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Spanish American Civic Association for Equality, Inc.

Financial Statements

June 30, 2019 and 2018

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Independent Auditors' Report

To the Board of Directors of
Spanish American Civic Association for Equality, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the Spanish American Civic Association for Equality, Inc. (the "Organization"), a nonprofit organization, which comprise the statements of assets, liabilities, and net assets—income tax basis as of June 30, 2019 and 2018, and the related statements of revenue, expenses, and changes in net assets - income tax basis, functional expenses—income tax basis, and cash flows—income tax basis for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting the Organization uses for income tax purposes; this includes determining that the income tax basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and liabilities of the Organization as of June 30, 2019 and 2018, and its revenue and other support, and expenses, and cash flows for the years then ended in accordance with the basis of accounting the Organization uses for income tax purposes described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting the Organization uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2019 on our consideration of the Organization's internal control over financial reporting and on 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 on compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's 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 Organization's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Lancaster, Pennsylvania
December 4, 2019

Spanish American Civic Association for Equality, Inc.

Statements of Assets, Liabilities, and Net Assets—Income Tax Basis
June 30, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	$ 212,112	$ 132,792
Revenue receivable	661,240	796,946
Due from related parties	79,911	359,341
Prepaid expenses	28,860	32,520
Total current assets	982,123	1,321,599
Property and Equipment, Net	1,499,808	1,572,930
Note Receivable, SACA Development Corporation	-	764,362
Total assets	$ 2,481,931	$ 3,658,891
Liabilities and Net Assets		
Current Liabilities		
Lines of credit	$ 292,079	$ 783,126
Current portion of long-term debt	52,140	248,572
Current portion of capital lease payable	15,305	14,742
Accounts payable	478,577	614,305
Accrued expenses	198,907	190,827
Refundable advances	41,883	43,507
Due to related parties	188,081	253,825
Note payable, SACA Development Corporation	273,485	-
Total current liabilities	1,540,457	2,148,904
Long-Term Debt, Net	-	717,331
Capital Leases Payable, Net	13,240	28,531
Total liabilities	1,553,697	2,894,766
Net Assets		
Without donor restrictions	891,106	736,401
With donor restrictions	37,128	27,724
Total net assets	928,234	764,125
Total liabilities and net assets	$ 2,481,931	$ 3,658,891

See notes to financial statements

Spanish American Civic Association for Equality, Inc.

Statements of Revenue, Expenses, and Changes in Net Assets—Income Tax Basis
Years Ended June 30, 2019 and 2018

	2019	2018
Revenue and Support Without Donor Restrictions		
Program specific grants, contributions, and fees	$ 5,936,673	$ 5,873,084
Administrative fees	245,959	316,174
Other general contributions	117,777	240,395
Pass-through funds	-	1,231,982
Other general revenue	43,099	97,960
Rents	156,745	154,215
Net assets released from restriction	-	51,478
Total revenue and support without donor restrictions	6,500,253	7,965,288
Expenses		
Program services	5,184,672	6,282,601
Management and general	1,063,366	1,204,820
Fundraising	97,510	95,500
Total expenses	6,345,548	7,582,921
Operating income and change in net assets without donor restrictions	154,705	382,367
Net Assets With Donor Restrictions		
Contributions	9,404	-
Net assets released from restriction	-	(51,478)
Change in net assets with donor restrictions	9,404	(51,478)
Change in net assets	164,109	330,889
Net Assets, Beginning of Year	764,125	433,236
Net Assets, End of Year	$ 928,234	$ 764,125

See notes to financial statements

Spanish American Civic Association for Equality, Inc.

