

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.

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

YEARS ENDED DECEMBER 31, 2021 AND 2020



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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 Audit of the Consolidated Financial Statements

Opinion

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, 2021 and 2020, 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.

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, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Comunidades Latinas Unidas En Servicio, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Comunidades Latinas Unidas En Servicio, Inc.'s ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Comunidades Latinas Unidas En Servicio, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Comunidades Latinas Unidas En Servicio, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Supplementary Information – Consolidating Balance Sheet and Schedule of Activities

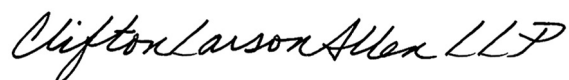
Our audit as of and for the year ended December 31, 2021 was conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplementary consolidating balance sheet and consolidating schedule of activities are presented for purposes of additional 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 June 28, 2022, on our consideration of Comunidades Latinas Unidas En Servicio, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Comunidades Latinas Unidas En Servicio, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Comunidades Latinas Unidas En Servicio, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
June 28, 2022

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2021 AND 2020

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,174,987	\$ 2,023,543
Accounts Receivable, Net of Allowance	3,396,330	2,183,376
Grants Receivable - Current Portion	521,900	496,075
Prepaid Expenses	123,616	113,031
Total Current Assets	5,216,833	4,816,025
OTHER ASSETS		
Grants Receivable, Net of Current Portion	50,000	25,000
Notes Receivable, Net of Current Portion	5,031,400	5,031,400
Construction Project Deposits Held in Escrow	172,417	214,917
Total Other Assets	5,253,817	5,271,317
LAND, BUILDINGS, AND EQUIPMENT, NET	9,839,347	10,200,811
Total Assets	\$ 20,309,997	\$ 20,288,153
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Other Accrued Liabilities	\$ 56,875	\$ 382,809
Accrued Wages and Payroll Taxes	121,461	96,612
Accrued Vacation	293,295	303,425
Accrued Interest	15,875	15,875
Accrued Construction and Other Liabilities	78,661	150,988
Current Portion of Long-Term Capital Lease Obligation	132,296	129,936
Current Portion of Long-Term Debt	120,333	425,982
Total Current Liabilities	818,796	1,505,627
NONCURRENT LIABILITIES		
Long-Term Capital Lease Obligation, Net of Current Portion	76,089	106,643
Long-Term Debt, Net of Current Portion	7,688,481	7,650,650
Total Noncurrent Liabilities	7,764,570	7,757,293
Total Liabilities	8,583,366	9,262,920
NET ASSETS		
Without Donor Restrictions:		
Undesignated (Note 1)	6,832,472	6,176,767
Designated - Capital Projects	2,202,950	2,339,096
Total Net Assets Without Donor Restrictions	9,035,422	8,515,863
With Donor Restrictions	2,691,209	2,509,370
Total Net Assets	11,726,631	11,025,233
Total Liabilities and Net Assets	\$ 20,309,997	\$ 20,288,153

See accompanying Notes to Consolidated Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Government Grants	\$ 8,315,200	\$ -	\$ 8,315,200	\$ 9,272,630	\$ -	\$ 9,272,630
Contributions and Grants	2,438,104	2,573,278	5,011,382	2,806,380	1,973,076	4,779,456
Interest	46,902	-	46,902	50,422	-	50,422
Client Paid and Private Insurance	481,454	-	481,454	550,645	-	550,645
Rental Income	196,225	-	196,225	195,225	-	195,225
In-Kind Contributions	304,039	-	304,039	380,222	-	380,222
Miscellaneous Income	308,821	-	308,821	47	-	47
Total Support and Revenue	<u>12,090,745</u>	<u>2,573,278</u>	<u>14,664,023</u>	<u>13,255,571</u>	<u>1,973,076</u>	<u>15,228,647</u>
Net Assets Released from Restrictions	<u>2,391,439</u>	<u>(2,391,439)</u>	<u>-</u>	<u>888,413</u>	<u>(888,413)</u>	<u>-</u>
Total Support and Revenue	14,482,184	181,839	14,664,023	14,143,984	1,084,663	15,228,647
EXPENSE						
Program Services	11,031,283	-	11,031,283	10,574,799	-	10,574,799
Support Services:						
Management and General	2,443,043	-	2,443,043	2,184,446	-	2,184,446
Fundraising	488,299	-	488,299	416,955	-	416,955
Total Support Services	<u>2,931,342</u>	<u>-</u>	<u>2,931,342</u>	<u>2,601,401</u>	<u>-</u>	<u>2,601,401</u>
Total Expense	<u>13,962,625</u>	<u>-</u>	<u>13,962,625</u>	<u>13,176,200</u>	<u>-</u>	<u>13,176,200</u>
CHANGE IN NET ASSETS	519,559	181,839	701,398	967,784	1,084,663	2,052,447
Net Assets - Beginning 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>
NET ASSETS - END OF YEAR	<u>\$ 9,035,422</u>	<u>\$ 2,691,209</u>	<u>\$ 11,726,631</u>	<u>\$ 8,515,863</u>	<u>\$ 2,509,370</u>	<u>\$ 11,025,233</u>

