

LA ESPERANZA, INC.
FINANCIAL REPORT
DECEMBER 31, 2014 AND 2013

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INDEPENDENT AUDITORS' REPORT

Board of Directors
La Esperanza, Inc.
Georgetown, Delaware

We have audited the accompanying financial statements of La Esperanza, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years 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 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 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 the 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 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 La Esperanza, Inc. as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 16, 2015, on our consideration of La Esperanza, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 La Esperanza, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in red ink, appearing to read "JMM Group LLC".

Salisbury, Maryland

October 16, 2015

**INDEPENDENT AUDITORS' 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**

Board of Directors
La Esperanza, Inc.
Georgetown, Delaware

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 La Esperanza, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated October 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered La Esperanza, Inc.'s internal control over financial reporting (internal control) to determine 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 La Esperanza, Inc.'s ("the Organization") internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the following deficiencies in the Organization's internal control to be material weaknesses:

The Organization does not employ an individual with the level of accounting and finance skills and knowledge required to oversee the reconciliation of accounts in order to ensure accurate and timely accounting, and to ensure the Organization's compliance with generally accepted accounting principles (GAAP).

The Organization's internal control structure does not have someone with expertise to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Accounting principles specify that the internal control structure does not stop with the preparation of internal trial balances or statements, but rather when the complete set of financial statements, including footnotes, is prepared in accordance with GAAP. The Organization has evaluated the cost vs. benefit of outsourcing or hiring someone internally to handle this situation, however, they feel it is not in the Organization's best interest to spend the funds on this matter. As a result, the Organization carefully reviews the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether La Esperanza, 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 determination of financial statement amounts. 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.

A handwritten signature in red ink, appearing to read "JMM Group LLC".

Salisbury, Maryland
October 16, 2015

LA ESPERANZA, INC.
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013

ASSETS	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 119,225	\$ 133,331
Grants and contributions receivable	87,678	77,607
Prepaid expenses	3,434	5,729
Total current assets	210,337	216,667
PROPERTY AND EQUIPMENT, at cost		
Land and buildings	261,725	261,725
Equipment	51,787	51,787
Furniture and fixtures	25,089	25,089
Software	28,503	28,503
Transportation equipment	84,839	84,839
	451,943	451,943
Less: accumulated depreciation	(229,434)	(198,195)
	222,509	253,748
Total assets	\$ 432,846	\$ 470,415
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 16,158	\$ 30,209
Accrued payroll and payroll taxes	12,958	17,769
Unearned grant revenue	42,500	61,950
Line of credit	-	5,000
Total current liabilities	71,616	114,928
COMMITMENTS AND CONTINGENCIES		
NET ASSETS		
Unrestricted:		
Property and equipment	222,509	253,748
Operations	138,721	101,739
Total net assets	361,230	355,487
Total liabilities and net assets	\$ 432,846	\$ 470,415

The Notes to Financial Statements are an integral part of these statements.

LA ESPERANZA, INC.
STATEMENTS OF ACTIVITIES
Years Ended December 31, 2014 and 2013

	<u>Unrestricted</u>	
	2014	2013
SUPPORT AND REVENUES		
Contributed services	\$ -	\$ 3,768
Fundraising	51,105	38,270
Grants and contracts	325,272	295,470
Investment income	279	964
Miscellaneous income	10,769	-
Program service fees	13,464	13,148
Private contributions	277,308	263,759
Total revenues	678,197	615,379
EXPENSES		
Program services:		
Behavioral health	5,353	15,481
Community education	47,455	48,735
Family development	313,226	413,025
Immigration services	55,567	80,939
Pre-and post-natal services	13,251	17,671
Victims services	86,377	9,587
Family law	3,134	-
Total program expenses	524,363	585,438
Support services:		
Administrative and general	142,518	131,144
Fundraising	5,574	916
Total support services	148,092	132,060
Total expenses	672,455	717,498
Increase (decrease) in net assets	5,742	(102,119)
Net assets, beginning of year	355,487	457,606
Net assets, end of year	\$ 361,230	\$ 355,487

The Notes to Financial Statements are an integral part of these statements.

