

CASA LATINA
(A WASHINGTON NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2018 AND 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Casa Latina

Report on the Financial Statements

We have audited the accompanying financial statements of Casa Latina (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

Auditors' 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 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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casa Latina as of December 31, 2018 and 2017, 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 June 10, 2019 on our consideration of Casa Latina'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 Casa Latina's internal control over financial reporting and compliance.

Finney, Neill & Company, P.S.

June 10, 2019
Seattle, Washington

CASA LATINA
STATEMENTS OF FINANCIAL POSITION
December 31, 2018 and 2017

Assets	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 766,318	495,232
Grants receivable	97,242	137,384
Accounts receivable	5,735	3,579
Pledges receivable, current	161,281	108,835
Cash held for other organizations	26,098	-
Worker funds	7,634	11,108
Prepays and deposits	<u>5,336</u>	<u>15,943</u>
Total current assets	<u>1,069,644</u>	<u>772,081</u>
Property, equipment, and other:		
Land	1,154,303	1,154,303
Building and improvements	3,776,712	3,776,712
Equipment	96,720	96,721
Software	120,619	120,619
Furniture and fixtures	46,289	46,289
Less: accumulated depreciation and amortization	<u>(884,387)</u>	<u>(786,180)</u>
	<u>4,310,256</u>	<u>4,408,464</u>
Pledges, net of current portion	<u>50,425</u>	<u>100,000</u>
Total assets	<u>\$ 5,430,325</u>	<u>5,280,545</u>
 Liabilities and Net Assets 		
Current liabilities:		
Accounts payable	\$ 26,433	45,109
Payroll liabilities	90,274	72,786
Deferred revenues	73,967	10,530
Funds held for other organizations	25,852	-
Other current liabilities	17,396	16,664
Accrued interest	994	868
Notes payable, current portion	<u>36,311</u>	<u>63,362</u>
Total current liabilities	271,227	209,319
Long term liabilities:		
Notes payable, long-term, net	<u>456,757</u>	<u>480,270</u>
Total liabilities	<u>727,984</u>	<u>689,589</u>
Net assets:		
Without donor restrictions	3,823,760	3,705,669
With donor restrictions	878,581	885,287
Total net assets	<u>4,702,341</u>	<u>4,590,956</u>
Total liabilities and net assets	<u>\$ 5,430,325</u>	<u>5,280,545</u>

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

CASA LATINA
STATEMENT OF ACTIVITIES
Year ended December 31, 2018

	Without donor restrictions	With donor restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Support and revenue			
Government grants	\$ 775,187	-	775,187
Foundation grants	254,417	111,081	365,498
Contributions	374,795	-	374,795
United Way	97,500	-	97,500
Event revenue, net of direct benefits of \$80,034	108,141	-	108,141
In-kind revenue	29,900	-	29,900
Rental income	46,750	-	46,750
Fees for service	86,826	-	86,826
Other income	2,078	-	2,078
Net assets released from restrictions	<u>117,787</u>	<u>(117,787)</u>	<u>-</u>
Total support and revenue	<u>1,893,381</u>	<u>(6,706)</u>	<u>1,886,675</u>
 Expenses:			
Program	1,304,659	-	1,304,659
Management and general	252,154	-	252,154
Fundraising	<u>218,477</u>	<u>-</u>	<u>218,477</u>
Total expenses	<u>1,775,290</u>	<u>-</u>	<u>1,775,290</u>
Increase (decrease) in net assets	118,091	(6,706)	111,385
Net assets - beginning of year	<u>3,705,669</u>	<u>885,287</u>	<u>4,590,956</u>
Net assets - end of year	<u><u>\$ 3,823,760</u></u>	<u><u>878,581</u></u>	<u><u>4,702,341</u></u>

