



SOCIEDAD LATINA

Strengthening Our Youth and Families • Fortaleciendo A Nuestros Jóvenes y Familias

AND AFFILIATE

**COMBINING FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

SOCIEDAD LATINA, INC. AND AFFILIATE

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June 30, 2022 and 2021

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Independent Auditor's Report

To the Boards of Directors of
Sociedad Latina, Inc. and Affiliate:

Opinion

We have audited the accompanying combining financial statements of Sociedad Latina, Inc. and Affiliate (Massachusetts nonprofit corporations) (collectively, the Organization) which comprise the combining statements of financial position as of June 30, 2022 and 2021, and the related combining statements of activities and changes in net assets, cash flows and functional expenses for the years then ended, and the related notes to the combining financial statements.

In our opinion, the accompanying combining financial statements present fairly, in all material respects, the combining financial position of Sociedad Latina, Inc. and Affiliate as of June 30, 2022 and 2021, and the changes in their net assets and their 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 (GAAS). 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combining 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 the combining financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combining 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 combining 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 the Organization'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 combining financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

AAFCPA, Inc.

Westborough, Massachusetts
November 3, 2022

SOCIEDAD LATINA, INC. AND AFFILIATE

Combining Statements of Financial Position
June 30, 2022 and 2021

Assets	2022						2021					
	Sociedad Latina, Inc.			Sociedad Real Estate Holdings, Inc.			Sociedad Latina, Inc.			Sociedad Real Estate Holdings, Inc.		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations	Total
Current Assets:												
Cash and cash equivalents	\$ 4,718,826	\$ 1,474,325	\$ 6,193,151	\$ 20,012	\$ -	\$ 6,213,163	\$ 3,825,125	\$ 1,369,687	\$ 5,194,812	\$ 34,499	\$ -	\$ 5,229,311
Current portion of restricted cash	-	-	-	33,929	-	33,929	-	-	-	33,929	-	33,929
Current portion of grants and pledges receivable	242,775	289,500	532,275	-	-	532,275	149,277	375,976	525,253	-	-	525,253
Prepaid expenses	30,942	-	30,942	-	-	30,942	44,186	-	44,186	-	-	44,186
Due (to) from	-	-	-	-	-	-	9,582	-	9,582	(9,582)	-	-
Total current assets	4,992,543	1,763,825	6,756,368	53,941	-	6,810,309	4,028,170	1,745,663	5,773,833	58,846	-	5,832,679
Restricted cash, net of current portion	-	-	-	123,928	-	123,928	-	-	-	289,076	-	289,076
Grants and Pledges Receivable, net of current portion	-	70,000	70,000	-	-	70,000	-	50,000	50,000	-	-	50,000
Note Receivable	3,570,500	-	3,570,500	-	-	3,570,500	3,570,500	-	3,570,500	-	-	3,570,500
Property and Equipment, net	-	-	-	4,558,287	(204,798)	4,353,489	-	-	-	4,653,880	(204,798)	4,449,082
Total assets	\$ 8,563,043	\$ 1,833,825	\$ 10,396,868	\$ 4,736,156	\$ (204,798)	\$ 14,928,226	\$ 7,598,670	\$ 1,795,663	\$ 9,394,333	\$ 5,001,802	\$ (204,798)	\$ 14,191,337
Liabilities and Net Assets												
Current Liabilities:												
Current portion of Paycheck Protection Program Loan	\$ 56,167	\$ -	\$ 56,167	\$ -	\$ -	\$ 56,167	\$ 47,950	\$ -	\$ 47,950	\$ -	\$ -	\$ 47,950
Current portion of long-term debt	23,752	-	23,752	-	-	23,752	11,522	-	11,522	-	-	11,522
Conditional grant advances	104,167	-	104,167	-	-	104,167	50,000	-	50,000	-	-	50,000
Accounts payable and accrued expenses	127,066	-	127,066	-	-	127,066	37,424	-	37,424	165,840	-	203,264
Total current liabilities	311,152	-	311,152	-	-	311,152	146,896	-	146,896	165,840	-	312,736
Long-Term Liabilities:												
Paycheck Protection Program Loan and accrued interest, net	107,346	-	107,346	-	-	107,346	162,657	-	162,657	-	-	162,657
Long-term debt, net	899,726	-	899,726	4,693,663	-	5,593,389	923,478	-	923,478	4,687,041	-	5,610,519
Total long-term liabilities	1,007,072	-	1,007,072	4,693,663	-	5,700,735	1,086,135	-	1,086,135	4,687,041	-	5,773,176
Total liabilities	1,318,224	-	1,318,224	4,693,663	-	6,011,887	1,233,031	-	1,233,031	4,852,881	-	6,085,912
Net Assets:												
Without donor restrictions:												
Operating	4,297,797	-	4,297,797	53,941	-	4,351,738	3,430,139	-	3,430,139	136,486	-	3,566,625
Board designated	300,000	-	300,000	-	-	300,000	300,000	-	300,000	-	-	300,000
Property and equipment	2,647,022	-	2,647,022	(11,448)	(204,798)	2,430,776	2,635,500	-	2,635,500	12,435	(204,798)	2,443,137
Total without donor restrictions	7,244,819	-	7,244,819	42,493	(204,798)	7,082,514	6,365,639	-	6,365,639	148,921	(204,798)	6,309,762
With donor restrictions:												
Purpose	-	1,233,825	1,233,825	-	-	1,233,825	-	1,057,365	1,057,365	-	-	1,057,365
Capital	-	325,000	325,000	-	-	325,000	-	325,000	325,000	-	-	325,000
Time	-	275,000	275,000	-	-	275,000	-	413,298	413,298	-	-	413,298
Total with donor restrictions	-	1,833,825	1,833,825	-	-	1,833,825	-	1,795,663	1,795,663	-	-	1,795,663
Total net assets	7,244,819	1,833,825	9,078,644	42,493	(204,798)	8,916,339	6,365,639	1,795,663	8,161,302	148,921	(204,798)	8,105,425
Total liabilities and net assets	\$ 8,563,043	\$ 1,833,825	\$ 10,396,868	\$ 4,736,156	\$ (204,798)	\$ 14,928,226	\$ 7,598,670	\$ 1,795,663	\$ 9,394,333	\$ 5,001,802	\$ (204,798)	\$ 14,191,337

