



Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Financial Statements
and
Independent Auditor's Report

December 31, 2022 and 2021

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

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Independent Auditor's Report

Board of Directors
Women's Economic Self-Sufficiency Team, Corp
and Controlled Affiliate

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of the Women's Economic Self-Sufficiency Team, Corp and its controlled affiliate, WESST Real Estate Holdings, LLC (collectively referred to as "WESST") (a nonprofit organization), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of WESST as of December 31, 2022 and 2021, and the changes in their net assets and their 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 and the standards applicable to financial audits contained in *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 WESST 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about WESST'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 generally accepted auditing standards 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 consolidated 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 WESST'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about WESST'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 consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements.

The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2023, on our consideration of WESST'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 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 WESST'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 WESST's internal control over financial reporting and compliance.

Loftis & Lovato Group

Albuquerque, New Mexico
April 20, 2023

Consolidated Financial Statements

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Consolidated Statements of Financial Position December 31,

	<u>2022</u>	<u>2021</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 1,919,859	\$ 2,660,439
Cash held for others	22,415	29,120
Contributions receivable - current portion	132,685	75,031
Grants and accounts receivable, net	842,435	159,595
Loans receivable - current portion	307,131	235,861
Prepaid expenses	42,783	33,129
Total current assets	<u>3,267,308</u>	<u>3,193,175</u>
Restricted cash	660,084	925,741
Contributions receivable - less current portion	133,982	58,443
Loans receivable - less current portion, net	524,985	342,556
Property and equipment, net	6,469,447	6,618,727
Beneficial interest in assets held by others	17,662	18,657
Deposits	3,549	8,890
Total assets	<u>\$ 11,077,017</u>	<u>\$ 11,166,189</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	\$ 11,909	\$ 31,192
Accrued liabilities	77,148	84,666
Deferred revenue	-	89,118
Funds held for others	22,415	29,120
Lease liability - current portion	16,188	13,764
Notes payable - current portion	137,185	135,758
Total current liabilities	<u>264,845</u>	<u>383,618</u>
Deposits	16,642	14,643
Secured debt	105,172	43,695
Capital lease payable	448,896	440,377
Lease liability - less current portion	40,096	1,169
Notes payable - less current portion	433,035	580,734
Total liabilities	<u>1,308,686</u>	<u>1,464,236</u>
Net assets		
Without donor restriction	8,359,390	8,897,462
With donor restriction	1,408,941	804,491
Total net assets	<u>9,768,331</u>	<u>9,701,953</u>
Total liabilities and net assets	<u>\$ 11,077,017</u>	<u>\$ 11,166,189</u>

The accompanying notes are an integral part of these financial statements.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Consolidated Statement of Activities For the Year Ended December 31, 2022

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Grants and contracts	\$ 1,895,852	\$ -	\$ 1,895,852
Contributions	376,206	662,287	1,038,493
WEC membership and services	287,161	-	287,161
In-kind contributions	199,137	-	199,137
Special events, net of expenses of \$52,669	-	134,089	134,089
Interest and loan fees	27,756	-	27,756
Consulting, training and other	12,100	-	12,100
Net assets released from restriction	<u>191,926</u>	<u>(191,926)</u>	<u>-</u>
Total support and revenue	<u>2,990,138</u>	<u>604,450</u>	<u>3,594,588</u>
Expenses			
Program services			
Business consulting and training	2,415,497	-	2,415,497
Financial assistance	<u>635,774</u>	<u>-</u>	<u>635,774</u>
Total program services	<u>3,051,271</u>	<u>-</u>	<u>3,051,271</u>
Supporting services			
Management and general	342,868	-	342,868
Fundraising	<u>134,071</u>	<u>-</u>	<u>134,071</u>
Total supporting services	<u>476,939</u>	<u>-</u>	<u>476,939</u>
Total expenses *	<u>3,528,210</u>	<u>-</u>	<u>3,528,210</u>
Change in net assets	(538,072)	604,450	66,378
Net assets, beginning of year	<u>8,897,462</u>	<u>804,491</u>	<u>9,701,953</u>
Net assets, end of year	<u><u>\$ 8,359,390</u></u>	<u><u>\$ 1,408,941</u></u>	<u><u>\$ 9,768,331</u></u>

* - Total expenses includes non-cash depreciation expense of \$217,152.

