

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**

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

**YEARS ENDED DECEMBER 31, 2022 AND 2021**



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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, 2022 and 2021, 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, 2022 and 2021, 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.

#### **Change in Accounting Principle**

As discussed in Note 1 to the financial statements, in 2022, Comunidades Latinas Unidas En Servicio, Inc. adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-of-use asset and corresponding liability for all operating and finance leases with lease terms greater than one year. Our opinion is not modified with respect to this matter.

#### **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.

#### **Emphasis-of-Matter Regarding Restatement**

As discussed in Note 1 to the financial statements we determined that a restatement to the December 31, 2021 financial statements was necessary to properly adjust net assets with accounts receivables. The impact of this restatement was to reduce accounts receivables and net assets by \$156,271 for the year ended December 31, 2021. If uncorrected, the financial statements would not be in accordance with the accounting principles generally accepted in the United States of America. This adjustment was necessary in ensuring that the financial statements are fairly stated. Our opinion is not modified with respect to that matter.

***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, 2022 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 12, 2023, 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 12, 2023

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>(Restated) 2021</u>
<b>ASSETS</b>		
Cash and Reserves	\$ 2,055,075	\$ 1,174,988
Program Receivables, Net	2,990,966	3,240,059
Grant Receivables	600,900	571,900
NMTC Receivables	5,031,400	5,031,400
Other CREHC Assets	129,917	172,417
Prepays and Other Assets	169,072	174,940
Right-of-Use Assets, Net	730,763	-
Fixed Assets, Net	<u>9,329,056</u>	<u>9,839,347</u>
Total Assets	<u>\$ 21,037,149</u>	<u>\$ 20,205,051</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 77,175	\$ 56,868
Accrued Expenses	501,228	453,963
Unearned Grant Revenue	17,545	55,339
Lease Liabilities	739,351	208,385
NMTC Debt	6,828,750	6,860,000
Other Debt	<u>1,071,177</u>	<u>1,000,136</u>
Total Liabilities	9,235,226	8,634,691
<b>NET ASSETS</b>		
Without Donor Restrictions	9,561,050	8,879,151
With Donor Restrictions	<u>2,240,873</u>	<u>2,691,209</u>
Total Net Assets	<u>11,801,923</u>	<u>11,570,360</u>
Total Liabilities and Net Assets	<u>\$ 21,037,149</u>	<u>\$ 20,205,051</u>

See accompanying Notes to Consolidated Financial Statements.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022			2021 (Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Governmental Grants	\$ 11,126,045	\$ -	\$ 11,126,045	\$ 7,705,462	\$ -	\$ 7,705,462
Private Grants and Contributions	2,585,678	1,601,053	4,186,731	2,528,614	2,573,278	5,101,892
Contracts for Services	417,424	-	417,424	565,116	-	565,116
Private Insurance	323,347	-	323,347	434,958	-	434,958
Client Fees	59,798	-	59,798	46,496	-	46,496
In-Kind Revenue	310,603	-	310,603	304,039	-	304,039
Miscellaneous Income	252,728	-	252,728	349,789	-	349,789
Total Support and Revenue	<u>15,075,623</u>	<u>1,601,053</u>	<u>16,676,676</u>	<u>11,934,474</u>	<u>2,573,278</u>	<u>14,507,752</u>
Net Assets Released from Restrictions	<u>2,051,389</u>	<u>(2,051,389)</u>	<u>-</u>	<u>2,391,439</u>	<u>(2,391,439)</u>	<u>-</u>
Total Support and Revenue	17,127,012	(450,336)	16,676,676	14,325,913	181,839	14,507,752
<b>EXPENSE</b>						
Program Services	13,137,526	-	13,137,526	11,031,283	-	11,031,283
Support Services:						
Management and General	2,714,529	-	2,714,529	2,443,043	-	2,443,043
Fundraising	593,058	-	593,058	488,299	-	488,299
Total Support Services	<u>3,307,587</u>	<u>-</u>	<u>3,307,587</u>	<u>2,931,342</u>	<u>-</u>	<u>2,931,342</u>
Total Expense	<u>16,445,113</u>	<u>-</u>	<u>16,445,113</u>	<u>13,962,625</u>	<u>-</u>	<u>13,962,625</u>
<b>CHANGE IN NET ASSETS</b>	681,899	(450,336)	231,563	363,288	181,839	545,127
Net Assets - Beginning of Year as Restated	<u>8,879,151</u>	<u>2,691,209</u>	<u>11,570,360</u>	<u>8,515,863</u>	<u>2,509,370</u>	<u>11,025,233</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 9,561,050</u>	<u>\$ 2,240,873</u>	<u>\$ 11,801,923</u>	<u>\$ 8,879,151</u>	<u>\$ 2,691,209</u>	<u>\$ 11,570,360</u>