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

SOCIEDAD LATINA, INC. AND AFFILIATE

Combining Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2022 and 2021

	2022						2021					
	Sociedad Latina, Inc.			Sociedad Real Estate Holdings, Inc.			Sociedad Latina, Inc.			Sociedad Real Estate Holdings, Inc.		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations	Total	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	Eliminations	Total
Operating Revenue and Support:												
Corporate, foundation and other grants	\$ 509,766	\$ 1,884,327	\$ 2,394,093	\$ -	\$ -	\$ 2,394,093	\$ 533,063	\$ 1,875,559	\$ 2,408,622	\$ -	\$ -	\$ 2,408,622
Government grants and contracts	753,547	-	753,547	-	-	753,547	699,193	-	699,193	-	-	699,193
Donated goods and services	133,722	-	133,722	-	-	133,722	59,157	-	59,157	-	-	59,157
United Way support	77,280	-	77,280	-	-	77,280	77,459	-	77,459	-	-	77,459
Individual, community and other donations	47,424	-	47,424	-	-	47,424	24,768	-	24,768	-	-	24,768
Interest and other	42,545	-	42,545	100,750	(100,750)	42,545	44,094	-	44,094	8,091	(8,091)	44,094
Net assets released from purpose restrictions	1,642,867	(1,642,867)	-	-	-	-	1,378,741	(1,378,741)	-	-	-	-
Net assets released from time restrictions	203,298	(203,298)	-	-	-	-	302,056	(302,056)	-	-	-	-
Total operating revenue and support	<u>3,410,449</u>	<u>38,162</u>	<u>3,448,611</u>	<u>100,750</u>	<u>(100,750)</u>	<u>3,448,611</u>	<u>3,118,531</u>	<u>194,762</u>	<u>3,313,293</u>	<u>8,091</u>	<u>(8,091)</u>	<u>3,313,293</u>
Operating Expenses:												
Program services:												
Youth internships	98,187	-	98,187	-	-	98,187	56,126	-	56,126	-	-	56,126
Community organizing	555,123	-	555,123	-	-	555,123	438,673	-	438,673	-	-	438,673
Education	586,602	-	586,602	-	-	586,602	679,900	-	679,900	-	-	679,900
Arts & culture	195,462	-	195,462	-	-	195,462	141,137	-	141,137	-	-	141,137
Latino network	702,230	-	702,230	-	-	702,230	517,477	-	517,477	-	-	517,477
Total program services	<u>2,137,604</u>	<u>-</u>	<u>2,137,604</u>	<u>-</u>	<u>-</u>	<u>2,137,604</u>	<u>1,833,313</u>	<u>-</u>	<u>1,833,313</u>	<u>-</u>	<u>-</u>	<u>1,833,313</u>
Support:												
General and administrative	189,734	-	189,734	207,178	(100,750)	296,162	216,509	-	216,509	50,057	(8,091)	258,475
Fundraising	203,931	-	203,931	-	-	203,931	182,628	-	182,628	-	-	182,628
Total support	<u>393,665</u>	<u>-</u>	<u>393,665</u>	<u>207,178</u>	<u>(100,750)</u>	<u>500,093</u>	<u>399,137</u>	<u>-</u>	<u>399,137</u>	<u>50,057</u>	<u>(8,091)</u>	<u>441,103</u>
Total operating expenses	<u>2,531,269</u>	<u>-</u>	<u>2,531,269</u>	<u>207,178</u>	<u>(100,750)</u>	<u>2,637,697</u>	<u>2,232,450</u>	<u>-</u>	<u>2,232,450</u>	<u>50,057</u>	<u>(8,091)</u>	<u>2,274,416</u>
Changes in net assets from operations	<u>879,180</u>	<u>38,162</u>	<u>917,342</u>	<u>(106,428)</u>	<u>-</u>	<u>810,914</u>	<u>886,081</u>	<u>194,762</u>	<u>1,080,843</u>	<u>(41,966)</u>	<u>-</u>	<u>1,038,877</u>
Other Revenue (Expense):												
Forgiveness of debt	-	-	-	-	-	-	292,748	-	292,748	-	-	292,748
Capital grants	-	-	-	-	-	-	-	125,000	125,000	-	-	125,000
Net assets released from capital restrictions	-	-	-	-	-	-	663,095	(663,095)	-	-	-	-
Total other revenue (expense)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>955,843</u>	<u>(538,095)</u>	<u>417,748</u>	<u>-</u>	<u>-</u>	<u>417,748</u>
Changes in net assets	<u>879,180</u>	<u>38,162</u>	<u>917,342</u>	<u>(106,428)</u>	<u>-</u>	<u>810,914</u>	<u>1,841,924</u>	<u>(343,333)</u>	<u>1,498,591</u>	<u>(41,966)</u>	<u>-</u>	<u>1,456,625</u>
Net Assets:												
Beginning of year	<u>6,365,639</u>	<u>1,795,663</u>	<u>8,161,302</u>	<u>148,921</u>	<u>(204,798)</u>	<u>8,105,425</u>	<u>4,523,715</u>	<u>2,138,996</u>	<u>6,662,711</u>	<u>190,887</u>	<u>(204,798)</u>	<u>6,648,800</u>
End of year	<u>\$ 7,244,819</u>	<u>\$ 1,833,825</u>	<u>\$ 9,078,644</u>	<u>\$ 42,493</u>	<u>\$ (204,798)</u>	<u>\$ 8,916,339</u>	<u>\$ 6,365,639</u>	<u>\$ 1,795,663</u>	<u>\$ 8,161,302</u>	<u>\$ 148,921</u>	<u>\$ (204,798)</u>	<u>\$ 8,105,425</u>

