



Audited Financial Statements
and
Single Audit Reports
December 31, 2022

HISPANIC FEDERATION, INC.

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Independent Auditor's Report

To the Board of Trustees of
Hispanic Federation, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hispanic Federation, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* ("*Government Auditing Standards*"), issued by the Comptroller General of the United States. 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 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 financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the 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 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 GAAS and *Government 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 are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Organization'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Report on Summarized Comparative Information

The financial statements of the Organization's as of and for the year ended December 31, 2021, were audited by other auditors whose report dated May 10, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Sax CPAs LLP

New York, NY
May 11, 2023

HISPANIC FEDERATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2022
(With comparative totals as of December 31, 2021)

Assets	<u>12/31/22</u>	<u>12/31/21</u>
Current assets:		
Cash and cash equivalents:		
General operations	\$16,750,083	\$21,838,793
Funds set aside for the UNIDOS Disaster Relief and Recovery Program	3,848,502	3,194,654
Total cash and cash equivalents	20,598,585	25,033,447
Investments (Note 3)	7,785,351	8,242,460
Investments for donor-advised funds (Note 4)	4,141,365	3,871,236
Government grants and contracts receivable	2,749,776	4,105,914
Contributions receivable, net (Note 5)	7,808,845	4,432,819
Other receivables	100,000	72,000
Prepaid expenses and other assets	94,223	190,024
Total current assets	43,278,145	45,947,900
Operating lease right-of-use asset (Note 6)	303,055	0
Property and equipment, net (Note 7)	4,163,974	4,351,655
Total non-current assets	4,467,029	4,351,655
Total assets	<u>\$47,745,174</u>	<u>\$50,299,555</u>
Liabilities and Net Assets		
Liabilities:		
Current liabilities:		
Accounts payable and accrued expenses	\$892,448	\$989,455
Grants and donations payable	2,327,938	5,336,385
Refundable advances	166,409	91,504
Deferred revenue	10,000	190,000
Total current liabilities	3,396,795	6,607,344
Operating lease liability (Note 6)	306,300	0
Total liabilities	<u>3,703,095</u>	<u>6,607,344</u>
Commitments and Contingencies (Note 8)		
Net assets:		
Without donor restrictions	12,006,980	11,896,610
With donor restrictions - purpose (Note 9)	32,035,099	31,795,601
Total net assets	44,042,079	43,692,211
Total liabilities and net assets	<u>\$47,745,174</u>	<u>\$50,299,555</u>

The attached notes and auditor's report are an integral part of these financial statements.

HISPANIC FEDERATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With comparative totals for the year ended December 31, 2021)

	Without Donor Restrictions	With Donor Restrictions	Total 12/31/22	Total 12/31/21
Revenue and support:				
Contributions	\$3,239,354	14,864,659	\$18,104,013	\$13,276,655
Contributions for UNIDOS				
disaster relief and recovery program		1,419,054	1,419,054	1,128,131
Contributions for COVID19 Relief		75,000	75,000	20,629,258
Contributions to donor-advised funds (Note 4)	3,677,332		3,677,332	3,493,567
In-kind donations (Note 2m)	1,189,327		1,189,327	1,786,969
Government grants	10,203,447		10,203,447	8,339,389
Paycheck Protection Program grant (Note 10)			0	940,335
Event income (net of expenses with a direct benefit to donor) (Note 11)	2,642,536		2,642,536	1,582,330
Investment return, net of fee (Note 3)	(1,713,038)		(1,713,038)	952,949
Other income	594,986		594,986	68,519
Net assets released from restrictions (Note 9)	16,119,215	(16,119,215)	0	0
Total revenue and support	<u>35,953,159</u>	<u>239,498</u>	<u>36,192,657</u>	<u>52,198,102</u>
Expenses:				
Program services:				
Advocacy	4,001,577		4,001,577	2,315,983
Community assistance	18,543,663		18,543,663	22,959,180
Organization development assistance	5,618,275		5,618,275	3,086,181
Technical assistance	3,721,346		3,721,346	4,173,856
Total program services	<u>31,884,861</u>	<u>0</u>	<u>31,884,861</u>	<u>32,535,200</u>
Supporting services:				
Management and general	2,400,765		2,400,765	2,615,119
Fundraising	1,557,163		1,557,163	1,696,412
Total supporting services	<u>3,957,928</u>	<u>0</u>	<u>3,957,928</u>	<u>4,311,531</u>
Total expenses	<u>35,842,789</u>	<u>0</u>	<u>35,842,789</u>	<u>36,846,731</u>
Change in net assets	110,370	239,498	349,868	15,351,371
Net assets - beginning of year	<u>11,896,610</u>	<u>31,795,601</u>	<u>43,692,211</u>	<u>28,340,840</u>
Net assets - end of year	<u>\$12,006,980</u>	<u>\$32,035,099</u>	<u>\$44,042,079</u>	<u>\$43,692,211</u>

The attached notes and auditor's report are an integral part of these financial statements.

