

CASA LATINA
(A WASHINGTON NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 August 24, 2021 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.

August 24, 2021
Seattle, Washington

CASA LATINA
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019

Assets	2020	2019
Current assets:		
Cash and cash equivalents	\$ 1,598,971	844,329
Grants receivable	130,598	176,032
Accounts receivable	3,030	5,675
Pledges receivable, current	3,998	54,840
Cash held for other organizations	17,238	17,238
Workers' funds	5,382	7,884
Prepays and deposits	22,028	23,398
Total current assets	1,781,245	1,129,396
Property, equipment, and other:		
Land	1,154,303	1,154,303
Building and improvements	3,782,928	3,776,712
Equipment	113,047	113,047
Software	134,338	120,619
Furniture and fixtures	46,289	46,289
Less: accumulated depreciation and amortization	(1,084,263)	(981,055)
	4,146,642	4,229,915
Pledges receivable, net of current portion	-	125
Total assets	\$ 5,927,887	5,359,436
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 50,775	66,319
Payroll liabilities	131,081	100,948
Deferred revenues	122,997	98,003
Funds held for other organizations	17,238	17,238
Other current liabilities	7,611	21,011
Forgivable PPP loan	294,882	-
Notes payable, current portion	9,736	23,620
Total current liabilities	634,320	327,139
Long term liabilities:		
Notes payable, long-term, net	638,991	432,057
Total liabilities	1,273,311	759,196
Net assets:		
Without donor restrictions	4,122,370	4,028,400
With donor restrictions	532,206	571,840
Total net assets	4,654,576	4,600,240
Total liabilities and net assets	\$ 5,927,887	5,359,436

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

CASA LATINA
STATEMENT OF ACTIVITIES
Year ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Government grants	\$ 873,377	-	873,377
Foundation grants	771,744	-	771,744
Contributions	511,160	15,331	526,491
United Way	132,500	-	132,500
Event revenue, net of direct benefits of \$0	220,329	-	220,329
In-kind revenue	37,600	-	37,600
Rental income	17,170	-	17,170
Fees for service	65,056	-	65,056
Other income	3,730	-	3,730
Net assets released from restrictions	54,965	(54,965)	-
Total support and revenue	2,687,631	(39,634)	2,647,997
Expenses:			
Program	1,856,158	-	1,856,158
Management and general	409,899	-	409,899
Fundraising	327,604	-	327,604
Total expenses	2,593,661	-	2,593,661
Increase (decrease) in net assets	93,970	(39,634)	54,336
Net assets - beginning of year	4,028,400	571,840	4,600,240
Net assets - end of year	\$ 4,122,370	532,206	4,654,576

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

CASA LATINA
STATEMENT OF ACTIVITIES
Year ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Support and revenue			
Government grants	\$ 897,274	-	897,274
Foundation grants	265,735	-	265,735
Contributions	269,358	4,541	273,899
United Way	125,417	-	125,417
Event revenue, net of direct benefits of \$96,765	148,549	-	148,549
In-kind revenue	34,300	-	34,300
Rental income	38,870	-	38,870
Fees for service	100,350	-	100,350
Other income	2,665	-	2,665
Net assets released from restrictions	311,282	(311,282)	-
Total support and revenue	2,193,800	(306,741)	1,887,059
Expenses:			
Program	1,492,276	-	1,492,276
Management and general	243,511	-	243,511
Fundraising	253,373	-	253,373
Total expenses	1,989,160	-	1,989,160
Increase (decrease) in net assets	204,640	(306,741)	(102,101)
Net assets - beginning of year	3,823,760	878,581	4,702,341
Net assets - end of year	\$ 4,028,400	571,840	4,600,240

