

**PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

Year Ended

December 31, 2021

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Financial Statements

December 31, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pueblo Unido Community Development Corporation (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Pueblo Unido Community Development Corporation as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pueblo Unido Community Development Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Pueblo Unido Community Development Corporation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Pueblo Unido Community Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Pueblo Unido Community Development Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The combining statement of financial position as of December 31, 2021 and combining statements of activities and cash flows for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of financial position as of December 31, 2021, and combining statements of activities and cash flows for the year then ended are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 13, 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 the effectiveness of Pueblo Unido Community Development Corporation's 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 2020 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated March 31, 2021. In our opinion, the summarized comparative information presented herein as of and for the ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Palm Desert, California
June 13, 2021

FINANCIAL STATEMENTS

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2021 with Comparative Totals
For the Year Ended December 31, 2020

ASSETS	2021	2020
CURRENT ASSETS		
Cash	\$ 1,521,172	\$ 953,346
Restricted Cash (Note C)	44,081	34,095
Grants receivable (Note E)	1,082,431	1,871,114
Prepaid expenses	9,415	6,508
Other assets	<u>219,440</u>	<u>212,731</u>
TOTAL CURRENT ASSETS	2,876,539	3,077,794
Property and Equipment - Net (Note D)	<u>898,779</u>	<u>931,602</u>
TOTAL ASSETS	<u>\$ 3,775,318</u>	<u>\$ 4,009,396</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	37,128	25,762
Other liabilities (Note F)	145,538	165,733
Current portion long term debt (Note G)	<u>20,050</u>	<u>19,458</u>
TOTAL CURRENT LIABILITIES	<u>202,716</u>	<u>210,953</u>
Long-Term Debt (Note G)	<u>585,577</u>	<u>605,627</u>
TOTAL LIABILITIES	<u>788,293</u>	<u>816,580</u>
NET ASSETS		
Without donor restrictions	1,562,069	1,382,487
With donor restrictions (Note H)	<u>1,424,956</u>	<u>1,810,329</u>
TOTAL NET ASSETS	<u>2,987,025</u>	<u>3,192,816</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,775,318</u>	<u>\$ 4,009,396</u>

See accompanying notes to financial statements.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Statement of Activities

Year Ended December 31, 2021 with Comparative Totals
For the Year Ended December 31, 2020

NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2021</u>	<u>2020</u>
Income		
Rental income	\$ 375,479	\$ 361,619
Grants	529,103	639,121
Interest income	927	1,256
Other income	<u>2,893</u>	<u>2,132</u>
	<u>908,402</u>	<u>1,004,128</u>
Net assets released from restrictions satisfaction of program restrictions (Note H)	<u>804,109</u>	<u>391,553</u>
Total Income and Other Support Without Donor Restrictions	<u>1,712,511</u>	<u>1,395,681</u>
Expenses		
Program services	1,281,876	967,319
General & administration	248,203	200,079
Fundraising	<u>2,850</u>	<u>-</u>
Total expenses	<u>1,532,929</u>	<u>1,167,398</u>
INCREASE/(DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	179,582	228,283
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Federal, state and local grants	418,736	282,000
Loss on prior year grant	-	(43,400)
Net assets released from restrictions (Note H)	<u>(804,109)</u>	<u>(391,553)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	(385,373)	(152,953)
CHANGE IN NET ASSETS	(205,791)	75,330
NET ASSETS AT BEGINNING OF YEAR	<u>3,192,816</u>	<u>3,117,486</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,987,025</u>	<u>\$ 3,192,816</u>

See accompanying notes to financial statements.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended December 31, 2021 with Comparative Totals
For the Year Ended December 31, 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase/(Decrease) in net assets	\$ (205,791)	\$ 75,330
Depreciation	42,938	42,938
(INCREASE)/DECREASE IN OPERATING ASSETS		
Grants receivable	788,683	124,258
Prepaid expense	(2,907)	(3,350)
Other assets	(6,709)	8,935
INCREASE/(DECREASE) IN OPERATING LIABILITIES		
Accounts payable	11,366	(25,316)
Other liabilities	<u>(20,195)</u>	<u>151,685</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	607,385	374,480
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	<u>(10,115)</u>	<u>-</u>
NET CASH USED BY INVESTING ACTIVITIES	(10,115)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on long-term debt	(19,458)	(18,883)
Payment on line of credit	<u>-</u>	<u>(25,000)</u>
NET CASH USED BY FINANCING ACTIVITIES	(19,458)	(43,883)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	577,812	330,597
BEGINNING CASH AND CASH EQUIVALENTS	<u>987,441</u>	<u>656,844</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,565,253</u>	<u>\$ 987,441</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 18,544</u>	<u>\$ 21,036</u>

