

**PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION**

FINANCIAL STATEMENTS

Year Ended

December 31, 2022

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Financial Statements

December 31, 2022

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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, 2022, 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, 2022, 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, 2022 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, 2022, 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 May 26, 2023, 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 2021 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated June 13, 2022. In our opinion, the summarized comparative information presented herein as of and for the ended December 31, 2021, 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
May 26, 2023

FINANCIAL STATEMENTS

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Statement of Financial Position

December 31, 2022 with Comparative Totals
For the Year Ended December 31, 2021

ASSETS	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash	\$ 1,094,681	\$ 1,521,172
Restricted cash (Note C)	54,091	44,081
Grants receivable (Note E)	2,625,164	1,082,431
Tenant receivable	8,516	-
Prepaid expenses	10,141	9,415
Other assets	<u>205,436</u>	<u>219,440</u>
TOTAL CURRENT ASSETS	3,998,029	2,876,539
Property and Equipment - Net (Note D)	864,806	898,779
ROU Asset - Operating Lease (Note K)	<u>265,232</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 5,128,067</u>	<u>\$ 3,775,318</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	53,850	37,128
Other liabilities (Note F)	235,297	145,538
Current portion long term debt (Note G)	<u>592,178</u>	<u>20,050</u>
TOTAL CURRENT LIABILITIES	<u>881,325</u>	<u>202,716</u>
Long-Term Debt (Note G)	-	585,577
Lease Liability - Operating Lease (Note K)	<u>271,743</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,153,068</u>	<u>788,293</u>
NET ASSETS		
Without donor restrictions	1,584,872	1,562,069
With donor restrictions (Note H)	<u>2,390,127</u>	<u>1,424,956</u>
TOTAL NET ASSETS	<u>3,974,999</u>	<u>2,987,025</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 5,128,067</u>	<u>\$ 3,775,318</u>

See accompanying notes to financial statements.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Statement of Activities

Year Ended December 31, 2022 with Comparative Totals
For the Year Ended December 31, 2021

NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>2022</u>	<u>2021</u>
Income		
Rental income	\$ 393,833	\$ 375,479
Grants	437,446	529,103
Interest income	433	927
Other income	<u>60,291</u>	<u>2,893</u>
	892,003	908,402
Net assets released from restrictions satisfaction of program restrictions (Note H)	<u>648,822</u>	<u>804,109</u>
Total Income and Other Support Without Donor Restrictions	<u>1,540,825</u>	<u>1,712,511</u>
Expenses		
Program services	1,175,672	1,281,876
General & administration	298,673	248,203
Fundraising	<u>36,892</u>	<u>2,850</u>
Total expenses	<u>1,511,237</u>	<u>1,532,929</u>
INCREASE/(DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	29,588	179,582
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS		
Federal, state and local grants	1,673,993	418,736
Loss on prior year grant	(60,000)	-
Net assets released from restrictions (Note H)	<u>(648,822)</u>	<u>(804,109)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	965,171	(385,373)
CHANGE IN NET ASSETS	994,759	(205,791)
NET ASSETS AT BEGINNING OF YEAR AS RESTATED (Note M)	<u>2,980,240</u>	<u>3,192,816</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,974,999</u>	<u>\$ 2,987,025</u>

See accompanying notes to financial statements.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Statement of Cash Flows

Year Ended December 31, 2022 with Comparative Totals
For the Year Ended December 31, 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase/(Decrease) in net assets	\$ 994,759	\$ (205,791)
Depreciation	42,914	42,938
Non-cash expenses	855	-
(INCREASE)/DECREASE IN OPERATING ASSETS		
Grants receivable	(1,542,733)	788,683
Prepaid expense	(1,583)	(2,907)
Tenant receivable	(1,296)	-
Other assets	122,371	(6,709)
ROU asset - operating lease	(265,232)	
INCREASE/(DECREASE) IN OPERATING LIABILITIES		
Accounts payable	16,722	11,366
Other liabilities	(25,826)	(20,195)
Lease liability - operating lease	271,743	-
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	(387,306)	607,385
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets	(8,941)	(10,115)
NET CASH USED BY INVESTING ACTIVITIES	(8,941)	(10,115)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment on long-term debt	(20,234)	(19,458)
Payment on line of credit	-	-
NET CASH USED BY FINANCING ACTIVITIES	(20,234)	(19,458)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(416,481)	577,812
BEGINNING CASH AND CASH EQUIVALENTS	1,565,253	987,441
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,148,772</u>	<u>\$ 1,565,253</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest paid	<u>\$ 18,040</u>	<u>\$ 18,544</u>