HISPANIC FEDERATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022
(With comparative totals for the year ended December 31, 2021)

	Program Services					Supporting Services			Total Expenses 12/31/22	Total Expenses 12/31/21
	Advocacy	Community Assistance	Organizational Development Assistance	Technical Assistance	Total Program Services	Management and General	Fundraising	Total Supporting Services		
Salaries	\$942,355	\$1,836,703	\$200,715	\$832,672	\$3,812,445	\$1,236,634	\$733,960	\$1,970,594	\$5,783,039	\$5,232,439
Payroll taxes and employee benefits	275,238	536,454	58,624	243,202	1,113,518	361,189	214,371	575,560	1,689,078	1,385,358
Total salaries and related expenses	1,217,593	2,373,157	259,339	1,075,874	4,925,963	1,597,823	948,331	2,546,154	7,472,117	6,617,797
Contributions and grants	652,074	6,667,654	5,212,803	462,656	12,995,187			0	12,995,187	14,675,579
Disaster assistance	15,312	2,226,351		27,981	2,269,644			0	2,269,644	5,026,227
Consultants	566,492	1,257,531	30,842	286,467	2,141,332	166,750	316,966	483,716	2,625,048	2,270,611
Subcontract expenses	442,240	2,619,982		1,157,025	4,219,247			0	4,219,247	2,608,581
Legal and accounting		37,500			37,500	155,200	1,118	156,318	193,818	149,647
Public relations and outreach	43,338	839,789		18,424	901,551			0	901,551	447,000
Public relations and outreach in-kind		1,189,327			1,189,327			0	1,189,327	1,786,969
Catering and museum admission	20,115	46,552	2,380	3,345	72,392	10,035	7,377	17,412	89,804	34,528
Occupancy	54,712	98,488	7,347	177,408	337,955	33,018	3,935	36,953	374,908	330,773
Credit card and other fees	5,832	35,311	3,391	1,181	45,715	40,116	17,719	57,835	103,550	43,406
Office expenses	34,144	96,594	724	22,037	153,499	24,538	31,538	56,076	209,575	130,247
Information and technology	40,348	86,273	11,836	46,395	184,852	32,832	16,084	48,916	233,768	343,495
Travel, lodging and transportation	41,440	76,008	1,072	7,593	126,113	17,487	33,810	51,297	177,410	92,649
Gala and event expenses					0		488,421	488,421	488,421	40,133
Conferences and meetings	30,428	76,307	628	10,313	117,676	29,243	15,312	44,555	162,231	83,261
Scholarships	10,815	101,940	67,325	4,800	184,880			0	184,880	290,912
Internships and stipends	659,287	493,336		305,054	1,457,677	998		998	1,458,675	760,222
Insurance					0	79,998		79,998	79,998	91,214
Repairs and maintenance	37,720	41,863	16,064	22,593	118,240	14,470	19,167	33,637	151,877	130,803
Other expenses	100,601	138,857	1,485	61,710	302,653	30,755	127,910	158,665	461,318	315,117
Depreciation	29,086	40,843	3,039	30,490	103,458	167,502	5,029	172,531	275,989	257,176
Interest					0			0	0	2,469
Bad debt					0			0	0	350,723
Total other expenses	2,783,984	16,170,506	5,358,936	2,645,472	26,958,898	802,942	1,084,386	1,887,328	28,846,226	30,261,742
Total expenses	4,001,577	18,543,663	5,618,275	3,721,346	31,884,861	2,400,765	2,032,717	4,433,482	36,318,343	36,879,539
Less: direct costs of special events					0		(475,554)	(475,554)	(475,554)	(32,808)
Total expenses reported by function on the statement of activities	\$4,001,577	\$18,543,663	\$5,618,275	\$3,721,346	\$31,884,861	\$2,400,765	\$1,557,163	\$3,957,928	\$35,842,789	\$36,846,731

The attached notes and auditor's report are an integral part of these financial statements.

