

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.

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

YEARS ENDED DECEMBER 31, 2020 AND 2019



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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, 2020 and 2019, 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, 2020 and 2019, 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 Balance Sheet and Schedule of Activities

Our audit as of and for the year ended December 31, 2020 was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary consolidating balance sheet and consolidating schedule 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 May 19, 2021, 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
May 19, 2021

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2020 AND 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,023,543	\$ 62,631
Accounts Receivable, Net of Allowance	2,183,376	1,532,899
Grants Receivable - Current Portion	496,075	970,517
Pledges Receivable	-	165,892
Prepaid Expenses	113,031	69,659
Total Current Assets	4,816,025	2,801,598
OTHER ASSETS		
Grants Receivable, Net of Current Portion	25,000	125,000
Notes Receivable, Net of Current Portion	5,031,400	5,031,400
Construction Project Deposits Held in Escrow	214,917	952,569
Total Other Assets	5,271,317	6,108,969
LAND, BUILDINGS, AND EQUIPMENT, NET	10,200,811	10,090,583
Total Assets	\$ 20,288,153	\$ 19,001,150
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Other Accrued Liabilities	\$ 382,809	\$ 230,140
Accrued Wages and Payroll Taxes	96,612	256,533
Accrued Vacation	303,425	214,306
Accrued Interest	15,875	15,875
Accrued Construction and Other Liabilities	150,988	635,639
Current Portion of Long-Term Capital Lease Obligation	129,936	137,008
Line of Credit	-	19,752
Current Portion of Long-Term Debt	425,982	125,774
Total Current Liabilities	1,505,627	1,635,027
NONCURRENT LIABILITIES		
Long-Term Capital Lease Obligation, Net of Current Portion	106,643	224,416
Long-Term Debt, Net of Current Portion	7,650,650	8,168,921
Total Noncurrent Liabilities	7,757,293	8,393,337
Total Liabilities	9,262,920	10,028,364
NET ASSETS		
Without Donor Restrictions:		
Undesignated (Note 1)	6,176,767	4,799,622
Designated - Capital Projects	2,339,096	2,748,457
Total Net Assets Without Donor Restrictions	8,515,863	7,548,079
With Donor Restrictions	2,509,370	1,424,707
Total Net Assets	11,025,233	8,972,786
Total Liabilities and Net Assets	\$ 20,288,153	\$ 19,001,150

See accompanying Notes to Consolidated Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Government Grants	\$ 9,272,630	\$ -	\$ 9,272,630	\$ 4,688,457	\$ -	\$ 4,688,457
Contributions and Grants	2,806,380	1,973,076	4,779,456	943,618	3,157,007	4,100,625
Interest	50,422	-	50,422	124	-	124
Client Paid and Private Insurance	550,645	-	550,645	1,019,953	-	1,019,953
Rental Income	195,225	-	195,225	186,594	-	186,594
In-Kind Contributions	380,222	-	380,222	522,222	-	522,222
Miscellaneous Income	47	-	47	188,369	-	188,369
Total Support and Revenue	<u>13,255,571</u>	<u>1,973,076</u>	<u>15,228,647</u>	<u>7,549,337</u>	<u>3,157,007</u>	<u>10,706,344</u>
Net Assets Released from Restrictions	<u>888,413</u>	<u>(888,413)</u>	<u>-</u>	<u>3,465,861</u>	<u>(3,465,861)</u>	<u>-</u>
Total Support and Revenue	14,143,984	1,084,663	15,228,647	11,015,198	(308,854)	10,706,344
EXPENSE						
Program Services	10,574,799	-	10,574,799	7,171,650	-	7,171,650
Support Services:						
Management and General	2,184,446	-	2,184,446	1,905,832	-	1,905,832
Fundraising	416,955	-	416,955	785,163	-	785,163
Total Support Services	<u>2,601,401</u>	<u>-</u>	<u>2,601,401</u>	<u>2,690,995</u>	<u>-</u>	<u>2,690,995</u>
Total Expense	<u>13,176,200</u>	<u>-</u>	<u>13,176,200</u>	<u>9,862,645</u>	<u>-</u>	<u>9,862,645</u>
CHANGE IN NET ASSETS	967,784	1,084,663	2,052,447	1,152,553	(308,854)	843,699
Net Assets - Beginning of Year	<u>7,548,079</u>	<u>1,424,707</u>	<u>8,972,786</u>	<u>6,395,526</u>	<u>1,733,561</u>	<u>8,129,087</u>
NET ASSETS - END OF YEAR	<u>\$ 8,515,863</u>	<u>\$ 2,509,370</u>	<u>\$ 11,025,233</u>	<u>\$ 7,548,079</u>	<u>\$ 1,424,707</u>	<u>\$ 8,972,786</u>

See accompanying Notes to Consolidated Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 4,344,831	\$ 958,671	\$ 205,479	\$ 5,508,981
Payroll Taxes and Fringe Benefits	1,086,036	194,176	56,684	1,336,896
Consultants and Professional Fees	448,141	177,902	23,884	649,927
Travel	27,054	449	132	27,635
Occupancy Costs	465,918	114,112	18,121	598,151
Supplies	505,389	41,460	32,470	579,319
Equipment Rental and Maintenance	13,438	1,845	354	15,637
Telephone	46,037	5,780	1,815	53,632
Insurance	48,012	39,296	1,924	89,232
Conferences and Training	20,031	6,287	545	26,863
Financial Assistance and Client Transportation	3,009,653	-	-	3,009,653
Subscriptions and Dues	34,104	39,361	6,888	80,353
Printing and Postage	9,898	2,714	338	12,950
Interest and Discount Amortization	-	63,069	55,720	118,789
Bad Debt Expense	-	145,600	-	145,600
Other	55,244	4,099	449	59,792
In-Kind Services	279,528	25,111	5,373	310,012
Total Expense Before Depreciation	10,393,314	1,819,932	410,176	12,623,422
Depreciation	181,485	364,514	6,779	552,778
Total Expense	<u>\$ 10,574,799</u>	<u>\$ 2,184,446</u>	<u>\$ 416,955</u>	<u>\$ 13,176,200</u>
Percentage of Total Expense	80.3%	16.5%	3.2%	100.0%