See accompanying Notes to Consolidated Financial Statements.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSE**  
**YEAR ENDED DECEMBER 31, 2022**

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 5,784,315	\$ 1,516,975	\$ 391,264	\$ 7,692,554
Benefits and Payroll Taxes	1,402,822	190,046	68,109	1,660,977
Program Activities and Direct Costs	466,631	-	-	466,631
Client Financial Assistance	2,630,122	-	-	2,630,122
Professional Services	933,362	363,391	60,798	1,357,551
Occupancy Costs	643,441	211,542	26,443	881,426
Equipment and Vehicles Expenses	132,870	22,075	6,429	161,374
Subscriptions and Memberships	30,046	4,992	1,454	36,492
Supplies	87,618	13,231	3,030	103,879
Staff Development and Recruitment	68,478	11,377	3,313	83,168
Volunteers In-Kind	287,703	19,121	3,779	310,603
Miscellaneous	123,543	20,526	5,977	150,046
Depreciation	378,904	124,571	15,571	519,046
Interest	167,671	55,125	6,891	229,687
Bad Debt Expenses	-	161,557	-	161,557
	<u>\$ 13,137,526</u>	<u>\$ 2,714,529</u>	<u>\$ 593,058</u>	<u>\$ 16,445,113</u>
Total Expense				
Percentage of Total Expense	79.9%	16.5%	3.6%	100.0%

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>(Restated) 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 and 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 and Vehicles Expenses	183,902	26,491	8,538	218,931
Subscriptions and Memberships	61,995	8,931	2,878	73,804
Supplies	142,104	20,469	6,598	169,171
Staff Development and 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 STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	2022	(Restated) 2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 231,563	\$ 545,127
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	519,046	505,219
Amortization of Discount on Long-Term Debt	14,922	35,183
Interest Expense - Amortization of Finance Fees	20,181	20,181
Debt Restructure	29,563	-
Lease Transition Adjustment	(53,598)	-
Change in ROU Assets and Lease Liabilities	63,569	-
(Increase) Decrease in Current Assets:		
Program Receivables	249,093	(1,056,682)
Grants Receivable	(29,000)	(50,825)
Other CREHC Assets	42,500	42,500
Prepaid and Other Assets	5,868	(10,585)
Increase (Decrease) in Current Liabilities:		
Accounts Payable	20,307	(325,934)
Accrued Expenses	47,265	(57,608)
Unearned Grant Revenue	(37,794)	-
Net Cash Provided (Used) by Operating Activities	1,123,485	(353,424)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(150,759)	(141,522)
Proceeds on Disposal of Fixed Assets	19,577	-
Net Cash Used by Investing Activities	(131,182)	(141,522)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on Long-Term Debt	(24,875)	(325,415)
Payment on Financing Lease	(87,341)	(28,194)
Net Cash Used by Financing Activities	(112,216)	(353,609)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	880,087	(848,555)
Cash and Cash Equivalents - Beginning of Year	1,174,988	2,023,543
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 2,055,075	\$ 1,174,988
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION</b>		
Interest Paid	\$ 162,550	\$ 203,625
In-Kind Goods and Services	\$ 310,603	\$ 304,039
Right-of-Use Asset Obtained in Exchange for New Liability	\$ 813,925	\$ -

See accompanying Notes to Consolidated Financial Statements.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 1 SUMMARY OF BUSINESS BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES**

**Business Background**

Comunidades Latinas Unidas En Servicio, Inc. (CLUES) is a 501(c)(3) nonprofit organization established in 1981 by Latinos for Latinos who share a vision for improving the quality of life of Minnesota's Latino population. While the Latino community and CLUES have grown significantly to meet the needs of our clients, our commitment to these founding values has not wavered.

When CLUES was founded, Minnesota Latinos amounted to less than 30,000 people. In 2020, Minnesota's Latino population had grown to 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 also local staff Navigators in Willmar and Austin 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.
3. **Advancing Community Prosperity** by cultivating access to opportunities and growing institutional and individual assets owned by and for Latinos to foster economic equity.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

**Business Background (Continued)**

Our Programs and Business Goals (Continued)

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 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 investing 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, recognize trauma, and catalyze 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 the community in co-creating solutions for 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 \$16 million in 2022. 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.