Statements of Functional Expenses—Income Tax Basis
Years Ended June 30, 2019 and 2018

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Expenses								
Salaries and wages	$ 1,888,241	$ 471,045	$ 76,524	$ 2,435,810	$ 1,733,481	$ 614,587	$ 76,526	$ 2,424,594
Payroll taxes and fringe benefits	554,092	135,237	9,547	698,876	478,216	151,588	10,558	640,362
Contracted services	755,775	69,572	-	825,347	767,793	64,135	-	831,928
Food	196,348	-	-	196,348	222,861	-	-	222,861
Rent	548,901	61,048	3,213	613,162	538,959	59,833	3,149	601,941
Program supplies	573,946	-	-	573,946	646,545	-	-	646,545
Maintenance, repairs, building operations, taxes and utilities	293,024	32,088	-	325,112	315,913	28,605	-	344,518
Travel and transportation	28,523	1,774	-	30,297	22,489	3,663	-	26,152
Telephone	43,432	11,628	612	55,672	48,261	8,532	449	57,242
Legal and professional	12,200	24,298	-	36,498	10,700	15,394	-	26,094
Interest	15,011	89,552	-	104,563	(1,114)	87,156	-	86,042
Office expense	23,403	15,600	821	39,824	21,741	12,759	672	35,172
Training/tuition	172,894	10,764	-	183,658	146,973	14,194	-	161,167
Insurance	42,958	18,851	992	62,801	48,883	15,404	811	65,098
Pass-through funds	-	-	-	-	1,231,982	-	-	1,231,982
Depreciation	-	109,751	5,801	115,552	18,385	87,935	3,335	109,655
Miscellaneous	35,924	12,158	-	48,082	30,533	41,035	-	71,568
	$ 5,184,672	$ 1,063,366	$ 97,510	$ 6,345,548	$ 6,282,601	$ 1,204,820	$ 95,500	$ 7,582,921

See notes to financial statements

Spanish American Civic Association for Equality, Inc.

Statements of Cash Flows—Income Tax Basis
Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities		
Change in net assets	$ 164,109	$ 330,889
Adjustments to change in net assets to net cash provided by operating activities:		
Depreciation	115,552	109,655
Change in assets and liabilities:		
Revenue receivable	135,706	28,333
Prepaid expenses	3,660	(8,036)
Accounts payable	(135,728)	111,801
Accrued expenses	8,080	(31,918)
Refundable advances	(1,624)	(31,567)
Net cash provided by operating activities	289,755	509,157
Cash Flows from Investing Activities		
Purchases of property and equipment	(42,430)	(181,662)
Cash Flows from Financing Activities		
Change in note receivable (payable), SACA Development Corporation	1,037,847	-
Net (repayments) borrowings on lines of credit	(491,047)	106,931
Proceeds from issuance of long-term debt	-	29,000
Repayment of long-term debt and capital leases	(928,491)	(297,814)
Change in due from (to) related parties, net	213,686	(116,528)
Net cash used in financing activities	(168,005)	(278,411)
Net change in cash and cash equivalents	79,320	49,084
Cash and Cash Equivalents, Beginning of Year	132,792	83,708
Cash and Cash Equivalents, Ending of Year	$ 212,112	$ 132,792
Supplementary Cash Flows Information		
Cash paid for interest	$ 104,563	$ 86,042

See notes to financial statements

1. Organizational Operations and Summary of Significant Accounting Policies

Organizational Operations

The Spanish American Civic Association for Equality, Inc. ("SACA" or the "Organization"), is a Latino founded and managed community based organization whose mission is to enable the community it serves to integrate itself into the social, economic, and political mainstream of life in Lancaster County. Towards this end, SACA provides case management, employment, behavioral health, services to the elderly, continuing education, vocational training, and services to at risk youth. SACA also operates WLCH, a radio and television station.

SACA is the "parent" of a subsidiary organization, Tec Centro Foundation ("Foundation") which raises funds for the Tec Centro Workforce Investment Program.

SACA is the "parent" of a subsidiary organization, SACA Development Corporation ("SDC"), whose primary purpose is to purchase and rehabilitate blighted properties to be sold or rented to low-to-moderate income families.

SDC is the 100 percent owner of General Cigar Place, Inc., a Pennsylvania C-Corporation.

General Cigar Place, Inc. is the sole general partner of The Apartments at General Cigar Place, L.P., a limited partnership. The Apartments at General Cigar Place, L.P. owns and operates an apartment building whose units are rented to low-to-moderate income individuals and families.

General Cigar Place, Inc. is the sole general partner of The Shops at General Cigar Place, L.P., a limited partnership. The Shops at General Cigar Place, L.P. owns and operates commercial real estate, which is rented to not-for-profit organizations.