See accompanying Notes to Consolidated Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries and Wages	\$ 3,921,766	\$ 675,928	\$ 257,753	\$ 4,855,447
Payroll Taxes and Fringe Benefits	981,836	146,247	51,041	1,179,124
Consultants and Professional Fees	411,323	333,691	173,835	918,849
Travel	58,040	1,894	507	60,441
Occupancy Costs	631,378	21,550	21,550	674,478
Supplies	222,922	51,129	191,151	465,202
Equipment Rental and Maintenance	22,314	22,977	1,371	46,662
Telephone	42,316	6,706	2,059	51,081
Insurance	54,001	43,683	3,536	101,220
Conferences and Training	60,800	15,443	1,934	78,177
Financial Assistance and Client Transportation	238,597	-	900	239,497
Subscriptions and Dues	23,907	11,078	6,804	41,789
Printing and Postage	20,085	3,199	4,779	28,063
Interest and Discount Amortization	-	84,736	53,296	138,032
Bad Debt Expense	-	174,000	-	174,000
Other	57,185	28,863	-	86,048
In-Kind Services	328,796	26,706	9,861	365,363
Total Expense Before Depreciation	<u>7,075,266</u>	<u>1,647,830</u>	<u>780,377</u>	<u>9,503,473</u>
Depreciation	<u>96,384</u>	<u>258,002</u>	<u>4,786</u>	<u>359,172</u>
Total Expense	<u><u>\$ 7,171,650</u></u>	<u><u>\$ 1,905,832</u></u>	<u><u>\$ 785,163</u></u>	<u><u>\$ 9,862,645</u></u>
Percentage of Total Expense	72.7%	19.3%	8.0%	100.0%

See accompanying Notes to Consolidated Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 2,052,447	\$ 843,699
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	552,778	359,172
Amortization of Discount on Long-Term Debt	23,004	25,955
Interest Expense - Amortization of Finance Fees	20,181	20,181
Noncash Fixed Asset Additions	-	(283,118)
Contributions Restricted for Capital Campaign	-	(5,895)
(Increase) Decrease in Current Assets:		
Accounts Receivable	(650,477)	370,496
Grants Receivable	574,442	(483,517)
Pledges Receivable	165,892	(124,861)
Prepaid Expense	(43,372)	5,289
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	152,669	155,583
Accrued Wages and Payroll Taxes	(159,921)	191,655
Accrued Vacation	89,119	27,423
Accrued Interest	-	(8,771)
Accrued Construction and Other Liabilities	(484,651)	31,325
Net Cash Provided by Operating Activities	2,292,111	1,124,616
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(658,540)	(4,217,217)
Proceeds on Sale of Fixed Assets	-	15,422
Construction Deposits Held in Escrow, Net	737,652	4,311,299
Net Cash Provided by Investing Activities	79,112	109,504
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received for Capital Campaign	-	5,895
Cash Received on Long-Term Debt	465,000	112,500
Net Change in Line of Credit	(19,752)	19,752
Payments on Capital Lease Obligations	(124,845)	(52,933)
Payments on Long-Term Debt	(730,714)	(1,412,971)
Net Cash Used by Financing Activities	(410,311)	(1,327,757)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,960,912	(93,637)
Cash and Cash Equivalents - Beginning of Year	62,631	156,268
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,023,543	\$ 62,631
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid	\$ 37,017	\$ 112,078
Building Additions Acquired through Accounts Payable	-	597,352
Capital Equipment (Lease) Acquisitions	-	314,234
In-Kind Goods and Services	380,222	522,222

See accompanying Notes to Consolidated Financial Statements.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 organization established in 1981 by Latinos for Latinos who share a vision for improving the quality of life of Minnesota's Latino population. While the Latino community and CLUES have grown significantly to meet the needs of our clients, our commitment to these founding values has not wavered.

When CLUES was founded, Minnesota Latinos amounted to less than 30,000 people. In 2020 Minnesota's Latino population is estimated at 300,000 and by 2035, Minnesota's Latino population is estimated to surpass half a million individuals –more than 8.5% of the state's total population. CLUES strives to grow in innovative ways to meet community growth and timely needs as we expand our presence in targeted rural areas.

Today, CLUES is Minnesota's largest Latino-led nonprofit that serves as a catalyst for advancing health and socio-economic wellbeing, advancing community leadership, and advancing cultural and financial assets for Minnesota Latinos. CLUES Holistic and multi-generational services are delivered at its Saint Paul Headquarters, Minneapolis, and local staff Navigators in Willmar, Austin, and Mankato areas. Over 100 team members and 600+ volunteers, help deliver services to over 30,000 people annually. Our capabilities enable us to serve people from all walks of life, including immigrants and low-income families who want a better future.

Throughout 2020 CLUES developed a new strategic direction to guide the organization through 2025. The new strategic and implementation plans were developed with staff, board leadership, stakeholders, and guidance from external consultants. The products resulting from the year-long process included: High Level Strategic framework, a three-year Business and Implementation Plan, and an internal Leadership Structure Assessment & Recommendations.

- **Our new mission:** *CLUES advances social and economic equity and wellbeing for Latinos by building upon our strengths and cultures, uplifting our community, and activating leadership for systemic change.*
- **Our new vision:** *A Latino community that is growing in strength and unity, with diverse and amplified voices, equal representation and the resources need to lead healthy and thriving lives.*

Our Programs and Business Goals:

CLUES linguistically and culturally tailored programs are center on achieving three transformational goals:

1. **Advancing community wellness** by facilitating individual and collective transformation, healing, and wellbeing.
2. **Strengthening community leadership** by activating influence, connections, and power to create social and systemic change.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Business Background (Continued)

Our Programs and Business Goals (Continued):

3. **Advancing community prosperity** by cultivating access to opportunities and growing institutional and individual assets owned by and for Latinos to foster economic equity.

