



**Neighbors In Need
of Services, Inc.
(NINOS, INC.)**

**Audited Annual Consolidated
Financial Report**

For Fiscal Year Ended March 31, 2021

**Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants**

NEIGHBORS IN NEED OF SERVICES, INC.
Audited Annual Consolidated Financial Report
For the Fiscal Year Ended March 31, 2021

BOARD OF DIRECTORS

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NEIGHBORS IN NEED OF SERVICES, INC.
Audited Annual Consolidated Financial Statements
For the Fiscal Year Ended March 31, 2021

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FINANCIAL SECTION



208 W. Ferguson Unit #1 • Pharr, Texas 78577
Tel: (956) 787-9909 • Fax: (956) 787-3067
Email: org110n@aol.com

Oscar R. González
Melissa González

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Neighbors in Need of Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Neighbors in Need of Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2021, 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 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 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 Neighbors in Need of Services, Inc. as of March 31, 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.

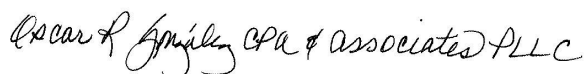
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2021, on our consideration of Neighbors in Need of Services, Inc. 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 solely 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 the effectiveness of Neighbors in Need of Services, Inc.'s 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 Neighbors in Need of Services, Inc.'s internal control over financial reporting and compliance.



Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants
Pharr, TX

December 20, 2021

BASIC FINANCIAL STATEMENTS

NEIGHBORS IN NEED OF SERVICES, INC.
Consolidated Statement of Financial Position
March 31, 2021

	2021
Assets	
Cash and Cash Equivalents	\$ 775,502
Grants Receivable	934,034
Other Receivables	9,630
Prepaid Assets	879
Prepaid Insurance	22,572
Property and Equipment (Net)	4,299,004
Total Assets	\$ 6,041,621
 Liabilities	
Accounts Payable	\$ 433,997
Checks Issued in Excess of Funds Available	170,999
Accrued Salaries and Payroll Tax	1,191,014
Current Portion of Long-Term Debt	49,318
Long-Term Debt - USDA	2,747,210
Total Liabilities	4,592,538
 Net Assets	
Without Donor Restrictions	1,438,283
With Donor Restrictions	10,800
Total Net Assets	1,449,083
Total Liabilities and Net Assets	\$ 6,041,621

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

NEIGHBORS IN NEED OF SERVICES, INC.

Consolidated Statement of Activities

For the Year Ended March 31, 2021

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS:

	2021
Revenues and Gains	
Other Revenue	\$ 16,630
In-Kind Contributions	5,149,163
Total Revenues and Gains Without Donor Restrictions	5,165,793
Net Assets Released from Restrictions	
Restrictions Satisfied by Expenditures Incurred	27,645,589
Total Net Assets Released from Restrictions	27,645,589
Total Revenue, Gains, and Other Support Without Donor Restrictions	32,811,382
Expenses	
Program Services	
Program Expenses	28,456,056
Support Services	
General and Administrative	4,806,499
Fundraising Expenses	8,400
Total Expenses	33,270,955
Increase (Decrease) in Net Assets Without Donor Restrictions	(459,573)

CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS:

Federal Grant Revenue	
Department of Health & Human Services Commission	26,727,128
Texas Department of Agriculture	918,461
Other Grants and Contributions	4,800
Net Assets Released from Restrictions	(27,645,589)
Increase (Decrease) in Net Assets With Donor Restrictions	4,800
Change in Net Assets	(454,773)
Prior Period Adjustment	67,619
Net Assets, Beginning of Year	1,836,237
Total Net Assets, End of Year	\$ 1,449,083

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

NEIGHBORS IN NEED OF SERVICES, INC.
Consolidated Statement of Cash Flows
For the Year Ended March 31, 2021

