

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.

**CONSOLIDATED FINANCIAL STATEMENTS AND
SINGLE AUDIT COMPLIANCE REPORTS**

YEARS ENDED DECEMBER 31, 2018 AND 2017

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Comunidades Latinas Unidas En Servicio, Inc.
St. Paul, Minnesota

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Comunidades Latinas Unidas En Servicio, Inc. (a nonprofit organization), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of activities, functional expense, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Comunidades Latinas Unidas En Servicio, Inc., as of December 31, 2018 and 2017, 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.

Other Matters

Supplementary Information – Consolidating Schedule of Financial Position and Activities

Our audit as of and for the year ended December 31, 2018 was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary consolidating balance sheets and statement of activities are presented for purposes of additional analysis and are not a required part of the basic 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 information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Other Information – Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 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 information 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 June 14, 2019, on our consideration of Comunidades Latinas Unidas En Servicio, Inc.'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 result of that testing, and not to provide an opinion on the effectiveness of Comunidades Latinas Unidas En Servicio, Inc.'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 Comunidades Latinas Unidas En Servicio, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 14, 2019

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2018 AND 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 156,268	\$ 2,507,611
Accounts Receivable, Net of Allowance	1,903,395	1,560,686
Grants Receivable - Current Portion	517,000	814,500
Pledges Receivable	41,031	46,479
Prepaid Expenses	74,948	57,531
Total Current Assets	2,692,642	4,986,807
OTHER ASSETS		
Grants Receivable, Net of Current Portion	95,000	15,000
Notes Receivable, Net of Current Portion	5,031,400	-
Construction Project Deposits Held in Escrow	5,263,868	-
Total Other Assets	10,390,268	15,000
LAND, BUILDINGS, AND EQUIPMENT, NET	5,648,375	4,078,192
Total Assets	\$ 18,731,285	\$ 9,079,999
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Other Accrued Liabilities	\$ 74,557	\$ 63,506
Accrued Wages and Payroll Taxes	64,878	234,640
Accrued Vacation	186,883	183,972
Accrued Interest	24,646	-
Accrued Construction and Other Liabilities	604,314	86,571
Current Portion of Long-Term Capital Lease Obligation	40,045	5,769
Current Portion of Long-Term Debt	714,088	20,149
Total Current Liabilities	1,709,411	594,607
NONCURRENT LIABILITIES		
Long-Term Capital Lease Obligation, Net of Current Portion	60,078	25,100
Long-Term Debt, Net of Current Portion	8,832,709	746,089
Total Noncurrent Liabilities	8,892,787	771,189
Total Liabilities	10,602,198	1,365,796
NET ASSETS		
Without Donor Restrictions:		
Undesignated (Note 1)	5,030,080	1,147,682
Designated - Capital Projects	1,365,446	3,311,954
Total Net Assets Without Donor Restrictions	6,395,526	4,459,636
With Donor Restrictions	1,733,561	3,254,567
Total Net Assets	8,129,087	7,714,203
Total Liabilities and Net Assets	\$ 18,731,285	\$ 9,079,999

See accompanying Notes to Consolidated Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Government Grants	\$ 4,845,273	\$ -	\$ 4,845,273
Contributions	844,527	1,326,981	2,171,508
Private Grants	207,261	-	207,261
Interest	31,233	-	31,233
Client Paid and Private Insurance	1,283,068	-	1,283,068
Rental Income	186,594	-	186,594
In-Kind Contributions	400,384	-	400,384
Miscellaneous Income	89,041	-	89,041
Total Support and Revenue	<u>7,887,381</u>	<u>1,326,981</u>	<u>9,214,362</u>
 Net Assets Released from Restrictions	 <u>2,847,987</u>	 <u>(2,847,987)</u>	 <u>-</u>
Total Support and Revenue	10,735,368	(1,521,006)	9,214,362
 EXPENSE			
Program Services	6,778,856	-	6,778,856
Support Services:			
Management and General	1,299,670	-	1,299,670
Fundraising	720,952	-	720,952
Total Support Services	<u>2,020,622</u>	<u>-</u>	<u>2,020,622</u>
Total Expense	<u>8,799,478</u>	<u>-</u>	<u>8,799,478</u>
 CHANGE IN NET ASSETS	 1,935,890	 (1,521,006)	 414,884
Net Assets - Beginning of Year	<u>4,459,636</u>	<u>3,254,567</u>	<u>7,714,203</u>
 NET ASSETS - END OF YEAR	 <u>\$ 6,395,526</u>	 <u>\$ 1,733,561</u>	 <u>\$ 8,129,087</u>

See accompanying Notes to Consolidated Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT AND REVENUE			
Government Grants	\$ 4,680,110	\$ -	\$ 4,680,110
Contributions	711,517	2,178,684	2,890,201
Private Grants	435,724	-	435,724
Interest	3,440	-	3,440
Client Paid and Private Insurance	921,743	-	921,743
Rental Income	180,468	-	180,468
In-Kind Contributions	466,730	-	466,730
Miscellaneous Income	59	-	59
Total Support and Revenue	<u>7,399,791</u>	<u>2,178,684</u>	<u>9,578,475</u>
Net Assets Released from Restrictions	<u>1,403,757</u>	<u>(1,403,757)</u>	<u>-</u>
Total Support and Revenue	8,803,548	774,927	9,578,475
EXPENSE			
Program Services	6,568,791	-	6,568,791
Support Services:			
Management and General	1,249,361	-	1,249,361
Fundraising	603,861	-	603,861
Total Support Services	<u>1,853,222</u>	<u>-</u>	<u>1,853,222</u>
Total Expense	<u>8,422,013</u>	<u>-</u>	<u>8,422,013</u>
CHANGE IN NET ASSETS	381,535	774,927	1,156,462
Net Assets - Beginning of Year	<u>4,078,101</u>	<u>2,479,640</u>	<u>6,557,741</u>
NET ASSETS - END OF YEAR	<u>\$ 4,459,636</u>	<u>\$ 3,254,567</u>	<u>\$ 7,714,203</u>

