Spanish American Civic Association for Equality, Inc.

Financial Statements

June 30, 2020 and 2019

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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, 2020 and 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 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, 2020 and 2019, 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 January 8, 2021 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 US, LLP

Lancaster, Pennsylvania
January 8, 2021

Spanish American Civic Association for Equality, Inc.

Statements of Assets, Liabilities and Net Assets—Income Tax Basis
June 30, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 240,917	$ 212,112
Revenue receivable	1,015,798	661,240
Due from related parties, net	127,397	-
Prepaid expenses	26,932	28,860
Total current assets	1,411,044	902,212
Property and Equipment, Net	1,389,705	1,499,808
Total assets	$ 2,800,749	$ 2,402,020
Liabilities and Net Assets		
Current Liabilities		
Lines of credit	$ -	$ 292,079
Current portion of long-term debt	310,032	52,140
Current portion of capital lease payable	13,230	15,305
Accounts payable	257,534	478,577
Accrued expenses	291,363	198,547
Refundable advances	94,140	41,883
Due to related parties, net	-	382,015
Total current liabilities	966,299	1,460,546
Long-Term Debt, Net	314,968	-
Capital Leases Payable, Net	-	13,240
Total liabilities	1,281,267	1,473,786
Net Assets		
Without donor restrictions	1,482,333	891,106
With donor restrictions	37,149	37,128
Total net assets	1,519,482	928,234
Total liabilities and net assets	$ 2,800,749	$ 2,402,020

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, 2020 and 2019

	2020	2019
Revenue and Support Without Donor Restrictions		
Program:		
Fee for service	$ 4,563,515	$ 3,650,153
Grants and contracts	2,168,760	1,899,685
Contributions	77,452	74,967
Sponsorships	202,132	130,257
Rent	26,120	24,576
Other	106,890	157,035
Total program revenue	7,144,869	5,936,673
Administrative fees	79,740	245,959
Other general contributions	23,901	117,777
Other general revenue	60,263	43,099
Rents	132,169	156,745
Net assets released from restriction	27,729	-
Total revenue and support without donor restrictions	7,468,671	6,500,253
Expenses		
Program services	5,698,292	5,184,672
Management and general	1,075,071	1,063,366
Fundraising	104,081	97,510
Total expenses	6,877,444	6,345,548
Total revenue and support in excess of expenses and change in net assets without donor restrictions	591,227	154,705
Net Assets With Donor Restrictions		
Contributions	27,750	9,404
Net assets released from restriction	(27,729)	-
Change in net assets with donor restrictions	21	9,404
Change in net assets	591,248	164,109
Net Assets, Beginning	928,234	764,125
Net Assets, Ending	$ 1,519,482	$ 928,234

See notes to financial statements

Spanish American Civic Association for Equality, Inc.

Statements of Functional Expenses—Income Tax Basis
Years Ended June 30, 2020 and 2019

	2020				2019			
	Program Services	**Management and General**	**Fundraising**	**Total**	**Program Services**	**Management and General**	**Fundraising**	**Total**
Expenses								
Salaries and wages	$ 1,882,637	$ 544,052	$ 67,887	$ 2,494,576	$ 1,888,241	$ 471,045	$ 76,524	$ 2,435,810
Payroll taxes and fringe benefits	533,417	136,680	24,410	694,507	554,092	135,237	9,547	698,876
Contracted services	982,512	85,740	-	1,068,252	755,775	69,572	-	825,347
Food	199,054	-	-	199,054	196,348	-	-	196,348
Rent	573,917	61,976	3,262	639,155	548,901	61,048	3,213	613,162
Program supplies	674,586	-	-	674,586	573,946	-	-	573,946
Maintenance, repairs, building operations, taxes and utilities	368,651	35,901	-	404,552	293,024	32,088	-	325,112
Travel and transportation	19,405	763	-	20,168	28,523	1,774	-	30,297
Telephone	42,572	9,351	492	52,415	43,432	11,628	612	55,672
Legal and professional	10,700	8,677	-	19,377	12,200	24,298	-	36,498
Interest	138	21,706	-	21,844	15,011	89,552	-	104,563
Office expense	22,377	17,503	921	40,801	23,403	15,600	821	39,824
Training/tuition	267,754	5,069	-	272,823	172,894	10,764	-	183,658
Insurance	46,650	23,584	1,241	71,475	42,958	18,851	992	62,801
Depreciation	-	108,609	5,868	114,477	-	109,751	5,801	115,552
Miscellaneous	73,922	15,460	-	89,382	35,924	12,158	-	48,082
	$ 5,698,292	$ 1,075,071	$ 104,081	$ 6,877,444	$ 5,184,672	$ 1,063,366	$ 97,510	$ 6,345,548

See notes to financial statements

Spanish American Civic Association for Equality, Inc.

