

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.

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

YEARS ENDED DECEMBER 31, 2019 AND 2018

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

INDEPENDENT AUDITORS' REPORT	1
CONSOLIDATED FINANCIAL STATEMENTS	
CONSOLIDATED BALANCE SHEETS	3
CONSOLIDATED STATEMENTS OF ACTIVITIES	4
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSE	5
CONSOLIDATED STATEMENTS OF CASH FLOWS	7
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION	
CONSOLIDATING BALANCE SHEET	28
CONSOLIDATING SCHEDULE OF ACTIVITIES	29
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>	30
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	32
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	34
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	36
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	37



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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 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 August 31, 2020, 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
August 31, 2020

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2019 AND 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 62,631	\$ 156,268
Accounts Receivable, Net of Allowance	1,532,899	1,903,395
Grants Receivable - Current Portion	970,517	517,000
Pledges Receivable	165,892	41,031
Prepaid Expenses	69,659	74,948
Total Current Assets	2,801,598	2,692,642
OTHER ASSETS		
Grants Receivable, Net of Current Portion	125,000	95,000
Notes Receivable, Net of Current Portion	5,031,400	5,031,400
Construction Project Deposits Held in Escrow	952,569	5,263,868
Total Other Assets	6,108,969	10,390,268
LAND, BUILDINGS, AND EQUIPMENT, NET	10,090,583	5,648,375
Total Assets	\$ 19,001,150	\$ 18,731,285
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Other Accrued Liabilities	\$ 230,140	\$ 74,557
Accrued Wages and Payroll Taxes	256,533	64,878
Accrued Vacation	214,306	186,883
Accrued Interest	15,875	24,646
Accrued Construction and Other Liabilities	635,639	604,314
Current Portion of Long-Term Capital Lease Obligation	137,008	40,045
Line of Credit	19,752	-
Current Portion of Long-Term Debt	125,774	714,088
Total Current Liabilities	1,635,027	1,709,411
NONCURRENT LIABILITIES		
Long-Term Capital Lease Obligation, Net of Current Portion	224,416	60,078
Long-Term Debt, Net of Current Portion	8,168,921	8,832,709
Total Noncurrent Liabilities	8,393,337	8,892,787
Total Liabilities	10,028,364	10,602,198
NET ASSETS		
Without Donor Restrictions:		
Undesignated (Note 1)	4,799,622	5,030,080
Designated - Capital Projects	2,748,457	1,365,446
Total Net Assets Without Donor Restrictions	7,548,079	6,395,526
With Donor Restrictions	1,424,707	1,733,561
Total Net Assets	8,972,786	8,129,087
Total Liabilities and Net Assets	\$ 19,001,150	\$ 18,731,285

See accompanying Notes to Consolidated Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Government Grants	\$ 4,688,457	\$ -	\$ 4,688,457	\$ 4,845,273	\$ -	\$ 4,845,273
Contributions and Grants	943,618	3,157,007	4,100,625	1,051,788	1,326,981	2,378,769
Interest	124	-	124	31,233	-	31,233
Client Paid and Private Insurance	1,019,953	-	1,019,953	1,283,068	-	1,283,068
Rental Income	186,594	-	186,594	186,594	-	186,594
In-Kind Contributions	522,222	-	522,222	400,384	-	400,384
Miscellaneous Income	188,369	-	188,369	89,041	-	89,041
Total Support and Revenue	<u>7,549,337</u>	<u>3,157,007</u>	<u>10,706,344</u>	<u>7,887,381</u>	<u>1,326,981</u>	<u>9,214,362</u>
Net Assets Released from Restrictions	<u>3,465,861</u>	<u>(3,465,861)</u>	<u>-</u>	<u>2,847,987</u>	<u>(2,847,987)</u>	<u>-</u>
Total Support and Revenue	11,015,198	(308,854)	10,706,344	10,735,368	(1,521,006)	9,214,362
EXPENSE						
Program Services	7,171,650	-	7,171,650	6,778,856	-	6,778,856
Support Services:						
Management and General	1,905,832	-	1,905,832	1,299,670	-	1,299,670
Fundraising	785,163	-	785,163	720,952	-	720,952
Total Support Services	<u>2,690,995</u>	<u>-</u>	<u>2,690,995</u>	<u>2,020,622</u>	<u>-</u>	<u>2,020,622</u>
Total Expense	<u>9,862,645</u>	<u>-</u>	<u>9,862,645</u>	<u>8,799,478</u>	<u>-</u>	<u>8,799,478</u>
CHANGE IN NET ASSETS	1,152,553	(308,854)	843,699	1,935,890	(1,521,006)	414,884
Net Assets - Beginning of Year	<u>6,395,526</u>	<u>1,733,561</u>	<u>8,129,087</u>	<u>4,459,636</u>	<u>3,254,567</u>	<u>7,714,203</u>
NET ASSETS - END 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>