See accompanying Notes to Consolidated Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE
YEAR ENDED DECEMBER 31, 2021

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 4,704,305	\$ 1,109,216	\$ 318,003	\$ 6,131,524
Benefits and Payroll Taxes	1,229,985	166,565	56,357	1,452,907
Program Activities & Direct Costs	288,784	-	-	288,784
Client Financial Assistance	2,409,249	-	-	2,409,249
Professional Services	772,081	342,075	38,666	1,152,822
Occupancy Costs	461,538	227,218	21,302	710,058
Equipment & Vehicles Expenses	183,902	26,491	8,538	218,931
Subscriptions & Memberships	61,995	8,931	2,878	73,804
Supplies	142,104	20,469	6,598	169,171
Staff Development & Recruitment	20,766	2,992	964	24,722
Volunteers In-Kind	255,393	36,788	11,858	304,039
Miscellaneous	19,016	506	881	20,403
Depreciation	326,941	163,188	15,090	505,219
Interest	155,224	76,418	7,164	238,806
Bad Debt Expenses	-	262,186	-	262,186
	<u>\$ 11,031,283</u>	<u>\$ 2,443,043</u>	<u>\$ 488,299</u>	<u>\$ 13,962,625</u>
Total Expense				
Percentage of Total Expense	79.0%	17.5%	3.5%	100.0%

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	\$ 4,344,831	\$ 958,671	\$ 205,479	\$ 5,508,981
Benefits and Payroll Taxes	1,086,036	194,176	56,684	1,336,896
Program Activities & Direct Costs	271,642	-	-	271,642
Client Financial Assistance	3,009,653	-	-	3,009,653
Professional Services	448,141	177,902	23,884	649,927
Occupancy Costs	513,930	153,408	20,045	687,383
Equipment & Vehicles Expenses	229,008	19,538	12,127	260,673
Subscriptions & Memberships	34,104	39,361	6,888	80,353
Supplies	116,420	32,710	22,982	172,112
Staff Development & Recruitment	20,031	6,287	545	26,863
Volunteers In-Kind	279,528	25,111	5,373	310,012
Miscellaneous	39,990	4,099	449	44,538
Depreciation	181,485	364,514	6,779	552,778
Interest	-	63,069	55,720	118,789
Bad Debt Expenses	-	145,600	-	145,600
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 STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 701,398	\$ 2,052,447
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	505,219	552,778
Amortization of Discount on Long-Term Debt	35,183	23,004
Interest Expense - Amortization of Finance Fees	20,181	20,181
(Increase) Decrease in Current Assets:		
Accounts Receivable	(1,212,954)	(650,477)
Grants Receivable	(50,825)	574,442
Pledges Receivable	-	165,892
Prepaid Expense	(10,585)	(43,372)
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	(325,934)	152,669
Accrued Wages and Payroll Taxes	24,849	(159,921)
Accrued Vacation	(10,130)	89,119
Accrued Construction and Other Liabilities	(72,327)	(484,651)
Net Cash Provided (Used) by Operating Activities	(395,925)	2,292,111
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(141,522)	(658,540)
Construction Deposits Held in Escrow, Net	42,500	737,652
Net Cash Provided (Used) by Investing Activities	(99,022)	79,112
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received on Long-Term Debt	-	465,000
Net Change in Line of Credit	-	(19,752)
Payments on Capital Lease Obligations	(28,194)	(124,845)
Payments on Long-Term Debt	(325,415)	(730,714)
Net Cash Used by Financing Activities	(353,609)	(410,311)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(848,556)	1,960,912
Cash and Cash Equivalents - Beginning of Year	2,023,543	62,631
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,174,987	\$ 2,023,543
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Interest Paid	\$ 203,625	\$ 37,017
Capital Equipment (Lease) Acquisitions	101,396	-
In-Kind Goods and Services	304,039	380,222

See accompanying Notes to Consolidated Financial Statements.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 2021, Minnesota's Latino population is estimated at 345,000 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 140 team members and 450+ 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.