See accompanying Notes to Consolidated Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 3,612,065	\$ 611,653	\$ 325,708	\$ 4,549,426
Payroll Taxes and Fringe Benefits	959,625	108,919	58,473	1,127,017
Consultants and Professional Fees	592,662	66,643	121,986	781,291
Travel	64,367	1,842	254	66,463
Occupancy Costs	429,578	83,320	45,528	558,426
Supplies	206,164	28,240	98,685	333,089
Equipment Rental and Maintenance	28,093	8,370	1,790	38,253
Telephone	51,953	5,751	3,196	60,900
Insurance	40,359	41,795	2,847	85,001
Conferences and Training	62,697	9,569	679	72,945
Financial Assistance and Client Transportation	312,294	-	-	312,294
Subscriptions and Dues	18,149	12,621	5,150	35,920
Printing and Postage	21,185	5,760	5,183	32,128
Interest and Discount Amortization	-	85,574	-	85,574
Other	67,719	17,754	17,935	103,408
In-Kind Services	255,769	25,473	30,154	311,396
Total Expense Before Depreciation	<u>6,722,679</u>	<u>1,113,284</u>	<u>717,568</u>	<u>8,553,531</u>
Depreciation	<u>56,177</u>	<u>186,386</u>	<u>3,384</u>	<u>245,947</u>
Total Expense	<u><u>\$ 6,778,856</u></u>	<u><u>\$ 1,299,670</u></u>	<u><u>\$ 720,952</u></u>	<u><u>\$ 8,799,478</u></u>
Percentage of Total Expense	77.0%	14.8%	8.2%	100.0%

See accompanying Notes to Consolidated Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2017

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 3,619,962	\$ 583,271	\$ 261,579	\$ 4,464,812
Payroll Taxes and Fringe Benefits	925,549	104,716	55,933	1,086,198
Consultants and Professional Fees	420,592	98,398	133,156	652,146
Travel	65,355	2,515	244	68,114
Occupancy Costs	471,687	36,461	19,474	527,622
Supplies	204,637	12,689	55,214	272,540
Equipment Rental and Maintenance	53,489	5,875	3,198	62,562
Telephone	42,468	4,919	1,856	49,243
Insurance	27,033	43,857	1,676	72,566
Conferences and Training	58,084	17,835	597	76,516
Financial Assistance and Client Transportation	283,421	-	-	283,421
Subscriptions and Dues	2,421	8,866	4,383	15,670
Printing and Postage	26,220	3,738	7,521	37,479
Interest and Discount Amortization	-	36,756	-	36,756
Other	39,187	66,228	10,224	115,639
In-Kind Services	302,785	45,814	47,205	395,804
Total Expense Before Depreciation	<u>6,542,890</u>	<u>1,071,938</u>	<u>602,260</u>	<u>8,217,088</u>
Depreciation	<u>25,901</u>	<u>177,423</u>	<u>1,601</u>	<u>204,925</u>
Total Expense	<u><u>\$ 6,568,791</u></u>	<u><u>\$ 1,249,361</u></u>	<u><u>\$ 603,861</u></u>	<u><u>\$ 8,422,013</u></u>
Percentage of Total Expense	78.0%	14.8%	7.2%	100.0%

See accompanying Notes to Consolidated Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 414,884	\$ 1,156,462
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	245,947	204,925
Amortization of Discount on Long-Term Debt	11,340	10,196
Noncash Fixed Asset Additions	(597,478)	-
Contributions Restricted for Capital Campaign	(5,879)	(92,625)
(Increase) Decrease in Current Assets:		
Accounts Receivable	(342,709)	19,034
Grants Receivable	217,500	62,000
Pledges Receivable	5,448	(23,479)
Prepaid Expense	(17,417)	36,352
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	11,051	21,072
Accrued Wages and Payroll Taxes	(169,762)	63,883
Accrued Vacation	2,911	84,197
Accrued Interest	24,646	-
Accrued Construction and Other Liabilities	517,743	17,440
Net Cash Provided by Operating Activities	318,225	1,559,457
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(1,124,445)	(245,809)
Notes Receivable - Principal Advanced	(5,031,400)	-
Construction Deposits Held in Escrow, Net	(5,263,868)	-
Net Cash Used by Investing Activities	(11,419,713)	(245,809)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received for Capital Campaign	5,879	92,625
Cash Received on Long-Term Debt	9,460,000	300,000
Payments on Capital Lease Obligations	(22,720)	-
Payments on Long-Term Debt	(222,784)	(20,554)
Payments on Debt Issuance Costs	(470,230)	-
Net Cash Provided by Financing Activities	8,750,145	372,071
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,351,343)	1,685,719
Cash and Cash Equivalents - Beginning of Year	2,507,611	821,892
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 156,268	\$ 2,507,611
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 101,911	\$ 26,559
Building Additions Acquired through Accounts Payable	587,288	-
Capital Equipment (Lease) Acquisitions	102,164	30,869
In-Kind Goods and Services	400,384	466,730

See accompanying Notes to Consolidated Financial Statements.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF BUSINESS BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES

Business Background

Comunidades Latinas Unidas En Servicio, Inc. (CLUES) is a 501(c)(3) nonprofit established in 1981 by Latinos for Latinos who share a vision for improving the quality of life of the Latino population in Minnesota, as well as a commitment to community building. While CLUES has grown significantly to meet the needs of our clients, our commitment to these founding values has not wavered. Our services focus on the Latino family, yet our experience and capabilities enable us to serve individuals and families from all walks of life including immigrants and low-income families who dream of a better future.

CLUES' mission, as stated in our 2017 – 2020 strategic plan, is to advance the capacity of Latino families to be healthy, prosperous, and engaged in their communities. CLUES' longer-term vision is to help create a thriving multicultural community enriched with confident and strong Latino families who actively contribute their voice, skills, entrepreneurial spirit, and cultural richness to the community at large.

Living our mission means that we value:

- **Family:** We believe in the value and power of the family unit and portray this in our ability to provide family-centric services that strengthen Latino culture and community vitality.
- **Community Strength:** We recognize the talents and resiliency of our clients and strive to help them identify their strengths, build on them, and reach their goals.
- **Respect:** We honor the dignity and worth of all people, striving for humility and compassion as we interact and advocate for our clients.
- **Collaboration:** We work with others, understanding that collaboration is paramount to achieving comprehensive community impact.
- **Accountability:** We are committed to upholding the highest standards for quality and effectiveness in service to our community, clients, funders, and stakeholders.

CLUES impacts the greater Latino community by addressing the needs of individuals and families through classes, counseling, services, and programs, which provide strong building blocks that lead to long-term self-sufficiency. Our services attract approximately 35,000 individuals annually throughout Minneapolis, Saint Paul, Mankato, and the rest of southern Minnesota. As the largest Minnesota provider of health, education, economic, and civic engagement services focused on the Latino community, CLUES promotes a thriving, multicultural community with the help of our valued donors, volunteers, staff, and community partners, all of whom are committed to the long-term success and sustainability of Latino community in Minnesota.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF BUSINESS BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business Background (Continued)

During the summer of 2017, CLUES' leadership reviewed and updated our Strategic Goals through 2020. Our mission and vision remain relevant and continue to be the foundation for our strategy and direction. CLUES grew revenues from \$5.7 million in 2014 to more than \$9.2 million in 2018. We've diversified sources of income and moved from net losses to net gains. Staff grew to over 100 employees and volunteers to more than 700. Today, CLUES is a strong organization ready to meet the changing needs of Latinos and immigrants.