**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.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

**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.

**Receivables and Revenue Recognition**

Grants, accounts, and pledges receivable are stated at net realizable value. At December 31, 2022 and 2021, the Organization recorded an allowance for uncollectible accounts in the amount of \$52,513 and \$38,735, 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 receivables 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.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

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

**Receivables and Revenue Recognition (Continued)**

As of December 31, 2022 and 2021, the Organization had conditional gifts of approximately \$3,389,605 and \$2,783,705, 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>2022</u>	<u>2021</u>
Allowable Cost Guidelines	\$ 3,189,605	\$ 2,383,705
Matching Funds Raised	200,000	400,000
Total	<u>\$ 3,389,605</u>	<u>\$ 2,783,705</u>

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

**Land, Buildings, and Equipment**

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

The Organization assigns useful lives to assets as follows:

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

**Loan Financing Costs**

At December 31, 2022 and 2021, 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 \$170,052 and \$149,871 for the years ended December 31, 2022 and 2021, respectively.

**Construction Project Deposits Held in Escrow**

As of December 31, 2022 and 2021, the Organization had deposits held in escrow (cash balance) for the office headquarters expansion construction project of \$129,917 and \$172,417, respectively.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

**Tax-Exempt Status**

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

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

**Functional Allocation of Expense**

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

**In-Kind Contributions**

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

**Adoption of New Accounting Standards**

In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This new standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption.

The Organization has elected to adopt the package of practical expedients available in the year of adoption. The Organization has not elected to adopt the available practical expedient to use hindsight in determining the lease term and in assessing impairment of the Organization's ROU assets.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

**Adoption of New Accounting Standards (Continued)**

The Organization also adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, during the year ended December 31, 2022. The accounting change has been retrospectively applied.

**Leases**

The Organization determines if an arrangement is a lease at inception. Operating and Financing leases are included in right-of-use (ROU) assets and lease liabilities in the consolidated balance sheet.

ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term.

The individual lease contracts do not provide information about the discount rate implicit in the lease. Therefore, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The Organization has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

**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.

**Subsequent Events**

In preparing these consolidated financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through June 12, 2023, the date the consolidated financial statements were available to be issued.

**Reclassifications**

Certain reclassifications have been made to the prior year financial statements to agree with the current presentation. The reclassification had no effect on the change in total net assets as previously reported.



**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

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

**Prior Period Adjustment**

The prior period adjustment shown on the consolidated statement of activities of \$156,271 is a result of certain receivables that were not properly recorded in the prior year. Opening net assets have been restated to decrease without donor-restricted net assets on the financial statements. The restatement of net assets is shown below:

	<u>As Previously Reported</u>	<u>Prior Period Adjustment</u>	<u>As Restated</u>
Assets:			
Program Receivables, Net	<u>\$ 3,396,330</u>	<u>\$ (156,271)</u>	<u>\$ 3,240,059</u>
Net Assets:			
Without Donor Restrictions	\$ 9,035,422	\$ (156,271)	\$ 8,879,151
With Donor Restrictions	<u>2,691,209</u>	<u>-</u>	<u>2,691,209</u>
Total Net Assets	<u>\$ 11,726,631</u>	<u>\$ (156,271)</u>	<u>\$ 11,570,360</u>
Revenue:			
Governmental Grants	\$ 7,861,733	\$ (156,271)	\$ 7,705,462
Private Grants and Contributions	5,101,892	-	5,101,892
Contracts for Services	565,116	-	565,116
Private Insurance	434,958	-	434,958
Client Fees	46,496	-	46,496
In-Kind Revenue	304,039	-	304,039
Miscellaneous Income	<u>349,789</u>	<u>-</u>	<u>349,789</u>
Total Support and Revenue	<u>\$ 14,664,023</u>	<u>\$ (156,271)</u>	<u>\$ 14,507,752</u>

**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, 2022 AND 2021**

**NOTE 2 LIQUIDITY AND AVAILABILITY (CONTINUED)**

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

	<u>2022</u>	<u>2021</u>
Cash and Cash Equivalents	\$ 2,055,075	\$ 1,174,988
Accounts Receivable, Net of Allowance	2,990,966	3,240,059
Grants Receivable	600,900	521,900
Total Current Assets	<u>5,646,941</u>	<u>4,936,947</u>
Grants Receivable: Donor Designated for Capital Project	-	(200,000)
Pledges Receivable: Donor Designated for Capital Project	-	-
Donor Designated Endowment Fund (Cash)	(14,668)	(14,638)
Donor Designated Capital Campaign Fund (Cash)	-	-
Current Assets Not Available to be Used Within One Year	<u>(14,668)</u>	<u>(214,638)</u>
Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u>\$ 5,632,273</u>	<u>\$ 4,722,309</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, 2022 and 2021 consisted of 78% and 65% from three grantors, respectively. Contribution revenue for the years ended December 31, 2022 and 2021 consisted of 13% from one donor, respectively.

