

**LA UNION DEL PUEBLO ENTERO ("LUPE")
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021**

Assets:

Current Assets	
Cash	\$ 5,813,821
Accounts Receivable	106,021
Prepaid Expenses	<u>-</u>
Total Current Assets	<u>5,919,842</u>
Property and Equipment - Note 2	
Real Property	34,860
Equipment and Furniture	<u>78,202</u>
Total Property and Equipment	113,062
Less: Accumulated Depreciation	<u>(83,365)</u>
Total Property and Equipment, net of Accumulated Depreciation	<u>29,697</u>
Other Assets	
Security Deposit	<u>2,775</u>
TOTAL ASSETS	\$ <u>5,952,314</u>
Liabilities:	
Current Liabilities	
Accounts Payable - Trade	\$ 110,599
Accrued Expenses	111,843
SBA PPP Loan	<u>301,000</u>
Total Current Liabilities	<u>523,442</u>
TOTAL LIABILITIES	<u>523,442</u>
Commitments - Note 7	
NET ASSETS	
Without donor restrictions	4,669,280
With donor restrictions	<u>759,592</u>
TOTAL NET ASSETS	<u>5,428,872</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>5,952,314</u>

The accompanying notes are integral parts of these financial statements

LA UNION DEL PUEBLO ENTERO ("LUPE")
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Support and Revenue:			
Support:			
Contributions	\$ 326,886	\$	\$ 326,886
Membership Dues	265,455		265,455
Grants and Contracts	1,851,464	616,686	2,468,150
Total Support	<u>2,443,805</u>	<u>616,686</u>	<u>3,060,491</u>
Revenue:			
Program Services	909,998		909,998
Service Fees	275,675		275,675
Other Income	8,404		8,404
Total Revenue	<u>1,194,077</u>	<u>-</u>	<u>1,194,077</u>
Total Support and Revenue	3,637,882	616,686	4,254,568
Net Assets Released from Restriction			
Restriction Satisfied by Payments	196,309	(196,309)	-
Total Support and Revenue Net of Restrictions	<u>3,834,191</u>	<u>420,377</u>	<u>4,254,568</u>
Expenses:			
Program Services Expenses:			
Membership and Services	1,206,097		1,206,097
Civic Engagement	44,790		44,790
Total Program Services Expenses	<u>1,250,887</u>	<u>-</u>	<u>1,250,887</u>
Supporting Services Expenses			
Management and General & Fundraising	1,695,740	-	1,695,740
Total Supporting Services Expenses	<u>1,695,740</u>	<u>-</u>	<u>1,695,740</u>
Total Expenses	<u>2,946,626</u>	<u>-</u>	<u>2,946,626</u>
Change in Net Assets	887,565	420,377	1,307,942
Net Assets At Beginning Of Year	<u>3,781,715</u>	<u>339,215</u>	<u>4,120,930</u>
Net Assets At End Of Year	<u>\$ 4,669,280</u>	<u>\$ 759,592</u>	<u>\$ 5,428,872</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, 2021**

	Program Services			Supporting Services			Total Expenses
	Membership & Services	Civic Engagement	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Compensation and Benefits	\$ 902,790	6,889	\$ 909,680	\$ 893,155	30,892	924,047	\$ 1,833,727
Travel and Transportation	2,924	3,503	6,426	11,520	-	11,520	17,946
Office Facilities	107,140	24,000	131,140	47,001	24,000	71,001	202,142
Office Operations	103,303	2,865	106,168	148,614	16,729	165,343	271,511
Promotion & Events	-	278	278	5,642	4,498	10,139	10,418
Communications	11,901	5,405	17,306	11,532	-	11,532	28,838
Grants	-	-	-	51,596	-	51,596	51,596
Outside and Professional Services	78,038	1,849	79,887	421,481	29,080	450,561	530,448
TOTAL	\$ 1,206,097	\$ 44,790	1,250,887	\$ 1,590,541	\$ 105,198	\$ 1,695,740	\$ 2,946,626

FOR DISCUSSION
PURPOSES ONLY

The accompanying notes are integral parts of these financial statements

**LA UNION DEL PUEBLO ENTERO ("LUPE")
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021**

Cash Flows from Operating Activities

Increase (Decrease) in Net Assets \$ 1,307,942

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 18,817

Prepaid expenses 55

Security deposits -

(Decrease) Increase in:

Accounts Payable 40,845

Accrued expenses 319,511

Net Cash Provided by (Used in) Operating Activities 1,693,159

Cash Flows from Investing Activities

Sale of Fixed Assets 50,394

Cash Flows from Financing Activities

-

Net Increase (Decrease) in Cash

1,743,553

Cash at Beginning of Year

4,070,268

Cash at End of Year

\$ 5,813,821

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, 2021

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, 2021

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, 2021

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.

Receivables at December 31, 2021 were \$153,301, of which \$86,715 was due under a grant agreement with Methodist Healthcare Ministries. Allowance for doubtful accounts totaled \$47,280. Total receivables at December 31, 2021 were \$106,021.

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, 2021. 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, 2021 and no activity in the refundable advance account during 2021.

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
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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 2021 was \$5,989.

Interest

The Organization had no interest expense or capitalized interest for the year ended December 31, 2021.

Advertising

The Organization expenses advertising costs as they are incurred. Advertising expense for the year ended December 31, 2021 was \$2,640.

Subsequent Events

Subsequent events were evaluated through June 20, 2023, 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, 2021.

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, 2021 the uninsured balance was \$5,503,366. 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, 2021

NOTE 5 – NONCASH SUPPORT, CONTRIBUTED OFFICE RENTS

In 2021 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	\$	31,344
Civic Engagement		728,248
		759,592
	\$	759,592

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 2021 office rental expense totaled \$37,200 and equipment lease expense totaled \$15,408. Future obligations over the primary term of the long-term equipment lease as of December 31, 2021 are as follows:

2024		-
2025		-
2026		-

PURPOSES ONLY

Uninsured cash

NOTE 8—RETIREMENT PLAN

LUPE contributes to one multiemployer pension plan covering farmworker movement employees. Approximately 87% of the Organization’s total 2021 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.

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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.

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

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 \$36,615 for 2021, which was less than 5% of total Plan employer contributions.

JDLC Pension Plan	95-6454441	Green- Dec	\$ 36,615	N/A
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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. As of December 31, 2021, the global pandemic is still ongoing. Management continues to monitor the results of operations to evaluate the economic impact of the pandemic on the Organization.

NOTE 9 – CONCENTRATIONS

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

NOTE 10 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

LA UNION DEL PUEBLO ENTERO (“LUPE”)
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021

Financial assets at year end	\$ 5,919,842
Less those unavailable for general expenditures within one year, due to:	
Restricted assets	<u>(759,592)</u>
Financial assets at year end available to meet cash needs for general expenditures within one year	<u>\$ 5,160,250</u>

DRAFT

FOR DISCUSSION

PURPOSES ONLY