EL CENTRO, INC.

FINANCIAL STATEMENTS

Year Ended June 30, 2021
with
Independent Auditors' Report

EL CENTRO, INC.

FINANCIAL STATEMENTS

June 30, 2021

CONTENTS

Keller & Owens, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Board of Directors
El Centro, Inc.

We have audited the accompanying financial statements of **El Centro, Inc.** which comprise the statement of financial position as of June 30, 2021, and the related statements 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.

Auditors' 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 auditors' 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 auditors consider 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 **El Centro, 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.

Changes in Accounting Principle

As discussed in Note 1 to the financial statements, in 2021, the entity adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited **El Centro, Inc.**'s 2020 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated December 2, 2020. In our opinion, the summarized comparative financial information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Keller & Owens, LLC

Overland Park, Kansas
December 22, 2021

EL CENTRO, INC.

STATEMENT OF FINANCIAL POSITION
June 30, 2021

(With comparative totals at June 30, 2020)

ASSETS

	2021	2020
Cash and Cash Equivalents	$ 1,873,738	$ 1,453,563
Certificates of Deposit	147,847	260,274
Accounts Receivable, no allowance for doubtful accounts	2,393	554
Contributions Receivable, net - due in less than one year	320,914	284,572
Mortgage Loans Receivable, net	155,015	183,302
Interest in Assets Held by Others	7,950,832	6,238,077
Prepaid Expenses and Deposits	8,146	8,321
Property and Equipment, net	2,871,806	1,709,997
Total Assets	$ 13,330,691	$ 10,138,660

LIABILITIES AND NET ASSETS

	2021	2020
Liabilities:		
Accounts payable and accrued expenses	$ 519,985	165,978
Refundable advances and deferred revenue	335,425	297,425
Paycheck Protection Program loan	-	317,600
Long-term debt	613,196	-
Total Liabilities	1,468,606	781,003
Net Assets:		
Without donor restrictions:		
Undesignated	3,038,936	2,082,547
Board-designated for operating endowment	7,950,832	6,238,077
Total without donor restrictions	10,989,768	8,320,624
With donor restrictions	872,317	1,037,033
Total Net Assets	11,862,085	9,357,657
Total Liabilities and Net Assets	$ 13,330,691	$ 10,138,660

See accompanying notes

EL CENTRO, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

(With comparative totals for the year ended June 30, 2020)

	2021			
	Without Donor Restrictions	With Donor Restrictions	Total	2020 Total
Revenue and Support:				
Contributions	$ 1,699,377	$ 662,654	$ 2,362,031	$ 2,559,687
Federal, state, and local government grants	1,085,013	-	1,085,013	239,375
Preschool tuition	298,675	-	298,675	349,467
Rental income	121,267	-	121,267	107,870
Investment return	1,712,755	-	1,712,755	242,774
Mortgage interest income	16,735	-	16,735	19,924
Other	45,879	-	45,879	52,123
Net assets released from restrictions	827,370	(827,370)	-	-
Total Revenue and Support	5,807,071	(164,716)	5,642,355	3,571,220
Expenses:				
Program services	2,741,091	-	2,741,091	2,324,865
Management and general	209,366	-	209,366	256,867
Fundraising	187,470	-	187,470	161,226
Total Expenses	3,137,927	-	3,137,927	2,742,958
Change in Net Assets	2,669,144	(164,716)	2,504,428	828,262
Net Assets, Beginning of Year	8,320,624	1,037,033	9,357,657	8,529,395
Net Assets, End of Year	$ 10,989,768	$ 872,317	$ 11,862,085	$ 9,357,657

See accompanying notes

EL CENTRO, INC.