HISPANIC FEDERATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022
(With comparative totals for the year ended December 31, 2021)

	<u>12/31/22</u>	<u>12/31/21</u>
Cash flows from operating activities:		
Change in net assets	\$349,868	\$15,351,371
Adjustments to reconcile change in net assets to net cash (used for)/provided by operating activities:		
Depreciation	275,989	257,176
Forgiveness of Payroll Protection Program loan	0	(940,335)
Bad debt expense	0	350,723
Realized gain on sale of investments	(72,614)	(435,567)
Unrealized (loss)/gain on investments	1,973,476	(397,723)
Changes in assets and liabilities:		
Government grants and contracts receivable	1,356,138	(3,021,511)
Contributions receivable	(3,376,026)	(3,746,655)
Other receivables	(28,000)	(72,000)
Prepaid expenses and other assets	95,801	32,762
Operating lease assets and liabilities	3,245	0
Accounts payable and accrued expenses	(97,007)	389,059
Grants and donations payable	(3,008,447)	2,334,717
Refundable advances	74,905	91,504
Deferred revenue	(180,000)	187,550
Total adjustments	<u>(2,982,540)</u>	<u>(4,970,300)</u>
Net cash (used for)/provided by operating activities	<u>(2,632,672)</u>	<u>10,381,071</u>
Cash flows from investing activities:		
Purchase of investments	(4,592,789)	(4,079,305)
Proceeds from sale of investments	3,034,271	1,995,269
Investment income reinvested	(155,364)	(119,659)
Purchase of fixed assets	(88,308)	(69,059)
Net cash used for investing activities	<u>(1,802,190)</u>	<u>(2,272,754)</u>
Net (decrease)/increase in cash and cash equivalents	(4,434,862)	8,108,317
Cash and cash equivalents - beginning of year	<u>25,033,447</u>	<u>16,925,130</u>
Cash and cash equivalents - end of year	<u><u>\$20,598,585</u></u>	<u><u>\$25,033,447</u></u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u><u>\$0</u></u>	<u><u>\$2,469</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

HISPANIC FEDERATION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

Note 1 - Organization

The Hispanic Federation, Inc. ("Organization") was incorporated under the laws of the state of New York on July 3, 1990, as a not-for-profit organization. The Organization is the nation's premier Latino nonprofit membership organization with offices in New York, Washington, D.C., Connecticut, North Carolina, Florida, Illinois, and Puerto Rico. The Organization uplifts millions of Hispanic children, youth, and families locally and nationally through four essential service pillars:

- **Community assistance** programs that support and uplift Latino families and communities with direct social services in the areas of education, immigration, health care, economic development, and the environment. In 2022, the Organization focused its efforts on emergency assistance, farm and food workers relief aid, and reducing the impact of COVID-19 in Latino communities nationwide.
- **Organizational Development Assistance** that fortifies a network of more than 600 Latino front-line grassroots organizations with emergency assistance, programmatic, and capacity-building grants that help its nonprofit grantees address emerging and growing community and operational needs.
- **Technical assistance** programs designed to help its network of Latino nonprofit member agencies support their core operational and infrastructural needs, including board governance, staff leadership development, fundraising, financial management, strategic planning, program development and other critical areas.
- **Advocacy** services focused on advancing the interests and aspirations of Latinos and their community-based organizations through, among other things, coalition building, policy research, public education, advocacy, and voter mobilization. In 2022, much of the Organization's advocacy work focused on advancing equity in federal benefits for Puerto Rico, voter education and turnout, and expanding immigrant justice and rights.

Note 2 - Significant Accounting Policies

a. Basis of Accounting

The Organization has prepared the accompanying financial statements using the accrual basis of accounting, which is the process of recording revenue and expenses when earned or incurred, rather than when received or paid.

b. Recently Adopted Accounting Standards

Effective January 1, 2022, the Organization adopted the Financial Accounting Standards Board's ("FASB") 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. As a result of implementing FASB ASU No.

2016-02, on January 1, 2022, the Organization recognized right-of-use (“ROU”) assets of \$425,820 and lease liabilities of the same amount on the 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.

Effective January 1, 2022, the Organization adopted FASB ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional disclosures. Adoption of this standard did not have a material impact on the Organization’s financial statements.

c. Basis of Presentation

The Organization’s net assets are classified based upon the existence or absence of donor-imposed restrictions as follows:

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no restrictions by donors as to their use.

The Organization’s Board of Directors established a board-designated fund, the Hispanic Federation Legacy Fund (“Legacy Fund”), with the expressed purpose of using it as the future basis for the creation of an organizational endowment, which would be duly constituted and managed by the Organization’s Board of Directors. The purpose of the Organization’s Legacy Fund is to help ensure the long-term financial stability of the mission, programs, employment, and ongoing operations of the Organization. The Legacy Fund may only be spent with the prior approval of the Executive Committee of the Board of Directors. No funds were appropriated or withdrawn from the fund during 2022 and 2021.