Grants receivable for the years ended December 31, 2022 and 2021 consisted of 57% from three grantors and 87% from three grantors, respectively. Accounts receivable for the years ended December 31, 2022 and 2021 consisted of 60% from five sources and 13% from one source, respectively.

**NOTE 4 GRANTS RECEIVABLE**

Grants receivable consist of the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash Amounts Due In:		
Within One Year	\$ 600,900	\$ 521,900
One to Five Years	-	50,000
Total	<u>\$ 600,900</u>	<u>\$ 571,900</u>

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 5 LAND, BUILDINGS, AND EQUIPMENT**

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

	<u>2022</u>	<u>2021</u>
Land	\$ 1,141,120	\$ 1,141,120
Building	10,485,852	10,458,285
Vehicles	151,966	168,258
Furniture and Equipment	450,325	1,762,600
Software	-	193,806
Leasehold Improvements	15,595	352,363
Capital Lease	-	561,674
Less: Accumulated Depreciation	<u>(2,915,802)</u>	<u>(4,798,759)</u>
Total	<u>\$ 9,329,056</u>	<u>\$ 9,839,347</u>

**NOTE 6 LONG-TERM DEBT**

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

<u>Description</u>	<u>2022</u>	<u>2021</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

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

<u>Description</u>	<u>2022</u>	<u>2021</u>
<p>CREHC received a loan from Partnerships of Hope XIX, LLC (Note A2) on August 30, 2018 in the amount of \$3,631,400 and payable at a fixed annual interest rate of 1.25%. Scheduled interest-only payments are due quarterly through August 30, 2025. Thereafter regular payments of principal and interest shall be paid through final maturity date of August 29, 2048. At the end of the new market tax credit compliance period (August 30, 2025), the Investor has the right and option, but not the obligation, to sell its 100% ownership interest in the Investment Fund to the Organization in the form of a Put Option for \$1,000. Once the Put Option is exercised, Notes A1, A2, and B can be extinguished by the Organization. In the event the Investor does not sell the Put Option to the Organization, a Call Option can be purchased by the Organization at its then determined fair market value. Once the Call Option is exercised, Notes A1, A2 and B can be extinguished by the Organization.</p>	\$ 3,631,400	\$ 3,631,400
<p>CREHC received a loan from Partnerships of Hope XIX, LLC (Note B) on August 30, 2018 in the amount of \$1,828,600 and payable at a fixed annual interest rate of 1.25%. Scheduled interest-only payments are due quarterly through August 30, 2025. Thereafter regular payments of principal and interest shall be paid through final maturity date of August 29, 2048. At the end of the new market tax credit compliance period (August 30, 2025), the Investor has the right and option, but not the obligation, to sell its 100% ownership interest in the Investment Fund to the Organization in the form of a Put Option for \$1,000. Once the Put Option is exercised, Notes A1, A2, and B can be extinguished by the Organization. In the event the Investor does not sell the Put Option to the Organization, a Call Option can be purchased by the Organization at its then determined fair market value. Once the Call Option is exercised, Notes A1, A2 and B can be extinguished by the Organization.</p>	1,828,600	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>	(162,605)	(177,527)

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

<u>Description</u>	<u>2022</u>	<u>2021</u>
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.	\$ 103,879	\$ 100,900
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.	96,159	94,450
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.	-	-
Loan Financing Costs (Note 1)	<u>(389,506)</u>	<u>(409,687)</u>
Total Debt	<u>\$ 7,899,927</u>	<u>\$ 7,860,136</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>
2023	\$ 23,111
2024	23,692
2025	39,362
2026	2,425,948
2027	51,836
Thereafter	<u>5,888,089</u>
Total Long-Term Debt	8,452,038
Less: Loan Financing Costs	(389,506)
Less: Unamortized Discounts	<u>(162,605)</u>
Total Debt	<u>\$ 7,899,927</u>

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 6 LONG-TERM DEBT (CONTINUED)**

The Organization recorded interest and discount amortization expense in the amount of \$229,689 and \$238,806 for the years ended December 31, 2022 and 2021, respectively.

