u>47,341</u>

Total property and equipment 845,144

Less: accumulated depreciation (43,609)

Net property and equipment 801,535

Other assets

Grants receivable, net of current portion	271,563
Assets whose use is limited	755,099
Deposit - Oregon Employment Department	19,993
Rental deposits	<u>1,817</u>

Total other assets 1,048,472

Total assets \$ 2,713,206

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

ADELANTE MUJERES

STATEMENT OF FINANCIAL POSITION

June 30, 2017

(Continued)

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable	\$	32,138
Accrued wages		167,736
Accrued vacation		98,757
Deposits		4,114
Note payable, current portion		<u>14,469</u>

Total current liabilities 317,214

Student loan savings liability 2,469

Note payable, net of current portion 534,042

Total liabilities 853,725

Net assets

Unrestricted		
General		540,821
Temporarily restricted		<u>1,318,660</u>

Total net assets 1,859,481

Total liabilities and net assets \$ 2,713,206

ADELANTE MUJERES

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2017

Changes in unrestricted net assets

Revenues, gains and other support

Contributions	
Individual and corporate grants	\$ 149,245
Contract income	1,110,557
Event income	
Contributions	3,520
Special events revenue	124,688
Program service fees	81,822
Sales income	
Sales	69,333
Cost of sales	(39,221)
In-kind contributions	27,097
Reimbursed expenses	3,415
Interest	668
Other income	23,609
Net assets released from restrictions	<u>1,801,465</u>
Total revenues, gains and other support	<u>3,356,198</u>

Expenses

Program services	
Small Business	566,252
Adelante Chicas	513,295
Early Childhood Education	1,031,082
Adult Education/ESPERE	300,583
Farmers Market	<u>191,836</u>
Total program services	<u>2,603,048</u>
Supporting services	
Fundraising	236,507
Management and general	<u>136,185</u>
Total supporting services	<u>372,692</u>
Total expenses	<u>2,975,740</u>
Change in unrestricted net assets	<u>380,458</u>

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

ADELANTE MUJERES
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017
(Continued)

Change in temporarily restricted net assets	
Contributions	
Foundation grants	\$ 736,999
Capital campaign	1,039,948
Government financial assistance	532,225
Net assets released from restrictions	<u>(1,801,465)</u>
 Change in temporarily restricted net assets	 <u>507,707</u>
 Change in net assets	 888,165
 Net assets, beginning of year	 <u>971,316</u>
 Net assets, end of year	 \$ <u><u>1,859,481</u></u>

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

ADELANTE MUJERES

STATEMENT OF FUNCTIONAL EXPENSES For the Year Ended June 30, 2017

	Program Services						Supporting Services			Total
	Small Business	Adelante Chicas	Early Childhood Education	Adult Education/ ESPERE	Farmers Market	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Payroll wages	\$ 367,016	\$ 341,800	\$ 713,279	\$ 213,375	\$ 116,375	\$ 1,751,845	\$ 91,708	\$ 71,654	\$ 163,362	\$ 1,915,207
Contracted services and professional fees	63,546	40,341	41,257	16,369	11,623	173,136	4,828	3,247	8,075	181,211
Employee benefits	45,279	45,066	81,491	22,564	14,514	208,914	9,615	7,245	16,860	225,774
Payroll taxes	22,990	24,798	63,104	15,462	6,660	133,014	6,564	17,782	24,346	157,360
Occupancy										
Rent	13,626	6,047	18,294	6,169	4,021	48,157	1,635	10,220	11,855	60,012
Utilities and internet	4,419	4,146	4,007	2,050	1,994	16,616	1,079	5,639	6,718	23,334
Cleaning service	1,669	1,382	2,778	779	534	7,142	781	563	1,344	8,486
Moving expense	2,786	2,108	4,674	1,513	700	11,781	621	503	1,124	12,905
Repairs and maintenance	2,158	2,071	3,966	1,189	624	10,008	570	479	1,049	11,057
Property taxes	-	-	-	-	-	-	-	3,075	3,075	3,075
Depreciation	3,980	3,770	590	2,799	1,232	12,371	1,800	4,514	6,314	18,685
Program supplies	7,482	18,780	73,649	3,382	2,462	105,755	5,798	1,197	6,995	112,750
Event expenses	1,719	-	-	-	250	1,969	72,371	-	72,371	74,340
Capital campaign expenses	429	-	-	-	-	429	6,794	-	6,794	7,223
Travel, meetings, meals and field trips	11,626	11,288	2,618	5,554	602	31,688	2,210	1,733	3,943	35,631
Contracted services - grant writer	4,885	2,443	2,443	4,886	2,443	17,100	17,100	-	17,100	34,200
Office supplies	2,092	1,457	3,107	1,157	730	8,543	803	3,032	3,835	12,378
Incentives	-	1,149	-	-	23,064	24,213	102	50	152	24,365
Insurance	1,456	1,337	2,708	800	421	6,722	374	736	1,110	7,832
Dues and subscriptions	733	945	1,585	406	368	4,037	1,331	1,045	2,376	6,413
Training	1,078	1,282	6,933	574	189	10,056	769	335	1,104	11,160
Printing	1,073	1,441	602	944	331	4,391	2,745	423	3,168	7,559
Advertising	896	421	-	-	1,019	2,336	1,850	659	2,509	4,845
Fees	1,186	39	1,573	25	1,369	4,192	3,949	698	4,647	8,839
Donations	20	-	37	8	6	71	171	466	637	708
Postage	136	102	264	64	34	600	698	638	1,336	1,936
Bad debt	3,036	248	-	-	-	3,284	-	-	-	3,284
Miscellaneous	-	17	383	-	-	400	-	-	-	400
Interest expense	936	817	1,740	514	271	4,278	241	252	493	4,771
	<u>\$ 566,252</u>	<u>\$ 513,295</u>	<u>\$ 1,031,082</u>	<u>\$ 300,583</u>	<u>\$ 191,836</u>	<u>\$ 2,603,048</u>	<u>\$ 236,507</u>	<u>\$ 136,185</u>	<u>\$ 372,692</u>	<u>\$ 2,975,740</u>

