



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, 2021, 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 Boards 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  
December 2, 2021



**SOCIEDAD LATINA**

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

## **AND AFFILIATE**

**COMBINING FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020**

**SOCIEDAD LATINA, INC. AND AFFILIATE**

Contents  
June 30, 2021 and 2020

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## Independent Auditor's Report

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

### **Report on the Combining Financial Statements**

We have audited the accompanying combining financial statements of Sociedad Latina, Inc. and Affiliate (Massachusetts corporations, not for profit) which comprise the combining statements of financial position as of June 30, 2021 and 2020, 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.

### ***Management's Responsibility for the Combining 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; this includes 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.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combining financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combining 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 combining 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 combining 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 combining financial statements referred to above present fairly, in all material respects, the combining financial position of Sociedad Latina, Inc. and Affiliate as of June 30, 2021 and 2020, 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.

*AAFCPAs, Inc.*

Westborough, Massachusetts  
December 2, 2021

**SOCIEDAD LATINA, INC. AND AFFILIATE**

Combining Statements of Financial Position  
June 30, 2021 and 2020

Assets	2021						2020					
	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	\$ 3,825,125	\$ 1,369,687	\$ 5,194,812	\$ 34,499	\$ -	\$ 5,229,311	\$ 2,250,653	\$ 1,548,622	\$ 3,799,275	\$ -	\$ -	\$ 3,799,275
Restricted cash	-	-	-	191,786	-	191,786	-	-	-	225,714	-	225,714
Current portion of grants and pledges receivable	149,277	375,976	525,253	-	-	525,253	314,387	532,076	846,463	-	-	846,463
Prepaid expenses	44,186	-	44,186	-	-	44,186	44,878	-	44,878	-	-	44,878
Due (to) from	9,582	-	9,582	(9,582)	-	-	11,024	-	11,024	(11,024)	-	-
Total current assets	4,028,170	1,745,663	5,773,833	216,703	-	5,990,536	2,620,942	2,080,698	4,701,640	214,690	-	4,916,330
Cash - Construction	-	-	-	131,219	-	131,219	-	-	-	2,326,269	-	2,326,269
Grants and Pledges Receivable, net of current portion	-	50,000	50,000	-	-	50,000	-	58,298	58,298	-	-	58,298
Note Receivable	3,570,500	-	3,570,500	-	-	3,570,500	3,570,500	-	3,570,500	-	-	3,570,500
Property and Equipment, net	-	-	-	4,653,880	(204,798)	4,449,082	-	-	-	2,457,892	(204,798)	2,253,094
Total assets	\$ 7,598,670	\$ 1,795,663	\$ 9,394,333	\$ 5,001,802	\$ (204,798)	\$ 14,191,337	\$ 6,191,442	\$ 2,138,996	\$ 8,330,438	\$ 4,998,851	\$ (204,798)	\$ 13,124,491
<b>Liabilities and Net Assets</b>												
Current Liabilities:												
Current portion of Paycheck Protection Program Loan	\$ 47,950	\$ -	\$ 47,950	\$ -	\$ -	\$ 47,950	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Current portion of long-term debt	11,522	-	11,522	-	-	11,522	-	-	-	-	-	-
Conditional grant advances	50,000	-	50,000	-	-	50,000	157,590	-	157,590	-	-	157,590
Accounts payable and accrued expenses	37,424	-	37,424	165,840	-	203,264	74,256	-	74,256	127,186	-	201,442
Total current liabilities	146,896	-	146,896	165,840	-	312,736	231,846	-	231,846	127,186	-	359,032
Long-Term Liabilities:												
Paycheck Protection Program Loan and accrued interest, net of current portion	162,657	-	162,657	-	-	162,657	500,881	-	500,881	-	-	500,881
Long-term debt, net of current portion	923,478	-	923,478	4,687,041	-	5,610,519	935,000	-	935,000	4,680,778	-	5,615,778
Total long-term liabilities	1,086,135	-	1,086,135	4,687,041	-	5,773,176	1,435,881	-	1,435,881	4,680,778	-	6,116,659
Total liabilities	1,233,031	-	1,233,031	4,852,881	-	6,085,912	1,667,727	-	1,667,727	4,807,964	-	6,475,691
Net Assets:												
Without donor restrictions:												
Operating	3,430,139	-	3,430,139	136,486	-	3,566,625	1,888,215	-	1,888,215	(12,500)	-	1,875,715
Board designated	300,000	-	300,000	-	-	300,000	-	-	-	-	-	-
Property and equipment	2,635,500	-	2,635,500	12,435	(204,798)	2,443,137	2,635,500	-	2,635,500	203,387	(204,798)	2,634,089
Total without donor restrictions	6,365,639	-	6,365,639	148,921	(204,798)	6,309,762	4,523,715	-	4,523,715	190,887	(204,798)	4,509,804
With donor restrictions:												
Purpose	-	1,007,365	1,007,365	-	-	1,007,365	-	1,200,548	1,200,548	-	-	1,200,548
Capital	-	375,000	375,000	-	-	375,000	-	538,095	538,095	-	-	538,095
Time	-	413,298	413,298	-	-	413,298	-	400,353	400,353	-	-	400,353
Total with donor restrictions	-	1,795,663	1,795,663	-	-	1,795,663	-	2,138,996	2,138,996	-	-	2,138,996
Total net assets	6,365,639	1,795,663	8,161,302	148,921	(204,798)	8,105,425	4,523,715	2,138,996	6,662,711	190,887	(204,798)	6,648,800
Total liabilities and net assets	\$ 7,598,670	\$ 1,795,663	\$ 9,394,333	\$ 5,001,802	\$ (204,798)	\$ 14,191,337	\$ 6,191,442	\$ 2,138,996	\$ 8,330,438	\$ 4,998,851	\$ (204,798)	\$ 13,124,491