Recently, CLUES developed a strategic direction to guide the organization through 2025.. This included: High Level Strategic framework, a three-year Business and Implementation Plan, and an internal Leadership Structure Assessment & Recommendations.

- **Our 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 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 building, strengthening, and activating community influence, connections, and power to create social and systemic change.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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 million in 2014 to over \$14 million in 2021. We have diversified our sources of income and also increased staffing and volunteer levels. 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, 2021 AND 2020

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

Consolidation

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

Financial Statement Presentation

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

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

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

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

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

Cash and Cash Equivalents

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

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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

Receivables and Revenue Recognition

Grants, accounts, and pledges receivable are stated at net realizable value. At December 31, 2021 and 2020, the Organization recorded an allowance for uncollectible accounts in the amount of \$38,735 and \$-0-, 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. Receivable balances that are expected to be collected within one year are recorded at their net realizable value.

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, 2021 and 2020, the Organization had conditional gifts of approximately \$2,783,705 and \$1,652,380, respectively, where conditions had not yet been met due to outputs of the grants not yet achieved.

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>2021</u>	<u>2020</u>
Allowable Cost Guidelines	\$ 2,383,705	\$ 1,567,380
Data-Tracking System Usage	-	85,000
Matching Funds Raised	400,000	-
Total	<u>\$ 2,783,705</u>	<u>\$ 1,652,380</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.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

The Organization assigns useful lives to assets as follows:

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

Loan Financing Costs

At December 31, 2021 and 2020, 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 \$149,871 and \$73,771 for the years ended December 31, 2021 and 2020, respectively.

Construction Project Deposits Held in Escrow

As of December 31, 2021 and 2020, the Organization had deposits held in escrow (cash balance) for the office headquarters expansion construction project of \$172,417 and \$214,917, respectively.

Tax-Exempt Status

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

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

Functional Allocation of Expense

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

In-Kind Contributions

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

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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

Estimates

Management uses estimates and assumptions in preparing consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (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 2021 and 2020, the Organization released from restriction significant support and revenue, which resulted in a change in net assets without donor restrictions of \$551,079 and \$967,784, respectively. This amount includes the financial impact from operations.

The table below computes the change in net assets without donor restrictions generated from operations in 2021 and 2020:

	2021	2020
Change in Net Assets Without Donor Restrictions	\$ 519,559	\$ 967,784
Nonoperating Revenue and Expenses		
Net Assets Released from Restrictions – Capital	(387,318)	(888,413)
Nonoperating Interest Expense	262,186	145,600
Change in Net Assets from Operations	\$ 394,427	\$ 224,971

Subsequent Events

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 28, 2022, 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, 2021 AND 2020**

NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)

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

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 1,174,987	\$ 2,023,543
Accounts Receivable, Net of Allowance	3,396,330	2,183,376
Grants Receivable	521,900	496,075
Total Current Assets	<u>5,093,217</u>	<u>4,702,994</u>
Grants Receivable: Donor Designated for Capital Project	(200,000)	(200,000)
Pledges Receivable: Donor Designated for Capital Project	-	(41,031)
Donor Designated Endowment Fund (Cash)	(14,638)	(14,622)
Current Assets Not Available to be Used Within One Year	<u>(214,638)</u>	<u>(255,653)</u>
Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 4,878,579</u>	<u>\$ 4,447,341</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, 2021 and 2020 consisted of 65% and 75% from three grantors, respectively.

Contribution revenue for the years ended December 31, 2021 and 2020 consisted of 13% from one donor and 23% from two donors, respectively.

Grants receivable for the years ended December 31, 2021 and 2020 consisted of 87% from three grantors and 64% from four grantors, respectively.