CLUES goals for advancing community prosperity foster socio-economic mobility and racial equity by connecting individuals to tools and resources to help them navigate complex financial systems, attain better wages, and career ladders, and ensuring ownership of safe and affordable housing. Our goals for advancing community wellness are based on a holistic model of wellness centered on the whole person. We foster social capital and community-building as a form of healing and providing networks of support that connect people to achieving their dreams and thrive. Our arts and cultural programs that foster healing and create connections that cross race and economic status.

Advancing community engagement, advocacy, and systems change is a strategic priority for CLUES. We are committed to invest in the next generation of Latino leaders, and driving systems change for racial and economic justice. Our model for community-building seeks to foster resiliency, strengthen social connections, recognizing trauma, and catalyzing community-driven change. Our learning cohort models are designed for participants to learn, connect, and be empowered through leadership skills and co-creating solutions. We successfully piloted this model to engage community in co-creating solutions in housing/homelessness, parent empowerment, and early childhood education.

Our services are based on an intergenerational approach to increase accessibility, promote learning, and motivate children and parents to mutually support one another. 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 for transformational impact.

Business and Financial Growth

CLUES has grown services and revenues from approximately \$5,700,000 in 2014 to approximately \$15,200,000 in 2020. We have diversified our sources of income and moved from net losses to net gains. Staff grew to over 100 employees and volunteers to over 600. CLUES has grown into a strong organization ready to meet timely needs of Latinos and immigrants. Financial support is driven by diverse sources including government grants and contracts, foundation/corporate support, earned income and fee for services (including behavioral health clinics), funds for direct client/participant assistance, and individual donor support.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Business Background (Continued)

Business and Financial Growth (Continued)

Our new Strategic Goals call us to integrate cross-cutting operational strategies for impact and organizational sustainability by proactively investing in:

- Staff capacity and development.
- Organization-wide systems, infrastructure, and capacity to increase efficiency and quality of services.
- Structuring programs for greatest transformational impact and integration.
- Expanding flexible and unrestricted sources of funding.

Organization and Infrastructure Improvements in 2020

New unrestricted funds helped us improve organizational capacity in 2020 – We secured new funds to increase technology for staff, cyber security, new software to improve accounting systems, data, and billing systems for behavioral health clinical and billing services. CLUES contracted a third-party Network and Security Assessment to identify potential risks according to National Institute of Standards and Technology (NIST) 800 Information Security Testing and Assessment guidelines. The report was completed on August 8, 2020 and included Server Infrastructure, Network Infrastructure, Power & Environment, Security, Firewall, Email Systems, Internet Infrastructure, File Systems, Applications, Wireless Infrastructure, Workstations, Backup & Disaster Recovery (BDR).

Based on recommendations, CLUES carried out the following improvements in 2020:

- Implemented industry standard security practices and preventive controls to ensure that CLUES and any third parties involved in the organization's operations, meet all applicable security standards and all local, state, federal, and international laws, rules, and regulations.
- Implemented an Information Security Management System (ISMS) in accordance with ISO 27001.
- Implemented uniform guidance procurement standards to serve as a resource for federal funding recipients as they effectively implement the Federal Government's Uniform Guidance (UG) procurement rules.
- Purchased NetSuite (CRM/ERP) software to improve accounting and financial controls, internal information systems, and advance efficiencies across departments. Integration of the system will begin mid-year 2021.

In addition, funder support helped us make capital improvements, including purchasing a refrigerated truck, a stationary food trailer, shelving for food services, and purchased new printing equipment to deliver microbusiness development initiatives in 2021.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Business Background (Continued)

CLUES 2020 Response to COVID19 Pandemic

The detrimental impact of COVID19, ongoing racial disparities, and the civil unrest unleashed in 2020, created social, emotional, and economic challenges for community. Throughout 2020 we experienced an increased demand for community services focused on emergency cash assistance, access to food and shelter, and access to information and community resources.

Our 2020 financial outcomes resulted in raising over \$3 million to support direct cash assistance and rental housing support for individuals impacted by COVID19. CLUES was granted a \$1 million PPP loan, which helped support staff and operating costs in 2020. Our internal operations were challenged with the loss of five key leaders and social distancing restrictions, which forced us close our Elder's Day Center and most in-person activities for youth.

As we transitioned each Division to work remotely, we leveraged opportunities and expanded services to meet emergency community needs, including:

- Created a new Rapid Response Team – Developed CLUES COVID-19 hotline to facilitate Spanish language and bilingual information – added the equivalent of 10 FTEs to support increased demand for services and information.
- Transitioned behavioral health services to telehealth.
- Transitioned all classrooms and in-person services to virtual support. Most staff worked remotely, while the office remained open by appointment-only services.
- Expanded Access to Food Security– by year-end, close to 600 Families are served weekly through our Family Basket program and the distribution of over 500k pounds of food reaching over 50,000 people in 2020. Expanded food programs to Minneapolis.
- Provided cash assistance to over 5,000 families (impacting over 15,000 people). Raised over \$3 million in new funds to assist community with emergency cash support and rental and shelter housing relief – work that will continue into 2021.
- Expanded Employment Support Services – Over 1,500 people were assisted with unemployment applications, job search, and coaching.
- Expanded technology and virtual services to youth – Engaged over 300 youth in STEAM areas, Coding as a Second Language, Career to College pathways and one-on-one mentorship programs.
- Increased social media outreach and invested in the design of a new website and increased our institutional presence to build awareness related to COVID19 and information and resources to community.
- Secured many new individual donations to support underserved individuals and received our largest individual \$300,000 donation to support housing stability and economic prosperity for clients.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Business Background (Continued)

Saint Paul Headquarters Building Expansion

CLUES launched a \$7.5 million capital campaign in 2015 to expand its Saint Paul headquarters building from 20,000 to almost 40,000 sq.ft. The new building features 6 new classrooms (including an arts workshop room), CLUES Latino Arts Gallery, a teen tech center, a youth center, two new meeting rooms and an elder day center, all created to bring community together to build social capital and transformational work. The new expanded building was open to the public in the summer of 2019 and houses 50+ staff and a tenant with 22 staff.

