

CARIDAD CENTER, INC.

**REPORT ON AUDIT OF
FINANCIAL STATEMENTS**

For The Year Ended September 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Caridad Center, Inc.
Boynton Beach, Florida

We have audited the accompanying financial statements of the Caridad Center, Inc. (a nonprofit organization) which comprise the statement of financial position as of September 30, 2021, and the related statements of activities, cash flows, and functional expenses 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the 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.

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 the Caridad Center, Inc. as of September 30, 2021, 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.

Holyfield & Thomas, LLC

West Palm Beach, Florida
May 18, 2022

As of September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Totals
ASSETS			
Cash and cash equivalents	\$ 2,404,896	\$ 1,150	\$ 2,406,046
Investments	1,968,330	-	1,968,330
Grants receivable	1,042,922	-	1,042,922
Contribution receivable, net	346	-	346
Inventory	60,157	-	60,157
Other current assets	71,040	-	71,040
Due (to) from other funds	(1,305,100)	1,305,100	-
Total current assets	4,242,591	1,306,250	5,548,841
Property and equipment, net	4,998,788	-	4,998,788
Total assets	<u>\$ 9,241,379</u>	<u>\$ 1,306,250</u>	<u>\$ 10,547,629</u>
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 130,632	\$ -	\$ 130,632
Accrued compensation and related expenses	174,658	-	174,658
Deferred revenue	86,882	-	86,882
Total current liabilities	392,172	-	392,172
Total liabilities	392,172	-	392,172
Net assets:			
Without donor restrictions:			
Board designated quasi-endowment fund	315,000	-	315,000
Undesignated	8,534,207	-	8,534,207
With donor restrictions:	-	1,306,250	1,306,250
Total net assets	8,849,207	1,306,250	10,155,457
Total liabilities and net assets	<u>\$ 9,241,379</u>	<u>\$ 1,306,250</u>	<u>\$ 10,547,629</u>

See accompanying notes to financial statements.

For the Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Totals
Support and Revenues:			
Contributions and bequests	\$ 1,070,371	\$ 535,814	\$ 1,606,185
Grants	1,672,994	1,550,653	3,223,647
Donated services	6,330,531	-	6,330,531
Donated medical supplies	1,148,236	-	1,148,236
Training fees	150	-	150
Rental income	505	-	505
Miscellaneous income	4,763	-	4,763
Interest and dividend income	24,840	-	24,840
Net realized and unrealized gains on investments	148,026	-	148,026
	<u>10,400,416</u>	<u>2,086,467</u>	<u>12,486,883</u>
Total support and revenues			
Net assets released from restriction	<u>2,038,816</u>	<u>(2,038,816)</u>	<u>-</u>
Expenses:			
Program	10,874,198	-	10,874,198
Management and general	412,357	-	412,357
Fundraising	341,716	-	341,716
	<u>11,628,271</u>	<u>-</u>	<u>11,628,271</u>
Total expenses			
Change in net assets	810,961	47,651	858,612
Net assets, beginning of year	<u>8,038,246</u>	<u>1,258,599</u>	<u>9,296,845</u>
Net assets, end of year	<u>\$ 8,849,207</u>	<u>\$ 1,306,250</u>	<u>\$ 10,155,457</u>

See accompanying notes to financial statements.

For the Year Ended September 30, 2021

	2021 Totals
Cash flows from operating activities:	
Cash received from contributors and grantors	\$ 4,173,302
Cash received for training	150
Cash received from miscellaneous activities	4,763
Cash received for rent	505
Cash received from investment income	24,840
Cash paid for special events	(16,320)
Cash paid to employees	(1,856,758)
Cash paid for goods and services	(1,952,214)
	<u>378,268</u>
Net cash provided by operating activities	
Cash flows from investing activities:	
Purchase of property and equipment	(24,666)
Purchase of investments	(798,863)
Proceeds from the sale of investments	81,308
	<u>(742,221)</u>
Net cash used in investing activities	
Cash flows from financing activities:	<u>-</u>
Change in cash and cash equivalents	(363,953)
Cash and cash equivalents, beginning of year	<u>2,769,999</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,406,046</u></u>

See accompanying notes to financial statements.

For the Year Ended September 30, 2021

	2021 Totals
Reconciliation of change in net assets to net cash provided by operating activities:	
Change in net assets	\$ 858,612
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	267,000
Net realized and change in unrealized gain on investments	(148,026)
Forgiveness of PPP loan payable	(444,370)
Decrease (increase) in:	
Pledges receivable	13,673
Grants receivable	(120,256)
Inventory	6,223
Prepaid expenses	(38,098)
Accounts payable and accrued expenses	89,087
Deferred revenue	(105,577)
Net cash provided by operating activities	<u>\$ 378,268</u>

See accompanying notes to financial statements.