See accompanying notes to financial statements.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Statement of Functional Expenses

Year Ended December 31, 2022 with Comparative Totals
For the Year Ended December 31, 2021

	Program Services	General & Administration	Fundraising	2022 Total Expenses	2021 Total Expenses
Salaries	\$ 353,543	\$ 100,714	\$ -	\$ 454,257	\$ 517,542
Fringe Benefits	111,049	33,918	-	144,967	123,883
Total Salaries & Fringe Benefits	464,592	134,632	-	599,224	641,425
Maintenance and operating	237,694	56,456	-	294,150	165,217
Utilities	171,198	6,616	-	177,814	167,571
Professional Fees	156,840	-	-	156,840	335,359
Supplies	1,619	539	-	2,158	14,798
Travel	7,333	2,445	-	9,778	8,054
Office Expense	20,593	3,854	-	24,447	19,958
Taxes & Insurance	33,591	3,764	-	37,355	51,202
License & Permits	13,185	4,395	-	17,580	1,390
Accounting Fees	7,500	21,050	-	28,550	25,675
Rent	-	53,495	-	53,495	34,706
Community Engagement	12,000	-	-	12,000	1,535
Other	-	-	36,892	36,892	4,557
Interest Exepnse	17,710	330	-	18,040	18,544
Total Expenses Before Depreciation	\$ 1,143,855	\$ 287,576	\$ 36,892	\$ 1,468,323	\$ 1,489,991
Depreciation	31,817	11,097	-	42,914	42,938
Total Expenses	<u>\$ 1,175,672</u>	<u>\$ 298,673</u>	<u>\$ 36,892</u>	<u>\$ 1,511,237</u>	<u>\$ 1,532,929</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2022

NOTE A. NATURE OF ACTIVITIES

The Pueblo Unido 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, 2022

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	\$ 1,094,681
Cash Reserves	<u>54,091</u>
	<u>\$ 1,148,772</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, 2022

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 2020, 2021 and 2022 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, 2022

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.

Leases

In accordance with Lease accounting standard ASC 842, the organization defines all leases as a contract or part of a contract that conveys the right to control the use of an identified property, plant, or equipment asset for a period of time in exchange for consideration. As of December 31, 2022, the organization has only one lease, which is classified as an operating lease. No new leases were entered or commenced during the year.

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, 2022 is \$54,091.

NOTE D. PROPERTY AND EQUIPMENT

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

Land	\$ 536,417
Building and Improvement	556,347
Furniture and Equipment	142,379
Construction in Progress	<u>6,836</u>
	1,241,979
Less: Accumulated Depreciation	<u>(377,173)</u>
Total	<u>\$ 864,806</u>

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2022

NOTE E. GRANTS RECEIVABLE

The grants receivable balance of \$2,625,164 is comprised of the following:

California State Water Resources Control Board	\$ 2,136,414
The California Endowment	300,000
The Houston Family Foundation	50,000
California Department of Food and Agriculture	100,000
Desert Healthcare Foundation	<u>38,750</u>
Total	<u>\$ 2,625,164</u>

NOTE F. OTHER LIABILITIES

Other liabilities at December 31, 2022, were comprised of:

Payroll Liabilities	\$ 12,467
403b Contributions Payable	3,165
Sick & Vacation Payable	25,691
Pass-Through Grant Liability	<u>193,974</u>
	<u>\$ 235,297</u>