**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, 2022 and 2021.

**NOTE 8 RESTRICTIONS ON NET ASSETS**

**With Donor Restrictions**

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

	<u>2022</u>	<u>2021</u>
With Donor Restrictions for Time	\$ 377,308	\$ 137,500
With Donor Restrictions for Purpose:		
Employment	361,250	357,074
Behavioral Health	15,000	35,000
Community Health	293,333	293,165
Financial Empowerment	245,730	616,491
Arts and Culture	250,000	152,545
Youth & Teen	330,676	362,933
Administrative	333,333	333,333
Housing	10,743	150,000
COVID-19 Support	-	239,668
Family Services	10,000	-
Net Assets Held in Perpetuity	13,500	13,500
Total	<u>\$ 2,240,873</u>	<u>\$ 2,691,209</u>

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 8 RESTRICTIONS ON NET ASSETS (CONTINUED)**

**Net Assets Released from Restrictions**

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

	<u>2022</u>	<u>2021</u>
Time Restricted	\$ 137,500	\$ 30,000
Purpose Restricted:		
Employment	357,074	236,733
Behavioral Health	20,000	122,667
Financial Empowerment	559,792	123,750
Community Health	220,665	190,345
Education	-	1,201
Capital Campaign	-	387,318
Arts and Culture	152,545	128,692
Youth & Teen	214,146	25,000
COVID-19 Support	239,667	112,500
Administrative	-	458,333
Housing	150,000	574,900
Total	<u>\$ 2,051,389</u>	<u>\$ 2,391,439</u>

**NOTE 9 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 2022 and 2021, the Organization received 15,301 and 14,328 volunteer hours, respectively, at estimated hourly rates of \$16 to \$30. The Organization also received in-kind donations of various supply items. Total in-kind services from course teachers and supply items, classified as program services expenses, totaled \$310,603 and \$304,039 during the years ended December 31, 2022 and 2021, respectively.

**NOTE 10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

The Organization has entered into multiple leases for office spaces, which expire in 2023 and 2027.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE 10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)**

The Organization also leases office equipment that requires monthly payments over a term ranging from 24 to 60 months. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

Right of Use Assets:	
Financing Leases	\$ 229,572
Operating Leases	501,191
Total	<u>\$ 730,763</u>
Lease Liabilities:	
Current:	
Financing Leases	\$ 54,201
Operating Leases	157,838
Noncurrent:	
Financing Leases	179,572
Operating Leases	347,740
Total	<u>\$ 739,351</u>

The following table provides quantitative information concerning the Organization's leases.

Lease Cost:	
Finance Lease Costs:	
Amortization of ROU Assets	\$ 80,646
Interest on Lease Liabilities	9,103
Operating Lease Costs	212,240
Total Lease Costs	<u>\$ 301,989</u>

Other Information:	
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:	
Operating Cash Flows from Finance Leases	\$ 9,103
Operating Cash Flows from Operating Leases	207,854
Financing Cash Flows from Finance Leases	78,238
ROU Assets Obtained in Exchange for New Finance Lease Liabilities	121,502
ROU Assets Obtained in Exchange for New Operating Lease Liabilities	692,423
Weighted Average Remaining Lease Term:	
Financing Leases	3.9 years
Operating Leases	4.0 years
Weighted Average Discount Rate:	
Financing Leases	4.31%
Operating Leases	5.00%



**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021**

**NOTE 10 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)**

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022 is as follows:

<u>Year Ending December 31,</u>	<u>Operating</u>	<u>Finance</u>	<u>Totals</u>
2023	\$ 179,096	\$ 63,205	\$ 242,301
2024	102,385	63,205	165,590
2025	105,457	63,206	168,663
2026	108,620	54,656	163,276
2027	64,691	11,465	76,156
Thereafter	-	-	-
Total Lease Payments	<u>560,249</u>	<u>255,737</u>	<u>815,986</u>
Less: Imputed Interest	<u>(54,671)</u>	<u>(21,964)</u>	<u>(76,635)</u>
Present Value of Lease Liabilities	<u>\$ 505,578</u>	<u>\$ 233,773</u>	<u>\$ 739,351</u>