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2021

(With comparative totals for the year ended June 30, 2020)

	2021									
	Program Services					Supporting Services				
	Education	Community Health	Economic Empowerment	Advocacy	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total	2020 Total
Salaries and wages	$ 556,370	$ 394,302	$ 190,459	$ 71,497	$ 1,212,628	$ 122,274	$ 129,157	$ 251,431	$ 1,464,059	$ 1,476,566
Employee benefits	114,727	80,818	35,545	17,712	248,802	7,165	28,408	35,573	284,375	294,909
Utilities	39,700	26,330	17,542	14,466	98,038	8,940	1,945	10,885	108,923	106,940
Maintenance	38,278	11,349	8,195	7,576	65,398	4,988	444	5,432	70,830	80,788
Rent	-	4,437	1,964	2,134	8,535	-	-	-	8,535	10,860
Professional fees	12,870	26,452	2,479	1,146	42,947	25,892	1,045	26,937	69,884	129,781
Travel	-	6,135	-	3,506	9,641	1,397	-	1,397	11,038	26,408
Office supplies	9,598	8,832	1,984	2,954	23,368	4,802	262	5,064	28,432	19,643
Staff development	3,404	8,494	54	2,984	14,936	64	-	64	15,000	34,679
Postage	333	724	443	242	1,742	218	76	294	2,036	1,933
Printing and publication	2,316	11,177	3,260	4,234	20,987	1,787	1,947	3,734	24,721	22,634
Marketing	257	30,653	-	18,639	49,549	-	11,203	11,203	60,752	35,070
Depreciation	50,274	47,382	40,244	11,889	149,789	12,052	10,330	22,382	172,171	130,260
Real estate and property taxes	-	8,457	6,541	6,142	21,140	1,740	292	2,032	23,172	20,080
Insurance	12,230	4,832	3,554	3,296	23,912	1,161	196	1,357	25,269	24,436
Interest expense	-	2,600	2,600	2,600	7,800	-	-	-	7,800	-
Grants to individuals	138	111,629	396,831	22,045	530,643	-	-	-	530,643	161,019
Food service	31,160	984	-	-	32,144	-	-	-	32,144	32,789
Supplies	44,445	77,318	21,408	24,057	167,228	1,584	-	1,584	168,812	105,906
Miscellaneous	3,910	4,171	3,343	440	11,864	15,302	2,165	17,467	29,331	28,257
Total Expenses	$ 920,010	$ 867,076	$ 736,446	$ 217,559	$ 2,741,091	$ 209,366	$ 187,470	$ 396,836	$ 3,137,927	$ 2,742,958

See accompanying notes

EL CENTRO, INC.

STATEMENT OF CASH FLOWS
Year Ended June 30, 2021

(With comparative totals for the year ended June 30, 2020)

	2021	2020
Cash Flows From Operating Activities:		
Change in Net Assets	$ 2,504,428	$ 828,262
Adjustments to Reconcile Changes in Net Assets to Net Cash		
Provided by Operating Activities:		
Depreciation	172,171	130,260
Provision for loan losses	(397)	(333)
held by others	(1,585,493)	(116,446)
Loss on disposal of property and equipment	4,778	-
Forgiveness of Paycheck Protection Program loan	(317,600)	-
(Increase) Decrease in:		
Accounts receivable	(1,839)	11,176
Contributions receivable	(36,342)	(192,172)
Mortgage loans receivable	28,684	26,489
Prepaid expenses and deposits	175	(803)
Increase (Decrease) in:		
Accounts payable and accrued expenses	15,213	(30,038)
Refundable advances and deferred revenue	38,000	(36,454)
Net Cash Provided by Operating Activities	821,778	619,941
Cash Flows From Investing Activities:		
Purchases of certificates of deposit	(1,360)	(3,887)
Proceeds from redemption of certificates of deposit	113,787	-
Purchase of interest in assets held by others	(127,262)	(126,328)
Proceeds from the withdrawal of interest in assets held by others	-	200,000
Purchases of property and equipment	(369,264)	(173,646)
Net Cash Used by Investing Activities	(384,099)	(103,861)
Cash Flows From Financing Activities:		
Payments on long-term debt	(17,504)	-
Proceeds from Paycheck Protection Program loan	-	317,600
Net Cash (Used) Provided by Financing Activities	(17,504)	317,600
Change in Cash and Cash Equivalents	420,175	833,680
Cash and Cash Equivalents, Beginning of Year	1,453,563	619,883
Cash and Cash Equivalents, End of Year	$ 1,873,738	$ 1,453,563
Supplemental Cash Flow Information:		
Purchases of property and equipment:		
Using trade payables	$ 338,794	$ -
Using long-term debt	630,700	-
Total non-cash purchases of property and equipment	$ 969,494	$ -
Interest paid	$ 7,800	$ -

See accompanying notes

EL CENTRO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – **El Centro, Inc.** (the "Organization") is a not-for-profit organization whose mission is strengthening communities and improving lives of Latinos and others through educational, social, and economic opportunities. The Organization's revenues and other support are derived principally from contributions, preschool tuition, and federal and state grants. Its activities are conducted principally in Wyandotte County and Johnson County, Kansas. The Organization's operations consist of the following program services: education, community health, economic empowerment, and advocacy.