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>\$ 7,171,650</u>	<u>\$ 1,905,832</u>	<u>\$ 785,163</u>	<u>\$ 9,862,645</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 STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2018

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

See accompanying Notes to Consolidated Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 843,699	\$ 414,884
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation	359,172	245,947
Amortization of Discount on Long-Term Debt	25,955	11,340
Interest Expense - Amortization of Finance Fees	20,181	-
Noncash Fixed Asset Additions	(283,118)	(597,478)
Contributions Restricted for Capital Campaign	(5,895)	(5,879)
(Increase) Decrease in Current Assets:		
Accounts Receivable	370,496	(342,709)
Grants Receivable	(483,517)	217,500
Pledges Receivable	(124,861)	5,448
Prepaid Expense	5,289	(17,417)
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	155,583	11,051
Accrued Wages and Payroll Taxes	191,655	(169,762)
Accrued Vacation	27,423	2,911
Accrued Interest	(8,771)	24,646
Accrued Construction and Other Liabilities	31,325	517,743
Net Cash Provided by Operating Activities	1,124,616	318,225
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(4,217,217)	(1,124,445)
Proceeds on Sale of Fixed Assets	15,422	(5,031,400)
Construction Deposits Held in Escrow, Net	4,311,299	(5,263,868)
Net Cash Provided (Used) by Investing Activities	109,504	(11,419,713)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received for Capital Campaign	5,895	5,879
Cash Received on Long-Term Debt	112,500	9,460,000
Net Change in Line of Credit	19,752	-
Payments on Capital Lease Obligations	(52,933)	(22,720)
Payments on Long-Term Debt	(1,412,971)	(222,784)
Payments on Debt Issuance Costs	-	(470,230)
Net Cash Provided (Used) by Financing Activities	(1,327,757)	8,750,145
NET DECREASE IN CASH AND CASH EQUIVALENTS	(93,637)	(2,351,343)
Cash and Cash Equivalents - Beginning of Year	156,268	2,507,611
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 62,631	\$ 156,268
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid	\$ 112,078	\$ 101,911
Building Additions Acquired through Accounts Payable	597,352	587,288
Capital Equipment (Lease) Acquisitions	314,234	102,164
In-Kind Goods and Services	522,222	400,384

See accompanying Notes to Consolidated Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 1 SUMMARY OF BUSINESS BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES

Business Background

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

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

For close to 40 years CLUES has provided linguistically and culturally tailored programs that focus on Economic Empowerment, Health and Family Wellbeing, Educational Enrichment, and Cultural Engagement and Advocacy. CLUES holistic services are delivered at its Minneapolis and Saint Paul offices and additional local staff Navigators in Willmar, Austin, and Mankato. CLUES serves over 20,000 people in direct services and an additional 10,000 individuals through indirect services and arts programming. CLUES delivers and provides its services with help from 107 staff and close to 700 volunteers and many donors and funders who support our work and impact.

Advancing community engagement, advocacy, and systems change is a strategic priority for CLUES. Our advocacy efforts are focused on advancing ethnic and racial equity and creating systems' change, including institutional policies and practices.