Activity of the board designated fund was as follows:

	<u>12/31/22</u>	<u>12/31/21</u>
Balance – beginning of year	\$6,386,667	\$5,900,000
Transfers in	<u>960,230</u>	<u>486,667</u>
Balance – end of year	<u>\$7,346,897</u>	<u>\$6,386,667</u>

- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

d. Revenue Recognition

The Organization follows the requirements of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) 958-605 for recording contributions, which are recognized at the time a contribution becomes unconditional in nature. Contributions are recorded in one of the classes of net assets described above, depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the

same period they are received, they are classified as without donor restrictions. The donor-advised funds are recorded at fair value. See Note 4 for additional details.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments or release from obligations and are recognized as income once the conditions have been substantially met.

Government grants have been evaluated and are considered to be conditional non-reciprocal transactions that fall under the scope of FASB ASC 958-605. Revenue from these transactions is recognized when qualifying expenditures are incurred, performance related outcomes are achieved, and other conditions under the agreements are met. Cash received in advance of the conditions being met is treated as a liability.

Contributions and grants expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques.

Management assesses the collectability of all outstanding receivables based upon historical trends and experience with donors. Based on that review, management has concluded that all receivables are collectible. As such, no allowance for uncollectable accounts was deemed necessary as of December 31, 2022 and 2021.

e. Cash and Cash Equivalents

The Organization considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents, except for cash held with an investment custodian for long-term purposes.

f. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk consist of cash, money market accounts, and investment securities placed with financial institutions that management deems to be creditworthy. At year-end and at various times throughout the year, balances were in excess of insured amounts. The Organization did not suffer any losses due to bank failure.

g. Management Estimates

The preparation of financial statements in accordance 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. Actual results could differ from those estimates.

h. Investments

Investments are recorded at fair value, which is defined as the price that would be received when selling an asset in an orderly transaction between market participants at the measurement date. Unrealized gains and losses and investment management fees are included in the statement of activities.

i. Property and Equipment

Equipment and furniture that exceed a predetermined amount and have a useful life of greater than one year are recorded at cost or fair value at the date of the gift.

Depreciation is computed using the straight-line method over the estimated useful life of the respective asset as follows:

- Buildings: – 39 years
- Building improvements: – 15 years
- Equipment and furniture: – 5-10 years

j. Leases

The Organization 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, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease 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. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option.

k. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The following expenses were allocated using time and effort as the basis:

- Salaries
- Payroll taxes and employee benefits
- Internships and stipends

The following expenses were allocated using salary as the basis:

- Office expenses
- Repairs and maintenance
- Other expenses

Certain shared costs are allocated based on full-time equivalent. All other expenses have been charged directly to the applicable program or supporting services.

l. Advertising

Advertising costs are expensed as incurred.

m. Donated Goods and Services

Donated marketable securities and other non-cash donations are recorded as contributions at fair value on the date of donation. Donated services are recognized in circumstances where the service creates or enhances a non-financial asset or where those services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided in-kind.

Board members and other individuals volunteer their time and perform a variety of services that assist the Organization. These services do not meet the criteria outlined above and have not been recorded in the financial statements.

The Organization received media time, publications, outreach and education support valued at \$1,189,327 and \$1,786,969 during the year ended December 31, 2022 and 2021, respectively. Contributed services are valued at the estimated fair value based on the assessment of the cost of such items had they been purchased on the open market.

n. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for periods ending December 31, 2019 and later are subject to examination by applicable taxing authorities.

o. Prior Year Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2021, from which the summarized information was derived.

Note 3 - Investments

Accounting standards have established a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investments consist of:

	<u>12/31/22</u>	<u>12/31/21</u>
Investments for donor advised funds	\$4,141,365	\$3,871,236
Other Investments	<u>7,785,351</u>	<u>8,242,460</u>
Total	<u>\$11,926,716</u>	<u>\$12,113,696</u>

The fair value hierarchy is as follows:

	December 31, 2022			
	Level 1	Level 2	Other (a)	Total
Cash	\$2,551,777	\$0	\$0	\$2,551,777
Fixed income funds	3,037,549	0	0	3,037,549
Equity funds	5,986,826	0	0	5,986,826
Real estate funds	170,628	0	0	170,628
Hedge funds	0	0	179,936	179,936
Total	<u>\$11,746,780</u>	<u>\$0</u>	<u>\$179,936</u>	<u>\$11,926,716</u>

	December 31, 2021			
	Level 1	Level 2	Other (a)	Total
Cash	\$3,111,032	\$0	\$0	\$3,111,032
Common stock	5,787	0	0	5,787
Fixed income funds	2,894,977	0	0	2,894,977
Equity funds	5,917,847	0	0	5,917,847
Hedge funds	0	0	184,053	184,053
Total	<u>\$11,929,643</u>	<u>\$0</u>	<u>\$184,053</u>	<u>\$12,113,696</u>

(a) Hedge funds are reported at fair value utilizing the net asset values provided by fund managers. Investments measured at fair value using the net asset value per share (or its equivalent) practical expedient have been excluded from the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Level 1 securities are valued at the closing price reported on the active market they are traded on.