SOCIEDAD LATINA, INC. AND AFFILIATE

Combining Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	2022			2021		
	Sociedad Latina, Inc.	Sociedad Real Estate Holdings, Inc.	Total	Sociedad Latina, Inc.	Sociedad Real Estate Holdings, Inc.	Total
Cash Flows from Operating Activities:						
Changes in net assets	\$ 917,342	\$ (106,428)	\$ 810,914	\$ 1,498,591	\$ (41,966)	\$ 1,456,625
Capital grants	-	-	-	(125,000)	-	(125,000)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:						
Depreciation	-	128,928	128,928	-	21,390	21,390
Interest - amortization	-	6,622	6,622	-	6,263	6,263
Forgiveness of debt	-	-	-	(292,748)	-	-
Bad debts	7,500	-	7,500	-	-	-
Changes in operating assets and liabilities:						
Grants and pledges receivable	(34,522)	-	(34,522)	129,508	-	129,508
Prepaid expenses	13,244	-	13,244	692	-	692
Due (to) from	9,582	(9,582)	-	1,442	(1,442)	-
Conditional grant advances	54,167	-	54,167	(107,590)	-	(107,590)
Accounts payable and accrued expenses	86,127	(80,217)	5,910	(34,358)	80,217	45,859
Net cash provided by (used in) operating activities	<u>1,053,440</u>	<u>(60,677)</u>	<u>992,763</u>	<u>1,070,537</u>	<u>64,462</u>	<u>1,427,747</u>
Cash Flows from Investing Activities:						
Property and equipment purchases	-	(118,958)	(118,958)	-	(2,258,941)	(2,258,941)
Net cash used in investing activities	<u>-</u>	<u>(118,958)</u>	<u>(118,958)</u>	<u>-</u>	<u>(2,258,941)</u>	<u>(2,258,941)</u>
Cash Flows from Financing Activities:						
Proceeds from capital grants	-	-	-	325,000	-	325,000
Principal payments on Paycheck Protection Program loan	(43,579)	-	(43,579)	-	-	-
Principal payments on notes payable	(11,522)	-	(11,522)	-	-	-
Net cash provided by (used in) financing activities	<u>(55,101)</u>	<u>-</u>	<u>(55,101)</u>	<u>325,000</u>	<u>-</u>	<u>325,000</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	<u>998,339</u>	<u>(179,635)</u>	<u>818,704</u>	<u>1,395,537</u>	<u>(2,194,479)</u>	<u>(798,942)</u>
Cash, Cash Equivalents and Restricted Cash:						
Beginning of year	<u>5,194,812</u>	<u>357,504</u>	<u>5,552,316</u>	<u>3,799,275</u>	<u>2,551,983</u>	<u>6,351,258</u>
End of year	<u>\$ 6,193,151</u>	<u>\$ 177,869</u>	<u>\$ 6,371,020</u>	<u>\$ 5,194,812</u>	<u>\$ 357,504</u>	<u>\$ 5,552,316</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Combining Statements of Financial Position:						
Cash and cash equivalents	\$ 6,193,151	\$ 20,012	\$ 6,213,163	\$ 5,194,812	\$ 34,499	\$ 5,229,311
Restricted cash	-	157,857	157,857	-	323,005	323,005
Total cash, cash equivalents and restricted cash	<u>\$ 6,193,151</u>	<u>\$ 177,869</u>	<u>\$ 6,371,020</u>	<u>\$ 5,194,812</u>	<u>\$ 357,504</u>	<u>\$ 5,552,316</u>
Supplemental Disclosure of Cash Flow Information:						
Cash paid for interest	<u>\$ 45,111</u>	<u>\$ 58,922</u>	<u>\$ 104,033</u>	<u>\$ 49,314</u>	<u>\$ 14,731</u>	<u>\$ 64,045</u>
Property and equipment purchases included in accounts payable and accrued expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,623</u>	<u>\$ 85,623</u>

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

SOCIEDAD LATINA, INC. AND AFFILIATE

Combining Statement of Functional Expenses
 For the Year Ended June 30, 2022
 (With Summarized Comparative Totals for the Year Ended June 30, 2021)

	2022										2021			
	Sociedad Latina, Inc.										Sociedad Real Estate Holdings, Inc.	Eliminations	Total	Total
	Program Services					Support								
Youth Internships	Community Organizing	Education	Arts & Culture	Latino Network	Total Program Services	General and Adminis- trative	Fundraising	Total						
Expenses:														
Personnel and related:														
Salaries - staff	\$ 29,513	\$ 243,314	\$ 274,278	\$ 72,862	\$ 128,000	\$ 747,967	\$ 29,993	\$ 90,023	\$ 867,983	\$ -	\$ -	\$ 867,983	\$ 799,504	
Youth leader stipends	-	77,779	34,525	31,530	2,925	146,759	400	-	147,159	-	-	147,159	121,460	
Payroll taxes and fringe benefits	17,412	50,870	20,017	17,412	-	105,711	7,895	18,469	132,075	-	-	132,075	155,075	
Total personnel and related	46,925	371,963	328,820	121,804	130,925	1,000,437	38,288	108,492	1,147,217	-	-	1,147,217	1,076,039	
Other expenses:														
Consultants	15,066	32,687	76,301	19,246	561,530	704,830	26,859	51,537	783,226	-	-	783,226	722,203	
Office	8,723	50,579	77,711	9,465	1,998	148,476	18,751	11,202	178,429	206	-	178,635	58,349	
Depreciation	-	-	-	-	-	-	-	-	-	128,928	-	128,928	21,390	
Interest	5,978	11,957	12,183	5,978	-	36,096	2,698	6,317	45,111	65,544	-	110,655	62,923	
Program support	1,198	18,276	3,818	1,391	1,258	25,941	38,653	3,258	67,852	-	-	67,852	190,248	
Program supplies	2,367	9,024	13,768	13,593	6,519	45,271	527	1,118	46,916	-	-	46,916	41,438	
Insurance	2,298	4,612	4,691	2,306	-	13,907	1,047	2,502	17,456	-	-	17,456	15,870	
Occupancy	13,352	26,704	27,208	13,352	-	80,616	6,025	14,109	100,750	12,500	(100,750)	12,500	26,477	
Bad debts	-	-	-	-	-	-	7,500	-	7,500	-	-	7,500	-	
Travel and vehicles	142	24	2,897	-	-	3,063	27	-	3,090	-	-	3,090	322	
Total other expenses	49,124	153,863	218,577	65,331	571,305	1,058,200	102,087	90,043	1,250,330	207,178	(100,750)	1,356,758	1,139,220	
Donated goods and services:														
Donated furniture and equipment	-	-	-	-	-	-	44,722	-	44,722	-	-	44,722	-	
Salary/benefits	855	16,430	4,038	3,285	-	24,608	2,509	5,396	32,513	-	-	32,513	21,238	
Space rental	-	-	31,380	-	-	31,380	-	-	31,380	-	-	31,380	-	
Program/other support	1,283	12,867	3,787	5,042	-	22,979	1,860	-	24,839	-	-	24,839	28,184	
Consultants	-	-	-	-	-	-	268	-	268	-	-	268	9,735	
Total donated goods and services	2,138	29,297	39,205	8,327	-	78,967	49,359	5,396	133,722	-	-	133,722	59,157	
Total expenses	\$ 98,187	\$ 555,123	\$ 586,602	\$ 195,462	\$ 702,230	\$ 2,137,604	\$ 189,734	\$ 203,931	\$ 2,531,269	\$ 207,178	\$ (100,750)	\$ 2,637,697	\$ 2,274,416	