CLUES continues to increase asset-building and economic mobility for many Latinos with focus on workforce development, homeownership, early childhood education, and access to healthcare. Our impact in community continues to leverage key partnerships and new community resources for Minnesota Latinos.

Our learning cohort model is designed for participants to learn, connect and heal, build power and leadership skills, and co-creating solutions with community, staff, policy makers, and local leaders. In developing this model, we drew from the Trauma Informed Community Building Model by the Bridge Housing and Health Equity Institute's model, which seeks to: de-escalate chaos and stress, foster resiliency, strengthen social connections, and recognize trauma. CLUES builds on this approach by bringing a culturally responsive lens to authentically engage with community and collectively develop solutions that uplift Latino communities in Minnesota. To date, we've successfully used this model to engage community in co-creating solutions in housing and early childhood education.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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

Business Background (Continued)

During the summer of 2017, CLUES' leadership reviewed and updated our Strategic Goals through 2020. Our mission and vision remain relevant and continue to be the foundation for our strategy and direction. CLUES grew revenues from \$5.7 million in 2014 to more than \$10.5 million in 2019. We've diversified sources of income and moved from net losses to net gains. Staff grew to over 100 employees and volunteers to more than 700. Today, CLUES is a strong organization ready to meet the changing needs of Latinos and immigrants.

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

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

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

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

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

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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

Overview of Services

Health & Wellness

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



Economic Empowerment

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



Educational Enrichment

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



**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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

Office Headquarters Building Expansion Project

CLUES launched a \$7.5 million capital campaign in 2015 to expand the Saint Paul office headquarters. This expansion will allow CLUES to consolidate and expand programs while increasing the resources and services to the Latino clients and community.

CLUES houses 50+ staff (across the organization) and a tenant with 22 staff in its Saint Paul headquarters, maxing out the current capacity. The total cost of this expansion was estimated at \$7.5 million. The project was financed by securing a \$2,600,000 bridge loan with Raza Development Fund (RDF) and a \$2,184,000 new market tax credit issued by U.S. Bancorp Community Development Corporation (Investor). The financing, which closed on August 30, 2018, is presented below:

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

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

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

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

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

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

Office Headquarters Building Expansion Project

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

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

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

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.

The expansion and capital campaign project concluded in July 2019, when the building opened to the community during a large inauguration and celebration. The new building integrates six new classrooms, a teen tech center, a Latino art gallery, a youth center, two new meeting rooms and an elder day center, all created to bring community together through social capital and transformational work.

Completion of few items were transferred to 2020, including the completion of a commercial kitchen scheduled to be finished and licensed by the City of Saint Paul by August 30, 2020.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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

Minneapolis Office Roof Collapse

On May 29, 2018, the Organization's facility at 720 East Lake Street in Minneapolis suffered significant roof and structural damage, caused by the demolition of a building next to the Organization's facility. The Organization secured temporary office locations to provide services until repairs to the facility at 720 East Lake Street could be completed. The Organization moved back into the facility on February 1, 2019. The insurance settlement was resolved in July 2020.

As of December 31, 2019, the Organization recorded a receivable of approximately \$355,000 (within accounts receivable) for business income loss and extra expenses incurred as a result of this event.

Consolidation

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

Financial Statement Presentation

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

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

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

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

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

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

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, 2019 and 2018, 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 and grants are not included as support until such time as the conditions are substantially met. As of December 31, 2019, the Organization had conditional gifts of approximately \$145,000 where conditions had not yet been met due to outputs of the grants not yet achieved. The Organization received no significant conditional gifts in 2018. There was no allowance or discount warranted on pledges receivable at December 31, 2019 and 2018.

At December 31, 2019, 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.

Allowable Cost Guidelines	\$ 2,340,272
Data-Tracking System Usage	85,000
Demographic Barrier	33,185
Total	<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.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

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, 2019 and 2018, 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 \$53,590 and \$33,409 for the years ended December 31, 2019 and 2018, respectively.

Construction Project Deposits Held in Escrow

As of December 31, 2019, the Organization had deposits held in escrow (cash balance) for the office headquarters expansion construction project of \$952,569.

