



AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED SEPTEMBER 30, 2014

AYUDA, INC.

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FINANCIAL STATEMENTS



**FOR THE YEAR ENDED SEPTEMBER 30, 2014
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2013**

AYUDA, INC.

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GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Ayuda, Inc.
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of Ayuda, Inc., which comprise the statement of financial position as of September 30, 2014, and the related statements of activities and change in net assets, functional expenses 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 Ayuda, Inc. as of September 30, 2014, and the change 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.

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Report on Summarized Comparative Information

We have previously audited Ayuda, Inc.'s 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 1, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on pages I-(14 - 15), as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 January 28, 2015 on our consideration of Ayuda, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Ayuda, Inc.'s internal control over financial reporting and compliance.



January 28, 2015

AYUDA, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 257,136	\$ 285,205
Grants receivable (Note 2)	504,466	361,839
Pledges receivable, net of allowance for doubtful accounts (Note 3)	22,293	-
Prepaid expenses	<u>25,044</u>	<u>28,415</u>
Total current assets	<u>808,939</u>	<u>675,459</u>
FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS		
Furniture, equipment and leasehold improvements (Note 7)	89,689	80,161
Less: Accumulated depreciation and amortization	<u>(61,699)</u>	<u>(55,980)</u>
Net furniture, equipment and leasehold improvements	<u>27,990</u>	<u>24,181</u>
OTHER ASSETS		
Deposits and other assets	28,384	28,384
Pledges receivable, net of current maturities and allowance for doubtful accounts (Note 3)	<u>59,224</u>	<u>-</u>
Total other assets	<u>87,608</u>	<u>28,384</u>
TOTAL ASSETS	<u>\$ 924,537</u>	<u>\$ 728,024</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Capital lease (Note 7)	\$ 5,913	\$ 2,796
Accounts payable and accrued liabilities	43,163	52,484
Accrued salaries and other payroll liabilities	<u>25,512</u>	<u>25,951</u>
Total current liabilities	<u>74,588</u>	<u>81,231</u>
LONG-TERM LIABILITIES		
Capital lease, net of current portion (Note 7)	6,631	4,193
Deferred rent (Note 7)	<u>113,921</u>	<u>102,183</u>
Total long-term liabilities	<u>120,552</u>	<u>106,376</u>
Total liabilities	<u>195,140</u>	<u>187,607</u>
NET ASSETS		
Unrestricted	274,988	183,623
Temporarily restricted (Note 5)	<u>454,409</u>	<u>356,794</u>
Total net assets	<u>729,397</u>	<u>540,417</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 924,537</u>	<u>\$ 728,024</u>

See accompanying notes to financial statements.

AYUDA, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
REVENUE				
Foundation grants	\$ 122,281	\$ 607,800	\$ 730,081	\$ 634,906
Government grants	717,767	111,000	828,767	871,344
Program service fees	693,379	-	693,379	419,834
In-kind contributions (Note 9)	1,514,650	-	1,514,650	2,265,232
Contributions	201,758	-	201,758	81,046
Indirect contributions	19,748	-	19,748	26,448
Special events	50,788	-	50,788	114,740
Miscellaneous	483	-	483	380
Net assets released from donor imposed restrictions (Note 6)	621,185	(621,185)	-	-
Total revenue	3,942,039	97,615	4,039,654	4,413,930
EXPENSES				
Program Services	3,490,971	-	3,490,971	3,797,190
General and Administrative	172,910	-	172,910	332,273
Fundraising	186,793	-	186,793	203,862
Total expenses	3,850,674	-	3,850,674	4,333,325
Change in net assets	91,365	97,615	188,980	80,605
Net assets at beginning of year	183,623	356,794	540,417	459,812
NET ASSETS AT END OF YEAR	\$ 274,988	\$ 454,409	\$ 729,397	\$ 540,417

