

**National Association for Latino Community Asset  
Builders**

**Consolidated Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**December 31, 2022 and 2021**

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# National Association for Latino Community Asset Builders

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## Independent Auditor's Report

To the Board of Trustees  
National Association for Latino Community Asset Builders

Report on the Audit of the Financial Statements

### *Opinion*

We have audited the consolidated financial statements of National Association for Latino Community Asset Builders, which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of National Association for Latino Community Asset Builders as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years 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 National Association for Latino Community Asset Builders 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. The financial statements of certain subsidiaries and affiliates were not audited in accordance with *Government Auditing Standards*.

### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about National Association for Latino Community Asset Builders' ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 National Association for Latino Community Asset Builders' 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about National Association for Latino Community Asset Builders' 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position and consolidating statement of activities on pages 36 and 37 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal awards on page 39 as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards

generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2023, on our consideration of National Association for Latino Community Asset Builders' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 National Association for Latino Community Asset Builders' 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 National Association for Latino Community Asset Builders' internal control over financial reporting and compliance.



Charlotte, North Carolina  
June 26, 2023

**National Association for Latino Community Asset Builders**

**Consolidated Statements of Financial Position  
December 31, 2022 and 2021**

	<u>Assets</u>	
	2022	2021
Current assets		
Cash and cash equivalents	\$ 9,443,107	\$ 7,940,677
Restricted cash and cash equivalents	14,291,128	15,911,016
Investments, current	1,338,041	-
Receivables	531,908	262,436
Promises to give, current	3,375,000	1,640,000
Notes receivable, current	947,772	1,704,783
Accrued and dividends interest receivable	57,782	8,057
Prepaid expenses	480	26,987
Federal income tax receivable	580	3,242
Deposits	7,780	30,593
Total current assets	29,993,578	27,527,791
Property and equipment		
Land and improvements	501,755	1,179,505
Buildings and improvements	1,536,330	3,659,284
Furniture and equipment	241,179	241,179
Total property and equipment	2,279,264	5,079,968
Less accumulated depreciation	(530,671)	(644,057)
Net property and equipment	1,748,593	4,435,911
Other assets		
Investments	670,028	-
Notes receivable, net	4,564,372	1,068,092
Land held for development/sale	530,601	313,981
Promises to give	290,000	1,000,000
Right-of-use asset, net	166,641	-
Total other assets	6,221,642	2,382,073
Total assets	\$ 37,963,813	\$ 34,345,775

**National Association for Latino Community Asset Builders**

**Consolidated Statements of Financial Position  
December 31, 2022 and 2021**

Liabilities and Net Assets

	<u>2022</u>	<u>2021</u>
Current liabilities		
Accounts payable	\$ 212,074	\$ 163,021
Grants payable	800,000	1,225,000
Accrued expenses	60,116	12,064
Deferred revenue	1,069	21,933
Note receivable overpayment	-	10,800
Tenant security deposits held	3,500	21,511
Current portion of notes payable	551,220	2,120,834
Current portion of lease liability	61,094	-
	<hr/>	<hr/>
Total current liabilities	1,689,073	3,575,163
Notes payable, net of current portion	6,446,027	4,496,123
Lease liability, net of current portion	127,616	-
	<hr/>	<hr/>
Total liabilities	8,262,716	8,071,286
	<hr/>	<hr/>
Commitments and contingencies	-	-
Net assets		
Net assets, attributable to NALCAB		
Without donor restrictions	6,140,319	4,544,814
With donor restrictions	11,335,949	9,847,842
	<hr/>	<hr/>
Total net assets attributable to NALCAB	17,476,268	14,392,656
Net assets, attributable to noncontrolling interests - without donor restrictions	12,224,829	11,881,833
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Total net assets	29,701,097	26,274,489
	<hr/>	<hr/>
Total liabilities and net assets	\$ 37,963,813	\$ 34,345,775
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See Notes to Consolidated Financial Statements.

## National Association for Latino Community Asset Builders

### Consolidated Statements of Activities and Changes in Net Assets Years Ended December 31, 2022 and 2021

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Public support and other operating revenue						
Contracts and grants from						
Federal grants	\$ 1,539,452	\$ 560,000	\$ 2,099,452	\$ 1,395,238	\$ 1,850,000	\$ 3,245,238
Other contributions and grants	215,305	6,950,000	7,165,305	150,892	8,530,000	8,680,892
Net assets released from restrictions	<u>6,021,893</u>	<u>(6,021,893)</u>	<u>-</u>	<u>7,150,059</u>	<u>(7,150,059)</u>	<u>-</u>
Total contracts and grants funding	7,776,650	1,488,107	9,264,757	8,696,189	3,229,941	11,926,130
Program service revenue	277,797	-	277,797	230,150	-	230,150
Rental income	341,837	-	341,837	392,457	-	392,457
Interest income	226,238	-	226,238	125,263	-	125,263
Income from forgiveness of PPP loan	-	-	-	408,662	-	408,662
Gain on sale of investment	-	-	-	69,563	-	69,563
Gain on sale of rental properties	752,349	-	752,349	-	-	-
Unrealized gain on investments	<u>8,066</u>	<u>-</u>	<u>8,066</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenues	<u>9,382,937</u>	<u>1,488,107</u>	<u>10,871,044</u>	<u>9,922,284</u>	<u>3,229,941</u>	<u>13,152,225</u>
Expenses						
Organizational capacity building	4,078,785	-	4,078,785	6,364,416	-	6,364,416
Policy and field-building	381,191	-	381,191	444,181	-	444,181
Lending and asset management	1,085,020	-	1,085,020	964,260	-	964,260
Membership	88,895	-	88,895	-	-	-
Supporting services						
Management and general	1,495,415	-	1,495,415	1,553,019	-	1,553,019
Fundraising	<u>315,130</u>	<u>-</u>	<u>315,130</u>	<u>30,086</u>	<u>-</u>	<u>30,086</u>
Total expenses	<u>7,444,436</u>	<u>-</u>	<u>7,444,436</u>	<u>9,355,962</u>	<u>-</u>	<u>9,355,962</u>
Change in net assets	1,938,501	1,488,107	3,426,608	566,322	3,229,941	3,796,263
Net assets, beginning of year	<u>16,426,647</u>	<u>9,847,842</u>	<u>26,274,489</u>	<u>15,860,325</u>	<u>6,617,901</u>	<u>22,478,226</u>
Net assets, end of year	<u>\$ 18,365,148</u>	<u>\$ 11,335,949</u>	<u>\$ 29,701,097</u>	<u>\$ 16,426,647</u>	<u>\$ 9,847,842</u>	<u>\$ 26,274,489</u>
Change in net assets, attributable to NALCAB						
Net assets, beginning of year	\$ 4,544,814	\$ 9,847,842	\$ 14,392,656	\$ 3,855,009	\$ 6,617,901	\$ 10,472,910
Change in net assets	<u>1,595,505</u>	<u>1,488,107</u>	<u>3,083,612</u>	<u>689,805</u>	<u>3,229,941</u>	<u>3,919,746</u>
Net assets, end of year	<u>6,140,319</u>	<u>11,335,949</u>	<u>17,476,268</u>	<u>4,544,814</u>	<u>9,847,842</u>	<u>14,392,656</u>
Change in net assets, attributable to noncontrolling interests						
Net assets, beginning of year	11,881,833	-	11,881,833	12,005,316	-	12,005,316
Change in net assets	<u>342,996</u>	<u>-</u>	<u>342,996</u>	<u>(123,483)</u>	<u>-</u>	<u>(123,483)</u>
Net assets, end of period	<u>12,224,829</u>	<u>-</u>	<u>12,224,829</u>	<u>11,881,833</u>	<u>-</u>	<u>11,881,833</u>
Total net assets	<u>\$ 18,365,148</u>	<u>\$ 11,335,949</u>	<u>\$ 29,701,097</u>	<u>\$ 16,426,647</u>	<u>\$ 9,847,842</u>	<u>\$ 26,274,489</u>

See Notes to Consolidated Financial Statements.