The total cost of this expansion was estimated at \$7.5 million. The expansion project was financed by securing private philanthropy and individual donor support and a \$2,600,000 bridge loan from Raza Development Fund (RDF) and a \$2,184,000 new market tax credit issued by U.S. Bancorp Community Development Corporation (Investor). The cash available at closing included \$450,000 in Program Related Investments (PRIs) loans from community lending institutions (Bremmer Bank Foundation \$330,000, LISC \$25,000, and City of Saint Paul Neighborhood STAR Fund \$125,000). The financing package presented below was secured prior to launching construction and closed on August 30, 2018:

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

Financing included and new market tax credits, which are special tax credits that are administered by the U.S. Department of Treasury. 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 seven years). As a requirement for receiving new market tax credit financing, CLUES was required to establish a new 501(c)3 entity, known as CLUES Real Estate Holding Company (CREHC), which provides financial oversight and management of the new market tax credit structure. 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	<u>3,631,400</u>
Total	<u><u>\$ 5,031,400</u></u>

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

Business Background (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.

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.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

Financial Statement Presentation (Continued)

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.

Receivables and Revenue Recognition

Grants, accounts, and pledges receivable are stated at net realizable value. At December 31, 2020 and 2019, the Organization recorded an allowance for uncollectible accounts in the amount of \$-0- and \$2,058, respectively, 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 collectability of less than one year, while pledges receivable are those with initial anticipated collectability 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.

Receivables and Revenue Recognition

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 and grants are not included as support until such time as the conditions are substantially met. As of December 31, 2020 and 2019, the Organization had conditional gifts of approximately \$1,652,380 and \$2,458,457, respectively, where conditions had not yet been met due to outputs of the grants not yet achieved. There was no allowance or discount warranted on pledges receivable at December 31, 2020 and 2019.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

Receivables and Revenue Recognition (Continued)

At December 31, contributions and grants noted in the table below have not been recognized in the accompanying consolidated statement of activities because the conditions on which they depend have not yet been met.

	<u>2020</u>	<u>2019</u>
Allowable Cost Guidelines	\$ 1,567,380	\$ 2,340,272
Data-Tracking System Usage	85,000	85,000
Demographic Barrier	-	33,185
Total	<u>\$ 1,652,380</u>	<u>\$ 2,458,457</u>

Client paid and private insurance revenue is recognized at the point in time in which the service is provided (clinical or pharmaceutical visit, health assessment, etc.). Revenue is considered earned once the service is provided. The Organization remits service information to the respective insurance providers on a weekly basis for reimbursement for services.

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, 2020 and 2019, loan-financing costs of \$559,558 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 \$73,771 and \$53,590 for the years ended December 31, 2020 and 2019, respectively.

Construction Project Deposits Held in Escrow

As of December 31, 2020, the Organization had deposits held in escrow (cash balance) for the office headquarters expansion construction project of \$214,917.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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

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.

Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). 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 2020 and 2019, 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 \$1,113,384 and \$1,152,553. 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.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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

Change in Net Assets from Operations and Nonoperating Activities (Continued)

The table below computes the change in net assets without donor restrictions generated from operations in 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Change in Net Assets Without Donor Restrictions	\$ 967,784	\$ 1,152,553
Nonoperating Revenue and Expenses		
Net Assets Released from Restrictions – Capital	(888,413)	(2,140,592)
Nonoperating Interest Expense	118,789	138,032
Nonoperating Rent Expense	-	19,927
Change in Net Assets from Operations	<u>\$ 198,160</u>	<u>\$ (830,080)</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 May 19, 2021, the date the consolidated financial statements were available to be issued.

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.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

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

	2020	2019
Cash and Cash Equivalents	\$ 2,023,543	\$ 62,631
Accounts Receivable, Net of Allowance	2,183,376	1,532,899
Grants Receivable	496,075	970,517
Pledges Receivable	-	165,892
Total Current Assets	4,702,994	2,731,939
Grants Receivable: Donor Designated for Capital Project	(200,000)	(200,000)
Pledges Receivable: Donor Designated for Capital Project	(41,031)	(41,031)
Donor Designated Endowment Fund (Cash)	(14,622)	(14,604)
Donor Designated Capital Campaign Fund (Cash)	-	-
Current Assets Not Available to be Used Within One Year	(255,653)	(255,635)
Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 4,447,341	\$ 2,476,304

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, 2020 and 2019 consisted of 75% and 68% from three grantors, respectively.

Contribution revenue for the years ended December 31, 2020 and 2019 consisted of 23% from two donors and 30% from one donor, respectively.

Grants receivable for the years ended December 31, 2020 and 2019 consisted of 64% from four grantors and 50% from three grantors, respectively.