AYUDA, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	2014			2013	
	Program Services	General and Administrative	Fundraising	Total Expenses	Total Expenses
Salaries	\$ 1,040,455	\$ 82,872	\$ 104,948	\$ 1,228,275	\$ 1,168,509
Fringe benefits and taxes	146,467	8,390	15,999	170,856	167,357
Travel	8,360	3,868	2,662	14,890	15,233
Professional services	157,286	8,080	10,980	176,346	85,165
Accounting/audit	33,788	2,786	2,666	39,240	35,322
Technology support	20,818	1,483	1,777	24,078	26,179
Emergency fund	211,898	-	-	211,898	142,269
Equipment expense	11,969	1,304	1,098	14,371	15,361
Supplies	21,278	1,822	1,023	24,123	21,566
Dues and subscriptions	7,463	925	3,609	11,997	11,841
Interpreter fees	77,969	-	-	77,969	79,051
Insurance	18,856	2,043	814	21,713	20,682
Occupancy (Note 7)	176,158	37,910	13,260	227,328	214,101
Postage and delivery	9,475	898	1,400	11,773	11,092
Printing and advertising	3,513	353	700	4,566	7,716
Interest	-	640	-	640	308
Telephone and fax	19,808	6,566	1,611	27,985	20,318
Training and development	7,873	-	23,050	30,923	7,554
Depreciation and amortization	2,361	3,166	193	5,720	4,209
Licenses and permits	465	1,825	722	3,012	5,762
In-kind contributions (Note 9)	1,514,369	-	281	1,514,650	2,265,232
Loss on disposal of furniture and equipment	-	-	-	-	1,636
Miscellaneous	342	7,979	-	8,321	6,862
TOTAL	\$ 3,490,971	\$ 172,910	\$ 186,793	\$ 3,850,674	\$ 4,333,325

AYUDA, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2014
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 188,980	\$ 80,605
Adjustments to reconcile in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	5,719	4,209
Loss on disposal of furniture and equipment	-	1,636
(Increase) decrease in:		
Grants receivable	(142,627)	(19,262)
Pledges receivable	(81,517)	-
Prepaid expenses	3,371	14,265
Deposits and other assets	-	824
(Decrease) increase in:		
Accounts payable and accrued liabilities	(9,321)	14,227
Accrued salaries and other payroll liabilities	(439)	(8,024)
Deferred rent	<u>11,738</u>	<u>30,657</u>
Net cash (used) provided by operating activities	<u>(24,096)</u>	<u>119,137</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	<u>-</u>	<u>(2,656)</u>
Net cash used by investing activities	<u>-</u>	<u>(2,656)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease	<u>(3,973)</u>	<u>(1,398)</u>
Net cash used by financing activities	<u>(3,973)</u>	<u>(1,398)</u>
Net (decrease) increase in cash and cash equivalents	(28,069)	115,083
Cash and cash equivalents at beginning of year	<u>285,205</u>	<u>170,122</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 257,136</u>	<u>\$ 285,205</u>
SUPPLEMENTAL INFORMATION:		
Interest Paid	<u>\$ 640</u>	<u>\$ 308</u>
Capital Lease Obligation Incurred for Purchase of Furniture and Equipment	<u>\$ 9,528</u>	<u>\$ 8,387</u>

AYUDA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

Ayuda, Inc. is a not-for-profit organization, incorporated under the laws of the District of Columbia, providing legal, advocacy, empowerment and educational services that benefit low-income Latino and foreign-born families in the Washington, D.C. metropolitan area. These activities are funded primarily through foundation grants and public contributions.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Ayuda, Inc.'s financial statements for the year ended September 30, 2013, from which the summarized information was derived.

Cash and cash equivalents -

Ayuda, Inc. considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, Ayuda, Inc. maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Grants and pledges receivable -

Grants receivable approximate fair value. Management considers all amounts to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

Pledges receivable are stated at actual amounts, which approximate fair value. Pledges receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. The allowance for doubtful accounts has been determined based a percentage of the total amount due.