By 2035, Minnesota's Latino population is estimated to surpass half a million individuals, more than 8.5% of the state's total population. We strive to grow in innovative ways to meet the needs of our community and expand our presence in new geographic areas.

Our refreshed Strategic Goals call us to continue delivering quality services and invest in our capacity to: advance equity by connecting community health and wealth initiatives to educational enrichment; Advocate for individuals and families to have access to opportunities; grow programming and services for Latino youth; amplify cultural engagement by cultivating a strong Latino heritage; and seek organizational excellence by investing in our internal capacity to support individuals and families at each stage of their journey towards health and economic wellness.

We believe the best way our organization can foster equity and inclusion and improve outcomes and conditions for Latinos and immigrants is to empower them through knowledge, engagement, and advocacy. Through expansion efforts, we will focus resources to advance place-based community hubs that promote health, education, cultural engagement, and social and economic wellness.

Our model of service is designed to advance learning and build social and human capital. We focus on leveraging people's strengths and skills to achieve long-term self-sufficiency. Through strategic collaboration, CLUES provide a broad range of services and advances promising new strategies.

Our services are based on an intergenerational approach to increase accessibility, promote learning, and motivate children and parents to mutually support one another towards a better future.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF BUSINESS BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Overview of Services

Health & Wellness

- Mental and Chemical Health Clinics
- Chemical Health Assessments
- Mental Health Assessments for Immigration
- Individual, Family, and Group Psychotherapy
- Driving with Care and MADD Panels
- Access to Healthcare
- Healthy Eating and Active Living
- Health-Related Education and Prevention
- Tobacco Control and Cessation
- Elder Care and Caregiver Support
- Healthy Child and Family Development
- Sexual Health Education
- Parenting Skill-Building
- Support, Advocacy, and Case Management for Sexual Assault and Domestic Violence



Economic Empowerment

- Asset and Credit Building
- Financial Education and Coaching
- Homeownership and Pre-Purchase Counseling
- Lending Circles
- Employment Readiness
- Tailored Workforce Trainings
- Employer-Driven Trainings
- Job Search and Placement
- Job Retention



Educational Enrichment

- Adult Basic Education
- English as a Second Language (ESL)
- Early Childhood Education
- GED and Citizenship Classes
- Computer Skills and Certification
- Youth Engagement and Mentoring
- Academic Support and College Preparation
- Youth Career and Internship Program



**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF BUSINESS BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Office Headquarters Building Expansion Project

In 2015, CLUES began the process to raise funds in an effort to renovate and expand the current office headquarters. This expansion will allow CLUES to consolidate and expand programs while increasing the resources and services to the Latino clients and community.

CLUES has over 100 staff members (across the organization) and a tenant in its headquarters, maxing out the current capacity. Space is one of the main constraints as an organization. A successful capital campaign will alleviate this restriction and will allow CLUES to carry out the current strategic plan as well as the long-term mission more effectively.

The total cost of this expansion is estimated at \$7.5 million. The project was financed by securing a \$2,600,000 bridge loan with Raza Development Fund (RDF) and a \$2,184,000 new market tax credit issued by U.S. Bancorp Community Development Corporation (Investor). The financing, which closed on August 30, 2018, is presented below:

Cash at Closing	\$ 2,476,465
New Market Tax Credit - Investor	2,184,000
Bridge Loan - RDF	2,600,000
Property Purchase Price	275,000
Total Financing Sources	<u>\$ 7,535,465</u>

The financing noted above included new market tax credits, which are special tax credits that are administered by the U.S. Department of Treasury. The purpose of these credits is to provide incentives to financial institutions to invest in low-income, distressed communities throughout the United States. The nonprofit organizations that qualify for new market tax credits are provided funding for allowable projects in the communities they serve. The funding received is in the form of low interest loans, for which the debt is extinguished at the end of the new market tax credit compliance period (in the case of this transaction, the compliance period is 7 years).

As a requirement for receiving new market tax credit financing, CLUES was required to form a new 501(c)3 entity as a support organization to provide oversight and management of the new market tax credit structure. As a result, CLUES formed a new 501(c)3 nonprofit entity known as CLUES Real Estate Holding Company (CREHC).

At financial closing on August 30, 2018, CLUES transferred \$5,031,400 to, and executed two Promissory Notes with, Twain Investment Fund 308, LLC (Investment Fund), which is 100% owned by the Investor, as follows:

Promissory Note A1	\$ 1,400,000
Promissory Note A2	3,631,400
Total	<u>\$ 5,031,400</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF BUSINESS BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Office Headquarters Building Expansion Project

Promissory Note A1 has a fixed interest rate of 1.00% and a maturity date of March 1, 2026. Quarterly interest only payments are required until maturity when all principal and any unpaid interest are due. Promissory Note A2 has a fixed interest rate of 1.00% and a maturity date of August 29, 2043. Quarterly interest only payments are required until September 2025 at which time quarterly principal and interest payments of \$55,174 are due until maturity when all remaining principal and unpaid interest is due.

At the same time the above transfer was made, the Investor transferred \$2,184,000 into the Investment Fund. The Investment Fund purchased 99.99% of Partnerships of Hope XIX, LLC, a community development entity, specifically formed for this transaction. After fees, the remaining cash in the Investment Fund was borrowed to CREHC as follows (see Note 6 – Long-Term Debt):

Partnerships of Hope XIX, LLC (Note A1)	\$ 1,400,000
Partnerships of Hope XIX, LLC (Note A2)	3,631,400
Partnerships of Hope XIX, LLC (Note B)	<u>1,828,600</u>
Total	<u><u>\$ 6,860,000</u></u>

At the end of the new market tax credit compliance period (August 30, 2025), the Investor has the right and option, but not the obligation, to sell its 100% ownership interest in the Investment Fund to the Organization in the form of a Put Option for \$1,000. Once the Put Option is exercised, Promissory Notes A1 and A2 as well as the Partnership of Hope XIX, LLC Notes A1, A2, and B can be extinguished by CLUES and CREHC, collectively, the Organization.

In the event the Investor does not sell the Put Option to the Organization, a Call Option can be purchased by the Organization at its then determined fair market value. Once the Call Option is exercised, Promissory Notes A1 and A2 as well as the Partnership of Hope XIX, LLC Notes A1, A2 and B can be extinguished by the Organization.

Minneapolis Office Roof Collapse

On May 29, 2018, the Organization's facility at 720 East Lake Street in Minneapolis suffered significant roof and structural damage, caused by the demolition of a building next to the Organization's facility. The Organization secured temporary office locations to provide services until repairs to the facility at 720 East Lake Street could be completed. The Organization moved back into the facility on February 1, 2019.