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

CASA LATINA
STATEMENT OF ACTIVITIES
Year ended December 31, 2017

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Government grants	\$ 647,602	-	647,602
Foundation grants	234,671	200,000	434,671
Capital campaign revenue	68,825	-	68,825
Contributions	363,788	1,686	365,474
United Way	70,000	-	70,000
Event revenue, net of direct benefits of \$108,253	184,927	-	184,927
In-kind revenue	9,300	-	9,300
Rental income	44,704	-	44,704
Fees for service	75,583	-	75,583
Other income	2,330	-	2,330
Net assets released from restrictions	202,811	(202,811)	-
Total support and revenue	1,904,541	(1,125)	1,903,416
Expenses:			
Program	1,092,388	-	1,092,388
Management and general	304,481	-	304,481
Fundraising	286,078	-	286,078
Total expenses	1,682,947	-	1,682,947
Increase (decrease) in net assets	221,594	(1,125)	220,469
Net assets - beginning of year	3,484,075	886,412	4,370,487
Net assets - end of year	\$ 3,705,669	885,287	4,590,956

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

CASA LATINA
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2018

	Program	Management and General	Fundraising	Total
Payroll and related costs	\$ 884,137	188,958	141,206	1,214,301
External contractors	92,151	200	20,000	112,351
Services, in-kind	29,900	-	-	29,900
Occupancy	39,401	4,931	2,385	46,717
Supplies	38,865	3,257	4,875	46,997
Operations	42,535	5,570	2,532	50,637
Professional services	17,055	20,105	15,374	52,534
Event expenses, other than direct benefits	330	4,884	18,610	23,824
Travel	31,692	1,067	271	33,030
Insurance	15,692	2,055	934	18,681
Interest	13,630	1,785	811	16,226
Bad debt	-	2,144	-	2,144
Other operating costs	16,777	6,395	6,569	29,741
Depreciation and amortization	82,494	10,803	4,910	98,207
	<u>\$ 1,304,659</u>	<u>252,154</u>	<u>218,477</u>	<u>1,775,290</u>

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

CASA LATINA
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2017

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 561,745	192,234	159,628	913,607
Employee benefits	66,638	20,938	16,952	104,528
Payroll taxes	47,641	16,303	13,538	77,482
External contractors	77,221	22,600	500	100,321
Services, in-kind	-	9,300	-	9,300
Occupancy	54,119	9,153	3,106	66,378
Supplies	27,579	2,331	7,295	37,205
Operations	20,224	3,230	17,960	41,414
Professional services	28,448	3,725	12,888	45,061
Event expenses, other than direct benefits	-	1,009	36,669	37,678
Travel	39,983	1,215	307	41,505
Insurance	14,939	1,956	889	17,784
Interest	18,289	2,395	1,089	21,773
Bad debt	-	60	-	60
Other operating costs	16,236	2,406	8,154	26,796
Depreciation and amortization	119,326	15,626	7,103	142,055
	<u>\$ 1,092,388</u>	<u>304,481</u>	<u>286,078</u>	<u>1,682,947</u>

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

CASA LATINA
STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash and Cash Equivalents
Years ended December 31, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 111,385	220,469
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	99,244	143,092
(Increase) decrease in assets:		
Grants and pledges receivable	37,272	14,213
Accounts receivable	(2,156)	(3,279)
Cash held for others	(22,624)	(1,011)
Prepays and deposits	10,607	(10,426)
Increase (decrease) in liabilities:		
Accounts payable	(18,676)	(18,935)
Other accrued liabilities	107,635	8,360
Net cash provided (used) by operating activities	322,687	352,483
Cash flows from investing activities:		
Purchase of land, building, and equipment	-	(32,095)
Net cash provided (used) by investing activities	-	(32,095)
Cash flows from financing activities:		
Payments on long-term debt	(51,601)	(130,033)
Net cash provided (used) by financing activities	(51,601)	(130,033)
Net increase (decrease) in cash	271,086	190,355
Cash and cash equivalents at beginning of year	495,232	304,877
Cash and cash equivalents at end of year	\$ 766,318	495,232
SUPPLEMENTAL DISCLOSURE OF CASHFLOW INFORMATION		
Cash paid for interest	\$ 15,063	23,280

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

CASA LATINA
Notes To Financial Statements
Years Ended December 31, 2018 and 2017

NOTE 1 – NATURE OF ORGANIZATION

Casa Latina (the Organization) is a not-for-profit, 501(c)(3) organization formed in 1995. As a vibrant, immigrant worker rights organization, Casa Latina empowers low-wage Latino immigrants to move from economic insecurity to economic prosperity and to lift their voices to take action around public policy issues that affect them. Our vision is for the Latino community to participate fully in the economy and democracy of this country.