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, 2021 and 2020

	2021						2020					
	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
<b>Operating Revenue and Support:</b>												
Corporate, foundation and other grants	\$ 533,063	\$ 1,875,559	\$ 2,408,622	\$ -	\$ -	\$ 2,408,622	\$ 769,800	\$ 885,530	\$ 1,655,330	\$ -	\$ -	\$ 1,655,330
Government grants and contracts	699,193	-	699,193	-	-	699,193	616,688	-	616,688	-	-	616,688
United Way support	77,459	-	77,459	-	-	77,459	84,364	-	84,364	-	-	84,364
Donated goods and services	59,157	-	59,157	-	-	59,157	411,184	-	411,184	-	-	411,184
Interest and other	44,094	-	44,094	8,091	(8,091)	44,094	24,964	-	24,964	-	-	24,964
Individual, community and other donations	24,768	-	24,768	-	-	24,768	20,656	-	20,656	-	-	20,656
Special events	-	-	-	-	-	-	145,315	-	145,315	-	-	145,315
Net assets released from purpose restrictions	1,378,741	(1,378,741)	-	-	-	-	1,110,612	(1,110,612)	-	-	-	-
Net assets released from time restrictions	302,056	(302,056)	-	-	-	-	256,376	(256,376)	-	-	-	-
Total operating revenue and support	<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>	<u>3,439,959</u>	<u>(481,458)</u>	<u>2,958,501</u>	<u>-</u>	<u>-</u>	<u>2,958,501</u>
<b>Operating Expenses:</b>												
Program services:												
Youth internships	56,126	-	56,126	-	-	56,126	93,516	-	93,516	-	-	93,516
Community organizing	438,673	-	438,673	-	-	438,673	329,295	-	329,295	-	-	329,295
Education	679,900	-	679,900	-	-	679,900	804,489	-	804,489	-	-	804,489
Arts & culture	141,137	-	141,137	-	-	141,137	166,004	-	166,004	-	-	166,004
Latino network	517,477	-	517,477	-	-	517,477	43,315	-	43,315	-	-	43,315
Total program services	<u>1,833,313</u>	<u>-</u>	<u>1,833,313</u>	<u>-</u>	<u>-</u>	<u>1,833,313</u>	<u>1,436,619</u>	<u>-</u>	<u>1,436,619</u>	<u>-</u>	<u>-</u>	<u>1,436,619</u>
Support:												
General and administrative	216,509	-	216,509	50,057	(8,091)	258,475	450,164	-	450,164	12,500	-	462,664
Fundraising	182,628	-	182,628	-	-	182,628	101,437	-	101,437	-	-	101,437
Total support	<u>399,137</u>	<u>-</u>	<u>399,137</u>	<u>50,057</u>	<u>(8,091)</u>	<u>441,103</u>	<u>551,601</u>	<u>-</u>	<u>551,601</u>	<u>12,500</u>	<u>-</u>	<u>564,101</u>
Total operating expenses	<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>	<u>1,988,220</u>	<u>-</u>	<u>1,988,220</u>	<u>12,500</u>	<u>-</u>	<u>2,000,720</u>
Changes in net assets from operations	<u>886,081</u>	<u>194,762</u>	<u>1,080,843</u>	<u>(41,966)</u>	<u>-</u>	<u>1,038,877</u>	<u>1,451,739</u>	<u>(481,458)</u>	<u>970,281</u>	<u>(12,500)</u>	<u>-</u>	<u>957,781</u>
<b>Other Revenue (Expense):</b>												
Forgiveness of debt	292,748	-	292,748	-	-	292,748	-	-	-	-	-	-
Capital grants	-	125,000	125,000	-	-	125,000	1,065,000	250,000	1,315,000	-	-	1,315,000
Gain on transfer	-	-	-	-	-	-	204,798	-	204,798	-	(204,798)	-
Capital campaign expenses	-	-	-	-	-	-	(194,324)	-	(194,324)	-	-	(194,324)
Net assets released from capital restrictions	663,095	(663,095)	-	-	-	-	111,905	(111,905)	-	-	-	-
Total other revenue (expense)	<u>955,843</u>	<u>(538,095)</u>	<u>417,748</u>	<u>-</u>	<u>-</u>	<u>417,748</u>	<u>1,187,379</u>	<u>138,095</u>	<u>1,325,474</u>	<u>-</u>	<u>(204,798)</u>	<u>1,120,676</u>
Changes in net assets	<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>	<u>2,639,118</u>	<u>(343,363)</u>	<u>2,295,755</u>	<u>(12,500)</u>	<u>(204,798)</u>	<u>2,078,457</u>
<b>Net Assets:</b>												
Beginning of year	4,523,715	2,138,996	6,662,711	190,887	(204,798)	6,648,800	2,087,984	2,482,359	4,570,343	-	-	4,570,343
Net asset transfer	-	-	-	-	-	-	(203,387)	-	(203,387)	203,387	-	-
End 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>

