

**National Association for Latino
Community Asset Builders**

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

December 31, 2021 and 2020

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 statements of financial position as of December 31, 2021 and 2020, 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, 2021 and 2020, 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 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 31 and 32 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 34 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 16, 2022, 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 16, 2022

National Association for Latino Community Asset Builders

**Consolidated Statements of Financial Position
December 31, 2021 and 2020**

Assets

	2021	2020
Current Assets		
Cash and cash equivalents	\$ 7,940,677	\$ 7,656,476
Restricted cash and cash equivalents	15,911,016	7,543,277
Receivables	262,436	386,570
Promises to give, current	1,640,000	1,950,000
Notes receivable - current	1,704,783	1,932,385
Accrued interest receivable	8,057	9,306
Prepaid expenses	26,987	24,199
Federal income tax receivable	3,242	-
Deposits	30,593	26,041
	<hr/>	<hr/>
Total current assets	27,527,791	19,528,254
	<hr/>	<hr/>
Property and Equipment		
Land and improvements	1,179,505	1,179,505
Buildings and improvements	3,659,284	3,512,675
Furniture and equipment	241,179	241,180
	<hr/>	<hr/>
Total property and equipment	5,079,968	4,933,360
	<hr/>	<hr/>
Less accumulated depreciation	(644,057)	(512,019)
	<hr/>	<hr/>
Net property and equipment	4,435,911	4,421,341
	<hr/>	<hr/>
Other Assets		
Notes receivable	1,068,092	2,371,599
Property held for sale	-	1,265,483
Land held for development/sale	313,981	245,643
Promises to give	1,000,000	-
	<hr/>	<hr/>
Total other assets	2,382,073	3,882,725
	<hr/>	<hr/>
Total Assets	\$ 34,345,775	\$ 27,832,320
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National Association for Latino Community Asset Builders

**Consolidated Statements of Financial Position
December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Current liabilities		
Accounts payable	\$ 163,021	\$ 336,778
Grants payable	1,225,000	165,000
Accrued expenses	12,064	72,440
Deferred revenue	21,933	6,291
Note receivable overpayment	10,800	-
Tenant security deposits held	21,511	15,236
Current portion of notes payable	<u>2,120,834</u>	<u>1,076,111</u>
Total current liabilities	3,575,163	1,671,856
Notes payable, net of current portion	<u>4,496,123</u>	<u>3,682,238</u>
Total liabilities	<u>8,071,286</u>	<u>5,354,094</u>
Commitments and contingencies	-	-
Net assets		
Net assets, attributable to NALCAB		
Without donor restrictions	4,544,814	3,855,009
With donor restrictions	<u>9,847,842</u>	<u>6,617,901</u>
Total net assets attributable to NALCAB	14,392,656	10,472,910
Net assets, attributable to noncontrolling interests - without donor restrictions	<u>11,881,833</u>	<u>12,005,316</u>
Total net assets	<u>26,274,489</u>	<u>22,478,226</u>
Total liabilities and net assets	<u><u>\$ 34,345,775</u></u>	<u><u>\$ 27,832,320</u></u>