Advertising Costs – The Organization uses advertising to promote its programs among the community it serves. The costs of advertising are expensed as incurred. Advertising expense for the years ended June 30, 2021 and 2020 was $60,752 and $35,070, respectively.

Basis of Accounting – The Organization's policy is to prepare its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents – For purposes of the statement of cash flows, cash and cash equivalents are considered to be all highly liquid investments purchased with original maturity dates of less than three months.

Certificates of Deposit – Certificates of deposit of $147,847 were held by the Organization at June 30, 2021 and are measured at carrying value, i.e. cost if purchased and fair value at date of contribution if donated, in the statement of financial position. Their original maturities range between 6 and 18 months, and they bear interest at rates ranging between 0.25% and 1.59%.

Comparative Financial Information – The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the entity's financial statements for the year ended June 30, 2020 from which the summarized information was derived.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations of Credit Risk – The Organization maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times. The Organization has not experienced any losses in these accounts in the past, and management believes the Organization is not exposed to significant credit risks as it periodically evaluates the strength of the financial institutions in which it deposits funds. At June 30, 2021, the Organization had approximately $1,341,272 in deposits in excess of FDIC-insured limits. In addition, the Organization had $303,861 on deposit with the Archdiocese of Kansas City in Kansas that is uninsured at June 30, 2021.

Contributions Receivable – Unconditional promises to give expected to be collected within one year are reported at their net realizable value. Unconditional promises to give expected to be collected in future years are reported at a discounted present value of estimated future cash flows. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. Management provides for estimated uncollectible accounts through a charge to the statement of activities and a credit to a valuation allowance based on its assessment of the current status of individual accounts. The allowance for uncollectible promises to give is based on management's assessment of the collectibility of specific donors' contributions receivable and the aging of contributions receivable. All pledges or portions thereof, deemed to be uncollectible, are written off to the allowance for uncollectible promises to give. There was no such allowance at June 30, 2021 or 2020.

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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Accordingly, actual results could differ from those estimates.

Functional Expense Allocation – The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Utilities, maintenance, real estate and property taxes, insurance, and depreciation are allocated on the basis of square footage. Office supplies and other office expenses such as postage, equipment rental, internet, phone, etc., are allocated based on full-time equivalents. Salaries and wages, and employee benefits are allocated on the basis of time and effort.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes – The Organization is exempt from Federal income taxes, except on unrelated income, under Section 501(c)(3) of the Internal Revenue Code ("the Code"). Contributions to the Organization are deductible within the limitations of the Code. The Organization has been classified as a publicly-supported entity, which is not a private foundation under Section 509(a) of the Code.

The Organization records a liability for any tax position that is beneficial to the Organization, including any related interest and penalties, when it is more likely than not the position taken by management with respect to the transaction or class of transactions will be overturned by a taxing authority upon examination. Management believes there are no such positions as of June 30, 2021 and, accordingly, no liability has been accrued.

Interest in Assets Held by Others – The investment of a beneficial interest in a community foundation is reported in the statement of financial position at its net asset value as a practical expedient for measuring fair value. Net investment return is reported in the statement of activities and consists of unrealized gains and losses. Investment returns, including gains, interest and dividends less external investment expenses that are restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met in the reporting period in which the income and gains are recognized.

Mortgage Loans Receivable and Allowance for Loan Losses – The Organization has mortgage loans receivable stated at outstanding principal balances net of charge-offs and the allowance for loan losses. The loans bear interest at rates between 7.000% and 8.625%, due from individual homeowners. Required monthly payments of principal and interest approximate $3,027 in the aggregate. The notes are secured by the respective homes and are due over periods of up to 30 years, with final payment due dates ranging from 2022 to 2037. Interest income on loans is calculated using the simple interest method on the daily balances of the principal amounts outstanding.

