

LA UNION DEL PUEBLO ENTERO (“LUPE”)
FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

with

Report of Independent Auditors

MENDEZ PETTY MORENO LLP
Certified Public Accountants

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MENDEZ PETTY MORENO LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
La Union Del Pueblo Entero ("LUPE")
Keene, California

We have audited the accompanying statement of financial position of La Union Del Pueblo Entero ("LUPE") (a nonprofit organization) as of December 31, 2016, 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. 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 La Union Del Pueblo Entero (“LUPE”) as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mendez Petty Moreno LLP

Mendez Petty Moreno LLP
Certified Public Accountants
Bakersfield, California
March 15, 2018

**LA UNION DEL PUEBLO ENTERO ("LUPE")
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016**

Assets:

| | |
|--|----------------------------|
| Current Assets | |
| Cash | \$ 1,575,102 |
| Accounts Receivable | 43,361 |
| Prepaid Expenses | <u>3,764</u> |
| Total Current Assets | <u>1,622,227</u> |
| Property and Equipment - Note 2 | |
| Real Property | 83,929 |
| Equipment and Furniture | <u>74,213</u> |
| Total Property and Equipment | 158,142 |
| Less: Accumulated Depreciation | <u>(90,518)</u> |
| Total Property and Equipment, net of Accumulated Depreciation | <u>67,624</u> |
| TOTAL ASSETS | \$ <u>1,689,851</u> |

Liabilities:

| | |
|--------------------------------------|-----------------------|
| Current Liabilities | |
| Accounts Payable - Trade | \$ 16,082 |
| Payables to Related Parties - Note 5 | 67,154 |
| Accrued Expenses | <u>63,476</u> |
| Total Current Liabilities | <u>146,712</u> |
| TOTAL LIABILITIES | <u>146,712</u> |

Commitments - Note 7

| | |
|---|----------------------------|
| NET ASSETS | |
| Unrestricted | 1,158,163 |
| Temporarily Restricted | <u>384,976</u> |
| TOTAL NET ASSETS | <u>1,543,139</u> |
| TOTAL LIABILITIES AND NET ASSETS | \$ <u>1,689,851</u> |

The accompanying notes are integral parts of these financial statements

LA UNION DEL PUEBLO ENTERO ("LUPE")
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

| | Unrestricted | Temporarily Restricted | Total |
|--|---------------------|---------------------------|---------------------|
| Support and Revenue: | | | |
| Support: | | | |
| Contributions | \$ 131,835 | \$ | \$ 131,835 |
| Membership Dues | 280,373 | | 280,373 |
| Grants and Contracts | 150,000 | 455,270 | 605,270 |
| Total Support | 562,208 | 455,270 | 1,017,478 |
| Revenue: | | | |
| Program Services | 720,340 | | 720,340 |
| Service Fees | 190,779 | | 190,779 |
| Other Income | 20,726 | | 20,726 |
| Total Revenue | 931,845 | - | 931,845 |
| Total Support and Revenue | 1,494,053 | 455,270 | 1,949,323 |
| Net Assets Released from Restriction | | | |
| Restriction Satisfied by Payments | 284,789 | (284,789) | - |
| Total Support and Revenue Net of Restrictions | 1,778,842 | 170,481 | 1,949,323 |
| Expenses: | | | |
| Program Services Expenses: | | | |
| Membership and Services | 996,452 | | 996,452 |
| Civic Engagement | 395,912 | | 395,912 |
| Total Program Services Expenses | 1,392,364 | - | 1,392,364 |
| Supporting Services Expenses | | | |
| Management and General & Fundraising | 142,249 | - | 142,249 |
| Total Supporting Services Expenses | 142,249 | - | 142,249 |
| Total Expenses | 1,534,613 | - | 1,534,613 |
| Change in Net Assets | 244,229 | 170,481 | 414,710 |
| Net Assets At Beginning Of Year | | | |
| As Previously Reported | 852,808 | 214,495 | 1,067,303 |
| Adjustment for Omission of Contribution | 61,126 | - | 61,126 |
| Net Assets At Beginning Of Year, As Restated | 913,934 | 214,495 | 1,128,429 |
| Net Assets At End Of Year | \$ 1,158,163 | \$ 384,976 | \$ 1,543,139 |