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, 2021 and 2020

	2021			2020		
	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	\$ 1,395,238	1,850,000	\$ 3,245,238	\$ 1,025,104	\$ 296,084	\$ 1,321,188
Other contributions and grants	150,892	8,530,000	8,680,892	679,624	7,620,000	8,299,624
Net assets released from restrictions	7,150,059	(7,150,059)	-	5,797,747	(5,797,747)	-
Total contracts and grants funding	8,696,189	3,229,941	11,926,130	7,502,475	2,118,337	9,620,812
Program service revenue	230,150	-	230,150	134,906	-	134,906
Rental income	392,457	-	392,457	352,914	-	352,914
Interest income	125,263	-	125,263	103,670	-	103,670
Income from forgiveness of PPP loan	408,662	-	408,662	-	-	-
Gain on sale of investment	69,563	-	69,563	300,677	-	300,677
Gain on sale of fixed asset	-	-	-	200	-	200
Total support and revenues	9,922,284	3,229,941	13,152,225	8,394,842	2,118,337	10,513,179
Expenses						
Organizational capacity building	6,364,416	-	6,364,416	4,551,544	-	4,551,544
Policy and field-building	444,181	-	444,181	416,217	-	416,217
Lending and asset management	964,260	-	964,260	882,950	-	882,950
Supporting services						
Management and general	1,553,019	-	1,553,019	1,254,289	-	1,254,289
Fundraising	30,086	-	30,086	19,745	-	19,745
Total expenses	9,355,962	-	9,355,962	7,124,745	-	7,124,745
Change in net assets	566,322	3,229,941	3,796,263	1,270,097	2,118,337	3,388,434
Net assets, beginning of year	15,860,325	6,617,901	22,478,226	5,423,565	4,499,564	9,923,129
Capital contributions	-	-	-	9,166,663	-	9,166,663
Net assets, end of year	\$ 16,426,647	\$ 9,847,842	\$ 26,274,489	\$ 15,860,325	\$ 6,617,901	\$ 22,478,226
Change in net assets, attributable to NALCAB						
Net assets, beginning of year	\$ 3,855,009	\$ 6,617,901	\$ 10,472,910	\$ 2,502,216	\$ 4,499,564	\$ 7,001,780
Change in net assets	689,805	3,229,941	3,919,746	1,352,793	2,118,337	3,471,130
Net assets, end of year	4,544,814	9,847,842	14,392,656	3,855,009	6,617,901	10,472,910
Change in net assets, attributable to noncontrolling interests						
Net assets, beginning of year	12,005,316	-	12,005,316	2,921,349	-	2,921,349
Change in net assets	(123,483)	-	(123,483)	(82,696)	-	(82,696)
Capital contributions	-	-	-	9,166,663	-	9,166,663
Net assets, end of period	11,881,833	-	11,881,833	12,005,316	-	12,005,316
Total net assets	\$ 16,426,647	\$ 9,847,842	\$ 26,274,489	\$ 15,860,325	\$ 6,617,901	\$ 22,478,226

See Notes to Consolidated Financial Statements.

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
Total expenses	<u>\$ 6,364,416</u>	<u>\$ 444,181</u>	<u>\$ 964,260</u>	<u>\$ 7,772,857</u>	<u>\$ 1,553,019</u>	<u>\$ 30,086</u>	<u>\$ 1,583,105</u>	<u>\$ 9,355,962</u>

National Association for Latino Community Asset Builders

Consolidated Statement of Functional Expenses Year Ended December 31, 2020

	Programs				Support services			Grand total
	Organizational Capacity Building	Policy and Field-Building	Lending and Asset Management	Total	Management and general	Fundraising	Total	
Grants	\$ 2,323,435	\$ 74,500	\$ -	\$ 2,397,935	\$ -	\$ -	\$ -	\$ 2,397,935
Salaries, benefits and payroll taxes	1,337,082	200,265	107,832	1,645,179	937,565	17,456	955,021	2,600,200
Professional services	613,268	103,710	114,663	831,641	162,227	-	162,227	993,868
Property operating expenses	-	-	460,330	460,330	-	-	-	460,330
Property taxes on investment property	-	-	7,122	7,122	-	-	-	7,122
Advertising and public relations	574	774	-	1,348	-	-	-	1,348
Office expenses	32,108	9,574	7,520	49,202	20,211	376	20,587	69,789
Information technology	61,165	8,020	4,318	73,503	37,548	699	38,247	111,750
Rent and building occupancy	46,591	6,978	3,757	57,326	32,670	609	33,279	90,605
Travel	7,177	1,723	-	8,900	-	-	-	8,900
Conferences, conventions and meetings	78,026	741	-	78,767	2,163	-	2,163	80,930
Depreciation expense	23,261	3,484	87,456	114,201	16,311	303	16,614	130,815
Insurance	2,440	365	197	3,002	1,711	32	1,743	4,745
Interest expense	20,701	3,101	72,346	96,148	14,516	270	14,786	110,934
Staff training and development	5,716	2,982	75	8,773	26,767	-	26,767	35,540
Bad debt expense	-	-	16,434	16,434	-	-	-	16,434
Federal and state income tax	-	-	900	900	2,600	-	2,600	3,500
Total expenses	<u>\$ 4,551,544</u>	<u>\$ 416,217</u>	<u>\$ 882,950</u>	<u>\$ 5,850,711</u>	<u>\$ 1,254,289</u>	<u>\$ 19,745</u>	<u>\$ 1,274,034</u>	<u>\$ 7,124,745</u>

See Notes to Consolidated Financial Statements.