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.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

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 (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 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 \$1,270,053. This amount includes the financial impact of the capital funds used on the project (that have been capitalized) as well as the financial impact from operations. The Organization has defined nonoperating to include additional rent expense needed during the renovation as well as all interest expense.

The table below computes the change in net assets without donor restrictions generated from operations in 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Change in Net Assets Without Donor Restrictions	\$ 1,152,553	\$ 1,935,890
Nonoperating Revenue and Expenses		
Net Assets Released from Restrictions – Capital	(2,140,592)	(1,658,012)
Nonoperating Interest Expense	138,032	85,574
Nonoperating Rent Expense	19,927	25,166
Change in Net Assets from Operations	<u>\$ (830,080)</u>	<u>\$ 388,618</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.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 31, 2020, the date the consolidated financial statements were available to be issued.

Change in Accounting Principle

The Organization adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. There was no material impact on the Organization's financial position and results of operations upon adoption using the modified retrospective approach of the new standard.

The Organization adopted Accounting Standards (ASU) 2018-08, *Accounting Guidance for Contributions Received and Made*. The Organization adopted the standard related to both contributions received and contributions made during 2019. The accounting change has not been retrospectively applied to prior periods presented but applied prospectively. The implementation of this standard had no impact on the change in net assets as previously reported.

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, 2019 AND 2018**

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

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

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents	\$ 62,631	\$ 156,268
Accounts Receivable, Net of Allowance	1,532,899	1,903,395
Grants Receivable	970,517	517,000
Pledges Receivable	<u>165,892</u>	<u>41,031</u>
Total Current Assets	2,731,939	2,617,694
Grants Receivable: Donor Designated for Capital Project	(200,000)	(300,000)
Pledges Receivable: Donor Designated for Capital Project	(41,031)	(41,031)
Donor Designated Endowment Fund (Cash)	(14,604)	(14,578)
Donor Designated Capital Campaign Fund (Cash)	-	(1,899)
Current Assets Not Available to be Used Within One Year	<u>(255,635)</u>	<u>(357,508)</u>
Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 2,476,304</u>	<u>\$ 2,260,186</u>

NOTE 3 SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

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

Government grant revenue for the years ended December 31, 2019 and 2018 consisted of 68% and 73% from three grantors, respectively.

Contribution revenue for the years ended December 31, 2019 and 2018 consisted of 30% from two donors and 13% from one donor, respectively.

Grants receivable for the years ended December 31, 2019 and 2018 consisted of 50% from three grantors and 63% from four grantors, respectively.

Accounts receivable for the years ended December 31, 2019 and 2018 consisted of 65% from two sources and three sources, respectively.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 4 GRANTS RECEIVABLE

Grants receivable consist of the following at December 31:

	<u>2019</u>	<u>2018</u>
Gross Grants Receivable	\$ 1,095,517	\$ 612,000
Less: Current Portion	<u>(970,517)</u>	<u>(517,000)</u>
Long-Term Portion	<u>\$ 125,000</u>	<u>\$ 95,000</u>
Cash Amounts Due In:		
Within One Year	\$ 970,517	\$ 517,000
One to Five Years	<u>125,000</u>	<u>95,000</u>
Total	<u>\$ 1,095,517</u>	<u>\$ 612,000</u>

NOTE 5 LAND, BUILDINGS, AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$ 1,141,120	\$ 1,141,120
Building	9,786,074	3,893,777
Vehicles	81,571	81,571
Furniture and Equipment	1,615,302	1,464,334
Software	193,806	193,806
Leasehold Improvements	352,363	352,363
Capital Lease	460,281	146,046
Construction in Progress	251,758	1,805,173
Less: Accumulated Depreciation	<u>(3,791,692)</u>	<u>(3,429,815)</u>
Total	<u>\$ 10,090,583</u>	<u>\$ 5,648,375</u>

