

GUADALUPE CENTER, INC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

GUADALUPE CENTER, INC.

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ROGERS WOOD HILL STARMAN & GUSTASON

PROFESSIONAL ASSOCIATION

CERTIFIED PUBLIC ACCOUNTANTS & ADVISORS

2375 TAMiami TRAIL NORTH, SUITE 110

NAPLES, FLORIDA 34103

SHELDON W. STARMAN, C.P.A.

RONALD W. GUSTASON, C.P.A.

SHARON A. BELCHER, C.P.A.

SCOT A. SHEPARD, C.P.A.

SEAN M. NOLAN, C.P.A.

KIM (QIONG) CHEN, C.P.A.

LAURA L. GELMAN

THOMAS J. GANO, C.P.A.

MEMBERS

AMERICAN INSTITUTE OF CERTIFIED

PUBLIC ACCOUNTANTS

FLORIDA INSTITUTE OF CERTIFIED

PUBLIC ACCOUNTANTS

OFFICES:

NAPLES

262-1040

MARCO ISLAND

394-7502

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Guadalupe Center, Inc.
Immokalee, Florida

We have audited the accompanying financial statements of Guadalupe Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statement of activities, functional expenses, and cash flows for the year 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 accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 financial position of Guadalupe Center, Inc., as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



ROGERS WOOD HILL STARMAN & GUSTASON, P.A.

Certified Public Accountants & Advisors

January 10, 2022

GUADALUPE CENTER, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021

ASSETS

Cash	\$ 6,829,659
Cash - restricted for building and scholarships	844,633
Beneficial interest in assets held by community foundation	3,674,984
Beneficial interest in assets held by community foundation - restricted	3,040,900
Grants receivable	200,355
Other receivable	62,667
Unconditional promises to give, net	3,796,781
Thrift shop inventory	103,874
Prepaid expenses	192,315
Deposits	17,472
Loan receivable to affiliate	10,473,050
Land available for sale	224,912
Property and equipment, net	5,819,130
Total assets	<u><u>\$ 35,280,732</u></u>

LIABILITIES AND NET ASSETS

Accounts payable and accrued expenses	\$ 751,441
Scholarship liability	995,000
Total liabilities	<u>1,746,441</u>
Net assets:	
<u>Without donor restrictions</u>	
Undesignated	11,469,486
Board designated - contingency	1,957,984
Total net assets without donor restrictions	<u>13,427,470</u>
<u>With donor restrictions</u>	
Purpose and time restrictions	17,820,305
Perpetual in nature	2,286,516
Total net assets with donor restrictions	<u>20,106,821</u>
Total net assets	<u>33,534,291</u>
Total liabilities and net assets	<u><u>\$ 35,280,732</u></u>

GUADALUPE CENTER, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES AND SUPPORT:			
Contributions	\$ 4,722,534	\$ 2,010,263	\$ 6,732,797
Federal grants	222,683	-	222,683
Early childhood education grants	2,319,064	-	2,319,064
Investment return	827,439	708,162	1,535,601
Special fundraising events	1,089,384	-	1,089,384
Thrift shop revenue	900,240	-	900,240
NMTC income	430,712	-	430,712
Gain on sale of land - held for sale	465,042	-	465,042
Other income	134,628	-	134,628
Total revenues and support	<u>11,111,726</u>	<u>2,718,425</u>	<u>13,830,151</u>
Net assets released from restrictions	<u>708,967</u>	<u>(708,967)</u>	<u>-</u>
OPERATING EXPENSES:			
Program services			
Early childhood education	6,173,952	-	6,173,952
Tutoring/tutor corps	1,886,246	-	1,886,246
Administrative and general	870,202	-	870,202
Fundraising	924,537	-	924,537
Thrift shop	512,607	-	512,607
Total expenses	<u>10,367,544</u>	<u>-</u>	<u>10,367,544</u>
CHANGE IN NET ASSETS	<u>1,453,149</u>	<u>2,009,458</u>	<u>3,462,607</u>
NET ASSETS - JUNE 30, 2020 AS PREVIOUSLY REPORTED	13,065,321	18,097,363	31,162,684
PRIOR PERIOD ADJUSTMENT	<u>(1,091,000)</u>	<u>-</u>	<u>(1,091,000)</u>
NET ASSETS - JUNE 30, 2020 AS RESTATED	<u>11,974,321</u>	<u>18,097,363</u>	<u>30,071,684</u>
NET ASSETS - End of year	<u><u>\$ 13,427,470</u></u>	<u><u>\$ 20,106,821</u></u>	<u><u>\$ 33,534,291</u></u>