The Organization provides an allowance for uncollectible mortgage loans receivable, which is based upon a review of outstanding receivables, historical collection information, economic conditions, and estimated fair value of the homes. The Organization monitors credit worthiness based on timeliness of payments according to the contractual terms. Loans past due for more than 15 days are considered delinquent. Interest continues to accrue on delinquent accounts until the account is written off. Delinquent notes are written off based on individual credit evaluation and specific circumstances of the homeowner. When a loan is one month overdue, a specific allowance equivalent to 2% of the outstanding balance is made. When a loan is two or more months overdue, a specific allowance equivalent to 5% of the outstanding balance is made. The minimum allowance for loan loss balance is 1% as a general provision.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Assets – Net assets, revenue, 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 or certain grantor restrictions. They also include any designations by the governing board.

Net assets with donor restrictions - Net assets subject to donor- or certain grantor-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. The Organization has none of this type for the year ended June 30, 2021. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, 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.

Property and Equipment – Property and equipment are stated at cost less accumulated depreciation. Expenditures for property and equipment over $1,000 that meet the definition of a capital asset are capitalized and depreciated using the straight-line method over the estimated useful life of the asset. Assets under capital lease obligations and leasehold improvements are amortized over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building and improvements	5 – 39 years
Equipment, furniture, and vehicles	3 – 10 years
Software	3 years

EL CENTRO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued Accounting Pronouncements – In August 2018, the FASB issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*, to improve financial reporting by removing or modifying existing disclosure requirements and providing new presentation and disclosure requirements, especially in regard to Level 3 fair value measurements. The amendments in this ASU related to amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied on a prospective basis, with all other amendments to be applied on a retrospective basis. There was no effect on net assets in connection with the Organization's implementation of ASU 2018-13.

Reclassifications – Certain accounts in the prior-year comparative financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements. The reclassifications had no impact on previously reported net assets.

Revenue Recognition – The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met; funds collected prior to meeting such conditions are recorded as refundable advances in the statement of financial position. Government grant revenues are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. The Organization adopted the simultaneous release option for donor-restricted conditional grants that are recognized and used within the same reporting period; therefore, these amounts are reported as without donor restriction.

The Organization collects tuition and fees via its preschool program. Tuition is generally due at the beginning of each school session and is recognized on a pro-rated basis over the term of the related school sessions. Unrecognized or remaining unamortized tuition is recorded as deferred revenue on the statement of financial position.

Subsequent Events – Management has evaluated events and transactions that have occurred since June 30, 2021 and reflected their effects, if any, in these financial statements through December 22, 2021, the date the financial statements were available to be issued.

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 statement of financial position date, are comprised of the following at June 30:

	2021	2020
Cash and cash equivalents	$ 1,873,737	$ 1,453,563
Certificates of deposit	147,847	260,274
Accounts and contributions receivable	323,307	285,126
Interest in assets held by others	7,950,832	6,238,077
Total financial assets at year-end	10,295,723	8,237,040
Less: board designations	(7,950,832)	(6,238,077)
Less: restricted by donors for future capital projects	(391,502)	(300,825)
Total financial assets available to meet general expenditures over the next 12 months	$ 1,953,389	$ 1,698,138

In addition to financial assets available to meet general expenditures over the next 12 months, the Organization operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by sources with donor restrictions. Donor restricted net assets that are available for normal operations are deemed available to meet general expenditures.

3. CONDITIONAL PROMISES TO GIVE

	2021	2020
Collected and unspent (refundable advances)	$ 335,425	$ 297,425
Amounts yet to be collected	230,891	217,055
Total Conditional Promises to Give	$ 566,316	$ 514,480

4. MORTGAGE LOANS RECEIVABLE

The following is a summary of the Organization's allowance for loan losses and loan portfolio at June 30, consisting of residential real estate mortgages.

	2021	2020
Performing	$ 154,362	$ 180,280
Nonperforming and on non-accrual	2,313	5,079
Total Mortgage Loans Receivable	156,675	185,359
Allowance for loan losses, beginning of year	2,057	2,390
Provision for loan losses	(397)	(333)
Allowance for loan losses, end of year	1,660	2,057
Mortgage Loans Receivable, net	$ 155,015	$ 183,302

5. FAIR VALUE MEASUREMENTS

The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three-tier hierarchy of inputs is summarized in the three broad levels below:

- Level 1 – inputs are unadjusted quoted market prices in active independent markets for identical assets and liabilities;
- Level 2 – inputs are directly or indirectly observable estimates from quotes for similar but not identical assets and liabilities, market trades for identical assets not actively traded, or other external independent means;
- Level 3 – inputs are unobservable and reflect assumptions on the part of the reporting entity.

5. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth information about the levels within the fair value hierarchy at which the Organization's financial assets and liabilities are measured on a recurring basis at June 30:

	2021	2020
Interest in Assets Held by Others:		
Level 1	$ -	$ -
Level 2	7,950,832	6,238,077
Level 3	-	-
Total	$ 7,950,832	$ 6,238,077

The following is a description of the valuation methodology used for fair value measurements. There have been no changes in the methodology used at June 30, 2021 or 2020.

Interest in assets held by others – Net asset value is provided by the community foundation, taking into account the Organization's proportionate net asset share in investment pools. The value of the pools is derived from the fair value of investments within those pools, which are valued using a combination of various methodologies depending upon the type of investments within the pool. See Note 6 for a description of the nature, characteristics, and risk of the various classes of investments within each pool. As allowed by FASB ASC 820-10-35-54B, the entire interest is classified within Level 2 of the fair value hierarchy as the Organization has the ability to immediately redeem its investment in the beneficial interest in assets held by others in the near term, as any requests for withdrawals could only take up to fourteen days to process.

The method described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

EL CENTRO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

6. INTEREST IN ASSETS HELD BY OTHERS

The beneficial interest in a community foundation consists of the following at June 30:

	2021	2020
Money Market Pool	$ (1,647)	$ 13,831
Short-Term Fixed Income Pool	1,608,982	964,527
Intermediate-Term Fixed Income Pool	829,872	615,282
Equity Pool – Domestic	3,949,394	3,373,646
Equity Pool - International	1,564,231	1,270,791
Total Interest in Assets Held by Others	$ 7,950,832	$ 6,238,077

Net investment return for the years ended June 30 is summarized as follows:

	2021	2020
Interest and dividends	$ 145,485	$ 143,439
Net realized gains	493,224	200,423
Net unrealized gain (loss)	1,092,269	(83,977)
Less: Investment fees	(18,223)	(17,111)
Investment Return, net	$ 1,712,755	$ 242,774

Below is a description of the nature, characteristics, and risk of the various classes of investments indicated above:

Money Market Pool – The purpose of the Money Market Pool is to provide liquidity for participating charitable funds and organizations in funding grant-making and payment of fees and administrative costs while providing desired principal stability. The long-term investment objective of the Money Market Pool is to seek a competitive market return to preserve and grow the portfolio, provide cash flows to meet charitable needs now and those in the future. The performance objective of the Money Market Pool is to meet or exceed the performance of the 90-Day Treasury Bill, a truly "liquid" money market benchmark. As such, the Money Market Pool is highly liquid, which enables donors to access funds for grants in a timely manner. The Money Market Pool invests primarily in bank deposits and high-quality institutional money market funds. The money market fund's holdings include U.S. dollar denominated money market securities of domestic and foreign issuers rated in the highest category by at least two nationally recognized rating services, U.S. Government securities, and repurchase agreements.

6. INTEREST IN ASSETS HELD BY OTHERS (continued)

Short-Term Fixed Income Pool – The purpose of the Short-Term Fixed Income Pool is to provide capital preservation and current income to help meet spending requirements of donor portfolios. The Short-Term Fixed Income Pool will utilize a passive, cost effective approach with a secondary objective to provide broad exposure to U.S. income markets. The Short-Term Fixed Income Pool is diversified across U.S. Treasury notes and bonds, corporate bonds, bank loans, mortgage-backed securities, and U.S. Treasury Inflation-Protected Securities. The Short-Term Fixed Income Pool will have a lower average effective duration than broad fixed income market benchmarks such as the Barclays U.S. Aggregate Bond Index, hence limiting overall interest rate risk.