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

**SOCIEDAD LATINA, INC. AND AFFILIATE**

Combining Statements of Cash Flows  
For the Years Ended June 30, 2021 and 2020

	2021				2020			
	Sociedad Latina, Inc.	Sociedad Real Estate Holdings, Inc.	Eliminations	Total	Sociedad Latina, Inc.	Sociedad Real Estate Holdings, Inc.	Eliminations	Total
<b>Cash Flows from Operating Activities:</b>								
Changes in net assets	\$ 1,498,591	\$ (41,966)	\$ -	\$ 1,456,625	\$ 2,295,755	\$ (12,500)	\$ (204,798)	\$ 2,078,457
Capital grants	(125,000)	-	-	(125,000)	(1,315,000)	-	-	(1,315,000)
Gain on transfer	-	-	-	-	(204,798)	-	204,798	-
Adjustments to reconcile changes in net assets to net cash provided by operating activities:								
Depreciation	-	21,390	-	21,390	13,975	-	-	13,975
Interest - amortization	-	6,263	-	6,263	-	-	-	-
Forgiveness of debt	(292,748)	-	-	(292,748)	-	-	-	-
Bad debts	-	-	-	-	2,500	-	-	2,500
Changes in operating assets and liabilities:								
Grants and pledges receivable	129,508	-	-	129,508	255,600	-	-	255,600
Prepaid expenses	692	-	-	692	62,250	-	-	62,250
Due (to) from	1,442	(1,442)	-	-	(11,024)	11,024	-	-
Conditional grant advances	(107,590)	-	-	(107,590)	96,130	-	-	96,130
Accounts payable and accrued expenses	(34,358)	80,217	-	45,859	(47,982)	127,186	-	79,204
Net cash provided by operating activities	1,070,537	64,462	-	1,134,999	1,147,406	125,710	-	1,273,116
<b>Cash Flows from Investing Activities:</b>								
Property and equipment purchases	-	(2,258,941)	-	(2,258,941)	(113,025)	(628,254)	-	(741,279)
Proceeds from (payment for) property and equipment transfer	-	-	-	-	1,626,251	(1,626,251)	-	-
Net cash provided by (used in) investing activities	-	(2,258,941)	-	(2,258,941)	1,513,226	(2,254,505)	-	(741,279)
<b>Cash Flows from Financing Activities:</b>								
Issuance of note receivable	-	-	-	-	(3,570,500)	-	-	(3,570,500)
Proceeds from capital grants	325,000	-	-	325,000	1,415,000	-	-	1,415,000
Proceeds from long-term debt	-	-	-	-	935,000	4,680,778	-	5,615,778
Proceeds from Paycheck Protection Program loan	-	-	-	-	499,840	-	-	499,840
Principal payments on notes payable	-	-	-	-	(857,774)	-	-	(857,774)
Net cash provided by (used in) financing activities	325,000	-	-	325,000	(1,578,434)	4,680,778	-	3,102,344
<b>Net Change in Cash, Cash Equivalents and Restricted Cash</b>	1,395,537	(2,194,479)	-	(798,942)	1,082,198	2,551,983	-	3,634,181
<b>Cash, Cash Equivalents and Restricted Cash:</b>								
Beginning of year	3,799,275	2,551,983	-	6,351,258	2,717,077	-	-	2,717,077
End of year	\$ 5,194,812	\$ 357,504	\$ -	\$ 5,552,316	\$ 3,799,275	\$ 2,551,983	\$ -	\$ 6,351,258
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Combining Statements of Financial Position:</b>								
Cash and cash equivalents	\$ 5,194,812	\$ 34,499	\$ -	\$ 5,229,311	\$ 3,799,275	\$ -	\$ -	\$ 3,799,275
Restricted cash	-	191,786	-	191,786	-	225,714	-	225,714
Cash - construction	-	131,219	-	131,219	-	2,326,269	-	2,326,269
Total cash, cash equivalents and restricted cash	\$ 5,194,812	\$ 357,504	\$ -	\$ 5,552,316	\$ 3,799,275	\$ 2,551,983	\$ -	\$ 6,351,258
<b>Supplemental Disclosure of Cash Flow Information:</b>								
Cash paid for interest	\$ 49,314	\$ 14,731	\$ -	\$ 64,045	\$ 60,104	\$ -	\$ -	\$ 60,104
Property and equipment purchases included in accounts payable and accrued expenses	\$ -	\$ 85,623	\$ -	\$ 85,623	\$ -	\$ 127,186	\$ -	\$ 127,186