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

CASA LATINA
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2020

	Program	Management and General	Fundraising	Total
Payroll and related costs	\$ 1,142,351	293,747	195,832	1,631,930
Worker relief funds - COVID19	315,600	-	-	315,600
External contractors	75,563	5,597	46,077	127,237
Services, in-kind	37,600	-	-	37,600
Occupancy	41,414	5,173	2,465	49,052
Supplies	51,147	13,250	409	64,806
Operations	38,484	5,040	2,291	45,815
Professional services	-	56,804	42,938	99,742
Event expenses	3	1,452	2,281	3,736
Travel	29,873	184	202	30,259
Insurance	15,213	1,992	906	18,111
Interest	13,995	1,833	833	16,661
Other operating costs	8,220	13,474	28,210	49,904
Depreciation	86,695	11,353	5,160	103,208
Total expenses	1,856,158	409,899	327,604	2,593,661
Less: Direct benefits to donors	-	-	-	-
Total expenses on Statement of Activities	<u>\$ 1,856,158</u>	<u>409,899</u>	<u>327,604</u>	<u>2,593,661</u>

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

CASA LATINA
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2019

	Program	Management and General	Fundraising	Total
Payroll and related costs	\$ 1,082,898	142,587	166,433	1,391,918
External contractors	90,142	2,202	22,162	114,506
Services, in-kind	31,800	-	2,500	34,300
Occupancy	60,905	7,976	3,625	72,506
Supplies	37,285	11,011	4,854	53,150
Operations	37,819	4,952	2,251	45,022
Professional services	-	45,044	16,140	61,184
Event expenses	640	3,984	105,078	109,702
Travel	23,047	1,281	40	24,368
Insurance	15,740	2,061	937	18,738
Interest	12,192	1,597	726	14,515
Bad debt	-	200	-	200
Other operating costs	18,607	9,983	20,559	49,149
Depreciation	81,201	10,633	4,833	96,667
Total expenses	1,492,276	243,511	350,138	2,085,925
Less: Direct benefits to donors	-	-	(96,765)	(96,765)
Total expenses on Statement of Activities	<u>\$ 1,492,276</u>	<u>243,511</u>	<u>253,373</u>	<u>1,989,160</u>

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

CASA LATINA
STATEMENTS OF CASH FLOWS
Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 54,336	(102,101)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	104,245	97,704
(Increase) decrease in assets:		
Grants and pledges receivable	96,401	77,951
Accounts receivable	2,645	60
Prepays and deposits	1,370	(18,062)
Increase (decrease) in liabilities:		
Accounts payable	(15,544)	39,886
Other accrued liabilities	41,727	28,717
Net cash provided (used) by operating activities	285,180	124,155
Cash flows from investing activities:		
Purchase of improvements and equipment	(19,935)	(16,326)
Net cash provided (used) by investing activities	(19,935)	(16,326)
Cash flows from financing activities:		
Proceeds from forgivable PPP loan	294,882	-
Proceeds from long-term debt	450,000	-
Payments on long-term debt	(257,987)	(38,428)
Net cash provided (used) by financing activities	486,895	(38,428)
Net increase (decrease) in cash, cash equivalents, and restricted cash	752,140	69,401
Cash, cash equivalents, and restricted cash at beginning of year	869,451	800,050
Cash, cash equivalents, and restricted cash at end of year	\$ 1,621,591	869,451
Reconciliation of cash, cash equivalents, and restricted cash:		
Cash and cash equivalents	\$ 1,598,971	844,329
Cash held for other organizations	17,238	17,238
Workers' funds	5,382	7,884
Total cash, cash equivalents, and restricted cash on statement of cash flows:	\$ 1,621,591	869,451
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 16,660	14,471

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

CASA LATINA
Notes To Financial Statements
Years Ended December 31, 2020 and 2019

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 2020 and 2019, 73% and 76% of participants were men, 26% and 23% were women, and 1% and 1% 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.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2020 and 2019

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 \$532,206 and \$571,840 as of December 31, 2020 and 2019, 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, 2020 and 2019

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.

Restricted Cash

Restricted cash balances consist of cash held for other organizations for which Casa Latina is the fiscal sponsor, as well as cash held for the worker members of Casa Latina.

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

The Organization has entered into agreements with two Organizations to act as their fiscal sponsor. As of December 31, 2020 and 2019, Casa Latina reported \$17,238 and \$17,238 in cash restricted to use for other organizations, and a liability for these funds held of \$17,238 and \$17,238, 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 \$103,208 and \$96,667 was recognized in the years ended December 31, 2020 and 2019, 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.