GUADALUPE CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	PROGRAM SERVICES		SUPPORTING SERVICES			
	Early Childhood Education	Tutoring/ Tutor Corps	Administrative and General	Fund Raising	Thrift Shop	Total
Salaries	\$ 2,447,088	\$ 1,272,998	\$ 387,785	\$ 501,354	\$ 193,592	\$ 4,802,817
Payroll taxes	165,982	89,115	52,117	37,065	11,219	355,498
Employee benefits	305,766	52,137	63,814	38,749	11,843	472,309
Contracted services	971	8,129	44,796	9,625	74,251	137,772
Bank and credit card fees	8,385	139	14,824	11,375	19,743	54,466
Special events expenses	-	-	-	137,770	-	137,770
Depreciation	287,391	15,552	11,043	3,957	2,747	320,690
Donations and grants	9,950	24,540	874	2,309	-	37,673
Education	33,283	2,059	680	4,975	-	40,997
Student transportation	-	82,809	-	-	-	82,809
Food	191,959	6,216	770	888	213	200,046
Insurance	31,583	24,096	56,048	11,787	16,117	139,631
Office	54,652	21,908	7,089	12,145	1,369	97,163
Other	-	-	21,063	-	-	21,063
Professional services	-	-	26,585	-	-	26,585
Promotional	-	500	87,899	85	22,452	110,936
Rent	51,485	18,233	7,043	62,885	129,936	269,582
Repairs and maintenance	152,519	41,183	32,374	49,009	11,605	286,690
Scholarships	-	164,410	-	-	-	164,410
Supplies	105,680	47,201	3,964	658	6,131	163,634
Telephone	18,053	6,288	3,262	2,574	881	31,058
Capital campaign	5,421	-	359	37,200	-	42,980
In-kind	-	-	31,283	-	1,070	32,353
Donated property (1)	2,226,601	-	-	-	-	2,226,601
Utilities	70,349	3,469	3,151	-	8,537	85,506
Vehicle	6,834	5,264	13,379	127	901	26,505
Total	<u>\$ 6,173,952</u>	<u>\$ 1,886,246</u>	<u>\$ 870,202</u>	<u>\$ 924,537</u>	<u>\$ 512,607</u>	<u>\$ 10,367,544</u>

(1) The Center donated property to it's affiliated company Guadalupe Center Real Estate Holdings, Inc.

GUADALUPE CENTER, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 3,462,607
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Non-cash investment fees	33,987
Non-cash contribution of land and building	2,226,601
Gain on disposal of property and equipment	(430,712)
Gain on Forgiveness of Payroll Protection Program Loan	(800,700)
Depreciation	320,690
Gain on investments	(1,368,395)
Changes in:	
Accounts receivable	5,846
Grants receivable	(178,256)
Other receivable	(27,290)
Unconditional promises to give	2,071,231
Thrift shop inventory	12,486
Prepaid expenses	(80,446)
Deposits	599
Land available for sale	170,000
Accounts payable and accrued expenses	176,636
Deferred revenue	(17,825)
Net cash provided by operating activities	<u>5,577,059</u>
Cash Flows From Investing Activities	
Interest and dividends reinvested	(115,618)
Purchases of investments	(1,162,789)
Proceeds from sale of investments	491,648
Proceeds from redemption of certificate of deposit	250,000
Purchase of property and equipment	(430,161)
Proceeds from sale of property and equipment	<u>2,459,848</u>
Net cash provided by investing activities	<u>1,492,928</u>
Cash Flows From Financing Activities	
Loan receivable to affiliate	<u>(10,473,050)</u>
Net cash used by financing activities	<u>(10,473,050)</u>
Net Change	(3,403,063)
Cash, cash equivalents and restricted cash, beginning of year	<u>11,077,355</u>
Cash and restricted cash, end of year	<u><u>\$ 7,674,292</u></u>
NON-CASH FINANCING TRANSACTIONS	
Forgiveness of Payroll Protection Program Loan	<u>\$ 800,700</u>
Total of non-cash financing activities	<u><u>\$ 800,700</u></u>