LA ESPERANZA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2014

	Administrative And General	Fundraising
PAYROLL AND RELATED EXPENSES		
Health insurance and employee benefits	\$ 11,237	\$ -
Payroll expense	56,215	-
Payroll taxes	5,878	-
Total payroll and related expenses	73,330	-
OTHER		
Advertising	504	-
Automobile	-	-
Bank charges	6,398	-
Conferences and meetings	380	-
Computer and internet	11,785	-
Contract services	-	-
Depreciation	5,205	-
Dues and subscriptions	3,139	-
Facilities and rentals	1,084	-
Insurance	-	-
Mileage	2,101	-
Miscellaneous	3,590	5,574
Postage and delivery	37	-
Printing and reproduction	942	-
Professional fees	13,987	-
Repairs and maintenance	1,657	-
Supplies	6,304	-
Taxes	701	-
Telephone	2,099	-
Utilities	9,275	-
Total other expenses	69,188	5,574
Total functional expenses	\$ 142,518	\$ 5,574

The Notes to Financial Statements are an integral part of these statements.

Programs								
Behavioral Health	Community Education	Family Development	Immigration Services	Pre- and Post-Natal	Victims Services	Family Law	Totals	
\$ -	\$ 1,471	\$ 33,999	\$ 3,415	\$ 5	\$ 1,392	\$ -	\$ 51,519	
-	31,395	235,742	27,251	49	13,111	-	363,763	
-	2,800	21,348	2,523	4	1,003	-	33,556	
-	35,666	291,089	33,189	58	15,506	-	448,838	
-	-	267	-	-	124	-	895	
-	-	238	2,732	71	-	-	3,041	
-	-	-	-	-	-	-	6,398	
-	250	1,500	1,367	-	810	1,131	5,438	
-	-	-	73	-	1,656	-	13,514	
-	1,035	374	7,900	7,900	-	-	17,209	
5,206	5,207	5,207	5,207	5,207	-	-	31,239	
-	25	-	3	-	660	-	3,827	
-	-	-	-	-	8,150	-	9,234	
-	4,191	8,800	2,387	15	3,966	-	19,359	
147	488	1,768	-	-	33	-	4,537	
-	25	713	295	-	1,282	-	11,479	
-	-	-	-	-	-	-	37	
-	-	191	-	-	191	-	1,324	
-	-	2,083	2,083	-	46,042	-	64,195	
-	-	-	169	-	984	-	2,810	
-	568	996	162	-	2,965	324	11,319	
-	-	-	-	-	-	-	701	
-	-	-	-	-	725	221	3,045	
-	-	-	-	-	3,283	1,458	14,016	
5,353	11,789	22,137	22,378	13,193	70,871	3,134	223,617	
\$ 5,353	\$ 47,455	\$ 313,226	\$ 55,567	\$ 13,251	\$ 86,377	\$ 3,134	\$ 672,455	

LA ESPERANZA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2013

	Administrative And General	Fundraising
PAYROLL AND RELATED EXPENSES		
Contributed services	\$ 3,768	\$ -
Health insurance and employee benefits	11,959	-
Payroll expense	46,500	-
Payroll taxes	4,477	-
Total payroll and related expenses	66,704	-
OTHER		
Advertising	1,167	-
Automobile	188	-
Bank charges	3,988	716
Conferences and meetings	2,574	-
Computer and internet	9,315	200
Contract services	3,215	-
Depreciation	4,985	-
Dues and subscriptions	2,915	-
Facilities and rentals	1,007	-
Insurance	-	-
Mileage	2,502	-
Miscellaneous	3,768	-
Postage and delivery	130	-
Printing and reproduction	1,333	-
Professional fees	9,518	-
Repairs and maintenance	1,395	-
Supplies	5,058	-
Taxes	853	-
Telephone	2,107	-
Utilities	8,422	-
Total other expenses	64,440	916
Total functional expenses	\$ 131,144	\$ 916

The Notes to Financial Statements are an integral part of these statements.