National Association for Latino Community Asset Builders

**Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flow from operations		
Change in net assets	\$ 3,796,263	3,388,434
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	132,038	130,815
Amortization of loan discount	749	-
Gain on sale of land held for investment	(69,563)	(300,677)
Bad debt expense	8,566	45,184
Forgiveness of note payable	(408,662)	(28,750)
(Increase) decrease in assets		
Receivables	124,134	(199,660)
Promises to give	(690,000)	3,725,000
Accrued interest receivable	1,249	1,492
Federal income tax refund receivable	(3,242)	-
Notes receivable	-	-
Allowance for loan losses	-	-
Prepaid expenses	(2,788)	(7,153)
(Decrease) increase in liabilities		
Accounts payable	(136,619)	(91,371)
Grants payable	1,060,000	(9,278,263)
Accrued expenses	(60,376)	(24,369)
Tenant security deposits held	6,275	(2,150)
Federal income tax payable	-	(1,503)
Deferred revenue	15,642	1,025
Note receivable overpayment	10,800	-
	<u>3,784,466</u>	<u>(2,641,946)</u>
Net cash provided by (used) by operations		
Cash flows from investing activities		
Proceeds from sale of land held for investment	1,339,548	1,246,817
Cash used for purchase of property and equipment	-	(164,135)
Cash used to purchase, improve, and hold land held for develc	-	-
Cash used to purchase real property held for investment/sale	-	(1,301,028)
Cash used for improvements to land held for investment	(68,339)	-
Cash used to improve rental property	(47,138)	-
Cash used for building improvements	(141,109)	-
Revolving credit loans made	(1,100,000)	(200,000)
Revolving credit loan repayments received	528,518	458,216
Loans receivable disbursed	-	(6,371,275)
Loans receivable repaid	2,063,483	5,780,947
Real estate loan made	(427,030)	(760,000)
Repayments received on secured real estate notes	457,572	-
	<u>2,605,505</u>	<u>(1,310,458)</u>
Net cash provided by (used in) investing activities		

National Association for Latino Community Asset Builders

Consolidated Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from financing activities		
Cash used to pay long-term debt	(1,040,001)	(34,130)
Proceeds from notes payable	3,165,000	908,662
Cash used to pay off building note	(766,626)	-
Proceeds from refinancing of building	925,000	-
Payment of debt issuance costs	(16,852)	-
Proceeds from capital contributions	<u>-</u>	<u>9,166,663</u>
Net cash provided by financing activities	<u>2,266,521</u>	<u>10,041,195</u>
Increase in cash, cash equivalents, and restricted cash	8,656,492	6,088,791
Cash, cash equivalents, and restricted cash at beginning of year	<u>15,225,315</u>	<u>9,136,524</u>
Cash, cash equivalents, and restricted cash at end of year	<u><u>\$ 23,881,807</u></u>	<u><u>15,225,315</u></u>
Supplemental disclosures		
Cash paid for interest	<u><u>\$ 187,458</u></u>	<u><u>\$ 110,934</u></u>
Supplemental schedule of noncash investing activities		
Increase in accounts payable for acquisition of fixed assets	\$ -	(37,138)
Increase in rental property included in accounts payable	<u>-</u>	<u>37,138</u>
	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Notes to Consolidated Financial Statements.

National Association for Latino Community Asset Builders

Notes to Consolidated Financial Statements December 31, 2021 and 2020

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 \$27 million to non-profit organizations and utilized over \$12.7 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 \$450 million (unaudited) for their programs as a direct result of NALCAB's support. NALCAB has also provided culturally-relevant training to over 2,500 (unaudited) practitioners and graduated 153 (unaudited) Fellows from the Pete Garcia Fellowship.

The Organization Capacity Building Program accounted for approximately 82% and 78%, respectively, of total program expenditures for the years ended December 31, 2021 and 2020.

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.

National Association for Latino Community Asset Builders

Notes to Consolidated Financial Statements December 31, 2021 and 2020

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 6% and 7%, respectively, of total program expenditures for the years ended December 31, 2021 and 2020.

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 12% and 15% of total program expenditures for the years ended December 31, 2021 and 2020, respectively.

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 CFDI 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.

National Association for Latino Community Asset Builders

Notes to Consolidated Financial Statements December 31, 2021 and 2020

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 2021 and 2020. 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.

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.

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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. As of December 31, 2021 and 2020, the allowance for doubtful accounts was \$25,000 and \$16,434, respectively.

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 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, 2021 and 2020, 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 statement 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

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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 and organization costs of NCF I are expensed as incurred. Syndication costs represent costs incurred for the preparation and offering of the private placement memorandum. 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.

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, 2021 and 2020, NALCAB had unrelated business income of \$17,973 and \$17,674, 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.