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 6 LONG-TERM DEBT

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

<u>Description</u>	<u>2019</u>	<u>2018</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>	\$ 1,200,000	\$ 2,600,000
<p>CREHC received a loan from Partnerships of Hope XIX, LLC (Note A1) on August 30, 2018 in the amount of \$1,400,000 and payable at a fixed annual interest rate of 1.25%. Scheduled interest-only payments are due quarterly through August 30, 2025. Final payment of principal and interest shall be payable on the maturity date of March 1, 2026. At the end of the new market tax credit compliance period (August 30, 2025), the Investor has the right and option, but not the obligation, to sell its 100% ownership interest in the Investment Fund to the Organization in the form of a Put Option for \$1,000. Once the Put Option is exercised, Notes A1, A2 and B can be extinguished by the Organization. In the event the Investor does not sell the Put Option to the Organization, a Call Option can be purchased by the Organization at its then determined fair market value. Once the Call Option is exercised, Notes A1, A2 and B can be extinguished by the Organization.</p>	1,400,000	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, 2019 AND 2018**

NOTE 6 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2019</u>	<u>2018</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>	(204,796)	(218,547)
<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>	131,113	144,084

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2019</u>	<u>2018</u>
Unamortized discount on the above loan at imputed interest rate of 6.06%	\$ (15,154)	\$ (27,358)
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.	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	8,800,663	10,075,179
Less: Loan Financing Costs (Note 1)	(505,968)	(528,382)
Less: Current Maturities	<u>(125,774)</u>	<u>(714,088)</u>
Total Long-Term Debt	<u>\$ 8,168,921</u>	<u>\$ 8,832,709</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>
2020	\$ 125,774
2021	425,982
2022	126,222
2023	126,467
2024	126,717
Thereafter	<u>8,089,451</u>
Total Long-Term Debt	9,020,613
Less: Current Portion	(125,774)
Less: Loan Financing Costs	(505,968)
Less: Unamortized Discounts	<u>(219,950)</u>
Long-Term Portion	<u>\$ 8,168,921</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 6 LONG-TERM DEBT (CONTINUED)

The Organization recorded interest and discount amortization expense in the amount of \$138,033 and \$85,574 for the years ended December 31, 2019 and 2018, respectively, which includes the amortization of the discount for loans with forgiven interest totaling \$25,955 and \$11,340 for the years ended December 31, 2019 and 2018, respectively.

NOTE 7 LINE AND LETTER OF CREDIT

Since 2009, the Organization has renewed a revolving line of credit with Bremer Bank. The line of credit had an available balance of \$600,000 and an advance rate of 6.25%. The line matured on August 31, 2018 and was renewed with a \$400,000 available balance and an advance rate of 7.25% at December 31, 2019. The line was renewed in 2019 and has a current maturity date of August 31, 2020 with an advanced interest rate of 6.25% at December 31, 2019. Borrowings are secured by the Organization's inventory, equipment, accounts receivable, and general intangibles. Advances of \$19,752 and \$-0- was outstanding as of December 31, 2019 and 2018, 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.
- 882 South Robert Street: The Organization entered into a lease agreement for this facility that started in May 2008 and ended May 31, 2019.
- 777 East Lake Street: The Organization entered into a lease agreement for this facility that started in November 2016 and has been extended through January 31, 2021.
- 800 Minnehaha Avenue East: The Organization entered into a lease agreement with 800 Partners, LLC for parking at this location that started in October 2018 and ended March 31, 2019.
- 771 Margaret Street: The Organization entered into a lease agreement for this facility that started in October 2018 and ended May 31, 2019.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 8 OPERATING LEASES (CONTINUED)

Total rent expense for the years ended December 31, 2019 and 2018 under all leases was \$299,942 and \$305,533, respectively. The following is the future minimum lease payment schedule for the lease:

<u>Year</u>	<u>Amount</u>
2020	\$ 260,896
2021	21,501
Total	<u>\$ 282,397</u>

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 \$460,281. At December 31, 2019, the accumulated depreciation was \$110,943. The lease payments are recorded as interest expense and a principal reduction to debt. At December 31, 2019, the debt payable under the lease is \$361,424.

