

LA UNION DEL PUEBLO ENTERO (“LUPE”)
FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

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, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2020, 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
February 14, 2022

**LA UNION DEL PUEBLO ENTERO ("LUPE")
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020**

Assets:

Current Assets	
Cash	\$ 4,070,268
Accounts Receivable	124,838
Prepaid Expenses	<u>55</u>
Total Current Assets	<u>4,195,161</u>
Property and Equipment - Note 2	
Real Property	118,789
Equipment and Furniture	<u>78,202</u>
Total Property and Equipment	196,991
Less: Accumulated Depreciation	<u>(110,910)</u>
Total Property and Equipment, net of Accumulated Depreciation	<u>86,081</u>
Other Assets	
Security Deposit	<u>2,775</u>
TOTAL ASSETS	\$ <u><u>4,284,017</u></u>
Liabilities:	
Current Liabilities	
Accounts Payable - Trade	\$ 69,755
Accrued Expenses	<u>93,332</u>
Total Current Liabilities	<u>163,087</u>
TOTAL LIABILITIES	<u>163,087</u>
Commitments - Note 7	
NET ASSETS	
Without donor restrictions	3,781,715
With donor restrictions	<u>339,215</u>
TOTAL NET ASSETS	<u>4,120,930</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u><u>4,284,017</u></u>

The accompanying notes are integral parts of these financial statements

**LA UNION DEL PUEBLO ENTERO ("LUPE")
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Support:			
Contributions	\$ 240,882	\$	\$ 240,882
Membership Dues	157,615		157,615
Grants and Contracts	1,118,170	659,834	1,778,004
Total Support	<u>1,516,667</u>	<u>659,834</u>	<u>2,176,501</u>
Revenue:			
Program Services	550,644		550,644
Service Fees	265,982		265,982
Other Income	9,623		9,623
Total Revenue	<u>826,249</u>	<u>-</u>	<u>826,249</u>
Total Support and Revenue	2,342,916	659,834	3,002,750
Net Assets Released from Restriction			
Restriction Satisfied by Payments	933,734	(933,734)	-
Total Support and Revenue Net of Restrictions	<u>3,276,650</u>	<u>(273,900)</u>	<u>3,002,750</u>
Expenses:			
Program Services Expenses:			
Membership and Services	1,233,701		1,233,701
Civic Engagement	360,591		360,591
Total Program Services Expenses	<u>1,594,292</u>	<u>-</u>	<u>1,594,292</u>
Supporting Services Expenses			
Management and General & Fundraising	1,043,146	-	1,043,146
Total Supporting Services Expenses	<u>1,043,146</u>	<u>-</u>	<u>1,043,146</u>
Total Expenses	<u>2,637,438</u>	<u>-</u>	<u>2,637,438</u>
Change in Net Assets	639,212	(273,900)	365,312
Net Assets At Beginning Of Year	<u>3,142,503</u>	<u>613,115</u>	<u>3,755,618</u>
Net Assets At End Of Year	<u>\$ 3,781,715</u>	<u>\$ 339,215</u>	<u>\$ 4,120,930</u>

The accompanying notes are integral parts of these financial statements

**LA UNION DEL PUEBLO ENTERO ("LUPE")
STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2020**

	Program Services			Supporting Services			Total Expenses
	Membership & Services	Civic Engagement	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Compensation and Benefits	\$ 800,994	232,185	\$ 1,033,179	\$ 602,536	30,305	632,841	\$ 1,666,020
Travel and Transportation	1,259	3,167	4,426	6,537	-	6,537	10,963
Office Facilities	161,865	879	162,744	8,441	-	8,441	171,185
Office Operations	166,958	27,708	194,666	66,804	14,402	81,206	275,872
Promotion & Events	300	22,198	22,498	1,148	-	1,148	23,646
Communications	10,929	5,456	16,385	17,387	-	17,387	33,772
Grants	-	-	-	110,735	-	110,735	110,735
Outside and Professional Services	91,396	68,998	160,394	146,995	37,856	184,851	345,245
TOTAL	\$ 1,233,701	\$ 360,591	1,594,292	\$ 960,583	\$ 82,563	\$ 1,043,146	\$ 2,637,438