See accompanying notes to financial statements.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Statement of Functional Expenses

Year Ended December 31, 2021 with Comparative Totals
For the Year Ended December 31, 2020

	Program Services	General & Administration	Fundraising	<u>2021</u> Total Expenses	<u>2020</u> Total Expenses
Salaries	\$ 405,074	\$ 112,468	\$ -	\$ 517,542	\$ 418,876
Fringe Benefits	<u>95,098</u>	<u>28,785</u>	<u>-</u>	<u>123,883</u>	<u>115,694</u>
Total Salaries & Fringe Benefits	500,172	141,253	-	641,425	534,570
Maintenance and operating	146,180	19,037	-	165,217	244,451
Utilities	160,175	7,396	-	167,571	145,101
Professional Fees	335,359	-	-	335,359	53,336
Supplies	13,363	1,435	-	14,798	2,708
Travel	6,131	1,923	-	8,054	9,756
Office Expense	15,816	4,142	-	19,958	6,336
Taxes & Insurance	42,942	8,260	-	51,202	55,860
License & Permits	1,043	347	-	1,390	452
Accounting Fees	7,150	18,525	-	25,675	23,938
Rent	-	34,706	-	34,706	18,540
Community Engagement	1,535	-	-	1,535	4,028
Other	1,707	-	2,850	4,557	4,347
Interest Exepnse	<u>18,486</u>	<u>58</u>	<u>-</u>	<u>18,544</u>	<u>21,036</u>
Total Expenses Before Depreciation	\$ 1,250,059	\$ 237,082	\$ 2,850	\$ 1,489,991	\$ 1,124,459
Depreciation	<u>31,817</u>	<u>11,121</u>	<u>-</u>	<u>42,938</u>	<u>42,939</u>
Total Expenses	<u>\$ 1,281,876</u>	<u>\$ 248,203</u>	<u>\$ 2,850</u>	<u>\$ 1,532,929</u>	<u>\$ 1,167,398</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2021

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, 2021

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	\$ 1,521,172
Cash Reserves	<u>44,081</u>
	<u>\$ 1,565,253</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, 2021

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

Revenue Recognition

The Organization recognized revenues from donor restricted contributions and grants to the extent of expenditures incurred and not to exceed the amount awarded. Otherwise, the Organization recognizes revenue in the period in which restrictions and conditions are released by the donor.

The Organization reports revenues from rents charged to tenants for mobile home space rental and revenues from reimbursement of electricity usage fees as rental income. The rents charged for mobile home space rentals are exempted from ASC 606 revenue recognition standards due to inclusion under current and future lease standards of ASC 840 and ASC 842. In accordance with ASC 840, the Organization recognized rents as payments are received only after the Organization certifies tenant income and household information and a lease agreement has been signed by the tenant. Revenues from reimbursements for electricity usage are subject to ASC 606 revenue recognition standards and are recognized monthly as the organization incurs the usage fees.

Interest and other revenues are not subject to the scope of ASC 606 and are recognized when earned.

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 2019, 2020 and 2021 are subject to examination by the IRS, generally for three years after they were filed.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2021

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2021 is \$44,081.