NOTE G. LONG-TERM DEBT

Long-term liabilities at December 31, 2022 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% with monthly payments of principal and interest of \$3,162 and matures on July 1, 2043. Interest expense was \$17,710 in 2022. On March 24, 2023 the loan was assumed by San Antonio Mobile Home Park, LLC. See Note Q.	<u>\$ 592,178</u>
Total Long-Term Debt	592,178
Less: Current Portion	<u>(592,178)</u>
Total Long-Term Debt	<u>\$ -</u>

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2022

NOTE G. LONG-TERM DEBT (Continued)

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

2023	\$ 592,178
2024	-
2025	-
2026	-
2027	-
Thereafter	<u>-</u>
	<u>\$ 592,178</u>

NOTE H. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with Donor Restrictions are available for the following purposes at December 31, 2022:

California State Water Resources Control Board	\$ 1,692,232
The California Wellness Foundation	131,944
California Department of Food and Agriculture	100,000
The California Endowment	300,000
The Houston Family Foundation	50,000
Desert Healthcare Foundation	10,980
Wells Fargo Corporate Philanthropy and Community Relations	89,881
Wells Fargo Foundation	9,000
The Common Counsel Foundation	<u>6,090</u>
Total Net Assets with Donor Restrictions	<u>\$ 2,390,127</u>

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	\$ 233,729
California Wellness Foundation	83,334
Desert Healthcare Foundation	48,479
California Environmental Protection Agency	15,211
Wells Fargo Corporate Philanthropy and Community Relations	143,069
Wells Fargo Foundation	25,000
Weingart Foundation	<u>100,000</u>
Total Release from Donor Restrictions	<u>\$ 648,822</u>

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2022

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, 2022, the Organization's uninsured cash balance totaled \$31.

NOTE J. EMPLOYEE PENSION PLAN

Substantially all the Organization's employees are covered by a defined contribution plan that is qualified under Section 403(B) of the Internal Revenue Code. Contributions are made to eligible employees and the organization matches all employee contributions up to 5% of the employee's annual compensation or \$3,000 for the calendar year. Pension plan expense was \$12,341 for the year ended December 31, 2022.

NOTE K. RENTALS UNDER OPERATING LEASES

The organization has an operating lease related to the right-of-use of office space at 78080 Calle Amigo 102-103, La Quinta, CA, executed on June 8, 2021. Monthly rent commenced on July 1, 2021, requiring a base rent of variable lease payments over the 60-month base term ending on June 30, 2026. The variable lease payments for the 60-month base term are fixed based on an annual 3% increase.

The agreement allows two options to extend the lease for an additional 60 months each. The lease requires fair market rent adjustments each year of the extended period. Management is reasonably certain to exercise the first option to extend the lease. The agreement requires annual fair market rental adjustments for each year of the extension period. In accordance with ASC 842, each fair market rental adjustment will be expensed as incurred.

The organization elected the practical expedient to recognize the right-of-use lease asset and liability using the effective date method and, as such, initially recognized the lease liability based on the remaining 114-month lease term as of January 1, 2022. Pursuant to the effective date method, the organization also amortized the right-of-use operating lease asset over the 114-month period beginning January 1, 2022. The remaining lease term as of December 31, 2022 is 102 months.

The organization elected the practical expedient not to separate lease components from non-leases components. However, non-lease components do not exist as of December 31, 2022.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2022

NOTE K. RENTALS UNDER OPERATING LEASES (Continued)

The organization recognized the lease liability based on an annual 3% discount rate implicit in the lease. For the fiscal year ended December 31, 2022, the organization recognized operating lease cost of \$39,763 comprised of interest expense and amortization expense of \$8,559 and \$31,204, respectively. Principal and interest lease payments during the year-ended December 31, 2022 were \$24,693 and \$8,559, respectively, presented as cash flows from operating activities in the Statement of Cash Flows.