**NOTE 11 PAYCHECK PROTECTION PROGRAM**

In 2021, the Organization received a loan totaling \$1,064,700 to fund payroll, rental and utilities through the Paycheck Protection Program (the PPP Loan). The PPP Loan had interest at a fixed rate of 1% per annum, had a term of five years. Payment of principal and interest was deferred until the date on which the amount of forgiveness was remitted to the lender. CLUES incurred costs during the covered period and submitted for forgiveness. CLUES recognized \$1,064,700 of income related to this agreement during the year ended December 31, 2021 within government grant revenue, which represents the portion of the PPP Loan funds for which the performance barriers had been met. In 2022, the SBA processed the Organization's PPP Loan forgiveness application and the PPP Loan qualified for forgiveness.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**CONSOLIDATING BALANCE SHEET**  
**DECEMBER 31, 2022**  
(SEE INDEPENDENT AUDITORS' REPORT)

<b>ASSETS</b>	<u>CLUES</u>	<u>CREHC</u>	<u>Eliminations</u>	<u>Total</u>
Cash and Reserves	\$ 1,690,062	\$ 365,013	\$ -	\$ 2,055,075
Program Receivables, Net	2,990,966	-	-	2,990,966
Related Party Receivable	179,037	-	(179,037)	-
Grant Receivables	600,900	-	-	600,900
NMTC Receivables	5,031,400	-	-	5,031,400
Other CREHC Assets	-	129,917	-	129,917
Prepays and Other Assets	169,072	-	-	169,072
Right of Use Assets, Net	730,763	-	-	730,763
Fixed Assets, Net	387,951	8,941,105	-	9,329,056
	<u>\$ 11,780,151</u>	<u>\$ 9,436,035</u>	<u>\$ (179,037)</u>	<u>\$ 21,037,149</u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 77,175	\$ -	\$ -	\$ 77,175
Related Party Payable	-	179,037	(179,037)	-
Accrued Expenses	501,228	-	-	501,228
Unearned Grant Revenue	17,545	-	-	17,545
Lease Liabilities	739,351	-	-	739,351
NMTC Debt	-	6,828,750	-	6,828,750
Other Debt	1,071,177	-	-	1,071,177
Total Liabilities	<u>2,406,476</u>	<u>7,007,787</u>	<u>(179,037)</u>	<u>9,235,226</u>
<b>NET ASSETS</b>				
Without Donor Restrictions	7,132,802	2,428,248	-	9,561,050
With Donor Restrictions	2,240,873	-	-	2,240,873
Total Net Assets	<u>9,373,675</u>	<u>2,428,248</u>	<u>-</u>	<u>11,801,923</u>
Total Liabilities and Net Assets	<u>\$ 11,780,151</u>	<u>\$ 9,436,035</u>	<u>\$ (179,037)</u>	<u>\$ 21,037,149</u>

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**  
(SEE INDEPENDENT AUDITORS' REPORT)

	<u>CLUES</u>	<u>CREHC</u>	<u>Eliminations</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Governmental Grants	\$ 11,126,045	\$ -	\$ -	\$ 11,126,045
Private Grants and Contributions	4,186,731	-	-	4,186,731
Contracts for Services	417,424	-	-	417,424
Private Insurance	323,347	-	-	323,347
Client Fees	59,798	-	-	59,798
In-Kind Revenue	310,603	-	-	310,603
Miscellaneous Income	48,729	203,999	-	252,728
Total Support and Revenue	<u>16,472,677</u>	<u>203,999</u>	<u>-</u>	<u>16,676,676</u>
<b>EXPENSE</b>				
Program Services	12,722,393	415,133	-	13,137,526
Support Services:				
Management and General	2,714,529	-	-	2,714,529
Fundraising	593,058	-	-	593,058
Total Support Services	<u>3,307,587</u>	<u>-</u>	<u>-</u>	<u>3,307,587</u>
Total Expense	<u>16,029,980</u>	<u>415,133</u>	<u>-</u>	<u>16,445,113</u>
<b>CHANGE IN NET ASSETS</b>	442,697	(211,134)	-	231,563
Net Assets - Beginning of Year, as Restated	<u>8,930,978</u>	<u>2,639,382</u>	<u>-</u>	<u>11,570,360</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 9,373,675</u>	<u>\$ 2,428,248</u>	<u>\$ -</u>	<u>\$ 11,801,923</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, 2022, 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 12, 2023.

**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, 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 2022-001 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 2022-002 to be a significant deficiency.

### **Report on 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 12, 2023



**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**

***Opinion on 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, 2022. 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.