Casa Latina serves working age (18+) Latino immigrants, the majority of whom work as day laborers and domestic workers—the positions low wage Latino immigrants are most likely to fill after reaching the US. In 2018 and 2017, 72% and 58% of participants were men, 24% and 39% were women, and 4% and 3% were LGBTQ, respectively.

Casa Latina strives to provide culturally relevant programs that are applicable to the lived experiences of the Latino day laborers and domestic workers we serve. We use the popular education model of collective leadership to design programs that draw directly from our members' stories and needs. Our programs are built around three pillars: Employment, Education, and Community Organizing. Current programs include:

Employment

The Day Worker Center, Casa Latina's hiring hall, connects participants on a daily basis with day labor and domestic work at fair wages. These temporary jobs build a path to more stable employment and provide participants with the financial stability and client-base they need to earn a living and to prepare for their next steps—whether that's finding safe housing, starting full-time work, or building their own business.

Education

Casa Latina offers a variety of classes that help participants develop the skills they need to be more employable, which in turn helps them climb out of poverty.

- English as a Second Language: Free English classes, taught five days a week, help participants navigate everyday life and employment in the United States.
- Workplace Skills: Job skills trainings on topics including moving, gardening, and environmentally safe (“green”) cleaning give participants valuable skills to find and retain work.
- Workplace Safety: Safety trainings keep participants safe on the job and educate them on work place hazards, ergonomics, etc.

Community Organizing

Because Casa Latina believes that those most affected by racial and socioeconomic inequities are those most qualified to propose solutions, members organize and take leadership within Casa Latina and in the community at large. For example:

- Every Friday evening, the women's leadership group Mujeres Sin Fronteras (Women without Borders) meets and provides participants with the opportunity to gain leadership skills and build community. Topics of trainings and discussion include self-esteem building; civil rights; domestic violence; public speaking; women's preventative health care; and household finances.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2018 and 2017

NOTE 1 – NATURE OF ORGANIZATION, continued

Community Organizing, continued

- Casa Latina's worker defense committee educates workers on labor rights and supports victims of wage theft in recovering stolen wages.
- Casa Latina provides know your rights trainings and has created a community-wide plan for rapid response to actions by immigration enforcement. We will continue looking for ways to defend and empower our community in the face of increased anti-immigrant sentiments.

In addition to directly serving the Latino community in King County, Casa Latina has national impact as a model day worker center whose programs, curricula, and operations have been shared and implemented at worker centers throughout the country.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America

Financial statement presentation

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958, *Not-for-profit Entities*. This Topic establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset classes according to donor-imposed restrictions. Accordingly, the net assets of the Organization have been reported as follows:

- *Net assets without donor restrictions* are those currently available at the discretion of the Board for use in the activities of the Organization.
- *Net assets with donor restrictions* are those restricted by donors to be used for certain purposes or in future periods, and consisted of \$878,581 and \$885,287 as of December 31, 2018 and 2017, respectively.

Net assets with donor restrictions are created only by donor-imposed restrictions on the use of funds. All other net assets, including board-designated or appropriated amounts, are reported as part of the net assets without donor restrictions class.

Contributions restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activity and change in net assets as net assets released from restriction.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and cash equivalents

Cash consists of balances held in checking, money market and certificate of deposit accounts. For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

Receivables

The Organization's accounts receivable balances consist primarily of small miscellaneous receivables. Grants receivable balances consist primarily of unsecured receivables. Grant revenues are accrued once they have been earned in accordance with specific contractual terms. Pledges receivable are unconditional promises to give that are recognized as revenues or gains in the period received and as assets, decrease of liabilities, or expenses depending on the form of the benefits received. The Organization has deemed that all accounts, grants, and pledges receivable are collectible, therefore no allowance has been provided.

Funds held for other organizations

During 2018, the Organization entered into agreements with two Organizations to act as their fiscal sponsor. As of December 31, 2018 and 2017, Casa Latina reported \$26,098 and \$0 in cash restricted to use for other organizations, and a liability for these funds held of \$25,852 and \$0, respectively.

