

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.

**FINANCIAL STATEMENTS AND
SINGLE AUDIT COMPLIANCE REPORTS**

YEARS ENDED DECEMBER 31, 2016 AND 2015

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2016 AND 2015

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
BALANCE SHEETS	3
STATEMENTS OF ACTIVITIES	4
STATEMENTS OF FUNCTIONAL EXPENSE	6
STATEMENTS OF CASH FLOWS	8
NOTES TO FINANCIAL STATEMENTS	9
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	21
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM - UNRESTRICTED	22
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 <i>GOVERNMENT AUDITING STANDARDS</i>	24
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	26
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	28
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	30
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	31

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Comunidades Latinas Unidas En Servicio, Inc. (a nonprofit organization), which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of activities, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Comunidades Latinas Unidas En Servicio, Inc., as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Other Matters

Other Information – Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the 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 26, 2017, 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 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 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
April 26, 2017

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

	2016	2015
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 821,892	\$ 651,079
Accounts Receivable, Net of Allowance	1,579,720	1,010,651
Grants Receivable - Current Portion	746,500	660,000
Pledges Receivable - Current Portion	23,000	8,000
Prepaid Expenses	93,883	64,662
Total Current Assets	3,264,995	2,394,392
OTHER ASSETS		
Grants Receivable, Net of Current Portion	145,000	27,500
Total Other Assets	145,000	27,500
LAND, BUILDINGS AND EQUIPMENT, NET	4,035,246	4,116,370
Total Assets	\$ 7,445,241	\$ 6,538,262
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Other Accrued Liabilities	\$ 42,434	\$ 62,042
Accrued Wages and Payroll Taxes	170,757	131,137
Accrued Vacation	99,775	88,778
Other Liabilities	100,000	139,388
Current Portion of Long-Term Debt	19,120	15,334
Total Current Liabilities	432,086	436,679
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	455,414	456,913
Total Liabilities	887,500	893,592
NET ASSETS		
Unrestricted:		
Undesignated	517,389	273,663
Designated - Property and Equipment	3,560,712	3,644,123
Total Unrestricted	4,078,101	3,917,786
Temporarily Restricted	2,466,140	1,713,384
Permanently Restricted	13,500	13,500
Total Net Assets	6,557,741	5,644,670
Total Liabilities and Net Assets	\$ 7,445,241	\$ 6,538,262

See accompanying Notes to Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Government Grants	\$ 3,259,188	\$ -	\$ -	\$ 3,259,188
Contributions	1,053,477	1,778,044	-	2,831,521
Private Grants	435,724	-	-	435,724
Interest	94	-	-	94
Client Paid and Private Insurance	943,758	-	-	943,758
Rental Income	171,812	-	-	171,812
In-Kind Contributions	385,870	-	-	385,870
Miscellaneous Income	(7,807)	-	-	(7,807)
Total Support and Revenue	<u>6,242,116</u>	<u>1,778,044</u>	<u>-</u>	<u>8,020,160</u>
Net Assets Released from Restrictions	<u>1,025,288</u>	<u>(1,025,288)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	7,267,404	752,756	-	8,020,160
EXPENSE				
Program Services	5,619,554	-	-	5,619,554
Support Services:				
Management and General	1,064,440	-	-	1,064,440
Fundraising	423,095	-	-	423,095
Total Support Services	<u>1,487,535</u>	<u>-</u>	<u>-</u>	<u>1,487,535</u>
Total Expense	<u>7,107,089</u>	<u>-</u>	<u>-</u>	<u>7,107,089</u>
CHANGE IN NET ASSETS	160,315	752,756	-	913,071
Net Assets - Beginning of Year	<u>3,917,786</u>	<u>1,713,384</u>	<u>13,500</u>	<u>5,644,670</u>
NET ASSETS - END OF YEAR	<u>\$ 4,078,101</u>	<u>\$ 2,466,140</u>	<u>\$ 13,500</u>	<u>\$ 6,557,741</u>

See accompanying Notes to Financial Statements.

