

THE JULIO A. MARTINEZ MEMORIAL FUND

FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

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FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

TABLE OF CONTENTS

	<u>Page</u>
1. FINANCIAL STATEMENTS	
INDEPENDENT AUDITOR'S REPORT	3
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS.....	5
STATEMENT OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7

**ROSE BAUM
CERTIFIED PUBLIC ACCOUNTANT
48 LAKE NANUET DRIVE
NANUET, NY. 10954
212-769-3633**

TO THE BOARD OF DIRECTORS OF
THE JULIO A. MARTINEZ MEMORIAL FUND

INDEPENDENT AUDITOR'S REPORT

I have audited the accompanying financial statements of The Julio A. Martinez Memorial Fund (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, 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

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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, I 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.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Julio A. Martinez Memorial Fund as of June 30, 2019, 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.



June 17, 2020
Nanuet, N.Y.

THE JULIO A. MARTINEZ MEMORIAL FUND
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

Current Assets

Cash	\$ 502,768
Pledges Receivable less allowance for doubtful accounts of \$15,000 - Note 3	71,350
Due from Acacia Networks, Inc.	<u>41,530</u>

Total Current Assets 615,648

Long Term Assets

Note Receivable	227,909
Fixed Assets, less accumulated depreciation of \$8,072	<u>5,978</u>

TOTAL ASSETS \$ 849,535

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable and accrued expenses	42,675
Grant Payable	<u>82,480</u>

Total Current Liabilities \$ 125,155

Net Assets 724,380

TOTAL LIABILITIES AND NET ASSETS \$ 849,535

See accompanying notes to the financial statements.

THE JULIO A. MARTINEZ MEMORIAL FUND
STATEMENT OF ACTIVITIES AND NET CHANGES
FOR THE YEAR ENDED JUNE 30, 2019

REVENUE

JMMF Breakfast	\$ 339,100
Other income	-
Interest income	10,362
Total Revenue	349,462

EXPENSES

Management and General	
Accounting Fees	7,000
Total Management and General	7,000

Program Services	
Scholarships	4,141
Grants to Adolescents' Programs	4,000
Grants to Organizations	81,230
Total Program Services	89,371

Fundraising	
Salaries	112,930
Event	53,019
Total Fundraising	165,949

Other Expenses - PASO	41,439
Depreciation	1,404
Bad Debt	15,000
Total Expenses	320,163

Changes in Net Assets	29,299
Net Assets at Beginning of Year	695,081
Net Assets at End of Year	724,380

See accompanying notes to the financial statements.

THE JULIO A. MARTINEZ MEMORIAL FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

Cash Flow from Operating Activities	
Total operating receipts	\$ 381,786
Total operating expenses	<u>256,335</u>
Net cash provided by operating activities	125,451
Cash Flow from Investing Activities	
Purchased Equipment	<u>-</u>
Net cash used in investing activities	-
Cash Flow from Financing Activities	
Note Receivable	-
Mortgage principal payments	<u>-</u>
Net cash used in financing activities	-
Increase in cash	125,451
Cash at Beginning of Year	<u>377,317</u>
Cash at end of Year	<u>\$ 502,768</u>
Reconciliation of net income to net cash provided by operating activities:	
Net income (Loss)	\$ 29,299
Adjustments to reconcile Net income to Net cash provided by operating activities:	
Depreciation	1,404
Bad Debt	15,000
Decrease in Pledges Receivable	32,324
Increase in Liabilities	<u>47,424</u>
	96,152
Net cash provided by operating activities	<u>\$ 125,451</u>

See accompanying notes to the financial statements.

THE JULIO A. MARTINEZ MEMORIAL FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 1 Organization

The Julio A. Martinez Memorial Fund (the Organization) was organized in the State of New York in March 2003 under the Not-For-Profit Corporation Law. It is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code. The Organization is affiliated with Basics, Inc., Promesa, Inc., and Acacia Networks, Inc. and provides services to New York children.

Note 2 Summary of Significant Accounting Policies

Financial Statement Presentation

Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows: Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets consist of investments and otherwise unrestricted amounts that are available for use in carrying out the objectives of the Organization and include those expendable resources which have been designated for special use by the Board of Directors. None of the Organization's net assets are subject to donor-imposed restrictions.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investment instruments with a maturity of three months or less are considered to be cash equivalents. As of June 30, 2019, there were no cash equivalents.

Concentration of Credit Risk

The Organization maintains cash in a bank deposit account, which, at times, may exceed federally insured limits. Management has not experienced any losses in such account. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

THE JULIO A. MARTINEZ MEMORIAL FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 2 Summary of Significant Accounting Policies (continued)

Fixed Assets

Fixed Assets are recorded at cost. Equipment is capitalized, whereas costs of maintenance and repair are charged to expense as incurred. Depreciation is provided for using the straight line method over the estimated useful lives of the related assets.

Income Taxes

The Organization is a federal tax exempt organization under Section 501 (c) (3) of the Internal Revenue Code, therefore no federal tax is accrued or paid. The Organization's Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the IRS, generally for three years after it is filed.

Note 3 Pledges Receivable

Pledges receivable represents amounts pledged to the Organization as of June 30, 2019. The Organization uses an allowance for doubtful accounts to determine uncollectible pledges. The allowance is based on management's analysis and specific identification of pledges.

Note 4 Note Receivable

On December 16, 2015, the Organization loaned \$200,000 to a not-for-profit related party for the purpose of a building purchase. The loan was approved by the Board of Directors. Subsequently, on September 17, 2016, a promissory note was entered whereby The Promesa Residential Health Care Facility, Inc. promises to pay the principal amount of \$200,000, with interest payable on the unpaid principal at the rate of 5% per annum. The note will be repaid in full on September 17, 2021.

Note 5 Subsequent Events

Subsequent events have been evaluated through June 17, 2020, which is the date the financial statements were available to be issued. As a result of the spread of COVID-19 coronavirus, economic uncertainties and business disruptions have arisen which may negatively impact fundraising revenue and program expenses. However, the related financial impact and the duration cannot be reasonably estimated at this time.

Note 6 Related Party

See Note 4 above for information pertaining to related party Note Receivable.

THE JULIO A. MARTINEZ MEMORIAL FUND
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Note 6 Related Party - continued

Included in Revenue JMMF Breakfast is \$20,000 from a related party affiliate.

Included in grants to organizations, a grant of \$50,000 was awarded and paid by a related party affiliate. Based on approval of the Board of Directors, the Organization accepted the grant and reimbursed the related party affiliate. This grant was for the express purpose of the Organization in providing programs and services for New York children.

Included in fundraising expense is \$112,930 in salary and benefits for services provided by the special events manager and other employees. The employees are employed by Basics, Inc., an affiliate. Salary is a fixed amount and is paid monthly. In fiscal year ended 2019, the Board of Directors reviewed salaries paid in the previous year and determined to reallocate a portion of the salaries. As a result of this reallocation the Organization has a Due from Acacia Networks, Inc. of \$41,530.

Included in Other expenses – PASO is \$41,439 for contracted services of which approximately \$26,000 is included in Accounts Payable, for shared service costs. A shared service agreement is in place between the Organization and Promesa Administrative Service Organization (PASO). These costs are recognized based on a value ratio method allocation across affiliated organizations mandated by NYSOASAS as calculated by Acacia Networks, Inc., invoiced and paid monthly.

Further, management responsibilities related to accounting and financial statements are performed by the Controller of Basics Inc., and financial statement review is performed by management of Basics, Inc. and Acacia Networks, Inc., affiliates of the Organization. There is no compensation recognized related to these services.