## National Association for Latino Community Asset Builders

### Consolidated Statement of Functional Expenses Year Ended December 31, 2022

	Programs				Support services				Grand total
	Organizational Capacity Building	Policy and Field-Building	Lending and Asset Management	Membership	Total	Management and general	Fundraising	Total	
Grants	\$ 1,077,000	\$ -	\$ -	\$ -	\$ 1,077,000	\$ -	\$ -	\$ -	\$ 1,077,000
Salaries, benefits, and payroll taxes	1,435,819	248,307	321,051	72,055	2,077,232	1,098,855	268,378	1,367,233	3,444,465
Professional services	851,672	69,136	85,346	-	1,006,154	198,225	2,232	200,457	1,206,611
Property operating expenses	-	-	291,484	-	291,484	-	-	-	291,484
Property taxes on investment property	-	-	10,851	-	10,851	-	-	-	10,851
Office expenses	31,993	8,006	15,181	4,751	59,931	20,211	5,368	25,579	85,510
Information technology	78,605	16,290	14,201	3,612	112,708	48,605	11,871	60,476	173,184
Rent and building occupancy	56,548	9,779	12,644	2,838	81,809	43,277	10,570	53,847	135,656
Travel	136,122	7,480	4,793	1,699	150,094	12,081	1,978	14,059	164,153
Conferences, conventions and meetings	338,525	6,805	850	323	346,503	18,341	96	18,437	364,940
Depreciation expense	19,467	3,367	66,461	977	90,272	14,898	3,639	18,537	108,809
Insurance	3,106	537	694	156	4,493	2,377	580	2,957	7,450
Interest expense	12,256	2,119	163,021	615	178,011	9,380	2,291	11,671	189,682
Staff training and development	17,864	5,763	3,915	881	28,423	11,482	4,372	15,854	44,277
Bad debt expense	-	-	27,000	-	27,000	-	-	-	27,000
Loss on disposal of rental property	19,808	3,602	66,628	988	91,026	15,021	3,755	18,776	109,802
Federal and state income tax	-	-	900	-	900	2,662	-	2,662	3,562
<b>Total expenses</b>	<b>\$ 4,078,785</b>	<b>\$ 381,191</b>	<b>\$ 1,085,020</b>	<b>\$ 88,895</b>	<b>\$ 5,633,891</b>	<b>\$ 1,495,415</b>	<b>\$ 315,130</b>	<b>\$ 1,810,545</b>	<b>\$ 7,444,436</b>

**National Association for Latino Community Asset Builders**

**Consolidated Statement of Functional Expenses  
Year Ended December 31, 2021**

	Programs				Support services			Grand total
	Organizational Capacity Building	Policy and Field-Building	Lending and Asset Management	Total	Management and general	Fundraising	Total	
Grants	\$ 3,999,300	\$ 25,000	\$ -	\$ 4,024,300	\$ -	\$ -	\$ -	\$ 4,024,300
Salaries, benefits, and payroll taxes	1,309,703	247,912	226,536	1,784,151	1,243,085	26,855	1,269,940	3,054,091
Professional services	845,452	91,172	80,604	1,017,228	142,665	213	142,878	1,160,106
Property operating expenses	-	-	369,316	369,316	-	-	-	369,316
Property taxes on investment property	-	-	2,873	2,873	-	-	-	2,873
Advertising and public relations	163	1,319	-	1,482	2,107	-	2,107	3,589
Office expenses	28,073	11,192	9,714	48,979	22,971	496	23,467	72,446
Information technology	77,799	13,498	7,941	99,238	42,822	926	43,748	142,986
Rent and building occupancy	38,646	7,315	6,685	52,646	36,681	792	37,473	90,119
Travel	15,072	1,519	-	16,591	4,855	-	4,855	21,446
Conferences, conventions and meetings	3,896	36,743	-	40,639	5,317	-	5,317	45,956
Depreciation expense	20,679	3,914	87,394	111,987	19,627	424	20,051	132,038
Insurance	4,242	803	7,048	12,093	4,026	86	4,112	16,205
Interest expense	14,254	2,698	156,683	173,635	13,529	294	13,823	187,458
Staff training and development	7,137	1,096	-	8,233	14,179	-	14,179	22,412
Bad debt expense	-	-	8,566	8,566	-	-	-	8,566
Federal and state income tax	-	-	900	900	1,155	-	1,155	2,055
<b>Total expenses</b>	<b>\$ 6,364,416</b>	<b>\$ 444,181</b>	<b>\$ 964,260</b>	<b>\$ 7,772,857</b>	<b>\$ 1,553,019</b>	<b>\$ 30,086</b>	<b>\$ 1,583,105</b>	<b>\$ 9,355,962</b>

See Notes to Consolidated Financial Statements.

**National Association for Latino Community Asset Builders**

**Consolidated Statements of Cash Flows  
Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flow from operations		
Change in net assets	\$ 3,426,608	\$ 3,796,263
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	108,809	132,038
Amortization of loan discount	1,123	749
Unrealized gain on investments	(8,066)	-
Gain on sale of land held for investment	-	(69,563)
Gain on sale of rental properties	(752,349)	-
Loss on disposal of rental property	109,802	-
Bad debt expense	27,000	8,566
Forgiveness of note payable	-	(408,662)
(Increase) decrease in assets		
Receivables	(269,472)	124,134
Promises to give	(1,025,000)	(690,000)
Accrued interest receivable	(49,725)	1,249
Federal income tax refund receivable	2,662	(3,242)
Prepaid expenses	26,507	(2,788)
(Decrease) increase in liabilities		
Accounts payable	49,053	(136,619)
Grants payable	(425,000)	1,060,000
Accrued expenses	36,289	(51,591)
Accrued interest payable	11,763	8,785
Lease liability	22,069	-
Tenant security deposits held	(18,011)	6,275
Deferred revenue	(20,864)	15,642
Note receivable overpayment	(10,800)	10,800
Net cash provided by (used) by operations	<u>1,242,398</u>	<u>3,784,466</u>
Cash flows from investing activities		
Purchase of investments	(2,000,003)	-
Proceeds from sale of land held for investment		1,339,548
Proceeds from sale of rental properties	3,088,904	-
Cash used for improvements to land held for investment	(84,468)	(68,339)
Cash used to improve rental property	-	(47,138)
Cash used for building improvements	-	(141,109)
Revolving credit loans made	-	(1,100,000)
Revolving credit loan repayments received	-	528,518
Loans receivable disbursed	(4,026,100)	-
Loans receivable repaid	1,259,831	2,063,483
Real estate loan made	-	(427,030)
Repayments received on secured real estate notes	-	457,572
Net cash provided by (used in) investing activities	<u>(1,761,836)</u>	<u>2,605,505</u>

**National Association for Latino Community Asset Builders**

**Consolidated Statements of Cash Flows  
Years Ended December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Cash flows from financing activities		
Cash used to pay long-term debt	(3,120,833)	(1,040,001)
Proceeds from notes payable	3,500,000	3,165,000
Cash used to pay off building note	-	(766,626)
Proceeds from refinancing of building	-	925,000
Payment of debt issuance costs	-	(16,852)
	<u>379,167</u>	<u>2,266,521</u>
Net cash provided by financing activities		
Increase in cash, cash equivalents, and restricted cash	(140,271)	8,656,492
Cash, cash equivalents, and restricted cash at beginning of year	<u>23,881,807</u>	<u>15,225,315</u>
Cash, cash equivalents, and restricted cash at end of year	<u>\$ 23,741,536</u>	<u>\$ 23,881,807</u>
Supplemental disclosures		
Cash paid for interest	<u>\$ 176,796</u>	<u>\$ 177,924</u>
Supplemental schedule of noncash investing activities		
Right-of-use asset	\$ (233,091)	\$ -
Lease liability	233,091	-
Land held for development	(132,153)	-
Land	70,000	-
Rental property	62,153	-
	<u>\$ -</u>	<u>\$ -</u>

See Notes to Consolidated Financial Statements.

## **National Association for Latino Community Asset Builders**

### **Notes to Consolidated Financial Statements December 31, 2022 and 2021**

#### **Note 1 - Nature of organization**

The National Association for Latino Community Asset Builders ("NALCAB") is a nonprofit exempt from taxation under Section 501(c)(3) of the Internal Revenue Code and a US Treasury-certified Community Development Financial Institution ("CDFI"). NALCAB's mission is to strengthen the economy by advancing economic mobility in Latino communities. NALCAB was formed in 2002 to be the national leader and catalyst that builds the capacity of Latino community development corporations to invest and direct capital that creates family and community assets.

Through its national network of member organizations and key allies, NALCAB strengthens and coordinates the capacity of geographically and ethnically diverse Latino-led community development corporations ("CDCs"), community development financial institutions ("CDFIs"), and other community-based organizations to attract and deploy capital. NALCAB lends, grants money, and provides development services to network members. It also influences investors and policymakers with research, advocacy, and technical advice. NALCAB's members serve tens of thousands of low and moderate-income people annually through affordable housing projects, small business loans, economic development strategies, consumer financial education, and other wealth-building products and services.

Escalera Community Investments, LLC, NALCAB's wholly-owned subsidiary, manages NALCAB's social investment funds to further its mission.

NALCAB organizes its mission-driven activities into the following program areas.

#### **Organizational Capacity Building**

The Organizational Capacity Building Program builds the systems and capacity of NALCAB Network members, other non-profits, and units of government to implement programs and projects that ultimately advance economic mobility in low- and moderate-income communities. The program provides development services to organizations that may potentially borrow from NALCAB (see description of lending below) and assists organizations in securing capital investment from other sources.

NALCAB implements this work through grant-making, technical assistance, training, and the facilitation of peer-to-peer collaboration. NALCAB provides culturally-relevant training to practitioners in the field of community and economic development by hosting an annual National Training, presenting educational webinars throughout the year, and conducting the Pete Garcia Community Economic Development Fellowship Program which prepares next-generation leaders.

Since 2007 NALCAB has made grants of over \$28 million to non-profit organizations and utilized over \$15 million (unaudited) in federal funding ("US HUD" and "SBA") to provide technical assistance to non-profits and local/state government agencies (urban and rural). Since 2008, member organizations have secured more than \$468 million (unaudited) for their programs as a direct result of NALCAB's support. NALCAB has also provided culturally-relevant training to over 3,104 (unaudited) practitioners and graduated 169 (unaudited) Fellows from the Pete Garcia Fellowship.