Intermediate-Term Fixed Income Pool – The purpose of the Intermediate-Term Fixed Income Pool is to provide capital preservation and current income to help meet spending requirements of donor portfolios. The Intermediate-Term Fixed Income Pool will utilize a passive, cost effective approach with a secondary objective to provide broad exposure to U.S. income markets. The Intermediate-Term Fixed Income Pool is diversified across U.S. Treasury notes and bonds, corporate bonds, bank loans, mortgage-backed securities, and U.S. Treasury Inflation-Protected Securities. The average effective duration and interest rate risk of the Intermediate-Term Fixed Income Pool will be commensurate with broad fixed income benchmarks such as the Barclays U.S. Aggregate Bond Index.

Equity Pool – The long-term investment objective of the Equity Pool is to obtain broad equity market exposure utilizing a passive, cost effective approach that is diversified across market capitalizations and regions. A secondary objective is to provide cash flows to fund distributions and to preserve the purchasing power of the funds to meet charitable needs now and in the future. The Equity Pool has been divided into Domestic and International Pools.

If the Organization were to redeem its beneficial interest in the community foundation, the community foundation would liquidate the pooled funds at the nearest month-end, wait a couple of days to ensure all earnings from the pools have been applied and credited, and disburse the entirety of the funds shortly thereafter.

EL CENTRO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

7. PROPERTY AND EQUIPMENT

Property and equipment includes the following at June 30:

	2021	2020
Buildings and improvements	$ 3,580,852	$ 2,720,431
Construction in progress	349,282	-
Equipment, furniture, and vehicles	446,767	359,354
Software	13,687	13,688
	4,390,588	3,093,473
Less accumulated depreciation	1,518,781	1,383,476
Total Property and Equipment, net	$ 2,871,807	$ 1,709,997

Depreciation expense totaled $172,171 and $130,260 for the years ended June 30, 2021 and 2020, respectively. Included in equipment, furniture, and vehicles are costs related to two capital leases involving office equipment costing $76,109. At June 30, 2021 and 2020, accumulated depreciation on the underlying equipment amounted to $76,109. Related depreciation expense amounted to $-0- for the years ended June 30, 2021 and 2020.

8. PAYCHECK PROTECTION PROGRAM

On April 14, 2020, the Organization was approved for a $317,600 Payment Protection Program (“PPP”) loan from a financial institution under the CARES Act, at a fixed rate of 1.00%. The agreement calls for equal monthly principal and interest payments beginning November 14, 2020 through April 14, 2022. If the Organization spends the loan funds on certain qualified expenditures as specified under the rules and regulations referenced in the loan agreement, all or a portion of the PPP loan funds will be forgiven. On November 17, 2020, the PPP loan was forgiven, and it was subsequently recognized as a contribution and included in federal, state, and local government grants in the 2021 statement of activities.

9. LONG-TERM DEBT

On February 24, 2021, the Organization obtained a $630,700 loan from a financial institution. The loan was utilized to purchase a building in Olathe, Kansas. The loan requires monthly payments of $6,326 based on a 3.75% fixed interest rate and a maturity date of February 24, 2031. The outstanding balance was $613,196 at June 30, 2021. Future principal maturities are as follows:

Fiscal Year Ending June 30:	
2022	$ 53,523
2023	55,593
2024	57,696
2025	59,977
2026	62,297
Thereafter	324,110
Total	$ 613,196

EL CENTRO, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2021

10. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30 are available for the following:

	2021	2020
Subject to expenditure for specified purpose:		
Academy for Children	$ 294,282	$ 451,602
Promotora program	24,676	8,450
AFC building and equipment upgrades	182,759	106,040
Emergency and utilities assistance	51,914	103,889
Health Navigation program	9,897	74,361
Community organizing	46,207	9,993
Financial literacy	31,637	35,845
Family support services	22,202	22,068
Facility improvements	208,743	194,785
Subject to time restrictions	-	30,000
Total Net Assets with Donor Restrictions	$ 872,317	$ 1,037,033

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. Net assets released from restrictions during the years ended June 30 were for the following:

	2021	2020
Subject to expenditure for specified purpose:		
Academy for Children	$ 356,513	$ 75,914
Promotora program	-	42,916
AFC building and equipment upgrades	72,698	20,218
Emergency and utilities assistance	86,048	15,146
Health Navigation program	71,348	1,230
Community organizing	9,993	8,894
Financial literacy	16,807	5,099
Family support services	22,068	28,912
Facility improvements	161,895	7,270
Latinos Arts Festival	-	2,100
Expiration of time restrictions	30,000	-
Total Net Assets Released From Restrictions	$ 827,370	$ 207,699

11. ENDOWMENT

The Organization has a board-designated endowment fund which is invested at a community foundation, known as the El Centro, Inc. Endowment Fund ("the Fund"). The Organization retains a beneficial interest in these assets.