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.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2020 and 2019.

Revenue and Revenue Recognition

The Organization recognizes revenue from classes and events for workers at the time the class or event takes place. Workers' transportation fees are recognized at the time transport is provided. The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place. 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 Activities.

The Organization recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met. Conditional contributions whose conditions are met in the same reporting period as the period in which the contribution was received are recorded as unconditional contributions.

Consequently, at December 31, 2020 and 2019, contributions approximating \$132,335 and \$86,244, respectively, had not been recognized in the accompanying Statement of Activities because the conditions on which they depend had not yet been met.

Restricted Support

The Organization has adopted the FASB Accounting Standards Codification Topic 958, Not-for-profit Entities. In accordance with this Topic, contributions received are recorded without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions.

Contributions received with donor stipulations that limit the use of the donated assets are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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 2020 and 2019, Casa Latina recognized \$37,600 and \$34,300, 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 2,161 and 9,642 hours of such additional donated time in 2020 and 2019, respectively.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2020 and 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2020 and 2019.

The Organization recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended December 31, 2020 and 2019, Casa Latina recognized no income tax related interest or penalties.

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.

Date of management's review

Subsequent events have been evaluated through August 24, 2021, which is the date the financial statements were available to be issued.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2020 and 2019

NOTE 3 – LIQUIDITY

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

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,598,971	844,329
Accounts and grants receivable	133,628	181,707
Pledges receivable	3,998	54,965
Cash held for others, including workers' funds	<u>22,620</u>	<u>25,122</u>
Total	<u>1,759,217</u>	<u>1,106,123</u>
Less amounts not available for general expenditures within one year:		
Liquid net assets with donor restrictions	(15,331)	(54,965)
Add back: Amounts available for general expenditure in following year	15,331	54,840
Board designated operating reserves	(343,246)	(340,828)
Board designated repair and maintenance reserves	(208,462)	-
Contractual or donor imposed restrictions on cash	(133,925)	(88,833)
Cash held for others, including workers' funds	<u>(22,620)</u>	<u>(25,122)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,050,964</u>	<u>651,215</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 \$1,050,964 at December 31, 2020. The Organization’s board of directors has designated a portion of its unrestricted resources for operating and maintenance reserves. Those amounts are identified as board-designated in the table above. These funds remain available and may be spent at the discretion of the board.

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, 2020 and 2019 are expected to be realized as follows:

	<u>2020</u>	<u>2019</u>
In less than one year	\$ 3,998	54,840
In one to five years	<u>-</u>	<u>125</u>
	<u>\$ 3,998</u>	<u>54,965</u>

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2020 and 2019

NOTE 5 – LONG-TERM DEBT

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

	2020	2019
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. Paid in full in December 2020.	-	257,987
Loan payable to Heritage Bank; interest rate of 3.55%; principal and interest payments due monthly starting February 1, 2021; all remaining principal and interest due January 1, 2031. Secured by a deed of trust on land and building improvements in Seattle, Washington.	450,000	-
	650,000	457,987
Less: debt issuance costs, net of amortization	(1,273)	(2,310)
Notes payable, net	\$ 648,727	455,677

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>
2021	\$ 9,736
2022	11,713
2023	12,141
2024	12,544
2025	13,045
Thereafter	590,821
Total	\$ 650,000

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2020 and 2019

NOTE 6 – FORGIVABLE PAYCHECK PROTECTION PROGRAM (PPP) LOAN

In April 2020, the Organization obtained \$294,882 from a Small Business Administration loan under the Paycheck Protection Program (PPP) created as part of the relief efforts related to COVID-19 and administered by the Small Business Administration. The loan accrues interest at 1%, and monthly payments are due beginning in August 2021 in equal installments over an 18-month period. The loan is uncollateralized and fully guaranteed by the federal government. Under the terms of the loan agreement, the loan balance, including any accrued interest, is fully forgivable provided certain conditions are met by the borrower. As of December 31, 2020, the loan balance outstanding was \$294,882.

Subsequent to December 31, 2020, the loan principal and accrued interest were forgiven in full by the Small Business Administration.