The Organization Capacity Building Program accounted for approximately 72% and 82%, respectively, of total program expenditures for the years ended December 31, 2022 and 2021.

## **National Association for Latino Community Asset Builders**

### **Notes to Consolidated Financial Statements December 31, 2022 and 2021**

#### **Policy and Field-Building**

The Policy and Field-Building Program includes research, policy education, and advocacy efforts aimed at influencing private, philanthropic, and governmental investors to responsibly meet the asset-building needs and opportunities in low- and moderate-income communities.

NALCAB has published numerous reports on topics including small business lending in Latino communities, housing vulnerability and gentrification, and place-based economic development. NALCAB also engages in multiple partnerships in the community development and impact investing fields and supports the policy advocacy efforts of member organizations at the local, state, and federal levels.

The Policy and Field-Building Program accounted for approximately 7% and 6%, respectively, of total program expenditures for the years ended December 31, 2022 and 2021.

#### **Lending and Asset Management**

NALCAB lends to member organizations to support the liquidity of non-profit small business lenders and to support the work of non-profit affordable housing developers. NALCAB's lending is supported by funding from private philanthropies as well as specialized funding from US HUD to make loans to rural affordable housing organizations.

Through Escalera Community Investments, LLC, NALCAB'S wholly-owned asset management company, NALCAB controls the NALCAB Catalyst Fund I, LLC ("NCF I") a real estate-focused social impact fund established to preserve and produce housing opportunities affordable to low-income and minority individuals. It targets investments in single- and multi-family projects that provide households with access to employment, quality education, and health care resources, all essential factors for advancing economic mobility. NCF I operates a portfolio of affordable residential rental housing in San Antonio and Houston, Texas, engages in residential real estate development and lends to non-profit affordable housing organizations.

NALCAB also controls the Acceso Loan Fund, LLC ("Acceso"), a national small business loan fund created to support growth-oriented lending to minority-owned businesses nationwide through a network of Latino-led nonprofit business lenders. Acceso helps diverse entrepreneurs in underserved minority business communities scale to a larger size - expanding their revenue, impact on the economy, and ability to provide jobs.

Lending and Asset Management activities accounted for approximately 19% and 15% of total program expenditures for the years ended December 31, 2022 and 2021, respectively.

#### **Membership**

Membership comprises NALCAB's overall member recruitment, outreach, dues collection, and stewardship activities. In December of 2021, NALCAB hired a dedicated Membership Manager to recruit new members, manage existing members, and ensure that dues were paid and renewed in a timely manner. In addition to this, manager, program and leadership staff engage with NALCAB members in a variety of ways throughout the year. Membership activities can include technical assistance or troubleshooting provided by the NALCAB team that is outside of a programmatic or grantee engagement. Other costs included in Membership are the client relationship management software and the regional engagements with subsets of members that are located in the same city, state, or region.

## National Association for Latino Community Asset Builders

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

Membership activities accounted for approximately 2% of total program expenditures for the year ended December 31, 2022. Membership activities accounted for none of the total program expenditures for the year ended December 31, 2021.

#### Note 2 - Significant accounting policies

##### Basis of consolidation

NALCAB's policy is to consolidate its wholly-owned subsidiaries and those entities that are controlled by NALCAB. Investments in partnerships (and limited liability companies treated as partnerships) in which NALCAB has a controlling interest, or in which Escalera is the managing member, and its presumption of control is not overcome, are consolidated. NALCAB also consolidates investments in partnerships it controls through Escalera by contract. The accompanying consolidated financial statements include the following entities within each functional area.

##### NALCAB

NALCAB is the entity responsible for carrying out all activities under the Organizational Capacity Building Program, the Policy and Field Building Program, and the CDFI lending activity accounted for in the Lending and Asset Management functional area.

Escalera's management activities are consolidated under the Lending and Asset Management functional area.

##### NALCAB Catalyst Fund I, LLC

The NALCAB Catalyst Fund I, LLC ("NCF I"), is a partnership that operates a portfolio of affordable residential rental housing, develops affordable housing, and lends to non-profit affordable housing organizations. Escalera Community Investments is the Managing Member of NCF I. NCF I is owned 29% by NALCAB, 36% by independent non-profit organizations that identify as NALCAB members, and 35% by other investors.

Property used for rental purposes or development is held in wholly-owned subsidiaries of NCF I, established for the purpose of executing specific investment transactions on its behalf. These subsidiaries include Ingram Road Investments, LLC, MDYO, LLC, Samano Development, LLC, 3010 N. St. Mary's, LLC, Eastwood Villa Apartments, LLC, and Leeland Apartments, LLC.

##### NALCAB Network Investors, LLC

NALCAB Network Investors, LLC ("NNI") is a partnership that was formed prior to the establishment of the NALCAB Catalyst Fund I, LLC to provide seed capital for NCF I, and to acquire and warehouse investments for the benefit of NCF I before its launch. NNI is owned by NALCAB and three non-profit CDFI partners. Substantially all assets of NNI are invested in the NALCAB Catalyst Fund I, LLC.

##### Acceso Loan Fund I, LLC

The Acceso Loan Fund I, LLC ("Acceso") is a partnership that makes loans to small businesses in underserved minority business communities. It is owned equally by NALCAB and eleven CDFI NALCAB Network members, and it is managed by Escalera Community Investments. Acceso was in operation during 2022 and 2021. In response to the COVID-19 pandemic, Acceso made short-term, very low-interest loans to members who are eligible lenders under the federal Paycheck Protection Program to support their lending to underserved small businesses.

## National Association for Latino Community Asset Builders

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

#### Consolidation

The consolidated financial statements include the assets, liabilities, net assets and financial activities of the entities described above.

The interests owned by NALCAB member organizations and unaffiliated investors are referred to in the accompanying consolidated financial statements as the non-controlling interest and represent various investor members' proportionate share of equity and net results from operations. Except as otherwise specified in the operating agreements, all items of income, expense, gain, loss, tax credits, tax preferences and cash are allocated to the partners based upon their ownership percentage. All material intercompany transactions and accounts have been eliminated in consolidation. The consolidated statements of activities report all changes in net assets, including changes in net assets without donor restrictions.

#### Financial statement presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America ("GAAP"), including current pronouncements applicable to nonprofit organizations.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, NALCAB's net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions attributable to NALCAB - Net assets that are the remaining part of NALCAB's net assets that do not have donor-imposed stipulations.

Net assets without donor restrictions attributable to non-controlling interests - Net assets that are not subject to donor-imposed restrictions. Net assets without donor restrictions attributable to non-controlling interests consist of assets and contributions available for the support of Fund investments that are attributable to the ownership interests of third-party investors in those properties.

Net assets with donor restrictions - Net assets that result from contributions and other inflow of assets that are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of NALCAB pursuant to those stipulations. When a donor 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 statements of activities as net assets released from restrictions. Restricted contributions whose restrictions are met in the same reporting period are recorded as income with donor restrictions and as net assets released from restrictions.

#### Accounts receivable

An allowance for doubtful accounts is recorded when receivables are deemed uncollectible. The estimated losses are based on a review of the current status of existing receivables. At December 31, 2022 and 2021, no allowance was deemed necessary.

#### Promises to give

We record unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the



## **National Association for Latino Community Asset Builders**

### **Notes to Consolidated Financial Statements December 31, 2022 and 2021**

statements of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At December 31, 2022 and 2021, no allowance was deemed necessary.

#### **Contributions and revenue recognition**

NALCAB recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of NALCAB's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when we have incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statements of financial position.

#### **Functional expenses**

NALCAB's costs for programs, supporting services, and equity fund investments have been reported on a functional basis. This requires the allocation of certain common expenses among the various programs, supporting services and equity fund investments based on estimates made by management. Management has allocated the common expenses on the basis of direct labor charged to each functional area. For purposes of the statements of functional expenses, program services include all direct program expenses plus allocated common expenses determined by management to benefit programs operated by NALCAB.

#### **Deferred revenue**

Income drawn from grant awards and not expensed is deferred and will be recognized in the periods in which expenses for the grant are incurred. Funds received in advance of performing fee-for-service contracts are deferred and will be recognized as revenue when the services are performed.

#### **Syndication and organization costs**

Syndication costs represent costs incurred for the preparation and offering of the private placement memorandum for NCF I. These costs are reflected as a direct reduction of partners' capital. Organization costs represent costs incident to the creation of the LLC and the preparation of the Operating Agreement. Approximately \$75,000 was incurred for syndication and organization costs in the initial year of the NCF I.

#### **Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### **Income taxes**

NALCAB Catalyst Fund I, LLC, NALCAB Network Investors, LLC, and Acceso Loan Fund, LLC, are limited liability companies that have elected to be treated as partnerships for federal income tax purposes, and all taxable income and losses are allocated to the partners.