Kansas adopted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") in 2008. The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. At June 30, 2021 and 2020, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (1) the original value of initial and subsequent gifts donated to the endowment and (2) accumulations to 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 expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the various funds
- The purposes of the donor-restricted endowment funds
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

The following is a summary of the Organization's endowment net asset composition by type of fund as of June 30:

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 7,950,832	$ -	$7,950,832
Total Endowment Net Assets	$ 7,950,832	$ -	$7,950,832

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated	$ 6,238,077	$ -	$6,238,077
Total Endowment Net Assets	$ 6,238,077	$ -	$6,238,077

11. ENDOWMENT (continued)

Changes in Endowment Net Assets For the Year Ended June 30, 2021.

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$6,238,077	$ -	$6,238,077
Investment return, net	1,712,755	-	1,712,755
Transfers to remove board-designated endowment funds	-	-	-
Net assets, end of year	$7,950,832	$ -	$7,950,832

Changes in Endowment Net Assets For the Year Ended June 30, 2020.

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, beginning of year	$6,195,303	$ -	$6,195,303
Investment return, net	242,774	-	242,774
Transfers to remove board-designated endowment funds	(200,000)	-	(200,000)
Net assets, end of year	$6,238,077	$ -	$6,238,077

Return Objectives and Risk Parameters – The Organization has adopted endowment investment and spending policies with the assistance of the community foundation that attempt to provide a predictable stream of funding to programs supported by its endowment while ensuring that the purchasing power of the endowment assets do not decline over time.

Strategies Employed for Achieving Objectives – To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Spending Policy and How the Investment Objectives Relate to Spending Policy – The Organization follows its investment policy, which allows for annual distributions of between 2.5% and 5% computed using the balance as of the end of the prior fiscal year. Absent any donor restrictions, board-designated funds may be transferred to or from the Organization at any time.

Appropriation of Endowment Assets for Next Fiscal Year – For the 2022 fiscal year, the Organization has not appropriated any of its endowment assets.

12. RETIREMENT PLAN

The Organization has a 403(b) program for substantially all of its employees. The Organization makes discretionary contributions equal to 2% of eligible compensation and also matches 100% of the employees' contributions up to 1% of eligible compensation. Retirement plan expense was $51,082 and $50,962 in 2021 and 2020, respectively.

13. RISKS AND UNCERTAINTIES

The COVID-19 outbreak is causing serious health and financial risks globally. In addition, this crisis has the potential to negatively affect the Organization by reducing investment values, reducing the ability to access capital, causing event cancellations, reducing customer traffic, reducing contributions due to financial uncertainties, reducing investment income, reducing collectibility of receivables, etc. While management is considering the current and future effects of the pandemic on the Organization, an estimate of any negative impacts and the means of mitigation are not known at this time.

14. NEW ACCOUNTING PRONOUNCEMENTS

ASU 2016-02, Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842),* to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this ASU are to be applied using a modified retrospective approach.

In June 2020, the FASB issued ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842):* Effective Dates for Certain Entities, which deferred the effective date for certain entities to fiscal years beginning after December 15, 2021. Early application continues to be allowed.

ASU 2020-07, Not-for-Profit Entities

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to improve financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets for NFPs, including additional disclosure requirements for recognized contributed services. The amendments in this ASU are to be applied on a retrospective basis. The amendments should be applied for fiscal years beginning after June 15, 2021. Early adoption is permitted.

The Organization is evaluating the effect that these standards will have on its financial statements and related disclosures.

15. CONSTRUCTION COMMITMENT

In April 2021, the Organization entered into a construction contract for $704,972 for the purpose of upgrading the new Olathe building mentioned in Note 9. At June 30, 2021, $355,690 of the contract remained uncompleted.

16. SUBSEQUENT EVENTS

In July 2021, the Organization withdrew approximately $707,000 from its endowment for purposes of financing the upgrade to its Olathe building purchased during the fiscal year ended June 30, 2021.