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

ADELANTE MUJERES

**STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017**

Cash flows from operating activities	
Change in net assets	\$ 888,165
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	18,685
Contributions restricted for long-term purposes	(1,039,948)
(Increase) decrease in operating assets:	
Grants receivable	174,047
Accounts, contracts and contributions receivable	(170,543)
Prepaid expenses	(18,397)
Rental deposits	2,420
Income (decrease) in operating liabilities:	
Accounts payable	(10,146)
Accrued wages	167,736
Accrued vacation	29,497
Student loan savings liability	3,189
Deposits	(120)
Net cash provided by operating activities	<u>44,585</u>
Cash flows from investing activities	
Purchase of property and equipment	(255,240)
Deposits to limited use assets	(727,486)
Net cash used in investing activities	<u>(982,726)</u>

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

ADELANTE MUJERES

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2017
(Continued)

Cash flows from financing activities

Proceeds from contributions restricted for:

Investment in capital campaign \$ 1,039,948

Other financing activities:

Payments on notes payable (6,489)

Net cash provided by financing activities 1,033,459

Net change in cash 95,318

Cash, beginning of year 179,876

Cash, end of year \$ 275,194

Supplemental disclosure of cash flow information:

Cash paid for interest during the year \$ 4,771

Cash paid for taxes during the year \$ -

Supplemental disclosure of noncash investing and financing activities:

Land and building purchase financed with note payable \$ 555,000

ADELANTE MUJERES

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Nature of Business

Adelante Mujeres (the Organization) is an Oregon 501(c)(3) not-for-profit corporation. Adelante Mujeres means “women rise up” in Spanish. Founded in 2002, we are among the leading nonprofit organizations working to educate and empower low-income Latina women and families in Washington County and beyond. From infants to adults, we serve more than 5,500 families through our holistic programs annually. We work to ensure Latina women and families are empowered to fully participate and take on leadership roles in the community.

Our programs include:

ADULT AND EARLY CHILDHOOD EDUCATION PROGRAMS – Mothers and children learn together in integrative adult and preschool classrooms. Our moms love practicing new parenting skills in a learning environment. Our children love discovering who they are and preparing for life-long success.

CHICAS YOUTH DEVELOPMENT PROGRAM – Over 500 girls ranging from 3rd to 12th grade participate in weekly afterschool sessions that develop their leadership potential, build strong cultural identity, and foster healthy lifestyles and academic success. 100% of the high school seniors in our program graduate high school and go on to college.

EMPRESAS SMALL BUSINESS DEVELOPMENT – From one on one coaching to accounting classes, we offer a wide range of support for individuals starting or looking to grow a small business. One of our participants just started selling her very own salsa at New Seasons Market.

ESPERE CLASSES – Guide families in peacefully resolving conflicts with compassion and understanding. Participants say this program helps them heal from trauma and find hope to move forward.

SUSTAINABLE AGRICULTURE AND CSA PROGRAM – Farmers learn sustainable farming methods and business acumen to successfully market products through our Produce Distributor and CSA program.