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

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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, 2021 and 2020.

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.

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 statement of financial position date to meet cash needs for general expenditures and investments as follows:

	2021	2020
Cash and cash equivalents	\$ 7,940,677	\$ 7,656,476
Restricted cash and cash equivalents (included in net assets with donor restrictions)	3,710,000	-
Receivables	262,436	386,570
Promises to give, current	1,640,000	1,950,000
Notes receivable, current	1,704,783	1,932,385
Accrued interest receivable	8,057	9,306
Federal income tax receivable	3,242	-
Total financial assets available within one year	15,269,195	11,934,737
Less net assets with donor restrictions	9,847,842	6,617,901
Total financial assets available to management for general expenditures within one year	\$ 5,421,353	\$ 5,316,836

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

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 \$3,789,000 is available under those cooperative agreements, dependent upon work assignments from HUD.

A \$500,000 bank line of credit is 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, 2021 and 2020.

Note 5 - Receivables and promises to give

Receivables and promises to give consist of the following:

	2021	2020
Federal grants	\$ 159,045	\$ 291,731
Foundations	2,640,000	1,950,000
Other organizations	103,391	94,839
Total	<u>\$ 2,902,436</u>	<u>\$ 2,336,570</u>

NALCAB considers 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:

2022	\$ 1,902,436
2023	<u>1,000,000</u>
Total	<u>\$ 2,902,436</u>

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**Notes to Consolidated Financial Statements
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Note 6 - Notes Receivable

	<u>2021</u>	<u>2020</u>
Notes receivable from an unaffiliated organization in the amount of \$529,200, bearing simple interest at 6%, interest payable semi-annually beginning February 2, 2018 in the amount of \$15,876, declining as principal payments are made, until maturity on August 2, 2022. The note was paid in full in the year ended December 31, 2021.	\$ -	\$ 188,600
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	360,963
Notes receivable from LiftFund Inc. in the amount of \$500,000, bearing simple interest at 3%, interest. Loan was paid in full in the year ended December 31,	-	203,612
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	150,000
Notes receivable from El Paso Collaborative in the amount of \$200,000, bearing interest at 3%, maturing November 4, 2026.	200,000	-

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	<u>2021</u>	<u>2020</u>
Notes receivable from Affordable Homes of South Texas, Inc. in the amount of \$265,000, bearing simple interest at 3%, interest payable semi-annually beginning August 2, 2019. Loan was paid in full in the year ended December 31, 2021.	-	265,000
Notes receivable from Rural Community Development Resources in the amount of \$200,000, bears no interest, principal due at maturity on May 10, 2022.	156,600	173,400
Notes receivable from Neighborhood Housing Services of San Antonio, Inc. in the amount of \$161,040, bearing annual interest of 5.76%, interest and principal due monthly in the amount of \$940.81 beginning February 1, 2020. Loan was paid in full in the year ended December 31, 2021.	-	158,972
of San Antonio, Inc. in the amount of \$217,000, bearing annual interest of 4.75%, maturing on January 1, 2027.	157,640	-
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.	77,220	-
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 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 30, 2022.	760,000	760,000
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	-

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	2021	2020
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.	253,282	-
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 Latino Economic Development Corporation of Washington, DC, in the amount of \$1,625,000, bearing simple interest of 0.75% for loans borrowed before February 11, 2021 (Round One), and 1.5% for loans borrowed on or after February 11, 2021 (Round Two). Round One matures March 27, 2021; Round Two matures February 11, 2022. Loan was paid in full in the year ended December 31, 2021.	-	953,639
Notes receivable from Opportunity Fund Community Development in the amount of \$3,625,000, bearing simple interest of 0.75% for loans borrowed before January 15, 2021 (Round One), and 1.5% for loans borrowed on or after January 15, 2021 (Round Two). Round One matures January 27, 2021; Round Two matures January 15, 2022. Loan was paid in full in the year ended December 31, 2021.	-	906,232
Total notes receivable	2,797,875	4,320,418
Less allowance for doubtful accounts	(25,000)	(16,434)
Less current portion	(1,704,783)	(1,932,385)
Long-term note receivables	\$ 1,068,092	\$ 2,371,599

Note 7 - Property Held for Sale

In accordance with GAAP, the results of operations for properties classified as held for sale at the end of the current and prior periods are measured at the lower of their carrying amount or the fair value less costs to sell. Once an asset is classified as held for sale no further depreciation is recorded. As of December 31, 2021, NCF I considered no assets held for sale. As of December 31, 2020, NCF I considered the assets of Samano Development, LLC as held for sale. NCF I's assets in Samano consisted of a five-story multifamily 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.