For the Year Ended September 30, 2021

	Program Services			
	Outreach	Education	Clinic	Totals
Salaries and wages	\$ 81,891	\$ 361,783	\$ 1,084,044	\$ 1,527,718
Payroll taxes and employee benefits	14,524	105,147	214,529	334,200
Total salaries and related expenses	96,415	466,930	1,298,573	1,861,918
Contract labor	7,524	225,112	136,935	369,571
Donated services and supplies				
Pharmacy and laboratory supplies	-	-	1,148,236	1,148,236
Professional services	63,509	-	6,267,022	6,330,531
Dues and subscriptions	413	364	5,593	6,370
Emergency aid	96,197	-	32,449	128,646
Financial fees	357	747	9,697	10,801
Health fairs	-	22,349	-	22,349
Holiday	16,853	636	7,848	25,337
Information technology	6,267	-	33,821	40,088
Insurance	8,915	13,665	54,152	76,732
Jantorial and biohazard waste	1,656	-	48,054	49,710
Laboratory	-	-	116,587	116,587
Office expenses	16,326	9,166	56,466	81,958
Printing and postage	154	3,404	1,453	5,011
Professional fees	-	-	-	-
Program supplies	500	19,610	119,550	139,660
Repairs and maintenance	1,901	-	46,077	47,978
Scholarships	38,052	-	-	38,052
School supplies	1,600	-	-	1,600
Special events	-	-	-	-
Storage	-	14,532	4,164	18,696
Summer program	19,747	-	-	19,747
Property taxes	325	-	6,656	6,981
Telephone and utilities	2,293	517	46,547	49,357
Training and education	525	-	3,858	4,383
Travel and related expenses	1,530	6,090	156	7,776
Depreciation	17	469	265,637	266,123
Total expenses	\$ 381,076	\$ 783,591	\$ 9,709,531	\$10,874,198

See accompanying notes to financial statements.

Supporting Services			
Management and General	Fundraising	Total Supporting Services	2021 Totals
\$ 256,305	\$ 203,399	\$ 459,704	\$ 1,987,422
44,652	32,662	77,314	411,514
300,957	236,061	537,018	2,398,936
6,658	1,425	8,083	377,654
-	-	-	1,148,236
-	-	-	6,330,531
198	485	683	7,053
-	-	-	128,646
1,472	2,855	4,327	15,128
-	-	-	22,349
346	263	609	25,946
5,335	9,599	14,934	55,022
14,901	3,727	18,628	95,360
4,969	828	5,797	55,507
-	-	-	116,587
11,708	5,510	17,218	99,176
926	8,274	9,200	14,211
46,881	53,287	100,168	100,168
-	-	-	139,660
8,088	862	8,950	56,928
-	-	-	38,052
-	-	-	1,600
-	16,320	16,320	16,320
-	-	-	18,696
-	-	-	19,747
974	162	1,136	8,117
6,426	2,050	8,476	57,833
1,649	-	1,649	6,032
-	-	-	7,776
869	8	877	267,000
<u>\$ 412,357</u>	<u>\$ 341,716</u>	<u>\$ 754,073</u>	<u>\$11,628,271</u>

See accompanying notes to financial statements.

For the Year Ended September 30, 2021

1. Nature of Organization

Caridad Center, Inc. (the "Organization") is a nonprofit organization established in 1989, and has been a community resource to the underserved population in Palm Beach County. The Organization was established to provide medical and dental services to individuals and families that otherwise would not have received any medical care. In addition, subsidies for housing and educational programs have been available throughout the years. The primary sources of income for the Organization are donations from various individuals, foundations, government agencies, and charities. Additionally, medical professionals (doctors/dentists/nurses/specialists/etc.) and organizations donate substantial medical and dental services and supplies.

2. Summary of Significant Accounting Policies

Financial Statement Presentation

The financial statements are prepared using the accrual basis of accounting. Net assets, revenues, gains and losses are classified into two classes of net assets based on the existence or absence of donor-imposed restrictions. The two net asset categories are reflected in the accompanying financial statements as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, there by the donor has stipulated the funds be maintained in perpetuity. Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three (3) months or less to be cash equivalents. The Organization's cash deposits exceeded Federal Deposit Insurance Corporation ("FDIC") limits at various times during the year ended September 30, 2021. The Organization has not experienced any loss in such accounts and believes it is not exposed to any significant credit risk on its cash balances. Cash and cash equivalents exceeding the FDIC limits totaled \$1,269,550 as of September 30, 2021.

For the Year Ended September 30, 2021

2. Summary of Significant Accounting Policies, continued

Inventory

Inventory consists of medical and dental supplies. Such supplies that are received as donations are recorded at market value at the time of donation. Purchased supplies are recorded at the lower of cost or market (first-in, first-out method).