The following summarizes investment return:

	12/31/22	12/31/21
Interest and dividends income	\$243,639	\$203,633
Realized and unrealized (loss)/gain	(1,900,862)	833,290
Investment fees	<u>(55,815)</u>	<u>(83,974)</u>
Total investment return	<u>(\$1,713,038)</u>	<u>\$952,949</u>

Note 4 - Donor Advised Funds

The Organization has donor-advised funds. The funds allow individuals to make a charitable donation, receive an immediate tax deduction and then recommend grants from the fund over time. The funds received that have been designated for the donor advised fund are assets of the Organization. Donors can contribute to the fund as frequently as they like and then recommend grants whenever the timing is right for them. The Organization ultimately has discretion on how to distribute the funds.

Activity in the Organization's donor-advised funds can be summarized as follows:

December 31, 2022			
	Miranda Family Fund	Aaron Sanchez Scholarship Fund	Total
Beginning	\$3,509,794	\$361,442	\$3,871,236
Contributions	3,640,431	36,901	3,677,332
Grants	(2,705,774)	(367,839)	(3,073,613)
Investment income (net of fees)	<u>(304,230)</u>	<u>(29,360)</u>	<u>(333,590)</u>
Ending	<u>\$4,140,220</u>	<u>\$1,144</u>	<u>\$4,141,365</u>

December 31, 2021			
	Miranda Family Fund	Aaron Sanchez Scholarship Fund	Total
Beginning	\$1,992,644	\$179,565	\$2,172,209
Contributions	3,380,298	113,269	3,493,567
Grants	(1,982,943)	0	(1,982,943)
Investment income (net of fees)	<u>119,795</u>	<u>68,608</u>	<u>188,403</u>
Ending	<u>\$3,509,794</u>	<u>\$361,442</u>	<u>\$3,871,236</u>

Note 5 - Contributions Receivable

Contributions receivable are expected to be collected in the following periods:

Year ending:	December 31, 2023	\$6,152,845
	December 31, 2024	1,100,000
	December 31, 2025	600,000
	December 31, 2026	<u>100,000</u>
		7,952,845
Less: discount to present value at 4.25%		<u>(144,000)</u>
Total		<u>\$7,808,845</u>

Note 6 - Operating Lease Right-of-Use Asset and Operating Lease Liability

The Organization evaluated current contracts to determine which met the criteria of a lease. The ROU assets represent the Organization's right to use underlying assets for the lease term, and the lease liabilities represent the Organization'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. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. The weighted-average discount rate applied to calculate lease liabilities as of December 31, 2022 was 0.59%.

The Organization leases space in Connecticut, New York, Florida and Puerto Rico under lease agreements expiring at various dates through December 4, 2024, which were determined to be operating leases.

For the year ended December 31, 2022, the total operating lease cost was \$219,325 and total short-term lease cost was approximately \$117,666. As of December 31, 2022, the weighted-average remaining lease term for the Organization's operating leases was approximately 15 months.

Cash paid for operating leases for the year ended December 31, 2022 was \$333,747. There were no noncash investing and financing transactions related to leasing other than the transition entry described in Note 2b.

The aggregate future minimum lease payments under those operating leases as of December 31, 2022 were as follows:

Year ending:	December 31, 2023	\$200,653
	December 31, 2024	<u>112,347</u>
Total		<u>\$313,000</u>

Note 7 - Property and Equipment

Property and equipment assets consist of the following:

	<u>12/31/22</u>	<u>12/31/21</u>
Land	\$599,813	\$599,813
Building	5,702,787	5,702,787
Building improvements	50,657	44,052
Equipment, furniture, and automobile	<u>1,059,663</u>	<u>1,008,446</u>
	7,412,920	7,355,098
Less: accumulated depreciation	<u>(3,248,946)</u>	<u>(3,003,443)</u>
Total property and equipment	<u>\$4,163,974</u>	<u>\$4,351,655</u>

Note 8 - Commitments and Contingencies

The Organization participates in several federal, state, and other grant programs governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at December 31, 2022 may be impaired.

In the opinion of management, there are no significant contingent liabilities related to non-compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

From time to time, the Organization may become involved in litigation incidental to its business. Based on the Organization's understanding of the facts of any such matters and, where necessary, the advice of counsel, management does not believe that matters currently pending, either individually or in the aggregate, will have a material impact on the Organization's financial position or results of operations.