As of December 31, 2018, the Organization recorded a receivable of \$398,883 (within accounts receivable) for business income loss and extra expenses incurred as a result of this event (with \$300,000 being collected as of issuance of the consolidated financial statements).

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF BUSINESS BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Consolidation

The accompanying consolidated financial statements include the activities of Comunidades Latinas Unidas En Servicio, Inc. (CLUES) and CLUES Real Estate Holding Company (CREHC). All significant intercompany accounts and transactions have been eliminated in the consolidation.

Financial Statement Presentation

Net assets and revenues, gains, and losses are classified based on donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Resources over which the board of directors has discretionary control. Designated amounts represent those revenues which the board has set aside for a particular purpose.

Net Assets With Donor Restrictions – Those resources subject to donor-imposed restrictions for a specific purpose or time period. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or by specified actions of the Organization.

Other donor-imposed restrictions are perpetual in nature where the donor stipulates that resources be maintained in perpetuity. The donors of these resources permitted the Organization to use all or part of the income earned, including capital appreciation, or related investments without restriction. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

The Organization has elected to present contributions with donor restrictions, which are fulfilled in the same time period, as net assets without donor restrictions.

Cash and Cash Equivalents

Cash and cash equivalents include all cash and investments with original maturities of three months or less. Cash balances at financial institutions may exceed federally insured limits at times.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF BUSINESS BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables

Grants, accounts, and pledges receivable are stated at net realizable value. At December 31, 2018 and 2017, the Organization recorded an allowance for uncollectible accounts in the amount of \$2,058, which is based on management judgment considering historical information. The Organization separately reports grants receivable and pledges receivable. Grants receivables represent receivables with initial anticipated collectibility of less than one year, while pledges receivable are those with initial anticipated collectibility of greater than one year. Receivable balances that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected.

The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. This value is determined to be fair value and is calculated using an income approach of applying a discount rate technique in the year in which the pledge is received. Conditional pledges are not included as support until such time as the conditions are substantially met. The Organization received no significant conditional gifts in 2018 and 2017. There was no allowance or discount warranted on pledges receivable at December 31, 2018 and 2017.

Land, Buildings, and Equipment

Purchased land, buildings, and equipment are recorded at cost. Contributed items are recorded at fair market value at date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulation, contributions of land, buildings, and equipment are recorded as unrestricted. Depreciation of land, buildings, and equipment is computed on a straight-line basis over the estimated service lives of the asset. The Organization capitalizes items greater than \$2,000.

The Organization assigns useful lives to assets as follows:

Land	N/A
Building	40 Years
Vehicles	5 Years
Furniture and Equipment	5 Years
Software	3 Years
Leasehold Improvements	15 Years

Loan Financing Costs

At December 31, 2018 and 2017, loan-financing costs of \$528,382 and \$89,328 were netted with related debt (see Note 6), respectively, and amortized using the straight-line method over the assumed term of the loans. Accumulated amortization was \$33,409 and \$31,176 for the years ended December 31, 2018 and 2017, respectively.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF BUSINESS BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Construction Project Deposits Held in Escrow

On August 30, 2018, the Organization closed financing related to a \$7.5 million project to renovate and expand the current office headquarters. The construction began immediately after the financial close on August 30, 2018 and will be completed in June 2019.

As of December 31, 2018, the Organization had deposits held in escrow (cash balance) for the construction project of \$5,263,868.

Tax-Exempt Status

The Organization has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Minnesota Statute 209.3. The Organization is classified by the Internal Revenue Service as an organization that is not a private foundation. Therefore, charitable contributions by donors are tax deductible.

The Organization has adopted guidance in the income tax standard regarding the recognition of uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this guidance had no impact on the Organization's financial statements. The Organization's tax returns are subject to review and examination by federal authorities.

Functional Allocation of Expense

Salaries and related expenses are recorded based on actual employee hours incurred by program or supporting service. Expenses, other than salaries and related expenses which are not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

In-Kind Contributions

Contributions of products donated to the Organization are recorded at fair market value at the time they are received. Donated services are valued at a predetermined or estimated rate commensurate with the work performed.

Private Grants

The Organization reports private grants revenues separately from contributions as these are exchange transaction revenues from corporate and nonprofit organizations that are recognized when earned.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 1 SUMMARY OF BUSINESS BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expense. Actual results could vary from the estimates that were used.

Change in Net Assets from Operations and Nonoperating Activities

In 2018, the Organization released from restriction significant support and revenue to renovate and expand the office headquarter expansion project, which resulted in a Change in Net Assets Without Donor Restrictions of \$1,935,890. This amount includes the financial impact of the capital funds used on the project (that have been capitalized) as well as the financial impact from operations. The Organization has defined nonoperating to include additional rent expense needed during the renovation as well as all interest expense.

The table below computes the Change in Net Assets Without Donor Restrictions generated from Operations in 2018 and 2017:

	2018	2017
Change in Net Assets Without Donor Restrictions	\$ 1,935,890	\$ 381,535
Nonoperating Revenue and Expenses		
Net Assets Released from Restrictions – Capital	(1,658,012)	-
Nonoperating Interest Expense	85,574	36,756
Nonoperating Rent Expense	25,166	-
Change in Net Assets from Operations	<u>\$ 388,618</u>	<u>\$ 418,291</u>

The Organization defines nonoperating activities as releases from restriction that support capital additions, interest expense to the Organization, and additional rent expense incurred for temporary locations in St. Paul during the building expansion project.

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 14, 2019, the date the consolidated financial statements were available to be issued.

Change in Accounting Principle

The Organization has adopted the accounting guidance in Financial Accounting Standard Board (FASB) Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* in 2018. These changes were applied retroactively to ensure comparability with the prior year. The update changes presentation and disclosure requirement for nonprofit entities to provide more relevant information about their resources (and the changes in those resources) to donors, granters, creditors, and other users. These include qualitative and quantitative requirements in the following areas: net asset classes, investment return, and liquidity.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 2 LIQUIDITY AND AVAILABILITY

The Organization receives significant contributions and promises to give restricted by donors, and considers contributions restricted for programs which are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining appropriate cash flow to provide reasonable assurance that long-term debt obligations will be discharged. The Organization's goal is to maintain current financial assets less current liabilities at a minimum to cover 30 days operating expenses. To achieve this target, the Organization monitors its liquidity on a regular basis. The Organization has a revolving line of credit with Bremer Bank, with an available balance of \$400,000, which the Organization may tap into in times of low liquidity with the intent it is paid back as soon as reasonably possible.