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	515,805
Furniture and Equipment	139,858
Construction in Progress	<u>6,836</u>
	\$ 1,233,037
Less: Accumulated Depreciation	<u>(334,258)</u>
Total	<u>\$ 898,779</u>

NOTE E. GRANTS RECEIVABLE

The grants receivable balance of \$1,082,431 is comprised of the following:

California State Water Resources Control Board	\$ 961,136
California Environmental Protection Agency	36,295
Desert Healthcare Foundation	<u>85,000</u>
Total	<u>\$ 1,082,431</u>

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2021

NOTE F. OTHER LIABILITIES

Other liabilities at December 31, 2021, were comprised of:

Payroll Liabilities	\$ 8,235
403b Contributions Payable	3,165
Sick & Vacation Payable	18,418
Pass-Through Grant Liability	<u>115,723</u>
	<u>\$ 145,538</u>

NOTE G. LONG-TERM DEBT

Long-term liabilities at December 31, 2021 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>\$ 605,627</u>
Total Long Term Debt	605,627
Less: Current Portion	<u>(20,050)</u>
Total Long Term Debt	<u>\$ 585,577</u>

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

2022	20,050
2023	20,659
2024	21,288
2025	21,935
2026	22,602
Thereafter	<u>499,093</u>
	<u>605,627</u>

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2021

NOTE H. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with Donor Restrictions are available for the following purposes at December 31, 2021:

California State Water Resources Control Board	\$ 751,968
The California Wellness Foundation	215,278
The Weingart Foundation	100,000
California Environmental Protection Agency	15,211
Desert Healthcare Foundation	69,459
Wells Fargo Corporate Philanthropy and Community Relations	232,950
Wells Fargo Foundation	34,000
The Common Counsel Foundation	<u>6,090</u>

Total Net Assets with Donor Restrictions	<u>\$ 1,424,956</u>
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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	\$ 528,200
The California Endowment	100,000
Catholic Campaign for Human Development	27,500
California Environmental Protection Agency	25,000
Andersons Children's Foundation	12,500
Wells Fargo Foundation	15,000
The Common Counsel Foundation	<u>95,909</u>

Total Release from Donor Restrictions	<u>\$ 804,109</u>
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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, 2021, the Organization's uninsured cash balance totaled \$0.

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.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2021

NOTE J. CONTINGENCIES (Continued)

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.

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, 2020, for which the summarized information was derived.

NOTE L. 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:	\$ 2,862,824
Donor restricted cash for program services	(44,081)
Donor restricted grant receivables for program services	(1,082,431)
Donor restricted net assets for program services	(1,279,637)
Notes receivable greater than one year	<u>(207,920)</u>
Financial assets available to meet cash need for general Expenditures within one year	<u>\$ 248,755</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.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2021

NOTE M. ADOPTION OF NEW ACCOUNTING STANDARDS

For the year ended December 31, 2021, the Organization has adopted the financial reporting requirements for FASB ASU 2014-09, which provided a change in accounting principle over revenue recognition for all exchange transactions consisting of contracts with customers. The Organization applied the guidance to all contracts at the date of initial application. The change in accounting principle was applied using the modified retrospective approach. There was no cumulative effect on the financial statements for the year-ended December 31, 2021.

NOTE N. 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 O. MPROP LOAN

On November 20, 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 stated that the Organization failed to comply with several provisions of the MPROP loan agreement and provided 30-days from the date of the notice to remedy the specified noncompliance findings.

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. As of the date of this report, the Organization continues to make monthly payments according to the original agreement as HCD has not issued accelerated payment terms.

Per the HCD 2020 Audit Review letter dated October 26, 2021, the Organization remains out of compliance with the Preliminary Notice of Default dated November 20, 2020. HCD recognizes the Project has remained current on its MPROP loan payments and that the Project is making progress toward building the balance of the Replacement Reserve (RR) and Operating Reserve (OR) accounts. The Department acknowledges the Project deposited the required budgeted RR and OR deposits. However, the Organization remains out of compliance as the balances are still less than the Department requires.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2021

NOTE P. MPROP LOAN (Continued)

Per the Preliminary Notice of Default dated November 20, 2020, the Organization may no longer self-manage. The Organization is currently in the process of hiring a third-party property management company to manage the Project. The Organization is also pursuing a co-sponsorship with an experienced nonprofit developer with whom it would form a Limited Liability Company (LLC) where the Organization would maintain 20% ownership until completion of Phase I of the Project's rehabilitation. The Organization would exit the LLC upon completion of Phase I, acceptable resolution of the stipulated settlement agreement under the control and jurisdiction of the Riverside County Court, and successful removal of the notice of default and notice of acceleration by HCD.

NOTE Q. SUBSEQUENT EVENTS

For the year ended December 31, 2021, the Organization has evaluated subsequent events for potential recognition and disclosure through June 13, 2022, the date of financial statement issuance.