## National Association for Latino Community Asset Builders

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

NALCAB qualifies as an organization formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and, therefore, is not subject to income tax. Certain unrelated business income, as defined in the IRC, is subject to federal income tax. For the years ended December 31, 2022 and 2021, NALCAB had unrelated business income of \$18,306 and \$17,973, respectively.

#### **Cash and cash equivalents**

For the statements of cash flows, NALCAB considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

#### **Restricted cash and cash equivalents**

Restricted cash and cash equivalents consist of funds held for affordable housing projects and lending activity.

#### **Investments**

This classification includes government and corporate bonds, certificates of deposit and money market funds. Investments in marketable securities are reported at fair value.

#### **Property and equipment**

Property and equipment is stated at cost at date of acquisition or fair value at the date of gift. All items over \$2,500 are capitalized. Depreciation on equipment is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Land	None
Building and improvements	15 - 40 years
Land improvements	15 - 20 years
Furniture, fixtures, and equipment	5 - 12 years

#### **Property under development**

Property under development is recorded using the cost method. Costs associated with the acquisition, development and construction of property including property taxes, interest and insurance, are capitalized as a cost of the property. Property under development consists of costs to develop affordable single-family homes or rental units in buildings that may also include retail or commercial space.

#### **Impairment of long-lived assets**

NALCAB reviews its rental property for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the property are less than its carrying amount, management compares the carrying amount of the property to its fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No impairment loss has been recognized during the years ended December 31, 2022 and 2021.

#### **Debt issuance costs**

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage and notes payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

## National Association for Latino Community Asset Builders

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

#### New accounting pronouncements

NALCAB and its consolidated entities adopted Accounting Standards Update 2016-02 (as amended), *Leases* ("Topic 842") on January 1, 2022 (the "Adoption Date"). ASC 842 requires lessees to recognize a right-of-use ("ROU") asset and a corresponding lease liability for leases over one year. Additionally, NALCAB elected and applied the following practical expedients on the Adoption Date:

- To apply the provisions of ASC 842 at the Adoption Date, instead of applying them to the earliest comparative period presented in the consolidated financial statements.
- The package of practical expedients permitting NALCAB to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; (iii) initial direct costs for existing leases; and (iv) use the incremental borrowing rate in determining lease liability and assets.
- NALCAB elected the practical expedient to combine its lease and non-lease components with respect to its commercial leases that meet the defined criteria and will account for the combined lease component under Topic 842 on a prospective basis. The nonlease components combined with rental revenue consist of reimbursement for common area maintenance charges and utilities.

As a result of the adoption of ASC 842, the following adjustments were recorded on the Adoption Date of January 1, 2022:

Right-of-use assets, net	\$	233,091
Lease obligations		233,091

NALCAB accounted for its existing operating leases with residential tenants of the property as operating leases. Adopting Topic 842 in accounting for residential tenant leases did not result in adjustments to the financial statements.

Leases with commercial tenants not classified as sales-type or direct financing leases are classified as operating leases. The Company accounted for its existing leases with commercial tenants as operating leases. As lessor in commercial lease arrangements, there were no accounting adjustments required.

Topic 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for all leases. The adoption of Topic 842 did not have a material impact on the partnership's balance sheet, statement of operations, or change in member's equity (deficit).

For the year ended December 31, 2022, NALCAB also adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This standard provides guidance on the presentation of contributed nonfinancial assets in the statement of activities and additional disclosure requirements for each type of contributed nonfinancial asset. The ASU provides transparency on the measurement of the contributed nonfinancial assets of the organization and will not change existing recognition and measurement requirements. NALCAB has implemented the provisions of ASU 2020-07 applicable to all contributed nonfinancial assets, which has been applied retrospectively to all periods presented.

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, *Financial Instruments - Credit Losses* (Topic 326): *Measurement of Credit*

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*Losses on Financial Instruments* ("ASU 2016-13"), which creates a new credit impairment standard for financial instruments. The new standard will require management to make a current estimate of expected credit losses as opposed to current U.S. generally accepted accounting principles which delayed recognition until loss was probable. As a result of the ASU, management will be required to perform an assessment of expected credit losses on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU 2016-13 is applicable to loans, debt securities, trade receivables, net investments in leases, off balance-sheet credit exposures, reinsurance receivables and any other financial assets not excluded from the scope that have a contractual right to receive cash. In the period of adoption, the Organization will record a cumulative-effect adjustment to changes in net assets and in subsequent years, changes in the current expected credit loss for the reporting period will be reported on the statements of activities. Expanded disclosures will also be required. The ASU along with certain related ASUs clarifying the scope of ASU 2016-13 and providing transition relief will be effective for fiscal years beginning after December 15, 2022. The Organization is currently evaluating the impact of adopting this new guidance on the financial statements.

**Reclassifications**

Reclassifications have been made to the prior year balances to conform to the current year presentation.

**Note 3 - Liquidity and availability**

NALCAB and its consolidated entities have the following financial assets available within one year of the statements of financial position date to meet cash needs for general expenditures and investments as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 9,443,107	\$ 7,940,677
Restricted cash and cash equivalents (included in net assets with donor restrictions)	2,260,000	3,710,000
Investments, current	1,338,041	-
Receivables	531,908	262,436
Promises to give, current	3,375,000	1,640,000
Notes receivable, current	947,772	1,704,783
Accrued interest and dividends receivable	57,782	8,057
Federal income tax receivable	<u>580</u>	<u>3,242</u>
 Total financial assets available within one year	 17,954,190	 15,269,195
 Less net assets with donor restrictions	 <u>11,335,949</u>	 <u>9,847,842</u>
 Total financial assets available to management for general expenditures within one year	 <u>\$ 6,618,241</u>	 <u>\$ 5,421,353</u>

Long-term assets and amounts related to restricted deposits and promises to give anticipated to be used more than one year after the statements of financial position date have been excluded from the above amounts.

## National Association for Latino Community Asset Builders

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

Financial assets of the consolidated entities are intended to be sufficient to meet their general expenditures, liabilities and other obligations as they become due.

In addition to financial assets, NALCAB has been awarded cooperative agreements from US HUD to provide technical assistance. A total of \$3,068,000 is available under those cooperative agreements, dependent upon work assignments from HUD.

Lines of credit in the amount of \$4,500,000 are also available.

#### **Note 4 - Cash and restricted cash**

NALCAB and its affiliates maintain cash in bank deposit accounts which may, at times, exceed federally insured limits. NALCAB has not experienced any losses in such accounts and it monitors the credit-worthiness of the financial institutions with which it conducts business. Management does not perceive any significant credit risk on its cash, cash equivalents and other deposits during years ended December 31, 2022 and 2021.

#### **Note 5 - Fair value measurements**

ASC 820-10 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. ASC 820-10 defines levels within the hierarchy based on the reliability of inputs as follows:

Level 1 - Inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 1 assets may include securities that are traded in an active exchange market, or actively traded over-the-counter markets.

Level 2 - Valuation is based on directly or indirectly observable inputs other than quoted prices included within Level 1 such as: quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active or inputs other than quoted prices that are observable or can be corroborated to observable market data for substantially the full term of the asset or liability.

Level 3 - Valuation is based on unobservable inputs for the asset or liability. Level 3 assets may include financial instruments whose value is determined using pricing models with internally developed assumptions, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

**Cash and cash equivalents** - For cash and cash equivalents, the carrying amount is assumed to be a reasonable estimate of fair value and is included in the Level 1 fair value hierarchy.

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**Federal agency bonds** - The fair values of federal agency bonds are determined using the spread above the risk-free yield curve, which is developed with observable market inputs. The fair value of agency bonds is included in the Level 2 fair value hierarchy.

**Treasury notes** - The fair value of federal treasury notes is based on quoted market prices in active markets and is included in the Level 1 fair value hierarchy.

The following table sets forth by level within the fair value hierarchy, NALCAB's investments as of December 31, 2022:

	Level 1	Level 2	Level 3	Total Fair Value
Cash and cash equivalents	\$ 2,335	\$ -	\$ -	\$ 2,335
Federal agency bonds	-	330,031	-	330,031
Treasury notes	1,675,703	-	-	1,675,703
<b>Total</b>	<b>\$ 1,678,038</b>	<b>\$ 330,031</b>	<b>\$ -</b>	<b>\$ 2,008,069</b>

**Note 6 - Receivables and promises to give**

Receivables and promises to give consist of the following:

	2022	2021
Federal grants	\$ 173,203	\$ 159,045
Foundations	3,665,000	2,640,000
Other organizations	358,705	103,391
<b>Total</b>	<b>\$ 4,196,908</b>	<b>\$ 2,902,436</b>

NALCAB considers these accounts receivable to be fully collectible. Therefore, no allowance for doubtful accounts is reported. Future maturities of receivables and promises to give are estimated as follows:

2023	\$ 3,906,908
2024	290,000
<b>Total</b>	<b>\$ 4,196,908</b>

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**Note 7 - Notes receivable**