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In 2016, NCF I acquired unimproved land to develop and sell 45 single-family homes to mixed-income individuals and families in San Antonio, Texas. Predevelopment activities commenced in 2016. In 2018, after infrastructure development, the Fund made a strategic decision to sell the improved lots to a regional homebuilder in a two-phase transaction. In 2019, 22 of the lots were sold for \$1,210,000, resulting in a gain on sale of \$244,145. The remaining 23 lots were sold on January 9, 2020 for \$1,302,430, resulting in a gain on the sale of \$300,677.

As of December 31, 2021 and 2020, property held for sale was \$0 and \$1,265,483, respectively. Management believes that the fair value less costs to sell exceeded the carrying amounts of any assets held for sale; therefore, no loss was charged to operations for the years ended December 31, 2021 and 2020.

Note 8 - Property and Equipment

Property and equipment, partially pledged, consisted of the following at December 31, 2021 and 2020:

<u>NALCAB</u>	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 301,755	\$ 301,755
Building and improvements	1,026,619	885,510
Furniture, fixtures, and equipment	<u>223,179</u>	<u>223,180</u>
Total property equipment	1,551,553	1,410,445
Less accumulated depreciation	<u>(377,812)</u>	<u>(329,591)</u>
Property and equipment, net	<u>1,173,741</u>	<u>1,080,854</u>
 <u>Rental Properties</u>		
Land and land improvements	877,750	877,750
Building and improvements	2,632,665	2,627,165
Furniture, fixtures, and equipment	<u>18,000</u>	<u>18,000</u>
Total property equipment	3,528,415	3,522,915
Less accumulated depreciation	<u>(266,245)</u>	<u>(182,428)</u>
Property and equipment, net	<u>3,262,170</u>	<u>3,340,487</u>
Total property and equipment	<u><u>\$ 4,435,911</u></u>	<u><u>\$ 4,421,341</u></u>

Depreciation expense for the years ended December 31, 2021 and 2020 was \$132,038 and \$130,815, respectively.

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Notes to Consolidated Financial Statements December 31, 2021 and 2020

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.

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 years ended December 31, 2021 and 2020, grants to member organizations amounted to \$260,000 and \$153,400, respectively.

In connection with the management of the NALCAB Catalyst Fund, LLC, and NALCAB Network Investors, LLC, as of December 31, 2021 and 2020, Escalera was paid management fees of \$83,870 and \$83,869 respectively, and accounting, tax and administrative expenses of \$12,000 and \$24,000, respectively.

In connection with the management of the Acceso Loan Fund, LLC, as of December 31, 2021 and 2020, Escalera was paid management fees of \$24,566 and \$34,942, respectively.

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, 2021 and 2020 is \$707,121 and \$599,593, respectively.

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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, 2021 and 2020 is \$3,288,178 and \$4,115,813, respectively.

Note 11 - Federal Grants

Federal grants were as follows:

Name of Grant	2021	2020
HUD-Community Compass	\$ 486,053	\$ 168,369
HUD-Rural Capacity Building	649,113	746,382
SBA Prime	3,850	232,502
Corporation for National and Community Service - VISTA	456,222	73,935
CDFI Rapid Response Program	1,600,000	-
NeighborWorks America	50,000	100,000
Total federal grant support	<u>\$ 3,245,238</u>	<u>\$ 1,321,188</u>

Of the \$50,000 NeighborWorks America grant, \$49,206 was not expended as of December 31, 2021. No amount of the \$1,600,000 CDFI RRP Assistance grant was expended as of December 31, 2021.

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, 2021 and 2020 contributions made to the plan were \$80,093 and \$76,401, 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.

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Note 14 - Net assets

<u>Net assets without donor restrictions at December 31, 2021 and 2020 consist of the following:</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Undesignated	\$ 3,375,243	\$ 3,055,438
Designated by the Board for the Rural Loan Fund	1,169,571	799,571
Total net assets without donor restrictions	<u>4,544,814</u>	<u>3,855,009</u>
<u>Net assets with donor restrictions at December 31, 2021 and 2020 consist of the following:</u>	<u>December 31, 2021</u>	<u>December 31, 2020</u>
Subject to expenditure for specified purpose:		
Non-Federal		
Community Economic Development and Lending	<u>7,998,638</u>	<u>6,147,901</u>
Federal		
Rural Capacity Building for Community Development and Affordable Housing	200,000	370,000
Community Economic Development and Lending	<u>1,649,204</u>	<u>100,000</u>
	<u>1,849,204</u>	<u>470,000</u>
Total net assets with donor restrictions	<u>9,847,842</u>	<u>6,617,901</u>
Total net assets	<u>\$ 14,392,656</u>	<u>\$ 10,472,910</u>

