

**PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

Year Ended

December 31, 2020

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Financial Statements

December 31, 2020

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OSCAR G. ARMIJO
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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Pueblo Unido Community Development Corporation
La Quinta, CA

Report on the Financial Statements

We have audited the accompanying financial statements of Pueblo Unido Community Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pueblo Unido Community Development Corporation, as of December 31, 2020, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* we have also issued our report dated March 31, 2021, on our consideration of Pueblo Unido Community Development Corporation, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pueblo Unido Community Development Corporation, internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited Pueblo Unido Community Development Corporation's 2019 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated June 5, 2020. In our opinion, the summarized comparative information presented herein as of and for the ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in black ink, appearing to be a stylized name, possibly "J. L. Smith" or similar, written in a cursive script.

Palm Desert, California
March 31, 2021

FINANCIAL STATEMENTS

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2020 with Comparative Totals
For the Year Ended December 31, 2019

| ASSETS | 2020 | 2019 |
|---|---------------------|---------------------|
| CURRENT ASSETS | | |
| Cash | \$ 953,346 | \$ 632,735 |
| Restricted Cash (Note C) | 34,095 | 24,109 |
| Grants receivable (Note E) | 1,871,114 | 1,995,372 |
| Prepaid expenses | 6,508 | 3,158 |
| Other assets | 212,731 | 221,665 |
| TOTAL CURRENT ASSETS | 3,077,794 | 2,877,039 |
| Property and Equipment - Net (Note D) | 931,602 | 974,541 |
| TOTAL ASSETS | \$ 4,009,396 | \$ 3,851,580 |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | 25,762 | 51,078 |
| Line of credit | - | 25,000 |
| Other liabilities (Note F) | 165,733 | 14,048 |
| Current portion long term debt (Note G) | 19,458 | 18,883 |
| TOTAL CURRENT LIABILITIES | 210,953 | 109,009 |
| Long-Term Debt (Note G) | 605,627 | 625,085 |
| TOTAL LIABILITIES | 816,580 | 734,094 |
| COMMITMENTS AND CONTINGENCIES | | |
| NET ASSETS | | |
| Without donor restrictions | 1,382,487 | 1,154,204 |
| With donor restrictions (Note H) | 1,810,329 | 1,963,282 |
| TOTAL NET ASSETS | 3,192,816 | 3,117,486 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 4,009,396 | \$ 3,851,580 |

See accompanying notes to financial statements.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Statement of Activities

Year Ended December 31, 2020 with Comparative Totals
For the Year Ended December 31, 2019

| NET ASSETS WITHOUT DONOR RESTRICTIONS | 2020 | 2019 |
|--|---------------------|---------------------|
| Income | | |
| Rental income | \$ 361,619 | \$ 336,056 |
| Grants | 639,121 | 244,640 |
| Interest income | 1,256 | 1,578 |
| Other income | 2,132 | 46,442 |
| | <u>1,004,128</u> | <u>628,716</u> |
| Net assets released from restrictions satisfacion of program restrictions | <u>391,553</u> | <u>681,483</u> |
| Total Income and Other Support Without Donor Restrictions | <u>1,395,681</u> | <u>1,310,199</u> |
| Expenses | | |
| Program services | 967,319 | 783,784 |
| General & administration | 200,079 | 260,839 |
| Fundraising | - | 13,465 |
| Total expenses | <u>1,167,398</u> | <u>1,058,088</u> |
| INCREASE/(DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS | 228,283 | 252,111 |
| CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS | | |
| Federal, state and local grants | 282,000 | 459,920 |
| Loss on prior year grant | (43,400) | (249,000) |
| Net assets released from restrictions | <u>(391,553)</u> | <u>(681,483)</u> |
| CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS | (152,953) | (470,563) |
| CHANGE IN NET ASSETS | 75,330 | (218,452) |
| NET ASSETS AT BEGINNING OF YEAR | <u>3,117,486</u> | <u>3,335,938</u> |
| NET ASSETS AT END OF YEAR | <u>\$ 3,192,816</u> | <u>\$ 3,117,486</u> |

