

CASA LATINA
(A WASHINGTON NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Casa Latina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Casa Latina (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Casa Latina as of December 31, 2021 and 2020, 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.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Casa Latina and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Casa Latina's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITORS' REPORT, continued

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Casa Latina's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Casa Latina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2022 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 the effectiveness of Casa Latina's 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, Hill & Company, P.S.

November 10, 2022
Seattle, Washington

CASA LATINA
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020

Assets	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 1,574,690	1,598,971
Grants receivable	167,071	130,598
Accounts receivable	18,990	3,030
Pledges receivable, current	317,038	3,998
Cash held for other organizations	17,238	17,238
Workers' funds	6,554	5,382
Prepays and deposits	<u>29,836</u>	<u>22,028</u>
Total current assets	<u>2,131,417</u>	<u>1,781,245</u>
Property and equipment:		
Land	1,154,303	1,154,303
Building and improvements	3,782,928	3,782,928
Equipment	113,047	113,047
Software	134,338	134,338
Furniture and fixtures	46,289	46,289
Less: accumulated depreciation and amortization	<u>(1,180,532)</u>	<u>(1,084,263)</u>
	<u>4,050,373</u>	<u>4,146,642</u>
Pledges receivable, net of current portion	<u>338,008</u>	<u>-</u>
Total assets	<u>\$ 6,519,798</u>	<u>5,927,887</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 93,111	50,775
Payroll liabilities	117,542	131,081
Deferred revenues	129,043	122,997
Funds held for other organizations	17,238	17,238
Other current liabilities	12,117	7,611
Forgivable PPP loan	-	294,882
Notes payable, current portion	<u>11,713</u>	<u>23,620</u>
Total current liabilities	380,764	648,204
Long term liabilities:		
Notes payable, long-term, net	<u>628,278</u>	<u>625,107</u>
Total liabilities	<u>1,009,042</u>	<u>1,273,311</u>
Net assets:		
Without donor restrictions	4,323,835	4,122,370
With donor restrictions	<u>1,186,921</u>	<u>532,206</u>
Total net assets	<u>5,510,756</u>	<u>4,654,576</u>
Total liabilities and net assets	<u>\$ 6,519,798</u>	<u>5,927,887</u>

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

CASA LATINA
STATEMENT OF ACTIVITIES
Year ended December 31, 2021

	Without donor restrictions	With donor restrictions	Total
Support and revenue:			
Government grants	\$ 842,369	-	842,369
Foundation grants	955,582	670,046	1,625,628
Contributions	373,176	-	373,176
Event revenue	136,813	-	136,813
In-kind revenue	47,900	-	47,900
Rental income	20,110	-	20,110
Fees for service	95,761	-	95,761
Other income	302,378	-	302,378
Net assets released from restrictions	15,331	(15,331)	-
Total support and revenue	2,789,420	654,715	3,444,135
Expenses:			
Program	1,839,953	-	1,839,953
Management and general	353,457	-	353,457
Fundraising	394,545	-	394,545
Total expenses	2,587,955	-	2,587,955
Increase (decrease) in net assets	201,465	654,715	856,180
Net assets - beginning of year	4,122,370	532,206	4,654,576
Net assets - end of year	\$ 4,323,835	1,186,921	5,510,756

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	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 FUNCTIONAL EXPENSES
Year ended December 31, 2021

	Program	Management and General	Fundraising	Total
Payroll and related costs	\$ 1,289,814	165,360	234,131	1,689,305
Worker relief funds - COVID19	29,460	-	-	29,460
External contractors	117,508	27,809	37,481	182,798
Services, in-kind	47,900	-	-	47,900
Occupancy	65,812	6,209	2,822	74,843
Supplies	68,428	1,130	2,729	72,287
Technology, printing, and postage	16,090	13,327	9,396	38,813
Professional services	64,077	74,976	56,633	195,686
Event expenses	1,290	1,458	13,779	16,527
Travel	20,243	308	350	20,901
Insurance	18,074	2,013	915	21,002
Interest	13,735	1,799	818	16,352
Bad debt	-	30,000	-	30,000
Other operating costs	6,656	18,478	30,678	55,812
Depreciation	80,866	10,590	4,813	96,269
Total expenses	<u>\$ 1,839,953</u>	<u>353,457</u>	<u>394,545</u>	<u>2,587,955</u>

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
Technology, printing, and postage	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	<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
STATEMENTS OF CASH FLOWS
Years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 856,180	54,336
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	97,542	104,245
Loan forgiveness income	(294,882)	-
(Increase) decrease in assets:		
Grants and pledges receivable	(687,521)	96,401
Accounts receivable	(15,960)	2,645
Prepays and deposits	(7,808)	1,370
Increase (decrease) in liabilities:		
Accounts payable	42,336	(15,544)
Other accrued liabilities	(2,987)	41,727
Net cash provided (used) by operating activities	(13,100)	285,180
Cash flows from investing activities:		
Purchase of improvements and equipment	-	(19,935)
Net cash provided (used) by investing activities	-	(19,935)
Cash flows from financing activities:		
Proceeds from forgivable PPP loan	-	294,882
Proceeds from issuance of long-term debt	-	450,000
Payments on long-term debt	(10,009)	(257,987)
Net cash provided (used) by financing activities	(10,009)	486,895
Net increase (decrease) in cash, cash equivalents, and restricted cash	(23,109)	752,140
Cash, cash equivalents, and restricted cash at beginning of year	1,621,591	869,451
Cash, cash equivalents, and restricted cash at end of year	\$ 1,598,482	1,621,591
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash and cash equivalents	\$ 1,574,690	1,598,971
Cash held for other organizations	17,238	17,238
Workers' funds	6,554	5,382
Total cash, cash equivalents, and restricted cash on statement of cash flows	\$ 1,598,482	1,621,591
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	\$ 16,351	16,660