In our opinion, Comunidades Latinas Unidas En Servicio, Inc. complied, in all material respects, with the 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, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditors' Responsibilities for the Audit of Compliance* 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 relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination Comunidades Latinas Unidas En Servicio, Inc.'s compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Comunidades Latinas Unidas En Servicio, Inc.'s federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Comunidades Latinas Unidas En Servicio, Inc.'s compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Comunidades Latinas Unidas En Servicio, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Comunidades Latinas Unidas En Servicio, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Comunidades Latinas Unidas En Servicio, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Comunidades Latinas Unidas En Servicio, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-003. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Comunidades Latinas Unidas En Servicio, Inc.'s response to the noncompliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Comunidades Latinas Unidas En Servicio, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

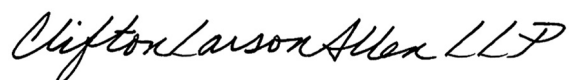
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
June 12, 2023



**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED DECEMBER 31, 2022**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Health and Human Services:</b>				
Aging Cluster:				
Special Programs for the Aging - Title III-B Older Americans Act	93.044	311-19-003B-320	\$ -	\$ 31,536
Minnesota Department of Human Services:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	148792	-	74,329
Block Grants for Prevention and Treatment of Substance Abuse	93.959	150272	-	277,943
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GRK 220840	-	6,392
Total 93.959			-	358,664
Minnesota Department of Human Services:				
CPP BIPOC Training	93.958	GRK 210103 / PO 3-90558	-	30,763
Minnesota Department of Health:				
Temporary Assistance to Needy Families (TANF)	93.558	111168	-	190,900
Minnesota Department of Human Services:				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	167436	-	303,834
Substance Abuse and Mental Health Services Administration (SAMHSA):				
Minnesota 2020 State Opioid Response (SOR)	93.788	194848	-	395,785
Opioid State Targeted Response (STR)	93.788	COM0003170	-	27,740
Abriendo Caminos CLUES Certified Community Behavioral Health Clinic (CCBHC) Expansion	93.829	1H79SM085197-01 / 5H79SM085197-02	-	2,487,356
Total SAMHSA			-	2,910,881
Minnesota Department of Health:				
Maternal, Infant and Early Childhood Home Visiting Grant Program (MIECHV) Cluster:				
Evidence-Based Home Visiting Models to Serve	93.870	141318	-	269,786
Total U.S. Department of Health and Human Services			-	4,096,364
<b>U.S. Department of Housing and Urban Development:</b>				
National Council of La Raza:				
Housing Counseling	14.169	N/A	-	2,500
Emergency Solutions Grant Program	14.231	189413 & 189317	-	153,775
Community Development Block Grants Cluster:				
City of Minneapolis Employment and Training:				
Employment and Training Contract	14.218	COM0003220	-	131,269
Business Technical Assistance Program	14.218	COM0003849	-	21,400
City of St. Paul: COVID-19 Emergency Rental Assistance	14.218	B-20-MW-27-007	-	25,863
Total Community Development Block Grants Cluster			-	178,532
Total U.S. Department of Housing and Urban Development			-	334,807
<b>U.S. Department of Justice:</b>				
Office on Violence Against Women:				
Sexual Assault Education and Prevention	16.023	2016-KS-AX-0005	-	55,732
Minnesota Department of Public Safety:				
Sexual Assault Services Formula Program	16.017	A-CVSV-2019-CLUES-00004	-	185,113
Total U.S. Department of Justice			-	240,845

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2022**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Education:</b>				
Education Stabilization Fund:				
CARES Act Education Stabilization Fund Program	84.425	186677	\$ -	\$ 34,582
Total U.S. Department of Education			-	34,582
<b>U.S. Department of the Treasury:</b>				
Minnesota Department of Health:				
Coronavirus Relief Fund	21.019	184475	-	555,359
Internal Revenue Service:				
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	20-2009	-	81,701
City of Minneapolis:				
Emergency Rental Assistance Program	21.023	COM0003550	-	1,680,021
Minnesota Housing Finance Agency:				
Emergency Rental Assistance Program	21.023	N/A	-	96,617
Total Emergency Rental Assistance Program			-	1,776,638
Total U.S. Department of the Treasury			-	2,413,698
<b>U.S. Department of Agriculture:</b>				
Minnesota Department of Human Services:				
Supplemental Nutrition Assistance Program (SNAP):	10.551	GRK%146220	-	140,792
Total U.S. Department of Agriculture			-	140,792
<b>U.S. Department of Labor:</b>				
City of Minneapolis Employment and Training:				
Career Dislocated Worker Grant	17.277	DW-37016-21-60-A-55	-	317,384
Total U.S. Department of Labor			-	317,384
<b>American Rescue Plan Act (ARPA):</b>				
Minnesota Department of Human Services:				
Food Support Grant	21.027	N/A	-	32,684
City of Minneapolis Employment and Training:				
Ambassador Project	21.027	COM3220	-	105,011
Brooklyn Park Economic Development Authority:				
City of Brooklyn Park ARPA/CPP Community Funding	21.027	N/A	-	4,713
Total American Rescue Plan Act			-	142,408
Total Expenditures of Federal Awards			\$ -	\$ 7,720,880