The table below presents financial assets available for general expenditures within one year at December 31:

	2018	2017
Cash and Cash Equivalents	\$ 156,268	\$ 2,507,611
Accounts Receivable, Net of Allowance	1,903,395	1,560,686
Grants Receivable	517,000	814,500
Pledges Receivable	41,031	46,479
Total Current Assets	<u>2,617,694</u>	<u>4,929,276</u>
Grants Receivable: Donor Designated for Capital Project	(300,000)	(450,000)
Pledges Receivable: Donor Designated for Capital Project	(41,031)	(46,479)
Donor Designated Endowment Fund (Cash)	(14,578)	(14,550)
Donor Designated Capital Campaign Fund (Cash)	(1,899)	(2,015,650)
Current Assets Not Available to be Used Within One Year	<u>(357,508)</u>	<u>(2,526,679)</u>
Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,260,186</u>	<u>\$ 2,402,597</u>

NOTE 3 SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

The Organization provides services within the state of Minnesota. Grants and contributions are received from both national and local institutions. Substantially, all the grants and pledges receivable are from organizations, corporations, and the state and federal governments.

Government grant revenue for the years ended December 31, 2018 and 2017 consisted of 73% from three grantors and 64% from two grantors, respectively.

Contribution revenue for the years ended December 31, 2018 and 2017 consisted of 13% from one donor and 23% from two donors, respectively.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 3 SIGNIFICANT CONCENTRATIONS OF CREDIT RISK (CONTINUED)

Grants receivable for the years ended December 31, 2018 and 2017 consisted of 63% and 57% from four grantors, respectively.

Accounts receivable for the year ended December 31, 2018, consisted of 65% from three sources. There were no significant receivable concentrations as of December 31, 2017.

NOTE 4 GRANTS RECEIVABLE

Grants receivable consist of the following at December 31:

	2018	2017
Gross Grants Receivable	\$ 612,000	\$ 829,500
Less: Current Portion	(517,000)	(814,500)
Long-Term Portion	<u>\$ 95,000</u>	<u>\$ 15,000</u>
Cash Amounts Due In:		
Within One Year	\$ 517,000	\$ 814,500
One to Five Years	95,000	15,000
Total	<u>\$ 612,000</u>	<u>\$ 829,500</u>

NOTE 5 LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment as of December 31 consist of:

	2018	2017
Land	\$ 1,141,120	\$ 1,141,120
Building	3,893,777	3,891,544
Vehicles	81,571	81,571
Furniture and Equipment	1,464,334	1,444,195
Software	193,806	193,806
Leasehold Improvements	352,363	352,363
Capital Lease	146,046	36,638
Construction in Progress	1,805,173	120,823
Less: Accumulated Depreciation	(3,429,815)	(3,183,868)
Total	<u>\$ 5,648,375</u>	<u>\$ 4,078,192</u>

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 6 LONG-TERM DEBT

Long-term debt consists of the following at December 31:

<u>Description</u>	<u>2018</u>	<u>2017</u>
<p>CLUES received a loan from the Raza Development Fund, Inc. on August 30, 2018 in the amount of \$2,600,000 and payable at a fixed annual interest rate of 6.88%. Scheduled installment payments of principal and interest are due each year with a final maturity date of March 1, 2026. A principal payment of \$1,100,000 was made on March 25, 2019, leaving a balance of \$1,500,000.</p>	\$ 2,600,000	\$ -
<p>CREHC received a loan from Partnerships of Hope XIX, LLC (Note A1) on August 30, 2018 in the amount of \$1,400,000 and payable at a fixed annual interest rate of 1.25%. Scheduled interest-only payments are due quarterly through August 30, 2025. Final payment of principal and interest shall be payable on the maturity date of March 1, 2026. At the end of the new market tax credit compliance period (August 30, 2025), the Investor has the right and option, but not the obligation, to sell its 100% ownership interest in the Investment Fund to the Organization in the form of a Put Option for \$1,000. Once the Put Option is exercised, Notes A1, A2 and B can be extinguished by the Organization. In the event the Investor does not sell the Put Option to the Organization, a Call Option can be purchased by the Organization at its then determined fair market value. Once the Call Option is exercised, Notes A1, A2 and B can be extinguished by the Organization.</p>	1,400,000	-

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 6 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2018</u>	<u>2017</u>
<p>CREHC received a loan from Partnerships of Hope XIX, LLC (Note A2) on August 30, 2018 in the amount of \$3,631,400 and payable at a fixed annual interest rate of 1.25%. Scheduled interest-only payments are due quarterly through August 30, 2025. Thereafter regular payments of principal and interest shall be paid through final maturity date of August 29, 2048. At the end of the new market tax credit compliance period (August 30, 2025), the Investor has the right and option, but not the obligation, to sell its 100% ownership interest in the Investment Fund to the Organization in the form of a Put Option for \$1,000. Once the Put Option is exercised, Notes A1, A2, and B can be extinguished by the Organization. In the event the Investor does not sell the Put Option to the Organization, a Call Option can be purchased by the Organization at its then determined fair market value. Once the Call Option is exercised, Notes A1, A2 and B can be extinguished by the Organization.</p>	\$ 3,631,400	\$ -
<p>CREHC received a loan from Partnerships of Hope XIX, LLC (Note B) on August 30, 2018 in the amount of \$1,828,600 and payable at a fixed annual interest rate of 1.25%. Scheduled interest-only payments are due quarterly through August 30, 2025. Thereafter regular payments of principal and interest shall be paid through final maturity date of August 29, 2048. At the end of the new market tax credit compliance period (August 30, 2025), the Investor has the right and option, but not the obligation, to sell its 100% ownership interest in the Investment Fund to the Organization in the form of a Put Option for \$1,000. Once the Put Option is exercised, Notes A1, A2, and B can be extinguished by the Organization. In the event the Investor does not sell the Put Option to the Organization, a Call Option can be purchased by the Organization at its then determined fair market value. Once the Call Option is exercised, Notes A1, A2 and B can be extinguished by the Organization.</p>	1,828,600	-