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Note 15 - Notes Payable

	2021	2020
Note payable to Wells Fargo, N.A., dated March 28, 2014 bearing interest at 5.25%, payable in monthly installments of \$6,212 including principal and interest, maturing October 1, 2024, secured by building. Note was paid off in full in April 2021.	\$ -	\$ 738,437
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.	896,810	-
PPP note payable to Self-Help Credit Union dated April 21, 2020, bearing interest at 1%, with payments deferred through date of forgiveness determination, which was required to be sought by August 6, 2021. The loan, including accrued interest, was forgiven by the SBA on February 8, 2021	-	408,662
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	1,971,250
Note payable to The Meadows Foundation, dated February 15, 2019, bearing no interest, principal due on or before maturity, March 15, 2022.	100,000	100,000
Notes payable to several lenders, Members of the Catalyst Fund, funded as of July 12, 2017, bearing interest at 2%, interest payable in quarterly installments, and matured in 2021.	-	590,000
Notes payable to several lenders, Members of the Catalyst Fund, funded as of November 8, 2017 bearing interest at 2%, interest payable in quarterly installments, and matured in 2021.	-	400,000
Notes payable to several lenders, Members of the Catalyst Fund, funded as of August 1, 2019, bearing interest at 2%, interest payable in quarterly installments, and matured in 2021.	-	50,000
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	-
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	-

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	<u>2021</u>	<u>2020</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	-
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 Olamina Fund funded as of January 8, 2021 bearing interest at 4%, interest payable in annual installments, unsecured, maturing September 30, 2024.	1,000,000	-
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.	<u>500,000</u>	<u>500,000</u>
Total notes payable	6,633,060	4,758,349
Less debt issuance costs	(16,103)	
Less current portion	<u>(2,120,834)</u>	<u>(1,076,111)</u>
Long-term debt, net of current portion	<u>\$ 4,496,123</u>	<u>\$ 3,682,238</u>

NALCAB has a \$3,000,000 credit facility from Chase New Markets Corporation to fund commercial real estate loans in NALCAB's CDFI target market. The credit facility, dated November 24, 2020, bears interest at 1% through May 24, 2022, 2% after that date, and matures on November 24, 2027. As of December 31, 2021, the outstanding balance was \$0.

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

Future maturities of the notes payable are as follows:

2022	\$ 2,120,834
2023	551,220
2024	2,052,910
2025	54,655
2026	1,221,458
Thereafter	<u>631,983</u>
Total	<u>\$ 6,633,060</u>

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Notes to Consolidated Financial Statements December 31, 2021 and 2020

Note 16 - 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.

	2021	2020
Cash and cash equivalents	\$ 7,940,677	\$ 7,656,476
Restricted cash and cash equivalents	15,911,016	7,543,277
Reserve deposits with management company	771	4,000
Tenant and utility deposits	29,343	21,562
	<u>23,881,807</u>	<u>15,225,315</u>
Total cash, restricted cash, and cash equivalents shown in the consolidated statements of cash flows	\$ 23,881,807	\$ 15,225,315

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 17 - 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 18 - 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, 2021 and 2020, 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.

National Association for Latino Community Asset Builders

Notes to Consolidated Financial Statements December 31, 2021 and 2020

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.

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. NALCAB is closely monitoring its investment portfolio and its liquidity and is actively working to minimize the impact of these declines. The extent of the impact of COVID-19 on NALCAB's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on NALCAB's customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact NALCAB's financial position and changes in net assets and cash flows is uncertain and the accompanying consolidated financial statements include no adjustments relating to the effects of this pandemic.