Accounts receivable for the years ended December 31, 2021 and 2020 consisted of 13% from one source and 10% from one source, respectively.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 GRANT RECEIVABLE

Grants receivable consist of the following at December 31:

	<u>2021</u>	<u>2020</u>
Gross Grants Receivable	\$ 571,900	\$ 521,075
Less: Current Portion	<u>(521,900)</u>	<u>(496,075)</u>
Long-Term Portion	<u>\$ 50,000</u>	<u>\$ 25,000</u>
 Cash Amounts Due In:		
Within One Year	\$ 521,900	\$ 496,075
One to Five Years	<u>50,000</u>	<u>25,000</u>
Total	<u>\$ 571,900</u>	<u>\$ 521,075</u>

NOTE 5 LAND, BUILDINGS, AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land	\$ 1,141,120	\$ 1,141,120
Building	10,458,285	10,475,885
Vehicles	168,258	149,496
Furniture and Equipment	1,762,600	1,725,037
Software	193,806	236,635
Leasehold Improvements	352,363	352,363
Capital Lease	561,674	460,278
Less: Accumulated Depreciation	<u>(4,798,759)</u>	<u>(4,340,003)</u>
Total	<u>\$ 9,839,347</u>	<u>\$ 10,200,811</u>

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 LONG-TERM DEBT

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

<u>Description</u>	<u>2021</u>	<u>2020</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	\$ 975,000
<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, 2021 AND 2020**

NOTE 6 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2021</u>	<u>2020</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>	(177,527)	(203,956)
<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>	100,900	117,026
<p>Unamortized discount on the above loan at imputed interest rate of 6.06%</p>	-	(8,407)

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2021</u>	<u>2020</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.	\$ 94,450	\$ 105,626
CLUES received a loan from Otto Bremer Trust on November 30, 2017 in the amount of \$300,000. Interest payments of \$9,000 (3%) are paid yearly starting in 2018 until the loan reaches maturity on December 1, 2021. At maturity, the principal repayment of \$300,000 will also be due. No principal payments are required until maturity.	-	300,000
Total	8,269,823	8,562,289
Less: Loan Financing Costs (Note 1)	(461,009)	(485,657)
Less: Current Maturities	(120,333)	(425,982)
Total Long-Term Debt	<u>\$ 7,688,481</u>	<u>\$ 7,650,650</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>
2022	\$ 120,333
2023	121,088
2024	121,881
2025	122,713
2026	598,851
Thereafter	7,362,139
Total Long-Term Debt	8,447,005
Less: Current Portion	(120,333)
Less: Loan Financing Costs	(461,009)
Less: Unamortized Discounts	(177,527)
Long-Term Portion	<u>\$ 7,688,136</u>

The Organization recorded interest and discount amortization expense in the amount of \$238,806 and \$118,789 for the years ended December 31, 2021 and 2020, respectively.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 LINE OF CREDIT

Since 2009, the Organization has renewed a revolving line of credit. The line of credit has an available balance of \$400,000 and an advance rate of 1% + Prime. The current maturity date is August 31, 2023. Borrowings are secured by the Organization's inventory, equipment, accounts receivable, and general intangibles. Advances of \$-0- were outstanding as of December 31, 2021 and 2020.

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 that lease expired 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 March 31, 2023.

Total rent expense for the years ended December 31, 2021 and 2020 under all leases was \$74,153 and \$250,275, respectively. The following is the future minimum lease payment schedule for the lease:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 96,722
2023	24,181
Total	<u>\$ 120,903</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 \$561,674. At December 31, 2021, the accumulated depreciation was \$276,662. The lease payments are recorded as interest expense and a principal reduction to debt. At December 31, 2021, the debt payable under the lease is \$208,385.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 9 CAPITAL LEASE OBLIGATIONS (CONTINUED)

Capital lease obligations consist of the following at December 31:

<u>Year Ending December 31,</u>	<u>Amount</u>
2022	\$ 132,296
2023	23,953
2024	19,950
2025	20,680
2026	19,621
Interest	<u>(8,115)</u>
Total Capital Lease Obligation	208,385
Less: Current Portion	<u>(132,296)</u>
Long-Term Portion	<u>\$ 76,089</u>

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:

