4. Property

COPAL owned the following as of:

December 31 Estimated

2022 2021 Useful Lives

Furniture and Equipment $ 31,243 $ 25,303 5 years

Less Accumulated Depreciation 11,172 5,550

$ 20,071 $ 19,753

Depreciation expense of $5,622 and $5,349 was recorded for the years ended December 31, 2022 and 2021, respectively.

# Comunidades Organizando El Poder Y La Accion Latina

Minneapolis, Minnesota

Combined Financial Statements

Auditor’s Report

For the Years Ended

December 31, 2022 and 2021



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Certified Public Accountants

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INDEPENDENT AUDITOR’S REPORT

Board of Directors

Comunidades Organizando El Poder Y La Accion Latina

Minneapolis, Minnesota

**Opinion**

We have audited the accompanying combined financial statements of Comunidades Organizando El Poder Y La Accion Latina (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Comunidades Organizando El Poder Y La Accion Latina as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Comunidades Organizando El Poder Y La Accion Latina and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Comunidades Organizando El Poder Y La Accion Latina's ability to continue as a going concern within one year after the date that the combined financial statements are available to be issued.

**Auditor’s Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

* Exercise professional judgment and maintain professional skepticism throughout the audit.
* Identify and assess the risks of material misstatement of the combined financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the combined financial statements.
* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Comunidades Organizando El Poder Y La Accion Latina's internal control. Accordingly, no such opinion is expressed.
* Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the combined financial statements.
* Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Comunidades Organizando El Poder Y La Accion Latina's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

**Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Combining Statement of Activities for the year ended December 31, 2022 and the Combining Statement of Financial Position as of December 31, 2022 are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the combined financial statements as a whole.

Certified Public Accountants

Minneapolis, Minnesota

August XX, 2023

COMUNIDADES ORGANIZANDO EL PODER Y LA ACCION LATINA

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

1. Summary of Significant Accounting Policies

Basis of Combination

The combined financial statements of Comunidades Organizando El Poder Y La Accion Latina (COPAL) include the accounts of Comunidades Organizando El Poder Y La Accion Latina COPAL Education Fund a 501(c)(3) Minnesota nonprofit corporation and COPAL a 501(c)(4) Minnesota nonprofit corporation. All material inter-organizational transactions have been eliminated.

Organizational Purpose

COPALl, a Minnesota statewide organization established in January 2018, seeks to build collective power, transform systems, and create opportunities for Latines to have dignified life in Minnesota. Since its establishment, COPAL has rapidly expanded its organizational capacity, along with thereby amplifying its reach and impact.

The need for this work quickly grew, and COPAL launched to organize the Latinx community and allies around issues associated with dramatic shifts in immigration policy and growing incidents of hate and hateful rhetoric directed at the Latinx community and broader immigrant communities living in Minnesota. After two years of working under a fiscal sponsorship with TakeAction MN, COPAL successfully registered over five thousand pledges to vote from Latinxs in the 2018 elections, and support hundreds more in becoming citizens. Since 2020, COPAL now operates without a fiscal sponsor, and has secured both 501(c)(3) and 501(c)(4) statuses from the Internal Revenue Service.

To reach its many goals, COPAL cultivates civic participation and leadership development among its constituents at all states of engagement. COPAL asks people what they are interested in or concerned about, and helps people connect to causes that they care about. COPAL’s core engagement strategies include voter engagement and education, citizenship training and education, activist training, leadership development, and legislative advocacy around Latinex issues such as TPS and DACA. COPAL’s work is aligned with what the Latinex communities have requested COPAL advance.

In 2022, COPAL focused its work across four impact areas:

**Leadership and Organizing** - COPAL implements ongoing leadership trainings to empower community members with the skills and strategies to pursue policy and systems change. COPAL also offers citizenship classes guided by the notion that we can learn about the structures in place and how they affect us through our own lived experiences.

**Environmental Justice** **-** COPAL's policy efforts have focused on building our environmental theory of change; passing the Protecting Frontline Communities Act, our cumulative impacts legislation; and fighting for legislation against incinerators. COPAL seeks to promote real climate solutions that address the core of the climate crisis and protect those most harmed by it, drawing the connection between forced climate migration and the local cumulative impacts of the pollution in Minnesota.

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COMUNIDADES ORGANIZANDO EL PODER Y LA ACCION LATINA

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

1. Summary of Significant Accounting Policies (continued):

**Economic Empowerment** – COPAL launched its Primero de Mayo Workers Center in 2021 to take a holistic approach to support low-wage and migrant workers. Career counselors and educators support workers to gain the skills, training, and coaching necessary to increase their earning potential, while legal advocates collaborate with workers to recover their stolen wages and pursue employment discrimination cases. Member leaders and COPAL staff advance campaigns that support Latine and frontline workers through direct advocacy and community engagement efforts.