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, 2021

(With Summarized Comparative Totals for the Year Ended June 30, 2020)

	2021											2020	
	Sociedad Latina, Inc.											Total	
	Program Services					Support					Sociedad Real Estate Holdings, Inc.		Eliminations
Youth Internships	Community Organizing	Education	Arts & Culture	Latino Network	Total Program Services	General and Administrative	Fundraising	Total					
<b>Expenses:</b>													
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	\$ 760,816
Payroll taxes and fringe benefits	3,971	51,248	60,046	16,939	-	132,204	2,253	20,618	155,075	-	-	155,075	146,001
Youth leader stipends	818	65,062	36,358	18,412	-	120,650	733	77	121,460	-	-	121,460	141,273
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	1,048,090
Other expenses:													
Consultants	6,041	20,850	56,671	8,141	476,775	568,478	88,204	65,521	722,203	-	-	722,203	269,562
Program support	6,373	56,484	79,663	17,526	30,202	190,248	-	-	190,248	-	-	190,248	38,163
Interest	960	9,283	28,914	2,881	-	42,038	2,401	2,401	46,840	16,083	-	62,923	61,145
Office	2,517	5,494	18,467	3,364	3,108	32,950	19,603	5,712	58,265	84	-	58,349	55,276
Program supplies	1,116	11,938	21,629	3,258	1,992	39,933	1,042	463	41,438	-	-	41,438	19,906
Occupancy	40	10,080	2,748	40	-	12,908	9,118	42	22,068	12,500	(8,091)	26,477	51,819
Depreciation	-	-	-	-	-	-	-	-	-	21,390	-	21,390	13,975
Insurance	1,999	4,028	4,049	2,014	-	12,090	951	2,829	15,870	-	-	15,870	13,068
Travel and vehicles	-	-	15	-	-	15	307	-	322	-	-	322	17,433
Training	-	-	-	-	-	-	-	-	-	-	-	-	1,099
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	541,446
In-kind expenses:													
Program/other support	-	1,600	2,689	2,401	-	6,690	21,494	-	28,184	-	-	28,184	2,938
Salary/benefits	635	2,640	8,285	2,948	-	14,508	4,546	2,184	21,238	-	-	21,238	13,644
Consultants	-	-	-	-	-	-	9,735	-	9,735	-	-	9,735	259,531
Space rental	-	-	-	-	-	-	-	-	-	-	-	-	135,071
Total in-kind expenses	635	4,240	10,974	5,349	-	21,198	35,775	2,184	59,157	-	-	59,157	411,184
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	\$ 2,000,720



**SOCIEDAD LATINA, INC. AND AFFILIATE**

Combining Statement of Functional Expenses  
For the Year Ended June 30, 2020

	Sociedad Latina, Inc.										
	Program Services					Support			Sociedad Real Estate Holdings, Inc.	Total	
	Youth Internships	Community Organizing	Education	Arts & Culture	Latino Network	Total Program Services	General and Adminis- trative	Fundraising			Total
<b>Expenses:</b>											
Personnel and related:											
Salaries - staff	\$ 43,315	\$ 181,787	\$ 390,295	\$ 62,240	\$ -	\$ 677,637	\$ 50,781	\$ 32,398	\$ 760,816	\$ -	\$ 760,816
Payroll taxes and fringe benefits	8,680	34,126	73,113	13,832	-	129,751	9,243	7,007	146,001	-	146,001
Youth leader stipends	6,331	52,711	63,285	17,584	-	139,911	1,362	-	141,273	-	141,273
<b>Total personnel and related</b>	<b>58,326</b>	<b>268,624</b>	<b>526,693</b>	<b>93,656</b>	<b>-</b>	<b>947,299</b>	<b>61,386</b>	<b>39,405</b>	<b>1,048,090</b>	<b>-</b>	<b>1,048,090</b>
Other expenses:											
Consultants	5,388	15,619	103,798	15,426	43,310	183,541	55,128	30,893	269,562	-	269,562
Program support	-	-	129	-	-	129	38,034	-	38,163	-	38,163
Interest	11,412	15,216	15,216	11,693	-	53,537	3,804	3,804	61,145	-	61,145
Office	4,634	9,346	8,359	6,579	-	28,918	21,360	4,998	55,276	-	55,276
Program supplies	403	3,989	10,500	1,114	5	16,011	3,880	15	19,906	-	19,906
Occupancy	1,765	4,412	3,530	2,647	-	12,354	26,083	882	39,319	12,500	51,819
Depreciation	2,620	3,494	3,494	2,621	-	12,229	873	873	13,975	-	13,975
Insurance	1,633	4,084	3,267	2,450	-	11,434	817	817	13,068	-	13,068
Travel and vehicles	-	512	12,250	19	-	12,781	4,647	5	17,433	-	17,433
Training	-	415	69	-	-	484	282	333	1,099	-	1,099
<b>Total other expenses</b>	<b>27,855</b>	<b>57,087</b>	<b>160,612</b>	<b>42,549</b>	<b>43,315</b>	<b>331,418</b>	<b>154,908</b>	<b>42,620</b>	<b>528,946</b>	<b>12,500</b>	<b>541,446</b>
In-kind expenses:											
Program/other support	-	-	108	2,592	-	2,700	238	-	2,938	-	2,938
Salary/benefits	-	3,228	2,076	7,327	-	12,631	-	1,013	13,644	-	13,644
Consultants	-	-	16,000	-	-	16,000	233,632	9,899	259,531	-	259,531
Space rental	7,335	356	99,000	19,880	-	126,571	-	8,500	135,071	-	135,071
<b>Total in-kind expenses</b>	<b>7,335</b>	<b>3,584</b>	<b>117,184</b>	<b>29,799</b>	<b>-</b>	<b>157,902</b>	<b>233,870</b>	<b>19,412</b>	<b>411,184</b>	<b>-</b>	<b>411,184</b>
<b>Total expenses</b>	<b>\$ 93,516</b>	<b>\$ 329,295</b>	<b>\$ 804,489</b>	<b>\$ 166,004</b>	<b>\$ 43,315</b>	<b>\$ 1,436,619</b>	<b>\$ 450,164</b>	<b>\$ 101,437</b>	<b>\$ 1,988,220</b>	<b>\$ 12,500</b>	<b>\$ 2,000,720</b>

## SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements  
June 30, 2021 and 2020

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### 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 Latino leaders. Sociedad Latina offers a broad array of positive youth development services 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. These four 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 identities which serve as protective factors, promote resiliency, and continue Latino cultural traditions in our community. Sociedad Latina's success relies on deep partnerships with families who engage with Sociedad Latina through education, advocacy, 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 is being 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

During fiscal year 2021, the Organization adopted Accounting Standards Update (ASU) No. 2014 09, *Revenue from Contracts with Customers (ASC 606)*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The standard also requires new, expanded disclosures regarding revenue recognition. The ASU replaces most existing revenue recognition guidance in U.S. GAAP. The new standard was adopted by the Organization effective July 1, 2020, using the modified retrospective approach only to contracts that were not completed as of adoption date. The adoption of this standard did not have a material impact on the Organization's combining financial statements as the Organization's primary sources of revenue are from government grants and contracts and private grants and contributions which are not subject to this standard, therefore no adjustment to the opening balance of net assets was necessary.

## **SOCIEDAD LATINA, INC. AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2021 and 2020

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Cash and Cash Equivalents, Restricted Cash and Cash - Construction**

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). Cash - construction represents proceeds designated for renovations (see Note 7).

#### **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.

#### **Donated Goods and Services**

The Organization receives goods, services and space in support of various aspects of its programs. These goods, services and space are reflected in the accompanying combining financial statements based upon the estimated value assigned to them by the donating volunteers, companies or by management.

## **SOCIEDAD LATINA, INC. AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2021 and 2020

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### **2. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **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, 2021 and 2020. 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, 2021 and 2020.

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 contracts revenue is recorded as the related services are rendered and costs are incurred. Special events revenues are recognized in the period in which the events occur. 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 (expenses) includes capital and capital campaign related activity, and forgiveness of debt income (see Note 10).

## SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements  
June 30, 2021 and 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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.

#### Pledges Receivable

Pledges are recorded at their net present value when unconditionally committed. As of June 30, 2021 and 2020, the discount on pledges to be received 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, 2021 and 2020.

#### 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.

**Board designated** represent reserve funds that the Board of Directors has designated to be used for investment purposes as of June 30, 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, note receivable and cash - construction, net of related debt and accounts payable.

##### *Net Assets With Donor Restrictions*

Net assets with donor restrictions represent funds contributed by donors for specific 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.

## SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements  
June 30, 2021 and 2020

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### 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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

Construction in process consisted of costs related to the rehabilitation of the Organization's main office (see Note 5). These costs began being depreciated once the rehabilitation was complete and placed into service, in April 2021. Land is not depreciated.

#### Subsequent Events

Subsequent events have been evaluated through December 2, 2021, 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 accompanying combining financial statements.

### 3. RESTRICTED CASH

#### Fee Reserve Account

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 \$191,786 and \$225,714 as of June 30, 2021 and 2020, respectively.