	<u>2021</u>	<u>2020</u>
With Donor Restrictions for Time	\$ 137,500	\$ 30,000
With Donor Restrictions for Purpose:		
Employment Program	357,074	316,456
Mental Health Program	35,000	122,667
Health Program	293,165	62,500
Community Engagement	-	127,845
Education Program	-	1,201
Capital Campaign	-	387,318
Financial Empowerment	616,491	148,458
Arts and Culture	152,545	128,692
Youth in Action	362,933	25,000
Administrative	333,333	458,333
Housing	150,000	574,900
COVID-19 Support	239,668	112,500
Net Assets Held in Perpetuity	13,500	13,500
Total	<u>\$ 2,691,209</u>	<u>\$ 2,509,370</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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:

	2021	2020
Time Restricted	\$ 30,000	\$ -
Purpose Restricted:		
Employment Program	236,733	206,666
Mental Health Program	122,667	31,333
Financial Empowerment	123,750	174,711
Community and Health Program	190,345	75,146
Education Achievement Program	1,201	31,984
Capital Campaign	387,318	-
Arts and Culture	128,692	158,823
Youth in Action	25,000	-
Community Engagement	-	107,583
COVID-19 Support	112,500	-
Administrative	458,333	14,667
Housing	574,900	87,500
Total	<u>\$ 2,391,439</u>	<u>\$ 888,413</u>

NOTE 11 IN-KIND SERVICES

The Organization receives in-kind services in the form of volunteer tutoring for English as a Second Language (ESL), Basic Literacy (in Spanish), Citizenship courses, CD Counseling, Outpatient Psychotherapy, Case Management, Interns, Child Care, and Clerical and Research work. In 2021 and 2020, the Organization received 14,328 and 14,592 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 \$304,039 and \$310,012 during the years ended December 31, 2021 and 2020, respectively.

Additionally, the Organization received -\$0- and \$70,210 in donated goods during the years ended December 31, 2021 and 2020, respectively.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 12 RISKS AND UNCERTAINTIES

During the years ended December 31, 2021 and 2020, a worldwide pandemic (COVID-19) had significant impacts on the Latino community as well as CLUES' operations. The organization experienced fluctuations in its revenues, staffing, program activity, 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 are still developing subsequent to year-end.

NOTE 13 PAYCHECK PROTECTION PROGRAM AND SUBSEQUENT EVENT

On April 13, 2020, the Organization received a first loan totaling \$1,064,700 to fund payroll, rental and utilities through the Paycheck Protection Program (the PPP Loan). The PPP Loan had interest at a fixed rate of 1% per annum, had a term of two years, was unsecured and guaranteed by the U.S. Small Business Administration (SBA). CLUES 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 had been met. On April 20, 2021, the SBA processed the Organization's PPP Loan forgiveness application and the PPP Loan qualified for forgiveness.

In 2021, CLUES received a second PPP Loan of \$1,064,700 as part of the Paycheck Protection Program. This PPP Loan had interest at a fixed rate of 1.0% per annum and had a term of five years. Payment of principal and interest was deferred until the date on which the amount of forgiveness is remitted to the lender or, if CLUES failed to apply for forgiveness, within 10 months after the covered period, then payment of principal and interest is to begin on that date. CLUES incurred costs during the covered period and submitted for forgiveness. Subsequent to December 31, 2021, the Organization received notification that the Loan was forgiven. CLUES recognized \$1,064,700 of income related to this agreement during the year ended December 31, 2021 within government grant revenue.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATING BALANCE SHEET
DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

