CASA LATINA

(A WASHINGTON NONPROFIT CORPORATION)

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2022 AND 2021

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FINNEY, NEILL & COMPANY, P.S.
CERTIFIED PUBLIC ACCOUNTANTS

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, 2022 and 2021, 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, 2022 and 2021, 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. 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2022 the Organization adopted FASB ASC 842, *Leases*. Our opinion is not modified with respect to that matter.

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 will always detect a material misstatement when it exists.

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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.

In performing an audit in accordance with generally accepted 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.

Finney, Neill & Company, P.S.

August 16, 2023
Seattle, Washington

CASA LATINA
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents	$ 1,147,251	1,574,690
Investments	75,600	-
Grants receivable	271,936	167,071
Accounts receivable	4,480	18,990
Pledges receivable, current	265,461	317,038
Cash held for other organizations	17,238	17,238
Workers' funds	10,312	6,554
Prepaids and deposits	24,393	29,836
Total current assets	1,816,671	2,131,417
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	(1,281,263)	(1,180,532)
Total property and equipment, net	3,949,642	4,050,373
Right-of-use lease asset	58,629	-
Pledges receivable, net of current portion	173,325	338,008
Total assets	$ 5,998,267	6,519,798
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	$ 105,325	93,111
Payroll liabilities	135,049	117,542
Deferred revenues	12,450	129,043
Funds held for other organizations	17,238	17,238
Other current liabilities, as restated	101,455	83,567
Lease liability, current portion	34,760	-
Notes payable, current portion	12,141	11,713
Total current liabilities	418,418	452,214
Long term liabilities:		
Lease liability, net of current portion	23,869	-
Notes payable, long-term, net of current portion	616,128	628,278
Total liabilities	1,058,415	1,080,492
Net assets:		
Without donor restrictions	3,932,991	4,252,385
With donor restrictions	1,006,861	1,186,921
Total net assets	4,939,852	5,439,306
Total liabilities and net assets	$ 5,998,267	6,519,798

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

CASA LATINA
STATEMENT OF ACTIVITIES
Year ended December 31, 2022

	Without donor restrictions	With donor restrictions	Total
Support and revenue:			
Government grants	$ 804,124	-	804,124
Foundation grants	1,033,763	133,518	1,167,281
Contributions	277,500	-	277,500
Event revenue	138,621	-	138,621
In-kind revenue	32,390	-	32,390
Rental income	23,670	-	23,670
Fees for service	91,826	-	91,826
Other income (loss)	(21,712)	-	(21,712)
Net assets released from restrictions	313,578	(313,578)	-
Total support and revenue	2,693,760	(180,060)	2,513,700
Expenses:			
Program	1,871,258	-	1,871,258
Management and general	616,660	-	616,660
Fundraising	525,236	-	525,236
Total expenses	3,013,154	-	3,013,154
Increase (decrease) in net assets	(319,394)	(180,060)	(499,454)
Net assets - beginning of year, as restated	4,252,385	1,186,921	5,439,306
Net assets - end of year	$ 3,932,991	1,006,861	4,939,852

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
Loan forgiveness income	294,882	-	294,882
Other income	7,496	-	7,496
Net assets released from restrictions	15,331	(15,331)	-
Total support and revenue	2,789,420	654,715	3,444,135
Expenses:			
Program	1,854,836	-	1,854,836
Management and general	355,365	-	355,365
Fundraising	397,247	-	397,247
Total expenses	2,607,448	-	2,607,448
Increase (decrease) in net assets	181,972	654,715	836,687
Net assets - beginning of year, as restated	4,070,413	532,206	4,602,619
Net assets - end of year, as restated	$ 4,252,385	1,186,921	5,439,306

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

CASA LATINA

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2022

	Program	Management and General	Fundraising	Total
Payroll and related costs	$ 1,341,767	165,659	293,890	1,801,316
External contractors	103,597	30,042	58,049	191,688
Services, in-kind	30,600	-	1,790	32,390
Occupancy	93,141	4,769	3,099	101,009
Supplies	89,729	1,784	8,129	99,642
Technology, printing, and postage	34,875	2,390	13,771	51,036
Professional services	76,489	298,989	55,400	430,878
Event expenses	9,339	1,637	69,008	79,984
Travel	24,504	1,018	227	25,749
Insurance	39,998	4,628	3,267	47,893
Interest	13,066	1,512	1,067	15,645
Bad debt expense (recovery)	-	-	(10,000)	(10,000)
Other operating costs	14,153	3,501	27,539	45,193
Depreciation	-	100,731	-	100,731
Total expenses	$ 1,871,258	616,660	525,236	3,013,154