Cash Flows from Operating Activities:		
Change in Net Assets		\$ (454,773)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation Expense		199,013
Change in Assets and Liabilities:		
(Increase) Decrease in Grant Receivables	\$ (172,123)	
(Increase) Decrease in Other Receivables	937	
(Increase) Decrease in Prepaid Expenses	20,450	
Increase (Decrease) in Accounts Payable	115,334	
Increase (Decrease) in Checks Issued in Excess of Funds Available	170,999	
Increase (Decrease) in Wage and Salary Payable	159,130	
		294,727
Net Cash Provided (Used) by Operating Activities		38,967
Cash Flows from Investing Activities:		
Purchase of Capital Assets	(146,474)	
		(146,474)
Net Cash Provided (Used) for Investing Activities		(146,474)
Cash Flows from Financing Activities:		
Payment of Long-term Debt	(67,388)	
		(67,388)
Net Cash Provided (Used) for Financing Activities		(67,388)
Net Increase (Decrease) in Cash and Cash Equivalents		(174,895)
Cash and Cash Equivalents at Beginning of Year		950,397
Cash and Cash Equivalents at End of Year		\$ 775,502

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NEIGHBORS IN NEED OF SERVICES, INC.
Notes to the Consolidated Financial Statements
For Year Ended March 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Neighbors In Need of Services, Inc. ("NINOS, INC.") is a not-for-profit Texas corporation organized in 1990. The primary purpose of NINOS, INC. is to operate the Head Start Program in Cameron and Willacy Counties as sponsored by the U.S. Department of Health and Human Services. NINOS, INC. provides child development services including education services to children from infancy up to compulsory enrollment in school. These services are available to children based on family income guidelines and include children with disabilities. NINOS, INC. also operates the Child and Adult Care Food Program from the Texas Department of Human Services, which is sponsored by the U.S. Department of Agriculture. The Food Program participates with the Head Start and Early Head Start Programs in providing support for nutrition assistance services. NINOS, INC. also receives funding from the Head Start/Early Head Start Regional office via the Training and Technical Assistance Program (T/TA). The financial activity of Advocacy of NINOS, INC., Inc. and the Head Start Policy Council, both subsidiaries of NINOS, INC. for the purpose of financial reporting have been consolidated with NINOS, INC.'s financial activity and all appropriate consolidating eliminations have been made as a result of the consolidation.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The financial statements are prepared on the accrual basis in conformity with accounting principles generally accepted in the United States of America.

Financial Statement Presentation and Contributions and Support

NINOS, INC. has elected to adopt Statement of Financial Accounting Standards ("SFAS") No. 117, Financial Statement of Not-for -Profit Organizations. Under SFAS No. 117, NINOS, INC. is required to report information regarding its financial position and activities according to three classes of net assets, temporarily restricted net assets, and permanently restricted net assets.

NINOS, INC. also elected to adopt SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When a donor restriction expires, that is when the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets from restrictions: Satisfaction or usage restriction. NINOS, INC. has no permanently restricted net assets.

NEIGHBORS IN NEED OF SERVICES, INC.
Notes to the Consolidated Financial Statements
For Year Ended March 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Classification of Net Assets

- *Net Assets with Donor Restrictions:* – net assets subject to donor-imposed restriction (donors include other types of contributors, including makers of certain grants).
- *Net Assets without Donor Restrictions:* – net assets not subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants)
- *Underwater Endowment Fund:* - an endowment fund, which is donor-restricted, for which the fair value of the fund at the reporting date is less than either the amount of the original gift or the amount required to be maintained by the donor or by law that extends donor restrictions.

Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, NINOS, INC. considers all cash accounts, which are not subject to withdrawal restrictions or penalties, purchased with maturity of three months or less to be cash equivalents.

Concentration of Risk

In 2021, 84% of Neighbors in Need of Services Inc.'s revenues were provided through grants from the U.S. Department of Health and Human Services.

Concentration of Credit Risk

The Federal Deposit Insurance Corporation (FDIC) insures each depositor up to \$250,000. Deposits in some institutions may at times exceed FDIC insurance coverage. Bank account balances may at times exceed FDIC insurance limits; however, management believes its cash accounts are not exposed to any significant risk.

Contributions

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restriction. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. The Organization has adopted a policy to classify donor restricted contribution as without donor restrictions to the extent that donor restrictions were met in the year the contribution was received.