SDC is the sole member of Conestoga Plaza Development, LLC, a Pennsylvania limited liability company.

Conestoga Plaza Development, LLC, is the sole general partner in Conestoga Plaza, L.P., a limited partnership which owns and operates real property.

SDC is a 100 percent owner of Tec Centro, Ltd., a not-for-profit corporation. Tec Centro, Ltd. was formed in conjunction with the utilization of New Market Tax Credits.

SDC is a 100 percent owner of Centro Lancaster, Ltd. Centro Lancaster, Ltd. was formed in conjunction with the utilization of New Market Tax Credits.

SDC is a 100 percent owner of Conestoga North, LLC which purchased land during the year to construct townhomes.

The Organization is supported substantially through donor contributions, and federal, state and local grants, and any reduction in this support would negatively affect the operations of the Organization.

Basis of Accounting

SACA utilizes the basis of accounting the Organization uses for income tax purposes, which differs from accounting principles generally accepted in the United States of America ("GAAP") because it does not consolidate its subsidiaries (Foundation, SDC and its affiliates) as required by GAAP.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purposes of the statements of cash flows—income tax basis, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Revenue Receivable

Revenue receivable is stated at outstanding balances. The Organization considers revenue receivable to be fully collectible. Under the basis of accounting the Organization uses for income tax purposes, uncollectible receivables are charged to income when they are deemed uncollectible. Unpaid balances remaining after the stated payment terms are considered past due. Recoveries of previously written off receivables are recorded when received.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. The Organization's policy is to review items purchased with a unit cost of $1,000 or more to determine whether it should be capitalized or charged to expense. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the statements of revenue, expenses, and changes in net assets—income tax basis.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - net assets available for use in general operations and not subject to donor restrictions. All revenue not restricted by donors and donor restricted contributions whose restrictions are met in the same period in which they are received are accounted for in net assets without donor restrictions.

Net Assets With Donor Restrictions - net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. All revenues restricted by donors as to either timing or purpose of the related expenditures or required to be maintained in perpetuity as a source of investment income are accounted for in net assets with donor restrictions. 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. Net assets with donor restrictions of $37,128 and $27,724 at June 30, 2019 and 2018, respectively, consist of contributions received restricted for specific purposes primarily related to programming.

Revenue Recognition

The Organization receives funds under the terms of different grant agreements. According to the terms of some of these agreements, the Organization may have a responsibility to repay some of the proceeds if the terms of the agreement are not met. Proceeds received under these grant agreements are treated as refundable advances until the terms of the agreement have been satisfied. Once the terms of the grant agreement have been satisfied, the Organization recognizes the revenue from these agreements.

Lease Agreements

Annual rentals pertaining to leases which merely convey the right to use property are charged to current operations. Lease agreements which are substantially installment purchases of property are recorded as assets and depreciated over their estimated useful lives.

Functional Expenses

The Organization reports certain categories of expenses in the statement of functional expenses that are attributable to one or more programs or supporting functions. These expenses are allocated on a reasonable and consistent basis on criteria such as square footage, or time and effort.

Income Taxes

SACA is a not-for-profit entity as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is exempt from income taxes on related activities pursuant to Section 509(a) of the Code.

Measure of Operations

The Organization's operating income includes all operating revenues and expenses that are an integral part of its program and supporting activities.

Reclassifications

Certain reclassifications have been made to the prior year balances to conform to current year presentation. The reclassifications had no effect on the changes in net assets.

Recent Accounting Pronouncements

Presentation of Financial Statements

In 2019, the Organization adopted the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification and deficiencies in information about liquidity and availability of resources. ASU No. 2016-14 has been applied retrospectively to all periods presented, except for the disclosures around liquidity and availability of resources. This disclosure has been presented for 2019 only, as allowed by ASU No. 2016-14.

The new standard changes the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions;
- The temporarily restricted net asset class has been renamed net assets with donor restrictions;
- The financial statements include a disclosure about liquidity and availability of resources at June 30, 2019 (Note 3).