Contributions Receivable

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions of cash, other assets, and unconditional promises to give are recognized when received from the donor. Classification of these contributions as with donor restrictions or without donor restrictions is based upon any donor-imposed stipulations that limit the use of the donated assets. When a donor-imposed restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Receivables resulting from these types of contributions and promises to give are reported at the discounted present value of estimated future cash flows, using a discounted rate that approximates the rate of government securities, and are deemed fully collectible as of September 30, 2021. Amortization of the discount is netted against contribution revenue on the Organization's statements of activities.

Property and Equipment

Property and equipment are recorded at cost if purchased and at their estimated fair value if donated. Such donations are reported as unrestricted support 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 support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service, as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Maintenance and repairs are expensed as incurred. The Organization capitalizes all property and equipment with a cost of \$1,000 if purchased, and a fair value of \$1,000 at date of donation if received by contribution.

Functional Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Functional Expenses. Accordingly, expenses that can be identified with a specific program or supporting service are charged directly to the program or supporting service. Expenses that apply to more than one functional category have been allocated among the programs and supporting services benefited.

Donated Services and In-Kind Contributions

Donated services are recognized if the services received create or enhance non-financial assets or require specialized skills and are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

For the Year Ended September 30, 2021

2. Summary of Significant Accounting Policies, continued

Income Taxes

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Furthermore, it has been determined that the Organization is not a private foundation. The Organization has adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 740-10-25, *Accounting for Uncertainty in Income Taxes*. The Organization will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Organization's evaluation on September 30, 2021 revealed no uncertain tax positions that would have a material impact on the financial statements. The Organization does not believe that any reasonably possible changes will occur within the next twelve (12) months that will have a material impact on the financial statements.

Investments

The Organization carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Quoted market prices are used to determine fair values. Unrealized gains and losses, if any, are included in the caption "Net realized and unrealized gains in investments" in the accompanying statement of activities.

The Organization has established a board designated fund, referred to as a "Quasi-Endowment Fund", to be invested in accordance with the Organization's investment policy with the income to be accumulated, used for operation or expansion as needed.

Deferred Revenue

Rental income and certain grant income is deferred and recognized as revenue in the applicable period.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). ASU 2016-02 replaces existing leasing rules with a comprehensive lease measurement and recognition standard and expanded disclosure requirements. ASU 2016-02 will require lessees to recognize most leases on their statement of financial position as "right of use assets" with corresponding liabilities. The standard is effective for annual reporting periods in fiscal years that begin after December 15, 2021. Management is currently evaluating the magnitude and potential impact on the Organization's financial statements.

Recently Adopted Accounting Pronouncements

As of October 1, 2020, the Organization adopted the provisions of Financial Accounting Standards Board (FASB) ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. ASU 2014-09 applies to exchange transactions with customers that are bound by contracts or similar arrangements and establishes a performance obligation approach to revenue recognition.

For the Year Ended September 30, 2021

2. Summary of Significant Accounting Policies, continued

Recently Adopted Accounting Pronouncements, continued

Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. The presentation and disclosures of revenue have been enhanced in accordance with the standard.

3. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year, that is, without donor restrictions or other restrictions limiting their use beyond planned operating expenditures comprise the following:

Cash and cash equivalents	\$ 2,406,046
Investments	1,968,330
Grants receivable	1,042,922
Contributions receivable, net	<u>346</u>
Financial assets available to meet general expenditures over the next 12 months	5,417,644

Less: financial assets unavailable for general expenditure within one year due to:

Restricted by donors with purpose restrictions	<u>1,306,250</u>
Total financial assets available within one year to meet cash needs for general expenditures	<u>\$ 4,111,394</u>

The Organization receives significant revenue from Government and Foundation Grants, which typically covers over 63% of its operating expenditures on a direct reimbursement basis. The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. The related resources have been included in the quantitative information detailing the financial assets available to meet general expenditures within one year.

4. Grants Receivable

The Organization received unconditional promises to give in the amount of \$1,672,994 during the year ended September 30, 2021. Conditional promises to give as of September 30, 2021 were \$1,550,653, and are recognizable upon satisfying certain conditions associated with the pledge. The grants receivable balance due was \$1,042,922 as of September 30, 2021, and no allowance for uncollectible amounts was deemed necessary.

For the Year Ended September 30, 2021

5. Fair Value Measurement

FASB ASC 820-10 establishes a framework for measuring fair value of financial instruments. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement).

The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 – Inputs are based on quoted market prices.

Level 2 – Inputs are based on quoted market prices for similar assets or liabilities.

Level 3 – Inputs to the valuation methodology are based on generally unobservable data and use estimates and varying degrees of judgement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair Value of Financial Instruments: The following methods and assumptions were used by the Organization in estimating fair value of financial instruments that are not disclosed under ASC 820.

- *Cash equivalents, accounts payable and accrued expenses* – The carrying amounts reported approximate fair value due to the short-term duration of the instruments.