The accompanying notes are integral parts of these financial statements

**LA UNION DEL PUEBLO ENTERO ("LUPE")
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2016**

| | Program Services | | | Supporting Services | | | Total Expenses |
|-----------------------------------|-----------------------|-------------------|------------------------|------------------------|------------------|---------------------------|---------------------|
| | Membership & Services | Civic Engagement | Total Program Services | Management and General | Fundraising | Total Supporting Services | |
| Compensation and Benefits | \$ 661,000 | \$ 372,285 | \$ 1,033,285 | \$ 35,119 | \$ 33,480 | \$ 68,599 | \$ 1,101,884 |
| Travel and Transportation | 7,627 | 7,865 | 15,492 | - | - | - | 15,492 |
| Office Facilities | 152,658 | 120 | 152,778 | 802 | 961 | 1,763 | 154,541 |
| Office Operations | 98,773 | 8,362 | 107,135 | 19,032 | - | 19,032 | 126,167 |
| Promotion & Events | 2,896 | - | 2,896 | 1,370 | - | 1,370 | 4,266 |
| Communications | 12,552 | 7,268 | 19,820 | 2,389 | - | 2,389 | 22,209 |
| Outside and Professional Services | 60,946 | 12 | 60,958 | 43,826 | 5,270 | 49,096 | 110,054 |
| TOTAL | \$ 996,452 | \$ 395,912 | \$ 1,392,364 | \$ 102,538 | \$ 39,711 | \$ 142,249 | \$ 1,534,613 |

The accompanying notes are integral parts of these financial statements

**LA UNION DEL PUEBLO ENTERO ("LUPE")
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016**

Cash Flows from Operating Activities

Increase (Decrease) in Net Assets \$ 414,710

Adjustments to reconcile Increase (Decrease) in
Net Assets to Net Cash provided by Operating Activities

Depreciation 5,353

(Increase) Decrease in:

Accounts and grants receivable (36,849)

Prepaid expenses and deposits 1,483

(Decrease) Increase in:

Accounts Payable 3,873

Accrued expenses 27,146

Related party payables 22,749

Net Cash Provided by (Used in) Operating Activities 438,465

Cash Flows from Investing Activities -

Cash Flows from Financing Activities -

Net Increase (Decrease) in Cash 438,465

Cash at Beginning of Year 1,136,637

Cash at End of Year \$ 1,575,102

Supplemental disclosure of cash flow information:

Cash paid during the year for interest \$ -

Cash paid during the year for taxes \$ -

The accompanying notes are integral parts of these financial statements

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Mission

La Union Del Pueblo Entero (“LUPE”) is organized exclusively for charitable and educational purposes within the meaning of section 501(c)(3) of the Internal Revenue Code. This involves identifying and developing natural community leaders and working with them to develop and pursue a social change agenda that places the interests of low-income families at the center of policy development.

The core of LUPE’s mission is its community-based leadership development program. Local leaders develop their skills by mobilizing local residents to address the issues that impact their lives. LUPE’s community leadership program is based upon the idea that every community, without regard to social, economic and physical conditions, has assets and resources that can be mobilized to act in their own best interests. LUPE seeks to increase the capacity of these community leaders through leadership training and empowerment so that they become more effective in advancing a social change agenda aimed at improving the health and well-being of individuals, families and communities. LUPE’s primary activities and services take place in the Rio Grande Valley of South Texas.

Programs and Nature of Activities

LUPE believes that communities must be approached holistically. Poverty, poor health, substandard community infrastructure, cultural isolation, linguistic challenges, the lack of education and transportation, and indifference of government officials are all issues that impact many of the communities LUPE serves. Therefore, programs are very community-focused, and include: public education on local, regional, and national issues, advocacy for immigration reform, healthcare and public education matters, and a range of social services.