NOTE 7 – LINE-OF-CREDIT

On July 25, 2018, the Organization signed an agreement for a line of credit with Heritage Bank, the employer of one of Casa Latina's board members, for a total of \$50,000. The agreement stipulates an interest rate based on outstanding balances, at 1.0 percent over the Wall Street Journal Prime Rate; minimum 4.25 percent, payable monthly. No balance was outstanding at December 31, 2020 and 2019. The line-of-credit matures on August 15, 2021.

NOTE 8 – NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS

In 2019, the Board of Directors established an operating reserve with the objective of setting aside funds to be drawn upon the event of financial distress or an immediate liquidity need. In 2020, the Board of Directors also established a repairs and maintenance reserve with the objective of setting aside funds to complete future significant repair and maintenance projects on the property.

Net assets without donor restrictions are as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Undesignated	\$ 3,570,662	3,687,572
Board designated - repairs and maintenance reserves	208,462	-
Board designated - operating reserves	<u>343,246</u>	<u>340,828</u>
	<u>\$ 4,122,370</u>	<u>4,028,400</u>

Net assets with donor restrictions of \$532,206 and \$571,840 at December 31, 2020 and 2019, respectively, are restricted subject to the passage of time, including an easement on property owned by the Organization. A grant of \$316,875 from the Washington State Department of Commerce contains restrictions on underlying assets 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. In addition, the Organization is subject to a fifteen-year compliance period under the terms of a grant received from King County in 2012 for the construction of their building.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2020 and 2019

NOTE 8 – NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS, continued

Net assets with donor restrictions are as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Subject to the passage of time:		
Pledged future donations and grants	\$ 15,331	54,965
Restrictions on land and property use	<u>516,875</u>	<u>516,875</u>
	<u>\$ 532,206</u>	<u>571,840</u>

NOTE 9 – 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, 2020 and 2019, three grantors provided 29% and 43% of the Organization's total revenue and support, respectively. As of December 31, 2019, one donor's pledge comprised \$50,000 or 91% of total pledges receivable.

NOTE 10 – 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 \$25,830 and \$26,582 for the years ended December 31, 2020 and 2019, respectively.

NOTE 11 – LABOR UNION

In December 2018, the employees of the Organization formed a union under the Office and Professional Employees International Union (OPEIU). During 2020, the Organization entered into a collective bargaining arrangement with OPEIU for the period December 16, 2020 through December 31, 2022, which specifies pay rates, benefits, and rights of union members.

NOTE 12 – IMPACT OF COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization characterized an outbreak of a novel strain of coronavirus (COVID-19) as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. In response to the pandemic, the Organization temporarily suspended some activities, while still maintaining and, in some cases, expanding the Organization's core programs and services to meet the needs of the local Latino community. The Organization also moved some activities to teleconference and remote work, including moving the in-person fundraising events to virtual-only platforms. Future potential impacts may include further changes to availability of state and local government funding and future event and program cancellations or changes. The future effects and potential financial impacts of these events are unknown.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2020 and 2019

NOTE 13 – SUBSEQUENT EVENTS

In 2021, the Executive Director left the Organization. The Board of Directors hired an Interim Executive Director in June 2021 to ensure continuity of operations during the leadership transition. The Organization continues to fully operate and has begun an expansion into a second location in south King County.

In July 2021, the Organization entered into a lease agreement to rent 1,800 square feet of office space in south King County. The lease term ends August 31, 2024, with one additional three-year renewal option. Minimum monthly rents are \$0 for the first two months of the lease, and \$2,925 per month thereafter, increasing annually by 3%.

In July 2021, a complaint was received against the Organization from the City of Seattle Office for Civil Rights, and the Organization is currently complying with all requests for information. While the potential future financial impact of the case cannot be estimated at this time, management does not anticipate significant adverse financial impact to the Organization.

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 statement of financial position as of December 31, 2020, 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 August 24, 2021.

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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Finney, Hill & Company, P.S.

August 24, 2021
Seattle, Washington

CASA LATINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2020

NONE

CASA LATINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

NONE