The following is a schedule, by years, of minimum future rental payments:

Year Ending December 31:

2023	\$ 34,248
2024	35,274
2025	36,336
2026	36,876
2027	36,876
Thereafter	<u>129,066</u>
Total	308,676
Less effects of discounting	<u>(36,933)</u>
Total minimum future rentals	<u>\$ 271,743</u>

The Organization's lease expense during fiscal year 2022 was \$39,763

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:	\$ 3,987,888
Donor restricted cash for program services	(54,091)
Notes receivable and deposits greater than one year	<u>(205,436)</u>
Financial assets available to meet cash need for general Expenditures within one year	<u>\$ 3,728,361</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, 2022

NOTE M. RESTATEMENT OF BEGINNING NET ASSETS

During the year ended December 31, 2022, net assets were restated as follows:

To adjust prior year interest expense	\$ (6,785)
Beginning net assets, January 1, 2022	<u>(2,987,025)</u>
Net assets as restated	<u><u>\$ (2,980,240)</u></u>

The financial statement effect of these adjustments is to increase prior year expenses by \$6,785, resulting in a decrease of net assets of \$6,785.

NOTE N. CONTINGENCIES

Program Funding

Continued program funding is contingent upon availability of funds from federal, state, and local 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.

NOTE O. ADOPTION OF NEW ACCOUNTING STANDARDS

For the year ended December 31, 2022, the Organization has adopted the financial reporting requirements for FASB ASU 2016-02. The new standard will require organizations that lease assets to determine if the lease is an operating or finance lease. A lease classified as an operating or finance leases with lease terms of over 12 months is required to be recognized on the balance sheet as an asset and liability for the rights and obligations created by the lease. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. The organization elected the practical expedient to adopt ASU 2016-02 using the effective date method and as a result there was no cumulative effect on the financial statements for the year-ended December 31, 2021.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2022

NOTE P: 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, 2021, for which the summarized information was derived.

NOTE Q. 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. The Organization continued to make monthly payments according to the original agreement through December 31, 2022 as HCD has not issued accelerated payment terms.

Per the HCD 2021 Audit Review letter dated May 11, 2022, 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.

Per the Preliminary Notice of Default dated November 20, 2020, the Organization may no longer self-manage. On April 26, 2022, the Organization hired Hyder & Company, a third-party property management company to manage San Antonio Del Desierto Mobile Home Park. On May 17, 2022, the Organization entered into a co-sponsorship with The Coachella Valley Housing Coalition (CVHC), a California nonprofit public benefit corporation. On June 10, 2022, the Organization and CVHC formed San Antonio Mobile Home Park, LLC, a California limited liability company (LLC).

On September 30, 2022, the Organization in collaboration with CVHC made its first request to HCD to waive the annual required HCD loan payments and annual deposits to the Operating and Replacement Reserve accounts. HCD approved the waiver of payments for calendar year 2023 on January 26, 2023.

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2022

NOTE Q. MPROP LOAN (Continued)

On March 24, 2023 100% ownership of the Project was officially transferred to the LLC with approval from HCD. As a result, the LLC will assume the MPROP loan from the Organization as of March 31, 2023 and HCD has agreed to remove the Notice of Default and Notice of Acceleration.

NOTE R. SUBSEQUENT EVENTS

San Antonio Del Desierto Mobile Home Park

On March 24, 2023, the Organization transferred 100% ownership of San Antonio Del Desierto Mobile Home Park to the LLC. As a result, all assets and liabilities of the Project will be transferred to the LLC, except those liabilities due to Pueblo Unido CDC. The Organization will maintain 20% ownership in the LLC until the completion of Phase I of the Project's rehabilitation. The Organization will exit the LLC upon completion of Phase I and acceptable resolution of the stipulated settlement agreement under the control and jurisdiction of the Riverside County Court.

For the year ended December 31, 2022, the Organization has evaluated subsequent events for potential recognition and disclosure through May 26, 2023, the date of financial statement issuance.