Items Measured at Fair Value on a Recurring Basis: The following valuation methodologies are used for assets measured at fair value on a recurring basis. There have been no changes in the methodologies used as of September 30, 2021.

Investments:

- *Corporate bonds, foreign bonds, and equity funds* – Valued at quoted market price of securities by the custodian as of the close of business as of September 30, 2021.

The following table sets forth by level, within the fair value hierarchy, Caridad Center, Inc.'s assets at fair value as of September 30, 2021:

	<u>Assets at Fair Value as of September 30, 2021</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Corporate bonds	\$ 432,452	\$ -	\$ -	\$ 432,452
Foreign bonds	200,055	-	-	200,055
Equity funds	<u>1,335,823</u>	<u>-</u>	<u>-</u>	<u>1,335,823</u>
Total assets at fair value	<u>\$ 1,968,330</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,968,330</u>

For the Year Ended September 30, 2021

6. Concentration of Credit Risk

Financial instruments that are exposed to concentrations of credit risk consist of cash, grant receivable, and investments. The cash and investments in U.S. government and agency notes are in high quality institutions and companies with high credit ratings. Grant receivables are principally with government agencies and foundations. Realization of these items is dependent on various individual economic conditions. Investments are based on quoted market prices. Grant receivables are carried at estimated net realizable values. As of September 30, 2021, the management believes the Organization had no significant concentrations of credit risk on its grant receivables. As of September 30, 2021, there was approximately \$1,270,000 in excess of the FDIC limits. Management believes the Organization is not exposed to any significant credit risk on its cash and cash equivalents.

7. Property and Equipment

Property and equipment as of September 30, 2021, consisted of the following:

Building	\$ 6,330,745
Equipment	1,061,841
Land	159,146
Computer software	<u>29,684</u>
Total	7,581,416
Less: accumulated depreciation	<u>2,582,628</u>
Property and equipment, net	<u>\$ 4,998,788</u>

8. Grant Requirements

Grants are subject to annual renewal and periodic amendment and require the fulfillment of certain conditions, as set forth in each instrument of grant. Failure to fulfill the conditions may require the return of the funds to grantors. Although this is a possibility, the Organization deems the contingency remote, since by accepting the grants and their terms it has met the objectives of the grantor and, therefore, the conditions of retaining the grants.

9. Leasing Activities

On June 11, 1997, the Organization leased a portion of its real property to The Soup Kitchen, Inc. of Palm Beach County. The lease term continues through May 31, 2096 and required a one-time rental payment of \$50,000 upon execution of the agreement, which occurred in 1998. The following is a schedule by years of minimum future rental revenue to be recognized under this lease agreement as of September 30, 2021:

For the Year Ended September 30, 2021

9. Leasing Activities, continued

Year ended September 30	
2022	\$ 505
2023	505
2024	505
2025	505
2026	505
Thereafter	<u>35,354</u>
Total	<u>\$ 37,879</u>

10. Net Assets with Donor Restrictions and Net Assets Released from Donor Restrictions

Net assets with donor restrictions are available for the following purposes as of September 30, 2021:

Program services	<u>\$ 1,306,250</u>
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Net assets with donor restrictions are released from donor restrictions when the restricted assets are expended in satisfaction of the restricted purpose or by occurrence of other events specified by donors. Net assets with donor restrictions released were utilized for the following purposes during the years ended September 30, 2021:

Program services	<u>\$ 2,038,816</u>
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11. Donated Services and Supplies

The value of donated services and supplies meeting the requirements for recognition in the financial statements are as follows for the year ended September 30, 2021:

Donated services:	
Dental	\$ 2,344,965
Medical	3,922,057
Other	<u>63,509</u>
	6,330,531
Donated medical and dental supplies	<u>1,148,236</u>
Total	<u>\$ 7,478,767</u>

12. Commitments and Contingencies

From time to time, the Organization may be involved in various asserted claims and legal proceedings arising in the ordinary course of business, some of which may involve claims for substantial amounts.

Management provides provisions for these items to the extent that the losses are deemed both probable and reasonably estimable. No provisions were required for the year ended September 30, 2021.

For the Year Ended September 30, 2021

13. Subsequent Events

Date of Management Evaluation

Management has evaluated subsequent events through May 18, 2022, the date on which these financial statements were available to be issued, and determined the following additional event was required to be presented in these financial statements.

Caridad Center, Inc. is earmarked to receive over \$1.1 million in federal funding, to be disbursed over the next three years, as a result of the United States Congress and the United States Senate passing the 2022 spending bill in March of the same year. The funding will go toward infrastructure, including a new roof, air conditioners, on-site storage and medical equipment including a digital panoramic machine and x-ray sensors for the dental clinic, upgrades/replacements of IT equipment, and a mobile "Caridad Cares" health and dental van to provide care throughout the community.