NOURISH THE COMMUNITY – We’re improving the health of thousands of children and families through education, access to nutritious foods, and community health advocacy. We provide cooking classes, access to fresh fruits and veggies, and activities promoting healthy eating.

Based on revenue sources, the following percentages are our major sources of revenue for the year ended June 30, 2017:

Contributions	
Individual and corporate grants	9%
Foundation grants	41
Government financial assistance	14
Contract income	29
Event, program service fees and other	7
	<hr/>
	100%
	<hr/> <hr/>

ADELANTE MUJERES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 2 – Summary of Significant Accounting Policies

Basis of accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Revenues and gains are recognized when earned and expenses are recognized when incurred.

Use of estimates

The preparation of 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of presentation

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 depending on the existence and/or nature of any donor restrictions. These net asset classifications are described as follows:

Unrestricted net assets – Assets not subject to donor imposed restrictions or stipulations as to purpose or use. Unrestricted net assets may be designated for specific purposes or locations by action of the Board of Directors.

Temporarily restricted net assets – Assets subject to donor imposed restrictions or stipulations that may be fulfilled by actions of the Organization to meet the stipulations or become unrestricted at the date specified by the donor or by the passage of time.

Permanently restricted net assets – Assets subject to donor imposed restrictions or stipulations that they be maintained permanently, with only the earnings thereon being available to use currently for defined purposes.

Cash and cash equivalents

Cash and cash equivalents are comprised of cash on hand and cash deposited with financial institutions. For purposes of reporting cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash and cash equivalents.

ADELANTE MUJERES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Cash held for student loan savings

The Organization has a bank account that is held for student loan savings. The Organization teaches a financial literacy class and the student savings plan is part of this class. By an agreement with the students, interest on this bank account is to be transferred to the Organization to cover administrative costs.

Receivables

Receivables are stated at the amount management expects to collect. Grants and contributions receivables consist of amounts awarded but not yet paid. All long-term grants receivables are due to be collected within the next three fiscal years. When the Organization invoices for services performed for government contracts for services provided, contracts receivable are recorded at the net realizable value. Accounts receivable consists of amounts due to the Organization for sales and distributor loans.

Allowance for doubtful accounts

An allowance for doubtful accounts is established based upon an analysis of the collectability of individual receivable balances. Receivables are periodically reviewed for collectability and balances that are still outstanding after management has used reasonable collection efforts are written-off. Accounts deemed uncollectible are charged against the allowance. In addition, an allowance is provided for other accounts when a significant pattern of un-collectability has occurred. Management has not experienced any collectability issues in the past. Subsequent recoveries of bad debts are credited to the allowance. No provision has been made for uncollectible accounts, since all accounts are deemed collectible at June 30, 2017. Accounts, contracts and contributions receivable over 90 days old were \$31,388 at June 30, 2017.

Assets whose use is limited

Assets whose use is limited include donor restricted funds for the capital campaign, donor restricted funds for the purchase of a truck for the CSA/Distributor program and Chicas Scholarship savings account matching funds.

ADELANTE MUJERES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Property and equipment

Property and equipment acquisitions over \$1,000 and with a useful life of more than one year are capitalized and recorded at cost when purchased. Expenditures for maintenance, repairs and minor renewals and betterments not extending the asset's useful life are charged to expense as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Depreciable lives used are:

Building	39 years
Building improvements	39 years
Equipment	5 to 7 years

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a 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 contributions. Absent donor stipulations regarding how long the donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed into service. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Accrued vacation

Full-time employees earn vacation on a pro-rata basis based on the number of hours worked. Full-time employees earn vacation as follows:

3 months to 5 years	20 days per fiscal year
Over 5 years	25 days per fiscal year

For full time employees who have worked less than five years with the Organization, the maximum amount that can be accrued is 200 hours of vacation time. For those who have worked five years or more, the maximum amount that can be accrued is 240 hours of vacation time. As of June 30, 2017, the accrued vacation balance was \$98,757.

ADELANTE MUJERES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Recognition of revenue from contributions and grants

The Organization accounts for contributions in accordance with the recommendations of the Revenue Recognition Topic of the FASB Accounting Standards Codification. In accordance with this Topic, contributions received are unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions.

All 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 restriction.

Contributions have been restricted by donors for the following purposes:

- Adelante Education/ESPERE
- Adelante Chicas
- Small Business – Agriculture
- Early Childhood Education
- Small Business – Empresas
- Farmers Market
- Capital Campaign
- Administration

Contributed services

Contributed services are reported as contributions at their fair value if such services create or enhance non-financial assets, or would have been purchased if not provided by contributions and which require specialized skills provided by individuals possessing such skills. A substantial number of volunteers have donated significant amounts of their time to the Organization and its volunteer programs; however, these contributed services are not reflected in the accompanying financial statements since these services do not meet criteria for recognition as contributed services as defined by the Revenue Recognition Topic of the FASB Accounting Standards Codification.