2015

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 2,739,382	\$ -	\$ -	\$ 2,739,382
1,025,304	1,251,028	-	2,276,332
414,100	-	-	414,100
25	-	-	25
1,025,057	-	-	1,025,057
150,075	-	-	150,075
398,258	-	-	398,258
26,130	-	-	26,130
<u>5,778,331</u>	<u>1,251,028</u>	<u>-</u>	<u>7,029,359</u>
<u>482,132</u>	<u>(482,132)</u>	<u>-</u>	<u>-</u>
6,260,463	768,896	-	7,029,359
5,055,530	-	-	5,055,530
1,026,279	-	-	1,026,279
272,441	-	-	272,441
<u>1,298,720</u>	<u>-</u>	<u>-</u>	<u>1,298,720</u>
<u>6,354,250</u>	<u>-</u>	<u>-</u>	<u>6,354,250</u>
(93,787)	768,896	-	675,109
<u>4,011,573</u>	<u>944,488</u>	<u>13,500</u>	<u>4,969,561</u>
<u>\$ 3,917,786</u>	<u>\$ 1,713,384</u>	<u>\$ 13,500</u>	<u>\$ 5,644,670</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
STATEMENTS OF FUNCTIONAL EXPENSE
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016			Total
	Program	Management and General	Fundraising	
Salaries and Wages	\$ 3,077,829	\$ 517,916	\$ 195,499	\$ 3,791,244
Payroll Taxes and Fringe Benefits	823,656	91,607	36,138	951,401
Consultants and Professional Fees	232,509	96,292	110,869	439,670
Travel	54,422	1,393	449	56,264
Occupancy Costs	531,314	34,974	17,684	583,972
Supplies	168,483	21,218	28,953	218,654
Equipment Rental and Maintenance	51,480	5,251	2,301	59,032
Telephone	45,391	4,529	1,622	51,542
Insurance	27,501	42,268	1,263	71,032
Conferences and Training	46,947	12,603	790	60,340
Financial Assistance and Client Transportation	130,239	21	244	130,504
Subscriptions and Dues	12,866	8,570	4,098	25,534
Printing and Postage	23,520	4,249	6,411	34,180
Interest and Discount Amortization	-	32,308	-	32,308
Other	37,973	21,406	8,357	67,736
In-Kind Services	325,792	11,628	7,333	344,753
Total Expense before Depreciation	<u>5,589,922</u>	<u>906,233</u>	<u>422,011</u>	<u>6,918,166</u>
Depreciation	<u>29,632</u>	<u>158,207</u>	<u>1,084</u>	<u>188,923</u>
Total Expense	<u><u>\$ 5,619,554</u></u>	<u><u>\$ 1,064,440</u></u>	<u><u>\$ 423,095</u></u>	<u><u>\$ 7,107,089</u></u>
Percentage of Total Expense	79.1%	14.9%	6.0%	100.0%

See accompanying Notes to Financial Statements.

2015

<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
\$ 2,704,862	\$ 493,420	\$ 203,921	\$ 3,402,203
730,766	89,528	2,681	822,975
183,170	90,736	23,491	297,397
66,173	2,754	549	69,476
497,071	40,134	16,762	553,967
152,605	23,323	2,420	178,348
44,266	4,592	1,979	50,837
46,078	4,660	1,713	52,451
26,707	43,665	1,372	71,744
44,735	7,924	1,697	54,356
67,070	-	-	67,070
24,787	7,121	3,299	35,207
23,412	3,099	4,473	30,984
-	29,200	-	29,200
39,580	7,963	2,298	49,841
355,226	28,889	3,103	387,218
5,006,508	877,008	269,758	6,153,274
49,022	149,271	2,683	200,976
<u>\$ 5,055,530</u>	<u>\$ 1,026,279</u>	<u>\$ 272,441</u>	<u>\$ 6,354,250</u>
79.6%	16.1%	4.3%	100.0%