NEIGHBORS IN NEED OF SERVICES, INC.
Notes to the Consolidated Financial Statements
For Year Ended March 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Recognition of Grant Support

Head Start, Early Head Start and THHSC grant funds are recognized as support when related program expenses are incurred. Food Program grants funds are recognized as support when complete program meals and snacks are provided to eligible participants. The number of resources recognized under the food program is based on the number of complete program meals and snacks provided times the related rates authorized by the grantor.

Donated Services and Materials

In-kind support is recorded as revenue and expense in the accompanying consolidated statements of activities only if the contribution meets the requirements of Not-for-Profit Entities. For contributed services to be recognized as revenue, services must be those that would normally be paid for, the same as those normally provided by the donor, and clearly measurable. The Organization received \$5,149,163 in such services during 2020-2021.

Functional Allocation of Expenses

The expenses of NINOS, INC. have been reported on a functional basis. This requires the allocation of certain expenses between program and support services based on an analysis of each expense account or in certain instances on estimates made by management.

Inventory

Inventory is stated at the lower of cost or market. Cost is determined by the first in, first out method, and market represents the lower of replacement cost or estimated net realizable value.

Fair Value Measurements

Generally accepted accounting principles define fair value, establish a framework for measuring fair value and establish hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair market value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset and liability or, in absence of a principal market the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value into three broad levels:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access.

NEIGHBORS IN NEED OF SERVICES, INC.
Notes to the Consolidated Financial Statements
For Year Ended March 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the assets or liabilities, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 – Inputs that are unobservable for the assets or liabilities, which are typically based on an entity’s own assumptions, as there is little, if any, related market activity.

Property and Equipment

Leasehold improvements are carried at cost net of accumulated amortization. Amortization is computed on a straight-line basis over the term of the lease.

Equipment, furnishings and building in excess of \$5,000 are capitalized and carried at cost net of accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets of a period ranging from 5 to 50 years. Equipment and Furnishings costing less than \$5,000 are charged to expense when incurred.

Buildings, furniture and equipment of NINOS, INC. are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	
Buildings	40 Years
Leashold Improvements	39 Years
Land Improvements	20 Years
Portable Buildings	15 Years
Office Equipment	10 Years
Motor Vehicles	5 Years
Heavy Construction Equipment	5 Years
Computer Equipment	5 Years
Kitchen Equipment	5 Years

All property, equipment, and furnishings have been acquired with Federal grant assistance; therefore, any proceeds received from the disposition of such property are to be administered as follows. If NINO, INC.'s program for which the property was acquired is still receiving grant support from the same federal program, the grantor may authorize use of any proceeds received for allowable costs of that program. Otherwise, the net amount of any proceeds received must be remitted to the grantor.

NEIGHBORS IN NEED OF SERVICES, INC.
Notes to the Consolidated Financial Statements
For Year Ended March 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Income Taxes

NINOS, INC. is a not-for-profit organized under section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal income taxes and, accordingly, no provision for income taxes is included in the financial statements. In addition, it has been determined by the Internal Revenue Service not to be a “private” foundation within the meaning of Section 509 (a) of the Internal Revenue Code. There was no unrelated business income for the year ended March 31, 2021. Federal income tax and information returns for tax years 2018, 2019 and 2020 remain subject to examination by the Internal Revenue Service.

New Accounting Standards

In year 2021, the organization adopted new statements or financial accounting standards issued by the Financial Accounting Standards Board (FASB):

- ASU 2020-05 – Revenues from Contracts with Customers (Topic 606) and Leases (Topic 842).
- ASU 2020-10 - Codification Improvements

ASU 2020-05 – for topic 606, the deferral of the effective date applies to certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of Revenue. For topic 842 the deferral of the effective data applies to entities in the “all other” category and public nonprofit entities that have not yet issued their financial statement (or made financial statement available for issuance) reflecting the adoption of Leases.

ASU 2020-10 – facilitates update to the ASC for technical correction such as conforming amendments, clarification to guidance, simplification to wording or structure of guidance, and other minor improvements. The amendments add all disclosure guidance to the appropriate disclosure section within the ASC.