Furniture, equipment and leasehold improvements -

Furniture, equipment and leasehold improvements are stated at cost. Furniture and equipment are depreciated on a straight-line basis over the estimated useful life of the related assets, generally five years. Leasehold improvements are amortized over the remaining life of the lease. Depreciation and amortization expense for the year ended September 30, 2014 totaled \$5,719.

Ayuda, Inc. capitalizes all items over \$1,000, except purchases made with Federal funds, which are expensed as incurred. The cost of maintenance and repairs is recorded as expenses are incurred.

AYUDA, INC.

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

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

Uncertain tax positions -

For the year ended September 30, 2014, Ayuda, Inc. has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Income taxes -

Ayuda, Inc. is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. Ayuda, Inc. is not a private foundation.

Net asset classification -

The net assets of Ayuda, Inc. are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operations of Ayuda, Inc. and include both internally designated and designated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by actions of Ayuda, Inc. and/or passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Contributions and grants -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such funds in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Ayuda, Inc. receives funding under grants and contracts from the U.S. Government. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Expenditures under government grants and contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these grants and contracts, Ayuda, Inc. will record such disallowances at the time the final assessment is made.

AYUDA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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

Use of estimates -

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

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

2. GRANTS RECEIVABLE

Grants receivable consist of grants received from various foundations, government agencies and individuals. All receivables are collectable within one year and are considered fully collectable.

3. PLEDGES RECEIVABLE

Ayuda, Inc. has received pledges to be paid over the next several years. The pledges have been appropriately discounted using an interest rate of 3.25%.

The following is a summary of pledges receivable as September 30, 2014:

<u>Year Ending September 30,</u>	<u>Total</u>	<u>Allowance for Uncollectible Pledges</u>	<u>Discount to Present Value</u>	<u>Net</u>
2015	\$ 23,465	\$ 3,003	\$ -	\$ 20,462
2016	24,136	1,207	1,325	21,604
2017	22,849	1,142	1,714	19,993
2018	14,549	727	981	12,841
2019	<u>7,899</u>	<u>395</u>	<u>887</u>	<u>6,617</u>
	<u>\$ 92,898</u>	<u>\$ 6,474</u>	<u>\$ 4,907</u>	<u>\$ 81,517</u>

4. LINE OF CREDIT

Ayuda, Inc. has a \$100,000 bank line of credit, which matures September 8, 2014. Amounts borrowed under this agreement bear interest at the bank's prime rate plus 4.75% (7.75% at September 30, 2014). There was no outstanding balance on the line of credit as of September 30, 2014. The line is secured by cash held in accounts at the same financial institution.

AYUDA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at September 30, 2014:

Program Services	\$ 169,748	
General Support - Time Restricted	284,661	
	\$ 454,409	

6. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor-imposed restrictions by incurring expenses or by the passage of time, which satisfied the restricted purposes specified by the donors:

Program Services	\$ 293,023	
General Support - Passage of Time	328,162	
	\$ 621,185	

7. LEASE COMMITMENTS

Ayuda, Inc. entered into a ten-year lease agreement, commencing August 7, 2011, for its Washington, D.C. office. Base rent starts with monthly installments of \$12,104, plus its share of operating expenses, and increases by 4% each anniversary date.

During 2013, Ayuda, Inc. entered into a new five-year lease agreement, starting in April 2013, for office space in Falls Church, Virginia. Base rent starts with monthly installments of \$4,176, plus its share of operating expenses, and increases by 3% each anniversary date. Ayuda, Inc. received three months of rent abatement at the beginning of this lease.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability in the accompanying Statement of Financial Position.

Rent expense for the year ended September 30, 2014 for both leases totaled \$209,014, and is included in occupancy expense in the accompanying Statement of Functional Expenses.

At September 30, 2014, the future minimum lease payments under these lease agreements are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2015	\$ 216,866
2016	225,017
2017	233,478
2018	213,212
2019	192,409
Thereafter	372,381
	\$ 1,453,363

AYUDA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

7. LEASE COMMITMENTS (Continued)

On April 5, 2013, Ayuda, Inc. entered into a capital lease agreement for the purchase of a phone system for the Virginia office, which expires in March 2016. As of September 30, 2014, the net book value of the leased asset was \$2,996.