See accompanying notes to financial statements.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended December 31, 2020 with Comparative Totals
For the Year Ended December 31, 2019

| | 2020 | 2019 |
|--|------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Increase/(Decrease) in net assets | \$ 75,330 | \$ (218,452) |
| Depreciation | 42,938 | 43,994 |
| (INCREASE)/DECREASE IN OPERATING ASSETS | | |
| Grants receivable | 124,258 | 684,559 |
| Prepaid expense | (3,350) | (264) |
| Other assets | 8,935 | (8,565) |
| INCREASE/(DECREASE) IN OPERATING LIABILITIES | | |
| Accounts payable | (25,316) | (88,745) |
| Other liabilities | 151,685 | (15,186) |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 374,480 | 397,341 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | - | - |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payment on long-term debt | (18,883) | (18,334) |
| Payment on line of credit | (25,000) | (20,000) |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | (43,883) | (38,334) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 330,597 | 349,023 |
| BEGINNING CASH AND CASH EQUIVALENTS | 656,844 | 307,821 |
| ENDING CASH AND CASH EQUIVALENTS | \$ 987,441 | \$ 656,844 |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION | | |
| Interest paid | \$ 21,036 | \$ 24,533 |

See accompanying notes to financial statements.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Statement of Functional Expenses

Year Ended December 31, 2020 with Comparative Totals
For the Year Ended December 31, 2019

| | General & Administration | Program Services | <u>2020</u> Total Expenses | <u>2019</u> Total Expenses |
|-------------------------------------|-----------------------------|---------------------|----------------------------------|----------------------------------|
| Salaries | \$ 91,724 | \$ 327,152 | \$ 418,876 | \$ 368,225 |
| Fringe Benefits | 28,299 | 87,395 | 115,694 | 92,312 |
| Total Salaries & Fringe Benefits | 120,023 | 414,547 | 534,570 | 460,537 |
| Maintenance and operating | 10,329 | 234,122 | 244,451 | 176,181 |
| Utilities | 6,356 | 138,745 | 145,101 | 120,034 |
| Professional Fees | - | 53,336 | 53,336 | 79,812 |
| Supplies | 677 | 2,031 | 2,708 | 3,342 |
| Travel | 2,425 | 7,331 | 9,756 | 24,196 |
| Office Expense | 914 | 5,422 | 6,336 | 9,657 |
| Taxes & Insurance | 9,469 | 46,391 | 55,860 | 56,211 |
| License & Permits | 113 | 339 | 452 | 160 |
| Accounting Fees | 17,438 | 6,500 | 23,938 | 22,067 |
| Rent | 18,540 | - | 18,540 | 16,500 |
| Community Engagement | - | 4,028 | 4,028 | 20 |
| Other | 698 | 3,649 | 4,347 | 20,843 |
| Interest Expense | 1,975 | 19,061 | 21,036 | 24,534 |
| Total Expenses Before Depreciation | \$ 188,957 | \$ 935,502 | \$ 1,124,459 | \$ 1,014,094 |
| Depreciation | 11,122 | 31,817 | 42,939 | 43,994 |
| Total Expenses | \$ 200,079 | \$ 967,319 | \$ 1,167,398 | \$ 1,058,088 |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2020

NOTE A. NATURE OF ACTIVITIES

The Pueblo Undio Community Development Corporation (the Organization), a Non-Profit Organization, was incorporated in 2008 for the purpose of addressing the needs and problems of distressed rural communities through a strategic plan which objective is to utilize existing resources and create new opportunities with the collaboration of community members, community-faith base organizations, public entities and elected officials to achieve social change in the areas of community-economic development, affordable housing and infrastructure. Currently, the Organization owns and operates a 100 unit Mobile Home Park (San Antonio Del Desierto) in the City of Mecca, California.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to two classes of net assets; net assets without donor restrictions and net assets with donor restrictions.

Contributions

Contributions from granting agencies received are recorded as net assets with or without donor restrictions, depending on the existence or nature of any grantor restrictions.

Support that is restricted by the grantor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other grantor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

Cash and Cash Equivalents

For purpose of the statement of cash flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2020

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Cash Flows

For the purpose of the statement of cash flows, total cash reported include the following:

| | |
|---------------|-------------------|
| Cash | \$ 953,346 |
| Cash Reserves | <u>34,095</u> |
| | <u>\$ 987,441</u> |

Fair Value of Financial Instruments

The following methods and assumptions were used by the Organization in estimating the fair values of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

Long-term debt: The fair value of the Agency's long-term debt approximated by the exit cost.

Accounts Receivable

Accounts receivable are stated at the amount the Organization expects to collect from outstanding balances. The Organization provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after the Organization has used reasonable collection efforts are written up through a charge to the valuation allowance and a credit to accounts receivable.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2020

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Expenditures for property and equipment are stated at cost. Acquisitions of assets in excess of \$1,000 are capitalized and depreciated using the straight-line method over the estimated useful lives of the assets. The principal estimated useful lives used in computing the depreciated provisions are as follows:

| | |
|---------------------------|----------|
| Building and Improvements | 40 years |
| Furniture and Equipment | 5 years |
| Land Improvements | 20 years |

Rental Revenue Recognition

It is the policy of the Organization to recognize revenues from rents when they are billed to the tenants.