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 6 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2018</u>	<u>2017</u>
<p>CLUES received a loan from the Housing and Redevelopment Authority of the City of St. Paul, Minnesota on June 14, 2005 in the amount of \$417,000. Principal payments are deferred for a period of 20 years, and no interest accrues during the deferral period. Repayment in the amount of \$2,495 per month including interest at 1% will begin in 2025 and continue through 2040. However, the loan is immediately due and payable if the Organization relocates to any other location outside of the City of St. Paul. This loan is unsecured.</p>	\$ 417,000	\$ 417,000
<p>Unamortized discount on the above loan at imputed interest rate of 6.06%</p>	(218,547)	(229,886)
<p>CLUES received a loan from the Housing and Redevelopment Authority of the City of St. Paul, Minnesota on June 14, 2005 in the amount of \$170,000. Principal payments are deferred for a period of 10 years, and no interest accrues during the deferral period. Repayment in the amount of \$1,174 per month including interest at 3% began in 2015 and continues through 2030. However, the loan is immediately due and payable if the Organization relocates to another location outside of the City of St. Paul. This loan is unsecured.</p>	144,084	156,518
<p>Unamortized discount on the above loan at imputed interest rate of 6.06%</p>	(27,358)	(27,359)
<p>In September 2014, CLUES entered into a note agreement with Bremer Bank for the purchase of property in St. Paul, Minnesota. Interest is fixed at 4.88%, with monthly interest and principal payments of \$1,971 with a final payment of \$188,176 due in September 2019. The loan is secured by property located in St. Paul, Minnesota. The remaining loan balance was paid off on May 31, 2018.</p>	-	210,350

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 6 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2018</u>	<u>2017</u>
CLUES received a loan from Otto Bremer Trust on November 30, 2017 in the amount of \$300,000. Interest payments of \$9,000 (3%) are paid yearly starting in 2018 until the loan reaches maturity on December 1, 2021. At maturity, the principal repayment of \$300,000 will also be due. No principal payments are required until maturity.	\$ 300,000	\$ 300,000
Total	10,075,179	826,623
Less: Loan Financing Costs (Note 1)	(528,382)	(60,385)
Less: Current Maturities	<u>(714,088)</u>	<u>(20,149)</u>
Total Long-Term Debt	<u>\$ 8,832,709</u>	<u>\$ 746,089</u>

The security interests of the Housing and Redevelopment Authority of the City of St. Paul are subordinate to the security interest of the Partnerships of Hope XIX, LLC (Notes A1, A2, and B) mortgage on property located at 797 7th Street E, St. Paul, MN. The Raza Development Fund Inc. promissory note is secured by substantially all other assets owned by the Organization.

The maturity requirements on long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2019	\$ 714,088
2020	114,088
2021	414,088
2022	114,088
2023	114,088
Thereafter	<u>8,850,644</u>
Total Long-Term Debt	10,321,084
Less: Current Portion	(714,088)
Less: Loan Financing Costs	(528,382)
Less: Unamortized Discounts	<u>(245,905)</u>
Long-Term Portion	<u>\$ 8,832,709</u>

The Organization recorded interest and discount amortization expense in the amount of \$85,574 and \$36,756 for the years ended December 31, 2018 and 2017, respectively, which includes the amortization of the discount for loans with forgiven interest totaling \$11,340 and \$10,196 for the years ended December 31, 2018 and 2017, respectively.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 7 LINE AND LETTER OF CREDIT

Since 2009, the Organization has renewed a revolving line of credit with Bremer Bank. The line of credit had an available balance of \$600,000 and an advance rate of 6.25%. The line matured on August 31, 2018 and was renewed with a \$400,000 available balance and an advance rate of 7.25% at December 31, 2018. The line has a maturity date of August 31, 2019. Borrowings are secured by the Organization's inventory, equipment, accounts receivable, and general intangibles. No advances were outstanding under the line of credit were as of December 31, 2018 and 2017.

In 2015, the Organization received a grant from the City of St. Paul. As part of the grant agreement, the Organization is able to draw down on a loan in the amount of \$125,000 from the city in order to help with the construction costs to expand the current office headquarters. As of December 31, 2018, the Organization has not made any draw requests.

NOTE 8 OPERATING LEASES

The Organization rents various facilities under lease agreements as follows:

- 720 East Lake Street: The Organization entered into a lease agreement for this facility that started in September 2006 and has been extended through January 31, 2021.
- 882 South Robert Street: The Organization entered into a lease agreement for this facility that started in May 2008 and has been extended through May 31, 2019.
- 777 East Lake Street: The Organization entered into a lease agreement for this facility that started in November 2016 and has been extended through July 31, 2019.
- 800 Minnehaha Avenue East: The Organization entered into a lease agreement with 800 Partners, LLC for parking at this location that started in October 2018 and has been extended through May 31, 2019.
- 771 Margaret Street: The Organization entered into a lease agreement for this facility that started in October 2018 and has been extended through May 31, 2019.

Total rent expense for the years ended December 31, 2018 and 2017 under all leases was \$305,533 and \$282,159, respectively. The following is the future minimum lease payment schedule for the lease:

<u>Year</u>	<u>Amount</u>
2019	\$ 286,402
2020	238,200
2021	19,890
Total	<u>\$ 544,492</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 9 CAPITAL LEASE OBLIGATIONS

The Organization entered into a new copier lease arrangement in 2018 and 2017. The initial value recorded under the lease as equipment and capital lease obligation was \$146,046. At December 31, 2018, the accumulated depreciation was \$42,555. The lease payments are recorded as interest expense and a principal reduction to debt. At December 31, 2018, the debt payable under the lease is \$100,123.

Capital lease obligations consist of the following at December 31:

<u>Year Ending December 31.</u>	<u>Amount</u>
2019	\$ 40,045
2020	25,900
2021	18,828
2022	18,828
2023	4,707
Interest	<u>(8,185)</u>
Total Capital Lease Obligation	100,123
Less: Current Portion	<u>(40,045)</u>
Long-Term Portion	<u><u>\$ 60,078</u></u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE 10 RESTRICTIONS ON NET ASSETS

With Donor Restrictions

Donor restricted net assets not invested in perpetuity consist of the following as of December 31:

	2018	2017
Time Restricted:		
City of St. Paul Housing & Redevelopment Authority	\$ 373,943	\$ 373,943
Purpose Restricted:		
Employment Program:		
St. Paul Foundation	-	11,229
Northwest Area Foundation	-	187,500
Opus Foundation	20,000	20,000
Mental Health Program:		
Health East Care System	-	12,500
Medica Foundation	-	20,000
Health Program:		
Medtronic Foundation	25,000	50,000
Education Program:		
City of St. Paul Cultural Star Program	-	11,250
3M Foundation	15,011	-
The McKnight Foundation	39,780	95,833
Youthprise	-	20,000
Knight Foundation	-	30,000
St Paul Foundation	-	11,250
Cargill Foundation	-	50,000
Capital Campaign:		
3M Foundation	-	250,000
Thrivent Foundation	50,000	-
Target Foundation	150,000	-
Katherine B Andersen Foundation	100,000	-
Ecolab Foundation	150,000	-
Bigelow Foundation	-	200,000
Bulter Family Foundation	-	150,000
St Paul Foundation	-	150,000
Hardenburgh Foundation	-	300,000
Hugh J Anderson Foundation	-	100,000
Patrick & Aimee Butler Foundation	-	100,000
Mardag Foundation	-	50,000
Securian Foundation	-	30,000
Otto Bremer Trust	-	200,000
Best Buy Foundation	121,988	250,000
Wells Fargo	60,000	60,000
The Travelers Companies	50,000	50,000
LISC	25,000	25,000
The St. Paul and Minneapolis Community Foundations	100,000	100,000
Individuals	152,710	78,729
Aging Well:		
LISC	91,666	-
Bush Foundation	86,111	-
Kresge Foundation	91,667	-
Administrative:		
Individuals	8,000	8,000
The Kresge Foundation	-	162,500
St Paul Foundation	9,185	-
Wells Fargo Foundation	-	8,333
Northwest Area Foundation	-	75,000
Net Assets Held in Perpetuity	13,500	13,500
Total	\$ 1,733,561	\$ 3,254,567