The requirements of this standard will take effect for most nonprofit organizations with annual reporting periods beginning after March 12, 2020, and for interim periods within fiscal year beginning after December 15, 2021.

Compensated Absences

Employees of NINOS, INC. are entitled to paid vacation depending on length of service and other factors. At year end, there were no accrued time owed to employees.

Sick leave is not accrued because it does not vest. Employees are not paid for any unused sick leave at termination of employment.

NEIGHBORS IN NEED OF SERVICES, INC.
Notes to the Consolidated Financial Statements
For Year Ended March 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (continued)

Marketing Costs

The Organization expenses marketing costs as they are incurred. As of March 31, 2021, marketing costs totaled \$35,232.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires managements to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2-AVAILABILITY AND LIQUIDITY

The following represents NINOS, INC.'s financial assets at March 31, 2021.

Financial assets at year end:	2021
Cash and cash equivalents	\$ 775,502
Accounts receivables	943,664
Total financial assets	<u>1,719,166</u>
Less amounts not available to be used within one year:	
Funds restricted by donors	10,800
Investments designated for capital purchases	-
	<u>10,800</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,708,366</u>

NEIGHBORS IN NEED OF SERVICES, INC.
Notes to the Consolidated Financial Statements
For Year Ended March 31, 2021

NOTE 3-DEPOSITS AND INVESTMENTS

At March 31, 2021, the carrying amount of the NINOS, INC. deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$775,502 and the bank balance was \$405,909. Deposits are insured by the Federal Deposit Insurance Company (FDIC) up to \$250,000.

NINOS, INC. deposits at March 31, 2021 are shown below:

Bank	Type	Carrying Amount	Bank Balance	FDIC Insurance Coverage	Amount Over (Under) Insured
BBVA Compass	Checking	\$ 731,096	\$ 362,067	\$ 250,000	\$ (112,067)
Frost	Checking	43,842	43,842	250,000	206,158
	Petty Cash	564	-		
Total Cash and Cash Equivalents		<u>\$ 775,502</u>	<u>\$ 405,909</u>		

NOTE 4 - GRANTS AND OTHER RECEIVABLES

Grants and other receivables as of March 31, 2021 consist of the following:

Receivables	Amount
U.S. Department of Health and Human Services	\$ 721,636
TX Department of Agriculture-Health Nutrition Program	212,398
Total Grants Receivable	<u>934,034</u>
Other Accounts Receivable	9,630
Total Receivables	<u>\$ 943,664</u>

NOTE 5 - RETIREMENT PLAN

NINOS, INC. sponsors an employee retirement plan similar to a profit-sharing plan covering employee who have completed at least six months of service. Participation in the Plan begins on the 1st day of the following January, April, July or October with satisfaction of the eligibility requirements. Under the plan, NINOS, INC. may contribute an amount to be determined annually by the board of directors. Limited employee contributions are provided for by the plan. However, with the consent of the Plan Administrator, a participant may rollover amounts from another qualified plan. Employees will be 100% vested as to the employer contributions plus earnings after 5 years of service. "Rollover" contributions are automatically 100% vested. During the year ended March 31, 2021 the board of directors authorized contributions to the plan of 7% of an eligible employee's salary. The total employer contributions for the year ended March 31, 2021 totaled \$1,020,029.

NEIGHBORS IN NEED OF SERVICES, INC.
Notes to the Consolidated Financial Statements
For Year Ended March 31, 2021

NOTE 6 - CONTINGENCIES

NINOS, INC. participants in programs that are sponsored by Federal government grants. Expenditures financed by grants are subject to audit by the appropriate grantor agency. If program expenditures or support claims are disallowed due to noncompliance with grant program regulations, NINOS, INC. may be required to reimburse the grantor. NINOS, INC. believes it has substantially complied with applicable laws and regulations and any subsequent examinations will not have a material effect on any of the individual governmental resources of the overall financial position of NINOS, INC. The future operations of NINOS, INC. are contingent upon continual funding from the U.S. Department of Health and Human Services and the U.S. Department of Agriculture.