Income Tax Status

The Organization is exempt from income taxes under section 501 (c) (3) of the Internal Revenue Code and Section 23701(d) of the State of California Revenue and Taxation Code. Accordingly, no provision is made for income taxes. The Organization's Forms 990, *Return of Organizations Exempt From Income Tax*, for the years ending 2018, 2019 and 2020 are subject to examination by the IRS, generally for three years after they were filed.

Functional Expense Allocation

The financial statements report contains categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include compensation and benefits, which are allocated based on time records. All other expenses are allocated on a direct cost basis.

NOTE C. RESTRICTED CASH

The Organization is required by the California Department of Housing and Community Development to maintain reserve accounts for maintenance and capital improvements to San Antonio del Desierto Mobile Home Park. The balance of these accounts as of December 31, 2020 is \$34,095.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2020

NOTE D. PROPERTY AND EQUIPMENT

The following is a summary of property and equipment at cost less accumulated depreciation:

| | |
|------------------------------------|------------------------------|
| Land | \$ 570,538 |
| Building and Improvement | 505,691 |
| Furniture and Equipment | 139,858 |
| Construction in Progress | <u>6,836</u> |
| | \$ 1,222,923 |
| Less: Accumulated Depreciation | <u>291,321</u> |
| Total | <u><u>\$ 931,602</u></u> |

NOTE E. GRANTS RECEIVABLE

The grants receivable balance of \$1,871,114 is comprised of the following:

| | |
|--|----------------------------|
| The California Endowment | \$ 100,000 |
| California State Water Resources Control Board | 146,737 |
| California State Water Resources Control Board | 1,307,087 |
| Catholic Campaign for Human Development | 27,500 |
| California Environmental Protection Agency | 54,790 |
| The Common Counsel Foundation | 170,000 |
| Desert Healthcare Foundation | 5,000 |
| Desert Healthcare Foundation | <u>60,000</u> |
| | <u><u>\$ 1,871,114</u></u> |

NOTE F. OTHER LIABILITIES

Other liabilities at December 31, 2020, were comprised of:

| | |
|------------------------------|--------------------------|
| Payroll Liabilities | \$ 7,497 |
| 403b Contributions Payable | 2,057 |
| Sick & Vacation Payable | 23,179 |
| Pass-Through Grant Liability | <u>133,000</u> |
| | <u><u>\$ 165,733</u></u> |

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2020

NOTE G. LONG-TERM DEBT

Long-term liabilities at December 31, 2020 are summarized as follows:

| | |
|---|-------------------|
| Loan payable with State of California Department of Housing and Community Development dated May 13, 2013. Note bears interest at 3% payable by July 1, 2043. This loan is secured by a deed of trust. | <u>\$ 625,085</u> |
| Total Long Term Debt | 625,085 |
| Less: Current Portion | <u>(19,458)</u> |
| Total Long Term Debt | <u>\$ 605,627</u> |

Long term debt payments due on each of the next five years are:

| | |
|------------|----------------|
| 2021 | 19,458 |
| 2022 | 20,049 |
| 2023 | 20,659 |
| 2024 | 21,288 |
| 2025 | 21,935 |
| Thereafter | <u>521,696</u> |
| | <u>625,085</u> |

NOTE H. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with Donor Restrictions are available for the following purposes at December 31, 2020:

| | |
|--|---------------------|
| Wells Fargo Philanthropy & Community Relations | \$ 86,178 |
| California State Water Resources Control Board | 232,950 |
| The California Endowment | 100,000 |
| California State Water Resources Control Board | 1,193,990 |
| Catholic Campaign for Human Development | 27,500 |
| California Environmental Protection Agency | 40,211 |
| Anderson Children's Foundation | 12,500 |
| Desert Healthcare Foundation | 5,000 |
| Desert Healthcare Foundation | 60,000 |
| Wells Fargo Foundation | 15,000 |
| The Common Counsel Foundation | <u>37,000</u> |
| Total Net Assets with Donor Restrictions | <u>\$ 1,810,329</u> |

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2020

NOTE H. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors as follows:

| | |
|--|-------------------|
| California State Water Resources Control Board | \$ 63,828 |
| Wells Fargo Philanthropy & Community Relations | 17,050 |
| California State Water Resources Control Board | 152,548 |
| Catholic Campaign for Human Development | 27,500 |
| Rural Community Assistance Corporation | 6,818 |
| Rural Community Assistance Corporation | 38,155 |
| California Environmental Protection Agency | 17,699 |
| Andersons Children's Foundation | 11,495 |
| The Community Foundation | 49,950 |
| The Community Foundation | <u>6,510</u> |
| Total Release from Donor Restrictions | <u>\$ 391,553</u> |

NOTE I. CASH RISK CONCENTRATION

The Organization maintains checking and savings account for operations and reserves with local financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures up to \$250,000 in cash deposits. In addition, cash in non-interest bearing deposit transaction accounts are covered 100% under The Temporary Liquidity Guarantee Program for participating institutions. As of December 31, 2020, the Organization's uninsured cash balance totaled \$751,667.