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 10 RESTRICTIONS ON NET ASSETS (CONTINUED)

Net Assets Released from Restrictions

Net assets released from donor restrictions were as follows for the years ended December 31:

	<u>2018</u>	<u>2017</u>
Time Restricted	\$ -	\$ 107,625
Purpose Restricted:		
Employment Program	267,500	318,333
Mental Health Program	47,500	17,500
Family Services Program	-	15,000
Community and Health Program	40,000	15,625
Education Achievement Program	346,542	257,568
Capital Campaign	1,658,012	-
Chemical Health	-	40,000
Elder Day Center	75,555	80,000
Administrative	412,878	552,106
Total	<u>\$ 2,847,987</u>	<u>\$ 1,403,757</u>

NOTE 11 IN-KIND SERVICES

The Organization receives in-kind services in the form of volunteer tutoring for English as a Second Language (ESL), Basic Literacy (in Spanish), Citizenship courses, CD Counseling, Outpatient Psychotherapy, Case Management, Interns, Child Care, and Clerical and Research work. In 2018 and 2017, the Organization received 12,701 and 15,552 volunteer hours, respectively, at estimated hourly rates of \$15 to \$25. The Organization also received in-kind donations of various supply items. Total in-kind services from course teachers and supply items, classified as program services expenses, totaled \$311,396 and \$395,804 during the years ended December 31, 2018 and 2017, respectively.

Additionally, the Organization received \$88,988 and \$70,926 in donated goods during the years ended December 31, 2018 and 2017, respectively.

NOTE 12 FUTURE COMMITMENTS

Total future vendor commitments on the expansion construction project are approximately \$3,600,000. The building is scheduled to open in June 2019 at which time the final payment is due.



CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

Board of Directors
Comunidades Latinas Unidas En Servicio, Inc.
St. Paul, Minnesota

We have audited the consolidated financial statements of Comunidades Latinas Unidas En Servicio, Inc., as of and for the years ended December 31, 2018 and 2017, and our report thereon dated June 14, 2019, which expressed an unmodified opinion on those consolidated financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Balance Sheet and Consolidating Schedule of Activities, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 14, 2019

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATING BALANCE SHEET
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

ASSETS	<u>CLUES</u>	<u>CREHC</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 156,268	\$ -		\$ 156,268
Accounts Receivable, Net of Allowance	1,903,395	-		1,903,395
Grants Receivable - Current Portion	517,000	-		517,000
Pledges Receivable	41,031	-		41,031
Prepaid Expenses	74,948	-	-	74,948
Total Current Assets	<u>2,692,642</u>	<u>-</u>	<u>-</u>	<u>2,692,642</u>
OTHER ASSETS				
Grants Receivable, Net of Current Portion	95,000	-	-	95,000
Notes Receivable, Net of Current Portion	5,031,400	-	-	5,031,400
Construction Project Deposits Held in Escrow	-	5,263,868	-	5,263,868
Total Other Assets	<u>5,126,400</u>	<u>5,263,868</u>	<u>-</u>	<u>10,390,268</u>
LAND, BUILDINGS, AND EQUIPMENT, NET				
	<u>349,000</u>	<u>5,299,375</u>	<u>-</u>	<u>5,648,375</u>
Total Assets	<u>\$ 8,168,042</u>	<u>\$ 10,563,243</u>	<u>\$ -</u>	<u>\$ 18,731,285</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Other Accrued Liabilities	\$ 74,557	\$ -	\$ -	\$ 74,557
Accrued Wages and Payroll Taxes	64,878	-	-	64,878
Accrued Vacation	186,883	-	-	186,883
Accrued Interest	24,646	-	-	24,646
Accrued Construction and Other Liabilities	17,027	587,287	-	604,314
Current Portion of Long-Term Capital Lease Obligation	40,045	-	-	40,045
Current Portion of Long-Term Debt	700,000	14,088	-	714,088
Total Current Liabilities	<u>1,108,036</u>	<u>601,375</u>	<u>-</u>	<u>1,709,411</u>
NONCURRENT LIABILITIES				
Long-Term Capital Lease Obligation, Net of Current Portion	60,078	-	-	60,078
Long-Term Debt, Net of Current Portion	2,127,760	6,704,949	-	8,832,709
Total Noncurrent Liabilities	<u>2,187,838</u>	<u>6,704,949</u>	<u>-</u>	<u>8,892,787</u>
Total Liabilities	3,295,874	7,306,324	-	10,602,198
NET ASSETS				
Without Donor Restrictions:				
Undesignated (Note 1)	5,617,367	(587,287)	-	5,030,080
Designated - Capital Projects	(2,478,760)	3,844,206	-	1,365,446
Total Net Assets Without Donor Restrictions	<u>3,138,607</u>	<u>3,256,919</u>	<u>-</u>	<u>6,395,526</u>
With Donor Restrictions	1,733,561	-	-	1,733,561
Total Net Assets	<u>4,872,168</u>	<u>3,256,919</u>	<u>-</u>	<u>8,129,087</u>
Total Liabilities and Net Assets	<u>\$ 8,168,042</u>	<u>\$ 10,563,243</u>	<u>\$ -</u>	<u>\$ 18,731,285</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	<u>CLUES</u>	<u>CREHC</u>	<u>Eliminations</u>	<u>Total</u>
SUPPORT AND REVENUE				
Government Grants	\$ 4,845,273	\$ -	\$ -	\$ 4,845,273
Contributions	2,171,508	3,592,613	(3,592,613)	2,171,508
Private Grants	207,261	-	-	207,261
Interest	31,233	-	-	31,233
Client Paid and Private Insurance	1,283,068	-	-	1,283,068
Rental Income	152,915	33,679	-	186,594
In-Kind Contributions	400,384	-	-	400,384
Miscellaneous Income	89,041	45,065	(45,065)	89,041
Total Support and Revenue	<u>9,180,683</u>	<u>3,671,357</u>	<u>(3,637,678)</u>	<u>9,214,362</u>
EXPENSE				
Program Services	10,025,430	391,104	(3,637,678)	6,778,856
Support Services:				
Management and General	1,276,336	23,334	-	1,299,670
Fundraising	720,952	-	-	720,952
Total Support Services	<u>1,997,288</u>	<u>23,334</u>	<u>-</u>	<u>2,020,622</u>
Total Expense	<u>12,022,718</u>	<u>414,438</u>	<u>(3,637,678)</u>	<u>8,799,478</u>
CHANGE IN NET ASSETS	(2,842,035)	3,256,919	-	414,884
Net Assets - Beginning of Year	<u>7,714,203</u>	<u>-</u>	<u>-</u>	<u>7,714,203</u>
NET ASSETS - END OF YEAR	<u>\$ 4,872,168</u>	<u>\$ 3,256,919</u>	<u>\$ -</u>	<u>\$ 8,129,087</u>



