

UNITED LATINO FUND
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2019

VASIN, HEYN & COMPANY

ABOVE THE BRIGHT LINE

AN ACCOUNTANCY CORPORATION
CERTIFIED PUBLIC ACCOUNTANTS | AUDITORS AND ADVISERS

UNITED LATINO FUND
(A California Non-Profit Corporation)
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
United Latino Fund (ULF)
(A California Non-Profit Corporation)
Glendale, California

We have audited the accompanying financial statements of United Latino Fund (A California Non-Profit Corporation), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT - Continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of United Latino Fund as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 5 to the financial statements, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic on March 11, 2020 and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time. Our opinion is not modified with respect to that matter.

Change in Accounting Principles

As described in Note 2 to the financial statements, United Latino Fund has adopted ASU 2014-09 *Revenue from Contracts with Customers*, and ASU 2018-08, *Not-for-Profit Entities, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to that matter.

Vorlein, Hays + Co.

Calabasas, California
January 22, 2021

UNITED LATINO FUND
(A California Non-Profit Corporation)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

	2019
ASSETS	
Cash and cash equivalents	48,069
Accounts receivable	755
Deposits and prepaid expenses	4,000
Property and equipment, net	0
Total assets	\$ 52,824
 LIABILITIES	
Accounts payable and accrued expenses	\$ 38,089
Deferred revenue	30,000
Total liabilities	68,089
 COMMITMENTS AND CONTINGENCIES	
NET ASSETS	
Without donor restrictions:	
Undesignated	(15,265)
With donor restrictions	-
Total net assets	(15,265)
Total liabilities and net assets	\$ 52,824

See accompanying auditors' report and notes to financial statements.

UNITED LATINO FUND
(A California Non-Profit Corporation)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019		Total
	Without Donor Restrictions	With Donor Restrictions	
REVENUE, SUPPORT AND RESTRICTIONS RELEASED			
Contributions and grants	133,202	18,417	151,619
Fees and grants	301	-	301
Other income - board contributions	4,000	-	4,000
Net assets released from restrictions	<u>18,417</u>	<u>(18,417)</u>	<u>-</u>
 Total revenue, support and restrictions released	 155,920	 -	 155,920
EXPENSES			
Program services	134,564	-	134,564
Support services:			
Management and General	<u>7,656</u>	<u>-</u>	<u>7,656</u>
 Total expenses	 <u>142,220</u>	 <u>-</u>	 <u>142,220</u>
 CHANGE IN NET ASSETS	 13,700	 -	 13,700
 NET ASSETS - beginning of year	 <u>(28,965)</u>	 <u>-</u>	 <u>(28,965)</u>
 NET ASSETS - end of year	 <u>\$ (15,265)</u>	 <u>\$ -</u>	 <u>\$ (15,265)</u>

See accompanying auditors' report and notes to financial statements.

UNITED LATINO FUND
(A California Non-Profit Corporation)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General Services	2019 Total Expenses
Accounting fees	\$ 678	\$ -	\$ 678
Bank charges	-	44	44
Computer expenses	1,920	-	1,920
Conferences and meetings	8,163	1,300	9,463
Donations	54,378	-	54,378
Dues and subscriptions	500	-	500
Fees and Permits	-	69	69
Insurance	-	1,099	1,099
Miscellaneous expenses	-	-	-
Office expenses	223	-	223
Outside services	58,210	198	58,408
Postage and delivery	105	-	105
Printing and copying	45	-	45
Public relations	9,770	-	9,770
Rent	-	4,715	4,715
Small equipment	-	-	-
Supplies	-	-	-
Utilities	-	231	231
	133,992	7,656	141,648
Depreciation	572	-	572
Total Expenses	\$ 134,564	\$ 7,656	\$ 142,220

See accompanying auditors' report and notes to financial statements.

UNITED LATINO FUND
(A California Non-Profit Corporation)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	2019
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in unrestricted net assets	\$ <u>13,700</u>
Adjustments to reconcile increase in net assets to net cash provided by operating activities	
Depreciation expense	572
Decrease in:	
Accounts receivable	(755)
Deposits and prepaid expenses	(4,000)
Increase (decrease) in:	
Accounts payable and accrued expenses	(1,137)
Deferred revenue	<u>30,000</u>
Total adjustments	<u>24,680</u>
 Net Cash Provided by Operating Activities	 38,380
 NET INCREASE IN CASH AND CASH EQUIVALENTS	 38,380
 CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	 <u>9,689</u>
 CASH AND CASH EQUIVALENTS AT END OF YEAR	 <u>\$ 48,069</u>

See accompanying auditors' report and notes to financial statements.