Revenue Recognition

During May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU No. 2014-09 supersedes the revenue recognition requirements in *Topic 605, Revenue Recognition*, and most industry-specific guidance. Under the requirements of ASU No. 2014-09, the core principle is that entities should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Organization will be required to retrospectively adopt the guidance in ASU No. 2014-09 in the year ending June 30, 2020. The Organization is currently assessing the effect that ASU No. 2014-09 will have on its financial statements.

Contributions

During June 2018, the FASB issued ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) subject to other guidance and (2) determining whether a contribution is conditional. The Organization will be required to adopt the guidance in ASU No. 2018-08 in the year ending June 30, 2020. The Organization is currently assessing the effect that ASU No. 2018-08 will have on its financial statements.

Restricted Cash

During November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The Organization will be required to retroactively adopt the guidance in ASU No. 2016-18 for its year ending June 30, 2020. The Organization is currently assessing the impact that ASU No. 2016-18 will have on its financial statements.

Leases

During February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statements of assets, liabilities, and net assets—income tax basis. A lessee should recognize in the statements of assets, liabilities, and net assets—income tax basis a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for the Organization in its year ending June 30, 2021. Early adoption is permitted. The Organization is currently assessing the effect that ASU No. 2016-02 will have on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through December 4, 2019, which is the date the financial statements were available to be issued.

2. Revenue Receivable

Revenue receivable consists of the following as of June 30:

	2019	2018
Senior Citizen Nutrition Program	$ 23,519	$ 10,131
Latino HIV/AIDS Program	69,785	57,102
Drug and Alcohol Prevention Program	13,161	15,146
NCR Program	189,651	222,142
Contribution receivable	1,259	51,655
Children and Youth Agency Program	29,100	22,757
Drug and Alcohol Outpatient Program	44,884	47,656
MH/MR Program	53,307	69,744
340B Pharmacy Program	70,474	103,747
PREP Program	3,840	19,052
WLCH	4,522	13,605
Halfway House	102,637	109,534
Other	55,101	54,675
	$ 661,240	$ 796,946

3. Liquidity and Availability of Resources

Financial assets available for general expenditure within one year of the statement of assets, liabilities, and net assets—income tax basis sheet date, consist of the following:

Cash and cash equivalents	$ 212,112
Revenue receivable	661,240
Less net assets with donor restrictions	(37,128)
Total	$ 836,224

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Additionally, as described in Note 6, the Organization has lines of credit, of which $307,921 are still available for use at June 30, 2019, if necessary.

4. Property and Equipment

Major classifications of property and equipment and their respective depreciable lives are summarized below as of June 30:

	2019	2018	Depreciable Lives
Land	$ 15,000	$ 15,000	
Buildings	133,500	133,500	40 years
Building improvements	1,168,320	1,168,320	15 - 40 years
Leasehold improvements	977,816	935,386	10 - 40 years
Equipment	619,571	667,783	3 - 5 years
Vehicles	56,687	56,687	5 years
	2,970,894	2,976,676	
Less accumulated depreciation	(1,471,086)	(1,403,746)	
	$ 1,499,808	$ 1,572,930	

Equipment purchased with the proceeds of certain grant agreements is owned by the granting authorities. Accordingly, these assets have not been recorded in the financial statements of SACA. The Organization did not purchase any assets funded through these granting authorities for the years ended June 30, 2019 and 2018.

The Organization leases property from a related party, the terms of which are subject to change, at will. Because the related party lease is always subject to change, the Organization is presently amortizing leasehold improvements over their estimated useful lives. The leaseholds are reviewed annually to determine if the estimated useful lives are still appropriate.

5. Refundable Advances

Refundable advances consist primarily of advances of grants monies or sponsorships received that are to expend in the next fiscal year and are summarized below as of June 30:

	2019	2018
WLCH sponsorships	$ 33,764	$ 18,318
Lancaster County Community Foundation, Call Center	-	11,223
Mi Casa	8,119	8,171
Other fees received in advance	-	5,795
	$ 41,883	$ 43,507

6. Lines of Credit

The Organization has a renewable $700,000 line of credit with Fulton Bank, N.A. ("Fulton Bank") at prime plus 0.75 percent (6.25 percent at June 30, 2019), collateralized by substantially all assets and a guarantee by SDC.