Note 9 - Net Assets With Donor Restrictions

Educational projects consist of two programs: the college readiness, education, access, and retention program ("CREAR") and the Latino educational advancement project ("LEAP"). CREAR provides college students with a comprehensive support system, including peer mentors, leadership seminars, professional mentorships, specialized academic support, and internship opportunities. LEAP uses advocacy, coalition building, and public education-focused activities to promote high-quality educational standards and practices, which improves the long-term success of Latino students.

The UNIDOS Disaster Relief and Recovery Program was created after the immense devastation of Puerto Rico by Hurricane Maria. The program aims to serve the immediate and long-term needs of families and communities in Puerto Rico. The Organization has distributed millions of pounds of food, water, and essentials to those most affected by the hurricane in Puerto Rico. The Organization has also provided emergency relief assistance to countries in Central and South America, such as Mexico and Guatemala, affected by natural disasters.

Digital Career Nonprofit Accelerator program – the Organization received a grant to launch a groundbreaking accelerator program to help Latino workforce development providers meet the challenge of preparing workers today for the jobs of tomorrow. The program allows the Organization to work with 20 Latino nonprofit organizations across the nation to provide "career-aligned" digital skills training to thousands of Latinos.

COVID Assistance – The Organization created the most far-reaching Latino COVID-19 relief effort in the nation, partnering with over 280 community nonprofits to respond to urgent calls for help from New York to California, from Florida to Oregon, providing over \$16 million in emergency relief funding to organizations and businesses in need.

Activity in the class of net assets with donor restrictions is as follows:

	December 31, 2022			
	Beginning Balance <u>1/1/22</u>	<u>Increases</u>	Released from <u>Restrictions</u>	Ending Balance <u>12/31/22</u>
Program restricted:				
Digital Career Nonprofit Accelerator program	\$230,053	\$3,545,000	(\$380,586)	\$3,394,467
Civic Participation	534,652	2,349,784	(1,802,276)	1,082,160
Educational programs	632,005	452,300	(483,360)	600,945
Community Assistance	845,368	560,000	(440,274)	965,094
Advocacy	382,343	928,885	(717,908)	593,320
Technical Assistance	5,267,576	1,191,748	(1,440,482)	5,018,812
Organization Development Assistance	148,400	1,000,000	(884,915)	263,485
Other	85,031	991,525	(210,122)	866,434
COVID-19 Pandemic Assistance	16,192,890	75,000	(7,665,030)	8,602,860
Hurricane relief	0	3,845,446	(567,640)	3,277,806
UNIDOS Disaster Relief and Recovery program	<u>7,477,283</u>	<u>1,419,055</u>	<u>(1,526,622)</u>	<u>7,369,716</u>
Total program restricted	<u>\$31,795,601</u>	<u>\$16,358,713</u>	<u>(\$16,119,215)</u>	<u>\$32,035,099</u>

	December 31, 2021			
	Beginning Balance <u>1/1/21</u>	<u>Increases</u>	Released from <u>Restrictions</u>	Ending Balance <u>12/31/21</u>
Program restricted:				
Digital Career Nonprofit Accelerator program	\$209,429	\$1,160,000	(\$1,139,376)	\$230,053
Civic Participation	1,372,308	1,107,458	(1,945,114)	534,652
Educational programs	785,873	381,000	(534,868)	632,005
Community Assistance	675,199	335,000	(164,831)	845,368
Advocacy	55,250	525,000	(197,907)	382,343
Technical Assistance	109,208	5,615,740	(457,372)	5,267,576
Connecticut Operations	0	1,000,000	(851,600)	148,400
Other	86,031	0	(1,000)	85,031
COVID-19 Pandemic Assistance	5,897,777	20,629,258	(10,334,145)	16,192,890
UNIDOS Disaster Relief and Recovery program	<u>10,378,688</u>	<u>1,128,131</u>	<u>(4,029,536)</u>	<u>7,477,283</u>
Total program restricted	<u>\$19,569,763</u>	<u>\$31,881,587</u>	<u>(\$19,655,749)</u>	<u>\$31,795,601</u>

Note 10 - Paycheck Protection Program Loan

During the year ended December 31, 2020, the Organization obtained a loan from the Small Business Administration ("SBA") through the Paycheck Protection Program ("PPP"). Terms of the loan indicated that if certain conditions were met, which included maintaining average work forces during periods subsequent to receipt of the loan funds that were not less than pre-determined historical periods, that the loan, or a portion thereof, would be forgiven.

The Organization accounted for the PPP loan in accordance with FASB ASC 958-605 as a conditional contribution. During the year ended December 31, 2021, the Organization met all conditions for forgiveness and recognized the funds plus accrued interest as revenue. On April 7, 2021 full forgiveness including interest was approved by the SBA.