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 913,071	\$ 675,109
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	188,923	200,976
Amortization of Discount on Long-Term Debt	18,278	17,233
Forgiveness of Debt	-	(26,100)
Loss on Disposal of Fixed Assets	7,881	-
Donated Fixed Asset Additions	(21,576)	-
Contributions Restricted for Capital Campaign	(85,000)	(85,000)
(Increase) Decrease in Current Assets:		
Accounts Receivable	(569,069)	(76,383)
Grants Receivable	(204,000)	(378,700)
Pledges Receivable	(15,000)	-
Prepaid Expense	(29,221)	56,474
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	(19,608)	37,487
Accrued Wages and Payroll Taxes	39,620	14,828
Accrued Vacation	10,997	13,290
Other Liabilities	(39,388)	50,933
Net Cash Provided by Operating Activities	195,908	500,147
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(94,369)	(44,659)
Proceeds on Sale of Fixed Assets	2,500	-
Net Cash Used by Investing Activities	(91,869)	(44,659)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received for Capital Campaign	85,000	85,000
Payments on Long-Term Debt	(18,226)	(11,681)
Net Cash Provided by Financing Activities	66,774	73,319
NET INCREASE IN CASH AND CASH EQUIVALENTS	170,813	528,807
Cash and Cash Equivalents - Beginning of Year	651,079	122,272
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 821,892	\$ 651,079
SUPPLEMENTAL INFORMATION		
Interest Paid	\$ 14,030	\$ 11,967
In-Kind Goods and Services	\$ 385,870	\$ 398,258

See accompanying Notes to Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity and Background

Comunidades Latinas Unidas En Servicio, Inc. (CLUES or the Organization) 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.

The Organization's mission, as stated in our 2014 – 2016 strategic plan, is to advance the capacity of Latino families to be healthy, prosperous, and engaged in their communities. The Organization's 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 over 20,000 individuals annually throughout Minneapolis, Saint Paul, Mankato and the rest of Southern Minnesota. As the largest 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.

An integral aspect of CLUES' strategic planning was the creation and definition of four service area pillars, which take into consideration community needs, as well as our organizational strengths.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business Activity and Background (Continued)



These four pillars of service and their corresponding service areas are:

- **Health and Family Well-Being:** Includes all health services, including group therapy, chemical dependency counseling, family development therapy and support, domestic violence and sexual assault prevention, access to healthcare, good nutrition, tobacco control and cessation, and elderly caregiver support. The Programs that are included in this Service Area include Chemical Health, Mental Health, Health Promotion, Aging Well Services and Family Services. These Programs are separately profiled in the Supplemental Information – Schedule of Revenue and Expense by Program – Unrestricted.
- **Economic Vitality:** Focuses on reducing poverty and increasing economic opportunities and capacity for adults and families to achieve financial prosperity through workforce development, employment, homeownership counseling, financial coaching, lending circles, workforce training, employment readiness classes, job search and placement assistance, and free income tax preparation services. Economic Vitality is separately profiled in the Supplemental Information – Schedule of Revenue and Expense by Program – Unrestricted.
- **Educational Achievement:** Includes partnerships and services that provide a better education and skill development for dual language learner children, youth and immigrant families through youth mentorship and academic achievement. Services include academic support for youth, adult ESL classes, computer skills classes, and mentoring for youth. Educational Achievement is separately profiled in the Supplemental Information – Schedule of Revenue and Expense by Program – Unrestricted.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business Activity and Background (Continued)

- Civic and Cultural Engagement: Via partnerships and collaborations, this service area will strive to build social and capital, while lifting the voices of Minnesota's Latino community through health equity and policy change, education advocacy, youth civic learning, citizenship attainment, and events promoting Latino arts and culture.

Capital Campaign Initiative

The Organization has begun the process to raise funds in an effort to renovate and expand the current office headquarters. This expansion would allow the Organization to consolidate and expand programs while increasing the resources and services to the Latino clients and community.