### 4. GRANTS AND PLEDGES RECEIVABLE

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

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 525,253	\$ 846,463
Due within two to three years	\$ 50,000	\$ 58,298

## SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements  
June 30, 2021 and 2020

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### 5. PROPERTY AND EQUIPMENT

During fiscal year 2020, all property and equipment were transferred from Sociedad Latina to Sociedad Real Estate as part of obtaining the New Market Tax Credit financing (see Note 7). Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 307,500	\$ 307,500
Building and improvements	4,163,505	1,070,347
Furniture and equipment	204,265	-
Construction in process	-	1,080,045
	<u>4,675,270</u>	<u>2,457,892</u>
Less - accumulated depreciation	21,390	-
Less - eliminations	<u>204,798</u>	<u>204,798</u>
Net property and equipment	<u>\$ 4,449,082</u>	<u>\$ 2,253,094</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 financial position of the Organization as of June 30, 2021 and 2020, or on the changes in its 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, 2021 and 2020, are as follows:

<u>Funder</u>	<u>Operating Revenue and Support %</u>		<u>Grants and Pledges Receivable %</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Governmental agencies	12%	15%	7%	7%
Private Funder A	8%	5%	24%	17%
Private Funder B	- %	- %	- %	23%
Private Funder C	3%	3%	10%	6%
Private Funder D	2%	1%	12%	- %
Private Funder E	2%	- %	11%	3%

#### 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 balance exceeded the insured amount. The Organization has not experienced any losses in those accounts.

## **SOCIEDAD LATINA, INC. AND AFFILIATE**

Notes to Combining Financial Statements  
June 30, 2021 and 2020

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### **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 Eastern 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).

#### **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 \$8,091 for fiscal year 2021 and is included in interest and other on the accompanying 2021 combining statement of activities and changes in net assets, and occupancy in the accompanying 2021 combining statement of functional expenses. There was no rent income or expense under the lease in fiscal year 2020.



## SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements  
June 30, 2021 and 2020

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### 7. NEW MARKETS TAX CREDITS TRANSACTION (Continued)

#### Leases (Continued)

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>	
2022	\$ 101,500
2023	104,546
2024	115,182
2025	133,412
2026	114,240
Thereafter	<u>5,370,356</u>
	<u>\$ 5,939,236</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).

#### Capital Contribution

In fiscal year 2020, Sociedad Latina made a \$203,387 capital contribution to Sociedad Real Estate. The total amount consisted of a \$92,432 pre-development cost donation for payments of expenses related to the Project and \$110,955 of pro-bono legal services related to the Project. The capital contribution is reflected as net asset transfer in the accompanying combining statement of activities and changes in net assets.

**SOCIEDAD LATINA, INC. AND AFFILIATE**Notes to Combining Financial Statements  
June 30, 2021 and 2020**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 (3.25% at June 30, 2021 and 2020), 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, 2021 and 2020.

**9. LONG-TERM DEBT**

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

<b>Sociedad Latina</b>	<u>2021</u>	<u>2020</u>
4.68% term loan payable to Eastern 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).	\$ 935,000	\$ 935,000
Less - current portion	<u>11,522</u>	<u>-</u>
Total - Sociedad Latina	<u>\$ 923,478</u>	<u>\$ 935,000</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>
2022	\$ 11,522
2023	\$ 23,752
2024	\$ 24,788
2025	\$ 26,106
2026	\$ 27,372

<b>Sociedad Real Estate</b>	<u>2021</u>	<u>2020</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 \$7,155 for the year ended June 30, 2021. 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, 2021 and 2020

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### 9. LONG-TERM DEBT (Continued)

Sociedad Real Estate (Continued)	<u>2021</u>	<u>2020</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 \$2,665 for the year ended June 30, 2021. 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.	<u>1,329,500</u>	<u>1,329,500</u>
	<u>4,900,000</u>	<u>4,900,000</u>
Less - debt issuance costs, net	<u>212,959</u>	<u>219,222</u>
Total - Sociedad Real Estate	<u>\$ 4,687,041</u>	<u>\$ 4,680,778</u>

Sociedad Latina has provided a guaranty of payment on Loan A and Loan B and the completion of the Project. Debt issuance costs of \$219,222 are amortized over the period the related obligation is outstanding using the straight-line method, which approximates the effective interest method. Accumulated interest - amortization was \$6,263 as of June 30, 2021. 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, 2021 and 2020.

### 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 is due in equal monthly installments of approximately \$3,452 through April 2025 (the maturity date). As of June 30, 2021 and 2020, the Organization had a note payable balance of \$207,092 and \$499,840, respectively.

There are no covenants with which to comply, and the note is not secured by any collateral as of June 30, 2021. Accrued interest on the note payable is \$3,515 and \$1,041 as of June 30, 2021 and June 30, 2020, respectively, and is included in Paycheck Protection Program loan and accrued interest in the accompanying combining statements of financial position.

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

<u>Fiscal Year</u>	<u>Amount</u>
2022	\$ 47,950
2023	\$ 57,540
2024	\$ 57,540
2025	\$ 44,062

## SOCIEDAD LATINA, INC. AND AFFILIATE

Notes to Combining Financial Statements  
June 30, 2021 and 2020

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### 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). The funder-imposed conditions for these amounts include the requirement for the Organization to incur qualifying expenses.