ADELANTE MUJERES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

In-kind contributions

The Organization includes in income any services and items contributed by other community service organizations and agencies which are utilized in the program activities and for which the Organization would normally expend. These services and items are recorded at fair market value as in-kind revenue and program expenses on the accompanying statements of activities.

During the year ended June 30, 2017, the Organization received the following in-kind contributions:

Used furniture and equipment	\$	1,960
Consultant fees		906
Field trip tickets		3,214
Legal fees		2,065
Program supplies		3,055
Auction items		<u>15,897</u>
	\$	<u>27,097</u>

Income taxes

The Organization is a not-for-profit organization that is exempt from income taxes pursuant to Internal Revenue Code (IRC) Section 501(c)(3) and applicable state law; therefore, no provision for income taxes has been made in the accompanying financial statements.

The Organization follows the provisions of the Income Tax Topic of the FASB Accounting Standards Codification relating to unrecognized tax benefits. This standard requires an entity to recognize a liability for tax positions when there is a 50% or greater likelihood that the position will not be sustained upon examination. The Organization is liable for taxes to the extent of any unrelated business income as defined by the IRS regulations. The Organization believes that it has not generated any unrelated business income as defined by IRS regulations and that it is more likely than not that this position would be sustained upon examination. As such, there were no liabilities recorded for uncertain tax positions as of June 30, 2017.

Advertising

Advertising costs are charged to expense as incurred. Total advertising costs for the year ended June 30, 2017, were \$4,845.

ADELANTE MUJERES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 2 – Summary of Significant Accounting Policies (continued)

Financial instruments

The Organization’s financial instruments consist of grants receivable, accounts, contracts and contributions receivable, limited use assets, deposits, accounts payable, accrued expenses and a note payable. It is management’s opinion that the Organization is not exposed to significant interest rate or credit risk arising from these instruments. Unless otherwise noted, the fair value of these financial instruments approximates their carrying values.

Note 3 –Receivables

Receivables as of June 30, 2017, consist of the following:

Grants receivable in less than one year	\$ 367,586
Grants receivable in one to five years	<u>271,563</u>
Total grants receivable	639,149
Accounts receivable	6,117
Contracts receivable	155,564
Contributions receivable	<u>29,850</u>
Total receivables	\$ <u>830,680</u>

Note 4 – Assets Whose Use is Limited

Assets whose use is limited consists of the following:

Capital campaign	\$ 737,601
Temporarily restricted funds	<u>17,498</u>
	\$ <u>755,099</u>

Assets whose use is limited consists of cash held in interest bearing accounts.

ADELANTE MUJERES

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

Note 4 – Assets Whose Use is Limited (continued)

Capital campaign

These represent funds of the Organization restricted by donors for a specific purpose. The funds are for the capital campaign and are restricted to use for remodeling and refinishing costs and expenses for the new building and the campaign itself.

Temporarily restricted funds

These represent funds of the Organization restricted by donors for the purchase of a CSA/Distributor delivery truck and Chicas Scholarship savings account matching funds.

Note 5 – Note Payable

Note payable consists of the following:

On February 17, 2017, as part of a real estate purchase transaction, Perserverance, LLC agreed to loan \$555,000 to the Organization at an interest rate ranging from 3.0% to 5.0%. The interest rate was 3.0% as of June 30, 2017. Principal and interest is payable in monthly installments ranging from \$2,614 to \$3,244 due on the 1st day of each calendar month. The monthly installment was \$2,614 as of June 30, 2017. The remaining principal balance and accrued but unpaid interest is due upon maturity of the note. The note matures on February 1, 2020. The note is secured by the real property of the Organization.

\$ 548,511

Less: current portion of note payable

(14,469)

\$ 534,042

Future estimated annual principal payments on the note are as follows:

2018 \$ 14,469

2019 13,451

2020 520,591

\$ 548,511

ADELANTE MUJERES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 6 – Line-of-Credit

On September 27, 2016, the Organization obtained a line-of-credit with Premier Community Bank in the amount of \$100,000 with a variable interest rate at the Wall Street Journal Prime plus 1.5% (initially 3.5% per annum). The line-of-credit is secured by a deed of trust on the Organization's real property, as defined by the line-of-credit agreement. The line-of-credit matures on October 15, 2017. As of June 30, 2017, there was no outstanding balance on the line-of-credit.