The accompanying notes are an integral part of these financial statements.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Consolidated Statement of Activities For the Year Ended December 31, 2021

	Without Donor Restriction	With Donor Restriction	Total
Support and Revenue			
Grants and contracts	\$ 2,305,094	\$ -	\$ 2,305,094
Contributions	300,065	291,861	591,926
WEC membership and services	274,151	-	274,151
In-kind contributions	175,484	-	175,484
Special events, net of expenses of \$47,972	141,861	-	141,861
Interest and loan fees	17,744	-	17,744
Consulting, training and other	1,010	-	1,010
Net assets released from restriction	<u>172,346</u>	<u>(172,346)</u>	<u>-</u>
Total support and revenue	<u>3,387,755</u>	<u>119,515</u>	<u>3,507,270</u>
Expenses			
Program services			
Business consulting and training	2,138,082	-	2,138,082
Financial assistance	<u>604,396</u>	<u>-</u>	<u>604,396</u>
Total program services	<u>2,742,478</u>	<u>-</u>	<u>2,742,478</u>
Supporting services			
Management and general	288,153	-	288,153
Fundraising	<u>147,033</u>	<u>-</u>	<u>147,033</u>
Total supporting services	<u>435,186</u>	<u>-</u>	<u>435,186</u>
Total expenses *	<u>3,177,664</u>	<u>-</u>	<u>3,177,664</u>
Change in net assets	210,091	119,515	329,606
Net assets, beginning of year	<u>8,687,371</u>	<u>684,976</u>	<u>9,372,347</u>
Net assets, end of year	<u><u>\$ 8,897,462</u></u>	<u><u>\$ 804,491</u></u>	<u><u>\$ 9,701,953</u></u>

* - Total expenses includes non-cash depreciation expense of \$216,799.

The accompanying notes are an integral part of these financial statements.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Consolidated Statement of Functional Expenses For the Year Ended December 31, 2022

	Business Consulting and Training	Financial Assistance	Total Program	Management and General	Fundraising	Total
Salaries	\$ 1,080,153	\$ 383,280	\$ 1,463,433	\$ 174,218	\$ 104,531	\$ 1,742,182
Professional services	240,277	32,051	272,328	30,034	1,653	304,015
Advertising	251,351	-	251,351	102	-	251,453
Depreciation and amortization	151,913	32,553	184,466	32,686	-	217,152
WEC In-kind facility	155,510	27,512	183,022	24,634	-	207,656
Employee benefits	127,189	45,131	172,320	20,514	12,309	205,143
Payroll taxes	79,233	28,115	107,348	12,779	7,668	127,795
Repairs and maintenance	87,143	10,893	98,036	10,893	-	108,929
Occupancy	79,843	21,291	101,134	5,583	-	106,717
Dues and fees	29,920	9,206	39,126	4,604	2,301	46,031
Travel	26,891	5,042	31,933	1,681	-	33,614
Telephone	23,331	6,222	29,553	1,555	-	31,108
Insurance	18,768	5,775	24,543	4,332	-	28,875
Supplies	21,701	275	21,976	4,120	1,373	27,469
Accounting and legal fees	19,490	5,197	24,687	1,300	-	25,987
Training	15,375	4,731	20,106	2,366	1,183	23,655
Provision for loan loss	-	17,428	17,428	-	-	17,428
Miscellaneous	-	-	-	10,032	-	10,032
Printing and postage	7,409	1,072	8,481	84	82	8,647
Interest	-	-	-	1,351	1,690	3,041
Equipment lease	-	-	-	-	1,281	1,281
Total expenses	<u>\$ 2,415,497</u>	<u>\$ 635,774</u>	<u>\$ 3,051,271</u>	<u>\$ 342,868</u>	<u>\$ 134,071</u>	<u>\$ 3,528,210</u>

The accompanying notes are an integral part of these financial statements.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Consolidated Statement of Functional Expenses For the Year Ended December 31, 2021

	Business Consulting And Training	Financial Assistance	Total Program	Management and General	Fundraising	Total
Salaries	984,404	349,305	1,333,709	158,774	95,265	1,587,748
Professional services	337,217	10,349	347,566	443	30,371	378,380
Advertising	8,537	-	8,537	120	347	9,004
Depreciation	151,760	32,520	184,280	32,519	-	216,799
WEC In-kind facility	134,625	8,345	142,970	41,033	-	184,003
Employee benefits	86,047	30,533	116,580	13,879	8,326	138,785
Payroll taxes	71,828	25,487	97,315	11,585	6,952	115,852
Repairs and maintenance	91,610	7,169	98,779	4,150	-	102,929
Occupancy	93,969	3,585	97,554	-	-	97,554
Dues and fees	30,925	7,291	38,216	3,092	3,820	45,128
Travel	10,224	2,005	12,229	753	301	13,283
Telephone	26,661	7,110	33,771	1,777	-	35,548
Insurance	20,463	6,296	26,759	4,723	-	31,482
Supplies	17,155	219	17,374	3,352	907	21,633
Accounting and legal fees	40,817	1,063	41,880	159	-	42,039
Training	24,767	-	24,767	1,490	-	26,257
Miscellaneous	-	-	-	10,267	-	10,267
Printing and postage	6,843	308	7,151	37	744	7,932
Interest	142	1,811	1,953	-	-	1,953
Equipment lease	88	-	88	-	-	88
IDA match contribution	-	111,000	111,000	-	-	111,000
Total expenses	<u>2,138,082</u>	<u>604,396</u>	<u>2,742,478</u>	<u>288,153</u>	<u>147,033</u>	<u>3,177,664</u>