Membership & Social Services

Each social service office provides critical support services for LUPE members and community residents. Services are tailored to the needs of each region, but generally include: ESL and citizenship preparation classes, income tax services and advocacy, Individual Taxpayer Identification Number applications, immigration forms preparation and legal assistance, notary services, and document translations. These services are available for a moderate fee, and are generally offered only to LUPE members. Others, such as income tax services, are available to the general public, but LUPE members receive a discount for those services as compared to non-members.

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Civic Engagement

Civic engagement entails a wide range of activities from the very local level to the national level. Participating in a community clean-up or canvassing the neighborhood to register new voters, or attending a school board meeting, or actually voting in an election are all examples of civic engagement activities that LUPE members may take part in throughout the year. When public officials adopt policies to address community issues without substantial involvement of the community, those policies rarely succeed in meeting the needs of the community. To resolve those problems, we work to involve LUPE members in the processes that produce the policies that impact their lives.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of LUPE (the “Organization”) is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United State and have been consistently applied in the preparation of the financial statements.

Non-Profit Status and Income Taxes

The Organization is exempt from federal income tax under section 501(c)(3) of the U.S. Internal Revenue Code and has been classified as other than a private foundation by the Internal Revenue Service. The Organization is also exempt from State of California taxation under provisions of the California Revenue and Taxation code. Therefore, no provision for income taxes is made in the accompanying financial statements.

Source of Support and Revenue

LUPE receives support from individual contributions, member dues and grants from governmental entities and non-profit foundations. LUPE receives revenue from program services.

Accounts and Grant Receivable

Accounts and grant receivable are stated at unpaid balances. Management considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they are charged to operations in the period in which the determination is made. Accounting principles generally accepted in the United State of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Revenue, Support and Net Assets

All contributions are considered available for the Organization’s general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized. The Organization had no permanently restricted assets at December 31, 2016. The Organization receives grant support from other nonprofit organizations and government agencies and recognizes grant support when funds are received.

Donated Services

Volunteers have donated time to the Organization in support of its programs and services. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under GAAP.

The Organization has also received the use of office facilities from a related party as described in Note 5 below.

Refundable Advances

LUPE records grant revenue representing exchange transactions as a refundable advance until it is expended for the purpose of the grant, at which time it is recognized as revenue. Any balance in refundable advances at year end would represent amounts received under cost reimbursable grants that would be expended in the next fiscal year in accordance with the grant provisions. There was no refundable advance at December 31, 2016 and no activity in the refundable advance account during 2016.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions with donor imposed restrictions are recorded as unrestricted contributions in the period received if the Organization meets the restrictions in the period the contribution is received.

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and Equipment

Property and equipment with a cost of more than \$500 and having a useful life of more than one year are capitalized and depreciated.

Property and equipment are recorded at cost, or estimated fair market value if contributed, and are depreciated using the straight-line method over the estimated useful lives of the assets generally as follows:

Furniture and equipment 3-5 years
Real property 40 years

Depreciation expense for 2016 was \$5,353.

Interest

The Organization had no interest expense or capitalized interest for the year ended December 31, 2016.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expenses for the year ended December 31, 2016 was \$1,863.

Subsequent Events

Subsequent events were evaluated through March 15, 2018, which is the date the financial statements were available to be issued.

NOTE 3 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

LA UNION DEL PUEBLO ENTERO (“LUPE”)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016

NOTE 4 - CASH AND CASH EQUIVALENTS

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. LUPE had no cash equivalents at December 31, 2016.

The Organization maintains cash balances at Wells Fargo Bank. Accounts at Wells Fargo are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000. The Organization has not experienced any loss in such accounts. As of December 31, 2016 the uninsured balance was \$1,326,351. The Organization believes it is not exposed to any significant credit risk on its cash balances.