The Organization has nearly 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 the Organization to carry out the current strategic plan as well as the long-term mission more effectively.

The total cost of this expansion is estimated to be \$8 million and construction is set to begin in the Spring of 2018. Of the \$8 million, the Organization plans to finance the expansion through private fundraising efforts (\$5 million), new market tax credits (\$2 million) and borrowing (\$1 million).

In October 2016, the Organization hosted a Gala to celebrate its 35th Anniversary as well as to launch a capital campaign. The Gala was tremendously successful with over 500 people in attendance, generating approximately \$196,000 in event revenue. As a result of the Gala, significant individual, corporate and foundation pledges were secured on behalf of the Capital Campaign.

The Organization also hosted Fiesta Latina in September 2016, to celebrate the cultural richness of Latinos in Minnesota. The event was a great success with over 1,000 people in attendance, generating approximately \$54,000 in event revenue.

These events generated revenue in the approximate amount of \$250,000 by the Organization during 2016.

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:

Unrestricted – 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.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources permitted the Organization to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net asset class.

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.

Receivables

Grants, accounts and pledges receivable are stated at net realizable value. At December 31, 2016 and 2015, 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 2016 and 2015. There was no allowance or discount warranted on pledges receivable at December 31, 2016 and 2015.

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.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, Buildings, and Equipment (Continued)

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, 2016 and 2015, loan financing costs of \$89,328 were netted with related debt (see Note 5) and amortized using the straight-line method over the assumed 40-year term of the loan. Accumulated amortization was \$26,710 and \$24,475 for the years ended December 31, 2016 and 2015, respectively.

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 FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. 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.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through April 26, 2017, the date the financial statements were available to be issued.

NOTE 2 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.

For the years ended December 31, 2016 and 2015, major sources of support and revenue and their respective concentration as a percentage of total revenues were as follows:

	<u>2016</u>		<u>2015</u>	
State of Minnesota	\$ 1,026,324	12.8%	\$ 1,129,821	16.1%
Hennepin County	367,970	4.6	357,127	5.1
Ramsey County	88,460	1.1	164,430	2.3

Additionally, for the year ended December 31, 2016, approximately 25% of contributions were from two donors. No such concentration existed for the year ended December 31, 2015.

NOTE 3 GRANTS RECEIVABLE

Grants receivable consist of the following at December 31:

	<u>2016</u>	<u>2015</u>
Gross Grants Receivable	\$ 891,500	\$ 687,500
Less: Current Portion	(746,500)	(660,000)
Long-Term Portion	<u>\$ 145,000</u>	<u>\$ 27,500</u>
Cash Amounts Due In:		
Within One Year	\$ 746,500	\$ 660,000
One to Five Years	145,000	27,500
Total	<u>\$ 891,500</u>	<u>\$ 687,500</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4 LAND, BUILDINGS, AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Land	\$ 1,141,120	\$ 1,141,120
Building	3,889,311	3,877,701
Vehicles	81,571	43,741
Furniture and Equipment	1,340,734	1,317,035
Software	189,067	187,767
Leasehold Improvements	352,363	389,855
Construction in Progress	20,023	20,023
Less: Accumulated Depreciation	<u>(2,978,943)</u>	<u>(2,860,872)</u>
Total	<u>\$ 4,035,246</u>	<u>\$ 4,116,370</u>

NOTE 5 LONG-TERM DEBT

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

<u>Description</u>	<u>2016</u>	<u>2015</u>
The Organization 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.	\$ 417,000	\$ 417,000
Unamortized discount on the above loan at imputed interest rate of 6.06%	(240,577)	(250,658)
The Organization 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.	164,012	170,000
Unamortized discount on the above loan at imputed interest rate of 6.06%	(26,524)	(34,722)