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. 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>2021</u>	<u>2020</u>
Cash	\$ 3,859,624	\$ 2,250,653
Current portion of grants and pledges receivable	<u>149,277</u>	<u>314,387</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 4,008,901</u>	<u>\$ 2,565,040</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 obligations 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.

### 15. RECLASSIFICATIONS

Certain amounts in the fiscal year 2020 combining financial statements have been reclassified to conform with the fiscal year 2021 presentation.



50 Washington Street  
Westborough, MA 01581  
508.366.9100  
aafcpa.com

December 2, 2021

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, 2021, and have issued our report thereon dated December 2, 2021. 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 August 2, 2021. Professional standards also require that we communicate to you the following information related to our audit.

#### Required Communications

##### *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 2021, the Organization adopted the following accounting standard:

- Financial Accounting Standards Board's (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, on a modified retrospective basis. Under ASU 2014-09, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the Organization expects to receive in exchange for those goods and services. In addition, ASU 2014-09 requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

There were no other new accounting policies adopted and the application of existing policies was not changed during fiscal year 2021. 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 services and space, which is 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.

Required Communications (Continued)

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.

*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 concurs with, and has corrected, the attached misstatements detected as a result of audit procedures. Additionally, the attached report contains an uncorrected misstatement. Management has determined that its effect is immaterial to the combining financial statements as a whole.

*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 December 2, 2021.

*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.

### Comments, Observations and Recommendations on Internal Controls

The following comments, observations and recommendations on internal controls were noted during our audit:

#### **Prior Year Item Addressed**

The Organization has implemented a formalized cost allocation policy which outlines the specific basis for significant allocations.

#### **Current Year Items**

##### Best Practice Recommendations

##### *Federal Funds Tracking*

As the Organization continues to grow and receive different funding, management should develop a tracking schedule of all Federal funding that outlines the applicable information, such as CFDA number, period of award, purpose of award, maximum obligation, and amount expended during the year. By maintaining this schedule, the Organization will be able to determine if an audit in accordance with Uniform Guidance standards will be required.

##### *IT General Controls*

During the fiscal year 2021 audit of the Organization, we utilized members of our Business and IT Consulting (BITC) team to perform an analysis of the Organization's Information Technology (IT) environment, with special emphasis on IT General Controls (ITGC) in the following areas:

- Access to programs and data
- Program changes
- Program development
- Computer operations
- Network security

This has been shared with the Organization's IT personnel as well as management. None of the enhancements are a result of a material weakness or significant deficiency and are general recommendations to enhance the controls surrounding the IT environment. Management of the Organization should develop an implementation schedule to address the recommended enhancements as a way to strengthen the Organization's ITGC.

##### *Debit Card Approvals*

The Organization should update its policy to formalize and create a review process of the debit card transactions by a Board member on a periodic basis to ensure that all expenses appear reasonable. This process will provide an additional layer of controls to ensure all expenses appear reasonable.

Comments, Observations and Recommendations on Internal Controls (Continued)

**Prior Year Item in Process**

*Automation*

During fiscal year 2021, the Organization utilized pre-signed checks in some instances to process payments. The Organization principally uses a manual, hard copy process for purchasing and cash disbursements. While the system has worked well over the years, new technologies have been introduced that can make this function more efficient and digital so that one can access the information from multiple locations. We suggest that as the Organization's employees are working from remote locations more often, a conversion to an automated billing and banking systems would facilitate that trend as well as increase the overall efficiency of the process.

Other Matters for Your Information

**Statement on Auditing Standards - Auditor's Reports**

In an effort to increase the informational value and relevance of the auditor's report for users, the AICPA's Auditing Standards Board (ASB) issued Statement on Auditing Standards (SAS) No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*, in May 2019. SAS No. 134 contains many substantive changes including:

- Opinion section is now required to be presented first in the auditor's report and the basis for opinion section is required to follow the opinion section.
- A statement is added to the auditor's report indicating that the auditor is required to be independent of the entity and meet the auditor's other ethical responsibilities, in accordance with the relevant ethical requirements relating to the audit.
- Enhanced auditor reporting relating to going concern, including a description of the respective responsibilities of management and the auditor for going concern.
- Expanded description of the auditor's responsibilities, including professional judgement and professional skepticism, and communications with those charged with governance.
- A new auditing standard is created to address the auditor's responsibility to communicate Key Audit Matters (KAM) when the auditor is engaged to do so. Communicating KAM in the auditor's report will provide transparency about the audit to the financial statement users. Examples of KAM may include goodwill impairment, uncertain tax positions, revenue recognition, acquisitions and inventory valuation. The communication of KAM does not alter the opinion on the financial statements taken as a whole.
- Clarified the relationship between Emphasis-of-Matter (EOM) paragraphs and the communication of KAM.
- Principal changes relate to form and content of the auditor's report when the opinion is modified consistent with the requirements in the existing standards.