Capital lease obligations consist of the following at December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	\$ 137,008
2021	129,936
2022	100,020
2023	4,707
Interest	<u>(10,247)</u>
Total Capital Lease Obligation	361,424
Less: Current Portion	<u>(137,008)</u>
Long-Term Portion	<u>\$ 224,416</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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:

	2019	2018
With Donor Restrictions:		
City of St. Paul Housing & Redevelopment Authority	\$ 373,943	\$ 373,943
Purpose Restricted:		
Employment Program:		
Local Initiatives Support Corporation	33,056	-
Blandin Foundation	275,000	-
The McKnight Foundation	91,667	-
The St. Paul Foundation	33,185	-
Opus Foundation	-	20,000
Health Program:		
Susan G Komen Foundation	2,373	-
Medtronic Foundation	-	25,000
Blue Cross Blue Shield of Minnesota Foundation	87,500	-
Community Engagement:		
Northwest Area Foundation	15,916	-
The McKnight Foundation	52,845	-
Butler Family Foundation	22,774	-
F.R. Bigelow Foundation	41,663	-
Education Program:		
3M Foundation	-	15,011
The McKnight Foundation	-	39,780
Capital Campaign:		
Thrivent Foundation	-	50,000
Target Foundation	-	150,000
Katherine B Andersen Foundation	-	100,000
Ecolab Foundation	-	150,000
Best Buy Foundation	-	121,988
Wells Fargo	-	60,000
The Travelers Companies	-	50,000
LISC	-	25,000
The St. Paul and Minneapolis Community Foundations	-	100,000
Individuals	-	152,710
Financial Empowerment:		
Northwest Area Foundation	148,461	-
Otto Bremer Trust	25,000	-
Arts and Culture:		
Minnesota State Arts Board	57,516	-
Knight Foundation	67,308	-
Mardag Foundation	25,000	-
St. Paul Foundation	50,000	-
Aging Well:		
LISC	-	-
Bush Foundation	-	86,111
Local Initiatives Support Corporation	-	91,666
Kresge Foundation	-	91,667
Administrative:		
Individuals	8,000	8,000
The Kresge Foundation	-	-
St Paul Foundation	-	9,185
Net Assets Held in Perpetuity	13,500	13,500
Total	\$ 1,424,707	\$ 1,733,561

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 10 RESTRICTIONS ON NET ASSETS (CONTINUED)

Net Assets Released from Restrictions

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

	2019	2018
Purpose Restricted:		
Employment Program	\$ 145,093	\$ 267,500
Mental Health Program	-	47,500
Financial Empowerment	316,539	-
Community and Health Program	81,743	40,000
Education Achievement Program	154,791	346,542
Capital Campaign	2,140,593	1,658,012
Arts and Culture	81,674	-
Youth in Action	40,000	-
Community Engagement	101,799	-
Elder Day Center	207,778	75,555
Administrative	195,851	412,878
Total	\$ 3,465,861	\$ 2,847,987

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 2019 and 2018, the Organization received 16,322 and 12,701 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 \$350,266 and \$311,396 during the years ended December 31, 2019 and 2018, respectively.

Additionally, the Organization received \$171,965 and \$88,988 in donated goods during the years ended December 31, 2019 and 2018, respectively.

NOTE 12 FUTURE COMMITMENTS

Total future vendor commitments on the expansion construction project are approximately \$339,511. The final certifications are expected to be completed during the second half of 2020 at which time the final payment is due.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE 13 SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus disease (COVID-19) a worldwide pandemic. 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.