The accompanying notes are integral parts of these financial statements

**LA UNION DEL PUEBLO ENTERO ("LUPE")
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020**

Cash Flows from Operating Activities

Increase (Decrease) in Net Assets	\$ 365,311
Adjustments to reconcile Increase (Decrease) in Net Assets to Net Cash provided by Operating Activities	
Depreciation	5,989
(Increase) Decrease in:	
Accounts and grants receivable	(80,056)
Prepaid expenses	16,010
Security deposits	(1,000)
(Decrease) Increase in:	
Accounts Payable	3,167
Accrued expenses	<u>25,880</u>
Net Cash Provided by (Used in) Operating Activities	<u>335,301</u>
Cash Flows from Investing Activities	
Purchase of Fixed Assets	<u>-</u>
Cash Flows from Financing Activities	<u>-</u>
Net Increase (Decrease) in Cash	335,301
Cash at Beginning of Year	<u>3,734,967</u>
Cash at End of Year	<u>\$ 4,070,268</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	\$ <u><u>-</u></u>
Cash paid during the year for taxes	\$ <u><u>-</u></u>

The accompanying notes are integral parts of these financial statements

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Mission

La Union Del Pueblo Entero (“LUPE”, “Organization”) 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 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, 2020

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.

Basis of Accounting

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

Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. On an ongoing basis, management evaluates the estimates and assumptions based on new information. Management believes that the estimates and assumptions are reasonable in the circumstances; however, actual results could differ from those estimates.

New Accounting Pronouncement

The Organization has adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The Organization has adjusted the presentation of its financial statements accordingly. The new standard changes the following aspects of the Organization’s financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a new disclosure about liquidity and availability of resources (Note 10).

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 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.

Total receivables at December 31, 2020 were \$124,838, of which \$102,265 was due under a grant agreement with Methodist Healthcare Ministries.

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, 2019. 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.

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
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The Organization has also received the use of office facilities 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, 2020 and no activity in the refundable advance account during 2019.

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.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. The Statement of Functional Expenses presents the natural classification of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and benefits and consulting costs, which are allocated by management estimate, and occupancy and office operations, which are allocated on the basis of payroll costs.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively. Contributions are recognized when cash is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

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.

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 2020 was \$5,989.

Interest

The Organization had no interest expense or capitalized interest for the year ended December 31, 2020.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense for the year ended December 31, 2020 was \$8,399.

Subsequent Events

Subsequent events were evaluated through February 9, 2022, 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.

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, 2020.

The Organization maintains cash balances at Wells Fargo Bank and Lone Star National Bank. Accounts at both banks are insured by the Federal Deposit Insurance Corporation (FDIC insured) up to \$250,000 each. The Organization has not experienced any loss in such accounts. As of December 31, 2020 the uninsured balance was \$3,684,389. The Organization believes it is not exposed to any significant credit risk on its cash balances.

LA UNION DEL PUEBLO ENTERO (“LUPE”)
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2020

NOTE 5 – NONCASH SUPPORT, CONTRIBUTED OFFICE RENTS

In 2020 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.

NOTE 6—RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions are available for the following purposes:

Membership Services	\$	-
Civic Engagement		339,215
		339,215
	\$	339,215

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 space and office equipment under operating leases.

During 2020 office rental expense totaled \$130,050 and equipment lease expense totaled \$61,886. Future obligations over the primary term of the long-term equipment lease as of December 31, 2020 are as follows:

Year ended December 31,		Amount
2021	\$	8,932
2022		960
2023		400
2024		-
2025		-

NOTE 8—RETIREMENT PLAN

LUPE contributes to one multiemployer pension plan covering farmworker movement employees. Approximately 87% of the Organization’s total 2020 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

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020

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 Organization’s voluntary withdrawal, or the mass withdrawal of all contributing employers from any under-funded, multiemployer pension plan would require the Organization 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 matters in the near term that could have a material effect on the Organization’s consolidated financial condition, results of operations or cash flows.