Statements of Cash Flows—Income Tax Basis
Years Ended June 30, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	$ 591,248	$ 164,109
Adjustments to change in net assets to net cash provided by operating activities:		
Depreciation	114,477	115,552
Change in assets and liabilities:		
Revenue receivable	(354,558)	135,706
Prepaid expenses	1,928	3,660
Accounts payable	(221,043)	(135,728)
Accrued expenses	92,816	8,080
Refundable advances	52,257	(1,624)
Net cash provided by operating activities	277,125	289,755
Cash Flows Used in Investing Activities		
Purchases of property and equipment	(4,374)	(42,430)
Cash Flows From Financing Activities		
Net repayments on lines of credit	(292,079)	(491,047)
Proceeds from issuance of long-term debt	625,000	-
Repayment of long-term debt and capital leases	(67,455)	(928,491)
Change in due from (to) related parties, net	(509,412)	1,251,533
Net cash used in financing activities	(243,946)	(168,005)
Net change in cash and cash equivalents	28,805	79,320
Cash and Cash Equivalents, Beginning	212,112	132,792
Cash and Cash Equivalents, Ending	$ 240,917	$ 212,112
Supplementary Cash Flows Information		
Cash paid for interest	$ 21,844	$ 104,563

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 in the prior year to construct townhomes. Construction is expected to start in the year ending June 30, 2021.

SDC is a 100 percent owner of Tec Centro Southwest, Ltd. Tec Centro Southwest, Ltd. purchased a building during the year to rent to other not-for-profit organizations, including SACA.

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) as 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 an original 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 $37,149 and $37,128 at June 30, 2020 and 2019, respectively, consist of contributions received restricted for specific purposes primarily related to programming.

Revenue Recognition

A majority of the Organization program funds are received under the terms of different grant and contract 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 and contract 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.

Most private and government grants and appropriations received by the Organization are deemed to be nonexchange (nonreciprocal) transactions under the contribution accounting guidance. Under this guidance, revenue related to conditional grants and contracts is recorded when the conditions are met. Most grants and contracts are on a cost reimbursement basis and require the Organization to incur eligible expenses prior to the release of funds. The Organization reports these grants and contracts as changes in net assets without donor restrictions when restrictions are met in the same period.

Some of the Organization’s behavioral health programs are fee-for-service and are generally paid by private insurance. These programs recognize revenue as services are rendered at a stated daily rate or fee.

Additionally WLCH receives sponsorship revenue which is recognized as the services are performed.

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.

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

Contributions Received and Contributions Made

During 2020, the Organization adopted the Financial Accounting Standard's Board (FASB) Accounting Standards Update (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 clarifies and improves accounting guidance for contributions received and contributions made. The amendments in this ASU assists 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 adoption of FASB ASU No. 2018-08 did not have a significant impact on the Organization's financial statements.

Revenue Recognition

During May 2014, 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, 2021. The Organization is currently assessing the effect that ASU No. 2014-09 will have on its financial statements.

Leases

During February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842).* Under the provisions of ASU No. 2016-02, a lessee is required to recognize a right-to-use asset and lease liability, initially measured at the present value of the lease payments on its statements of assets, liabilities, and net assets—income tax basis. In addition, lessees are required to provide qualitative and quantitative disclosures that enable users to understand more about the nature of the Organization's leasing activities. ASU No. 2016-02 is effective for the Organization in its year ending June 30, 2023. The Organization is currently assessing the effect that ASU No. 2016-02 will have on its financial statements.

Contributed Nonfinancial Assets

During September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (ASU No. 2020-07).* ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021. The Organization is currently assessing the effect that ASU No. 2020-07 will have on its financial statements.

Subsequent Events

The Organization has evaluated subsequent events through January 8, 2021, which is the date the financial statements were available to be issued.

In the first several months of 2020, the virus, SARS-CoV-2, and resulting disease, COVID-19, spread to the United States. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. The Organization’s vital programs have remained virtually fully operational during the COVID-19 pandemic, however COVID-19 may impact various parts of the 2021 operations and financial performance depending on future developments, including the duration and spread of the outbreak and related governmental or other regulatory actions.

2. Revenue Receivable

Revenue receivable consists of the following as of June 30:

	2020	2019
Senior Citizen Nutrition Program	$ 11,177	$ 23,519
Latino HIV/AIDS Program	46,759	69,785
Drug and Alcohol Prevention Program	9,608	13,161
NCR Program	222,072	189,651
Contribution receivable	1,000	1,259
Children and Youth Agency Program	36,470	29,100
Drug and Alcohol Outpatient Program	59,416	44,884
MH/MR Program	179,739	53,307
340B Pharmacy Program	142,782	70,474
PREP Program	5,647	3,840
WLCH	3,930	4,522
La Casa Program	164,818	102,637
Census Program	6,650	-
PLCB Program	9,484	-
Other	116,246	55,101
	$ 1,015,798	$ 661,240

3. Liquidity and Availability of Resources

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

	2020	2019
Cash and cash equivalents	$ 240,917	$ 212,112
Revenue receivable	1,015,798	661,240
Less net assets with donor restrictions	(37,149)	(37,128)
Total	$ 1,219,566	$ 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, the Organization has lines of credit which are further described in Note 6.