SUPPLEMENTARY FINANCIAL INFORMATION

**PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION**

Combining Statement of Financial Position

**December 31, 2021 with Comparative Totals
For the Year Ended December 31, 2020**

	Pueblo Unido Community Development Corporation	San Antonio Del Desierto	Sub-Total	Eliminations	2021	2020
ASSETS						
CURRENT ASSETS						
Cash	\$ 1,485,869	\$ 35,303	\$ 1,521,172	\$ -	\$ 1,521,172	\$ 953,346
Restricted Cash (Note C)	-	44,081	44,081	-	44,081	34,095
Grants receivable (Note E)	1,022,518	59,913	1,082,431	-	1,082,431	1,871,114
Prepaid expenses	2,639	6,776	9,415	-	9,415	6,508
Other assets	649,633	7,220	656,853	(437,413)	219,440	212,731
TOTAL CURRENT ASSETS	3,160,659	153,293	3,313,952	(437,413)	2,876,539	3,077,794
Property and Equipment - Net (Note D)	95,737	803,042	898,779	-	898,779	931,602
TOTAL ASSETS	\$ 3,256,396	\$ 956,335	\$ 4,212,731	\$ (437,413)	\$ 3,775,318	\$ 4,009,396
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	\$ 19,762	\$ 17,366	\$ 37,128	\$ -	37,128	25,762
Other liabilities (Note F)	143,556	423,693	567,249	(421,711)	145,538	165,733
Current portion long term debt (Note G)	-	35,752	35,752	(15,702)	20,050	19,458
TOTAL CURRENT LIABILITIES	163,318	476,811	640,129	(437,413)	202,716	210,953
Long-Term Debt (Note G)	-	585,577	585,577	-	585,577	605,627
TOTAL LIABILITIES	163,318	1,062,388	1,225,706	(437,413)	788,293	816,580
NET ASSETS						
Without donor restrictions	1,713,441	(151,372)	1,562,069	-	1,562,069	1,382,487
With donor restrictions (Note H)	1,379,637	45,319	1,424,956	-	1,424,956	1,810,329
TOTAL NET ASSETS	3,093,078	(106,053)	2,987,025	-	2,987,025	3,192,816
TOTAL LIABILITIES AND NET ASSETS	\$ 3,256,396	\$ 956,335	\$ 4,212,731	\$ (437,413)	\$ 3,775,318	\$ 4,009,396

See accompanying notes to financial statements.

**PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION**

Combining Statement of Activities

**Year Ended December 31, 2021 with Comparative Totals
For the Year Ended December 31, 2020**

	Pueblo Unido Community Development Corporation	San Antonio Del Desierto	Sub-Total	Eliminations	2021	2020
NET ASSETS WITHOUT DONOR RESTRICTIONS						
Income						
Rental income	\$ -	\$ 375,479	\$ 375,479	\$ -	\$ 375,479	\$ 361,619
Grants	529,103	-	529,103	-	529,103	639,121
Interest income	925	2	927	-	927	1,256
Other income	2,893	-	2,893	-	2,893	2,132
	<u>532,921</u>	<u>375,481</u>	<u>908,402</u>	<u>-</u>	<u>908,402</u>	<u>1,004,128</u>
Net assets released from restrictions satisfacion of program restrictions (Note H)	<u>763,250</u>	<u>40,859</u>	<u>804,109</u>	<u>-</u>	<u>804,109</u>	<u>391,553</u>
Total Income and Other Support Without Donor Restrictions	<u>\$ 1,296,171</u>	<u>\$ 416,340</u>	<u>\$ 1,712,511</u>	<u>\$ -</u>	<u>\$ 1,712,511</u>	<u>1,395,681</u>
Expenses						
Program services	841,918	439,958	1,281,876	-	1,281,876	967,319
General & administration	248,203	-	248,203	-	248,203	200,079
Fundraising	2,850	-	2,850	-	2,850	-
Total Expenses	<u>1,092,971</u>	<u>439,958</u>	<u>1,532,929</u>	<u>-</u>	<u>1,532,929</u>	<u>1,167,398</u>
INCREASE/(DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>203,200</u>	<u>(23,618)</u>	<u>179,582</u>	<u>-</u>	<u>179,582</u>	<u>228,283</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS						
Federal, state and local grants	651,686	-	651,686	(232,950)	418,736	282,000
Loss on prior year grant	-	(232,950)	(232,950)	232,950	-	(43,400)
Net assets released from restrictions (Note H)	<u>(763,250)</u>	<u>(40,859)</u>	<u>(804,109)</u>	<u>-</u>	<u>(804,109)</u>	<u>(391,553)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	<u>(111,564)</u>	<u>(273,809)</u>	<u>(385,373)</u>	<u>-</u>	<u>(385,373)</u>	<u>(152,953)</u>
CHANGE IN NET ASSETS	<u>91,636</u>	<u>(297,427)</u>	<u>(205,791)</u>	<u>-</u>	<u>(205,791)</u>	<u>75,330</u>
NET ASSETS AT BEGINNING OF YEAR	<u>3,001,442</u>	<u>191,374</u>	<u>3,192,816</u>	<u>-</u>	<u>3,192,816</u>	<u>3,117,486</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,093,078</u>	<u>\$ (106,053)</u>	<u>\$ 2,987,025</u>	<u>\$ -</u>	<u>\$ 2,987,025</u>	<u>\$ 3,192,816</u>

