# CASA GUADALUPE CENTER AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2022

# CASA GUADALUPE CENTER

# JUNE 30, 2022

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# Morey, Nee, Buck & Oswald, LLC Certified Public Accountants and Advisors

#### INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

The Board of Directors CASA GUADALUPE CENTER Allentown, Pennsylvania

### **Opinion**

We have audited the accompanying financial statements of Casa Guadalupe Center (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casa Guadalupe Center as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

# **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Casa Guadalupe Center 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 opinion.

#### 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 Guadalupe Center's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## Auditor's 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. 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 Guadalupe Center'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 Guadalupe Center'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.

## **Report on Summarized Comparative Information**

We have previously audited Casa Guadalupe Center's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 29, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material aspects, with the audited financial statements from which it has been derived.

Morey, Re, Buck! Oswald, LLC

November 28, 2022

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# CASA GUADALUPE CENTER STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2022

# WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021

	<u>2022</u>	<u>2021</u>
Assets:		
Cash and cash equivalents	\$ 337,305	\$ 421,283
Accounts receivable	4,104	3,230
Grants and contributions receivable	167,145	107,714
Prepaid expenses	· -	15,284
Land, buildings, equipment and vehicles, net	3,224,491	3,130,650
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Total assets	\$ 3,733,045	\$ 3,678,161
Liabilities:		
Accounts payable	\$ 25,597	\$ 41,340
Accrued expenses and other liabilities	50,894	23,324
Deferred revenue	1,000	-
Note payable	<u>97,425</u>	122,397
Total liabilities	174 016	107.061
Total habilities	<u> 174,916</u>	<u> 187,061</u>
Net assets:		
Without donor restrictions	3,534,401	3,486,355
With donor restrictions	23,728	4,745
	<del>.</del>	· · · · · · · · · · · · · · · · · · ·
Total net assets	<u>3,558,129</u>	3,491,100
Total liabilities and net assets	<u>\$ 3,733,045</u>	<u>\$ 3,678,161</u>

# CASA GUADALUPE CENTER STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2022 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021

	Without donor restrictions	With donor restrictions	Total <u>2022</u>	Total <u>2021</u>
Revenues, gains and other support:	<u> </u>	<u> </u>		
Program revenue	\$ 985,075	\$ 130,132	\$ 1,115,207	\$ 1,080,372
Contributions	98,928	27,000	125,928	284,867
Gondibutions	1,084,003	157,132	1,241,135	1,365,239
Investment income	23	-	23	14
Other income	3,037	-	3,037	26,684
Rental income (net of expense)	105,767	_	105,767	112,033
Net assets released from restrictions	103,707		103,707	112,033
Satisfaction of restrictions	138,149	(120 140)		
Sausfaction of restrictions	130,149	(138,149)		
Total revenue, gains and other support	1,330,979	18,983	1,349,962	1,503,970
Expenses:				
Program	1,103,573	_	1,103,573	1,133,242
Management and general	1,103,373 179,360	_	1,103,373 179,360	1,155,242 155,459
Management and general	<u> 179,300</u>		1/9,300	133,439
Total expenses	1,282,933		1,282,933	1,288,701
Change in net assets	48,046	18,983	67,029	215,269
Net assets at beginning of year	3,486,355	4,745	3,491,100	3,275,831
Net assets at end of year	<u>\$ 3,534,401</u>	<u>\$ 23,728</u>	<u>\$ 3,558,129</u>	<u>\$ 3,491,100</u>

# CASA GUADALUPE CENTER STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2022 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021

								ŕ			Total	V	/lanager
		<u>Health</u>		<u>Education</u>		<u>CDBG</u>		<u>Social</u>	<u>Cc</u>	mmunity	<u>Program</u>		and gen
Salaries and wages	\$	197,608	\$	233,789	\$	-	\$	54,526	\$	44,839	\$ 530,762	\$	89,36
Payroll taxes		15,348		20,407		-		4,565		3,067	43,387		6,80
Employee health		7,866		9,222		-		2,198		1,821	21,107		3,52
Life insurance		1,524		340		-		148		60	2,072		22
Cleaning and													
maintenance		32,379		11,488		-		6,452		19,084	69,403		11,47
Depreciation		39,258		41,420		-		26,240		26,240	133,158		18,64
Dues and subscriptions	j	88		445		-		38		146	717		59
Insurance expense		9,695		8,185		-		4,323		4,617	26,820		2,97
Interest expense		883		796		-		664		575	2,918		1,06
Miscellaneous expense		-		-		-		-		-	-		5,45
Office expenses		4,908		6,226		-		3,425		4,829	19,388		10,7
Postage and printing		848		659		-		363		363	2,233		82
Professional fees		-		-		-		-		-	-		18,16
Security expense		925		381		-		211		211	1,728		1
Program expenses		15		90,850		106,403		1,100		19,355	217,723		
Telecommunications		4,622		2,361		-		1,468		1,304	9,755		3,6
Travel		-		39		-		-		-	39		7
Training and tuition		-		-		-		-		45	45		
Utilities		<u>8,421</u>	_	5,934	_		_	3,731		4,232	 22,318	_	4,9
Total expenses	\$	324,388	\$	432,542	\$	106,403	\$	109,452	\$	130,788	\$ 1,103,573	\$	179,3