The accompanying notes are an integral part of these financial statements.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Consolidated Statements of Cash Flows For the Years Ended December 31,

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Cash received from grants and contracts	\$ 1,389,551	\$ 2,056,614
Cash received from contributions	905,300	658,956
Cash received from WEC membership and services	301,260	276,510
Cash received from special events	186,758	189,833
Interest and loan fees received	28,751	14,990
Cash paid to employees and suppliers	(3,166,071)	(2,797,412)
Interest paid	<u>(3,426)</u>	<u>(1,953)</u>
Net cash (used) provided by operating activities	<u>(357,877)</u>	<u>397,538</u>
Cash flows from investing activities		
Purchases of equipment and improvements	(22,573)	(81,179)
Loan repayments	473,328	375,030
Loans issued	<u>(744,455)</u>	<u>(296,938)</u>
Net cash used provided by investing activities	<u>(293,700)</u>	<u>(3,087)</u>
Cash flows from financing activities		
Proceeds from secured borrowings	76,005	1,703
Principal payments on secured borrowings	(14,528)	(31,236)
Capital lease payments	(4,208)	-
Principal payments on notes payable	<u>(146,272)</u>	<u>(145,259)</u>
Net cash used by financing activities	<u>(89,003)</u>	<u>(174,792)</u>
Net (decrease) increase in cash and cash equivalents	(740,580)	219,659
Cash and cash equivalents, beginning of year	<u>2,660,439</u>	<u>2,440,780</u>
Cash and cash equivalents, end of year	<u>\$ 1,919,859</u>	<u>\$ 2,660,439</u>

The accompanying notes are an integral part of these financial statements.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Consolidated Statements of Cash Flows - continued For the Years Ended December 31,

	<u>2022</u>	<u>2021</u>
Reconciliation of change in net assets to net cash (used) provided by operating activities		
Change in net assets	<u>\$ 66,378</u>	<u>\$ 329,606</u>
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities		
Depreciation and amortization	217,152	216,799
Loss on investment	-	15,000
Interest amortization	8,862	8,519
Provision for loan losses	17,428	-
Changes in assets and liabilities		
Contributions receivable	(133,193)	67,030
Right of use asset - operating lease	24,386	-
Grants and accounts receivable	(682,840)	(42,615)
Prepaid expenses	(9,654)	(24,845)
Restricted cash	265,657	109,230
Beneficial interest in assets held by others	995	(2,754)
Deposits	5,341	-
Accounts payable	(19,283)	31,192
Accrued liabilities	(7,518)	4,122
Lease liability - operating lease	(24,469)	-
Deferred revenue	(89,118)	(315,095)
WEC Deposits	1,999	1,349
Total adjustments	<u>(424,255)</u>	<u>67,932</u>
Net cash provided by operating activities	<u>\$ (357,877)</u>	<u>\$ 397,538</u>

The accompanying notes are an integral part of these financial statements.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2022 and 2021

1) The Organization

The Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate (WESST), is a nonprofit corporation organized to assist individuals to start and grow businesses in New Mexico.

WESST Real Estate Holdings, LLC (the "Affiliate") was formed in 2009 under the New Mexico Limited Liability Company Act to engage in real estate investment and management activities. The Affiliate is intended to be a disregarded entity for federal income tax purposes. The composition of the Board of Directors for each entity is identical, and WESST is the sole member of the Affiliate. The Affiliate may not engage in any activity that would adversely affect WESST's status as a tax-exempt organization under Section 501(c) of the Internal Revenue Code.

WESST accomplishes its mission through the following programs:

Business Consulting and Training – Through individual and small group consultations, clients are coached in areas such as sales and marketing, production, management and finance. Group workshops are also presented on basic and advanced business topics.

Financial Assistance – A revolving loan fund for small businesses which are unable to obtain financing from banks or other traditional sources and assistance in accessing other financial resources is available.

To deliver some of its program services, WESST uses the WESST Enterprise Center (WEC) which is a 37,000 square-foot mixed-use business incubation facility accommodating up to twenty light manufacturing, service, professional and technology businesses.

WESST's major sources of revenue are federal grants, contributions and earned income.

Basis of Accounting

The consolidated financial statements of WESST have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables and liabilities.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2022 and 2021

2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements present the consolidated financial position, changes in, cash flows and functional expenses of WESST and its Affiliate. All significant intercompany accounts and transactions have been eliminated. WESST has board control and an economic interest in the Affiliate. Accordingly, the Affiliate's financial statements have been consolidated with WESST's financial statements.

The financial statements of WESST have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require WESST to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restriction: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of WESST's management and the board of directors.