ASSETS	CLUES	CREHC	Eliminations	Total
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 954,139	\$ 220,848	\$ -	\$ 1,174,987
Accounts Receivable, Net of Allowance	3,396,330	-	-	3,396,330
Grants Receivable - Current Portion	521,900	-	-	521,900
Related Party Receivable	243,322	-	(243,322)	-
Prepaid Expenses	123,616	-	-	123,616
Total Current Assets	<u>5,239,307</u>	<u>220,848</u>	<u>(243,322)</u>	<u>5,216,833</u>
OTHER ASSETS				
Grants Receivable, Net of Current Portion	50,000	-	-	50,000
Notes Receivable, Net of Current Portion	5,031,400	-	-	5,031,400
Construction Project Deposits Held in Escrow	-	172,417	-	172,417
Total Other Assets	<u>5,081,400</u>	<u>172,417</u>	<u>-</u>	<u>5,253,817</u>
LAND, BUILDINGS, AND EQUIPMENT, NET				
	<u>559,222</u>	<u>9,280,125</u>	<u>-</u>	<u>9,839,347</u>
Total Assets	<u>\$ 10,879,929</u>	<u>\$ 9,673,390</u>	<u>\$ (243,322)</u>	<u>\$ 20,309,997</u>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable and Other Accrued Liabilities	\$ 56,875	\$ -	\$ -	\$ 56,875
Related Party Payable	-	243,322	(243,322)	-
Accrued Wages and Payroll Taxes	121,461	-	-	121,461
Accrued Vacation	293,295	-	-	293,295
Accrued Interest	15,875	-	-	15,875
Accrued Construction and Other Liabilities	78,661	-	-	78,661
Current Portion of Long-Term Capital Lease Obligation	132,296	-	-	132,296
Current Portion of Long-Term Debt	112,134	8,199	-	120,333
Total Current Liabilities	<u>810,597</u>	<u>251,521</u>	<u>(243,322)</u>	<u>818,796</u>
NONCURRENT LIABILITIES				
Long-Term Capital Lease Obligation, Net of Current Portion	76,089	-	-	76,089
Long-Term Debt, Net of Current Portion	905,994	6,782,487	-	7,688,481
Total Noncurrent Liabilities	<u>982,083</u>	<u>6,782,487</u>	<u>-</u>	<u>7,764,570</u>
Total Liabilities	1,792,680	7,034,008	(243,322)	8,583,366
NET ASSETS				
Without Donor Restrictions:				
Undesignated (Note 1)	6,854,946	(22,474)	-	6,832,472
Designated - Capital Projects	(458,906)	2,661,856	-	2,202,950
Total Net Assets Without Donor Restrictions	<u>6,396,040</u>	<u>2,639,382</u>	<u>-</u>	<u>9,035,422</u>
With Donor Restrictions	2,691,209	-	-	2,691,209
Total Net Assets	<u>9,087,249</u>	<u>2,639,382</u>	<u>-</u>	<u>11,726,631</u>
Total Liabilities and Net Assets	<u>\$ 10,879,929</u>	<u>\$ 9,673,390</u>	<u>\$ (243,322)</u>	<u>\$ 20,309,997</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
CONSOLIDATING SCHEDULE OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2021
(SEE INDEPENDENT AUDITORS' REPORT)

	CLUES	CREHC	Eliminations	Total
SUPPORT AND REVENUE				
Government Grants	\$ 8,315,200	\$ -	\$ -	\$ 8,315,200
Contributions and Grants	5,011,382	-	-	5,011,382
Interest	46,902	-	-	46,902
Client Paid and Private Insurance	481,454	-	-	481,454
Rental Income	1,000	195,225	-	196,225
In-Kind Contributions	304,039	-	-	304,039
Miscellaneous Income	308,821	-	-	308,821
Total Support and Revenue	<u>14,468,798</u>	<u>195,225</u>	<u>-</u>	<u>14,664,023</u>
EXPENSE				
Program Services	10,726,759	304,524	-	11,031,283
Support Services:				
Management and General	2,292,924	150,119	-	2,443,043
Fundraising	474,244	14,055	-	488,299
Total Support Services	<u>2,767,168</u>	<u>164,174</u>	<u>-</u>	<u>2,931,342</u>
Total Expense	<u>13,493,927</u>	<u>468,698</u>	<u>-</u>	<u>13,962,625</u>
CHANGE IN NET ASSETS	974,871	(273,473)	-	701,398
Net Assets - Beginning of Year	<u>8,112,378</u>	<u>2,912,855</u>	<u>-</u>	<u>11,025,233</u>
NET ASSETS - END OF YEAR	<u>\$ 9,087,249</u>	<u>\$ 2,639,382</u>	<u>\$ -</u>	<u>\$ 11,726,631</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, 2021, 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 June 28, 2022.

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 2021-001, 2021-002 and 2021-003, 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 2021-001 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 2021-002 and 2021-003 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
June 28, 2022



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, 2021. 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, 2021.