SUPPLEMENTARY FINANCIAL INFORMATION

**PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION**

Combining Statement of Financial Position

**December 31, 2022 with Comparative Totals
For the Year Ended December 31, 2021**

	Pueblo Unido Community Development Corporation	San Antonio Del Desierto	Sub-Total	Eliminations	2022	2021
ASSETS						
CURRENT ASSETS						
Cash	\$ 1,090,193	\$ 4,488	\$ 1,094,681	\$ -	\$ 1,094,681	\$ 1,521,172
Restricted Cash (Note C)	-	54,091	54,091	-	54,091	44,081
Grants receivable (Note E)	2,579,844	45,320	2,625,164	-	2,625,164	1,082,431
Tenant receivable	-	8,516	8,516	-	8,516	-
Prepaid expenses	3,793	6,348	10,141	-	10,141	9,415
Other assets	579,056	6,000	585,056	(379,620)	205,436	219,440
TOTAL CURRENT ASSETS	4,252,886	124,763	4,377,649	(379,620)	3,998,029	2,876,539
Property and Equipment - Net (Note D)	93,581	771,225	864,806	-	864,806	898,779
ROU Asset - Operating lease (Note E)	265,232	-	265,232	-	265,232	-
TOTAL ASSETS	\$ 4,611,699	\$ 895,988	\$ 5,507,687	\$ (379,620)	\$ 5,128,067	\$ 3,775,318
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Accounts payable	\$ 26,079	\$ 27,771	\$ 53,850	\$ -	53,850	37,128
Other liabilities (Note F)	231,794	367,421	599,215	(363,918)	235,297	145,538
Current portion long term debt (Note G)	-	607,880	607,880	(15,702)	592,178	20,050
TOTAL CURRENT LIABILITIES	257,873	1,003,072	1,260,945	(379,620)	881,325	202,716
Long-Term Debt (Note G)	-	-	-	-	-	585,577
Lease Liability - Operating lease (Note E)	271,743	-	271,743	-	271,743	-
TOTAL LIABILITIES	529,616	1,003,072	1,532,688	(379,620)	1,153,068	788,293
NET ASSETS						
Without donor restrictions	1,737,275	(152,403)	1,584,872	-	1,584,872	1,562,069
With donor restrictions (Note H)	2,344,808	45,319	2,390,127	-	2,390,127	1,424,956
TOTAL NET ASSETS	4,082,083	(107,084)	3,974,999	-	3,974,999	2,987,025
TOTAL LIABILITIES AND NET ASSETS	\$ 4,611,699	\$ 895,988	\$ 5,507,687	\$ (379,620)	\$ 5,128,067	\$ 3,775,318

See accompanying notes to financial statements.

**PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION**

Combining Statement of Activities

**Year Ended December 31, 2022 with Comparative Totals
For the Year Ended December 31, 2021**

	Pueblo Unido Community Development Corporation	San Antonio Del Desierto	Sub-Total	Eliminations	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS						
Income						
Rental income	\$ -	\$ 393,833	\$ 393,833	\$ -	\$ 393,833	\$ 375,479
Grants	437,446	-	437,446	-	437,446	529,103
Interest income	407	26	433	-	433	927
Other income	59,819	472	60,291	-	60,291	2,893
	<u>497,672</u>	<u>394,331</u>	<u>892,003</u>	<u>-</u>	<u>892,003</u>	<u>908,402</u>
Net assets released from restrictions satisfasction of program restrictions (Note H)	<u>648,822</u>	<u>-</u>	<u>648,822</u>	<u>-</u>	<u>648,822</u>	<u>804,109</u>
Total Income and Other Support Without Donor Restrictions	\$ 1,146,494	\$ 394,331	\$ 1,540,825	\$ -	\$ 1,540,825	1,712,511
Expenses						
Program services	787,095	388,577	1,175,672	-	1,175,672	1,281,876
General & administration	298,673	-	298,673	-	298,673	248,203
Fundraising	36,892	-	36,892	-	36,892	2,850
Total Expenses	<u>1,122,660</u>	<u>388,577</u>	<u>1,511,237</u>	<u>-</u>	<u>1,511,237</u>	<u>1,532,929</u>
INCREASE/(DECREASE) IN NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>23,834</u>	<u>5,754</u>	<u>29,588</u>	<u>-</u>	<u>29,588</u>	<u>179,582</u>
CHANGES IN NET ASSETS WITH DONOR RESTRICTIONS						
Federal, state and local grants	1,673,993	-	1,673,993	-	1,673,993	418,736
Loss on prior year grant	(60,000)	-	(60,000)	-	(60,000)	-
Net assets released from restrictions (Note H)	<u>(648,822)</u>	<u>-</u>	<u>(648,822)</u>	<u>-</u>	<u>(648,822)</u>	<u>(804,109)</u>
CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	965,171	-	965,171	-	965,171	(385,373)
CHANGE IN NET ASSETS	989,005	5,754	994,759	-	994,759	(205,791)
NET ASSETS AT BEGINNING OF YEAR AS RESTATED	<u>3,093,078</u>	<u>(112,838)</u>	<u>2,980,240</u>	<u>-</u>	<u>2,980,240</u>	<u>3,192,816</u>
NET ASSETS AT END OF YEAR	\$ <u>4,082,083</u>	\$ <u>(107,084)</u>	\$ <u>3,974,999</u>	\$ -	\$ <u>3,974,999</u>	\$ <u>2,987,025</u>