	<u>2022</u>	<u>2021</u>
Notes receivable from Tierra del Sol Housing Corporation in the amount of \$1,049,100, bearing annual interest of 4%, principal due at maturity on October 6, 2024.	\$ 1,049,100	\$ -
Notes receivable from Latino Economic Development Center - MN in the amount of \$760,000, bearing simple interest at 3.5%, interest and principal due at maturity on June 29, 2023.	760,000	760,000
Notes receivable from Access to Capital for Entrepreneurs, Inc. in the amount of \$600,000, bearing simple interest at 3.5%, interest and principal due at maturity on December 16, 2027.	600,000	-
Notes receivable from Neighborhood Housing Services of San Antonio, Inc. in the amount of \$502,000, bearing annual interest of 4.75%, until maturity date on April 15, 2024.	502,000	-
Notes receivable from Mission Economic Development Agency in the amount of \$500,000, bearing simple interest at 3.5%, interest and principal due at maturity on September 21, 2027.	500,000	-
Notes receivable from Centro de Trabajadores Unidos in the amount of \$475,000, bearing simple interest at 4.75%, interest and principal due at maturity on April 30, 2024.	475,000	-
Notes receivable from Impacto Fund in the amount of \$400,000, bearing simple interest at 5%, interest and principal due at maturity on November 14, 2024.	400,000	-
Notes receivable from Fresno Area Hispanic Foundation in the amount of \$200,000, bearing annual interest of 4%, until maturity date on June 15, 2027.	200,000	-

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	<u>2022</u>	<u>2021</u>
Notes receivable from Fresno Area Hispanic Foundation in the amount of \$200,000, bearing annual interest of 4%, until maturity date on September 29, 2027.	200,000	-
Notes receivable from El Pajaro Community Development Corporation in the amount of \$200,000, bearing annual interest of 0%, principal due at maturity on December 29, 2025.	200,000	200,000
Notes receivable from Fresno Area Hispanic Foundation in the amount of \$200,000, bearing annual interest of 3%, until maturity date on October 1, 2026.	200,000	200,000
Notes receivable from Neighborhood Housing Services of San Antonio, Inc. in the amount of \$217,000, bearing annual interest of 4.75%, maturing on January 1, 2027.	150,272	157,640
Notes receivable from Tierra del Sol Housing Corporation in the amount of \$500,000, bearing annual interest of 3%, principal due at maturity on May 26, 2023.	108,572	253,282
Notes receivable from El Pajaro Community Development Corporation in the amount of \$100,000, bearing annual interest of 0%, principal due at maturity on November 28, 2027.	100,000	-
Notes receivable from Rural Community Development Resources in the amount of \$200,000, bears no interest, principal due at maturity on May 10, 2022. The \$79,200 final principal payment was received on January 20, 2023.	79,200	156,600
Notes receivable from El Paso Collaborative in the amount of \$200,000, bearing interest at 3%, maturing November 4, 2026.	40,000	200,000



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	<u>2022</u>	<u>2021</u>
Notes receivable from Latino Economic Development Center - MN in the amount of \$500,000, bearing simple interest at 3%, interest and principal due at maturity on June 30, 2022.	-	360,963
Notes receivable from Affordable Housing Solutions for Florida, Inc. in the amount of \$200,000, bearing no interest, principal due at maturity on July 1, 2022.	-	200,000
Notes receivable from Mission Economic Development Agency in the amount of \$500,000, bearing simple interest at 3%, interest and principal due at maturity on June 30, 2022.	-	150,000
Notes receivable from Neighborhood Housing Services of San Antonio, Inc. in the amount of \$115,200, bearing annual interest of 4.75%, until maturity date on August 13, 2023.	-	82,170
Notes receivable from Neighborhood Housing Services of San Antonio, Inc. in the amount of \$116,000, bearing annual interest of 4.5%, until maturity on October 18, 2022.	-	<u>77,220</u>
Total notes receivable	5,564,144	2,797,875
Less allowance for doubtful accounts	(43,000)	(25,000)
Less allowance for loan guarantee payouts	(9,000)	-
Less current portion	<u>(947,772)</u>	<u>(1,704,783)</u>
Long-term note receivables	<u>\$ 4,564,372</u>	<u>\$ 1,068,092</u>

NALCAB determines the allowance for loan loss provision based on prior years of experience and management's analysis of each individual loan. NALCAB reviews each loan and assigns a reserve amount to each loan based on a risk rating. The following table summarizes the risk ratings of NALCAB's loan portfolio:

<u>Level</u>	<u>Loan loss reserve</u>
1 - Extremely high quality	0.3%
2 - Very strong quality	0.5%
3 - Above Average	1%
4 - Average	3%
5 - Watch	5%
6 - Special Mention	10%
7 - Substandard	25%
8 - Doubtful	50%
9 - Loss	75%

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The following is a summary of the changes affecting the reserve for loan losses for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Beginning balance	\$ 25,000	\$ 16,434
Current year's provision	<u>27,000</u>	<u>8,566</u>
Ending balance	<u>\$ 52,000</u>	<u>\$ 25,000</u>

The table below presents NALCAB's notes according to their risk rating categories as of December 31, 2022 and 2021:

	<u>1 - Extremely high quality</u>	<u>2 - Very strong quality</u>	<u>3 - Above average</u>	<u>4 - Average</u>	<u>Total</u>
December 31, 2022	\$ -	\$ 3,669,944	\$ 1,419,200	\$ 475,000	\$ 5,564,144
December 31, 2021	\$ -	\$ 2,041,275	\$ 556,600	\$ 200,000	\$ 2,797,875

**Note 8 - Property and equipment**

During the year ended December 31, 2022, NCF I sold the properties owned by Leeland Apartments, LLC and Eastwood Villa, LLC for \$3,096,756, combined. This resulted in a gain on sale of \$752,349.

As of December 31, 2021, MDYO, LLC's assets included three rental houses acquired in 2020 that were demolished during 2022, resulting in a loss on demolition of \$109,802 for NCF I. The cost of the remaining property is deemed to be land held for development as of December 31, 2022.

Samano Development LLC's assets consisted of a five-story multi-family housing project acquired in 2020 that was sold for \$1,348,000 on July 2, 2021, resulting in a gain on the sale of \$69,563.

## National Association for Latino Community Asset Builders

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Property and equipment, partially pledged, consisted of the following at December 31, 2022 and 2021:

<u>NALCAB</u>	2022	2021
Land and land improvements	\$ 301,755	\$ 301,755
Building and improvements	1,026,619	1,026,619
Furniture, fixtures and equipment	223,179	223,179
Total property equipment	1,551,553	1,551,553
Less accumulated depreciation	(424,512)	(377,812)
Property and equipment, net	1,127,041	1,173,741
 <u>Rental Properties</u>		
Land and land improvements	200,000	877,750
Building and improvements	509,711	2,632,665
Furniture, fixtures and equipment	18,000	18,000
Total property equipment	727,711	3,528,415
Less accumulated depreciation	(106,159)	(266,245)
Property and equipment, net	621,552	3,262,170
Total property and equipment	\$ 1,748,593	\$ 4,435,911

Depreciation expense for the years ended December 31, 2022 and 2021 was \$108,809 and \$132,038, respectively.

#### **Note 9 - Investment in partnerships**

NALCAB received a \$6 million grant from the JP Morgan Chase Foundation to form a controlled real estate fund ("NCF I") to produce and preserve affordable housing opportunities that advance economic mobility for low- and moderate-income households in predominately Latino communities. NALCAB made subgrants to three CDFI NALCAB Network members, and together, they contributed \$2.6 million to form NALCAB Network Investors, LLC ("NNI"), owned 40% by NALCAB and 20% by each of the other partners. NNI acquired and warehoused one investment for the benefit of NCF I, which formed in May of 2016 and launched on September 23, 2016. NNI and Other Members contributed capital of \$2,548,470 and \$685,000, respectively, to NCF I as of December 31, 2017, representing the total capital commitments at the time. In 2018, Other Members committed to contributing capital of \$960,000 to NCF I. As of December 31, 2019, all capital commitments were funded.

A portion of NNI's capital contributions to NCF I were satisfied through its assignment of a 100% membership interest in 3010 N. St. Mary's, LLC, valued at \$630,184.

A total of \$75,000 of NALCAB's capital contributions were satisfied in lieu of reimbursement for syndication and organization costs it incurred on behalf of NCF I.

## National Association for Latino Community Asset Builders

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

During 2019 NALCAB received a \$10 million grant from the Wells Fargo Foundation to form a national small business loan fund to support growth-oriented lending to minority-owned businesses nationwide through a network of Latino-led nonprofit business lenders. NALCAB made subgrants to eleven NALCAB Network CDFIs, and together, they formed the Acceso Loan Fund, LLC, owned equally by each of the partners. In 2020, NALCAB and the other CDFI members contributed \$10,000,000 to Acceso to fund the partnership's initial capitalization.

#### **Note 10 - Related party transactions**

NALCAB considers Escalera Community Investments, LLC, the NALCAB Catalyst Fund I, LLC, NALCAB Network Investors, LLC, the Acceso Loan Fund, LLC, members of management, boards or committees, members of their immediate families, and entities under common control to be related parties. Amounts due from and due to related parties are generally settled in the normal course of business without formal payment terms.

