CASA GUADALUPE CENTER AUDIT REPORT FOR THE YEAR ENDED JUNE 30, 2021

CASA GUADALUPE CENTER

JUNE 30, 2021

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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

We have audited the accompanying financial statements of Casa Guadalupe Center (a non-profit organization), which comprise the statement of financial position as of June 30, 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Morey, Nee, Buck & Oswald, LLC

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Spring House, Pennsylvania

November 29, 2021

CASA GUADALUPE CENTER STATEMENT OF FINANCIAL POSITION AS OF JUNE 30, 2021

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 421,283	\$ 550,770
Accounts receivable	3,230	3,202
Grants and contributions receivable	107,714	123,389
Prepaid expenses	15,284	18,306
Land, buildings, equipment and vehicles, net	<u>3,130,650</u>	<u>2,956,744</u>
Total assets	<u>\$ 3,678,161</u>	\$ 3,652,411
Liabilities:		
Accounts payable	\$ 41,340	\$ 6,058
Accrued expenses and other liabilities	23,324	9,435
Paycheck Protection Program loan	-	116,300
Vehicle loan	-	16,077
Note payable	122,397	228,710
Total liabilities	<u> 187,061</u>	376,580
N		
Net assets:	2 407 255	2.006.560
Without donor restrictions With donor restrictions	3,486,355	3,096,568
With donor restrictions	<u>4,745</u>	<u>179,263</u>
Total net assets	3,491,100	<u>3,275,831</u>
Total liabilities and net assets	<u>\$ 3,678,161</u>	<u>\$ 3,652,411</u>

CASA GUADALUPE CENTER STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2021 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2020

	Without donor	With donor	Total	Total
	<u>restrictions</u>	<u>restrictions</u>	<u>2021</u>	<u>2020</u>
Revenues, gains and other support:				
Program revenue	\$ 1,055,372	\$ 25,000	\$ 1,080,372	\$ 1,151,333
Contributions	143,008	141,859	284,867	110,995
Banquet revenue, net of \$10,521 expenses	-			<u>754</u>
	1,198,380	166,859	1,365,239	1,263,082
Investment income	-	14	14	11
Other income	26,684	-	26,684	20,105
Rental income (net of expense)	112,033	-	112,033	120,683
Net assets released from restrictions				
Satisfaction of restrictions	<u>341,391</u>	(341,391)		
Total revenue, gains and other				
support	<u>1,678,488</u>	(174,518)	<u>1,503,970</u>	<u>1,403,881</u>
_				
Expenses:				
Program	1,133,242	-	1,133,242	996,576
Management and general	<u> 155,459</u>		<u>155,459</u>	<u>166,688</u>
	4 000 = 04		4 000 = 04	4.460.064
Total expenses	<u>1,288,701</u>		<u>1,288,701</u>	<u>1,163,264</u>
	200 505	(454540)	24 5 260	240.645
Change in net assets	389,787	(174,518)	215,269	240,617
Not contract bening in a force	2,007,570	170 262	2 275 021	2 025 214
Net assets at beginning of year	3,096,568	<u>179,263</u>	<u>3,275,831</u>	3,035,214
Not agests at and of year	¢ 2.406.2ሮሮ	<u></u>	¢ 2.401.100	¢ 2 27E 021
Net assets at end of year	<u>\$ 3,486,355</u>	<u>\$ 4,745</u>	\$ 3,491,100	\$ 3,275,831

CASA GUADALUPE CENTER STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2021 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2020

								Total	M	lanagemer	ıt	2021		2020
	<u>Health</u>	I	<u>Education</u>	<u>PPL</u>	<u>Social</u>	<u>C</u>	<u>ommunity</u>	Program	<u> </u>	and genera	<u>l</u>	<u>Totals</u>		<u>Totals</u>
Salaries and wages	\$ 222,705	\$	203,018	\$ -	\$ 42,146	\$	60,685	\$ 528,554	\$	87,931	\$	616,485	\$	600,082
Payroll taxes	17,429		15,925	-	2,893		4,682	40,929		6,019		46,948		49,310
Employee health	16,266		1,405	-	1,151		254	19,076		11,244		30,320		40,119
Life insurance	1,043		513	-	307		77	1,940		268		2,208		2,936
Bad debt expense	-		-	-	-		-	-		-		-		8,677
Cleaning and														
maintenance	23,348		7,918	-	4,702		7,813	43,781		5,623		49,404		35,411
Depreciation	41,663		31,437	-	21,212		21,212	115,524		16,099		131,623		124,178
Dues and subscriptions	88		462	-	38		113	701		499		1,200		1,138
Equipment rental	-		-	-	-		-	-		-		-		515
Insurance expense	1,926		1,376	-	825		825	4,952		550		5,502		10,483
Interest expense	2,210		1,325	-	1,106		1,038	5,679		1,774		7,453		14,272
Miscellaneous expense	-		-	-	-		-	-		481		481		2,291
Office expenses	5,725		3,072	-	2,865		1,726	13,388		4,196		17,584		15,941
Postage and printing	332		219	-	142		162	855		127		982		1,322
Professional fees	-		-	-	-		-	-		12,503		12,503		8,102
Security expense	482		374	-	207		206	1,269		138		1,407		1,375
Program expenses	6,469		168,542	114,521	10,252		22,867	322,651		-		322,651		209,619
Telecommunications	6,885		2,854	-	2,358		2,304	14,401		4,907		19,308		14,947
Travel	339		520	-	145		285	1,289		1,134		2,423		1,985
Training and tuition	179		874	-	-		-	1,053		-		1,053		171
Utilities	 6,709		<u>4,792</u>	 	 <u> 2,875</u>	_	2,824	 <u> 17,200</u>		<u> 1,966</u>		19,166		20,390
Total expenses	\$ <u>353,798</u>	\$	<u>444,626</u>	\$ <u>114,521</u>	\$ 93,224	\$	127,073	\$ <u>1,133,242</u>	\$	<u> 155,459</u>	\$ 1	<u>1,288,701</u> <u> </u>	\$ 1,	,163,264