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, as restated	$ 1,304,697	167,268	236,833	1,708,798
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 expense (recovery)	-	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	$ 1,854,836	355,365	397,247	2,607,448

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

CASA LATINA
STATEMENTS OF CASH FLOWS
Years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ (499,454)	836,687
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	100,731	97,542
Loan forgiveness income	-	(294,882)
Unrealized loss (gain) on investments	20,638	-
(Increase) decrease in assets:		
Grants and pledges receivable	111,395	(687,521)
Accounts receivable	14,510	(15,960)
Prepaids and deposits	5,443	(7,808)
Increase (decrease) in liabilities:		
Accounts payable	12,214	42,336
Other accrued liabilities	(81,198)	16,506
Net cash provided (used) by operating activities	(315,721)	(13,100)
Cash flows from investing activities:		
Donations in the form of equity securities	(96,238)	-
Net cash provided (used) by investing activities	(96,238)	-
Cash flows from financing activities:		
Payments on long-term debt	(11,722)	(10,009)
Net cash provided (used) by financing activities	(11,722)	(10,009)
Net increase (decrease) in cash, cash equivalents, and restricted cash	(423,681)	(23,109)
Cash, cash equivalents, and restricted cash at beginning of year	1,598,482	1,621,591
Cash, cash equivalents, and restricted cash at end of year	$ 1,174,801	1,598,482
RECONCILIATION OF CASH, CASH EQUIVALENTS, AND RESTRICTED CASH		
Cash and cash equivalents	$ 1,147,251	1,574,690
Cash held for other organizations	17,238	17,238
Workers' funds	10,312	6,554
Total cash, cash equivalents, and restricted cash on statement of cash flows	$ 1,174,801	1,598,482
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 15,645	16,351

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

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 2022 and 2021, 67% and 70% of participants identify as men, 32% and 30% of participants identify as women, and 4% and <1% of participants identify as 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's worker defense committee educates workers on labor rights and supports victims of wage theft in recovering stolen wages.

NOTE 1 – NATURE OF ORGANIZATION, continued

- 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 $1,006,861 and $1,186,921 as of December 31, 2022 and 2021, 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.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 generally 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, 2022 and 2021 at $20,000 and $30,000, respectively. For the long-term pledges receivable, management has recorded a present value discount of $23,532 and $48,848 as of December 31, 2022 and 2021, 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, 2022 and 2021, 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 $100,731 and $96,269 was recognized in the years ended December 31, 2022 and 2021, 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.

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, 2022 and 2021.

Leases
The Organization leases office and storage space. The Organization determines if an arrangement is a lease at inception. Prior to the adoption of FASB ASC 842, *Leases*, on January 1, 2022, base rent expense was recognized on a straight-line basis in accordance with FASB ASC 840, rather than in accordance with lease payment schedules, for purposes of recognizing a constant annual rental expense. Scheduled base rent increases are spread evenly over the term of the lease.

After the adoption of FASB ASC 842, *Leases*, on January 1, 2022, operating leases are included in right-of-use (ROU) lease assets, other current liabilities, and lease liabilities on the Organization's statements of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Organization uses a risk-free rate based on the information available at commencement date in determining the present value of lease payments. The ROU lease asset also includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization has elected to apply the short-term lease exemption to all classes of underlying assets. In 2022, there was one short-term lease in effect whose lease terms are either month-to-month or ended on or before December 31, 2022.

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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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, 2022 and 2021, contributions approximating \$834,079 and \$349,344, respectively, had not been recognized in the accompanying statements of activities because the conditions on which they depend had not yet been met. In order to earn these funds in future periods, the Organization will need to provide specified trainings and develop training curricula, prepare specific policy change proposals and advocacy work, and obtain matching funds for a site director position.

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 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 2022 and 2021, Casa Latina recognized \$32,390 and \$47,900, respectively, for donated services related to professional trainings and consultations. These were valued based upon the estimated cost to obtain similar professional consultations in the marketplace.

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 3,610 and 3,384 hours of such additional donated time in 2022 and 2021, 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, 2022 and 2021.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The Organization recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended December 31, 2022 and 2021, 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, 2022 and 2021 was $6,547 and $15,259, 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.