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Guadalupe Center, Inc. (the "Center") was incorporated on March 14, 1984 as a 501(c)(3) non-profit organization. The Center commenced operations on March 29, 1984. The Center's mission is to assist in raising economic, educational and social levels of migrant and seasonal farm workers and other rural populations with interim help and long-term programs that support self-sufficiency and social change. The Center's sources of support and revenue are from contributions, early education grants, and fundraising events.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Financial Statements

The financial statements and notes are a representation of the Center's management who is responsible for their integrity and objectivity. The accounting policies conform to the basis of accounting defined above and have been consistently applied in the preparation of the financial statements.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor 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. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve.

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 stipulated that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions received with donor restrictions that limit the use of donated assets are treated as net assets with donor restrictions. When the restriction is met, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Cash and Cash Equivalents

The Center considers as cash and cash equivalents all highly liquid investments with an initial maturity of three months or less.

Board Designated Net Assets

The Board of Directors has agreed to designate the use of certain funds for future operating contingencies.

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - continued

Investments - Beneficial Interest

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividends, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Accounts and Grants Receivable

The Center uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. Bad debt expense is recognized during the period in which a specific promise to give is determined to be uncollectible. The Center's management has reviewed receivables outstanding as of June 30, 2021, and considers them to be fully collectible. Based on this review and the Center's prior history of insignificant bad debt on receivables, no allowance for uncollectible accounts is considered necessary.

Promises to Give

Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Contributions are recognized when the donor makes a promise to give to the Center that is, in substance, unconditional. Unconditional promises to give that are expected to be collected in one year are recorded at net realizable value. Unconditional promises to give expected to be collected beyond one year are reported at the present value of the estimated cash flows using a risk-free interest rate.

Thrift Shop Inventory

Inventory consists of clothing, household goods and furniture contributed to the thrift store for resale. Inventory is recorded at the lower of the fair market value at the time of the donation or the estimated selling price.

Property and Equipment

Property and Equipment additions over \$1,000 are recorded at cost. Donated assets are recorded at their fair market value at the time of donation. Depreciation is recognized using the straight-line method over the estimated useful lives of the assets, as further described in Note 3. The cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed as incurred.

The Center reviews the carrying value of property and equipment for impairment whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. When considered impaired, an impairment loss is recognized to the extent the carrying value exceeds the fair value of an asset.

Compensated Absences

The Center accumulates and records a liability for compensated absences accrued by employees. Unused personal time off has been accrued as a liability in the amount of \$211,210 for the year ended June 30, 2021, and is included in accounts payable and accrued expenses.

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - continued

Income Taxes

The Center is a qualified tax exempt organization under Code Section 501(c)(3) of the Internal Revenue Code and is exempt from income taxes, except on net income derived from unrelated business activities. The Center has no revenues derived from unrelated business activities; accordingly, no provision for income taxes has been made. The Center follows the income tax standard for uncertain tax positions and, as a result, has evaluated its tax positions and determined it has no uncertain tax positions as of June 30, 2021.

Estimates

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

Revenue Recognition

Revenue is recognized when earned. Support from federal and other grants is recorded based upon the terms of the grantor allotments, which generally provide that revenues are earned when the allowable costs of the specific grant provisions have been incurred

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in donor restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Early Childhood Education grants are recognized monthly during the program period.

Thrift Shop revenue is recognized when collected at the point of sale.

Donated Services and in-Kind Contributions

The fair value of goods donated to the Center's thrift store is not ascertainable at the time of donation; consequently, no income is recognized until the date of sale.

The fair value of contributed space is recorded as restricted when the Center initially enters into a lease allowing the free use of facilities. When the Center meets the time restrictions in the lease agreement, the proportionate amount of contribution is released from the restriction.

Contributions of services are recognized only if services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by the individuals possessing those skills, and would typically be purchased if not provided by donation. The Center received contributions of services totaling \$31,283 for the year ended June 30, 2021, included in contributions revenue.

Additionally, volunteers have made significant contributions of their time in furtherance of the Center's mission. These services were not reflected in the accompanying statement of activities because they do not meet the necessary criteria for recognition under US GAAP.

Promotional Costs

Promotional costs are expensed as incurred and approximated \$111,000 during the year ended June 30, 2021.