Accounts receivable for the years ended December 31, 2020 and 2019 consisted of 10% from one source and 65% from two sources, respectively.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 4 GRANT RECEIVABLE

Grants receivable consist of the following at December 31:

	<u>2020</u>	<u>2019</u>
Gross Grants Receivable	\$ 521,075	\$ 1,095,517
Less: Current Portion	<u>(496,075)</u>	<u>(970,517)</u>
Long-Term Portion	<u>\$ 25,000</u>	<u>\$ 125,000</u>
 Cash Amounts Due In:		
Within One Year	\$ 496,075	\$ 970,517
One to Five Years	<u>25,000</u>	<u>125,000</u>
Total	<u>\$ 521,075</u>	<u>\$ 1,095,517</u>

NOTE 5 LAND, BUILDINGS, AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land	\$ 1,141,120	\$ 1,141,120
Building	10,475,885	9,786,074
Vehicles	149,496	81,571
Furniture and Equipment	1,725,037	1,615,302
Software	236,635	193,806
Leasehold Improvements	352,363	352,363
Capital Lease	460,278	460,281
Construction in Progress	-	251,758
Less: Accumulated Depreciation	<u>(4,340,003)</u>	<u>(3,791,692)</u>
Total	<u>\$ 10,200,811</u>	<u>\$ 10,090,583</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 LONG-TERM DEBT

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

<u>Description</u>	<u>2020</u>	<u>2019</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.</p>	\$ 975,000	\$ 1,200,000
<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	1,400,000
<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	3,631,400

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2020</u>	<u>2019</u>
<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	\$ 1,828,600
<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>	(203,956)	(204,796)
<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>	117,026	131,113
<p>Unamortized discount on the above loan at imputed interest rate of 6.06%</p>	(8,407)	(15,154)

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 6 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2020</u>	<u>2019</u>
On July 15, 2015, the Saint Paul City Council authorized a loan up to the amount of \$125,000 to CLUES. During 2019, CLUES used \$112,500 of this loan. The loan expires on May 31, 2029. The term of the loan is 11 years with principal and interest payments of \$1,150 due beginning on June 1, 2019 through May 1, 2029. The loan bears interest at 2%. The loan is secured by property.	\$ 105,626	\$ 112,500
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.	<u>300,000</u>	<u>300,000</u>
Total	8,562,289	8,800,663
Less: Loan Financing Costs (Note 1)	(485,657)	(505,968)
Less: Current Maturities	<u>(425,982)</u>	<u>(125,774)</u>
Total Long-Term Debt	<u>\$ 7,650,650</u>	<u>\$ 8,168,921</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>
2021	\$ 425,982
2022	126,222
2023	126,467
2024	126,717
2025	126,972
Thereafter	<u>7,842,292</u>
Total Long-Term Debt	8,774,652
Less: Current Portion	(425,982)
Less: Loan Financing Costs	(485,657)
Less: Unamortized Discounts	<u>(212,363)</u>
Long-Term Portion	<u>\$ 7,650,650</u>

The Organization recorded interest and discount amortization expense in the amount of \$118,789 and \$138,033 for the years ended December 31, 2020 and 2019, respectively, which includes the amortization of the discount for loans with forgiven interest totaling \$19,969 and \$25,955 for the years ended December 31, 2020 and 2019, respectively.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 7 LINE 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 \$400,000 and an advance rate of 6.25% (current rate of 1% + Prime, or 5.75% at December 31, 2020). The current maturity date is August 31, 2021. Borrowings are secured by the Organization's inventory, equipment, accounts receivable, and general intangibles. Advances of \$-0- and \$19,752 was outstanding as of December 31, 2020 and 2019, respectively.

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.
- 777 East Lake Street: The Organization entered into a lease agreement for this facility that started in November 2016 and has been extended through January 31, 2021.

Total rent expense for the years ended December 31, 2020 and 2019 under all leases was \$250,275 and \$299,942, respectively. The following is the future minimum lease payment schedule for the lease:

Year	Amount
2021	\$ 19,890

NOTE 9 CAPITAL LEASE OBLIGATIONS

The Organization has four capital leases for various equipment. The initial value recorded under the lease as equipment and capital lease obligation was \$460,278. At December 31, 2020, the accumulated depreciation was \$239,876. The lease payments are recorded as interest expense and a principal reduction to debt. At December 31, 2020, the debt payable under the lease is \$236,579.

Capital lease obligations consist of the following at December 31:

Year Ending December 31,	Amount
2021	\$ 129,936
2022	100,020
2023	26,031
Interest	(9,161)
Total Capital Lease Obligation	236,579
Less: Current Portion	(129,936)
Long-Term Portion	\$ 106,643

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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:

	2020	2019
With Donor Restrictions:		
City of St. Paul Housing & Redevelopment Authority	\$ 30,000	\$ 373,943
Purpose Restricted:		
Employment Program:		
Local Initiatives Support Corporation	61,389	33,056
Blandin Foundation	175,000	275,000
The McKnight Foundation	41,667	91,667
The St. Paul Foundation	38,400	33,185
Mental Health Program:		
Lake Street Council	70,000	-
Medica Foundation	30,000	-
Greater Twin Cities United Way	22,667	-
Health Program:		
Susan G Komen Foundation	-	2,373
Medtronic Foundation	-	-
Blue Cross Blue Shield of Minnesota Foundation	37,500	87,500
3M Foundation	25,000	-
Community Engagement:		
Northwest Area Foundation	-	15,916
The McKnight Foundation	2,845	52,845
Butler Family Foundation	-	22,774
F.R. Bigelow Foundation	-	41,663
Target Foundation	125,000	-
Education Program:		
St. Paul Foundation	1,201	-
Capital Campaign:		
City of St. Paul	360,443	-
St. Paul & Minnesota Foundation	25,000	-
Individuals	1,875	-
Financial Empowerment:		
Northwest Area Foundation	30,000	148,461
Otto Bremer Trust	43,750	25,000
Local Initiatives Support Corporation	50,000	-
Lending Circles	24,708	-
Arts and Culture:		
Minnesota State Arts Board	-	57,516
Knight Foundation	27,692	67,308
Mardag Foundation	-	25,000
St. Paul Foundation	30,000	50,000
Bush Foundation	35,000	-
MN Humanities Center	11,000	-
Ford Foundation	25,000	-
Youth in Action:		
Best Buy Connectivity	25,000	-

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 10 RESTRICTIONS ON NET ASSETS (CONTINUED)

With Donor Restrictions (Continued)