NOTE 7 - PROPERTY AND EQUIPMENT

A summary of property and equipment at March 31, 2021 follows:

	Beginning Balance 4/1/2020	Increases	Decreases	Ending Balance 3/1/2021
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 416,627	\$ -	\$ -	\$ 416,627
Construction in Progress - Equipment	-	71,418	-	71,418
Total Capital Assets, Not Being Depreciated	416,627	71,418	-	488,045
<i>Capital Assets, Being Depreciated:</i>				
Vehicles	1,794,654	75,056	-	1,869,710
Furniture and Equipment	94,945	-	-	94,945
Leasehold Improvements	765,674	-	-	765,674
Buildings	6,111,048	-	-	6,111,048
Total Capital Assets, Being Depreciated	8,766,321	75,056	-	8,841,377
<i>Less Accumulated Depreciation For:</i>				
Vehicles	(1,655,775)	(85,088)	-	(1,740,863)
Furniture and Equipment	(71,143)	(3,563)	-	(74,706)
Leasehold Improvements	(636,476)	(9,256)	-	(645,732)
Buildings	(431,010)	(94,346)	-	(525,356)
Portables	(1,908,566)	-	-	(1,908,566)
Sebastian	(128,435)	(6,760)	-	(135,195)
Total Accumulated Depreciation	(4,831,405)	(199,013)	-	(5,030,418)
Total Capital Assets, Being Depreciated, Net	3,934,916	(123,957)	-	3,810,959
Total Capital Assets	\$ 4,351,543	\$ (52,539)	\$ -	\$ 4,299,004

Depreciation expense for the year totaled \$199,013.

NEIGHBORS IN NEED OF SERVICES, INC.
Notes to the Consolidated Financial Statements
For Year Ended March 31, 2021

NOTE 8 - OPERATING LEASES

NINOS, INC. leases operating space for all of its centers under operating leases primarily from governmental agencies. The lease agreements are generally form a one to five-year term. Total rent paid for the year ended March 31, 2021 was \$135,536. Total minimum lease payment obligations of these leases are as follows:

Year	Amount
2022	\$ 135,536
2023	135,536
2024	135,536
2025	135,536
2026	135,536

NOTE 9 - NOTES PAYABLE

NINOS, INC. has notes payable with the USDA. USDA (3) loan was approved for \$2,999,100, 2.75% interest rate with monthly payments of \$10,467 due, May 30, 2057.

	Beginning Balance as of 4/01/2020	Proceeds	Retired	Ending Balance as of 3/31/2021	Due Within One Year
Note Payable - USDA (3)	\$ 2,863,916	\$ -	\$ (67,388)	\$ 2,796,528	\$ 49,318

The Long-Term payments are as follows:

	Principal	Interest	Total
2022	\$ 49,318	\$ 76,286	\$ 125,604
2023	47,489	78,255	125,744
2024	48,861	76,884	125,745
2025	50,272	75,473	125,745
2026	51,723	74,022	125,745
2027-2031	281,900	346,825	628,725
2032-2036	325,019	303,706	628,725
2037-2041	374,733	253,992	628,725
2042-2046	432,052	196,673	628,725
2047-2057	1,135,161	185,869	1,321,030
	<u>\$ 2,796,528</u>	<u>\$ 1,667,985</u>	<u>\$ 4,464,513</u>

NEIGHBORS IN NEED OF SERVICES, INC.
Notes to the Consolidated Financial Statements
For Year Ended March 31, 2021

NOTE 10 – IN-KIND CONTRIBUTIONS

NINOS, INC. received a total of \$5,149,163 in In-Kind contributions related to rent, donations and professional services. This amount is reflected in the financial statements.

NOTE 11 – PRIOR PERIOD ADJUSTMENT

Prior period adjustment as of March 31, 2021 consist of the following:

To correct prior year retirement payable	\$ 67,619
Total Prior Period Adjustment	<u>\$ 67,619</u>

NOTE 12 – LITIGATION

As of March 31, 2021, NINOS, INC. was not involved in any claims or litigation.

NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification (FASB ASC 825-10) require disclosure of the fair value information about financial instruments, whether or not recognized in the balance sheet. In case where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows.

In the regard, the derived fair value estimates cannot be sustained by comparison to independent markets and, cases could not be realized in immediate settlement of the instruments. Certain financial instruments and all nonfinancial instruments are excluded from these disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Organization.

The following methods and assumptions were used by NINOS, INC., Inc. in estimating its fair value disclosure for financial instruments:

Cash and Cash Equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents is the fair value.

Time deposits: Fair values of certificates of deposit are at cost plus accrued interest.

NEIGHBORS IN NEED OF SERVICES, INC.
Notes to the Consolidated Financial Statements
For Year Ended March 31, 2021

NOTE 13 – FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Accounts Receivable: The carrying amount approximates fair value because of the short maturity of these instruments.

Payable and Accruals: The carrying amounts approximate fair value because of the short maturity period.

<u>Financial Assets:</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Cash and Cash Equivalents	\$ 775,702	\$ 775,502
Grants Receivable	934,034	934,034
Other Receivables	9,630	9,630
Prepaid Assets	879	879
Prepaid Insurance	22,572	22,572
 <u>Financial Liabilities:</u>		
Accounts Payable	433,997	433,997
Accrued Salaries and Payroll Tax	1,191,014	1,191,014
Checks Issued in Excess of Funds Available	170,999	170,999

NOTE 14 – SUBSEQUENT EVENTS

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The extent of the impact of COVID-19 on Neighbors in Need of Services, Inc.'s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on Neighbors in Need of Services, Inc.'s customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact Neighbors in Need of Services, Inc.'s financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

For the purposes of reporting subsequent events, management has considered events occurring up to December 20, 2021, the date of the report was available to be issued.

SUPPLEMENTARY INFORMATION

NEIGHBORS IN NEED OF SERVICES, INC.
Consolidated Schedule of Functional Expenses
For the Year Ended March 31, 2021

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
	<u>Program Expenses</u>	<u>General and Administrative</u>	<u>Fundraising Expense</u>	
Expenses				
Auto Expense	\$ 45,347	\$ -	\$ -	\$ 45,347
Building Occupancy	428,687	-	-	428,687
Classroom Supplies	1,271,792	-	-	1,271,792
Contracted Services	6,345	147,028	-	153,373
Depreciation	189,757	9,256	-	199,013
Dues and Subscriptions	61,283	-	-	61,283
Employee Benefits	3,668,130	-	-	3,668,130
Food Expense	640,046	-	-	640,046
In-Kind	5,149,163	-	-	5,149,163
Insurance Expense	207,961	-	-	207,961
Interest Expense	58,216	-	-	58,216
Kitchen Supplies	216,805	-	-	216,805
Marketing	-	26,832	8,400	35,232
Medical Supplies	24,088	-	-	24,088
Office Expense	26,106	-	-	26,106
Office Supplies	207,055	48,351	-	255,406
Other Expense	271,809	2,508,350	-	2,780,159
Parent Services	19,723	-	-	19,723
Payroll Taxes	1,589,115	-	-	1,589,115
Rent Expense	135,536	-	-	135,536
Repairs and Maintenance	898,378	162,948	-	1,061,326
Salary and Wages	12,574,504	1,903,585	-	14,478,089
Staff Development	335,864	-	-	335,864
Telephone Expense	125,165	-	-	125,165
Travel Expense	22,707	149	-	22,856
Utilities Expense	282,474	-	-	282,474
Total Expenses	\$ 28,456,056	\$ 4,806,499	\$ 8,400	\$ 33,270,955

COMPLIANCE AND INTERNAL CONTROL SECTION



208 W. Ferguson Unit #1 • Pharr, Texas 78577
Tel: (956) 787-9909 • Fax: (956) 787-3067
Email: org110n@aol.com

Oscar R. González
Melissa González

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Neighbors in Need of Services, Inc.