Net assets with donor restriction: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of WESST or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restriction. When a restriction expires, net assets are reclassified from net assets with donor restriction to net assets without donor restriction in the consolidated statements of activities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. The allowance for loan losses is a significant estimate in these consolidated financial statements. It is reasonably possible that actual loan losses could differ from management's estimates of loan losses.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2022 and 2021

2) Summary of Significant Accounting Policies — continued

Financial Instruments

WESST's financial instruments include cash and cash equivalents, restricted cash, receivables, accounts payable, accrued liabilities, deferred revenue, secured debt and notes payable. WESST estimates that the fair value of all financial instruments at December 31, 2022 and 2021 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Donated Services and Materials

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-10-20, WESST recognizes contributed services if the services create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. Recognized contributed services are recorded at the estimated fair value of the services on the date of donation. Donated materials are recorded at estimated fair value on the date of donation.

Support

WESST reports contributions of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or specify the time period for which the assets may be expended. When a donor restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the statements of activities as net assets released from restriction. Donor restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restriction.

Revenue from Contracts with Customers

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. The guidance requires WESST to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which WESST expects to be entitled in exchange for those goods or services.

The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgements, changes in judgements, and assets recognized from the costs to obtain or fulfill a contract.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2022 and 2021

2) Summary of Significant Accounting Policies — continued

Revenue from Contracts with Customers - continued

WESST has contracts to provide working space in their incubator to tenants. Revenue related to these contracts are recognized as WESST Enterprise Center membership services revenue. Payment can be received before or after services are provided. Payments received after services are considered receivables and payments received before services are considered deferred revenue.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits at banks and savings accounts at financial institutions. For purposes of the consolidated statements of cash flows, WESST considers all unrestricted highly liquid investments with an original maturity of three months or less to be cash equivalents and excludes restricted cash.

In accordance with certain agreements, WESST maintains separate cash and cash equivalent accounts for Individual Development Account (IDA) custodial accounts and the fiscal agent relationship and various loan loss reserve accounts related to the loan program. This program was finished and all IDA accounts were removed in fiscal year 2021.

Restricted Cash and Cash Held for Others

Restricted cash is cash that WESST has received from the Small Business Investment Corporation (SBIC) and various federal agencies which require the cash to be held for the loan program and related loan loss reserve accounts. This amount was approximately \$660,000 and \$926,000 at December 31, 2022 and 2021, respectively. WESST was also the fiscal agent for another entity. This cash held for others was approximately \$22,000 and \$29,000 at December 31, 2022 and 2021, respectively.

Loans Receivable

Loans receivable are carried at face value and adjusted by an allowance for loan losses. WESST classifies loans receivable as current if maturity is one year or less. Interest income on loans receivable is recorded monthly. Related loan fees required at closing are minimal, and as such, are recorded as income when the loan is disbursed. Loans are collateralized by any combination of the following: deposit accounts, real estate, inventory, accounts receivable, furniture, equipment, vehicles, and assignment of contracts and life insurance policies. WESST's access to collateral is determined by legal collection proceedings.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2022 and 2021

2) Summary of Significant Accounting Policies — continued

Loans Receivable - continued

Loans are recorded when funds are disbursed. Collectability of loans receivable is evaluated monthly and the loan loss reserve is adjusted accordingly.

The accrual of interest is discontinued on loans evaluated to be potentially uncollectible. Interest accrual resumes when certainty of repayment is determined. Loans are written off as uncollectible only after collateral has been satisfied and all legal action for recovery is exhausted. Loans are determined to be delinquent based on the number of days required payments are past due.

Allowance for Loan Losses

WESST provides a valuation allowance for estimated losses on loans when a significant and permanent decline in value occurs or is anticipated. The allowance for loan losses is based on established guidelines for loan grades, which specify reserve requirements. The factors that influence reserve requirements include available borrower financial information, period of payment delinquency, and borrower responsiveness. WESST management calculates an estimate for loan losses based on these factors.

Receivables

Grants and accounts receivable are primarily for cost-reimbursement governmental grants. Contributions receivable consist of amounts due from foundations and similar organizations. An allowance for doubtful accounts is based on an analysis of expected collections as determined from past history and management experience. No allowance was considered necessary at December 31, 2022 and 2021.

Property and Equipment

Purchased property and equipment is stated at cost. Property and equipment received by donation is recorded at the estimated fair value on the date of donation. Such donations are reported as support without donor restriction unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as support with donor restriction. Absent donor stipulations regarding how long those donated assets must be maintained, WESST reports the expiration of donor restriction when the donated or acquired assets are placed in service as instructed by the donor. WESST reclassifies net assets with donor restriction to net assets without donor restriction at that time. Purchased or donated property in excess of \$5,000 is capitalized. Depreciation is calculated on a straight-line basis in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives, which range from five to forty years.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2022 and 2021

2) Summary of Significant Accounting Policies — continued

Income Taxes

WESST is a nonprofit organization and qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. WESST regularly evaluates activities as it relates to its tax-exempt status. If WESST activities are determined to be outside of its tax-exempt status the potential exists for tax liabilities on those unrelated activities. Currently, WESST engages in no activities that result in unrelated business net income. Accordingly, no provision for income taxes has been reflected in WESST's consolidated financial statements. WESST's income tax filings are subject to audit by various taxing authorities. WESST's open audit periods are for the years ended December 31, 2019 and thereafter.