During 2014, Ayuda, Inc. entered into a capital lease agreement for the purchase of a phone system for the DC office, which expires in April 2017. As of September 30, 2014, the net book value of the leased asset was \$8,734.

Future minimum lease payments at September 30, 2014 are as follows:

<u>Year Ending September 30,</u>	
2015	\$ 6,675
2016	5,044
2017	<u>2,005</u>
	13,724
Less: Interest	<u>(1,180)</u>
	12,544
Less: Current portion	<u>(5,913)</u>
LONG-TERM PORTION	<u>\$ 6,631</u>

In March 2012, Ayuda, Inc. entered into a five-year operating office equipment lease, commencing in March 2012 and ending in February 2017. Under the terms of the agreement, monthly payments will be the same throughout the term of the lease.

At September 30, 2014, the future minimum lease payments under these operating equipment leases are as follows:

<u>Year Ending September 30,</u>	<u>Amount</u>
2015	\$ 9,086
2016	9,086
2017	<u>1,514</u>
	<u>\$ 19,686</u>

8. RETIREMENT PLAN

Ayuda, Inc. offers a retirement benefit plan through a qualified 403(b) tax-deferred annuity plan covering all eligible employees. Under the plan, Ayuda, Inc. deducts a percentage for the employee's income each pay period, up to the legally allowed limit per the employee's election. The plan permits only employee salary reduction contributions and does not provide for any other contributions by the employer; thus, there was no retirement expense incurred during the year ended September 30, 2014.

AYUDA, INC.

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

9. IN-KIND CONTRIBUTIONS

Ayuda, Inc. receives donated services from attorneys. These contributions are reflected in the financial statements as in-kind contributions, recorded at fair value, and charged to the programs benefited.

10. SUBSEQUENT EVENTS

In preparing these financial statements, Ayuda, Inc. has evaluated events and transactions for potential recognition or disclosure through January 28, 2015, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

AYUDA, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

<u>Federal Granting Agency and Program Title</u>	<u>CFDA or Award Number</u>	<u>Expenditures</u>
U.S Department of Justice - Office of Violence Against Women		
Legal Assistance for Victims	2010-WL-AX-0001	\$ <u>131,417</u>
Total U.S Department of Justice - Office of Violence Against Women		<u>131,417</u>
Government of the District of Columbia - Office of Victims Services, Pass Through from U.S Department of Justice		
Domestic Violence and Sexual Assault Program	16.588	443,000
Emergency and Victim Services Interpreter Bank	2014-CCLA-002	<u>103,350</u>
Total Government of the District of Columbia - Office of Victims Services, Pass Through from U.S Department of Justice		<u>546,350</u>
Government of the District of Columbia - Office of Latino Affairs		
OLA - General	RFA # 22615-14	<u>40,000</u>
Total Government of the District of Columbia - Office of Latino Affairs		<u>40,000</u>
Total Government of the District of Columbia		<u>586,350</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ <u>717,767</u>

AYUDA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of Ayuda, Inc. under programs of the Federal government for the year ended September 30, 2014. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Because the Schedule presents only a selected portion of the operations of Ayuda, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Ayuda, Inc.

Note 2. Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

AYUDA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

- 1). Type of auditor's report issued: **Unmodified**
- 2). Internal control over financial reporting:
- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported
- 3). Noncompliance material to financial statements noted? Yes No

Federal Awards

- 4). Internal control over major programs:
- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported
- 5). Type of auditor's report issued on compliance for major programs: **Unmodified**
- 6). Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No
- 7). Identification of major programs:

<u>Federal Program Title</u>	<u>CFDA or Award Number</u>
Government of the District of Columbia - Office of Victims Services, Pass Through from U.S Department of Justice:	
Domestic Violence and Sexual Assault Program	16.588
Emergency and Victim Services Interpreter Bank	2014-CCLA-002

- 8). Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000**
- 9). Auditee qualified as a low-risk auditee? Yes No

AYUDA, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Section II - Financial Statement Findings

Finding 2014-001 Payroll Allocations

Federal Programs: All

Criteria: Section I of Office of Management and Budget (OMB) Circular A-122, "Cost Principles of Nonprofit Organizations", requires that charges to Federal awards for salaries and wages, whether treated as direct costs or indirect costs, be based on documented payrolls approved by a responsible official of the organization.