	<u>2020</u>	<u>2019</u>
Administrative:		
Individuals	\$ -	\$ 8,000
Bank of America Foundation	200,000	-
Butler Family Foundation	150,000	-
Bigelow Foundation	33,333	-
Hardenburgh Foundation	25,000	-
Bergerson Family Foundation	25,000	-
Boardcom	25,000	-
Housing		
Family Housing Fund	86,000	-
Catholic Charities	48,900	-
The Kresge Foundation	170,000	-
The Kresge Foundation	30,000	-
Alliance	15,000	-
Grossman Release Emergency Housing	105,000	-
Grossman	120,000	-
COVID-19 Support		
Otto Bremer Trust	12,500	-
The McKnight Foundation	100,000	-
Net Assets Held in Perpetuity	13,500	13,500
Total	<u>\$ 2,509,370</u>	<u>\$ 1,424,707</u>

Net Assets Released from Restrictions

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

	<u>2020</u>	<u>2019</u>
Purpose Restricted:		
Employment Program	\$ 206,666	\$ 145,093
Mental Health Program	31,333	-
Financial Empowerment	174,711	316,539
Community and Health Program	75,146	81,743
Education Achievement Program	31,984	154,791
Capital Campaign	-	2,140,593
Arts and Culture	158,823	81,674
Youth in Action	-	40,000
Community Engagement	107,583	101,799
Elder Day Center	-	207,778
Administrative	14,667	195,851
Housing	87,500	-
Total	<u>\$ 888,413</u>	<u>\$ 3,465,861</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

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 2020 and 2019, the Organization received 14,592 and 16,322 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 \$310,012 and \$350,257 during the years ended December 31, 2020 and 2019, respectively.

Additionally, the Organization received \$70,210 and \$171,965 in donated goods during the years ended December 31, 2020 and 2019, respectively.

NOTE 12 RISKS AND UNCERTAINTIES

During the year ended December 31, 2020, the World Health Organization declared the spread of Coronavirus disease (COVID-19) a worldwide pandemic which is still on-going as of REPORT DATE. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. It is expected the COVID-19 could potentially impact CLUES operations resulting in a decline in revenue, additional bad debts and other additional, unanticipated costs. Management believes the Organization is taking appropriate actions to mitigate the negative financial impact. However, the full financial impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

NOTE 13 PAYCHECK PROTECTION PROGRAM AND SUBSEQUENT EVENT

On April 13, 2020, the Organization received a loan totaling \$1,064,700 to fund payroll, rental and utilities through the Paycheck Protection Program (the PPP Loan). The PPP Loan bears interest at a fixed rate of 1% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). The PPP Loan may be forgiven by the U.S. Small Business Administration (SBA) subject to certain performance barriers, as outlined in the loan agreement and the CARES Act.

CLUES has classified this loan as a conditional contribution for accounting purposes. CLUES recognized \$1,064,700 of income related to this agreement during the year ended December 31, 2020 within government grant revenue, which represents the portion of the PPP Loan funds for which the performance barriers have been met. On April 20, 2021, subsequent to year-end, the SBA processed the Organization's PPP Loan forgiveness application and was notified that the PPP Loan qualified for forgiveness.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 13 PAYCHECK PROTECTION PROGRAM AND SUBSEQUENT EVENT

The SBA may review funding eligibility and use of funds for compliance with program requirements based on dollar thresholds and other factors. The amount of any liability, if any, from potential noncompliance cannot be determined with certainty; however, management is of the opinion that any review will not have a material adverse impact on CLUES' financial position.

Subsequent to year-end, CLUES received a Second Draw PPP Loan of \$1,064,700 as part of the Paycheck Protection Program. These funds must be used in accordance with the program requirements. This PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred and has a term of five years. Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if CLUES fails to apply for forgiveness, within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. The covered period is either 8 or 24 weeks and is the period that CLUES has to spend their PPP Loan funds.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	<u>CLUES</u>	<u>CREHC</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,942,001	\$ 81,542	\$ -	\$ 2,023,543
Accounts Receivable, Net of Allowance	2,183,376	-	-	2,183,376
Grants Receivable - Current Portion	496,075	-	-	496,075
Related Party Receivable	153,519	-	(153,519)	-
Pledges Receivable	-	-	-	-
Prepaid Expenses	113,031	-	-	113,031
Total Current Assets	<u>4,888,002</u>	<u>81,542</u>	<u>(153,519)</u>	<u>4,816,025</u>
OTHER ASSETS				
Grants Receivable, Net of Current Portion	25,000	-	-	25,000
Notes Receivable, Net of Current Portion	5,031,400	-	-	5,031,400
Construction Project Deposits Held in Escrow	-	214,917	-	214,917
Total Other Assets	<u>5,056,400</u>	<u>214,917</u>	<u>-</u>	<u>5,271,317</u>
LAND, BUILDINGS, AND EQUIPMENT, NET				
	<u>639,945</u>	<u>9,560,866</u>	<u>-</u>	<u>10,200,811</u>
Total Assets	<u>\$ 10,584,347</u>	<u>\$ 9,857,325</u>	<u>\$ (153,519)</u>	<u>\$ 20,288,153</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Other Accrued Liabilities	\$ 382,809	\$ -	\$ -	\$ 382,809
Related Party Payable	-	153,519	(153,519)	-
Accrued Wages and Payroll Taxes	96,612	-	-	96,612
Accrued Vacation	303,425	-	-	303,425
Accrued Interest	15,875	-	-	15,875
Accrued Construction and Other Liabilities	111,832	39,156	-	150,988
Current Portion of Long-Term Capital Lease Obligation	129,936	-	-	129,936
Line of Credit	-	-	-	-
Current Portion of Long-Term Debt	411,894	14,088	-	425,982
Total Current Liabilities	<u>1,452,383</u>	<u>206,763</u>	<u>(153,519)</u>	<u>1,505,627</u>
NONCURRENT LIABILITIES				
Long-Term Capital Lease Obligation, Net of Current Portion	106,643	-	-	106,643
Long-Term Debt, Net of Current Portion	912,943	6,737,707	-	7,650,650
Total Noncurrent Liabilities	<u>1,019,586</u>	<u>6,737,707</u>	<u>-</u>	<u>7,757,293</u>
Total Liabilities	2,471,969	6,944,470	(153,519)	9,262,920
NET ASSETS				
Without Donor Restrictions:				
Undesignated (Note 1)	6,287,900	(111,133)	-	6,176,767
Designated - Capital Projects	(684,892)	3,023,988	-	2,339,096
Total Net Assets Without Donor Restrictions	<u>5,603,008</u>	<u>2,912,855</u>	<u>-</u>	<u>8,515,863</u>
With Donor Restrictions	2,509,370	-	-	2,509,370
Total Net Assets	<u>8,112,378</u>	<u>2,912,855</u>	<u>-</u>	<u>11,025,233</u>
Total Liabilities and Net Assets	<u>\$ 10,584,347</u>	<u>\$ 9,857,325</u>	<u>\$ (153,519)</u>	<u>\$ 20,288,153</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020
(SEE INDEPENDENT AUDITORS' REPORT)