UNITED LATINO FUND
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. ORGANIZATION AND MISSION STATEMENT

Founded in 1990, United Latino Fund (ULF) is Los Angeles' leading foundation and philanthropic resource created for and by Latinx that transforms, uplifts and improves the quality of life throughout Los Angeles by investing in sustainable, community-driven solutions. With generous support from workplace giving campaigns, ULF funds nonprofit organizations that deeply impact the communities they serve.

Under the leadership of Interim Executive Director, Richard Xavier Corral, ULF has emerged as a prominent philanthropic organization in the Los Angeles area and is one among a few Latino funds in the United States. As a fund distribution agency, ULF coordinates fundraising campaigns through workplace giving programs, similar to the United Way. Over the past 30 years, ULF has invested close to one million dollars in more than 600 community based nonprofits and provides in-kind technical assistance to grantees.

Latinos comprise LA County's largest ethnic group with over 49% of the County's 10 million residents. The recent economic downturn left many families in need with approximately 4,880,000 Latinos living at or below 300% of the federal poverty level. Compounding this need is the recent wave of immigrants from Central America & Mexico, many of whom are unaccompanied minors. These children and families have a new set of needs driven by the ongoing gang and drug wars ranging in their home countries. Therefore, the ULF board of directors adopted jobs and housing as funding priorities to better meet our community's most pressing needs and to improve the quality of life throughout Los Angeles.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ULF prepares its financial statements in accordance with generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by ULF are described below to enhance the usefulness and understandability of the financial statements.

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

- *Net Assets without donor restrictions.* Net assets without donor restrictions are resources available to support operations. The only limits on the use of the net assets without donor restrictions are the broad limits resulting for the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

UNITED LATINO FUND
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

- *Net assets with donor restrictions.* Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. ULF's unspent contributions are classified in this class if the donor limited their use. When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the use of the related resources is subject to net assets with donor restrictions. All expenses and net losses other than losses on endowment investments are reported as decreases in net assets without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Receivables are primarily unsecured amounts due on cost reimbursement or performance contracts. Any amount that is denied for reimbursement is written off when ULF receives notification from the grantor agency. ULF uses the allowance method of accounting for receivables determined to be potentially uncollectable. In management's opinion, all contracts and accounts receivable were collectible at year-end. No allowance for doubtful accounts for accounts receivable is considered necessary at December 31, 2019.

Deposits and Prepaid Expenses

Deposits, prepaid expenses and other costs are expensed ratably over their respective terms of agreement.

UNITED LATINO FUND
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property and Equipment, Net

Furniture and equipment are reported in the statement of financial position at cost, if purchased, and at fair value at the date of donation, if donated. Furniture and equipment is capitalized if it has a cost of \$5,000 or more and a useful life when acquired of more than 1 year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Furniture, Machinery and Equipment	5 - 10 years
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Property and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the current period.

Deferred Revenue

Deferred revenue represents revenues collected but not earned as of December 31, 2019. This is primarily composed of revenue received for an event to be held in the subsequent year.

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless use of the contributed assets is specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions, consistent with the nature of the restriction. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as net assets with donor restrictions until the payment is due unless the contribution is clearly intended to support activities of the current fiscal year or is received with donor restrictions. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Contributed Goods and Services

Contributions of goods received that are measurable are recorded as revenue at their estimated fair value when received. Contributions of services are recognized if the services received meet any of these criteria: (1) if they create or enhance nonfinancial assets and (2) if they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no contributed services qualified for recognition during the year ended December 31, 2019.

UNITED LATINO FUND
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition

Revenues from government agencies, program service fees, and other third-party payors for services provided under such contracts are recognized when earned by ULF. All gifts, bequests, and other public support are included in unrestricted net assets unless specifically restricted by the donor or the terms of the gift or grant instrument.

Income Taxes

ULF is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. The IRS classified the organization as one that is not a private foundation within the meaning of section 509(a) of the Code because it is an organization described in section(s) 509(a)(1) and 170(b)(1)(A)(vi).

ULF has adopted Financial Accounting Standards Board Accounting Standards Codification (ASC) Section 740-10, which clarifies the accounting for uncertainty in income taxes. ASC Section 740-10 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Section 740-10 requires that an organization recognize in the financial statements the impact of the tax position if that position will more likely than not be sustained on audit, based on the technical merits of the position. As of and for the year ended December 31, 2019, ULF had no material unrecognized tax benefits, tax penalties or interest.

ULF's Forms 990, *Return of Organization Exempt from Income Tax*, for each of the tax years ended December 31, 2018, 2017, and 2016, are subject to examination by the IRS, generally for 3 years after they were filed.

Expense Recognition and Allocation

The cost of providing ULF's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of ULF.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. ULF generally does not conduct its fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgements contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

UNITED LATINO FUND
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, ULF's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. ULF's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Adopted Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2016-09 outlines a single, comprehensive model for companies to use in accounting for revenue arising from contracts with customers. The core principle of the revenue model is that revenue is recognized when a customer obtains control of a good or service. The change in accounting principle was adopted on the retrospective basis which resulted in no change to revenue previously reported and, also had no effect on the revenue recognized for the year ended December 31, 2019.