**Communications** - COPAL invests heavily in communications strategies to combat anti-immigrant sentiments, build community pride, and increase connections within and across communities. Key communications vehicles include 1) extensive digital organizing tools via social media, email, and texting; 2) 24/7 online radio station with shows featuring the stories of COPAL staff and members; 3) robust video and animation production; and 4) strong relationships with local media outlets to expand COPAL’s reach.

**Health & Wellness** **–** COPAL’s Minneapolis and Mankato-based teams support families to meet their most basic needs, including quality access to affordable physical and mental healthcare, vaccinations and disease prevention information, and support to navigate public systems (public school enrollment, benefits eligibility, etc.). COPAL staff provide leadership development to community leaders, Promotoras de Salud, who support community outreach and organizing efforts.

**South Central Initiative –** In October 2021, COPAL launched a new office in Mankato, MN to broaden its reach in south central Minnesota. This office has since forged strong relationships with organizations, coalitions, and community leaders in the 9-county region, establishing COPAL has a respected hub for Latine resources. COPAL’s physical presence in Mankato is essential to bring culturally and linguistically relevant resources to a region of Minnesota with a rapidly growing number of Latines.

Fund Accounting

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-or grantor-imposed restrictions. These net assets include both board designated and undesignated amounts.

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COMUNIDADES ORGANIZANDO EL PODER Y LA ACCION LATINA

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

1. Summary of Significant Accounting Policies (continued):

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. COPAL 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 donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

New Accounting Pronouncements

In 2022, COPAL adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. COPAL elected not to restate the comparative period (2021). It also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, COPAL recognized right-of-use assets of $21,252 and lease liabilities totaling $23,252 in its statement of financial position as of January 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended December 31, 2022.

COPAL has also has adopted Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets, as management believes the standards improve the usefulness and understandability of COPAL’s financial reporting. The ASU has been applied retrospectively for the periods ended December 31, 2022 and 2021, as required.

Leases

COPAL determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term. Operating lease expense is recognized on a straight-line basis over the lease term. COPAL does not report ROU assets and leases liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Promises to Give (Grants Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

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COMUNIDADES ORGANIZANDO EL PODER Y LA ACCION LATINA

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

1. Summary of Significant Accounting Policies (continued):

Property and Equipment

All major expenditures for property and equipment over $3,000 are capitalized at cost. Depreciation is provided through the use of the straight-line method.

Revenue and Revenue Recognition

COPAL recognizes grants and contributions when cash, securities or other assets, with an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of COPAL’s revenue is derived from cost-reimbursable government grants which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when COPAL has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. No refundable advances exist at December 31, 2022 and 2021. COPAL was awarded cost-reimbursable grants of $25,354 and $474,252 that have not been recognized at December 31, 2022 and 2021 because qualifying expenditures have not yet been incurred.

COPAL records contributions of nonfinancial assets at fair market value at date of donation. COPAL’s policy related to contributions of nonfinancial assets is to utilize the assets given to carry out the mission of the organization. If an asset is provided that does not allow COPAL to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist.

Income Tax

COPAL has a tax-exempt status under Section 501(c)(3) and 501(c)(4) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. COPAL’s policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status.  COPAL continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status.  COPAL has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, COPAL annually files a Return of Organization Exempt From Income Tax (Form 990).

Functional Allocation of Expense

Salaries and related expenses are allocated on job descriptions and the best estimates of management. Expenses other than salaries and related expenses that are not directly identifiable by program or supporting service are allocated based on the best estimates of management.

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COMUNIDADES ORGANIZANDO EL PODER Y LA ACCION LATINA

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

1. Summary of Significant Accounting Policies (continued):

Use of Estimates

Management uses estimates and assumptions in preparing combined financial statements. Those estimates and assumptions can affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Subsequent Events

COPAL has evaluated the effect that subsequent events would have on the combined financial statements through August XX, 2023, which is the date the combined financial statements were available to be issued.

2. Significant Concentrations of Credit Risk

COPAL provides services within Minnesota. Grants and contracts receivable are from local residents, governments or institutions.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

At December 31, 2022 and 2021 COPAL held funds at a local financial institution in excess of federally insured limits.

3. Grants and Contracts Receivable

The balances of grants and contracts receivable are expected to be collected in the year ending December 31, 2023. All grants and contracts receivable are considered collectable.