As part of the agreement, the Organization created a negotiated cash management system where the line of credit is utilized automatically when necessary. The line was repaid in May 2019 and was not renewed. At June 30, 2018, the net amount drawn on the line of credit $683,126.

During 2017, the Organization obtained a renewable $100,000 line of credit with PeoplesBank at prime plus 1.00 percent (6.50 percent at June 30, 2019). The loan is unsecured but guaranteed by SDC, and the amount outstanding was $100,000 at both June 30, 2019 and 2018.

During 2019, the Organization obtained a renewable $500,000 line of credit with Univest Bank and Trust Co. at prime less 0.25 percent (5.25 percent at June 30, 2019). The loan is secured by substantially all assets and a guarantee by SDC, and the amount outstanding was $192,079 at June 30, 2019.

7. Long-Term Debt

Long-term debt consists of the following as of June 30:

	2019	2018
Note payable to Fulton Bank at 7.25 percent, interest payable monthly. Principal payments of $12,000 annually through April 2020. The note is secured by substantially all assets and a guarantee by SDC.	$ 11,691	$ 23,691
Note payable to Community First Fund ("CFF") at 6.00 percent, interest payable monthly. Principal payments began May 2019 with final payment May 2020. The note is guaranteed by SDC and Tec Centro, Ltd. and additionally secured by pledges and grants receivables.	37,720	29,000
Note payable to CFF payable in monthly installments of $497, including principal and interest at 7.00 percent until March 2022, although it is anticipated to be paid in full in the upcoming fiscal year end. The note is secured by substantially all assets and a guarantee by SDC.	2,729	8,288
Note payable to PNC Bank, N.A. paid in 2019	-	328,396
CFF demand line of credit paid in 2019	-	217,677
Note payable to Fulton Bank paid in 2019	-	252,318
Note payable to CFF paid in 2019	-	35,792
Note payable to CFF paid in 2019	-	70,741
	52,140	965,903
Less current portion of debt	(52,140)	(248,572)
Long-term debt, net	$ -	$ 717,331

During May 2019, the Organization and SDC entered into a loan agreement with CFF for $1,964,000. The loan proceeds were used to pay off the Fulton Bank line of credit (Note 6), the various loans in the schedule above marked paid in 2019, and pay off certain debt of SDC. The $1,964,000 loan is collateralized by real property owned by SDC and is recorded as long-term debt on the financial statements of SDC, although SACA is jointly and severally liable for repayment of the loan. The pay offs reduced the amounts due from SDC (Note 9).

8. Capital Leases

The Organization leased certain network and hardware equipment over a five year term beginning in May 2016.

Capital leases on the statements of assets, liabilities, and net assets—income tax basis and related accumulated depreciation at June 30 are as follows:

	2019	2018
Equipment	$ 80,608	$ 80,608
Accumulated depreciation	(49,670)	(34,903)
	$ 30,938	$ 45,705

Future minimum lease payments under capital leases as of June 30, 2019 are as follows:

2020	$ 16,109
2021	13,466
	29,575
Less amount representing interest	(1,030)
	$ 28,545

9. Related Party Transactions and Commitments and Contingencies

As described in Note 1, the Organization is the "parent" of the Foundation and SDC and its affiliates: General Cigar Place, Inc., The Apartments at General Cigar Place, L.P., The Shops at General Cigar Place, L.P., Conestoga Plaza Development, LLC, Conestoga Plaza, L.P., Tec Centro, Ltd, Centro Lancaster, Ltd. and Conestoga North, LLC.

The organizations share central office space and certain individuals serve on the Board of Directors of all the organizations. The Organization also maintains the ability to ratify or deny acceptance to individuals selected to serve on the Board of Directors of SDC.

The Organization is also affiliated and serves as the management agent with La Academia: The Partnership Charter School ("Charter School"). The President of SACA also serves on the Board of Directors of the Charter School.

Related party balances have no stated repayment terms, are non-interest bearing, and are funded periodically as funds become available from operations.