4. Property and Equipment

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

	2020	2019	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	979,111	977,816	10 - 40 years
Equipment	552,307	619,571	3 - 5 years
Vehicles	56,689	56,687	5 years
	2,904,927	2,970,894	
Less accumulated depreciation	(1,515,222)	(1,471,086)	
	$ 1,389,705	$ 1,499,808	

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:

	2020	2019
WLCH sponsorships	$ 30,952	$ 33,764
Stimulus	41,184	-
Mi Casa	7,310	8,119
Other fees received in advance	14,694	-
	$ 94,140	$ 41,883

6. Lines of Credit

The Organization has a renewable $100,000 line of credit with PeoplesBank at prime plus 1.00 percent (4.25 percent at June 30, 2020). The loan is unsecured but guaranteed by SDC. The amount outstanding was $100,000 at June 30, 2019. At June 30, 2020, there were no amounts outstanding on this line of credit.

The Organization has a renewable $500,000 line of credit with Univest Bank and Trust Co. at prime less 0.25 percent (3.00 percent at June 30, 2020). The loan is secured by substantially all assets of the Organization and a guarantee by SDC. The amount outstanding was $192,079 at June 30, 2019. At June 30, 2020, there were no amounts outstanding on this line of credit.

During 2020, the Organization obtained a renewable $250,000 line of credit with Univest Bank and Trust Co. at prime (3.25 percent at June 30, 2020). The loan is secured by substantially all assets of the Organization and a guarantee. At June 30, 2020, there were no amounts outstanding on this line of credit.

7. Long-Term Debt

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

	2020	2019
Paycheck Protection Program loan payable to Community First Fund (CFF),	$ 625,000	$ -
Note payable to Fulton Bank paid in 2020	-	11,691
Note payable to CFF paid in 2020	-	37,720
Note payable to CFF paid in 2020	-	2,729
	625,000	52,140
Less current portion of debt	(310,032)	(52,140)
Long-term debt, net	$ 314,968	$ -

In April 2020, the Organization received a loan pursuant to the Paycheck Protection Program (PPP), administered by the U.S. Small Business Administration. The PPP was authorized in the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The Organization received the loan proceeds on April 20, 2020. The principal amount of the loan is $625,000 and there are no collateral or guarantee requirements. Under the terms of the PPP, payments will be deferred to October 19, 2020. The loan will bear interest at 1 percent per annum, and will mature on April 19, 2022. Subject to certain eligibility and certification requirements under the PPP, some or all of the loan amount may be forgiven; however, the amount and timing of any forgiveness is uncertain.

Scheduled principal payments on long-term debt are as follows:

Years ending June 30:	
2021	$ 310,032
2022	314,968
Total	$ 625,000

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:

	2020	2019
Equipment	$ 80,608	$ 80,608
Accumulated depreciation	(65,779)	(49,670)
	$ 14,829	$ 30,938

Future minimum lease payment under capital lease is $13,335 due in 2021, including interest.

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, as described in Note 1. 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 President of the Organization serves on the Board of Directors of La Academia: The Partnership Charter School (Charter School).

Related party balances have no stated repayment terms, are noninterest 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:

	2020	2019
Due from (to) related parties, net:		
SDC and affiliates	$ (28,933)	$ (461,926)
Foundation	156,330	79,911
	$ 127,397	$ (382,015)
Rent expense:		
SDC and affiliates	$ 565,401	$ 513,878
Administrative fee revenue:		
SDC	$ 98,000	$ 98,000
Charter School	74,962	146,174
	$ 172,962	$ 244,174
Rent revenue, Charter School	$ 132,169	$ 132,169

The Organization has cross-collateralized several debt agreements by obtaining guarantees from SDC. The Organization is, in turn, jointly and severally liable and has essentially guaranteed several debt agreements of SDC. The outstanding balances of the Organization's loans and the lines of credit guaranteed by SDC were $0 and $344,219 at June 30, 2020 and 2019, respectively. The outstanding balances of SDC loans guaranteed by the Organization was $7,589,549 and $4,134,417 at June 30, 2020 and 2019, respectively. The Organization would be required to settle these obligations in the event of default. Based on information gathered as part of monitoring its risks, the Organization believes there is only a remote possibility that SDC will incur an event of default and the Organization 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, 2021. 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:

2021	$ 544,204
2022	19,544
2023	20,241
2024	20,963
2025	21,711

Total rent expense under leases totaled $641,555 and $613,162 for the years ended June 30, 2020 and 2019, 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 $873,408 and $737,798 for the years ended June 30, 2020 and 2019, 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 approximately $76,700 and $70,000 for the years ended June 30, 2020 and 2019, respectively.

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, 2020, 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 dated January 8, 2021. 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 US, LLP

Lancaster, Pennsylvania
January 8, 2021