Programs							
Behavioral Health	Community Education	Family Development	Immigration Services	Pre- and Post-Natal	Victims Services	Totals	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,768	
780	718	43,371	4,172	29	523	61,552	
6,078	32,468	272,546	26,611	227	4,074	388,504	
465	2,686	23,087	2,216	17	312	33,260	
7,323	35,872	339,004	32,999	273	4,909	487,084	
-	-	238	-	-	-	1,405	
-	-	3,331	271	-	-	3,790	
-	-	-	-	-	-	4,704	
-	-	5,286	820	300	-	8,980	
1,097	-	5,209	1,374	-	-	17,195	
-	1,703	-	8,080	7,900	-	20,898	
4,983	4,983	4,983	4,983	4,983	-	29,900	
-	-	-	-	-	-	2,915	
-	600	-	-	-	3,250	4,857	
1,577	1,452	10,537	968	59	1,057	15,650	
335	29	4,427	1,391	-	-	8,684	
60	920	1,299	920	920	-	7,887	
-	-	-	-	-	-	130	
-	70	750	140	-	-	2,293	
-	3,080	27,777	27,778	3,080	-	71,233	
-	-	-	-	-	-	1,395	
106	26	7,002	106	156	-	12,454	
-	-	-	-	-	-	853	
-	-	-	117	-	-	2,224	
-	-	3,182	992	-	371	12,967	
8,158	12,863	74,021	47,940	17,398	4,678	230,414	
\$ 15,481	\$ 48,735	\$ 413,025	\$ 80,939	\$ 17,671	\$ 9,587	\$ 717,498	

LA ESPERANZA, INC.
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 5,742	\$ (102,119)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Depreciation	31,239	29,900
Changes in assets and liabilities:		
Increase in receivables	(10,071)	(11,874)
Decrease in prepaid expenses	2,295	2,523
(Decrease) increase in accounts payable	(14,051)	3,231
(Decrease) increase in accrued expenses	(4,811)	8,209
(Decrease) increase in unearned grant revenue	(19,450)	16,493
Net cash used by operating activities	(9,107)	(53,637)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	-	(70,853)
Net cash used by investing activities	-	(70,853)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	40,000	38,500
Repayments on line of credit	(45,000)	(33,500)
Net cash (used) provided by investing activities	(5,000)	5,000
Net decrease in cash	(14,107)	(119,490)
Cash and cash equivalents, beginning of year	133,331	252,821
Cash and cash equivalents, end of year	\$ 119,225	\$ 133,331
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid during the year for interest	\$ 881	\$ 196

The Notes to Financial Statements are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. The Organization and Its Significant Accounting Policies

Nature of Activities

La Esperanza, Inc. (“the Organization”) was established on December 3, 1997 as a nonprofit corporation organized under the laws of the State of Delaware for the purpose of enhancing the quality of life of the immigrant community through educational cultural and leadership development; create mutual appreciation and understanding of the immigrant community among the people of Sussex County; collaborate actively with religious, legal, medical, social and community agencies and organizations to ensure that the various needs of the immigrant community are met; meet the needs of those who experience domestic violence; receive and expend charitable contributions for the aforementioned purposes. La Esperanza offers the following programs and services:

Family Development

- Provides assistance with transportation
- Provides interpretation services
- Help finding employment
- Assistance finding affordable housing
- Access to health providers
- Access to parenting classes
- Provide preventive education & intervention services

Immigration Services

- Provides counseling and assistance in seeking political asylum
- Work permit renewal
- Help those seeking permanent resident status
- Assists with the application process for citizenship

Education

- Show parents how to be involved in their children’s education
- Classes for non-English speaking adults
- Citizenship classes
- Girl Scouts
- Storytelling entertainment for children of all ages
- Nutrition education
- Parenting skills, social services and resource development

Pre- and Post-Natal Services

- Provide direct services to low-income pregnant Hispanic women and their babies
- Expand awareness to improve pregnancy outcomes
- Medical transportation
- Stress Management workshops

Behavioral Health

- Support victims and their families who have been physically or emotionally injured by a crime in Delaware
- Financial help for wage loss, housing, medical services, security services, etc

Victims Services

- Provides legal guidance for victims of crime
- Access to vital services, preventive education and community resources

NOTES TO FINANCIAL STATEMENTS

Note 1. The Organization and Its Significant Accounting Policies (continued)

Basis of Accounting

The financial statements of La Esperanza, Inc. have been prepared on the accrual basis of accounting.