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

CASA LATINA
Notes to Financial Statements
Years Ended December 31, 2021 and 2020

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 2021 and 2020, 70% and 73% of participants were men, 30% and 26% 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 workplace 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, 2021 and 2020

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 \$1,186,921 and \$532,206 as of December 31, 2021 and 2020, 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, 2021 and 2020

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.

Investments

Investments are composed of equity securities and are carried at fair value. It is the Organization's policy to sell equity securities received from donors within thirty days of receipt and to convert the balance to cash and cash equivalents.

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.

Based on management's assessment of the nature of the accounts and pledges receivable and the Organization's historical collection data, the Organization has established their allowance for uncollectible pledges at December 31, 2021 and 2020 at \$30,000 and \$0, respectively. For the long-term pledges receivable, management has recorded a present value discount of \$48,848 and \$0 as of December 31, 2021 and 2020, respectively, calculated using a discount rate of 3.55%, which is the estimated incremental borrowing rate for the Organization.

Funds held for other organizations

The Organization has entered into agreements with two Organizations to act as their fiscal sponsor. As of December 31, 2021 and 2020, 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 \$96,269 and \$103,208 was recognized in the years ended December 31, 2021 and 2020, respectively.

These notes are an integral part of the financial statements.

CASA LATINA

Notes to Financial Statements, continued
Years Ended December 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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, 2021 and 2020.

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, 2021 and 2020, contributions approximating \$349,344 and \$132,335, 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.

These notes are an integral part of the financial statements.

CASA LATINA

Notes to Financial Statements, continued
Years Ended December 31, 2021 and 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Donated services

The Organization receives donated services primarily in the form of 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 2021 and 2020, Casa Latina recognized \$47,900 and \$37,600, 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 3,384 and 2,161 hours of such additional donated time in 2021 and 2020, 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, 2021 and 2020.

The Organization recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended December 31, 2021 and 2020, Casa Latina recognized no income tax related interest or penalties.

Advertising costs

Advertising costs are expensed as incurred. Advertising expense for the years ended December 31, 2021 and 2020 was \$15,259 and \$2,171, respectively.

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 November 10, 2022, which is the date the financial statements were available to be issued.

These notes are an integral part of the financial statements.

CASA LATINA
Notes to Financial Statements, continued
Years Ended December 31, 2021 and 2020

NOTE 3 – LIQUIDITY

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

	<u>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 1,574,690	1,598,971
Accounts and grants receivable	186,061	133,628
Pledges receivable	655,046	3,998
Cash held for others, including workers' funds	<u>23,792</u>	<u>22,620</u>
Total	<u>2,439,589</u>	<u>1,759,217</u>
Less amounts not available for general expenditures within one year:		
Liquid net assets with donor restrictions	(665,046)	(15,331)
Add back: Amounts available for general expenditure in following year	333,894	15,331
Board designated operating reserves	(331,465)	(343,246)
Board designated repair and maintenance reserves	(208,462)	(208,462)
Contractual or donor imposed restrictions on cash	(129,634)	(133,925)
Cash held for others, including workers' funds	<u>(23,792)</u>	<u>(22,620)</u>
Financial assets available for general expenditures within one year	<u>\$ 1,415,084</u>	<u>1,050,964</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 approximately \$1.4 million at December 31, 2021. 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 Heritage Bank 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. An allowance for doubtful pledges has been recorded based on historical collection data. Pledges receivable are presented net of a present value discount on future pledges receivable was estimated using the Organization’s incremental borrowing rate of 3.55% as of December 31, 2021.

CASA LATINA
Notes to Financial Statements, continued
Years Ended December 31, 2021 and 2020

NOTE 4 – PLEDGES, continued

Pledges receivable at December 31, 2021 and 2020 are expected to be realized as follows:

	<u>2021</u>	<u>2020</u>
In less than one year	\$ 333,894	3,998
In one to five years	<u>400,000</u>	<u>-</u>
	733,894	3,998
Less: Allowance for doubtful pledges	(30,000)	-
Less: Discount on future pledges	<u>(48,848)</u>	<u>-</u>
	<u>\$ 655,046</u>	<u>3,998</u>

NOTE 5 – LONG-TERM DEBT

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

	<u>2021</u>	<u>2020</u>
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 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.	<u>439,991</u>	<u>450,000</u>
	639,991	650,000
Less: debt issuance costs, net of amortization	-	(1,273)
Notes payable, net	<u>\$ 639,991</u>	<u>648,727</u>

These notes are an integral part of the financial statements.