Condition: Our control testwork over Ayuda's allocation of salary expense revealed instances where the allocation to the general ledger did not agree to the amount of time worked on each project per the timesheet. It was noted that the total amount of the difference was immaterial.

Questioned Costs: Undetermined

Context, Effect and Cause: By not reviewing the proposed entries to record the allocation of monthly salary expense prior to posting the entries to the general ledger, there exists the potential that salary expense attributable to Ayuda's U.S. Government awards would be misstated.

Recommendation: We recommend that the monthly payroll allocations be reviewed more carefully in the future in order to avoid further errors.

Views of Responsible Officials and Planned Corrective Actions: Ayuda, Inc. has reviewed their monthly payroll procedures to ensure that appropriate controls for payroll allocations are in place. After the three time sheet instances found during the annual audit, but still during fiscal year 2014, revisions were made to the payroll process to tighten controls. Currently, all time sheets are reviewed and approved by the appropriate supervisor. The accountant processes the payroll through an outside payroll service based on the approved time sheets. Both the accountant and controller review the payroll entries in the accounting system and match those to the individual time sheets and payroll reports provided by the payroll service. It should be noted that we do not view this as an ongoing issue, but mistakes made due to minor data entry issues that are now being closely reviewed. We will continue to monitor Ayuda's processes to improve our systems if necessary.

Section III - Federal Award Findings and Questioned Costs (Circular A-133, Section .510)

See Finding 2014-001 in Section II - Financial Statement Findings

Section IV - Prior Year Findings

Finding 2013-001 Payroll

Federal Programs: All

Prior Year Comment: Our current year audit disclosed several instances where employees had worked more than eight (8) hours per day, and they charged the additional time worked to donated time. This donated time can include work performed on other projects or on administrative duties, and it is currently not being recorded in the financial statements. Therefore, time may not be charged based on actual hours worked.

Current Year Status: We noted that Ayuda is no longer charging additional time worked to donated time. We consider this comment to be cleared; however, please refer to finding 2014-001 for our current year comment regarding Ayuda's payroll allocations.

GELMAN, ROSENBERG

& FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



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

Independent Auditor's Report

To the Board of Directors
Ayuda, Inc.
Washington, D.C.

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 Ayuda, Inc. as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Ayuda, Inc.'s basic financial statements, and have issued our report thereon dated January 28, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ayuda, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ayuda, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Ayuda, 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 Ayuda, Inc.'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2014-001, that we consider to be a significant deficiency.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ayuda, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2014-001.

Ayuda, Inc.'s Response to Findings

Ayuda, Inc.'s response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Ayuda, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

We noted certain matters that we reported to management of Ayuda, Inc. in a separate letter dated January 28, 2015.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



January 28, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

To the Board of Directors
Ayuda, Inc.
Washington, D.C.

Report on Compliance for Each Major Federal Program

We have audited Ayuda, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Ayuda, Inc.'s major federal programs for the year ended September 30, 2014. Ayuda, 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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Ayuda, 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Ayuda, 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 Ayuda, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Ayuda, 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 September 30, 2014.

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Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2014-001. Our opinion on each major federal program is not modified with respect to these matters.

Ayuda, Inc.'s response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Ayuda, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Ayuda, 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 Ayuda, 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 OMB Circular A-133, 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 Ayuda, 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Finding 2014-001, that we consider to be a significant deficiency.

Ayuda, Inc.'s response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Ayuda, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Gelman Rosenberg & Freedman

January 28, 2015