We have audited, in accordance with the 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, the financial statements of Neighbors in Need of Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 20, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Neighbors in Need of Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Neighbors in Need of Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Neighbors in Need of Services, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

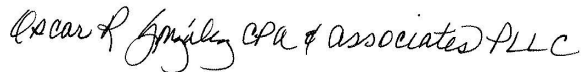
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Neighbors in Need of Services, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Handwritten signature of Oscar R. Gonzalez, CPA & Associates, PLLC.

Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants
Pharr, TX

December 20, 2021

FEDERAL AWARDS SECTION



Oscar R. González
Melissa González

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees of
Neighbors in Need of Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited Neighbors in Need of Services, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Neighbors in Need of Services, Inc.'s major federal programs for the year ended March 31, 2021. Neighbors in Need of Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Neighbors in Need of Services, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Neighbors in Need of Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Neighbors in Need of Services, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Neighbors in Need of Services, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2021.

Report on Internal Control Over Compliance

Management of Neighbors in Need of Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Neighbors in Need of Services, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Neighbors in Need of Services, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Oscar R. Gonzalez CPA & Associates PLLC

Oscar R. Gonzalez, CPA & Associates, PLLC
Certified Public Accountants

Pharr, TX
December 20, 2021

NEIGHBORS IN NEED OF SERVICES, INC
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended March 31, 2021

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>		
Internal control over financial reporting:			
One or more material weaknesses identified?	_____	YES	_____ <u>X</u> _____ NO
One or more significant deficiencies identified that are not considered to be material weaknesses?	_____	YES	_____ <u>X</u> _____ None Reported
Non-compliance material to financial statements noted?	_____	YES	_____ <u>X</u> _____ NO

2. Federal Awards

Internal control over major programs:			
One or more material weaknesses identified?	_____	YES	_____ <u>X</u> _____ NO
One or more significant deficiencies identified that are not considered to be material weaknesses?	_____	YES	_____ <u>X</u> _____ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)	_____	YES	_____ <u>X</u> _____ NO
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Dollar threshold used to distinguish between type A and type B programs:	<u>\$750,000</u>
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Auditee qualified as a low-risk auditee?	_____ <u>X</u> _____	YES	_____ NO
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Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start/ Early Head Start

B. Financial Statement Findings

None

C. Federal Award Findings

None

NINOS NEIGHBORS IN NEED OF SERVICES, INC.

Schedule of Expenditures of Federal Awards

For the Year Ended March 31, 2021

Federal Grantor/ Pass-through Grantor Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures	Expenditures to Sub-Recipient
<u><i>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</i></u>				
Head Start Program and Early Head Start	93.600	06CH01162001	\$ 1,115,224	\$ -
		06CH01162002	17,113,742	
		06CH71700603	6,007,621	
		06CH01162001C3	2,490,541	
Total Direct Program			<u>26,727,128</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>26,727,128</u>	<u>-</u>
 <u><i>U.S. DEPARTMENT OF AGRICULTURE</i></u>				
Passed Through Texas Department of Agriculture (TDA)				
Child and Adult Care Food Program	10.558	16166TX332N1099	918,461	
Total U.S. Department of Agriculture			<u>918,461</u>	<u>-</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u><u>\$ 27,645,589</u></u>	 <u><u>\$ -</u></u>

The accompanying notes are an integral part of this schedule.

NEIGHBORS IN NEED OF SERVICES, INC.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended March, 31, 2021

1. General – The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal programs of NINOS, Inc. (a nonprofit organization).

2. Basis of Accounting – The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the financial statements. All the information presented in the schedule has been prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statement.

3. Relationship to Federal Financial Reports Basis of Accounting – Amount reported in the accompanying schedule may not agree with the amounts reported in the related Federal financial reports filed with the grantor agencies because of accruals made in the schedule, which will be included in the future report filed with the agencies.

4. Program Income – NINOS, Inc. reports program income based on the requirements presented in 45 CFR 75.307. As of March 31, 2021, NINOS, Inc. did not recognize any program income.

5. Indirect Cost Rate – NINOS, Inc. has elected not to use the 10% *de minimis* indirect cost rate as allowed under the Uniform Guidance.