Advertising Costs

Marketing and public relations costs are expensed as incurred.

Functional Allocation of Expenses

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

The expenses that are allocated include the following:

Expense	Method of Allocation
Salaries	Time spent
Professional services	Specific identification
Advertising	Specific identification
Depreciation	Square footage
WEC In-kind facility	Specific identification
Employee benefits	Time spent

Subsequent Events

WESST's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position and before the financial statements are available to be issued. WESST has evaluated subsequent events through April 20, 2023 which is the date the financial statements were available to be issued.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2022 and 2021

3) Loans Receivable

WESST had loans receivable of approximately \$832,000 and \$578,000, net of allowance for loan losses, at December 31, 2022 and 2021, respectively.

Changes in the allowance for loan losses were the following for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Balance at beginning of year	\$ 57,088	\$ 57,088
Provision for loan losses	<u>15,270</u>	<u>-</u>
Total	<u>\$ 72,358</u>	<u>\$ 57,088</u>

Loan balances of approximately \$0 and \$2,410 had loan payments past due more than thirty days as of December 31, 2022 and 2021, respectively. Additionally, loans of approximately \$115,500 and \$55,000 had original principal repayment terms modified during 2022 and 2021, respectively.

There were no loan balances on nonaccrual status as of December 31, 2022 and 2021. There were no loan balances past due more than ninety days at December 31, 2022 and 2021.

Because of the inherent uncertainties in estimating the allowance for loan losses, it is at least reasonably possible that the estimates used will change within the near term.

4) Contributions Receivable

Contributions receivable represent contribution amounts committed from individuals, entities and foundations. Specifically, the Visionary Pledge Campaign and foundation grants have resulted in contributions receivable to be collected over several years. The amounts of approximately \$975,000, \$82,000, \$47,000, \$4,000 and \$500 are to be collected annually from 2023 through 2027, respectively. Because of the inherent uncertainties in estimating the allowance for doubtful loans and accounts, it is at least reasonably possible that the estimates used will change within the near term.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2022 and 2021

5) Net Assets with Donor Restriction

Net assets with donor restriction consist of the following as of December 31,:

	<u>2022</u>	<u>2021</u>
HOPE Fund	\$ 603,861	\$ 475,861
Money Learning Lab	349,059	24,273
WESST Capacity Building Video Series	200,000	-
Native Women Rising	50,000	-
Visionary pledges	66,669	131,857
Wells Fargo - La Escalera	59,352	150,000
Co-op Capital Loan Program	25,000	-
Silver Soiree 2023	25,000	-
Comcast Foundation	7,500	-
Economic Development Department	12,500	12,500
Endowment funds	10,000	10,000
Total	<u>\$ 1,408,941</u>	<u>\$ 804,491</u>

6) Net Assets Released from Net Assets With Donor Restriction

Net assets released from restriction consist of the following for the years ended December 31,:

	<u>2022</u>	<u>2021</u>
Wells Fargo - La Escalera	\$ 90,648	\$ -
Visionary pledges	77,005	44,496
Money Learning Lab	24,273	9,600
IDA program	-	96,750
Economic Development Department	-	12,500
El Paso Electric	-	9,000
Total	<u>\$ 191,926</u>	<u>\$ 172,346</u>

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2022 and 2021

7) Donated Assets, Materials and Services

WESST recorded the following in donated assets, materials and services for the years ended December 31,:

	<u>2022</u>	<u>2021</u>
Facilities	\$ 75,977	\$ 92,378
Professional and consulting services	114,101	80,052
Equipment, supplies and materials	<u>9,059</u>	<u>3,054</u>
	<u>\$ 199,137</u>	<u>\$ 175,484</u>

Donated materials and services were primarily used in WEC operations.

8) Property and Equipment

Property and equipment consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
WEC capital lease	\$ 6,174,940	\$ 6,174,940
Building	2,324,162	2,349,970
Land improvements	56,064	33,492
Furnishing, fixtures and equipment	168,977	395,364
Right of use asset - operating lease	46,859	14,933
Right of use asset - finance lease	13,375	-
Leasehold improvements	<u>175,867</u>	<u>175,867</u>
	8,960,244	9,144,566
Less : accumulated depreciation and amortization	<u>2,716,510</u>	<u>2,751,552</u>
	6,243,734	6,393,014
Land	<u>225,713</u>	<u>225,713</u>
Property and equipment, net	<u>\$ 6,469,447</u>	<u>\$ 6,618,727</u>

9) Retirement Plan

WESST has a retirement savings plan for its employees. This plan allows participants to make contributions by salary reduction pursuant to Section 408(a) SIMPLE-IRA, of the Internal Revenue Code. Under the terms of the Plan, WESST will match employee contributions up to 3% of compensation. The amount elected to be deferred by the employee cannot exceed the limitations prescribed by law. Employees vest immediately in all employer contributions. WESST's matching contribution for 2022 and 2021 was approximately \$29,000 for each year.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2022 and 2021