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2016</u>	<u>2015</u>
In September 2014, the Organization 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.	\$ 223,241	\$ 235,480
Total	537,152	537,100
Less: Loan Financing Costs (Note 1)	(62,618)	(64,853)
Less: Current Maturities	<u>(19,120)</u>	<u>(15,334)</u>
Total Long-Term Debt	<u>\$ 455,414</u>	<u>\$ 456,913</u>

The security interests of the Housing and Redevelopment Authority of the City of St. Paul are subordinate to the security interest of Bremer Bank for the note agreement to purchase property in St. Paul, Minnesota.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2017	\$ 19,120
2018	20,150
2019	203,305
2020	7,265
2021	7,718
Thereafter	<u>546,695</u>
Total Long-Term Debt	804,253
Less: Current Portion	(19,120)
Less: Loan Financing Costs	(62,618)
Less: Unamortized Discounts	<u>(267,101)</u>
Long-Term Portion	<u>\$ 455,414</u>

The Organization recorded interest and discount amortization expense in the amount of \$32,308 and \$29,200 for the years ended December 31, 2016 and 2015, respectively, which includes the amortization of the discount for loans with forgiven interest totaling \$18,278 and \$17,233 for the years ended December 31, 2016 and 2015, respectively.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 6 LINE AND LETTER OF CREDIT

Since 2009, the Organization has renewed a revolving line of credit with Bremer Bank. The line of credit has an available balance of \$600,000 and an advance rate of 5.50% at December 31, 2016. The line matures on August 31, 2017. Borrowings are secured by the Organization's inventory, equipment, accounts receivable, and general intangibles. Advances under the line of credit were \$-0- as of December 31, 2016 and 2015.

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, 2016, the Organization has not made any draw requests.

NOTE 7 LEASE INCOME

The Organization receives rental income from various tenants with commitments signed through 2016. Future rental minimal lease payments expected to be received are as follows:

<u>Year</u>	<u>Amount</u>
2017	<u>\$ 180,018</u>

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 July 31, 2017.

882 South Robert Street: The Organization entered into a lease agreement for this facility that started in May 2008 and goes through April 2018.

1516 East Lake Street: The Organization entered into a lease agreement for this facility that started in September 2014 and goes through October 2016.

777 East Lake Street: The Organization entered into a lease agreement for this facility that started in November 2016 and goes through July 31, 2017. This facility replaced the previous 1516 East Lake Street location.

Total rent expense for the years ended December 31, 2016 and 2015 under all leases was \$318,848 and \$323,420, respectively. The following is the future minimum lease payment schedule for the lease:

<u>Year</u>	<u>Amount</u>
2017	\$ 186,210
2018	13,760
Total	<u>\$ 199,970</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted

Temporarily restricted net assets as of December 31 consist of the following donor restrictions:

	2016	2015
Time Restricted:		
City of St. Paul Housing & Redevelopment Authority	\$ 466,568	\$ 466,568
Butler Family Foundation	15,000	-
The Minneapolis Foundation	-	100,000
Boston Scientific Foundation	-	20,000
Purpose Restricted:		
Employment Program:		
Ecolab Foundation	2,500	2,500
Wells Fargo	13,750	13,333
Mardag Foundation	-	5,000
NCLR Foundation	-	15,278
Opus Foundation	15,000	-
Marbrook Foundation	13,750	-
McKnight Foundation	45,833	-
Mental Health Program:		
Park Nicollet Foundation	-	10,000
Family Services Program:		
Women's Foundation of Minnesota	-	2,500
Health Program:		
Blue Cross Blue Shield of Minnesota Foundation	-	4,083
Clearway Foundation	15,625	20,833
Medtronic	-	24,060
Education Program:		
Comcast Foundation	-	14,140
The McKnight Foundation	-	95,833
Northwest Area Foundation	-	22,500
Best Buy Foundation	12,500	10,000
Otto Bremer Foundation	50,000	31,250
Cornell University	31,818	50,909
Richard M. Schulze Family Foundation	-	8,333
NCLR/JPMC Foundation	-	15,789
Youthprise	-	12,500
Knight Foundation	60,000	-
St Paul Foundation	17,083	-
Cargill Foundation	50,000	-
Capital Campaign:		
3M Foundation	-	7,892
Steven's Square Foundation	-	20,000
Comcast	-	15,000
Pohlad Family Foundation	-	50,000
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	-
Individuals	19,546	-
Chemical Health:		
Butler Family Foundation	-	35,000
Administrative:		
Individuals	8,000	8,000
Vanguard Charitable	-	6,250
The Kresge Foundation	379,167	595,833
General Mills Foundation	-	30,000
St Paul Foundation	20,000	-
The George Family Foundation	5,000	-
Northwest Area Foundation	175,000	-
Total	\$ 2,466,140	\$ 1,713,384