CASA LATINA

Notes to Financial Statements, continued
Years Ended December 31, 2021 and 2020

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>
2022	\$ 11,713
2023	12,141
2024	12,544
2025	13,045
2026	13,522
Thereafter	<u>577,026</u>
Total	<u>\$ 639,991</u>

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.

It is the Organization's policy to record forgivable loans as notes payable in the statement of financial position until the conditions for forgiveness are met and accepted by the lender. During 2021, the PPP loan balance was forgiven in its entirety by the Small Business Administration and loan forgiveness income of \$294,882 was recorded as Other Income in the statement of activities. As of December 31, 2021 and 2020, the PPP loan balance outstanding was \$0 and \$294,882.

NOTE 7 – LINE-OF-CREDIT

On October 26, 2021, 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, 2021 and 2020. The line-of-credit matures on October 14, 2022.

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.

These notes are an integral part of the financial statements.

CASA LATINA

Notes to Financial Statements, continued
Years Ended December 31, 2021 and 2020

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

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

	<u>2021</u>	<u>2020</u>
Undesignated	\$ 3,783,908	3,779,124
Board designated - repairs and maintenance reserves	208,462	208,462
Board designated - operating reserves	331,465	343,246
	<u>\$ 4,323,835</u>	<u>4,330,832</u>

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

	<u>2021</u>	<u>2020</u>
Subject to the passage of time:		
Pledged future donations and grants	\$ 655,046	15,331
Restrictions on land and property use	516,875	516,875
	<u>1,171,921</u>	<u>532,206</u>
Subject to purpose restriction:		
Vaccine equity	5,000	-
English speaking classes	10,000	-
	<u>15,000</u>	<u>-</u>
	<u>\$ 1,186,921</u>	<u>532,206</u>

Restrictions on land and property use include a grant of \$316,875 from the Washington State Department of Commerce restricting 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 \$200,000 grant received from King County in 2012 for the construction of their building.

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, 2021 and 2020, two grantors provided 29% and three grantors provided 29% of the Organization's total revenue and support, respectively. As of December 31, 2021, two donors' pledges comprised 82% of total pledges receivable.

These notes are an integral part of the financial statements.

CASA LATINA

Notes to Financial Statements, continued
Years Ended December 31, 2021 and 2020

NOTE 9 – CONCENTRATIONS, CONTINGENCIES, AND COMMITMENTS, continued

Contingent Liability

In January 2022, a lawsuit was filed and served against Casa Latina and two former employees of Casa Latina. The complaint, captioned *Lucina Carillo and Ana Torres v. Casa Latina, et. al.*, King County Superior Court Cause No. 22-2-00382-1 SEA, was filed on January 6, 2022. The lawsuit alleges Casa Latina mishandled sexual harassment claims and discriminated against plaintiff Torres for protesting Casa Latina’s conduct in those claims.

To date, the Organization has been represented on the complaint by legal counsel who has answered the complaints in the lawsuit and also responded to discovery requests issued by the plaintiffs. The parties are still in the factual investigation stage of the lawsuit and no depositions have yet commenced, and the lawsuit is currently stayed by the Court pending the resolution of a matter related to another named party in the lawsuit. Because the complaints are in the early stages of discovery, it is unclear whether the plaintiffs will have enough evidence to withstand motions for dismissal of all claims. Moreover, Casa Latina believes it has a number of solid defenses to the lawsuit and will vigorously defend itself against all claims.

The Organization has determined that it cannot reasonably estimate a potential loss or range of loss as a result of the lawsuit.

The Organization continues to maintain liability insurance coverage within varying limits and deductibles. Liability insurance held by the Organization covers legal defense costs and damages for covered claims.

NOTE 10 – LEASES

In July 2021, the Organization entered into an operating lease agreement to lease office space in south King County. Monthly lease payments under this agreement are \$2,925, increasing annually, and the lease terminates on August 31, 2024. The lease includes one three-year renewal option. Lease expense for the years ended December 31, 2021 and 2020 was \$14,040 and \$0, respectively.

Future minimum lease payments under the office lease are as follows for the years ending December 31:

2022	\$ 35,628
2023	36,696
2024	<u>25,010</u>
Total	<u>\$ 97,334</u>

The Organization leases portions of its property to other local organizations. These leases are month-to-month or on a per-use basis. Total rental income resulting from these leases for the years ended December 31, 2021 and 2020 was \$20,110 and \$17,170, respectively.

These notes are an integral part of the financial statements.

CASA LATINA

Notes to Financial Statements, continued
Years Ended December 31, 2021 and 2020

NOTE 11 – 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 \$26,613 and \$25,830 for the years ended December 31, 2021 and 2020, respectively.

NOTE 12 – 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 13 – 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. 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 in 2020 and 2021. 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.

NOTE 14 – SUBSEQUENT EVENTS

The lawsuit described in Note 10 was filed in January 2022.

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, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2022.

Report on 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**

Report on 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.

November 10, 2022
Seattle, Washington

CASA LATINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2021

NONE

CASA LATINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

NONE