In the ordinary course of business, NALCAB provided grants to member organizations who have representation on the Board of NALCAB. During the year ended December 31, 2022, there were no grants to member organizations. During the year ended December 31, 2021, grants to member organizations amounted to \$260,000.

In connection with the management of the NALCAB Catalyst Fund, LLC, and NALCAB Network Investors, LLC, as of December 31, 2022 and 2021, Escalera was paid management fees of \$66,602 and \$83,870, respectively, and accounting, tax and administrative expenses of \$12,000 and \$12,000, respectively.

In connection with the management of the Acceso Loan Fund, LLC, for the year ended December 31, 2022, Escalera was paid no management fees. As of December 31, 2021, Escalera was paid management fees of \$24,566.

Certain non-controlling NCF I Members are related parties of NALCAB. The aggregate value of non-controlling Members' capital owned by related parties for years ended December 31, 2022 and 2021 is \$738,768 and \$707,121, respectively.

Certain non-controlling Acceso Members are related parties of NALCAB. The aggregate value of non-controlling Acceso Members' capital owned by related parties for years ended December 31, 2022 and 2021 is \$3,299,302 and \$3,288,178, respectively.

**National Association for Latino Community Asset Builders**

**Notes to Consolidated Financial Statements  
December 31, 2022 and 2021**

**Note 11 - Federal grants**

Federal grants were as follows:

<u>Name of Grant</u>	<u>2022</u>	<u>2021</u>
HUD-Community Compass	\$ 516,418	\$ 486,053
HUD-Rural Capacity Building	323,342	649,113
SBA Prime	261,412	3,850
Corporation for National and Community Service - VISTA	420,550	456,222
CDFI Financial Assistance Program	500,000	1,600,000
Minority Business Resource Development	17,730	-
NeighborWorks America	60,000	50,000
	<u>\$ 2,099,452</u>	<u>\$ 3,245,238</u>
Total federal grant support		

Of the \$60,000 NeighborWorks America grant, \$50,000 was not expended as of December 31, 2022. Of the \$500,000 CDFI Financial Assistance Program grant, \$480,690 was not expended as of December 31, 2022.

**Note 12 - Retirement plan**

NALCAB has a 401(k) retirement plan that matches up to 5% for all eligible employees who contribute. For the years ended December 31, 2022 and 2021 contributions made to the plan were \$76,614 and \$80,093, respectively.

**Note 13 - Concentration of credit risk**

Financial instruments which potentially subject NALCAB to credit risk consist principally of cash accounts and accounts receivable. NALCAB places its cash accounts at highly rated local banks and they may at times exceed the federally insured limit of \$250,000.

Historically, NALCAB has not incurred any significant credit related losses.

**National Association for Latino Community Asset Builders**

**Notes to Consolidated Financial Statements  
December 31, 2022 and 2021**

**Note 14 - Net assets**

<u>Net assets without donor restrictions at December 31, 2022 and 2021 consist of the following:</u>	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Undesignated	\$ 3,520,748	\$ 3,375,243
Designated by the Board for the Rural Loan Fund	2,619,571	1,169,571
Total net assets without donor restrictions	6,140,319	4,544,814
<u>Net assets with donor restrictions at December 31, 2022 and 2021 consist of the following:</u>		
Subject to expenditure for specified purpose:		
Non-Federal		
Community Economic Development and Lending	9,195,643	7,998,638
Federal		
Rural Capacity Building for Community Development and Affordable Housing	200,000	200,000
Community Economic Development and Lending	1,940,306	1,649,204
	2,140,306	1,849,204
Total net assets with donor restrictions	11,335,949	9,847,842
Total net assets	\$ 17,476,268	\$ 14,392,656

**National Association for Latino Community Asset Builders**

**Notes to Consolidated Financial Statements  
December 31, 2022 and 2021**

**Note 15 - Notes payable**

	<u>2022</u>	<u>2021</u>
Note payable to Chase New Markets, dated December 27, 2022, bearing interest at 2%, interest payable in annual installments, unsecured, maturing November 24, 2027.	\$ 1,950,900	\$ -
Note payable to Chase New Markets, dated October 10, 2022, bearing interest at 2%, interest payable in annual installments, unsecured, maturing November 24, 2027.	1,049,100	-
Notes payable to several lenders funded as of September 23, 2021 bearing interest at 2%, interest payable in annual installments, unsecured, and maturing September 23, 2026.	1,040,000	1,040,000
Note payable to Olamina Fund funded as of January 8, 2021 bearing interest at 3%, interest payable in annual installments, unsecured, maturing September 30, 2024.	1,000,000	1,000,000
Note payable to Broadway National Bank, dated April 6, 2021 bearing interest at 3.25%, payable in monthly installments of \$6,500 including principal and interest, maturing May 1, 2036, secured by building.	847,226	896,810
Note payable to the Opportunity Finance Network, dated June 8, 2020, bearing interest at 3.50%, payable in quarterly installments, unsecured, principal due on or before maturity, June 30, 2023.	500,000	500,000
Note payable to lender funded as of October 20, 2021 bearing interest at 2%, interest payable in annual installments, unsecured, maturing October 20, 2026.	100,000	100,000
Note payable to the CDFI Community Investment Fund I LLC, dated May 20, 2022, bearing interest at 3%, interest payable in annual installments, unsecured, May 20, 2032.	500,000	-

**National Association for Latino Community Asset Builders**

**Notes to Consolidated Financial Statements  
December 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u>
Notes payable to lender funded as of November 18, 2021 bearing interest at 2%, interest payable in annual installments, unsecured, maturing November 18, 2026.	25,000	25,000
Note payable to Surdna Foundation, dated December 15, 2017, bearing interest at 2%, interest payable in quarterly installments, maturing August 6, 2022, secured by Qualified Loans, as defined.	-	1,971,250
Note payable to Olamina Fund funded as of January 8, 2021 bearing interest at 3%, interest payable in annual installments, unsecured, maturing September 30, 2024.	-	1,000,000
Note payable to The Meadows Foundation, dated February 15, 2019, bearing no interest, principal due on or before maturity, March 15, 2022.	-	100,000
Total notes payable	7,012,226	6,633,060
Less debt issuance costs	(14,979)	(16,103)
Less current portion	<u>(551,220)</u>	<u>(2,120,834)</u>
Long-term debt, net of current portion	<u>\$ 6,446,027</u>	<u>\$ 4,496,123</u>

The aggregate annual maturities of the notes payable over each of the next five years and thereafter are as follows:

2023	\$ 551,220
2024	1,052,910
2025	54,655
2026	1,221,458
2027	3,058,320
Thereafter	<u>1,073,663</u>
Total	<u>\$ 7,012,226</u>

During the year ended December 31, 2022, NALCAB had two open lines of credit. NALCAB had a revolving line of credit with Wells Fargo Bank in the amount of \$500,000, bearing interest at a floating interest rate, unsecured, maturing December 21, 2023. NALCAB had a loan agreement with the Robert Wood Johnson Foundation in the amount of \$4,000,000, bearing interest at 1%, unsecured, maturing November 2, 2037. No amount has been drawn from these available lines of credit as of December 31, 2022.

During the year ended December 31, 2021, NALCAB had two open lines of credit. NALCAB had a revolving line of credit with Wells Fargo Bank in the amount of \$500,000, bearing interest at a floating interest rate, unsecured, maturing December 21, 2023. NALCAB had a loan agreement with JPMorgan Chase & Co. in the amount of \$3,000,000, bearing interest at 2%, unsecured, maturing



**National Association for Latino Community Asset Builders**

**Notes to Consolidated Financial Statements  
December 31, 2022 and 2021**

November 24, 2027. No amount has been drawn from these available lines of credit as of December 31, 2021.

**Note 16 - Lease commitments**

NALCAB is the lessee under an office lease with Barr Building, LLC, which provides NALCAB with the right to use the underlying asset. Effective on the Adoption Date of ASC 842 for leases with determinable minimum required payments, NALCAB recognized a ROU asset and related lease obligation. The lease commitment is classified as an operating lease. The lease terminates October 31, 2025, with a remaining lease term of three years. Lease expense for the years ended December 31, 2022 and 2021 was \$64,520 and \$34,269, respectively. The following are NALCAB's contractual obligations for minimum rent payments under the operating lease:

2023	\$	61,094
2024		67,044
2025		<u>60,572</u>
Total	\$	<u><u>188,710</u></u>

During the year ended December 31, 2022, lease payments included in the measurement of the lease liability total \$60,697 and include fixed payments. Non-cash investing and financing activities included increases in leased assets of \$233,091 due to the adoption of ASC 842 for the existing lease.

**Note 17 - Commercial lease agreements**

On May 1, 2020, the Fund entered into a commercial lease agreement with Bexar County Community Health Collaborative, an unrelated party, for the rental of the commercial space for a term of two years through April 30, 2022. The lease commenced on May 1, 2020, with required monthly payments beginning May 1, 2020, based on an annual rent charge of \$29,064. The annual rent increased to \$29,352 per year beginning on May 1, 2021, then continued month-to-month at the same rate beginning May 1, 2022. Lease payments of \$23,182 were received during the year ended December 31, 2022. There was no deferred rent receivable at December 31, 2022.