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 9 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net Assets Released from Restrictions

Net assets released from donor restrictions were as follows for the years ended December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Time Restricted	\$ 40,000	\$ 20,000
Purpose Restricted:		
Employment Program	236,111	196,250
Mental Health Program	10,000	-
Family Services Program	2,500	1,875
Health Program	70,852	101,703
Education Program	205,016	137,304
Capital Campaign	107,892	-
Administrative	352,917	25,000
Total	<u>\$ 1,025,288</u>	<u>\$ 482,132</u>

NOTE 10 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 2016 and 2015, the Organization received 16,853 and 19,556 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 \$344,753 and \$398,258 during the years ended December 31, 2016 and 2015, respectively.

Additionally, the Organization received \$41,115 and \$-0- in donated goods during the years ended December 31, 2016 and 2015, respectively.

NOTE 11 RELATED PARTY TRANSACTIONS

During 2015, the Organization entered into a contract for consulting services with the Chair of the board of directors. For the years ended December 31, 2016 and 2015, the Organization paid out \$13,085 and \$20,530, respectively, for services and expense reimbursements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 11 RELATED PARTY TRANSACTIONS (CONTINUED)

During 2015, the Organization also entered into a fiscal agency contract with a third party. The Chair of the board of directors also performs consulting services for this third-party organization and receives a payment of \$5,000 a month if the third party continues to raise the necessary funds. No payment related to this contract has been made by the Organization as of December 31, 2016.

During 2016, the Organization received a donated car from the President. The value of the donation was estimated at \$21,576 and recorded as in-kind revenue and capitalized to fix assets. The capitalized cost will be depreciated to expenses over the estimated life of the asset.



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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 financial statements of Comunidades Latinas Unidas En Servicio, Inc., as of and for the years ended December 31, 2016 and 2015, and our report thereon dated April 26, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenue and Expense by Program, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 26, 2017

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM - UNRESTRICTED
YEAR ENDED DECEMBER 31, 2016
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Chemical Health	Mental Health	Educational Achievement	Economic Vitality
SUPPORT AND REVENUE				
Government Grants	\$ 209,501	\$ 582,874	\$ 333,070	\$ 1,255,027
Contributions, Private Grants, and Special Events	-	23,044	150,466	194,282
Interest	-	-	-	-
Client Paid and Private Insurance	124,875	546,690	45	2,570
Rent Income	-	-	-	-
In-Kind Contributions	29,113	38,729	226,893	33,716
Miscellaneous Income	-	670	-	-
Net Assets Released from Restrictions	20,000	10,000	240,016	278,611
Total Support and Revenue	<u>383,489</u>	<u>1,202,007</u>	<u>950,490</u>	<u>1,764,206</u>
EXPENSE				
Salaries and Wages	229,813	792,433	345,877	745,345
Payroll Taxes and Fringe Benefits	55,603	182,205	102,822	211,715
Consultants and Professional Fees	13,232	41,980	49,979	70,090
Travel	1,915	12,007	2,966	10,152
Occupancy Costs	35,025	115,068	65,190	134,065
Supplies	14,908	5,281	40,888	23,627
Equipment Rental and Maintenance	3,408	11,412	6,434	13,734
Telephone	2,013	9,722	4,687	9,665
Insurance	1,803	5,907	3,335	6,851
Conferences and Training	1,250	8,620	3,827	19,147
Financial Assistance and Client Transportation	1,053	1,808	9,630	97,504
Subscriptions and Dues	1,320	1,510	475	5,267
Printing and Postage	1,809	4,797	2,913	6,060
Interest	-	-	-	-
Other	343	215	19,165	17,309
In-Kind Services	29,113	38,663	207,613	33,651
Depreciation	1,546	5,065	2,858	12,400
Total Expense before Capital Campaign	<u>394,154</u>	<u>1,236,693</u>	<u>868,659</u>	<u>1,416,582</u>
Program Development Cost Allocation	17,643	58,193	32,640	66,402
Administrative Expense Allocation	<u>43,347</u>	<u>140,270</u>	<u>77,747</u>	<u>169,972</u>
CHANGE IN NET ASSETS	<u>\$ (71,655)</u>	<u>\$ (233,149)</u>	<u>\$ (28,556)</u>	<u>\$ 111,250</u>