In June 2018, the Financial Accounting Standards Board (FASB) issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. This clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The change in accounting principle was adopted on a modified prospective basis in 2019. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of January 1, 2019. There was no financial effect of adopting the new accounting principles on contributions for the year ended December 31, 2019.

UNITED LATINO FUND
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fair Value Measurements

ULF reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal or most advantageous market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability 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 asset or liability 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 or liability based on the best information available. This hierarchy, established by GAAP, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The three levels of inputs used to measure fair value are as follows:

- *Level 1* - Quoted prices for identical assets or liabilities in active markets to which ULF has access at the measurement date.
- *Level 2* - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:
 - quoted prices for similar assets or liabilities in active markets;
 - quoted prices for identical or similar assets in markets that are not active;
 - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
 - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.
- *Level 3* - Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value to the extent that observable inputs are not available.

The carrying amounts of cash and cash equivalents and accounts receivable approximate fair value because of the terms and relatively short maturity of these financial instruments.

The carrying amounts of liabilities, approximate fair value because of the relatively short maturity of these financial instruments.

When available, ULF measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

UNITED LATINO FUND
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

3. PROPERTY AND EQUIPMENT, NET

Property and equipment, net at December 31, 2019, consists of the following:

	Amount
Furniture and equipment	\$ 2,650
	2,650
Less accumulated depreciation	(2,650)
Total	\$ -

Depreciation expense for the year ended December 31, 2019 totaled \$572.

4. RELATED PARTY TRANSACTIONS

The Interim Executive Director is the owner of a consulting firm that performs various tasks ranging from organizational management, fundraising and communications, branding and marketing for ULF. ULF paid the consulting firm approximately \$48,000 during the year ended December 31, 2019, for those services. The Board of Directors of ULF approved the services and fees in accordance with its conflict of interest policies.

5. CONTINGENCIES

COVID-19

On March 11, 2020 the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The ultimate financial impact and duration of these events cannot be reasonably estimated at this time.

6. COMMITMENTS

Lease

During May 2017 the agency entered into a new operating lease agreement for its Glendale office. The lease provides for monthly lease payments of \$445 and expired on July 2019.

Rent expense amounted to \$2,914 for the year ended December 31, 2019.

UNITED LATINO FUND
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

7. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are part of the net assets of ULF resulting from contributions and other inflows of assets whose use by ULF is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of ULF pursuant to those stipulations. Net assets with donor restrictions at December 31, 2019, consist of the following:

Purpose	Balance at 12/31/18	Income	Expenditures	Balance at 12/31/19
Pass-Through Grants	\$ -	\$ 18,417	\$ (18,417)	\$ -
Total	<u>\$ -</u>	<u>\$ 18,417</u>	<u>\$ (18,417)</u>	<u>\$ -</u>

8. CONCENTRATION RISK

Amounts held in financial institutions are not in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. ULF deposits its cash with high quality financial institutions, and management believes the organization is not exposed to significant credit risk on those amounts.

The majority of ULF's contributions and grants are received from employee donations and from agencies located throughout the state of California. As such, ULF's ability to generate resources via contributions and grants is dependent upon the economic health of that area and of the state of California. An economic downturn could cause a decrease in contributions and grants that coincides with an increase in demand for ULF's services.

UNITED LATINO FUND
(A California Non-Profit Corporation)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2019
(CONTINUED)

9. LIQUIDITY AND FUNDS AVAILABLE

The total financial assets held by ULF at December 31, 2019 and the amount of those financial assets that could be made available for general expenditure within one year of the date of the statement of financial position are summarized in the following table:

	<u>December 31, 2019</u>
Financial assets:	
Cash and cash equivalents	\$ 48,069
Accounts receivable	<u>755</u>
Total financial assets	48,824
Less donor imposed restrictions:	
Net assets with donor restrictions	<u>(-)</u>
Net financial assets after donor-imposed restrictions	<u>\$ 48,824</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 48,824</u>

In addition to existing financial assets available to meet general expenditures within one year ULF receives significant contributions restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. ULF has a liquidity policy to maintain current financial assets less current liabilities at a minimum of 90 days operating expenses. To achieve these targets, the entity forecasts its future cash flows and monitors its liquidity quarterly, and monitors its reserves annually. During the year ended December 31, 2019 the level of liquidity and reserves was managed within the policy requirements.

10. SUBSEQUENT EVENTS

ULF has evaluated events subsequent to December 31, 2019, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through January 22, 2021, the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required. Based upon this evaluation, it was determined that no subsequent events occurred that require recognition or additional disclosure in the financial statements.