**Note 18 - Statements of cash flows**

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statements of financial position that sum to the total of the same such amounts in the consolidated statements of cash flows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 9,443,107	\$ 7,940,677
Restricted cash and cash equivalents	14,291,128	15,911,016
Reserve deposits with management company	-	771
Tenant and utility deposits	<u>7,301</u>	<u>29,343</u>
Total cash, restricted cash, and cash equivalents shown in the consolidated statements of cash flows	<u><u>\$ 23,741,536</u></u>	<u><u>\$ 23,881,807</u></u>

## National Association for Latino Community Asset Builders

### Notes to Consolidated Financial Statements December 31, 2022 and 2021

Amounts included in restricted cash are comprised of security deposits held in trust for the future benefit of tenants upon moving out of the properties as required by regulatory authority.

#### **Note 19 - Risk factor**

NCF I seeks investment opportunities that offer the possibility of attaining capital appreciation. NCF I intends to make investments in distressed and low-income communities which may, in certain cases, involve certain non-performing or other distressed assets. These investments may involve a high degree of financial risk and there can be no assurance that NCF I's rate of return objectives will be realized or that there will be any return of capital from these investments. Numerous other risks also arise in distressed communities or in connection with troubled assets. Investments in NCF I are also subject to the general risk inherent in real estate investments, such as operating risks common to the construction and development of real estate, market risks associated with selling or renting property, and occupancy rates of rental property. The value of real property and the ability to generate income from real property is affected by many factors such as general and local economic conditions, energy supplies, the supply of and demand for property of the kind in which NCF I has invested, environmental regulations, changing regulatory and tax environments, federal and local controls and real property tax rates. These factors are beyond NCF I's control, and the likelihood that they may occur cannot be predicted.

#### **Note 20 - Commitments and contingencies**

NALCAB participates in a number of federal, state, and local programs that are fully or partially funded by grants received from other organizations. Expenses financed by grants are subject to audit by the appropriate grantor. If expenses are disallowed due to noncompliance with the grant program regulators, NALCAB may be required to reimburse the grantor. As of December 31, 2022 and 2021, significant amounts of grant expenses have not been audited by the grantor agencies, but NALCAB believes that subsequent audits will not have a material effect on the overall financial position of NALCAB.

In the opinion of management, there are no contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been made in the accompanying financial statements for such contingencies.

The financial instruments for NALCAB include cash and cash equivalents, accounts receivables, prepaid expenses, other assets, and accounts payable. The carrying amounts reported in the statements of financial position approximate fair values because of the short-term maturities of those instruments.

NCF I has provided general indemnifications to Escalera, any affiliate of Escalera, and any person acting on behalf of the Escalera or that affiliate when they act, in good faith, in the best interest of NCF I. NCF I is unable to develop an estimate of the maximum potential amount of future payments that could potentially result from any hypothetical future claim but expects the risk of having to make any payments under these general business indemnifications to be remote.

**National Association for Latino Community Asset Builders**

**Notes to Consolidated Financial Statements  
December 31, 2022 and 2021**

**Note 21 - Subsequent events**

NALCAB evaluates subsequent events in accordance with ASC Topic No. 855, *Subsequent Events*. The guidance requires an entity to disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. In preparing these financial statements, NALCAB has evaluated events and transactions for potential recognition or disclosure through June 26, 2023, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure is required in the notes to the financial statements.

## **Supplementary Information**

# National Association for Latino Community Asset Builders

## Consolidating Statement of Financial Position December 31, 2022

<u>Assets</u>	National Association for Latino Community Asset Builders	NALCAB Catalyst Fund I, LLC	NALCAB Network Investors, LLC	Acceso Loan Fund, LLC	Eliminations	Total
<b>Current assets</b>						
Cash and cash equivalents	\$ 4,883,494	\$ 3,666,631	\$ 11,347	\$ 881,635	\$ -	\$ 9,443,107
Restricted cash and cash equivalents	5,291,128	-	-	9,000,000	-	14,291,128
Investments, current	1,338,041	-	-	-	-	1,338,041
Receivables	485,380	13,664	-	32,864	-	531,908
Promises to give, current	3,375,000	-	-	-	-	3,375,000
Notes receivable, current	947,772	-	-	-	-	947,772
Accrued interest and dividends receivable	47,053	10,729	-	-	-	57,782
Prepaid expenses	480	-	-	-	-	480
Federal income tax receivable	580	-	-	-	-	580
Deposits	4,280	3,500	-	-	-	7,780
Receivable from related parties	406,836	-	-	-	(406,836)	-
<b>Total current assets</b>	<b>16,780,044</b>	<b>3,694,524</b>	<b>11,347</b>	<b>9,914,499</b>	<b>(406,836)</b>	<b>29,993,578</b>
<b>Property and equipment</b>						
Land and improvements	301,755	200,000	-	-	-	501,755
Buildings and improvements	1,026,619	509,711	-	-	-	1,536,330
Furniture and equipment	223,179	18,000	-	-	-	241,179
<b>Total property and equipment</b>	<b>1,551,553</b>	<b>727,711</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,279,264</b>
Less accumulated depreciation	(424,512)	(106,159)	-	-	-	(530,671)
<b>Net property and equipment</b>	<b>1,127,041</b>	<b>621,552</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,748,593</b>
<b>Other assets</b>						
Investments	670,028	-	-	-	-	670,028
Notes receivable, net	4,564,372	-	-	-	-	4,564,372
Land held for development	-	530,601	-	-	-	530,601
Promises to give	290,000	-	-	-	-	290,000
Right of use asset, net	166,641	-	-	-	-	166,641
Investment in NALCAB Network Investors, LLC	1,075,753	-	-	-	(1,075,753)	-
Investment in NALCAB Catalyst Fund I, LLC	186,360	-	2,680,167	-	(2,866,527)	-
Investment in Acceso Loan Fund, Inc.	824,829	-	-	-	(824,829)	-
<b>Total other assets</b>	<b>7,777,983</b>	<b>530,601</b>	<b>2,680,167</b>	<b>-</b>	<b>(4,767,109)</b>	<b>6,221,642</b>
<b>Total assets</b>	<b>\$ 25,685,068</b>	<b>\$ 4,846,677</b>	<b>\$ 2,691,514</b>	<b>\$ 9,914,499</b>	<b>\$ (5,173,945)</b>	<b>\$ 37,963,813</b>
<b>Liabilities and Net Assets</b>						
<b>Current liabilities</b>						
Accounts payable	\$ 202,295	\$ 9,779	\$ -	\$ -	\$ -	\$ 212,074
Grants payable	800,000	-	-	-	-	800,000
Accrued expenses	20,548	39,568	-	-	-	60,116
Deferred revenue	-	1,069	-	-	-	1,069
Tenant security deposits held	-	3,500	-	-	-	3,500
Current portion of long-term debt	551,220	-	-	-	-	551,220
Current portion of lease liability	61,094	-	-	-	-	61,094
Intercompany payable	-	388,111	2,131	16,594	(406,836)	-
<b>Total current liabilities</b>	<b>1,635,157</b>	<b>442,027</b>	<b>2,131</b>	<b>16,594</b>	<b>(406,836)</b>	<b>1,689,073</b>
Long-term debt, net of current portion	6,446,027	-	-	-	-	6,446,027
Long-term lease liability, net of current portion	127,616	-	-	-	-	127,616
<b>Total liabilities</b>	<b>8,208,800</b>	<b>442,027</b>	<b>2,131</b>	<b>16,594</b>	<b>(406,836)</b>	<b>8,262,716</b>
<b>Net assets</b>						
Net assets, attributable to NALCAB						
Without donor restrictions	6,140,319	1,258,425	1,075,753	824,829	(3,159,007)	6,140,319
With donor restrictions	11,335,949	-	-	-	-	11,335,949
<b>Total net assets attributable to NALCAB</b>	<b>17,476,268</b>	<b>1,258,425</b>	<b>1,075,753</b>	<b>824,829</b>	<b>(3,159,007)</b>	<b>17,476,268</b>
Net assets, attributable to non-controlling interests - without donor restrictions	-	3,146,225	1,613,630	9,073,076	(1,608,102)	12,224,829
<b>Total net assets</b>	<b>17,476,268</b>	<b>4,404,650</b>	<b>2,689,383</b>	<b>9,897,905</b>	<b>(4,767,109)</b>	<b>29,701,097</b>
<b>Total liabilities and net assets</b>	<b>\$ 25,685,068</b>	<b>\$ 4,846,677</b>	<b>\$ 2,691,514</b>	<b>\$ 9,914,499</b>	<b>\$ (5,173,945)</b>	<b>\$ 37,963,813</b>

See Independent Auditor's Report.