Note 11 - Special Events

During 2021, the organization held the movie premiere of “Encanto” instead of its annual Gala. In 2022, the organization resumed holding its annual Gala event. Direct expenses of the event that benefited donors are netted with revenue in the public support section of the statement of activities, while other indirect costs of the event are shown as fundraising expenses on the statement of functional expenses

The following summarizes special event income:

	<u>12/31/22</u>	<u>12/31/21</u>
Gross revenue	\$3,118,090	\$1,615,138
Less: expenses with a direct benefit to donor	<u>(475,554)</u>	<u>(32,808)</u>
	2,642,536	1,582,330
Less: other event expenses	<u>(12,867)</u>	<u>(7,325)</u>
Total	<u>\$2,629,669</u>	<u>\$1,575,005</u>

Note 12 - Pension Plan

The Organization sponsors a 403(b)-plan. Under the plan, employees can elect to defer a percentage of their salary, subject to Internal Revenue Code (“IRC”) limits, and the Organization may elect to make a discretionary contribution. The Organization made a discretionary contribution in the amount of \$257,616 and \$167,193 in the years ended December 31, 2022 and 2021, respectively.

Note 13 - Availability and Liquidity

Financial assets at December 31, 2022 available to meet cash needs for general expenditures within one year are as follows:

Cash and cash equivalents	\$20,598,585	
Investments	7,785,351	
Government grants and contracts receivable	2,749,776	
Contributions receivable	7,808,845	
Other receivables	<u>100,000</u>	
Total financial assets		\$39,042,557
Less amounts not available to be used within one year:		
Board designated Legacy Fund		(7,007,458)
Purpose restricted contributions		<u>(32,035,099)</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$0</u>

The Organization regularly monitors liquidity to meet its operational needs. The Organization attempts to operate within a balanced budget and anticipates collecting sufficient revenue from the current year and future year government and other grants to cover general expenditures.

Additionally, as outlined in Note 2c, the Organization's Board of Directors established a board-designated fund, the Hispanic Federation Legacy Fund ("Legacy Fund"). The Legacy Fund may only be spent with the prior approval of the Executive Committee of the Board of Directors.

Note 14 - Subsequent Events

Subsequent events have been evaluated through May 11, 2023, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.

HISPANIC FEDERATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Program Title/Pass-Through Grantor	Award or Pass-through number	Federal AL #	Federal Expenditures	Passed through to Subrecipients
<u>U.S. Department of Health and Human Services:</u>				
Medicaid Cluster				
Medical Assistance Program (Medicaid; Title XIX), passed through New York State Department of Health	C34576GG	93.778	\$279,904 *	\$149,022
Total Medicaid Cluster			279,904	
Children's Health Insurance Program, passed through New York State Department of Health	C34576GG	93.767	21,175	11,255
Networking2Save: CDC's National Network Approach to Preventing and Controlling Tobacco-related Cancers in Special Populations				
passed through National Alliance for Hispanic Health	NU58DP006492	93.431	19,302	
Trans-NIH Research Support				
passed through National Alliance for Hispanic Health	30T20D025277	93.310	57,946	
Scaling the National Diabetes Prevention Program to Priority Populations				
passed through National Alliance for Hispanic Health	1419-02-20	93.261	112,888	
COVID-19 - Immunization Research, Demonstration, Public Information and Educational Training and Clinical Skills Improvement Projects				
passed through National Alliance for Hispanic Health	NH231P922642	93.185	8,483	
COVID-19 - National Organizations of State and Local Officials				
passed through National Alliance for Hispanic Health	U3S42189	93.011	35,980	
Occupational Safety and Health Program, direct	N/A	93.262	131,193	
Total U.S. Department of Health and Human Services			666,871	160,277
<u>U.S. Department of Homeland Security</u>				
COVID-19 - Emergency Food and Shelter National Board Program				
passed through United Way of NYC	Phase 39; ARPAR	97.024	267,208 *	
Total U.S. Department of Homeland Security			267,208	0
<u>U.S. Department of Agriculture</u>				
Pandemic Relief Activities: Farm and Food Worker Relief Grant Program, direct	N/A	10.181	140,393	
Total U.S. Department of Agriculture			140,393	0
<u>U.S. Department of Housing and Urban Development</u>				
CDBG - Entitlement Grants Cluster				
COVID-19 - Community Development Block Grants/Entitlement Grants, passed through Orange County Board of Commissioners	2019-20-11	14.218	15,447	
Community Development Block Grants/Entitlement Grants, passed through Orange County Board of Commissioners	2019-20-11	14.218	67,429	
Total CDBG Cluster / U.S. Department of Housing and Urban Development			82,876	0
Total Federal Expenditures			\$1,157,348	\$160,277

*Indicates a major program

See independent auditor's report on schedule of expenditures of federal awards and the related notes.