Fixed assets and depreciation

Casa Latina capitalizes all expenditures for furniture and equipment in excess of \$3,000. Fixed assets are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, from 3 to 40 years. The estimated service life of the assets for depreciation purposes may be different than their actual economic useful life. Depreciation expense of \$98,207 and \$142,055 was recognized in the years ended December 31, 2018 and 2017, respectively.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense.

Event revenue

The Organization records contribution revenue for a fundraising dinner. Expenses of the event comprising direct benefits to donors are netted against ticket revenue and reported as a separate line item in the statement of activity and change in net assets.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Functional Allocation of Expenses

The costs of providing the programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and related expenses and certain other overhead expenses are allocated based upon a study of time and effort. Occupancy, supplies, and other operating costs are allocated based upon a study of the allocation of square footage of the Organization's property.

Impairment of long-lived assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation techniques. There were no impairment losses recognized for the years ended December 31, 2018 and 2017.

Donated services

The Organization receives donated services; primarily program services. Donated services are recorded at fair value if they create or enhance non-financial assets or if they consist of specialized skills that would have to be purchased if they were not donated. During 2018 and 2017, Casa Latina recognized \$29,900 and \$9,300, respectively, for such donated services. In addition, Casa Latina receives donated time from volunteers that does not meet the requirement above for recognition in the financial statements, but provides valuable service to the Organization. These services include community service, fundraising, and general office assistance. Casa Latina received more than 9,301 and 9,670 hours of such additional donated time in 2018 and 2017, respectively.

Federal income tax status

The Organization is a nonprofit organization and is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Organization accounts for tax positions in accordance with the Recognition and Initial Measurement Sections of the FASB Accounting Standards Codification Topic 740, *Income Taxes*. With few exceptions, Casa Latina is subject to federal and state income tax examinations by tax authorities for the prior three years. Management has reviewed Casa Latina's tax positions and determined there were no uncertain tax positions as of December 31, 2018 and 2017.

The Organization recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended December 31, 2018 and 2017, Casa Latina recognized no income tax related interest or penalties.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2018 and 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Reclassifications

Certain balances in the prior year financial statements may have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no effect on the change in net assets.

Use of estimates in preparation of financial statements

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 or liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Date of management’s review

Subsequent events have been evaluated through June 10, 2019, which is the date the financial statements were available to be issued.

NOTE 3 – LIQUIDITY

The following represents the availability of Casa Latina’s financial assets at December 31:

	<u>2018</u>	<u>2017</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 766,318	495,232
Accounts and grants receivable	102,977	140,963
Pledges receivable	211,706	208,835
Cash held for other organizations	26,098	-
Total	<u>1,107,099</u>	<u>845,030</u>
Less amounts not available for general expenditures within one year:		
Liquid net assets with donor restrictions	(211,706)	(208,412)
Add back: Amounts available for general expenditure in following year:	161,281	108,835
Contractual or donor imposed restrictions on cash	(68,141)	(13,694)
Cash held for other organizations	(26,098)	-
Financial assets available for general expenditures within one year:	<u>\$ 962,435</u>	<u>731,759</u>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, the Organization has financial assets available for general expenditures in the next year of \$962,435 at December 31, 2018.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2018 and 2017

NOTE 3 – LIQUIDITY, continued

Additionally, to help manage unanticipated liquidity needs, the Organization has a committed line of credit with a related party in the amount of \$50,000, which it could draw upon.

NOTE 4 – PLEDGES

Pledges receivable consist of unconditional promises to give by individuals, foundations, and other supporters. All pledges are expected to be realized, therefore there is no allowance for uncollectible pledges. A discount has not been provided for pledges that are expected to be realized in a timeframe greater than one year since the amount is considered immaterial.