See accompanying notes to financial statements.

**PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION**

Combining Statement of Cash Flows

**Year Ended December 31, 2022 with Comparative Totals
For the Year Ended December 31, 2021**

	Pueblo Unido Community Development Corporation	San Antonio Del Desierto	Sub-Total	Eliminations	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES						
Increase/(Decrease) in net assets	\$ 989,005	\$ 5,754	\$ 994,759	\$ -	\$ 994,759	\$ (205,791)
Depreciation	11,097	31,817	42,914	-	42,914	42,938
Non-cash expenses	-	855	855	-	855	-
(INCREASE)/DECREASE IN OPERATING ASSETS						
Grants receivable	(1,557,326)	14,593	(1,542,733)	-	(1,542,733)	788,683
Prepaid expense	(1,155)	(428)	(1,583)	-	(1,583)	(2,907)
Tenant receivable	-	(1,296)	(1,296)	-	(1,296)	-
Other assets	70,578	(6,000)	64,578	57,793	122,371	(6,709)
ROU asset - operating lease	(265,232)	-	(265,232)	-	(265,232)	-
INCREASE/(DECREASE) IN OPERATING LIABILITIES						
Accounts payable	6,317	10,405	16,722	-	16,722	11,366
Accrued liabilities	88,238	(56,271)	31,967	(57,793)	(25,826)	(20,195)
Lease liability - operating lease	271,743	-	271,743	-	271,743	-
NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES	<u>(386,735)</u>	<u>(571)</u>	<u>(387,306)</u>	<u>-</u>	<u>(387,306)</u>	<u>607,385</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of fixed assets	<u>(8,941)</u>	<u>-</u>	<u>(8,941)</u>	<u>-</u>	<u>(8,941)</u>	<u>(10,115)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(8,941)</u>	<u>-</u>	<u>(8,941)</u>	<u>-</u>	<u>(8,941)</u>	<u>(10,115)</u>
CASH FLOWS FROM FINANCING ACTIVITIES						
Payment on long-term debt	-	(20,234)	(20,234)	-	(20,234)	(19,458)
Payment on line of credit	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>-</u>	<u>(20,234)</u>	<u>(20,234)</u>	<u>-</u>	<u>(20,234)</u>	<u>(19,458)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(395,676)	(20,805)	(416,481)	-	(416,481)	577,812
BEGINNING 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>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 1,090,193</u>	<u>\$ 58,579</u>	<u>\$ 1,148,772</u>	<u>\$ -</u>	<u>\$ 1,148,772</u>	<u>\$ 1,565,253</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, 2022, 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 May 26, 2023.

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.

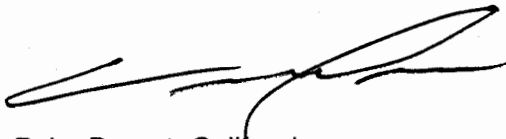
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 loops and strokes, positioned above the printed text.

Palm Desert, California
May 26, 2023

PUEBLO UNIDO
COMMUNITY DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

There were no findings or questioned cost for fiscal year end December 31, 2022 and there were no prior year findings.