	CLUES	CREHC	Eliminations	Total
SUPPORT AND REVENUE				
Government Grants	\$ 9,272,630	\$ -	\$ -	\$ 9,272,630
Contributions and Grants	4,779,456	-	-	4,779,456
Interest	50,422	-	-	50,422
Client Paid and Private Insurance	550,645	-	-	550,645
Rental Income	-	195,225	-	195,225
In-Kind Contributions	380,222	-	-	380,222
Miscellaneous Income	47	-	-	47
Total Support and Revenue	<u>15,033,422</u>	<u>195,225</u>	<u>-</u>	<u>15,228,647</u>
EXPENSE				
Program Services	10,482,195	92,604	-	10,574,799
Support Services:				
Management and General	1,925,960	258,486	-	2,184,446
Fundraising	387,359	29,596	-	416,955
Total Support Services	<u>2,313,319</u>	<u>288,082</u>	<u>-</u>	<u>2,601,401</u>
Total Expense	<u>12,795,514</u>	<u>380,686</u>	<u>-</u>	<u>13,176,200</u>
CHANGE IN NET ASSETS	2,237,908	(185,461)	-	2,052,447
Net Assets - Beginning of Year	<u>5,874,470</u>	<u>3,098,316</u>	<u>-</u>	<u>8,972,786</u>
NET ASSETS - END OF YEAR	<u>\$ 8,112,378</u>	<u>\$ 2,912,855</u>	<u>\$ -</u>	<u>\$ 11,025,233</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 consolidated financial statements of Comunidades Latinas Unidas En Servicio, Inc., which comprise the consolidated balance sheet as of December 31, 2020, and the related consolidated statements of activities, functional expense, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Comunidades Latinas Unidas En Servicio, Inc.'s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002 and 2020-003, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the schedule of findings and questioned costs as item 2020-001 to be a material weakness.

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. We consider the deficiencies described in the schedule of findings and questioned costs as items 2020-002 and 2020-003 to be significant deficiencies.

Compliance and Other Matters

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

Comunidades Latinas Unidas En Servicio, Inc.'s Response to Findings

Comunidades Latinas Unidas En Servicio, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Comunidades Latinas Unidas En Servicio, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
May 19, 2021



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, 2020. 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, 2020.

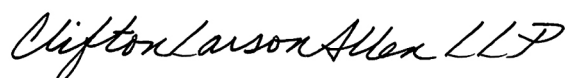
Report on Internal Control Over Compliance

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. 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
May 19, 2021

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020**

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	311-19-003B-320	\$ -	\$ 46,210
National Family Caregiver Support	93.052	311-19-003E-194	-	-
Total Aging Cluster			<u>-</u>	<u>46,210</u>
Minnesota Department of Human Services:				
Familias Unidas (CEMIG)	93.959	148792	-	155,704
Adult/ Children's Mental Health Division:				
Ethnic Minority Communities Workforce Grant	93.959	148792	-	187,271
Minnesota Department of Health:				
Temporary Assistance to Needy Families (TANF) Cluster:				
Eliminating Health Disparities Initiative	93.558	111168	-	-
Eliminating Health Disparities Initiative	93.558	161959	-	205,323
Total Block Grants for Temporary Assistance to Needy Families (TANF) Cluster			<u>-</u>	<u>205,323</u>
Child Care Services Division:				
Child Safety and Permanency Division	93.575	167436	-	269,000
Maternal, Infant and Early Childhood Home Visiting Grant Program (MIECHV) Cluster:				
Evidence-Based Home Visiting Models to Serve Families in Need	93.870	X10MC29483 & X10MC31149	-	126,590
National Institute of Health - Pass Through from the University of Iowa	93.879	S01579-01	-	11,803
Total U.S. Department of Health and Human Services			<u>-</u>	<u>1,001,901</u>
U.S. Department of Housing and Urban Development (HUD):				
National Council of La Raza:				
Housing Counseling	14.169	HC190011001	-	27,000
Community Development Block Grants Cluster:				
City of Minneapolis Employment and Training: Employment and Training Contract	14.218	C-404562	-	82,271
Total U.S. Department of Housing and Urban Development (HUD)			<u>-</u>	<u>109,271</u>
U.S. Department of Justice:				
Office on Violence Against Women:				
Sexual Assault Education and Prevention	16.023	2016-KS-AX-0005	-	90,865
Total U.S. Department of Justice			<u>-</u>	<u>90,865</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