SOCIEDAD LATINA, INC. AND AFFILIATE

 Combining Statement of Functional Expenses
 For the Year Ended June 30, 2021

	Sociedad Latina, Inc.											
	Program Services					Support				Sociedad Real Estate Holdings, Inc.	Eliminations	Total
	Youth Internships	Community Organizing	Education	Arts & Culture	Latino Network	Total Program Services	General and Adminis- trative	Fundraising	Total			
Expenses:												
Personnel and related:												
Salaries - staff	\$ 31,656	\$ 199,966	\$ 360,366	\$ 63,213	\$ 5,400	\$ 660,601	\$ 56,122	\$ 82,781	\$ 799,504	\$ -	\$ -	\$ 799,504
Youth leader stipends	818	65,062	36,358	18,412	-	120,650	733	77	121,460	-	-	121,460
Payroll taxes and fringe benefits	3,971	51,248	60,046	16,939	-	132,204	2,253	20,618	155,075	-	-	155,075
Total personnel and related	36,445	316,276	456,770	98,564	5,400	913,455	59,108	103,476	1,076,039	-	-	1,076,039
Other expenses:												
Consultants	6,041	20,850	56,671	8,141	476,775	568,478	88,204	65,521	722,203	-	-	722,203
Office	2,517	5,494	18,467	3,364	3,108	32,950	19,603	5,712	58,265	84	-	58,349
Depreciation	-	-	-	-	-	-	-	-	-	21,390	-	21,390
Interest	960	9,283	28,914	2,881	-	42,038	2,401	2,401	46,840	16,083	-	62,923
Program support	6,373	56,484	79,663	17,526	30,202	190,248	-	-	190,248	-	-	190,248
Program supplies	1,116	11,938	21,629	3,258	1,992	39,933	1,042	463	41,438	-	-	41,438
Insurance	1,999	4,028	4,049	2,014	-	12,090	951	2,829	15,870	-	-	15,870
Occupancy	40	10,080	2,748	40	-	12,908	9,118	42	22,068	12,500	(8,091)	26,477
Travel and vehicles	-	-	15	-	-	15	307	-	322	-	-	322
Total other expenses	19,046	118,157	212,156	37,224	512,077	898,660	121,626	76,968	1,097,254	50,057	(8,091)	1,139,220
Donated goods and services:												
Salary/benefits	635	2,640	8,285	2,948	-	14,508	4,546	2,184	21,238	-	-	21,238
Program/other support	-	1,600	2,689	2,401	-	6,690	21,494	-	28,184	-	-	28,184
Consultants	-	-	-	-	-	-	9,735	-	9,735	-	-	9,735
Total donated goods and services	635	4,240	10,974	5,349	-	21,198	35,775	2,184	59,157	-	-	59,157
Total expenses	\$ 56,126	\$ 438,673	\$ 679,900	\$ 141,137	\$ 517,477	\$ 1,833,313	\$ 216,509	\$ 182,628	\$ 2,232,450	\$ 50,057	\$ (8,091)	\$ 2,274,416

SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2022 and 2021

1. OPERATIONS AND NONPROFIT STATUS

Founded in 1968, Sociedad Latina, Inc. (Sociedad Latina) is a community-based nonprofit organization working in partnership with youth and families to create the next generation of Latinx/e leaders. Sociedad Latina offers a broad array of positive youth development programs which enable youth of color in Boston to grow and mature into confident, competent and self-sustaining adults. To accomplish this mission, Sociedad Latina has developed an innovative, multi-service delivery model called The Pathways to Success, which engages youth (ages 8 through 21) over the long-term in multi-disciplinary programming to build skills in four areas: Education, Workforce Readiness, Civic Engagement, and Arts & Culture including STEM. These content areas are infused into each program to ensure that all youth who engage with Sociedad Latina have the broad skill sets necessary for success in the 21st century. Sociedad Latina implements an asset-based approach to youth development, supporting young people to develop positive cultural and linguistic identities which serve as protective factors, promote resiliency, and continue Latinx/e cultural traditions in our community. Sociedad Latina's success relies on deep partnerships with families who engage with Sociedad Latina through education, advocacy, STEM, arts, and cultural activities.

During fiscal year 2019, Sociedad Real Estate Holdings, Inc. (Sociedad Real Estate) was incorporated as a Massachusetts not-for-profit corporation and as a supporting organization to Sociedad Latina. Sociedad Real Estate was utilized to facilitate New Markets Tax Credit (NMTC) financing which was used to rehabilitate Sociedad Latina's main office.

Sociedad Latina and Sociedad Real Estate (collectively, the Organization) are exempt from Federal income taxes as organizations (not a private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). The Organization is also exempt from state income taxes. Donors may deduct contributions made to the Organization within requirements of the IRC.

2. SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its combining financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Combination

The combining financial statements include the activity of Sociedad Latina and Sociedad Real Estate. All significant balances between classes of net assets and intercompany balances and transactions are eliminated in the accompanying combining financial statements.

Recently Adopted Accounting Pronouncement

In September 2020, the FASB issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (donated goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU did not change the recognition and measurement requirements of donated goods and services.

In fiscal year 2022, the Organization adopted ASU 2020-07. The adoption of this ASU did not impact the Organization's net asset classes, results of operations, or cash flows for the year ended June 30, 2022. This ASU has been applied retrospectively to all periods presented.

SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and Cash Equivalents and Restricted Cash

For purposes of the combining statements of cash flows, cash and cash equivalents include checking, money market and savings accounts. Restricted cash represents funds held in a reserve account related to Sociedad Real Estate (see Note 3).

Unamortized Debt Issuance Costs

Unamortized debt issuance costs are amortized over the period the related obligation is outstanding using the straight line method, which approximates the effective interest method.

Fair Value Measurements

The Organization follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Organization would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Organization uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Organization. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

- Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Inputs that are unobservable, and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Estimates

The preparation of combining financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the combining financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Goods and Services

The Organization receives donated goods, services and space in support of various aspects of its programs which are reported as unrestricted support unless explicit donor stipulations specify how donated assets must be used. The Organization recognizes the fair value of contributed services received if such services a) create or enhance nonfinancial assets or b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not contributed. The Organization receives services from a large number of volunteers who give significant amounts of their time to the Organization's programs, but which do not meet the criteria for financial statement recognition. The Organization had a variety of donated goods and services during the years ended 2022 and 2021 which were valued as follows:

- Furniture and equipment and professional services were recorded at fair value on the dates of donation as valued by the donors.
- Donated space is recorded at an estimated hourly rate for similar space as determined by the donor, who provides the renting hourly rate.
- Donated salaries/benefits are recorded at an hourly rate as determined by the level of expertise offered, the type of position, and based on a similar position for employees at the Organization.
- Donated program/other support are recorded at the fair or face value of the donated items as determined by the market price by checking various vendors and what it would have cost the Organization if it was supposed to pay.

Income Taxes

The Organization accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the combining financial statements regarding a tax position taken or expected to be taken in a tax return. The Organization has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the combining financial statements at June 30, 2022 and 2021. The Organization's information returns are subject to examination by Federal and state jurisdictions.

Revenue Recognition

In accordance with ASC Subtopic 958-605, *Revenue Recognition* (Topic 958), the Organization must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists. Indicators of a barrier include a measurable performance-related barrier or another measurable barrier, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Organization should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met. See Note 11 for disclosure of the Organization's conditional grants at June 30, 2022 and 2021.

SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grants, contributions or donations without donor restrictions are recorded as revenue when received or unconditionally pledged. Revenues from donor restricted grants and contributions are recorded as revenue and net assets with donor restrictions when the Organization receives a commitment. Net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying combining financial statements as net assets released from restrictions as costs are incurred or time or program restrictions have lapsed.

Government grants and contract revenue is recorded in accordance with Topic 958 as the related services are rendered and costs are incurred. Other income is recorded when earned.

Combining Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major or central to the provision of program services are reported as operating revenue and expenses in the accompanying combining statements of activities and changes in net assets. Other revenue includes capital activity, and forgiveness of debt (see Note 10).

Allocation of Expenses

Expenses related directly to a function are distributed to that function, while other expenses are allocated based upon management's estimate of the percentage attributable to each function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are personnel and related costs, which are allocated based on estimates of time and effort, and other expenses, which are allocated based on a combination of both time and effort and square footage.

Grants and Pledges Receivable

Grants and pledges receivable are recorded at their net present value when unconditionally committed. As of June 30, 2022 and 2021, the discount on grants and pledges receivable in over one year was immaterial to the accompanying combining financial statements, and therefore, not recorded.

Allowance for Doubtful Accounts and Pledges

The allowance for doubtful accounts is recorded based on management's analysis of specific accounts and pledges and their estimate of amounts that may become uncollectible, if any. There was no allowance recorded as of June 30, 2022 and 2021.

Description of Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Organization. The Organization has grouped its net assets without donor restrictions into the following categories:

Operating net assets represent funds available to carry on the operations of the Organization.

SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Net Assets (Continued)

Net Assets Without Donor Restrictions (Continued)

Board designated represent reserve funds that the Board of Directors has designated to be used for investment purposes as of June 30, 2022 and 2021. Investment yields will be used to fund general operations, to support maintenance of the organization's newly renovated facilities including future updates, and to fund innovative strategies and/or programs of the organization.

Property and equipment net assets represent the net book value of the Organization's property and equipment and note receivable, net of related debt and accounts payable.

Net Assets With Donor Restrictions

Net assets with donor restrictions represent funds contributed by donors for specific program or capital purposes or time designations. Purpose restricted net assets primarily consist of funds to support education and youth programs, in-line with the Organization's mission.

Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at fair market value at the time of donation. Renewals and betterments are capitalized, while repairs and maintenance are expensed as they are incurred (see Note 5).

Depreciation of property and equipment is computed using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Furniture and equipment	3 - 5 years

Subsequent Events

Subsequent events have been evaluated through November 3, 2022, which is the date the combining financial statements were available to be issued. There were no events that met the criteria for recognition or disclosure in the combining financial statements.

3. RESTRICTED CASH

Pursuant to certain loan agreements (see Note 9), Sociedad Real Estate was required to establish a reserve account with an initial balance of \$250,000, which was funded by the initial disbursement from Partnerships of Hope 32, LLC (the CDE) (see Note 7). No withdrawals are to be made from this account without the written consent of the lender. Withdrawals from this account are to be used solely to pay the compliance cost reimbursement (see Note 7) and a portion of the interest due on the loan in the amount of \$5,357 per quarter. The balance of this reserve was \$157,857 and \$191,786 as of June 30, 2022 and 2021, respectively. Sociedad Real Estate also held \$131,219 in construction related cash as of June 30, 2021.

SOCIEDAD LATINA, INC. AND AFFILIATENotes to Combining Financial Statements
June 30, 2022 and 2021**4. GRANTS AND PLEDGES RECEIVABLE**

Grants and pledges receivable are due as follows at June 30:

	<u>2022</u>	<u>2021</u>
Due within one year	\$ 532,275	\$ 525,253
Due within two to three years	\$ 70,000	\$ 50,000

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 307,500	\$ 307,500
Building and improvements	4,192,281	4,163,505
Furniture and equipment	<u>208,824</u>	<u>204,265</u>
	4,708,605	4,675,270
Less - accumulated depreciation	150,318	21,390
Less - eliminations	<u>204,798</u>	<u>204,798</u>
Net property and equipment	<u>\$ 4,353,489</u>	<u>\$ 4,449,082</u>

6. CONCENTRATIONS**Funding**

The Organization receives a portion of its funding from various departments of the Commonwealth of Massachusetts and the City of Boston. These reimbursements are subject to audit by the appropriate government agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the combining financial position of the Organization as of June 30, 2022 and 2021, or on its combining changes in net assets for the years then ended.