Adoption of New Accounting Pronouncements
In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC) 842, *Leases* to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the statement of financial position. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the standard effective January 1, 2022, and recognized and measured leases existing at, or entered into after, January 1, 2022 (the beginning of the period of adoption) through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended December 31, 2021 are made under prior lease guidance in FASB ASC 840.

The Organization elected the available practical expedients to account for its existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

As a result of the adoption of the new lease accounting guidance, the Organization recognized on January 1, 2022 a lease liability of $92,177, which represents the present value of the remaining operating lease payments of $97,334, discounted using the Organization's estimated incremental borrowing rate of 3.55%, and a right-of-use asset of $92,177. There was no material difference between the additional lease assets and lease liabilities and therefore no impact on retained earnings as of January 1, 2022.

Date of management's review
Subsequent events have been evaluated through August 16, 2023, 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:

	2022	2021
Financial assets at year-end:		
Cash and cash equivalents	$ 1,147,251	1,574,690
Investments	75,600	-
Accounts and grants receivable	276,416	186,061
Pledges receivable	438,786	655,046
Cash held for others, including workers' funds	27,550	23,792
Total	1,965,603	2,439,589
Less amounts not available for general expenditures within one year:		
Liquid net assets with donor restrictions	(489,986)	(670,046)
Add back: Amounts available for general expenditure in following year	282,318	333,894
Board designated operating reserves	(100,000)	(331,465)
Board designated repair and maintenance reserves	(208,462)	(208,462)
Contractual or donor imposed restrictions on cash	(13,041)	(129,634)
Cash held for others, including workers' funds	(27,550)	(23,792)
Financial assets available for general expenditures within one year	$ 1,408,882	1,410,084

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 $1.2 million at December 31, 2022. 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 – FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under this topic are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

a. Quoted prices for similar assets or liabilities in active markets,

b. Quoted prices for identical or similar assets or liabilities in inactive markets,

c. Inputs other than quoted prices that are observable for the asset or liability,

d. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value:

Investments in equity securities: Valued using Level 1 inputs in the fair value hierarchy based on quoted market prices in active markets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

At December 31, 2022, the Organization's investments were comprised of equity securities, and 100% of the Organization investments were invested in one company's stock. Unrealized losses on investments of $20,638 were included in other income (loss) in the statement of activities for the year ended December 31, 2022. There were no investments held at December 31, 2021.

In 2023, the stock holdings were sold in their entirety for $92,817, a net realized gain of $17,217 from the fair value recorded at $75,600 as of December 31, 2022.

NOTE 5 – 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, 2022.

Pledges receivable at December 31, 2022 and 2021 are expected to be realized as follows:

	2022	2021
In less than one year	$ 282,318	333,894
In one to five years	200,000	400,000
	482,318	733,894
Less: Allowance for doubtful pledges	(20,000)	(30,000)
Less: Discount on future pledges	(23,532)	(48,848)
	$ 438,786	655,046

NOTE 6 – LONG-TERM DEBT

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

	2022	2021
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.	428,269	439,991
Notes payable	$ 628,269	639,991

NOTE 6 – LONG-TERM DEBT, continued

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

Years ending	Principal Payments
2023	$ 12,141
2024	12,544
2025	13,045
2026	13,522
2027	14,017
Thereafter	563,000
Total	$ 628,269

NOTE 7 – LEASES

Casa Latina entered into a noncancelable operating lease for office space in July 2021 for a 38-month term ending August 31, 2024. The lease calls for monthly rent payments of $2,925, escalating every 12 months, and has one option to renew the lease for an additional three-year term at market rent rates. Management is not certain that they will exercise that option.

The Organization also has short-term operating leases for copiers and for the one-time use of space for events from time to time.

The components of lease expense were as follows for the years ended December 31:

	2022	2021
Operating lease cost	$ 36,276	14,040
Short-term lease cost	603	-
	$ 36,879	14,040

Other information related to leases was as follows for the years ended December 31:

	2022	2021
Incremental Borrowing Rate Used	3.55%	N/A
Remaining lease term (months)	1.67 years	2.67 years
ROU Asset - Operating Leases	$ 58,629	N/A
Supplemental Cash Flow Information:		
Operating cash used by operating leases	$ 35,628	17,550

These notes are an integral part of the financial statements.