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2022**

**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, 2022. 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 federal assistance listing number 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, 2022**

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**Section I – Summary of Auditors’ Results**

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**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?     x     yes            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)?     x     yes            no

**Identification of Major Federal Programs**

Program or Cluster Title	Assistance Listing Number
SAMHSA	93.829
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, 2022**

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***Section II – Financial Statement Findings***

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**2022-001**

Type of Finding:

- Material weakness in Internal Control over Financial Reporting

**Condition:**

The Organization made a material prior period adjustment which was proposed and posted prior to 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 consolidated financial statements, in conformity with GAAP.

**Context:**

We determined management did not identify and timely adjust the accounting records for a material year-end adjustment in the prior year. This resulted in a restatement to opening balances through the audit process.

**Effect:**

The Consolidated 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 consolidated financial statement omissions or adjustments needed to present the consolidated financial statements in accordance with GAAP.

**Recommendation:**

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

Such review procedures should be performed by an individual possessing a thorough understanding of GAAP 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, 2022**

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***Section II – Financial Statement Findings (Continued)***

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**2022-002**

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

**Condition:**

At the end of the year, the Organization's contribution revenue recorded in the general ledger does not fully reconcile to amounts reported in the contribution 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 consolidated financial statements.

**Context:**

While performing audit procedures, it came to our attention contribution revenue was not fully reconciled at year-end. The year-end reconciliation of grants and contributions includes multiple subledgers and does account for over 99% of contribution revenue, but this complex reconciliation was not done consistently throughout the year.

**Effect:**

Misstatement of contributions revenue within the consolidated 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 throughout the year. 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.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED DECEMBER 31, 2022**

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**2022-003: Suspension & Debarment**

**Federal agency:** Department of Health and Human Services

**Federal program:** Substance Abuse and Mental Health Services Administration (SAMHSA) – Health Clinic (CCBHC) Expansion

**Assistance Listing Numbers:** 93.829

**Federal Award Identification Number and Year:** 5H79SM085197-02

**Award Period:** January 1, 2022 – December 31, 2022

**Type of Finding:**

- Significant Deficiency in Internal Control over Compliance
- Compliance - Other Matter

**Criteria or specific requirement:** When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity, as defined in 2 CFR section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. This verification may be accomplished by (1) checking the System for Award Management (SAM) Exclusions maintained by the General Services Administration (GSA) and available at <https://www.beta.sam.gov>, (2) collecting a certification from the entity, or (3) adding a clause or condition to the covered transaction with that entity (2 CFR section 180.300). In addition, 2 CFR 200.303 in the federal regulations cover internal controls over compliance.

**Condition:** We identified two of the four vendors sampled that lacked documentation supporting the vendor was not suspended or debarred prior to entering into a covered transaction.

**Questioned costs:** None

**Context:** Of the four covered transactions tested, two lacked documentation supporting the Organization verified the vendor was not suspended or debarred prior to entering into a covered transaction.

**Cause:** Management did not retain evidence demonstrating they verified the vendors were not suspended or debarred prior to entering into the covered transaction.

**Effect:** By not retaining evidence that management verified vendors were not suspended or debarred, management may erroneously enter into a covered transaction with vendors that were suspended or debarred.

**Repeat finding:** No

**Recommendation:** We recommend management adopt a policy to ensure evidence of compliance to suspension and debarment regulations are maintained. This can include maintaining evidence that management reviewed the GSA website, maintaining a certification from the vendor, or including a clause in a contract with vendors that they are not suspended or debarred.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2022**

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***Section III – Findings and Questioned Costs – Major Federal Programs (Continued)***

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**2022-003: Suspension & Debarment (Continued)**

**Views of responsible officials:** Management did request and receive pre-approval from the federal granting agency to use the two specified vendors, but agree that we did not also retain explicit suspension and debarment documentation of those vendors at that time. We did subsequently verify they were not suspended or debarred.





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