## National Association for Latino Community Asset Builders

### Consolidating Statement of Activities and Changes in Net Assets Year Ended December 31, 2022

	National Association for Latino Community Asset Builders	NALCAB Catalyst Fund I, LLC	NALCAB Network Investors, LLC	Acceso Loan Fund, LLC	Eliminations	Total
Public support and other operating revenue:						
Contract and grants from:						
Federal grants	\$ 2,099,452	\$ -	\$ -	\$ -	\$ -	\$ 2,099,452
Other contributions and grants	7,165,305	-	-	-	-	7,165,305
Satisfaction of use restriction	6,021,893	-	-	-	-	6,021,893
Change in net assets with donor restrictions	<u>(6,021,893)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,021,893)</u>
Total contracts and grants funding	9,264,757	-	-	-	-	9,264,757
Program service revenue	277,797	-	-	-	-	277,797
Management fees	78,602	-	-	-	(78,602)	-
Rental income	22,230	319,607	-	-	-	341,837
Interest and dividend income	158,600	15,680	1	51,957	-	226,238
Gain on sale of rental properties	-	752,349	-	-	-	752,349
Unrealized gain on investments	8,066	-	-	-	-	8,066
Income (loss) from subsidiaries and affiliates	<u>162,597</u>	<u>-</u>	<u>365,746</u>	<u>-</u>	<u>(528,343)</u>	<u>-</u>
Total support and revenues	<u>9,972,649</u>	<u>1,087,636</u>	<u>365,747</u>	<u>51,957</u>	<u>(606,945)</u>	<u>10,871,044</u>
Expenses						
Organizational Capacity Building	4,078,785	-	-	-	-	4,078,785
Policy and Field-Building	381,191	-	-	-	-	381,191
Lending and Asset Management	529,625	612,981	2,431	18,585	(78,602)	1,085,020
Membership	88,895	-	-	-	-	88,895
Supporting services:						
Management and general	1,495,415	-	-	-	-	1,495,415
Fundraising	<u>315,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>315,130</u>
Total expenses	<u>6,889,041</u>	<u>612,981</u>	<u>2,431</u>	<u>18,585</u>	<u>(78,602)</u>	<u>7,444,436</u>
Change in net assets	3,083,608	474,655	363,316	33,372	(528,343)	3,426,608
Net assets, beginning of period	<u>14,392,660</u>	<u>3,929,995</u>	<u>2,326,067</u>	<u>9,864,533</u>	<u>(4,238,766)</u>	<u>26,274,489</u>
Net assets, end of period	<u>\$ 17,476,268</u>	<u>\$ 4,404,650</u>	<u>\$ 2,689,383</u>	<u>\$ 9,897,905</u>	<u>\$ (4,767,109)</u>	<u>\$ 29,701,097</u>
Change in net assets, attributable to NALCAB						
Net assets, beginning of period	\$ 14,392,660	\$ 1,097,635	\$ 930,427	\$ 822,048	\$ (2,850,114)	\$ 14,392,656
Change in net assets	<u>3,083,608</u>	<u>160,790</u>	<u>145,326</u>	<u>2,781</u>	<u>(308,893)</u>	<u>3,083,612</u>
Net assets, end of period	<u>17,476,268</u>	<u>1,258,425</u>	<u>1,075,753</u>	<u>824,829</u>	<u>(3,159,007)</u>	<u>17,476,268</u>
Change in net assets, attributable to non-controlling interests						
Net assets, beginning of period	-	2,832,360	1,395,640	9,042,485	(1,388,652)	11,881,833
Change in net assets	<u>-</u>	<u>313,865</u>	<u>217,990</u>	<u>30,591</u>	<u>(219,450)</u>	<u>342,996</u>
Net assets, end of period	<u>-</u>	<u>3,146,225</u>	<u>1,613,630</u>	<u>9,073,076</u>	<u>(1,608,102)</u>	<u>12,224,829</u>
Total net assets	<u>\$ 17,476,268</u>	<u>\$ 4,404,650</u>	<u>\$ 2,689,383</u>	<u>\$ 9,897,905</u>	<u>\$ (4,767,109)</u>	<u>\$ 29,701,097</u>

See Independent Auditor's Report.

**Single Audit Compliance Information**

# National Association for Latino Community Asset Builders

## Schedule of Expenditures of Federal Awards Year Ended December 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Federal Grant Number	Provided to Subrecipients	Total Federal Expenditures
Department of Housing and Urban Development Rural Capacity Building for Community Development and Affordable Housing Grants	14.265	B-18-RCB-NAL-01	\$ 16,000	\$ 323,342
Community Compass Technical Assistance and Capacity Building	14.259	C-16-TA-TX-0010	-	162,835
Community Compass Technical Assistance and Capacity Building	14.259	G-16-TA-TX-0010	-	143,719
Community Compass Technical Assistance and Capacity Building	14.259	C-17-TA-TX-0010	-	89,383
Community Compass Technical Assistance and Capacity Building	14.259	D-17-TA-TX-0010	-	6,102
Community Compass Technical Assistance and Capacity Building	14.259	C-18-TA-TX-0010	-	8,179
Community Compass Technical Assistance and Capacity Building	14.259	C-19-TA-TX-0010	-	6,979
Community Compass Technical Assistance and Capacity Building	14.259	C-20-TA-TX-0010	-	38,285
Community Compass Technical Assistance and Capacity Building	14.259	B-20-TA-TX-0010	-	56,432
Community Compass Technical Assistance and Capacity Building	14.259	C-21-TA-TX-0010	-	4,504
Total Community Compass			-	516,418
Total Department of Housing and Urban Development			16,000	839,760
Corporation for National and Community Service AmeriCorps Volunteers In Service to America	94.013	20VSWTX015	-	420,550
Total Corporation for National and Community Service			-	420,550
Small Business Administration Prime Technical Assistance	59.050	SBAOCAPR210051-01-00	50,000	246,150
Prime Technical Assistance	59.050	SBAOCAPR220077-01-00	-	15,263
Total Small Business Administration			50,000	261,413
Department of Commerce Minority Business Resource Development	11.802	MB22OBD8020265	-	17,730
Total Department of Commerce			-	17,730
Department of Treasury COVID-19 - Community Development Financial Institutions Rapid Response Program	21.024	21RRP057428	-	190,383
Community Development Financial Institutions Program	21.020	211FA057429	-	19,310
NeighborWorks America	21.Unknown	R-NONEXT-2021-65049	-	49,206
NeighborWorks America	21.Unknown	R-NONEXT-2022-68210	-	10,000
Total Department of Treasury			-	268,899
Total Expenditures of Federal Awards			\$ 66,000	\$ 1,808,352

See Notes to Schedule of Expenditures of Federal Awards.



**National Association for Latino Community Asset Builders**

**Notes to Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2022**

**Note 1 - Basis of presentation**

The accompanying schedule of expenditures of federal awards ("Schedule") includes the federal award activity of NALCAB under programs of the federal government for the year ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of NALCAB, it is not intended to and does not present the financial position, changes in net assets, or cash flows of NALCAB.

**Note 2 - Summary of significant accounting policies**

**Basis of accounting**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 - Indirect cost rate**

NALCAB has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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 Trustees  
National Association for Latino Community Asset Builders

We have audited, in accordance with 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 National Association for Latino Community Asset Builders, which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 26, 2023. The financial statements of certain subsidiaries and affiliates were not audited in accordance with *Government Auditing Standards* and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with these subsidiaries and affiliates.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered National Association for Latino Community Asset Builders' internal control over financial reporting as a basis for designing 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 National Association for Latino Community Asset Builders' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of National Association for Latino Community Asset Builders' internal control over financial reporting.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether National Association for Latino Community Asset Builders' 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 financial statements. 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.



Charlotte, North Carolina  
June 26, 2023

Independent Auditor's Report on Compliance for the Major Federal Program  
and on Internal Control over Compliance Required by the Uniform  
Guidance

To the Board of Trustees  
National Association for Latino Community Asset Builders

Report on Compliance for the Major Federal Program

*Opinion on the Major Federal Program*

We have audited National Association for Latino Community Asset Builders' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on National Association for Latino Community Asset Builders' major federal program for the year ended December 31, 2022. National Association for Latino Community Asset Builders' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, National Association for Latino Community Asset Builders complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

*Basis for Opinion on the Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of National Association for Latino Community Asset Builders and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of National Association for Latino Community Asset Builders' compliance with the compliance requirements referred to above.

*Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to National Association for Latino Community Asset Builders' federal programs.

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and to express an opinion on National Association for Latino Community Asset Builders' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about National Association for Latino Community Asset Builders' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 National Association for Latino Community Asset Builders' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of National Association for Latino Community Asset Builders' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of National Association for Latino Community Asset Builders' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### Report on Internal Control over Compliance

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of the entity's internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*CohnReznick LLP*

Charlotte, North Carolina  
June 26, 2023

National Association for Latino Community Asset Builders

Schedule of Findings and Questioned Costs
Year Ended December 31, 2022

A. Summary of Auditor's Results
Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? Yes X No

Identification of major federal programs:

Table with 2 columns: Assistance Listing Number, Name of Federal Program or Cluster. Row 1: 14.259, Department of Housing and Urban Development Community Compass Technical Assistance and Capacity Building

Dollar threshold used to distinguish type A and B programs: \$750,000

Auditee qualified as a low-risk auditee? X Yes No

B. Financial Statement Findings

None reported.

C. Federal Award Findings and Questioned Costs

None reported.



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