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES - continued

Expense Allocation

The costs of providing program, management and fundraising activities have been summarized on a functional basis in the Statement of Activities and in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The majority of the Center's expenses are directly related to specific functions and are charged accordingly. Primarily payroll and related benefits and certain other costs are allocated based on estimates of usage.

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 7,674,292
Beneficial interest in assets held by the community foundation	6,715,884
Grants receivable	200,355
Other receivable	62,667
Unconditional promises to give, net	<u>1,325,929</u>
Total financial assets	<u>15,979,127</u>

Less those unavailable for general expenditures within one year, due to:

Net assets with donor restrictions	20,106,821
Less net assets with purpose restrictions and designated contingency fund to be met in less than a year	<u>(12,605,306)</u>
	<u>7,501,515</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 8,477,612</u></u>

Although the Center does not intend to spend funds from the board-designated contingency fund, which at June 30, 2021 totaled \$1,957,984. This amount could be made available subject to board approval in order to fund operations, if necessary.

NOTE 3 - PROPERTY AND EQUIPMENT, NET

Property and equipment as of June 30, 2021, consists of the following:

Land	\$ 144,658
Building and improvements	7,457,597
Leasehold improvements	220,824
Furniture and fixtures	979,870
Vehicles	112,947
Playground	225,952
Construction in progress	<u>122,298</u>
	9,264,146
Less accumulated depreciation	<u>(3,445,016)</u>
Total	<u><u>\$ 5,819,130</u></u>

Depreciation expense for the year ended June 30, 2021 was \$320,690.

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021

NOTE 4 - INVESTMENT RETURN

Investment return, net of investment expense consists of the following for the year ended June 30,2021:

Interest & dividends	\$ 224,630
Net realized gains	141,760
Net unrealized gains(losses)	1,203,198
Investment expenses	(33,987)
	<u>\$ 1,535,601</u>

NOTE 5 - FAIR VALUE MEASUREMENTS

The Center measures fair value as set forth in the Statement of Financial Accounting Standard FASB ASC 820, "Fair Value Measurements." FASB ASC 820 applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. FASB ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability and establishes a fair value hierarchy. The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the organization has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The following are the major categories of assets measured at fair value on a recurring basis during the year ended June 30, 2021:

Pooled investment funds	<u>Fair Value</u>	<u>Level 3</u>
at community foundation	<u>\$ 6,715,884</u>	<u>\$ 6,715,884</u>

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021

NOTE 6 - BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATION

The Community Foundation of Collier County ("CFCC") and the Southwest Florida Community Foundation ("SWFLCF") maintains multiple agency endowments ("Endowed Scholarship Fund", "Endowed Scholarship Fund Perm. Restricted", "Endowed Scholarship Fund Unused in Rest.", "Capital Campaign Endowment") for the benefit of the Center. CFCC also maintains a "contingency fund" and a "Non-Endowed Scholarship Fund". The Center has granted CFCC's Board of Directors variance power which gives CFCC the power to modify any condition or restriction on its distributions for any specified charitable purpose or to any specified organization if, in the sole judgement of CFCC's Board of Directors, such restriction or condition becomes unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The invested assets are subject to CFCC, SWFLCF investment and spending policies. Invested assets are reported at fair value in the statements of financial position. Changes in the value of assets held by CFCC and SWFLCF are reported as investment income in the statements of activities.

Assets held by CFCC are managed by Crewcial Partners and assets held by SWFLCF are managed by SEI Investment Company.

The changes in the agency endowment fund for the year ended June 30, 2021 are as follows:

Community Foundation endowment funds, beginning balance	\$ 4,594,717
Purchases	1,162,789
Redemptions	(491,648)
Total gains or losses (realized/unrealized) included in earnings	1,368,395
Interest and dividends	115,618
Investment management fees	(33,987)
Community Foundation endowment funds, ending balance	<u><u>\$ 6,715,884</u></u>

NOTE 7 - LAND AVAILABLE FOR SALE

The Center purchased land with intent to use it for operations. Subsequently, the Center made the determination to sell the land. The land is being carried at cost, as it is lower than the estimated market value as of June 30, 2021

NOTE 8 - SPECIAL EVENTS

The Center conducts special events each year. Special event revenues and expenses consisted of the following for the year ended June 30, 2021:

	Signature Event	Golf Tournament	Total
Revenue	\$ 1,027,599	\$ 61,785	\$ 1,089,384
Less: Expenses	(115,676)	(22,094)	(137,770)
Special event income, net	<u><u>\$ 911,923</u></u>	<u><u>\$ 39,691</u></u>	<u><u>\$ 951,614</u></u>

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021

NOTE 9 - CONCENTRATION OF CREDIT RISK

The Center maintains accounts at financial institutions in bank deposits which, at times, may exceed federally insured limits of \$250,000. At June 30, 2021, the Center's uninsured cash balance totaled approximately \$5,920,000.