NOTE 5 - RELATED PARTY TRANSACTIONS AND BALANCES

Purchases and Payables

During 2015 the Organization contracted with organizations which are related by virtue of a management or board of directors’ relationship. These organizations have provided services and paid fees to the Organization, or were paid a fee to provide program services and/or general administrative services which furthered the mission of the Organization.

| | <u>Total Amount Purchased</u> | <u>Payable Balance 12/31/2016</u> |
|--------------------------------------|---------------------------------------|---|
| United Farm Workers of America | | |
| Accounting, IT and mailroom services | \$ 68,970 | \$ 17,306 |
| Cesar Chavez Foundation | | |
| Office rents | 96,000 | - |
| Juan de la Cruz Pension Plan | | |
| Pension benefits | 10,345 | 2,509 |
| Robert F. Kennedy Medical Plan | | |
| Medical insurance | 165,887 | <u>47,339</u> |
| | | <u>\$ 67,154</u> |

Noncash Support, Contributed Office Rents

In 2016 LUPE received free use of office facilities from Cesar Chavez Foundation valued at \$96,000 for membership service office locations in Mercedes, Pharr and San Juan Texas. This amount has been reflected as noncash support in the Statement of Activities and occupancy costs in the Statement of Functional Expenses.

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6—RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes:

| | | | |
|------------------|--|----|---------|
| Civic Engagement | | \$ | 314,812 |
| | | | 314,812 |
| | | | 314,812 |

NOTE 7 – COMMITMENTS UNDER LONG-TERM LEASES

The Organization rents office space recognized as noncash support as described in Note 5 above. The Organization also leases office equipment under an operating lease.

During 2015 office rental expense totaled \$97,200 and equipment lease expense totaled \$3,108. Future obligations over the primary term of the long-term equipment lease as of December 31, 2015 are as follows:

| Year ended December 31, | | <u>Amount</u> | |
|----------------------------|--|---------------|-------|
| 2017 | | \$ | 3,108 |
| 2018 | | | 3,108 |
| 2019 | | | 1,554 |
| 2020 | | | - |
| 2021 | | | - |

NOTE 8—RETIREMENT PLAN

LUPE contributes to one multiemployer pension plan covering farmworker movement employees. Approximately 62% of the corporation’s total 2016 employees were participants in the multiemployer plan. This plan generally provides retirement benefits to participants based on their service to contributing employers. LUPE does not participate in the administration of this multiemployer plan. In general, this plan is managed by a board of trustees, members of which are appointed by the United Farm Workers of America and other contributing employers. LUPE is not represented on the board of trustees.

Furthermore, under current law regarding multiemployer benefit plans, a plan’s termination, the corporation’s voluntary withdrawal, or the mass withdrawal of all contributing employers from any under-funded, multiemployer pension plan would require the corporation to make payments to the plan for its proportionate share of the multi-employer plan’s unfunded vested liabilities. It is possible that there may be a mass withdrawal of employers contributing to these plans or plans may terminate in the near future. The Organization could have adjustments to its estimates for these

LA UNION DEL PUEBLO ENTERO (“LUPE”)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2016

matters in the near term that could have a material effect on the corporation’s consolidated financial condition, results of operations or cash flows. LUPE’s pension expense for the multiemployer plan was \$10,346 for 2016.

| <u>Pension Fund</u> | <u>EIN Pension Plan Number</u> | <u>Pension Protection Act Zone Status 2016</u> | <u>Contributions 2016</u> | <u>Expiration Date Collective Bargaining Agreement</u> |
|---------------------|------------------------------------|--|-------------------------------|--|
| JDLC Pension Plan | 95-6454441 | Green- Dec | \$ 10,346 | N/A |

NOTE 9 – CONCENTRATIONS

The Organization’s activities are primarily conducted in Hidalgo County, Texas. Approximately 66% of the Organization’s grant support, representing approximately 21% of its total support and revenue, was received from two grantors (Ford Foundation and Marguerite Casey Foundation). It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term. The current level of the Organization’s operations and program services may be impacted or segments discontinued if the funding is not renewed or if other support is not received.

NOTE 10 – PRIOR PERIOD ADJUSTMENT

During 2017 it was determined that the Organization had received a contribution of an office building in Alamo, Texas on April 1, 2003 which had not been recorded in the accounting records. A prior period adjustment has been recorded which has resulted in an increase in unrestricted net assets of \$61,126 as of December 31, 2015.