During 2020 the Pension plan adopted a rehabilitation plan and the provisions are as follows:

This Rehabilitation Plan is designed to encourage continued participation in the Plan by, among, other ways, enabling participants to maintain the current benefit program (with some changes). The Trustees have adopted a Rehabilitation Plan as follows. For Plan participants not in pay status, effective January 1, 2020:

- The monthly benefit accrual rate for benefits earned from January 1, 2020 forward will decrease from 2% of contributions that are counted for benefit accrual to 1% of contributions that are counted for benefit accrual.
- The Early Retirement subsidy will be eliminated, meaning any retirement benefits paid before age 65 will be reduced to the actuarial equivalent of the age 65 benefit.
- Employers contributions will increase in accordance with the following schedule:
 - Effective January 1, 2020 → 101.2% of 2019 contribution rate
 - Effective January 1, 2021 → 202.4% of 2019 contribution rate
 - Effective January 1, 2022 → 303.6% of 2019 contribution rate
 - Effective January 1, 2023 → 402.4% of 2019 contribution rate
 - Effective January 1, 2024 → 501.2% of 2019 contribution rate

The increases in contributions shall be payable as deficit reducing contributions only and shall not count towards benefits. Should a bargaining party not renegotiate its contract prior to January 1, 2020 to account for these increases, an updated schedule of increases will need to be calculated for the impacted employers at the time they begin making the increased contributions. Note that the current employer contribution surcharge of 5% will increase to 10% beginning January 1, 2020 unless the employer adopts the Rehabilitation Plan prior to that date. Surcharge contributions made prior to the adoption of the Rehabilitation Plan will not reduce the amount of the required Rehabilitation Plan contribution increases.

If bargaining (or subscription agreement) parties do not adopt an increase schedule compliant with the Rehabilitation Plan, the parties must adopt a default schedule no later than the earlier of the date the Secretary of Labor certifies there is an impasse or 180 days after the last bargaining (or subscription) agreement expires.

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NOTES TO FINANCIAL STATEMENTS
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The default schedule shall reduce future benefit accruals and any adjustable benefits to the maximum extent as permitted by law (described in the first two bullets above) as well require a single contribution increase necessary to emerge from critical status by the end of the rehabilitation period.

The 10-year rehabilitation period will begin the first day of the plan year following the 2-year anniversary of the rehabilitation plan adoption date, or January 1, 2022. The Plan actuary projects that with such additional contributions and reduced benefits, the Plan is expected to emerge from Critical Status as defined in Internal Revenue Code Section 432(e)(4)(B) within the Rehabilitation Period. The above benchmarks will be monitored no less frequently than annually.

LUPE’s pension expense for the multiemployer plan, consisting only of employer contributions, was \$23,511 for 2020, which was less than 5% of total Plan employer contributions.

<u>Pension Fund</u>	<u>EIN Pension Plan Number</u>	<u>Pension Protection Act Zone Status 2020</u>	<u>Contributions 2020</u>	<u>Expiration Date Collective Bargaining Agreement</u>
JDLC Pension Plan	95-6454441	Green- Dec	\$ 23,511	N/A

Subsequent Event

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes.

COVID-19

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Company’s financial position, results of operations, and cash flows. The Partnership is not able to reliably estimate the length or severity of this outbreak and the related financial impact.

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NOTES TO FINANCIAL STATEMENTS
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NOTE 9 – CONCENTRATIONS

The Organization’s activities are primarily conducted in Hidalgo County, Texas any negative impacts in that geographical area could disrupt the organizations operations.

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets at year end	\$ 4,195,106
Less those unavailable for general expenditures within one year, due to:	
Restricted Assets	(339,215)
Financial assets at year end available to meet cash needs for general expenditures within one year	\$ <u>3,855,891</u>