Note 19 - Subsequent Events

NALCAB evaluates subsequent events in accordance with ASC Topic No. 855, "Subsequent Events" (formally SFAS No. 165). 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 16, 2022, 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, 2021

<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
Current assets						
Cash and cash equivalents	\$ 6,316,287	\$ 747,535	\$ 11,646	\$ 865,209	\$ -	\$ 7,940,677
Restricted cash and cash equivalents	5,911,016	1,000,000	-	9,000,000	-	15,911,016
Receivables	206,470	55,966	-	-	-	262,436
Promises to give, current	1,640,000	-	-	-	-	1,640,000
Notes receivable - current	1,704,783	-	-	-	-	1,704,783
Accrued interest receivable	8,057	-	-	-	-	8,057
Prepaid expenses	21,451	5,536	-	-	-	26,987
Federal income tax receivable	3,242	-	-	-	-	3,242
Deposits	4,278	26,315	-	-	-	30,593
Receivable from related parties	419,246	-	-	-	(419,246)	-
Total current assets	16,234,830	1,835,352	11,646	9,865,209	(419,246)	27,527,791
Property and equipment						
Land and improvements	301,755	877,750	-	-	-	1,179,505
Buildings and improvements	1,026,619	2,632,665	-	-	-	3,659,284
Furniture and equipment	223,179	18,000	-	-	-	241,179
Total property and equipment	1,551,553	3,528,415	-	-	-	5,079,968
Less accumulated depreciation	(377,812)	(266,245)	-	-	-	(644,057)
Net property and equipment	1,173,741	3,262,170	-	-	-	4,435,911
Other assets						
Land held for development/sale	-	-	-	-	-	-
Notes receivable	1,068,092	-	-	-	-	1,068,092
Property held for sale	-	313,981	-	-	-	313,981
Promises to give	1,000,000	-	-	-	-	1,000,000
Investment in NALCAB Network Investors, LLC	930,427	-	-	-	(930,427)	-
Investment in NALCAB Catalyst Fund I, LLC	171,870	-	2,314,421	-	(2,486,291)	-
Investment in Acceso Loan Fund, Inc.	822,048	-	-	-	(822,048)	-
Total other assets	3,992,437	313,981	2,314,421	-	(4,238,766)	2,382,073
Total assets	\$ 21,401,008	\$ 5,411,503	\$ 2,326,067	\$ 9,865,209	\$ (4,658,012)	\$ 34,345,775
<u>Liabilities and Net Assets</u>						
Current liabilities						
Accounts payable	\$ 155,896	\$ 7,125	\$ -	\$ -	\$ -	\$ 163,021
Grants payable	1,225,000	-	-	-	-	1,225,000
Accrued expenses	8,785	3,279	-	-	-	12,064
Deferred revenue	1,710	20,223	-	-	-	21,933
Tenant security deposits held	-	-	-	-	-	-
Current portion of long-term debt	2,120,834	-	-	-	-	2,120,834
Note receivable overpayment	-	10,800	-	-	-	10,800
Tenant security deposits held	-	21,511	-	-	-	21,511
Intercompany payable	-	418,570	-	676	(419,246)	-
Total current liabilities	3,512,225	481,508	-	676	(419,246)	3,575,163
Long-term debt, net of current portion	3,496,123	1,000,000	-	-	-	4,496,123
Total liabilities	7,008,348	1,481,508	-	676	(419,246)	8,071,286
Net assets						
Net assets, attributable to NALCAB						
Without donor restrictions	3,375,247	1,097,635	930,427	822,048	(2,850,114)	3,375,243
With donor restrictions	9,847,842	-	-	-	-	9,847,842
Designated for rural loan fund	1,169,571	-	-	-	-	1,169,571
Total net assets attributable to NALCAB	14,392,660	1,097,635	930,427	822,048	(2,850,114)	14,392,656
Net assets, attributable to non-controlling interests - without donor restrictions	-	2,832,360	1,395,640	9,042,485	(1,388,652)	11,881,833
Total net assets	14,392,660	3,929,995	2,326,067	9,864,533	(4,238,766)	26,274,489
Total liabilities and net assets	\$ 21,401,008	\$ 5,411,503	\$ 2,326,067	\$ 9,865,209	\$ (4,658,012)	\$ 34,345,775