Financial Statement Presentation

Financial statement presentation follows ASC 958 *Not-For-Profit Entities*. Under ASC 958, 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. La Esperanza has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

Also, in accordance with ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. As of December 31, 2014 and 2013, there was no temporarily or permanently restricted support.

Significant accounting policies not disclosed elsewhere in the financial statements are as follows:

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Recognition of Revenues and Related Expenses

Revenue is recognized on Federal, state, and local grant funds to the extent of qualified grant expenses. Accrued (deferred) revenues arise from an excess (deficit) of expenses over grant funds received.

Contribution revenue is recognized at the earlier of the promise to give or actual receipt of the contribution. As a result, it is possible that expenses funded by contributions may occur in a period different from the period that the contribution revenue is recognized.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers certificates of deposit, bearing interest at .40% - .50%, per annum, to be cash equivalents.

Contributed Services

Contributed services are recognized if the services received either create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services in the amount of \$0 and \$3,768 for the years ended December 31, 2014 and 2013, respectively are recorded as in-kind contributions and are offset by like amounts in expenses.

NOTES TO FINANCIAL STATEMENTS

Note 1. The Organization and Its Significant Accounting Policies (continued)

Advertising

The Organization follows the policy of charging the cost of advertising to expense as incurred. Advertising expense was \$895 and \$1,405 for the years ended December 31, 2014 and 2013, respectively.

Property and Equipment

Property and equipment is recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The Organization follows the practice of capitalizing all expenditures for equipment in excess of \$1,000. Depreciation is provided using the straight-line method over the estimated useful life of the asset.

Donations of property and equipment are recorded as contributions at their estimated fair market value. Such donations are reported as unrestricted contributions unless the donor 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 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 temporarily restricted net assets to unrestricted net assets at that time.

Functional Allocation of Expenses

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

Income Taxes and Uncertain Tax Positions

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code. As of December 31, 2014 and 2013, the Organization has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements under ASC 740 *Income Taxes*. Further, no interest or penalties have been accrued or charged to expense. The Organization's tax returns are generally subject to examination for a period of three years from the date they are filed. Open returns consist of Federal Form 990 for fiscal years 2011 – 2013. Federal Form 990 for fiscal year 2014 will be filed in 2015.

Credit Risk

The Organization has bank deposits in a financial institution within limits of amounts insured by the Federal Deposit Insurance Corporation (FDIC) as of December 31, 2014 and 2013 and is therefore fully insured.

Long-Lived Assets

The carrying value of long-lived assets are reviewed by management for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Retirement Plan

The Organization participates in a retirement program (tax deferred annuity arrangement) under Internal Revenue Code Section 403(b) which allows eligible employees to set aside a portion of their salaries on a pre-tax basis.

NOTES TO FINANCIAL STATEMENTS

Note 1. The Organization and Its Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure 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. In the opinion of the Organization's management, such differences would not be significant.

Note 2. Grants Receivable

The Organization records grants receivable at their net realizable value. Management believes all grants receivable at December 31, 2014 and 2013 are fully collectible.

Note 3. Line of Credit

The Organization has a line of credit arrangement with Fulton Bank with a maximum borrowing amount of \$25,000. The line of credit bears interest at 4% and is secured by a certificate of deposit. Borrowings under this arrangement for the years ended December 31, 2014 and 2013 totaled \$0 and \$5,000, respectively.

Note 4. Operating Leases

During 2013, the Organization entered into a yearly operating lease for office space in Georgetown, Delaware. Rental expense for this lease totaled \$8,150 and \$3,250 for the years ended December 31, 2014 and 2013, respectively.

Note 5. Commitments and Contingencies

The Organization receives a substantial amount of its support from Federal, State, and local agencies. A significant reduction in the level of this support would have a negative effect on the Organization's programs and activities.

Note 6. Fundraising Costs

The Organization follows ASC 958 *Not-for-Profit Entities*. The Organization holds its primary fundraising event every other year and also sends out mailings that may contain appeals for contributions.

Note 7. Unconditional Promises to Give

The Organization received unconditional promises to give through their annual Radiothon fundraiser. Amounts receivable were \$6,745 and \$16,696 at December 31, 2014 and 2013, respectively.

Note 8. Subsequent Events and Date of Management's Review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 16, 2015, the date that the financial statements were available to be issued.