# CASA GUADALUPE CENTER STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2022 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021

		2022		<u>2021</u>
Cash flows from operating activities: Change in net assets Adjustments to reconcile change in net assets to	\$	67,029	\$	215,269
net cash provided by operating activities: Depreciation and amortization Forgiveness of Paycheck Protection Program Loan Changes in operating assets and liabilities: (Increase) decrease in assets:		151,807		131,623 (116,300)
Accounts receivable Grants and contributions receivable Prepaid expenses Increase (decrease) in liabilities:		(874) (59,431) 15,284		(28) 15,675 3,022
Accounts payable Deferred revenue Accrued expenses and other liabilities Net cash provided by operating activities		(15,743) 1,000 27,570 186,642	_	35,282 - 13,889 298,432
Cash flows from investing activities: Acquisition of fixed assets Acquisition of 230 N 2 <sup>nd</sup> Street Net cash (used) by investing activities		(75,741) (169,907) (245,648)	_	(305,529) 
Cash flows from financing activities: Payments towards vehicle loan Payments on note payable Net cash (used) by financing activities	_	- (24,972 <u>)</u> (24,972 <u>)</u>		(16,077) (106,313) (122,390)
Net (decrease) in cash and cash equivalents		(83,978)		(129,487)
Cash and cash equivalents, beginning of year		421,283	_	550,770
Cash and cash equivalents, end of year	\$	337,305	\$	421,283
Supplemental information: Interest paid	<u>\$</u>	3,983	<u>\$</u>	<u>7,453</u>

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **NATURE OF ACTIVITIES**

Casa Guadalupe Center is a nonprofit, community-based organization founded in 1969 under the laws of the Commonwealth of Pennsylvania to meet the needs of primarily the Latino residents in the Lehigh Valley. The Organization offers services for children, youth, adults, and elderly residents in the areas of health, education, and social service. The Organization works in partnership with other organizations in the community to promote economic empowerment, social mobility, and civic participation of all residents of the Lehigh Valley. Revenue sources include fee for services funding from various government programs, United Way allocations, and grants from governmental agencies and private foundations.

HEALTH SERVICES: Provides supplemental food and nutrition education to approximately 18,000 expectant and breastfeeding mothers and their infants and children. Additionally, a wellness program offers healthy lifestyle classes to the community.

EDUCATION SERVICES: provides after school tutoring, mentoring, leadership, development, lessons, and activities to approximately 100 at-risk youths to help them make healthy life decisions, participate in community development, and improve academic achievement. Also, this program works to offer adult educational opportunities and training.

COMMUNITY SERVICES: provides hot meals, recreational activities, and health prevention services to approximately 45 senior citizens on a daily basis.

SOCIAL SERVICES: Provides energy assistance, income verification, translation, referral, form assistance, and other support services to individuals in need.

PPL: PPL Electric Utilities provides the Organization with funds restricted to be distributed under the PPL Operation Help program. This program gives funds to families struggling with their energy bills. This program was discontinued in April, 2021.

CDBG: Community Development Block Grant – CARES Act provides the Organization with funds restricted to be distributed under the CDBG-CV program. This program gives funds to families struggling with their mortgage, rent, utility payments as well as food for households that have food insecurity due to COVID-19.

## **BASIS OF ACCOUNTING**

The Organization's financial statements are prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) is the source of authoritative GAAP. In accordance with FASB ASC requirements, net assets and the change in net assets are classified as without donor restrictions or with donor restrictions.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

# **BASIS OF ACCOUNTING, continued**

Net assets without donor restrictions may be designated for specific purposes by the Organization or may be limited by contractual agreements with outside parties.

Net assets subject to donor-imposed stipulations that will be met either by actions of Casa Guadalupe Center and/or the passage of time, are classified as net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net asset without donor restrictions and reported on the statement of activities as net assets released from restrictions.

# **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with original maturities of 90 days or less.

#### ACCOUNTS RECEIVABLE AND GRANTS RECEIVABLE

Accounts receivable and grants receivable are stated at unpaid balances and are related to trade accounts, fee for service funding for programming, rental income, and grants based on expenses incurred. Receivables are considered impaired if full payments are not received based on actual billing and are charged off against the allowance when management determines the receivable will not be collected.

#### **COMPARATIVE FINANCIAL INFORMATION**

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2021, from which the summarized information was derived.

#### **INCOME TAX STATUS**

The Organization is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code. 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) (2).

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to report information regarding its exposure to various tax positions taken. Management has performed their evaluation and believes there are no unrecognized tax positions that are required to be disclosed. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress for any open tax periods.