NOTE 7 – LEASES, continued

Future minimum lease payments under non-cancellable leases for years ending December 31 were as follows:

2023	$	36,696
2024		25,010
Thereafter		-
Total future minimum lease payments		61,706
Less: imputed interest		(3,077)
Total	$	58,629

The Organization leases portions of its owned 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, 2022 and 2021 was $23,670 and $20,110, respectively.

NOTE 8 – LINE-OF-CREDIT

The Organization has entered into 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 0.5 percent over the Wall Street Journal Prime Rate; currently 8.00 percent, payable monthly. No balance was outstanding at December 31, 2022 and 2021. The line-of-credit matures on January 12, 2024.

NOTE 9 – 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:

		2022	2021
Undesignated	$	3,624,529	3,712,458
Board designated - repairs and maintenance reserves		208,462	208,462
Board designated - operating reserves		100,000	331,465
	$	3,932,991	4,252,385

These notes are an integral part of the financial statements.

NOTE 9 – NET ASSETS WITH AND WITHOUT DONOR RESTRICTIONS, continued

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

	2022	2021
Subject to the passage of time:		
Pledged future donations and grants	$ 438,786	655,046
Restrictions on land and property use	516,875	516,875
	955,661	1,171,921
Subject to purpose restriction:		
Vaccine equity	-	5,000
English speaking classes	-	10,000
Vehicle acquisition	40,000	-
Board consulting engagement	11,200	-
	51,200	15,000
	$ 1,006,861	1,186,921

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 10 – 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, 2022 and 2021, two grantors provided 38% and two grantors provided 29% of the Organization's total revenue and support, respectively. As of December 31, 2022 and 2021, two donors' pledges comprised 83% and 82% of total pledges receivable, respectively.

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.

In April 2023, the lawsuit was settled by Casa Latina's insurance company, with no additional cost to Casa Latina.

NOTE 11 – PENSION PLAN

Casa Latina has a qualified defined contribution pension plan under Internal Revenue Code section 403(b). The Organization's plan contribution expenses totaled $43,487 and $46,106 for the years ended December 31, 2022 and 2021, respectively.

In 2023, management identified that certain required nonelective employer contributions to the pension plan were not properly paid to the plan in a manner consistent with the terms of the restated plan document dated February 1, 2018. Management has estimated that a one-time payment for contributions for the period 2018 through 2022 is required, which will be paid to the plan participants in 2023. An estimated accrued plan contribution of $90,000 and $71,450 is included in other current liabilities in the statement of financial position as of December 31, 2022 and 2021, respectively. Management has determined that it cannot reasonably estimate a potential loss or range of loss that may result from additional penalties or fines related to this issue.

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. Contract negotiations for a new three-year collective bargaining arrangement were completed in June 2023.

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 – PRIOR PERIOD ADJUSTMENT

As discussed in Note 11, in 2023, management identified that certain required nonelective employer contributions were not paid to the plan in a manner consistent with the terms of the restated plan document dated February 1, 2018. Certain contributions owed by Casa Latina to the plan participants for the periods 2018 through 2021 were not recorded as liabilities and expenses in prior periods.

Therefore, management has concluded that a restatement of the 2021 financial statements is required as follows:

NOTE 14 – PRIOR PERIOD ADJUSTMENT, continued

Statement of Net Position	Balance 12/31/2021	Prior Period Adjustments	Adjusted 12/31/2021
Other current liabilities	$ 12,117	71,450	83,567
Total current liabilities	$ 380,764	71,450	452,214

Statements of Activities and Functional Expenses	Year Ended 12/31/2021	Prior Period Adjustments	Adjusted Year Ended 12/31/2021
Payroll and related costs	$ 1,689,305	19,493	1,708,798
Change in net assets	$ 856,180	(19,493)	836,687

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets as of January 1, 2021	$ 4,122,370	532,206	4,654,576
Prior period adjustment	(51,957)	-	(51,957)
Net assets as of January 1, 2021, as restated	$ 4,070,413	532,206	4,602,619

NOTE 15 – SUBSEQUENT EVENTS

The lawsuit described in Note 10 was settled in April 2023.

In July 2023, a problem was discovered with the sewer line connected to the Organization's property. The repairs are expected to take place during 2023, and the cost of completing these repairs cannot yet be estimated by management. There are board-designated repair and maintenance reserves available as needed to help fund one-time repair costs.