**INDEPENDENT AUDITORS' 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
Comunidades Latinas Unidas En Servicio, Inc.
St. Paul, Minnesota

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 Comunidades Latinas Unidas En Servicio, Inc., which comprise the balance sheet as of December 31, 2018, and the related statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Comunidades Latinas Unidas En Servicio, Inc.'s internal control over financial reporting (internal control) to determine the 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 Comunidades Latinas Unidas En Servicio, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Comunidades Latinas Unidas En Servicio, Inc.'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.

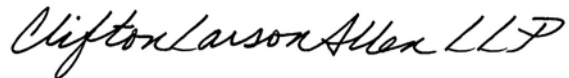
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Comunidades Latinas Unidas En Servicio, Inc.'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 determination of financial statement amounts. 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 result of that testing, and not to provide an opinion on the effectiveness of Comunidades Latinas Unidas En Servicio, Inc.'s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Comunidades Latinas Unidas En Servicio, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 14, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
Comunidades Latinas Unidas En Servicio, Inc.
St. Paul, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Comunidades Latinas Unidas En Servicio, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Comunidades Latinas Unidas En Servicio, Inc.'s major federal programs for the year ended December 31, 2018. Comunidades Latinas Unidas En Servicio, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Comunidades Latinas Unidas En Servicio, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Comunidades Latinas Unidas En Servicio, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Comunidades Latinas Unidas En Servicio, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Comunidades Latinas Unidas En Servicio, Inc. complied, in all material respects, with the types of 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, 2018.

Report on Internal Control Over Compliance

Management of Comunidades Latinas Unidas En Servicio, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Comunidades Latinas Unidas En Servicio, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Comunidades Latinas Unidas En Servicio, Inc.'s 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 14, 2019

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services:				
Aging Cluster:				
Special Programs for the Aging - Title III-B Older Americans Act	93.044	311-17-003B-320	\$ -	\$ 40,000
National Family Caregiver Support	93.052	311-17-003E-194	-	83,673
Refugee and Entrant Assistance-State Administered Programs	93.566	132101	-	5,928
Minnesota Department of Human Services:				
Famlias Unidas	93.959	68684	-	101,938
Famlias Unidas (CEMIG)	93.959	148792	-	47,288
Total Block Grants for Prevention and Treatment of Substance Abuse			-	149,226
Adult/ Children's Mental Health Division:				
Ethnic and Cultural Minority Infrastructure	93.958	114121	-	17,495
Ethnic Minority Communities Workforce Grant	93.958	178792	-	61,614
Total Block Grants for Community Mental Health			-	79,109
Ethnic Minority Communities Workforce Grant	93.953	97807	-	74,170
Minnesota Department of Health:				
Temporary Assistance to Needy Families (TANF) Cluster:				
Eliminating Health Disparities Initiative	93.558	111168	-	197,708
Maternal, Infant and Early Childhood Home Visiting Grant Program (MIECHV) Cluster:				
Evidence-Based Home Visiting Models to Serve Families in Need	93.870	X10MC29483	-	124,532
Total U.S. Department of Health and Human Services			-	754,346
U.S. Department of Housing and Urban Development (HUD):				
National Council of La Raza:				
Housing Counseling	14.169	HC180011002	-	24,500
Community Development Block Grants Cluster:				
City of Minneapolis Employment and Training:				
Employment and Training Contract	14.218	C-404562	-	33,455
Employment and Training Contract	14.218	C-404562	-	66,943
Total Community Development Block Grants Cluster			-	100,398
Total U.S. Department of Housing and Urban Development (HUD)			-	124,898
U.S. Department of Justice:				
Office on Violence Against Women:				
Sexual Assault Education and Prevention	16.023	2016-KS-AX-0005	-	94,343
Total U.S. Department of Justice			-	94,343

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Corrections:				
Minnesota Department of Public Safety: Crime Victim Services 2018	16.017	A-CVSVVA-2018-CLUES-00006	\$ -	\$ 122,859
Total U.S. Department of Corrections			-	122,859
U.S. Department of the Treasury:				
Volunteer Income Tax Assistance	21.009	17VITA0075	-	20,675
Total U.S. Department of the Treasury			-	20,675
U.S. Department of Agriculture:				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP) Cluster: DHS Supplemental Nutrition Assistance Program (SNAP): Nutritional Assistance Program	10.561	133067	-	46,167
Total U.S. Department of Agriculture			-	46,167
Corporation for National and Community Service:				
Local Initiatives Support Corporation (LISC): CNCS Social Innovations Fund	94.019	45185-0013	-	145,441
CNCS Social Innovations Fund	94.019	45185-0009	-	13,824
Total Corporation for National and Community Service			-	159,265
Total Expenditures of Federal Awards			\$ -	\$ 1,322,553

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Comunidades Latinas Unidas En Servicio, Inc. under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of 2 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 Comunidades Latinas Unidas En Servicio, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Comunidades Latinas Unidas En Servicio, Inc.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Comunidades Latinas Unidas En Servicio, Inc. has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes _____ x _____ no
 - Significant deficiency(ies) identified? _____ yes _____ x _____ none reported
3. Noncompliance material to financial statements noted? _____ yes _____ x _____ no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes _____ x _____ no
 - Significant deficiency(ies) identified? _____ yes _____ x _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes _____ x _____ no

Identification of Major Federal Programs

Program	CFDA Number
Familias Unidas	93.959
Ethnic Minority Communities Workforce Grant	93.953; 93.959
Eliminating Health Disparities Initiative	93.558

- Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000
- Auditee qualified as low-risk auditee? _____ x _____ yes _____ no

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).