Funding agencies and donors exceeding 10% of the Organization's operating revenue and support or grants and pledges receivable as of and for the years ended June 30, 2022 and 2021, are as follows:

<u>Funder</u>	<u>Operating Revenue and Support %</u>		<u>Grants and Pledges Receivable %</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Governmental agencies	27%	12%	33%	7%
Private Funder A	-	9%	-	24%
Private Funder B	6%	6%	17%	-
Private Funder C	3%	3%	8%	10%
Private Funder D	-	2%	2%	12%
Private Funder E	-	2%	2%	11%
Private Funder F	4%	5%	17%	-
Private Funder G	12%	-	-	-

SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2022 and 2021

6. CONCENTRATIONS (Continued)

Credit Risk

The Organization maintains its cash balances in Massachusetts banks and is insured with the limits of the Federal Deposit Insurance Corporation (FDIC). At certain times during the year, the cash balances exceeded the insured amount. The Organization has not experienced any losses in those accounts.

7. NEW MARKETS TAX CREDITS TRANSACTION

The Organization entered into agreements in connection with NMTC financing for the renovation of the Organization's programmatic and administrative headquarters located at 1530 Tremont Street, Roxbury, Massachusetts (the Project). The Project cost approximately \$4,600,000.

The Project was funded through a variety of sources, including a capital campaign and NMTC equity from Capital One, N.A. (Capital One). The tax credit equity was combined with proceeds from the leveraged loan from Sociedad Latina (see below) to fund COCRF Investor 168, LLC (the Investment Fund).

The NMTC program offers credits against Federal income taxes over a seven-year period for Qualified Equity Investments (QEIs) in designated Community Development Entities (CDEs) pursuant to Section 45D of the IRC in order to assist eligible businesses in making investments in certain low-income communities. Sociedad Real Estate is a Qualified Active Low Income Community Business (QALICB) and operates the Project in a manner intended to enable Sociedad Real Estate to continue to qualify as a QALICB for the purposes of the NMTC within the meaning of Section 45D(d)(2) of the IRC.

The Investment Fund, using equity proceeds from Capital One and loan proceeds from Sociedad Latina, made QEIs into the CDE for a 99.99% membership interest in the CDE. The CDE used proceeds from the QEI to provide loans to Sociedad Real Estate (see Note 9).

Note Receivable

As part of the funding of the Project, Sociedad Latina entered into the following note receivable agreement with the Investment Fund using proceeds from a loan from a bank (see page 15) and capital campaign proceeds:

\$3,570,500 note receivable, bearing interest at 1.05%. This note requires quarterly payments of interest through December 2026. Commencing in March 2027, quarterly payments of principal and interest are due through maturity (December 2052), in accordance with the payment schedule in the note agreement. This note is secured by a first priority interest in the Investment Fund's ownership percentage in the CDE. Sociedad Latina has assigned its rights under the loan agreement to Eastern Bank as security for the prompt and complete payment of Sociedad Latina's loan obligations to Eastern Bank (see page 15). Prepayment of this note is not allowed at any time prior to the expiration of the NMTC compliance period of seven years.

Notes Payable

As part of the NMTC financing, the CDE made two loans totaling \$4,900,000 to Sociedad Real Estate (see Note 9).

SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2022 and 2021

7. NEW MARKETS TAX CREDITS TRANSACTION (Continued)

Leases

In December 2019, Sociedad Latina and Sociedad Real Estate entered into a multi-year lease agreement for the 1530 Tremont Street Property. The lease is for thirty years through November 2049, with base rent being due in equal quarterly payments, pro-rated for partial periods. Sociedad Latina is also required to pay additional rent, as defined in the agreement. Rent expense was \$100,750 and \$8,091 for fiscal years 2022 and 2021, respectively, and is included in interest and other on the accompanying combining statement of activities and changes in net assets, and occupancy in the accompanying combining statement of functional expenses.

In December 2019, Sociedad Latina and Sociedad Real Estate entered into a lease agreement to utilize the equipment associated with the 1530 Tremont Street Property. At the expiration of the lease term, Sociedad Latina may purchase the equipment from Sociedad Real Estate for the greater of the fair market value of the equipment or \$30,000. Quarterly rent payments of \$7,500 began in September 2021 and will continue through June 2025.

Future minimum lease payments are as follows:

<u>Fiscal Year</u>	
2023	\$ 104,546
2024	115,182
2025	133,412
2026	114,240
2027	150,464
Thereafter	<u>5,219,892</u>
	<u>\$ 5,837,736</u>

Put and Call Option

Sociedad Latina has granted Capital One the right and option (the Put Option), but not the obligation, to sell their entire interest in the Investment Fund to Sociedad Latina for certain amounts, as defined in the agreement. The Put Option may be exercised at any time during the period commencing on the last day of the compliance period and ending 180 days after the Put Exercise date (the Put Option Period).

In the event that Capital One does not exercise the Put Option during the Put Option Period, Sociedad Latina has the right and option (the Call Option), but not the obligation, to purchase the entire interest in the Investment Fund for certain amounts, as defined in the agreement, within 180 days of expiration of the Put Option Period (or 180 days from the Put Rejection Notice, if applicable).

Compliance Cost Reimbursement

In accordance with the loan agreements with the CDE (see Note 9), Sociedad Real Estate is required to pay an annual fee of \$12,500 to the CDE commencing in January 2020 to cover compliance related costs of the Project. This fee is payable annually so long as the Investment Fund maintains interest in the CDE. This fee is payable annually from the Fee Reserve Account (see Note 3).

SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2022 and 2021

8. LINE OF CREDIT

Sociedad Latina entered into a line of credit agreement with a bank. Borrowings under this agreement are up to \$150,000 and are due on demand. Interest is payable monthly at the bank's base rate (4.75% and 3.25% at June 30, 2022 and 2021, respectively), plus 1%. Borrowings are secured by substantially all of Sociedad Latina's assets. Sociedad Latina is required to meet certain covenants under this agreement. Sociedad Latina was in compliance with the covenants under this agreement. There were no outstanding borrowings at June 30, 2022 and 2021.

9. LONG-TERM DEBT

Long-term debt consists of the following at June 30:

Sociedad Latina	<u>2022</u>	<u>2021</u>
4.68% term loan payable to a bank with interest-only payments through December 2021. Commencing in January 2022, monthly payments of principal and interest of \$5,588 are due through December 2029. This note is secured by a pledge of Sociedad Latina's note receivable from the CDE (see Note 7). Less - current portion	\$ 923,478 <u>23,752</u>	\$ 935,000 <u>11,522</u>
	<u>\$ 899,726</u>	<u>\$ 923,478</u>

Future minimum principal payments on the above term loan are as follows over the next five years:

<u>Fiscal Year</u>	<u>Amount</u>
2023	\$ 23,752
2024	\$ 24,788
2025	\$ 26,106
2026	\$ 27,372
2027	\$ 28,670

Sociedad Real Estate	<u>2022</u>	<u>2021</u>
1.20% note payable to the CDE (Loan A). Quarterly payments of interest only are due on this note through December 2026. Interest expense on the note payable was \$42,935 and \$7,155 for the years ended June 30, 2022 and 2021, respectively. Capitalized interest on the note payable was \$3,579 for fiscal year 2021. Commencing in March 2027, quarterly payments of principal and interest are due through maturity (December 2054) in accordance with the payment schedule in the note agreement. This note is secured by a shared security interest in the Project, an assignment of rents and leases, and any reserves of the Project.	\$ 3,570,500	\$ 3,570,500

SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2022 and 2021

9. LONG-TERM DEBT (Continued)

Sociedad Real Estate (Continued)	<u>2022</u>	<u>2021</u>
1.20% note payable to the CDE (Loan B). Quarterly payments of interest only are due on this note through December 2026. Interest expense on the note payable was \$15,987 and \$2,665 for the years ended June 30, 2022 and 2021, respectively. Capitalized interest on the note payable was \$1,332 for fiscal year 2021. Commencing in March 2027, quarterly payments of principal and interest are due through maturity (December 2054) in accordance with the payment schedule in the note agreement. This note is secured by a shared security interest in the Project, an assignment of rents and leases, and any reserves of the Project.	1,329,500	1,329,500
	<u>4,900,000</u>	<u>4,900,000</u>
Less - debt issuance costs, net	<u>206,337</u>	<u>212,959</u>
Total - Sociedad Real Estate	<u>\$ 4,693,663</u>	<u>\$ 4,687,041</u>

Sociedad Latina has provided a guaranty of payment on Loan A and Loan B and the completion of the Project. Debt issuance costs, net consists of \$219,222 net of accumulated interest - amortization of \$12,885 and \$6,263 as of June 30, 2022 and 2021, respectively. Interest - amortization is expected to be \$6,263 for each of the next five fiscal years.

The long-term debt agreements contain covenants with which the Organization must comply with. The Organization was in compliance with these covenants at June 30, 2022 and 2021.

10. PAYCHECK PROTECTION PROGRAM LOAN

The Organization applied for and was awarded a forgivable loan of \$499,840 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through a bank. The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act.

During fiscal year 2021, the Organization submitted the application for forgiveness and received partial forgiveness of the note in the amount of \$292,748, which is shown as forgiveness of debt in the accompanying fiscal year 2021 combining statement of activities and changes in net assets. The remaining balance of the loan bears interest at 1% and is due in equal monthly principal and interest installments of approximately \$4,795 through April 2025 (the maturity date). As of June 30, 2022 and 2021, the Organization had a note payable balance of \$163,513 and \$207,092, respectively.

There are no covenants with which to comply, and the note is not secured by any collateral as of June 30, 2022. Accrued interest on the note payable is \$3,515 as of June 30, 2021, and is included in Paycheck Protection Program loan and accrued interest in the accompanying combining statements of financial position. There is no accrued interest as of June 30, 2022. Future minimum principal payments on the above loan are as follows over the next three years:

<u>Fiscal Year</u>	<u>Amount</u>
2023	\$ 56,167
2024	\$ 56,731
2025	\$ 50,615

SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2022 and 2021

11. CONDITIONAL GRANTS

The Organization was awarded multiple other conditional commitments from private donors, which contain funder-imposed conditions that represent a barrier that must be overcome, as well as a release from obligations. The Organization recognizes related revenue from these private contributions when funder-imposed conditions are substantially met (see Note 2). Conditional promises to give at June 30, 2022, consist of grants where the conditions include:

Measurable performance barriers	\$ 250,000
Incurring qualifying expenses	<u>200,000</u>
Total conditional promises to give	<u>\$ 450,000</u>

As of June 30, 2022, the Organization was awarded \$1,000,000 in conditional contributions, of which \$445,833 was recognized as revenue and \$104,167 was recorded as conditional grant advances. Amounts recognized as revenue are included in corporate, foundation and other grants in the accompanying combining statement of activities and changes in net assets. The remaining \$450,000 of these commitments is not included in the accompanying combining financial statements.

As of June 30, 2021, the Organization was awarded \$1,450,000 in conditional contributions, of which \$916,667 was recognized as revenue and \$50,000 was recorded as conditional grant advances. Amounts recognized as revenue are included in corporate, foundation and other grants in the accompanying combining statement of activities and changes in net assets. The remaining \$483,333 of these commitments is not included in the accompanying combining financial statements.

12. CONTINGENCY

The COVID-19 pandemic in the United States has caused business disruption and a reduction in economic activity. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. While the Organization expects this matter to negatively impact its operating results, the related financial impact and duration cannot be reasonably estimated at this time.

13. RETIREMENT PLAN

The Organization has a salary reduction plan (an IRC Section 403(b) plan) (the 403(b) plan), whereby eligible employees may make elective tax deferred contributions to the 403(b) plan. Employees become eligible to participate upon hire. The Organization does not contribute to this plan.