Note 7 – Restricted Net Assets

Temporarily restricted net assets are available for the following program purposes at June 30, 2017:

Adelante Education/ESPERE	\$ 160,250
Adelante Chicas	253,846
Small Business – Agriculture	53,720
Early Childhood Education	15,250
Small Business – Empreses	26,468
Farmers Market	21,525
Capital campaign	<u>787,601</u>
	<u>\$ 1,318,660</u>

The Organization did not have any permanently restricted net assets as of June 30, 2017.

Note 8 – Events

The Organization holds an annual event, the Fiesta of Hope, where they hold a raffle, auction and dinner. The revenues generated are from ticket sales, funds from purchases of auctioned non-cash donated items and donations solicited during the event.

During the year ended June 30, 2017, the event generated \$144,675 in total revenues, included in event income contributions, event income special events revenue and in-kind contributions on the accompanying statement of activities. During the year ended June 30, 2017, the Organization spent \$74,340 in total event-related expenses.

Note 9 – Functional Allocation of Expenses

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

ADELANTE MUJERES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 10 – Description of Lessee Leasing Arrangements

Effective November 1, 2013, the Organization entered into two non-cancellable 36-month operating leases for office space in Forest Grove, Oregon, including property taxes, insurance and utilities as additional rent. The Organization had the option to extend both office space leases for one additional term of three years under the terms of the lease agreements. The combined monthly rental payment for both leases was \$2,420. In addition, the Organization also leased additional space for storage in the same building for \$120 monthly beginning April 1, 2014, additional office space for \$379 monthly beginning November 1, 2014, and additional office space for \$250 monthly beginning September 1, 2015. In August 2016, the leases were extended through January 31, 2017. In November 2016, the leases were extended through April 30, 2017. In April 2017, the Organization purchased a building and did not exercise their option to extend any of the office space leases beyond April 30, 2017.

Rent expense associated with these leases for the year ended June 30, 2017, was \$31,551, and is included in rent expense on the accompanying statement of functional expenses.

Effective August 1, 2015, the Organization entered into a non-cancellable 12-month operating lease for additional office space in Beaverton, Oregon for \$150 per month. The lease was renewed for an additional 24-month term ending September 30, 2018, with no change to the base rent amount. The total rent expense for this lease was \$300 for the year ended June 30, 2017, and is included in rent expense on the accompanying statement of functional expenses.

The future minimum lease payments under the Beaverton office space lease are as follows:

2018	\$	1,800
2019		<u>450</u>
	\$	<u>2,250</u>

The Organization also rents additional meeting room, classroom and kitchen space as needed. The total additional rent expense for these temporary needs was \$28,161 for the year ended June 30, 2017, and is included in rent expense on the accompanying statement of functional expenses.

ADELANTE MUJERES

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note 11 – Description of Lessor Leasing Agreements

The Organization purchased a building in April of 2017 located in Forest Grove, Oregon, and the Organization leases out certain space within the building to a restaurant. Effective May 1, 2017, the Organization has a non-cancellable operating lease agreement with Local 55 Wine Storage, LLC, ending April 30, 2020. Under the terms of the lease, the monthly lease payment is \$1,270, including additional rent equal to a proportionate share of the operating expenses, property taxes and insurance, as defined by the lease agreement. The base lease payment is subject to increase by 3% annually beginning May 1, 2018, through the end of the lease. Rental income associated with this lease for the year ended June 30, 2017, was \$9,815, and is included in other income on the accompanying statement of activities.

The future minimum lease payments due to the Organization are as follows:

2018	\$	15,316
2019		15,776
2020		<u>13,473</u>
	\$	<u><u>44,565</u></u>

Note 12 – Current Vulnerability Due to Certain Concentrations

The Organization provides program services primarily to Latina women and their families in Washington County of Oregon.

The Organization is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations relate to, among other things, matters such as grant program compliance and participation requirements. Government agencies are actively conducting investigations concerning possible violations of statutes and regulations. Violations of these laws and regulations could result in expulsion from government grant programs, together with the imposition of fines and penalties, as well as significant repayments for funds previously received. Management is not aware of any actions or potential actions at June 30, 2017.

The Organization also invests its cash with, what it believes to be, high quality financial institutions and thus limits credit exposure. At various times during the year and at year-end, the Organization held balances of cash and cash equivalents in excess of the coverage under Federal Deposit Insurance Corporation (FDIC) insurance. Also, at various times during the year and at year-end, the Organization held funds in a PayPal account that is not insured under FDIC.

Note 13 – Subsequent Events

The Organization did not have any subsequent events through September 25, 2017, which is the date the financial statements were issued, requiring recording or disclosure in the financial statements for the year ended June 30, 2017.