The following is a summary of the transactions and balances with these related parties as of June 30:

	2019	2018
Due from related parties:		
SDC	$ -	$ 274,560
The Apartments at General Cigar Place, L.P.	-	84,752
Tec Centro Foundation	79,911	-
Charter School	-	29
	$ 79,911	$ 359,341
Notes receivable (payable), SDC	$ (273,485)	$ 764,362
Due to related parties:		
SDC	$ 115,353	$ 83,597
Tec Centro, Ltd.	54,083	42,023
Conestoga Plaza	12,370	5,570
The Shops at General Cigar Place, L.P.	6,275	122,635
	$ 188,081	$ 253,825
Rent expense:		
SDC	$ 431,210	$ 492,294
The Shops at General Cigar Place, L.P.	82,668	94,037
	$ 513,878	$ 586,331
Other (revenue) expenses:		
SDC (shared employee)	$ -	$ (25,000)
Charter School	$ 88,000	$ 107,550
Administrative fee revenue:		
SDC	$ 98,000	$ 170,000
Charter School	146,174	146,174
	$ 244,174	$ 316,174
Rent revenue, Charter School	$ 132,169	$ 132,169
Grants passed through to SDC	$ -	$ 1,231,982

The Organization has is cross-collateralized several debt agreements by obtaining guarantees from SDC. The Organization has, in turn, is jointly and severally liable and essentially guaranteed several debt agreements of SDC. The outstanding balances of SACA loans and the lines of credit guaranteed by SDC were $344,219 at June 30, 2019. The outstanding balances of SDC loans guaranteed by SACA was $4,134,417 at June 30, 2019. SACA would be required to settle these obligations in the event of default. Based on information gathered as part of monitoring its risks, SACA believes there is only a remote possibility that SDC will incur an event of default and SACA will be required to perform under the guarantees.

10. Operating Leases

The Organization leases building space on an annual basis from its affiliates, SDC and The Shops at General Cigar Place, L.P., based on its program needs. The leases are classified as operating leases and are annually renewable and have been renewed through June 30, 2020. Additionally, the Organization leases office space and conference rooms from SDC. The Organization also leases towers for its radio station. Future minimum lease payments, assuming no change in current terms, consist of the following for the years ending June 30:

2020	$ 566,892
2021	18,872
2022	19,544
2023	20,241
2024	20,963

Total rent expense under leases totaled $613,162 and $601,941 for the years ended June 30, 2019 and 2018, respectively.

11. Administrative Fees, Intra-Organizational Charges

In order to receive reimbursement for indirect costs, the Organization has prepared a cost allocation plan that provides the basis for allocating indirect costs to programs and activities. The Organization calculates indirect costs based on actual financial data from the prior year and budgeted data for the current year. The operating fund allocates the administrative fees to the programs based on this data. Intra-organizational charges for administrative fees totaled $737,798 and $732,627 for the years ended June 30, 2019 and 2018, respectively. These intra-organizational administrative fees are eliminated in preparation of these financial statements.

12. Concentration of Cash Risk

The Organization typically maintains cash and cash equivalents in local banks, which may at times exceed what is insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes it is not subject to any significant credit risk on its cash accounts.

13. Retirement Plan

The Organization sponsors a 401(k) retirement plan which covers all employees of the Organization. The Organization is required to contribute 100 percent of the amount deferred by the employee, not to exceed 4 percent of the employee's compensation. The Organization's expenses associated with the retirement plan were $70,041 and $68,884 for the years ended June 30, 2019 and 2018, respectively.

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Independent Auditors' 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 Directors of
Spanish American Civic Association for Equality, Inc.

We have audited, in accordance with the 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 the Spanish American Civic Association for Equality, Inc. (the "Organization"), which comprise the statement of assets, liabilities, and net assets—income tax basis as of June 30, 2019, and the related statements of revenue, expenses, and changes in net assets—income tax basis, functional expenses—income tax basis, and cash flows—income tax basis for the year then ended, and the related notes to the financial statements, and have issued our report thereon December 4, 2019. Our report disclosed that the Organization's financial statements are prepared on the income tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion was not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the 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 the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's 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 determination of financial statement amounts. 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control 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 and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Lancaster, Pennsylvania
December 4, 2019