14. RELATED PARTY TRANSACTION

A member of the Board of Directors is the program director for a grantor of the Organization during fiscal year 2022. The Organization received a grant of \$50,000 from this grantor during fiscal year 2022. The Board member abstains from discussions and voting matters related to their employer.

SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements
June 30, 2022 and 2021

15. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization's financial assets available within one year from the combining statements of financial position date for general operating purposes are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 4,738,838	\$ 3,859,624
Current portion of grants and pledges receivable	<u>242,775</u>	<u>149,277</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,981,613</u>	<u>\$ 4,008,901</u>

As part of Sociedad Latina's liquidity management, Sociedad Latina has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligation come due. Sociedad Latina also has access to a \$150,000 line of credit (see Note 8) that can be drawn upon as needed to cover operating costs.

16. RECLASSIFICATIONS

Certain amounts in the fiscal year 2021 combining financial statements have been reclassified to conform with the fiscal year 2022 presentation.



50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpcpa.com

To the Boards of Directors and Management of
Sociedad Latina, Inc. and Affiliate:

In planning and performing our audit of the combining financial statements of Sociedad Latina, Inc. and Affiliate (collectively, the Organization) as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combining financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's combining financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This communication is intended solely for the information and use of management, the Executive Committee, the Board of Directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

AAFCPAs, Inc.

Westborough, Massachusetts
November 3, 2022



50 Washington Street
Westborough, MA 01581
508.366.9100
aafcpa.com

November 3, 2022

To the Boards of Directors and Management of
Sociedad Latina, Inc. and Affiliate:

We have audited the combining financial statements of Sociedad Latina, Inc. and Affiliate (collectively, the Organization) for the year ended June 30, 2022, and have issued our report thereon dated November 3, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 19, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 2 to the combining financial statements. During fiscal year 2022, the Organization adopted Accounting Standards Update (ASU) 2020-07 Not-for-Profit Entities (Topic 958) *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. There were no other new accounting policies adopted and the application of existing policies was not changed during fiscal year 2022. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the combining financial statements in the proper period.

Accounting estimates are an integral part of the combining financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the combining financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the combining financial statements were:

- Collectability of grants and pledges receivable, which is based on management's analysis of each individual donor's collection history.
- Allocation of indirect costs, which is based on management's estimate of the percentage attributable to each function, and is based on time and effort and square footage.
- Value of donated salaries/benefits, services, program/other support and space, which are based on the valuation assigned by the donor, hourly rates for equivalent services performed, and comparable market rent for similar space.
- Useful lives of depreciable assets, which are based on management's expectation of the period of time the class of the asset will provide future economic benefit to the Organization.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the combining financial statements taken as a whole.

The combining financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties dealing with management in performing and completing our audit.

Significant Audit Matters (Continued)

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected the attached misstatement noted on Schedule A detected as a result of audit procedures.

The attached Schedule B summarizes an uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial to the financial statements taken as a whole. The uncorrected misstatement or the matter underlying it could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the combining financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 3, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's combining financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

New Lease Accounting

ASU 2016-02, *Leases (Topic 842)*, was issued by the Financial Accounting Standards Board (FASB) in February 2016. Since then, the FASB also issued several amendments to the initial guidance. The new lease standard codified in Topic 842 supersedes the existing lease guidance in Topic 840. The core principle of the new guidance is for lessees to recognize lease assets and lease liabilities for those leases classified as operating leases, as defined in the new standard.

Other Matters (Continued)

New Lease Accounting (Continued)

In June 2020, the FASB issued ASU 2020-05 to defer the effective date of the lease guidance for non-public companies for an additional year. Therefore, the new lease standard is effective for the Organization's fiscal year 2023.

With respect to the transition to the new guidance, the FASB offers two methods of adopting this standard - Modified Retrospective Approach and an Optional Transition Method:

- **Modified Retrospective Approach** requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented in the combining financial statements. The modified retrospective approach includes a number of optional practical expedients that entities may elect to apply.
- **Optional Transition Method** is a practical expedient that allows an entity to present comparative combining financial statements for the year before adoption in accordance with the old standard, while the new standard is applied for presentation of leases in the year of adoption.

This information is intended solely for the use of the Executive Committee, Board of Directors and management of the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink that reads "AAFCPAs, Inc." in a cursive, slightly stylized font.

AAFCPAs, Inc.
Certified Public Accountants

Client: **74030 - Sociedad Latina, Inc.**
Engagement: **74030 - Sociedad Latina, Inc.**
Period Ending: **6/30/2022**
Trial Balance: **TB - Epace Trial Balance**
Workpaper: **SL AJE Report**

Account	Description	W/P Ref	Debit	Credit	P&L Effect
			Unadjusted changes in net assets		<u>\$ 1,067,342</u>
Adjusting Journal Entries					
Adjusting Journal Entries JE # 103					
13					
To remove conditional grant from accounts receivable and additions to donor restricted net assets.					
7000-10-00	Temp Restr Grant/Don G & A		150,000.00		
1100-00	Accounts Receivable			150,000.00	
Total			<u><u>150,000.00</u></u>	<u><u>150,000.00</u></u>	<u>(150,000)</u>
Total Adjusting Journal Entries			<u><u>150,000.00</u></u>	<u><u>150,000.00</u></u>	
Total All Journal Entries			<u><u>\$ 150,000.00</u></u>	<u><u>\$ 150,000.00</u></u>	
			Net effect of audit adjustments		<u>(150,000)</u>
			Adjusted changes in net assets		<u><u>\$ 917,342</u></u>

SOCIEDAD LATINA, INC.

Uncorrected Misstatement Report
June 30, 2022

PAJE #	Adjustment Accounts	Journal Entry		Description of Audit Difference	Combining Financial Statement Effect			
		Debit	Credit		Total Assets	Total Liabilities	Total Net Assets	Change in Net Assets
1	Conditional grant advances Corporation, foundation and other grants revenue with donor restrictions	\$ 50,000	\$ -	To properly state conditional grant advances and revenue with donor restrictions as of and for the year ended June 30, 2022.	\$ -	\$ (50,000)	\$ -	\$ -
		-	50,000		-	-	-	50,000
	Total				<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ 50,000</u>