HISPANIC FEDERATION, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2022

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Hispanic Federation, Inc. (the "Organization") under programs of the federal government for the year ended December 31, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule of Expenditures of Federal Awards are presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB's *Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Under federal cost principles, certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - Indirect Cost Rate

The Organization has elected to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

Note 4 - Sub-Recipients

The following sub-recipients received federal awards:

<u>AL #</u>	<u>Program Title</u>	<u>Sub-Recipient</u>	<u>Expenditures to Sub-Recipients</u>
93.778	Medical Assistance Program (Medicaid; Title XIX)	Coalition for Hispanic Family Services	\$13,930
93.778	Medical Assistance Program (Medicaid; Title XIX)	Dominican Womens Development Center	25,221
93.778	Medical Assistance Program (Medicaid; Title XIX)	Ryan Nena Community Health Center	28,481
93.778	Medical Assistance Program (Medicaid; Title XIX)	Urban Health Pan Inc.	81,390
93.767	Children's Health Insurance Program	Coalition for Hispanic Family Services	1,052
93.767	Children's Health Insurance Program	Dominican Womens Development Center	1,905
93.767	Children's Health Insurance Program	Ryan Nena Community Health Center	2,151
93.767	Children's Health Insurance Program	Urban Health Pan Inc.	6,147
			<u>\$ 160,277</u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Hispanic Federation, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Hispanic Federation, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated May 11, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Sax CPAs LLP".

New York, NY
May 11, 2023



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Hispanic Federation, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Hispanic Federation, Inc.'s (the "Organization") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2022. The Organization's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States ("*Government Auditing Standards*"); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("*Uniform Guidance*"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 to be significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended December 31, 2022 and have issued our report thereon dated May 11, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in blue ink that reads "Sax CPAs LLP".

New York, NY
September 29, 2023

HISPANIC FEDERATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: UNMODIFIED

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? X Yes No

Type of auditor’s report issued on compliance
for major programs: UNMODIFIED

Any audit findings disclosed that are required
to be reported in accordance with
Uniform Guidance, Section 516(a)? X Yes No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>93.778</u>	<u>Medical Assistance Program</u>
<u>97.024</u>	<u>Emergency Food and Shelter National Board Program</u>

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

HISPANIC FEDERATION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

2022-001 – Procurement Suspension & Debarment

Program: AL# 97.024 – Emergency Food and Shelter National Board Program

Sponsor Award Number: Phase 39; ARPAR

Sponsor Agency: U.S. Department of Homeland Security

Criteria: Non-federal entities that are operating federal programs must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. This includes utilizing appropriate procurement methods and following requirements for each method selected. If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources (2 CFR section 200.320(b)).

Citation: 2 CFR section 200.320(b)

Condition: The Organization did not obtain price or rate quotes from an adequate number of qualified sources.

Cause: Although the Organization's procurement policies and procedures are updated to comply with the Uniform Guidance, they were not consistently followed.

Effect: Failure to obtain price or quotes from an adequate number of qualified sources may result in ineffective use of government funds.

Questioned Costs: None.

Context: During our testing of the Organization's procurement requirements, we noted a lack of documentation supporting the Organization's review of an adequate number of qualified sources before the procurement decision was made.

Repeat Finding: No

Recommendation: We recommend that the Organization implement monitoring procedures to ensure internally established procurement policies are followed. Documentation should include the rationale for the method of procurement used, the basis for contractor selection, and the basis for the contract price.

Views of Responsible Officials: See Corrective Action Plan.

Management Response and Corrective Action Plan
Audit of Each Major Federal Program as Required by the Uniform Guidance
December 31, 2022

Finding Number	Description	Management Response	Corrective Action Plan
2022-001	The Organization did not obtain price or rate quotes from an adequate number of qualified sources. Although the Organization's procurement policies and procedures are updated to comply with the Uniform Guidance, they were not consistently followed.	Price or rate quotes were not obtained from more than one source; however, qualitative information about several sources was obtained to make a decision.	Price or rate quotes will be obtained from three different sources when required by the Uniform Guidance. Doris Guzman will monitor budget projections to determine which expenses will require implementation of the appropriate level of procurement procedures that must be followed. Additionally, Hispanic Federation's program managers will be trained on how to execute the Hispanic Federation Procurement Policy. Finally, Hispanic Federation's new Compliance Department will review contracts to determine compliance needs.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2022**

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None