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	\$ -	\$ -
Crime Victim Services 2019	16.017	A-CVSVVA-2019-CLUES-00004	-	251,444
Total Minnesota Department of Public Safety Cluster			<u>-</u>	<u>251,444</u>
Total U.S. Department of Corrections			-	251,444
U.S. Department of the Treasury:				
Volunteer Income Tax Assistance	21.009	19VITA0155	-	14,100
Coronavirus Relief Fund				
Emergency Relief (COVID-19) - Hennepin County	21.019		-	44,880
Expanded Community Services - Hennepin County	21.019		-	20,279
Provider Impact - Pass Through from Hennepin County	21.019		-	24,977
CARES - Pass Through Ramsey County (COVID-19)	21.019	FASD COVID19-0024	-	21,441
COVID Housing Assistance (COVID-19) - Pass Through from the State of Minnesota	21.019		-	2,497,555
CARES Future Generations - Pass Through from Ramsey County	21.019	WFS - CARES 034	-	78,262
Racial Equity - Pass Through from Ramsey County	21.019	WFS - CARES 086	-	68,957
COVID Messaging and Media - Pass Through from Ramsey County (COVID-19)	21.019	RECERT-CARES-019	-	10,000
Immigration Wrap Around - Pass Through from Ramsey County	21.019		-	19,098
Hunger Solutions and MN DHS OEO	21.019		-	102,483
GAP Funding (CPED)	21.019		-	21,370
Safety Routes to Health Foods - City of Minneapolis	21.019		-	2,500
MN Department of Health - Community Engagement	21.019		-	72,000
OJP Short-Term Coronavirus Relief Fund	21.019		-	223,750
Total Coronavirus Relief Fund			<u>-</u>	<u>3,207,552</u>
Total U.S. Department of the Treasury			<u>-</u>	<u>3,221,652</u>
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	-	-
Nutritional Assistance Program	10.561	163777	-	31,071
Total DHS Supplemental Nutrition Assistance Program (SNAP) Cluster			<u>-</u>	<u>31,071</u>
Total U.S. Department of Agriculture			-	31,071
Corporation for National and Community Service:				
Local Initiatives Support Corporation (LISC):				
CNCS Social Innovations Fund	94.019	45185-0017	-	111,667
CNCS Social Innovations Fund	94.019	45185-0019	-	50,000
CNCS Social Innovations Fund	94.019	45185-0020	-	20,000
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 4,887,871</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2020

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, 2020. 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 for all awards with the exception of CFDA 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, 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.

NOTE 3 INDIRECT COST RATE

Comunidades Latinas Unidas En Servicio, Inc. has not elected to use the 10 percent 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, 2020**

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? x yes no
 - Significant deficiency(ies) identified? x yes 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
Coronavirus Relief Fund	21.019

- 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, 2020

Section II – Financial Statement Findings

2020-001

Type of Finding:

- Material weakness in Internal Control over Financial Reporting

Condition:

The Organization relied upon the auditors to detect certain corrections in order to report the financial statements properly in accordance with GAAP. This included a material audit adjustment which was proposed and posted through the audit process. This adjustment was a necessary step in ensuring the financial statements were fairly stated under GAAP.

Criteria or specific requirement:

Management is responsible for establishing and maintaining internal controls and for the fair presentation of the financial position, results of operations, cash flows, and disclosures in the financial statements, in conformity with GAAP.

Context:

While performing audit procedures, we determined management relied upon the auditors to ensure the financial statements were prepared in accordance with GAAP which included recording certain year-end adjustments identified through the audit process.

Effect:

Financial statements could be materially misstated and/ or not presented in conformity with GAAP.

Cause:

The Organization's controls were not able to detect the financial statement omissions or adjustments needed to present the financial statements in accordance with GAAP.

Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the Organization should implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate.

Such review procedures should be performed by an individual possessing a thorough understanding of accounting principles generally accepted in the United States of America and knowledge of the Organization's activities and operations.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

Section II – Financial Statement Findings (Continued)

2020-002

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition:

While obtaining an understanding of the Organization's internal control processes, we noted instances in the disbursement process and the journal entry process, where an employee has access to multiple phases of a transaction that does not provide for proper separation of duties.

Criteria or specific requirement:

An essential part of internal control is that procedures are properly segregated and the results of their performance be adequately reviewed. This is normally accomplished by assigning duties so that 1) no one person handles a transaction from beginning to end, and 2) incompatible duties between functions are not handled by the same person. In addition, a review of these completed duties should be performed by an individual independent of those functions.

Context:

While performing audit procedures, it came to our attention that one employee has access to make entries into the general ledger accounting system and is also an authorized check signer. To help alleviate this risk, management has added a protocol that this individual will only post journal entries in limited circumstances. In addition, a dual signature threshold is required on all checks over \$10,000. Although these controls are in place, risks are still present.

Effect:

When separation of duties is inadequate, there is a resulting danger that intentional fraud or unintentional errors could occur and not be detected.

Cause:

The Organization does not have processes in place to provide proper separation of duties.

Recommendation:

We recommend management continue to monitor the situation and work towards complete segregation of duties. This would mean only individuals who do not have access to make entries into the general ledger accounting system be authorized as check signers.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020

Section II – Financial Statement Findings (Continued)

2020-003

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition:

At the end of the year, the Organization had not fully reconciled contribution revenue recorded in the general ledger to amounts reported in the contributions software.

Criteria or specific requirement:

Management is responsible for establishing and maintaining a process for the reconciliation of contributions revenue. This responsibility ensures the accuracy and completeness of all contributions reported in the financial statements.

Context:

While performing audit procedures, it came to our attention contribution revenue was not fully reconciled at year-end. In our judgement, this was caused by complexity and not having a more robust account reconciliation process in place throughout the year.

Effect:

Misstatement of contributions revenue within the financial statements could occur if accounting and development records are not reviewed and reconciled on a regular basis.

Cause:

Contribution revenue was not fully reconciled between the accounting records and the development records. This was due to the complexity and not having a more robust account reconciliation process in place throughout the year.

Recommendation:

We recommend management consider a more frequent reconciliation process between the general ledger and the development software. We believe a more frequent reconciliation process will identify issues earlier, allow for more accurate financial reporting on an interim basis and result in better internal controls at the Organization. It will also relieve the burden of completing a full fiscal year reconciliation at year-end.

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).

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