10) Secured Debt

WESST has a memorandum of agreement with the New Mexico Small Business Investment Corporation (NMSBIC) to cooperatively fund business loans to New Mexico's artisan community. WESST has complete discretion over the loan portfolio and WESST is responsible for the administration of the program. The NMSBIC agrees to purchase up to 75% of the loan principal disbursed by WESST, up to maximum of \$375,000. WESST pays interest to the NMSBIC at an annual rate of 3% of the outstanding principal balance of funds provided by the NMSBIC. Loan losses within the portfolio are shared 75% by the NMSBIC and 25% by WESST. As WESST collects payments on the loans, it repays 75% of the principal to the NMSBIC. At December 31, 2022 and 2021, the outstanding principal balance of funds provided by the NMSBIC to this program was approximately \$44,000 and \$73,000, respectively.

11) Notes Payable

The following is a summary of notes payable related to loan programs as of December 31:

	<u>2022</u>	<u>2021</u>
Note payable to U.S. Small Business Administration, due in monthly installments of \$7,421, including interest ranging from .25% to 1.5%, with final payments due August 19, 2026. Secured by loans receivable and loss reserve funds.	\$ 236,677	\$ 325,024
Note payable to U.S. Small Business Administration, due in monthly installments of \$4,767, including interest ranging from .625% to 2.625%, with final payments due December 23, 2029. Secured by loans receivable and loss reserve funds.	<u>333,543</u>	<u>391,468</u>
Notes payable	<u>570,220</u>	<u>716,492</u>
Less current portion	<u>137,185</u>	<u>139,466</u>
Notes payable - less current portion	<u>\$ 433,035</u>	<u>\$ 577,026</u>

**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**

**Notes to Consolidated Financial Statements
December 31, 2022 and 2021**

11) Notes Payable – continued

Future principal payments on the notes payable are as follows:

<u>Year ending December 31,</u>	
2023	\$ 137,185
2024	138,698
2025	110,555
2026	52,596
Thereafter	<u>131,186</u>
	<u>\$ 570,220</u>

12) **Capital Lease - Building**

In December 2008, the construction of the WEC was completed and WESST took occupancy of the building. The WEC is a 37,000 square foot business incubation facility and is designated to house and support local start-up businesses. The construction was a collaborative effort between WESST and the City of Albuquerque (the "City"), with funds for construction provided by both public and private sources. All public funds related to construction and equipping the WEC were received, managed and disbursed by the City. The estimated cost of the building, including land, is approximately \$8,750,000.

The Local Economic Development Act Project Participation Agreement (LEDA Agreement), signed by WESST and the City in November 2010, established the arrangement regarding the use and ownership of the WEC (this agreement supercedes two prior agreements between WESST and the City, signed in 2004 and 2006, respectively). The LEDA Agreement establishes that the City is the owner of record of the building and the land (excluding a portion of the parking lot at 205 Roma, NE which was purchased directly by WESST in 2010), and the City agrees to lease the property to WESST for a minimum period of 20 years at \$1.00 per year, primarily in exchange for economic development activities, the key deliverable of which is job creation.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2022 and 2021

12) Capital Lease – continued

The LEDA Agreement provides an option for WESST to take ownership of the property at any time during the lease term by utilizing: 1) WESST' equity interest in the WEC, b) the Local Economic Development Act process, c) cash or other means of financing, or d) any combination of the aforementioned. WESST's equity interest in the WEC is measured based on variables outlined in the agreement, such as, value of "direct jobs created" and "contributions made" by WESST (e.g. development costs, cash contributions, federal funding, leasehold improvements, etc.).

As of December 31, 2010, WESST had earned enough equity interest to take ownership of the WEC. If and when WESST decides to take ownership of the WEC, the LEDA agreement also states that WESST will repay to the City a \$1,364,000 Urban Development Action Grant (UDAG) loan which was used to purchase the land for the WEC. Per the LEDA Agreement, WESST may "repay" a portion of the UDAG loan with the value of direct new jobs created. At a minimum, if WESST assumes ownership of the WEC, WESST will repay \$500,000 of the original UDAG loan in cash to the City. The \$500,000 repayment is structured at zero percent interest in 25 equal annual installments beginning one year from the day WESST assumes ownership of the WEC. Pursuant to the LEDA Agreement, if WESST does not take ownership of the WEC, the UDAG loan will not be repaid by WESST pursuant to LEDA Ordinance F/S-0-04-10.

Because the LEDA Agreement and prior agreements between the City and WESST have included opportunities for WESST to acquire ownership of the WEC for a purchase price that is significantly less than fair market value, management considered the lease agreements to contain a bargain purchase option, and the lease was recorded as a capital lease. At December 31, 2022 and 2021, the capital lease payable is recorded at the present value of future minimum lease payments for the amount owed to the City of approximately \$449,000 and \$440,000, assuming an interest rate of 3.5% over a period of twenty-one years.