Pledges receivable at December 31, 2018 and 2017 are expected to be realized as follows:

	<u>2018</u>	<u>2017</u>
In less than one year	\$ 161,281	108,835
In one to five years	<u>50,425</u>	<u>100,000</u>
	<u>\$ 211,706</u>	<u>208,835</u>

NOTE 5 – LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	<u>2018</u>	<u>2017</u>
Loan payable to Plymouth Congregational Church; quarterly payments of interest only at 2%; secured by a deed of trust on property in Seattle, Washington; all remaining principal and interest due December 31, 2019.	\$ 11,800	40,000
Loan payable to City of Seattle; no interest and loan forgiven at maturity on December 31, 2027, provided Casa Latina satisfies all compliance obligations of loan agreement; secured by a deed of trust on property in King County, WA; total loan available is \$200,000.	200,000	200,000
Loan payable to Pacific Continental Bank; interest rate of 4.81%; principal and interest payments monthly starting April 1, 2014; all remaining principal and interest due March 1, 2024. Secured by a deed of trust on property in Seattle, Washington.	<u>284,615</u>	<u>308,016</u>
	496,415	548,016
Less: debt issuance costs, net of amortization	<u>(3,347)</u>	<u>(4,384)</u>
Notes payable, net	<u>\$ 493,068</u>	<u>543,632</u>

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2018 and 2017

NOTE 5 – LONG-TERM DEBT, continued

Future payments required on loans and notes payable for the years ending December 31, are as follows:

<u>Years ending</u>	<u>Principal Payments</u>
2019	\$ 36,311
2020	25,716
2021	26,981
2022	28,308
2023	29,700
Thereafter	349,399
Total	<u>\$ 496,415</u>

NOTE 6 – LINE-OF-CREDIT

On July 25, 2018, the Organization signed an agreement for a line of credit with a related party for a total of \$50,000. The agreement stipulates an interest rate based on outstanding balances, at 1.0 percent over the lender's prime rate; minimum 6.0 percent, payable monthly. No balance was outstanding at December 31, 2018 and 2017. The line-of-credit matures on August 15, 2019.

NOTE 7 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets of \$878,581 and \$885,287 at December 31, 2018 and 2017, respectively, are restricted for use, including an easement on property owned by the Organization. The easement agreement, with the City of Seattle, requires certain uses of the property for a period of five years. In addition, a grant of \$316,875 from the Department of Commerce is restricted to a specific use through 2022. Under the terms of the forgivable grant agreement, violation of the use restriction will result in immediate repayment of the funds with a 5% annual penalty.

Net assets restricted for use are as follows:

	<u>2018</u>	<u>2017</u>
Subject to the passage of time:		
Pledged future donations	\$ 211,706	208,412
Restrictions on land and property use	666,875	666,875
For use during the year ended December 31, 2018	<u>-</u>	<u>10,000</u>
	<u>\$ 878,581</u>	<u>885,287</u>

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2018 and 2017

NOTE 8 – CONCENTRATIONS, CONTINGENCIES AND COMMITMENTS

Amounts received from grantor agencies are subject to audit and adjustments by the grantor agency. Any disallowed costs, including amounts already collected, may constitute a liability for the Organization. The amounts, if any, of expenditures, which may be disallowed by the grantor, are recorded at the time that such amounts can be reasonably determined, normally upon notification by the government agency.

For the years ended December 31, 2018 and 2017, three funders provided 40% and 47% of the Organization's revenue, respectively. As of December 31, 2018 and 2017, two donors' pledges comprise \$200,000 or 95% and one donor's pledge comprises \$200,000 or 96% of the total pledges receivable, respectively.

NOTE 9 – PENSION PLAN

Casa Latina has a qualified defined contribution pension plan under Internal Revenue Code section 403(b). The Organization's contributions to the plan totaled \$29,831 and \$17,455 for the years ended December 31, 2018 and 2017, respectively.

NOTE 10 – SUBSEQUENT EVENT

In December 2018, the employees of the Organization formed a union under the Office and Professional Employees International Union (OPEIU). Contract negotiations began subsequent to December 31, 2018, and it is not possible to estimate at this time the additional financial commitments, if any, that may result from these discussions.

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

To the Board of Directors
Casa Latina
Seattle, WA

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 Casa Latina (a nonprofit organization), which comprise the statements of financial position as of December 31, 2018, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 10, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Casa Latina'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 Casa Latina's internal control. Accordingly, we do not express an opinion on the effectiveness of Casa Latina'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.

**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*, continued**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Casa Latina's financial statements are free of 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Finney, Hill & Company, P.S.

June 10, 2019
Seattle, Washington

CASA LATINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2018

NONE

CASA LATINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

NONE