<u>Health Promotion</u>	<u>Aging Well Services</u>	<u>Family Services</u>	<u>Total Program</u>	<u>Management and General</u>	<u>Capital Campaign & Fundraising</u>	<u>Total</u>
\$ 238,495	\$ 125,259	\$ 507,712	\$ 3,251,938	\$ 5,000	\$ 2,250	\$ 3,259,188
481,448	71,775	187,185	1,108,200	45,150	335,851	1,489,201
-	-	-	-	94	-	94
-	262,369	-	936,549	7,209	-	943,758
-	-	-	-	171,812	-	171,812
-	-	16,882	345,333	11,628	28,909	385,870
-	-	-	670	(10,365)	1,888	(7,807)
90,852	85,000	-	724,479	-	300,809	1,025,288
<u>810,795</u>	<u>544,403</u>	<u>711,779</u>	<u>6,367,169</u>	<u>230,528</u>	<u>669,707</u>	<u>7,267,404</u>
343,462	222,773	398,126	3,077,829	517,916	195,499	3,791,244
91,045	73,289	106,977	823,656	91,607	36,138	951,401
12,729	23,387	21,112	232,509	96,292	110,869	439,670
7,568	3,814	15,999	54,421	1,393	450	56,264
58,644	55,539	67,783	531,314	34,974	17,684	583,972
21,716	53,057	9,006	168,483	21,218	28,953	218,654
5,589	4,284	6,618	51,479	5,251	2,302	59,032
5,963	5,086	8,254	45,390	4,529	1,623	51,542
3,288	2,855	3,461	27,500	42,268	1,264	71,032
9,968	1,873	2,263	46,948	12,603	789	60,340
-	14,086	6,158	130,239	21	244	130,504
665	3,629	-	12,866	8,570	4,098	25,534
2,736	2,053	3,152	23,520	4,249	6,411	34,180
-	-	-	-	32,308	-	32,308
176	227	542	37,977	21,406	8,353	67,736
-	-	16,752	325,792	11,628	7,333	344,753
2,752	2,039	2,971	29,631	158,207	1,085	188,923
<u>566,301</u>	<u>467,991</u>	<u>669,174</u>	<u>5,619,554</u>	<u>1,064,440</u>	<u>423,095</u>	<u>7,107,089</u>
28,925	23,302	33,970	261,075	(1,276)	(259,799)	-
<u>70,536</u>	<u>57,658</u>	<u>81,787</u>	<u>641,317</u>	<u>(632,816)</u>	<u>(8,501)</u>	<u>-</u>
<u>\$ 145,033</u>	<u>\$ (4,548)</u>	<u>\$ (73,152)</u>	<u>\$ (154,777)</u>	<u>\$ (199,820)</u>	<u>\$ 514,912</u>	<u>\$ 160,315</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, 2016, 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 April 26, 2017.

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.