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
June 28, 2022

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal Assistance Listing No.	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	\$ -	\$ 30,259
Minnesota Department of Human Services:				
Familias Unidas (CEMIG)	93.959	148792	-	81,680
Adult/ Children's Mental Health Division:				
Ethnic Minority Communities Workforce Grant	93.959	148792	-	137,634
Minnesota Department of Health:				
Temporary Assistance to Needy Families (TANF) Cluster:				
Eliminating Health Disparities Initiative	93.558	111168	-	232,398
Eliminating Health Disparities Initiative	93.558	161959	-	-
Total Block Grants for Temporary Assistance to Needy Families (TANF) Cluster			-	232,398
Child Care Services Division:				
Child Safety and Permanency Division	93.575	167436	-	64,577
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	167436	-	136,929
Total Child Care Services Division			-	201,506
Substance Abuse and Mental Health Services Administration (SAMHSA):				
Minnesota 2020 State Opioid Response (SOR)	93.788	194848	-	100,332
Abriendo Caminos CLUES Certified Community Behavioral Health Clinic (CCBHC) Expansion	93.829		-	302,929
Total Substance Abuse and Mental Health Services Administration (SAMHSA)			-	403,261
Maternal, Infant and Early Childhood Home Visiting Grant Program (MIECHV) Cluster:				
Evidence-Based Home Visiting Models to Serve Families in Need	93.870	141318	-	209,388
National Institute of Health - Pass Through from the University of Iowa				
	93.879	S01579-01	-	1,422
Total U.S. Department of Health and Human Services			-	1,297,548
U.S. Department of Housing and Urban Development (HUD):				
National Council of La Raza:				
Housing Counseling	14.169		-	27,900
Emergency Solutions Grant Program				
	14.231	189413 & 189317	-	657,485
Community Development Block Grants Cluster:				
City of Minneapolis Employment and Training:				
Employment and Training Contract	14.218		-	5,000
Employment and Training Contract	14.218	COM0003220	-	160,807
Total City of Minneapolis Employment and Training			-	165,807
City of St. Paul Employment and Training:				
Employment and Training Contract	14.218	B-20-MW-27-007	-	10,428
Total Community Development Block Grants Cluster			-	176,235
Total U.S. Department of Housing and Urban Development (HUD)			-	861,620
U.S. Department of Justice:				
Office on Violence Against Women:				
Sexual Assault Education and Prevention	16.023	2016-KS-AX-0005	-	57,388
Total U.S. Department of Justice			-	57,388
U.S. Department of Education:				
Education Stabilization Fund				
CARES Act Education Stabilization Fund Program	84.425	186677	-	47,420
Total U.S. Department of Education			-	47,420

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Corrections:				
Minnesota Department of Public Safety: Crime Victim Services	16.017	A-CVSVVA-2019-CLUES-00004	\$ -	\$ 53,711
Total Minnesota Department of Public Safety Cluster			<u>-</u>	<u>53,711</u>
Total U.S. Department of Corrections			-	53,711
U.S. Department of the Treasury:				
Coronavirus Relief Fund MN Department of Health	21.019	184475	-	681,582
MN Department of Human Services	21.019		-	196,401
Total Coronavirus Relief Fund			<u>-</u>	<u>877,983</u>
Emergency Rental Assistance Program	21.023	COM0003550	-	995,936
Total U.S. Department of the Treasury			<u>-</u>	<u>1,873,919</u>
U.S. Department of Agriculture:				
State Administrative Matching Grants for Supplemental Nutrition Assistance Program (SNAP) Cluster:				
DHS Supplemental Nutrition Assistance Program (SNAP):				
Employment and Training Data and Technical Assistance	10.537	146220	-	6,642
Nutritional Assistance Program	10.551	GRK%146220	-	76,834
Total DHS Supplemental Nutrition Assistance Program (SNAP) Cluster			<u>-</u>	<u>83,476</u>
Total U.S. Department of Agriculture			-	83,476
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 4,275,082</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2021

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, 2021. 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, 2021**

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
Emergency Rental Assistance Program	21.023

- 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, 2021

Section II – Financial Statement Findings

2021-001

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, 2021

Section II – Financial Statement Findings (Continued)

2021-002

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, 2021

Section II – Financial Statement Findings (Continued)

2021-003

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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