4. Property

COPAL owned the following as of:

December 31 Estimated

2022 2021 Useful Lives

Furniture and Equipment $ 31,243 $ 25,303 5 years

Less Accumulated Depreciation 11,172 5,550

$ 20,071 $ 19,753

Depreciation expense of $5,622 and $5,349 was recorded for the years ended December 31, 2022 and 2021, respectively.

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COMUNIDADES ORGANIZANDO EL PODER Y LA ACCION LATINA

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

5. Contributions of Nonfinancial Assets

COPAL records contributions of nonfinancial assets at fair market value at date of donation. Contributions of nonfinancial assets included the following as of:

December 31

2022 2021

Grants and Assistance $ - $ 15,000

Professional Fees 869 2,723

$ 869 $ 17,723

Contributions of Nonfinancial Assets were utilized for programming during the years ended December 31, 2022 and 2021, and had no donor restrictions. Values were used based on the current market rates COPAL would have paid for the items if they were not donated.

6. Net Assets with Donor Restrictions

Donor restricted net assets consisted of amounts from the following as of:

December 31

2022 2021

Restrictions that Expire:

Subject to Expenditures for a Specified Purpose:

Climate $ 287,500 $ 165,417

Worker’s Center 70,000 66,250

Wellness and Economic Stability 49,908 -

Environmental Justice 47,000 11,250

Immigrant Worker Support 17,500 5,000

Tech Needs 10,800 -

Combat COVID - 43,667

Direct Lobbying - 30,000

482,708 321,584

Subject to Expenditures for Future Operations:

Subsequent Fiscal Years 396,667 228,333

$ 879,375 $ 549,917

7. Board Designated Net Assets

Board Designated Net Assets consisted of the following as of:

December 31,

2022 2021

Operating Reserve $ - $ 197,515

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COMUNIDADES ORGANIZANDO EL PODER Y LA ACCION LATINA

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

8. Lease

COPAL evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets represent COPAL’s right to use underlying assets for the lease term, and the lease liabilities represent COPAL’s obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. COPAL has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments.

COPAL is a party to one operating lease for office space and two operating leases for copier. As disclosed in Note 1, COPAL adopted FASB ASC 842 for the year ended December 31, 2022.

As of December 31, 2022, the right-of-use (ROU) asset had a balance of $21,026 and is shown in noncurrent assets in the statement of financial position; the lease liability is $22,826 and is shown in current liabilities at $15,408 and noncurrent liabilities at $7,418 in the statement of financial position.

Additional information about COPAL’s lease is as follows for the year ended December 31, 2022:

Lease Costs (included in occupancy):

Operating Lease Cost $ 9,262

Other Information:

Cash paid for amounts included in measuring operating

Lease liabilities:

Operating cash flows from operating leases $ 9,462

Lease assets obtained in exchange for lease obligations:

Operating leases $ 22,826

Weighted-average remaining lease term (years) 3.58

Weighted-average discount rate 2.40%

Maturities of operating lease liabilities as of December 31, 2022:

Year Ending December 31:

2023 $ 31,432

2024 3,371

2025 1,860

2026 1,860

2027 1,860

Total Lease Payments 40,383

Less: Lease liability not covered under ASC 842 15,750

Less: Discount on Present Value 1,807

Present Value of Lease Liabilities $ 22,826

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COMUNIDADES ORGANIZANDO EL PODER Y LA ACCION LATINA

NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2022 and 2021

9. Liquidity and Availability

The following represents COPAL’s financial assets as of:

December 31

2022 2021

Financial Assets:

Cash $ 783,676 $ 678,301

Grants and Contracts Receivable 401,283 389,052

Total Financial Assets 1,184,959 1,067,353

Less assets not available to be used within one year:

Total Assets with Donor Restrictions 879,375 549,917

Net Assets with Restrictions to be met within a year 726,041 549,917

Total assets not available to be used within one year 153,334 -

Financial assets available for general expenditures

within one year $ 1,031,625 $ 1,067,353

10. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities were as follows as of:

December 31

2022 2021

Depreciation $ 5,622 $ 5,349

Net Change in Operating Lease Activity 1,800 -

Loss on Sale of Property - 3,022

Increases (Decreases) in Current Liabilities:

Accounts Payable 11,245 (15,038)

Accrued Expenses 6,770 25,098

Decreases (Increases) in Current Assets:

Grants and Contracts Receivable (12,231) 121,697

Prepaid Expense (10,458) 1,082

Total Adjustments $ 2,748 $ 141,210

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