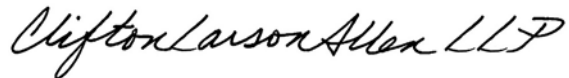
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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
April 26, 2017

**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, 2016. 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, 2016.

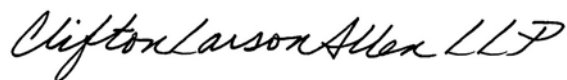
Report on Internal Control Over Compliance

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 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. 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
April 26, 2017

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Metropolitan Area Agency on Aging:			
Title III-B Older Americans Act	93.052	311-16-003B-320	\$ 51,386
Title III-B Older Americans Act	93.052	311-16-003E-194	39,424
			<u>90,810</u>
Refugee Act of 1980:			
Refugee Program	93.566	99252	39,501
Refugee Program	93.566	99252	9,879
			<u>49,380</u>
Minnesota Department of Human Services:			
Famlias Unidas	93.959	48460	120,053
Famlias Unidas	93.959	68684	30,072
			<u>150,125</u>
Minnesota Department of Human Services			
Children's Mental Health Division:			
Ethnic and Cultural Minority Infrastructure	93.958	71505	13,092
Ethnic and Cultural Minority Infrastructure	93.958	114121	23,975
			<u>37,067</u>
Minnesota Department of Human Services			
Adult Mental Health Division:			
Ethnic Minority Communities Workforce Grant	93.953	97807	173,882
			<u>173,882</u>
Total U.S. Department of Health and Human Services			<u>501,264</u>
U.S. Department of Housing and Urban Development (HUD):			
National Council of La Raza:			
Housing Counseling	14.169	HC160011002	40,000
City of Minneapolis Community Planning and Economic Development:			
Business Technical Assistance Program	14.218	C-40876	2,100
City of Minneapolis Employment and Training:			
Employment and Training Contract	14.218	C-40562	23,758
Employment and Training Contract	14.218	C-404562	16,019
			<u>81,877</u>
Total U.S. Department of Housing and Urban Development (HUD)			<u>81,877</u>
U.S. Department of Justice:			
Office on Violence Against Women:			
Sexual Assault Education and Prevention	16.023	2016-KS-AX-0005	28,299
Total U.S. Department of Justice			<u>28,299</u>
U.S. Department of Education:			
Minnesota Department of Education:			
English Literacy and Civics Education	84.002A	V002A140024 & V002A15004	33,163
English Literacy and Civics Education	84.002A	V002A150024 & V002A160024	44,003
Total U.S. Department of Education			<u>77,166</u>

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Corrections:			
Minnesota Department of Public Safety:			
Crime Victim Services 2016	16.575 / 16.017	A-CVS-2016-CLUES-00055	\$ 65,744
Crime Victim Services 2017	16.575 / 16.017	A-CVS-2017-CLUES-00089	18,244
Technology Upgrade 2016	16.575	A-TU-2016-CLUES-00070	<u>11,160</u>
Total U.S. Department of Corrections			<u>95,148</u>
U.S. Department of the Treasury:			
Mortgage Default Services	21.000	PL113-235X1350	<u>6,300</u>
Total U.S. Department of the Treasury			<u>6,300</u>
U.S. Department of Agriculture:			
DHS Supplemental Nutrition Assistance Program (SNAP):			
Nutritional Assistance Program	10.561	102146	<u>45,630</u>
Total U.S. Department of Agriculture			<u>45,630</u>
Corporation for National and Community Service:			
Local Initiatives Support Corporation (LISC):			
CNCS Social Innovations Fund	94.019	45185-0008	<u>141,557</u>
Total Expenditures of Federal Awards			<u><u>\$ 977,241</u></u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

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, 2016. 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, 2016**

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

CFDA Number(s)	Name of Federal Program
93.959	Familias Unidas
93.953	Ethnic Minority Communities Workforce
84.002	English Literacy and Civics Education

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

Auditee qualified as low-risk auditee? _____ yes x no

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

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).