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, 2021

	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	\$ 3,245,238	\$ -	\$ -	\$ -	-	\$ 3,245,238
Other contributions and grants	8,680,892	-	-	-	-	8,680,892
Satisfaction of use restriction	7,150,059	-	-	-	-	7,150,059
Change in net assets with donor restrictions	(7,150,059)	-	-	-	-	(7,150,059)
Total contracts and grants funding	11,926,130	-	-	-	-	11,926,130
Program service revenue	230,150	-	-	-	-	230,150
Management fees	120,435	-	-	-	(120,435)	-
Rental income	19,800	372,657	-	-	-	392,457
Interest income	91,759	5,265	-	28,239	-	125,263
Income from forgiveness of PPP loan	408,662	-	-	-	-	408,662
Gain on sale of investment	-	69,563	-	-	-	69,563
Income (loss) from subsidiaries and affiliates	(73,362)	-	(178,695)	-	252,057	-
Total support and revenues	12,723,574	447,485	(178,695)	28,239	131,622	13,152,225
Expenses						
Organizational Capacity Building	6,364,416	-	-	-	-	6,364,416
Policy and Field-Building	444,181	-	-	-	-	444,181
Lending and Asset Management	412,122	630,612	300	41,661	(120,435)	964,260
Supporting services:						
Management and general	1,553,019	-	-	-	-	1,553,019
Fundraising	30,086	-	-	-	-	30,086
Total expenses	8,803,824	630,612	300	41,661	(120,435)	9,355,962
Change in net assets	3,919,750	(183,127)	(178,995)	(13,422)	252,057	3,796,263
Net assets, beginning of period	10,472,910	4,113,122	2,505,062	9,877,955	(4,490,823)	22,478,226
Net assets, end of period	\$ 14,392,660	\$ 3,929,995	\$ 2,326,067	\$ 9,864,533	(4,238,766)	\$ 26,274,489
Change in net assets, attributable to NALCAB						
Net assets, beginning of period	\$ 10,472,910	\$ 1,169,762	\$ 1,002,026	\$ 823,166	(2,994,954)	\$ 10,472,910
Change in net assets	3,919,750	(72,127)	(71,599)	(1,118)	144,840	3,919,746
Net assets, end of period	14,392,660	1,097,635	930,427	822,048	(2,850,114)	14,392,656
Change in net assets, attributable to non-controlling interests						
Net assets, beginning of period	-	2,943,360	1,503,036	9,054,789	(1,495,869)	12,005,316
Change in net assets	-	(111,000)	(107,396)	(12,304)	107,217	(123,483)
Net assets, end of period	-	2,832,360	1,395,640	9,042,485	(1,388,652)	11,881,833
Total net assets	\$ 14,392,660	\$ 3,929,995	\$ 2,326,067	\$ 9,864,533	(4,238,766)	\$ 26,274,489

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, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Federal Grant Number	Pass-Through Entity Identifying 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-16-RCB-TX-001		\$ 28,566	\$ 34,377
Rural Capacity Building for Community Development and Affordable Housing Grants	14.265	B-18-RCB-NAL-01		6,434	617,010
				<u>35,000</u>	<u>651,387</u>
Community Compass Technical Assistance and Capacity Building	14.259	C-15-TA-TX-0010		-	100,892
Community Compass Technical Assistance and Capacity Building	14.259	C-16-TA-TX-0010		-	120,584
Community Compass Technical Assistance and Capacity Building	14.259	G-16-TA-TX-0010		-	141,193
Community Compass Technical Assistance and Capacity Building	14.259	C-17-TA-TX-0010		-	10,451
Community Compass Technical Assistance and Capacity Building	14.259	D-17-TA-TX-0010		-	8,926
Community Compass Technical Assistance and Capacity Building	14.259	C-18-TA-TX-0010		-	5,393
Community Compass Technical Assistance and Capacity Building	14.259	C-19-TA-TX-0010		-	5,080
Community Compass Technical Assistance and Capacity Building	14.259	B-20-TA-TX-0010		-	94,180
				<u>-</u>	<u>486,699</u>
Total Department of Housing and Urban Development				<u>35,000</u>	<u>1,138,086</u>
NeighborWorks America					
NeighborWorks America - 2020 2021	21.Unknown	PL# 116-94		-	100,000
NeighborWorks America - 2021 2022	21.Unknown	PL# 116-260		-	794
Total NeighborWorks America				<u>-</u>	<u>100,794</u>
Corporation for National and Community Service Volunteers in Service to America	94.013	20VSWTX015		-	456,222
Small Business Administration Prime Technical Assistance	59.050	SBAOCAPR210051-01-00		-	3,850
Total expenditures of federal awards				<u>\$ 35,000</u>	<u>\$ 1,698,952</u>

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, 2021**

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, 2021. 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

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, 2021, 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 16, 2022. 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 16, 2022

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, 2021. 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, 2021.

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 16, 2022

National Association for Latino Community Asset Builders

**Schedule of Findings and Questioned Costs
Year Ended December 31, 2021**

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:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
14.265	Department of Housing and Urban Development Rural Capacity Building for Community Development and Affordable Housing Grants

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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