NOTE 10 - DONATED USE OF PROPERTY

The Center has a lease agreement for office space. The current fair market value of rent in the area is approximately \$21-\$26 per square foot. Under the terms of the lease, the Center currently pays rent at a discount rate of \$13 per square foot and it is responsible for payment of its pro rata share of common area maintenance of the office complex. During the year ended June 30, 2021, \$8,066 of in-kind rent expense was recognized and released from temporary restricted net assets. As of June 30, 2021, \$37,236 remained in net assets with donor restrictions for future use.

NOTE 11 - LEASE OBLIGATIONS

The Center has various office equipment and property leases expiring between 2022 and 2026.

Future minimum lease payments required are as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 249,902
2023	266,837
2024	271,019
2025	270,832
2026	276,146
	<u>\$ 1,334,736</u>

Rent expense, including common area maintenance fees for the year ended June 30, 2021 totaled \$269,582.

NOTE 12 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give consisted of the following as of June 30, 2021:

Unconditional promises to give	\$ 4,508,894
Less: discounts to net present value	(670,103)
Less: allowance for uncollectible promises to give	<u>(42,010)</u>
Net unconditional promises to give	<u>\$ 3,796,781</u>

Unconditional promises to give to be collected in less than one year are recorded at face value. Unconditional promises to give to be collected after one year are recorded at the present value using a discount rate from 1.22% to 5.5%.

Less than one year	\$ 1,325,929
One to five years	1,810,402
Six to ten years	386,363
More than ten years	986,200
	<u>\$ 4,508,894</u>

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021

NOTE 13 - PPP GRANT INCOME

The Center received a Paycheck Protection Program (PPP) loan of \$800,700 granted by the Small Business Administration under the Coronavirus Aid, Relief and Economic Security Act (CARES Act). The PPP provides for loans to qualifying organizations for amounts up to 2.5 times of the average monthly payroll expenses of qualifying organizations. The loans are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, mortgage, rent and utilities and maintain payroll levels.

PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if the barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain payroll costs, mortgage, rent and utilities incurred following the receipt of funds. The loan was forgiven in its entirety on April 30, 2021, the Center recognized the amount received of \$800,700 as grant income as management fulfilled all of the qualified expenses during fiscal year June 30, 2021.

NOTE 14 - NET ASSETS

Net assets without donor restrictions consisted of the following as of June 30, 2021:

Undesignated	\$ 11,469,486
Board designated - contingency	1,957,984
	<u>\$ 13,427,470</u>

The Board has established a contingency fund. Subject to board approval principal and interest from the contingency fund may be used to sustain normal operations of the Center should any shortfalls arise.

Net assets with donor restrictions consisted of the following as of June 30, 2021:

Specific purpose:	
Building fund	\$ 701,299
Scholarships	1,264,850
Development - planned giving	3,524
Back to school supplies	40,402
Holiday gift shop	4,893
Capital campaign - building	7,827,612
Endowment earnings - scholarships	804,742
Total specific purpose	<u>10,647,322</u>

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021

NOTE 14 - NET ASSETS - continued

Passage of time:

Building fund promises to give	30,113
Capital campaign promises to give	6,319,085
Long term pledges	786,549
In-kind rent	37,236
Total passage of time	<u>7,172,983</u>

Perpetual:

Endowment	2,286,516
	<u><u>\$ 20,106,821</u></u>

NOTE 15 - ENDOWMENT

The Center has interpreted the Florida Uniform Prudent Management of Institutional Funds Act (FUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As of June 30, 2021, there were no such donor stipulations. As a result of this interpretation, the Center retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give at fair value) donated to the Endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor restricted amounts not retained in perpetuity are subject to appropriation for expenditures by the Center in a manner consistent with the standard prudence prescribed by FUPMIFA.

The Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment fund: (a) the duration and preservation of the various funds, (b) the purposes of the Center and the donor-restricted endowment funds, (c) general economic conditions, (d) the possible effect of inflation and deflation, (e) the expected total return from income and the appreciation of investments, (f) other resources of the Center, and (g) the Center's investment policies.

The composition of endowment net assets and the changes in endowment net assets are as follows for the year ended June 30, 2021:

	Without Donor Restrictions	Perpetual Restrictions	Temporary Restrictions	Total
Balance - July 1, 2020	\$ 968,337	\$ 2,286,516	\$ 96,580	\$ 3,351,433
Investment gain(loss), net	354,605	-	708,162	1,062,767
Contributions	635,042	-	-	635,042
Balance - June 30, 2021	<u><u>\$ 1,957,984</u></u>	<u><u>\$ 2,286,516</u></u>	<u><u>\$ 804,742</u></u>	<u><u>\$ 5,049,242</u></u>

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021

NOTE 15 - ENDOWMENT - continued

The endowment net assets without donor restrictions have been designated by the Board to provide income for various capital initiatives, including but not limited to new innovative programs and/or land and building. The Board has the option to withdraw up to 4% of the value of the endowment fund based on a three-year rolling average of successive quarter-end balances, determined as of the last day of the previous calendar year, in equal quarterly installments, at the recommendation of the Board. Income from the endowment fund may be used for normal operations and principle may be used to make the 4% withdrawal. Additional principal may be used for normal operations, at the discretion of the Board. The endowment net assets with donor restrictions have been established to provide scholarships for students who were part of the Center's Tutor Corps Program and are enrolled as full-time students in a college or university pursuing an academic degree. Contributions to the endowment fund are subject to the donor's restriction that stipulate the original principal of the gift is to be held and invested by the Center indefinitely and income from the fund is to be expended to support scholarships. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Center has adopted investment and spending policies for endowment assets that attempt to subject the fund to low investment risk and provide its scholarship fund with current income. Endowment assets are invested into pooled funds at CFCC. The Center seeks to build endowment assets through additional contributions. The Center has a policy of appropriating for distribution the endowment funds investment income that is not permanently restricted. The spending policy for the endowment will be the policy set forth and approved by the Board as in effect from time to time which is currently the 4% average of 12 rolling quarters of the value of the endowment fund.

NOTE 16 - LINE OF CREDIT

The Center had a revolving line of credit with a bank for a maximum principal amount of \$500,000 collateralized by unconditional promises to give. The line of credit matured on May 21, 2021, and had a 4% interest rate. All accrued but unpaid interest is due monthly. As of June 30, 2021, there was no balance due to the closure of the line of credit and there was no interest expense for the year ended June 30, 2021.

NOTE 17 - EMPLOYEE BENEFIT PLAN

The Center has established a defined contribution plan (the "Plan") under IRC Section 401(k) for eligible employees. Employees are eligible to participate in the Plan if they are 21 years of age and work at least 1,000 hours per year. The Center matches up to 4% of employee wages based upon the employee contributing up to 5% of their income. For the year ended June 30, 2021, the Center contributed \$70,059 in matching contributions, which is included in employee benefits.

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021

NOTE 18 - SCHOLARSHIPS

The Center sponsors a tutor scholarship program which allows tutors to accrue scholarship money for use in their undergraduate studies. The program requires students to meet various conditions to earn and utilize scholarship funds. This program is considered to be the last source of funding and it is incumbent on the students to provide the required documentation to receive funding. Management performs an annual analysis to determine an estimated liability for the scholarships and has recorded \$995,000 as a current liability.

NOTE 19 - CONTINGENCIES

Grant funds received and disbursed by the Center are for specific purposes and are subject to audit by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based on prior experience, management does not believe such disallowances, if any, would have a material effect on the financial position of the Center.

NOTE 20 - RELATED-PARTY TRANSACTIONS

The Center received \$1,863,927 in contributions from members of the board of directors during the year ended June 30, 2021.

Related Party - Lease Obligations

Guadalupe Center Real Estate Holdings, Inc. is an affiliated company of the Center. Guadalupe Center Real Estate Holdings, Inc. (Lessor) has entered into lease agreements beginning in November 2020. The Center (Lessee) is leasing use of the Monaghan building and the Van Otterloo campus. The leases expire on December 31, 2046. During the year ended June 30, 2021, rent expense under the lease totaled \$48,417.