NOTE J. CONTINGENCIES

Program Funding

Continued program funding is contingent upon availability of funds from federal and state sources and project performance. The funds are awarded upon receipt and program applications.

Grantor Restrictions

Financial awards from private foundations and state and local government entities in the form of grants are subject to special audits. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision can be made for any potential liabilities that may arise from such audits since no indicator of noncompliance has been noted by management.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2020

NOTE K: PRIOR YEAR SUMMARIZED INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net assets class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2019, for which the summarized information was derived.

NOTE L: RECLASSIFICATIONS

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE M: LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Pueblo Unido Community Corporation's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of board, legal, or donor imposed restrictions within one year of the statement of financial position date.

| | |
|--|-------------------|
| Financial Assets at December 31: | \$ 2,903,630 |
| Legal restricted cash to fund improvements to San Antonio Del Desierto Mobile Home Park | (34,095) |
| Donor restricted for program services | (1,871,114) |
| Notes receivable greater than one year | (41,954) |
| Financial assets available to meet cash need for general Expenditures within one year | <u>\$ 832,209</u> |

Pueblo Unido CDC is substantially supported by restricted contributions which requires resources to be used in a particular manner or in a future period. The majority of Pueblo Unido CDC's grants require expenditures to be incurred and billed before any funds are paid to Pueblo Unido CDC. As part of Pueblo Unido CDC's liquidity management, financial assets are structured to be available as its general expenditures, liabilities and other obligations come due. In the event of an unanticipated liquidity need, Pueblo Unido CDC has a \$100,000 revolving line of credit available through one of its funders.

NOTE N: ADOPTION OF NEW ACCOUNTING STANDARDS

FASB ASU 2016-18

For the years ended December 31, 2019 and December 31, 2020, the Organization has adopted the financial reporting requirements for FASB ASU 2016-18.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2020

NOTE N. ADOPTION OF NEW ACCOUNTING STANDARDS (Continued)

FASB ASU 2018-08

For the year ended December 31, 2020, the Organization has adopted the financial reporting requirements for FASB ASU 2018-08. This new standard clarified the criteria for recording contributions received from federal, state, and local grants.

NOTE O. COVID-19 PANDEMIC

In March 2020, the World Health Organization classified the Covid-19 outbreak as a pandemic, based on the rapid increase in exposure globally. This pandemic could have a continued material adverse impact on economic and market conditions. Management is actively monitoring the national situation on its financial condition, liquidity and operations.

NOTE P. MPROP LOAN

On November 20th, 2020, the Organization received a preliminary notice of default from the California Department of Housing and Community Development (HCD) for the Mobile Home Park Resident Ownership Program (MROP) loan. The notice states that the Organization failed to comply with several provisions of the MPROP loan agreement and has 30-days from the date of the notice to remedy the specified noncompliance.

NOTE Q. SUBSEQUENT EVENTS

On February 2, 2021, the Organization received a notice of default and notice of acceleration from HCD, stating that the noncompliance outlined in the preliminary notice of default was not sufficiently addressed in the 30-day period allotted to do so and as a result, the outstanding loan balance and any accrued interest is immediately due and payable. The Organization is disputing the default and responding to HCD to address the noncompliance findings.

For the year ended December 31, 2020, the Organization has evaluated subsequent events for potential recognition and disclosure through March 31, 2021, the date of financial statement issuance.

REPORT TO MANAGEMENT



OSCAR G. ARMIJO
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

To The Board of Directors
Pueblo Unido Community Development Corporation
La Quinta, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Pueblo Unido Community Development Corporation (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 31, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pueblo Unido Community Development Corporation's, internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Pueblo Unido Community Development Corporation's, internal control. Accordingly, we do not express an opinion on the effectiveness of Pueblo Unido Community Development Corporation'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pueblo Unido Community Development Corporation's, financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, consisting of a series of fluid, connected strokes.

Palm Desert, California
March 31, 2021

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

There were no findings or questioned cost for fiscal year end December 31, 2020 and there were no prior year findings.