ASB also issued SAS No. 135, *Omnibus Statement on Auditing Standards - 2019*, and SAS No. 137, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports*, in May 2019 and July 2019, respectively. The amendments in SAS No. 135 are intended to enhance audit quality by heightening the auditor's focus on related parties and transactions and creating new communication requirements for the auditor in communicating significant unusual transactions to those charged with governance, such as difficult or contentious matters for which the auditor consulted outside the engagement team and uncorrected misstatements that could cause future material misstatements. SAS No. 137 addresses the auditor's responsibilities relating to other information, whether financial or nonfinancial, included in an entity's annual report. SAS No. 137 also requires a separate section to be included in the auditor's report addressing such additional information. The effective date of these new SASs is for audits of nonpublic company financial statements for periods ending on or after December 15, 2021.



Other Matters for Your Information (Continued)

***New Lease Accounting***

ASU 2016-02, *Leases (Topic 842)*, was issued by the 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.

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 fiscal years beginning after December 15, 2021. Early application is still allowed.

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.

***Presentation and Disclosure Requirements for Contributed Nonfinancial Assets***

In September 2020, the FASB issued 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 (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU will not change the recognition and measurement requirements of in-kind goods and services and it does not apply to businesses enterprises.

Nonfinancial assets include fixed assets (i.e., land, building and equipment), use of fixed assets or utilities, materials and supplies (i.e., food, or clothing), software licenses, professional services (i.e., architectural, legal) and unconditional promises of those assets. Cash and shares of stock are considered financial assets.

The new guidance significantly expands the disclosure requirements for in-kind goods and services, including:

- Present in-kind goods and services as a separate line item on the face of the statements of activities.
- Provides disaggregated information in the notes to the combining financial statements about each category of in-kind goods and services, such as building, equipment, food, medical supplies, legal services, or use of facility.

Other Matters for Your Information (Continued)

***Presentation and Disclosure Requirements for Contributed Nonfinancial Assets*** (Continued)

- For each category of in-kind goods and services, not-for-profit entities are also required to disclose:
  - Revenue recognized.
  - Any donor restriction associated with the in-kind donations.
  - Qualitative information about the not-for-profit policy (if any) regarding the monetization or use of the in-kind donations.
  - A description of the valuation techniques and inputs used to arrive at a fair value measurement.
  - The principal market used to estimate the in-kind donations' fair value.

This ASU should be applied on a retrospective basis and is effective for annual periods beginning after June 15, 2021. Early adoption is permitted.

***Computer System Review***

As we have discussed, there continues to be an increasing threat that an organization's computer systems may be taken hostage by computer hackers and other such cyber criminals. In addition, the phishing schemes are getting more creative using social engineering. While our walkthroughs of your IT controls did not indicate any of this type of activity occurring, we feel that management should implement as many procedures and safeguards as possible to offset these threats. A review of your Cyber Health, consistent employee training and a review of cyber insurance policies are prudent. All organizations must know where they have vulnerabilities and a regular annual review is encouraged. Cyber Health must be an annual review and process as hackers get more and more sophisticated each year. We can help you reduce your risk in this area and develop an annual cyber review.

If you have any questions or need further assistance with these items, please contact a member of your audit service team.

This information is intended solely for the use of the Executive Committee, Boards 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: **6/30/2021**  
Trial Balance: **TB-02 - RE Holdings**  
Workpaper: **RE AJE Report**

Account	Description	W/P Ref	Debit	Credit	P&L Effect
					Unadjusted changes in net assets \$ (42,320)
<b>Adjusting Journal Entries</b>					
<b>Adjusting Journal Entries JE # 1</b>					
AA-01					
To properly state fixed assets and debt issuance costs as of June 30, 2021.					
15500	Building		69,158.00		
15200	Debt Issuance Costs			69,158.00	
<b>Total</b>			<b>69,158.00</b>	<b>69,158.00</b>	-
<b>Adjusting Journal Entries JE # 2</b>					
AA-01					
To properly state interest - amortization, interest expense, fixed assets and accumulated amortization as of and for the year ended June 30, 2021.					
15500	Building		4,911.00		
67550	Amortized Costs		4,557.00		
15250	Amortization of Debt Issuance			4,557.00	
67500	Interest Expense			4,911.00	
<b>Total</b>			<b>9,468.00</b>	<b>9,468.00</b>	354
<b>Total Adjusting Journal Entries</b>			<b>78,626.00</b>	<b>78,626.00</b>	
<b>Total All Journal Entries</b>			<b>78,626.00</b>	<b>78,626.00</b>	
					Adjusted changes in net assets \$ <u>(41,966)</u>

**SOCIEDAD LATINA, INC.**

Uncorrected Misstatement Report  
June 30, 2021

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, 2021.	\$ -	\$ (50,000)	\$ -	\$ -
		-	50,000		-	-	-	50,000
	Total				<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ -</u>	<u>\$ 50,000</u>