The Monaghan lease began in November 2020, the Center will pay \$15,900 annually until November 2027 with additions of \$7,000 and \$2,420 in December 2027. Thereafter, basic rent will increase and be paid quarterly totaling \$101,750 annually until December 31, 2046.

The Van Otterloo lease was entered into in November 2020 but will not begin until 2022. The terms of the lease are as follows, the tenant shall pay \$92,000 annually until November 2027 with additions of \$38,000 and \$16,800 in December 2027. Thereafter, basic rent will increase and be paid quarterly totaling \$591,250 annually until December 31, 2046.

In accordance with the lease agreement, future minimum lease expense over the next five years and thereafter are as follows:

<u>Year ending</u> <u>December 31,</u>	<u>Amount</u>
2022	\$ 104,354
2023	108,200
2024	108,200
2025	108,200
2026	108,200
Thereafter	<u>13,303,353</u>
	<u><u>\$ 13,840,507</u></u>

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021

NOTE 21 - NEW MARKET TAX FINANCING

In November 2020, the Center entered into a series of debt transactions to access additional funds through the New Market Tax Credit program ("NMTC"). The funds were used to assist in funding the renovation and development of a vacant building to add six critically needed classrooms located at the Monaghan Property and the construction and development of a new building located at the Van Otterloo Property for twelve classrooms and dedicated space for their educational programs.

The NMTC Program permits taxpayers to claim federal tax credits for making Qualified Equity Investments ("QEI") in a designated Community Development Entity ("CDE"). The CDE must use substantially all of the proceeds to make Qualified Low-Income Community Investments ("QLICs"). The tax credits are claimed over a seven-year period. The Center and its affiliated company has partnered with an investor, The Northern Trust Company ("Investor") to utilize the NMTC Program. The Investor established a qualified equity investment fund ("QEI"), TNT-Guadalupe NMTC Fund, LLC. (the "Investment Fund") to raise the capital for the transaction. The Investment Fund was funded with \$8,251,617 equity from the Investor and \$10,473,050 loan ("NMTC Leverage Loan") from Guadalupe Center.

The loan receivable to affiliate accrues interest at a fixed rate of 1.00%. Starting in November 2020, interest-only payments are due quarterly over the first seven years ("Compliance Period"). Commencing with the March 2028 quarterly payment, the QEI will be required to make quarterly principal and interest payments through the maturity date of December 1, 2054. The outstanding principal balance was \$10,473,050 at June 30, 2021. Interest income related to this note was approximately \$64,584 for the year ended June 30, 2021.

After the Compliance Period, the Investor will exit the transaction through the exercise of an option agreement which it has entered into with the Center. Under the agreement, the Investor will transfer its interest in the Investment Fund to the Center for a purchase price of \$1,000 plus any applicable fee's and taxes at the end of the Tax Credit Investment Period. The Center and its affiliated company will realize its savings from the NMTC transactions through the exercise of this option, at which time it will control the Investment Fund and can effectively forgive the notes payable.

Only interest is paid during the Compliance Period. Thereafter, the loans are amortized with principal and interest payments required through the maturity dates in 2054.

The loans are collateralized by essentially all of the assets of the Center.

GUADALUPE CENTER, INC.
NOTES TO FINANCIAL STATEMENTS - JUNE 30, 2021

NOTE 22 - RECENT ACCOUNTING PRONOUNCEMENTS

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases. It will require that lessees record nearly all leases on the statement of financial position. This will increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing information about leasing arrangements. It is effective for fiscal years beginning after December 15, 2021. The Center has elected to not early adopt this standard.

NOTE 23 - PRIOR PERIOD ADJUSTMENT

During the year ended June 30, 2021, management performed a review of the tutor corps scholarship program policies and the application of accounting guidance. It was determined that a liability related to the program should have been recorded as of July 1, 2020 which resulted in an adjustment of \$1,091,000 to record a scholarship liability with a corresponding decrease in net assets.

NOTE 24 - SUBSEQUENT EVENTS

Subsequent events were evaluated through January 10, 2022 which is the date the financial statements were available to be issued. There are no material subsequent events that require recognition or additional disclosure in these financial statements.