CASA GUADALUPE CENTER STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2021 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities: Change in net assets Adjustments to reconcile change in net assets to net cash provided by operating activities:	\$ 215,269	\$ 240,617
Depreciation and amortization Forgiveness of Paycheck Protection Program Loan Bad debt expense	131,623 (116,300)	124,178 - 8,677
Changes in operating assets and liabilities: (Increase) decrease in assets: Accounts receivable	(28)	3,852
Grant and contributions receivable Prepaid expenses Increase (decrease) in liabilities:	15,675 3,022	(28,280) 2,215
Accounts payable Accrued expense and other liabilities Net cash provided by operating activities	35,282 13,889 298,432	(4,740) (3,368) 343,151
Cash flows from investing activities: Acquisition of fixed assets Net cash (used) by investing activities	<u>(305,529)</u> <u>(305,529)</u>	(38,441) (38,441)
Cash flows from financing activities: Proceeds from Paycheck Protection Program loan Payments towards vehicle loan Payments on note payable Net cash (used) by financing activities	(16,077) (106,313) (122,390)	116,300 (9,809) (114,099) (7,608)
Net increase (decrease) in cash and cash equivalents	(129,487)	297,102
Cash and cash equivalents, beginning of year	<u>550,770</u>	253,668
Cash and cash equivalents, end of year	<u>\$ 421,283</u>	\$ 550,770
Supplemental information: Interest paid	<u>\$ 7,453</u>	<u>\$ 14,272</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.

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, 2020, 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 \$1,000 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.

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, 2021:

Unrestricted cash for operating	\$	416,538
Restricted cash	_	4,745
Cash and cash equivalents	\$	421,283

Restricted cash consists of unspent monies from the PPL Operation Help program and funds for their capital campaign 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 set to expire on December 10, 2019 but was then modified on December 7, 2019 for a new balance of \$279,415 and maturity date of 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.

Future maturities of the note payable are as follows:

Fiscal Year Ending June 30:		
2022	\$	62,592
2023		59,805
2024		-
2025		
	<u>\$</u>	<u>122,397</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, 2021.

PPL Electric Utilities provides the Organization with funds restricted to be distributed under the PPL Operation Help program.

Net assets with donor restrictions held at year end totaled:

PPL program	\$ 4,745
1 0	\$ 4,745

5. REVENUE CONCENTRATION

For the year ended June 30, 2021, a substantial portion of the Organization's revenues were provided through contracts with Maternal and Family Health Services, the 21st Century Community Learning Center, and PP&L. Total revenue from these sources totaled 23%, 16%, and 12% of total revenue, respectively.

6. *LAND, BUILDING, AND EQUIPMENT*

Land, buildings, and equipment consisted of the following:

Land	\$ 100,000
Building	3,058,333
Improvements	694,484
Vehicle	45,968
Furniture and equipment	<u> 182,458</u>
Sub-total	4,081,243
Less: accumulated depreciation	<u>950,593</u>
Land, buildings and equipment, net	<u>\$ 3,130,650</u>

Depreciation expense for the year ended June 30, 2021 was \$131,623.

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	\$ 226,870
Payments relating to PPL program	 114,521
	\$ 341.391

8. PAYCHECK PROTECTION PROGRAM LOAN

In April of 2020, the Organization secured a Paycheck Protection Program (PPP) loan under the CARES Act through BB&T Bank in the amount of \$116,300. The Paycheck Protection Program is a loan designed to provide a direct incentive for organizations to keep their employees on payroll during the pandemic crisis.

During the fiscal year ended June 30, 2021, the Center received full forgiveness of the loan from the Small Business Administration.

9. 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	\$	421,283
less: restricted PPL monies		4,745
Accounts receivable		3,230
Grants and contribution receivable		107,714
	<u>\$</u>	536,972

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

10. 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.

11. DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events and transactions for potential recognition or disclosure through November 29, 2021, the date on which the financial statements were available to be issued and has determined there are no subsequent events to be reported.