The Organization's policy is to classify income tax related interest and penalties, if any, in interest expense and other expenses, respectively.

## **CONCENTRATION OF RISK**

The Organization maintains its cash balances in a financial institution located in Pennsylvania. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization maintains cash balances which may exceed federally insured limits; they historically have not experienced any credit related losses.

#### **CONTRIBUTIONS**

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

#### **USE OF ESTIMATES**

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

### PROPERTY AND EQUIPMENT

Property and equipment are stated at cost for purchased items and approximate fair value for contributed items. The Organization capitalizes all purchases greater than \$2,500 with a useful life of one year or more. The assets are depreciated over their estimated useful lives which range from five to ten years for furniture, equipment, and vehicles and up to forty years for the building and improvements.

### DONATED MATERIALS AND SERVICES, AND USE OF FACILITY

Support arising from various donated items, services, and use of facilities is reported in these statements. The estimated fair market value of these items and services is included in the statement of activities. Materials and other assets received as donations are recorded and reflected in the accompanying financial statements at their fair values at the date of receipt. There were none received in the year ended June 30, 2022.

Numerous individuals volunteer their time and perform a variety of tasks to assist the Organization in its activities. No amounts have been reflected in the statement of activities for these services.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

#### EXPENSE ALLOCATION

These financial statements report certain categories of expenses that are attributable to one of their programs or their supporting function of management and general. These expenses include payroll related costs, program expenses, depreciation, and other various costs. Payroll related costs are allocated based on estimated time and efforts of their employees. Program expenses are allocated directly to the program to which they serve. Depreciation is allocated based on estimated use of their facilities across their programs and supporting function. Other various costs are allocated based on estimated or actual usage.

# 2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents is comprised of the following at June 30, 2022:

Unrestricted cash for operating	\$ 313,577
Restricted cash	 23,728
Cash and cash equivalents	\$ 337,305

Restricted cash consists of unspent monies from the CDBG program which will be spent in the subsequent fiscal year.

#### 3. NOTE PAYABLE

The Organization has a note payable with BB&T Bank. The note was modified on December 7, 2019 extending the maturity date to December 5, 2024. The note calls for monthly payments of \$5,116 at an interest rate of 3.69%. The note is collateralized by the real estate property located in Allentown, PA at 214-216 North Second Street and all rights and interests in rents, leases, and revenues derived from this property. The balance as of June 30, 2022 is \$10,022.

The Organization entered into a note payable with Truist Bank on November 30, 2021. The note is set to expire November 30, 2026. The note calls for 59 regular payments at \$700 and one irregular payment for all principal and accrued interest not yet paid. The interest rate on the note is 3.15%. The balance as of June 30, 2022 is \$87,403.

Future maturities of the note payable are as follows:

Fiscal Year Ending June 30:		
2023	\$	15,751
2024		5,912
2025		6,101
2026		6,296
2027	_	63,36 <u>5</u>
	<u>\$</u>	<u>97,425</u>

#### 4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions include gifts of cash, grants and contributions from which donor-imposed stipulations were not satisfied at June 30, 2022.

CDBG provides the Organization with funds restricted to be distributed under the CDBG program.

Net assets with donor restrictions held at year end totaled:

CDBG program	\$ 23,728
. 3	\$ 23.728

#### 5. REVENUE CONCENTRATION

For the year ended June 30, 2022, a substantial portion of the Organization's revenues were provided through contracts with Maternal and Family Health Services and the 21<sup>st</sup> Century Community Learning Center. Total revenue from these sources totaled 24% and 17% of total revenue, respectively.

### 6. LAND, BUILDING, AND EQUIPMENT

Land, buildings, and equipment consisted of the following:

Land	\$ 100,000
Building	3,218,333
Improvements	774,511
Vehicle	45,968
Furniture and equipment	<u> 188,078</u>
Sub-total	4,326,890
Less: accumulated depreciation	<u>1,102,399</u>
Land, buildings and equipment, net	<u>\$ 3,224,491</u>

Depreciation expense for the year ended June 30, 2022 was \$151,807.

### 7. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of other events specified by donors.

Net assets with donor restrictions released:

Capital campaign disbursements	\$ 27,000
Payments relating to CDBG program	106,403
Payments relating to PPL program	 4,746
	\$ 138,149

## 8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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. The Organization's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

Cash and cash equivalents	\$	337,305
less: restricted CDBG monies		23,728
Accounts receivable		4,104
Grants and contribution receivable		167,145
	<u>\$</u>	484,826

The Organization's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts from revenue items.

# 9. SIGNIFICANT UNCERTAINTY

The COVID-19 outbreak in the United States and world-wide has caused business disruption through mandated and voluntary closings. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the related financial impact and duration cannot be reasonably estimated at this time.

### 10. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events and transactions for potential recognition or disclosure through November 28, 2022, the date on which the financial statements were available to be issued and has determined there are no subsequent events to be reported.