See accompanying notes to financial statements.

**PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION**

Combining Statement of Cash Flows

**Year Ended December 31, 2021 with Comparative Totals
For the Year Ended December 31, 2020**

	Pueblo Unido Community Development Corporation	San Antonio Del Desierto	Sub-Total	Eliminations	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES						
Increase/(Decrease) in net assets	\$ 91,636	\$ (297,427)	\$ (205,791)	\$ -	\$ (205,791)	\$ 75,330
Depreciation	11,121	31,817	42,938	-	42,938	42,938
(INCREASE)/DECREASE IN OPERATING ASSETS						
Grants receivable	701,859	86,824	788,683	-	788,683	124,258
Prepaid expense	(619)	(2,288)	(2,907)	-	(2,907)	(3,350)
Other assets	2,475	(6,177)	(3,702)	(3,007)	(6,709)	8,935
INCREASE/(DECREASE) IN OPERATING LIABILITIES						
Accounts payable	3,656	7,710	11,366		11,366	(25,316)
Other liabilities	(252,149)	(4,003)	(256,152)	235,957	(20,195)	151,685
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>557,979</u>	<u>(183,544)</u>	<u>374,435</u>	<u>232,950</u>	<u>607,385</u>	<u>374,480</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of fixed assets	<u>(10,115)</u>	<u>-</u>	<u>(10,115)</u>	<u>-</u>	<u>(10,115)</u>	<u>-</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(10,115)</u>	<u>-</u>	<u>(10,115)</u>	<u>-</u>	<u>(10,115)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment on long-term debt	-	(19,458)	(19,458)	-	(19,458)	(18,883)
Payment on line of credit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>-</u>	<u>(19,458)</u>	<u>(19,458)</u>	<u>-</u>	<u>(19,458)</u>	<u>(43,883)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	547,864	(203,002)	344,862	232,950	577,812	330,597
BEGINNING CASH AND CASH EQUIVALENTS	<u>938,005</u>	<u>282,386</u>	<u>1,220,391</u>	<u>(232,950)</u>	<u>987,441</u>	<u>656,844</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,485,869</u>	<u>\$ 79,384</u>	<u>\$ 1,565,253</u>	<u>\$ -</u>	<u>\$ 1,565,253</u>	<u>\$ 987,441</u>

See accompanying notes to financial statements.

REPORT TO MANAGEMENT



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, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2022.

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.

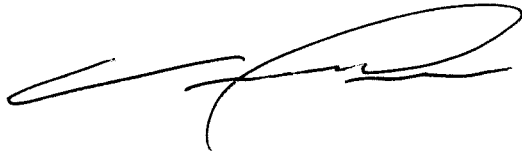
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 that form a stylized, cursive-like name.

Palm Desert, California
June 13, 2022

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs

Year Ended December 31, 2021

There were no findings or questioned cost for fiscal year end December 31, 2021 and there were no prior year findings.