Subsequent to year-end, CLUES received a loan in the amount of \$1,064,700 to fund payroll, rent, utilities, and interest on mortgages and existing debt through the federal Paycheck Protection Program. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	<u>CLUES</u>	<u>CREHC</u>	<u>Eliminations</u>	<u>Total</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 14,567	\$ 48,064	\$ -	\$ 62,631
Accounts Receivable, Net of Allowance	1,532,899	-	-	1,532,899
Grants Receivable - Current Portion	970,517	-	-	970,517
Pledges Receivable	165,892	-	-	165,892
Prepaid Expenses	69,659	-	-	69,659
Total Current Assets	<u>2,753,534</u>	<u>48,064</u>	<u>-</u>	<u>2,801,598</u>
OTHER ASSETS				
Grants Receivable, Net of Current Portion	125,000	-	-	125,000
Notes Receivable, Net of Current Portion	5,031,400	-	-	5,031,400
Construction Project Deposits Held in Escrow	-	952,569	-	952,569
Total Other Assets	<u>5,156,400</u>	<u>952,569</u>	<u>-</u>	<u>6,108,969</u>
LAND, BUILDINGS, AND EQUIPMENT, NET				
	<u>663,644</u>	<u>9,426,939</u>	<u>-</u>	<u>10,090,583</u>
Total Assets	<u>\$ 8,573,578</u>	<u>\$ 10,427,572</u>	<u>\$ -</u>	<u>\$ 19,001,150</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Other Accrued Liabilities	\$ 230,140	\$ -	\$ -	\$ 230,140
Accrued Wages and Payroll Taxes	256,533	-	-	256,533
Accrued Vacation	214,306	-	-	214,306
Accrued Interest	15,875	-	-	15,875
Accrued Construction and Other Liabilities	44,497	591,142	-	635,639
Current Portion of Long-Term Capital Lease Obligation	137,008	-	-	137,008
Line of Credit	19,752	-	-	19,752
Current Portion of Long-Term Debt	111,686	14,088	-	125,774
Total Current Liabilities	<u>1,029,797</u>	<u>605,230</u>	<u>-</u>	<u>1,635,027</u>
NONCURRENT LIABILITIES				
Long-Term Capital Lease Obligation, Net of Current Portion	224,416	-	-	224,416
Long-Term Debt, Net of Current Portion	1,444,895	6,724,026	-	8,168,921
Total Noncurrent Liabilities	<u>1,669,311</u>	<u>6,724,026</u>	<u>-</u>	<u>8,393,337</u>
Total Liabilities	<u>2,699,108</u>	<u>7,329,256</u>	<u>-</u>	<u>10,028,364</u>
NET ASSETS				
Without Donor Restrictions:				
Undesignated (Note 1)	5,342,700	(543,078)	-	4,799,622
Designated - Capital Projects	(892,937)	3,641,394	-	2,748,457
Total Net Assets Without Donor Restrictions	<u>4,449,763</u>	<u>3,098,316</u>	<u>-</u>	<u>7,548,079</u>
With Donor Restrictions	1,424,707	-	-	1,424,707
Total Net Assets	<u>5,874,470</u>	<u>3,098,316</u>	<u>-</u>	<u>8,972,786</u>
Total Liabilities and Net Assets	<u>\$ 8,573,578</u>	<u>\$ 10,427,572</u>	<u>\$ -</u>	<u>\$ 19,001,150</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019
(SEE INDEPENDENT AUDITORS' REPORT)

	CLUES	CREHC	Eliminations	Total
SUPPORT AND REVENUE				
Government Grants	\$ 4,688,457	\$ -	\$ -	\$ 4,688,457
Contributions and Grants	4,100,625	-	-	4,100,625
Interest	124	-	-	124
Client Paid and Private Insurance	1,019,953	-	-	1,019,953
Rental Income	85,557	101,037	-	186,594
In-Kind Contributions	522,222	-	-	522,222
Miscellaneous Income	188,369	-	-	188,369
Total Support and Revenue	<u>10,605,307</u>	<u>101,037</u>	<u>-</u>	<u>10,706,344</u>
EXPENSE				
Program Services	7,123,203	48,447	-	7,171,650
Support Services:				
Management and General	1,717,935	187,897	-	1,905,832
Fundraising	761,868	23,295	-	785,163
Total Support Services	<u>2,479,802</u>	<u>211,193</u>	<u>-</u>	<u>2,690,995</u>
Total Expense	<u>9,603,005</u>	<u>259,640</u>	<u>-</u>	<u>9,862,645</u>
CHANGE IN NET ASSETS	1,002,302	(158,603)	-	843,699
Net Assets - Beginning of Year	<u>4,872,168</u>	<u>3,256,919</u>	<u>-</u>	<u>8,129,087</u>
NET ASSETS - END OF YEAR	<u>\$ 5,874,470</u>	<u>\$ 3,098,316</u>	<u>\$ -</u>	<u>\$ 8,972,786</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, 2019, 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 August 31, 2020.