In the event that the City or WESST invests capital into the WEC in the future, the equity in the WEC will adjust accordingly.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2022 and 2021

12) Capital Lease – continued

For the purposes of recording the in-kind interest on the capital lease, management assumes a 3.5% interest rate, which resulted in in-kind interest of approximately \$8,500 for each of the years ended December 31, 2022 and 2021. Management records the in-kind value of the WEC donated space at \$18 per square foot, resulting in approximately \$76,000 and \$92,000 of in-kind revenue and expense for the years ended December 31, 2022 and 2021.

The adoption of FASB ASC 842 does not affect this lease as it is recorded in kind.

13) Concentrations

WESST maintains its cash balances in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, these cash balances may exceed the insured limits of the FDIC. WESST has not experienced any losses in these cash accounts and believes it is not exposed to any significant credit risk related to uninsured cash balances.

WESST receives a significant portion of its revenues from one federal grant. For the years ended December 31, 2022 and 2021, approximately 44% and 56%, respectively, of total revenue was from this federal grant.

14) Related Parties

Three members of the WESST Board of Directors are employed at local banking institutions where WESST maintains accounts.

15) Endowment Funds

Annual distributions from WESST's endowment can be made pursuant to current Albuquerque Community Foundation policy. The total original balance of restricted funds related to the endowment was \$10,000 for the year ending December 31, 2021 and 2020. There were no distributions in either of the years ending December 31, 2022 or 2021.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements

December 31, 2022 and 2021

16) Liquidity and Availability

Financial assets available for general expenditure within one year of the balance sheet date, consist of the following:

	<u>2022</u>	<u>2021</u>
Financial assets at year end:		
Cash and equivalents - unrestricted	\$ 1,919,859	\$ 2,660,439
Receivables - current portion	<u>1,282,251</u>	<u>470,487</u>
Total financial assets	<u>3,202,110</u>	3,130,926
Less amounts not available to be used within one year:		
Net assets with donor restriction	<u>10,000</u>	<u>10,000</u>
Total financial assets	<u>10,000</u>	<u>10,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 3,192,110</u>	<u>\$ 3,120,926</u>

17) Change in Accounting Principle

Adoption of FASB ASC 842

Effective January 1, 2022, WESST adopted FASB ASC 842, *Leases*. WESST determines if an arrangement contains a lease at inception based on whether WESST had the right to control the asset during the contract period and other facts and circumstances. WESST has elected the package of practical expedients permitted under the transition guidance with the new standard, which among other things, allowed it to carry forward the historical lease classification.

The adoption of FASB ASC 842 resulted in the recognition of right-of-use assets, of \$83,792 and operating lease liabilities of \$84,618. Results for period beginning prior to January 1, 2022, continue to be reporting in accordance with our historical accounting treatment. The adoption of FASB ASC 842 did not have a material impact on WESST's statement of activities or cash flows.

18) Lease Activity

WESST has operating and financing leases of buildings for office space and certain equipment. WESST leases have remaining lease terms of 1 year to 4 years.

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2022 and 2021

18) Lease Activity – continued

The following summarizes the line items in the statements of financial position which include amounts for operating and finance leases as of December 31:

	<u>2022</u>	<u>2021</u>
Operating Leases		
Operating lease right-of-use assets	\$ 46,859	\$ 14,993
Lease liability - current	\$ 11,866	\$ 13,764
Lease liability - long term	35,252	1,169
Total operating lease liabilities	\$ 47,118	\$ 14,933
Finance Lease		
Property and equipment	\$ 13,375	\$ -
Accumulated depreciation	(4,219)	-
Property and equipment, net	\$ 9,156	\$ -
Lease liability - current	\$ 4,322	\$ -
Lease liability - long term	4,844	-
Total finance lease liabilities	\$ 9,166	\$ -

The following summarizes the weighted average remaining lease term and discount rate as of December 31:

	<u>2022</u>	<u>2021</u>
Weighted Average Remaining Lease		
Operating leases	3.91 years	1.08 years
Finance lease	2.06 years	0.00 years
Weighted Average Discount Rate		
Operating leases	3.24%	3%
Finance lease	3.25%	0%

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Consolidated Financial Statements December 31, 2022 and 2021

18) Lease Activity – continued

The maturities of lease liabilities as of December 31, 2022 were as follows:

	<u>Operating</u>	<u>Finance</u>
Year ending December 31:		
2023	\$ 13,169	\$ 4,552
2024	12,000	4,552
2025	12,000	379
2026	12,000	-
2027	1,000	-
Total lease payments	<u>50,169</u>	<u>9,483</u>
Less: interest	<u>(3,051)</u>	<u>(317)</u>
Present value of lease liabilities	<u>47,118</u>	<u>9,166</u>

The following summarizes the line items in the statements of activities which include the components of lease expense for the year ended December 31:

	<u>2022</u>	<u>2021</u>
Operating lease cost	<u>\$ 25,424</u>	<u>\$ 13,582</u>
Finance lease costs:		
Amortization of lease assets	\$ 4,219	\$ -
Interest on lease liabilities	<u>343</u>	<u>-</u>
Total finance lease costs	<u>\$ 4,562</u>	<u>\$ -</u>

The following summarizes cash flow information related to leases for the year ended December 31:

	<u>2022</u>	<u>2021</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 25,990	\$ 13,582
Operating cash flows from finance lease	\$ 343	\$ -
Financing cash flows from finance lease	\$ 4,209	\$ -

Schedule of Expenditures of Federal Awards

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2022

<u>Grantor Agency/Pass-through Grantor/Program Title</u>	<u>Pass-through Grant or Other Identifying Number</u>	<u>Federal Assistance Listing</u>	<u>Federal Expenditures</u>
Small Business Administration			
Microloan Program - Intermediary Lender (Loan Capital)		59.000	\$ 570,220
Women's Business Ownership Assistance		59.043	874,109
Women's Business Ownership Assistance - CARES Act		59.043	495,093
Women's Business Ownership Assistance - Money Learning Lab		59.043	170,410
Microloan Program		59.046	195,169
Total Small Business Administration			<u>2,305,001</u>
Total federal expenditures			<u>\$ 2,305,001</u>

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Notes to Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2022

1) General

The accompanying schedule of expenditures of federal awards presents the activity of all federal programs of Women's Economic Self-Sufficiency Team, Corp and its controlled affiliate, WESST Real Estate Holdings, LLC (collectively referred to as "WESST") reporting entity as described in Note 1 to the consolidated financial statements. All federal awards received from federal agencies are included on the schedule.

2) Basis of Accounting

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 2 to WESST's consolidated financial statements.

3) Indirect Cost Rate

WESST has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance. WESST's administrative costs are included in the applicable grants budget.

4) Federal Loan Programs

The federal loan programs listed below are administered directly by WESST and balances and transactions relating to these programs are included in WESST's consolidated financial statements. Loans made during the year and beginning of year loan balances which require continued compliance monitoring are included in the federal expenditures presented in the schedule of expenditures of federal awards. The federal expenditures and loan balances at December 31, 2022 consist of:

Federal Assistance Listing	Program Name	SEFA Federal Expenditures	Outstanding Loan Balance at December 31, 2022
59.000	Microloan Program - Intermediary Lender (Loan Capital)	\$ 570,220	\$ 570,220

Independent Auditor's 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*

Board of Directors
Women's Economic Self-Sufficiency Team, Corp
and Controlled Affiliate

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 consolidated financial statements of the Women's Economic Self-Sufficiency Team, Corp and its controlled affiliate, WESST Real Estate Holdings, LLC (collectively referred to as "WESST") (a nonprofit organization), which comprise the consolidated statement of financial position as of December 31, 2022, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 20, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered WESST'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of WESST's internal control. Accordingly, we do not express an opinion on the effectiveness of WESST'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 WESST's consolidated 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 the 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 WESST's consolidated financial statements are free of 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 consolidated 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 WESST's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WESST's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Loffis & Lovato Group

Albuquerque, New Mexico
April 20, 2023

Independent Auditor's Report on Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Women's Economic Self-Sufficiency Team, Corp
and Controlled Affiliate

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the Women's Economic Self-Sufficiency Team, Corp and its controlled affiliate, WESST Real Estate Holdings, LLC's (collectively referred to as "WESST") (a nonprofit 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 WESST's major federal program for the year ended December 31, 2022. WESST's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 WESST 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 the major federal program. Our audit does not provide a legal determination of WESST'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 WESST's federal program.

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 WESST'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 generally accepted auditing standards, *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 WESST's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 WESST'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 WESST'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 WESST'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.

Report on Internal Control over Compliance

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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.

Loftis & Lovato Group

Albuquerque, New Mexico
April 20, 2023

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Schedule of Findings and Questioned Costs 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 weaknesses identified?	No
Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs: Material weaknesses identified?	No
Significant deficiencies identified?	No
Type of auditor's report issued on compliance for the major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)	No
Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings materially misrepresents the status of any prior audit findings?	No

Women's Economic Self-Sufficiency Team, Corp and Controlled Affiliate

Schedule of Findings and Questioned Costs - continued December 31, 2022

Section I — Summary of Auditor's Results — continued

Identification of major program:

<u>Federal Assistance Listing</u>	<u>Name of Federal Program or Cluster</u>
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59.043	Women's Business Ownership Assistance
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Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	Yes
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**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**

**Schedule of Findings and Questioned Costs - continued
For the Year Ended December 31, 2022**

Section II — Financial Statement Findings

None

**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**

**Schedule of Findings and Questioned Costs - continued
For the Year Ended December 31, 2022**

Section III — Federal Award Findings and Questioned Costs

None

**Women's Economic Self-Sufficiency Team, Corp and
Controlled Affiliate**

**Summary Schedule of Prior Year Audit Findings
For the Year Ended December 31, 2022**

Summary Schedule of Prior Year Audit Findings

None