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) to determine the 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.

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 identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

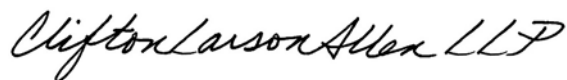
As part of obtaining reasonable assurance about whether Comunidades Latinas Unidas En Servicio, Inc.'s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

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
August 31, 2020



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, 2019. 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, 2019.

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
August 31, 2020

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2019

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	\$ -	\$ 30,000
National Family Caregiver Support	93.052	311-19-003E-194	-	39,626
Total Aging Cluster				<u>69,626</u>
Minnesota Department of Human Services:				
Familias Unidas (CEMIG)	93.959	148792	-	237,114
Adult/ Children's Mental Health Division:				
Ethnic Minority Communities Workforce Grant	93.959	148792	-	169,040
Minnesota Department of Health:				
Temporary Assistance to Needy Families (TANF) Cluster:				
Eliminating Health Disparities Initiative	93.558	111168	-	95,001
Eliminating Health Disparities Initiative	93.558	161959	-	127,069
Total Block Grants for Temporary Assistance to Needy Families (TANF) Cluster				<u>222,070</u>
Child Care Services Division:				
Child Safety and Permanency Division	93.575	167436	-	99,813
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	-	197,437
Total U.S. Department of Health and Human Services			-	995,100
U.S. Department of Housing and Urban Development (HUD):				
National Council of La Raza:				
Housing Counseling	14.169	HC180011002	-	9,440
Community Development Block Grants Cluster:				
City of Minneapolis Employment and Training:				
Employment and Training Contract	14.218	C-404562	-	70,992
Employment and Training Contract	14.218	C-404562	-	70,022
Total Community Development Block Grants Cluster			<u>-</u>	<u>141,014</u>
Total U.S. Department of Housing and Urban Development (HUD)			-	150,454
U.S. Department of Justice:				
Office on Violence Against Women:				
Sexual Assault Education and Prevention	16.023	2016-KS-AX-0005	-	104,831
Total U.S. Department of Justice			-	104,831
U.S. Department of Corrections:				
Minnesota Department of Public Safety:				
Crime Victim Services 2018	16.017	A-CVSVSA-2018-CLUES-00006	-	159,323
Crime Victim Services 2019	16.017	A-CVSVSA-2019-CLUES-00004	-	79,654
Total Minnesota Department of Public Safety Cluster			<u>-</u>	<u>238,977</u>
Total U.S. Department of Corrections			-	238,977

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

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 the Treasury:				
Volunteer Income Tax Assistance	21.009	19VITA0155	\$ -	\$ 6,737
Total U.S. Department of the Treasury			-	6,737
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	-	20,058
Nutritional Assistance Program	10.561	163777	-	10,010
Total DHS Supplemental Nutrition Assistance Program (SNAP) Cluster			<u>-</u>	<u>30,068</u>
Total U.S. Department of Agriculture			-	30,068
Corporation for National and Community Service:				
Local Initiatives Support Corporation (LISC):				
CNCS Social Innovations Fund	94.019	45185-0013	-	56,506
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 1,582,673</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2019

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, 2019. 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 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, 2019**

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? yes x none reported
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

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

Identification of Major Federal Programs

Program	CFDA Number
Familias Unidas	93.959
Ethnic Minority Communities Workforce Grant	93.959

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

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

Section II – Financial Statement Findings

2019-001

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 numerous adjustments which were proposed and posted through the audit process. These adjustments were 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 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 need 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.

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).