

Comunidades Latinas Unidas En Servicio, Inc.

Financial Statements
and Supplementary Information

Years Ended December 31, 2023 and 2022



Comunidades Latinas Unidas En Servicio

Years Ended December 31, 2023 and 2022

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Independent Auditor's Report

Board of Directors
Comunidades Latinas Unidas En Servicio
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, a nonprofit organization, which comprise the consolidated statement of financial position as of December 31, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the financial position of Comunidades Latinas Unidas En Servicio as of December 31, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Basis for Opinion

We conducted our audit 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 Auditor's 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 and to meet our other ethical responsibilities, in accordance with the 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 audit opinion. The financial statements of CLUES Real Estate Holding Company was not audited in accordance with *Government Auditing Standards*.

Prior Period Consolidated Financial Statements

The consolidated financial statements of Comunidades Latinas Unidas En Servicio as of December 31, 2022, were audited by other auditors whose report dated June 12, 2023, issued an unmodified opinion on those statements.

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 GAAP, 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's ability to continue as a going concern for within one year after the date that the financial statements are available to be issued.

Auditor's 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 auditor's 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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'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'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

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating statement of financial position, consolidating statement of activities and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are 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 5, 2024 on our consideration of Comunidades Latinas Unidas En Servicio'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 results of that testing, and not to provide an opinion on the effectiveness of Comunidades Latinas Unidas En Servicio'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's internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP
Madison, Wisconsin

June 5, 2024

Comunidades Latinas Unidas En Servicio

Consolidated Statements of Financial Position

<i>December 31,</i>	2023	2022
Assets		
Cash and cash equivalents	\$ 3,810,613	\$ 2,055,075
Program receivables, net	2,010,482	2,990,966
Grant receivables	626,900	600,900
NMTC receivables	5,031,400	5,031,400
Other CREHC assets	87,417	129,917
Prepays and other assets	309,733	169,072
Right of use assets, operating leases - Net	448,140	501,191
Right of use assets, finance leases - Net	172,759	229,572
Property and equipment, net	9,012,226	9,329,056
Total assets	\$ 21,509,670	\$ 21,037,149
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 159,167	\$ 77,175
Accrued expenses	554,085	501,228
Unearned grant revenue	7,344	17,545
Lease liabilities, operating leases	461,717	505,578
Lease liabilities, finance leases	179,573	233,773
NMTC debt	6,490,675	6,470,494
Other debt	1,420,985	1,429,433
Total liabilities	9,273,546	9,235,226
Net assets		
Without donor restrictions	10,150,924	9,561,050
With donor restrictions	2,085,200	2,240,873
Total net assets	12,236,124	11,801,923
Total liabilities and net assets	\$ 21,509,670	\$ 21,037,149

See accompanying notes to consolidated financial statements.

Comunidades Latinas Unidas En Servicio

Consolidated Statements of Activities

<i>Years Ended December 31,</i>	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Government grants	\$ 9,186,415	\$ -	\$ 9,186,415	\$ 11,126,045	\$ -	\$ 11,126,045
Private grants and contributions	2,697,977	1,866,839	4,564,816	2,585,678	1,601,053	4,186,731
Contract for services	762,867	-	762,867	417,424	-	417,424
Private insurance	493,218	-	493,218	323,347	-	323,347
Client fees	35,163	-	35,163	59,798	-	59,798
In-kind revenue	233,529	-	233,529	310,603	-	310,603
Miscellaneous income	769,522	-	769,522	252,728	-	252,728
Net assets released from restrictions	2,022,512	(2,022,512)	-	2,051,389	(2,051,389)	-
Total support and revenue	16,201,203	(155,673)	16,045,530	17,127,012	(450,336)	16,676,676
Expenses						
Program services	12,458,976	-	12,458,976	13,137,526	-	13,137,526
Support services:						
Management and general	2,479,306	-	2,479,306	2,714,529	-	2,714,529
Fundraising	673,047	-	673,047	593,058	-	593,058
Total expenses	15,611,329	-	15,611,329	16,445,113	-	16,445,113
Changes in net assets	589,874	(155,673)	434,201	681,899	(450,336)	231,563
Net assets, beginning of year	9,561,050	2,240,873	11,801,923	8,879,151	2,691,209	11,570,360
Net assets, end of year	\$ 10,150,924	\$ 2,085,200	\$ 12,236,124	\$ 9,561,050	\$ 2,240,873	\$ 11,801,923

See accompanying notes to consolidated financial statements.

Comunidades Latinas Unidas En Servicio

Consolidated Statements of Functional Expenses

<i>Year Ended December 31,</i>	2023			
	Program	Management and General	Fundraising	Total
Salaries	\$ 6,259,119	\$ 1,416,793	\$ 420,123	\$ 8,096,035
Benefits and payroll taxes	2,041,795	266,999	103,565	2,412,359
Total salaries and related expenses	8,300,914	1,683,792	523,688	10,508,394
Program materials and supplies	494,232	-	-	494,232
Client financial assistance	881,816	-	-	881,816
Professional services	908,194	347,964	77,067	1,333,225
Occupancy and insurance	804,553	145,929	22,376	972,858
Equipment and vehicle	161,164	31,349	8,440	200,953
Subscriptions and memberships	38,789	7,545	2,031	48,365
Supplies	52,189	13,647	2,277	68,113
Staff development and recruitment	69,228	13,466	3,625	86,319
Volunteers In-kind	198,770	17,034	17,724	233,528
Miscellaneous	22,268	4,337	1,166	27,771
Depreciation and amortization	349,029	63,306	9,707	422,042
Interest	177,830	32,254	4,946	215,030
Bad debt	-	118,683	-	118,683
Total	\$ 12,458,976	\$ 2,479,306	\$ 673,047	\$ 15,611,329

See accompanying notes to consolidated financial statements.

Comunidades Latinas Unidas En Servicio

Consolidated Statements of Functional Expenses (Continued)

<i>Year Ended December 31,</i>	2022			
	Program	Management and General	Fundraising	Total
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
Total salaries and related expenses	7,187,137	1,707,021	459,373	9,353,531
Program materials and supplies	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 and insurance	643,441	211,542	26,443	881,426
Equipment and vehicle	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 and amortization	378,904	124,571	15,571	519,046
Interest	167,671	55,125	6,891	229,687
Bad debt	-	161,557	-	161,557
Total Expense	\$ 13,137,526	\$ 2,714,529	\$ 593,058	\$ 16,445,113

See accompanying notes to consolidated financial statements.

Comunidades Latinas Unidas En Servicio

Consolidated Statements of Cash Flows

<i>Years Ended December 31,</i>	2023	2022
Change in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ 434,201	\$ 231,563
Adjustments to reconcile change in net assets to cash flows from operating activities:		
Depreciation	365,230	519,046
Amortization of discount of long-term debt	15,852	14,922
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	66,003	63,569
Changes in operating assets and liabilities:		
Program receivable	980,484	249,093
Grants receivable	(26,000)	(29,000)
Other CREHC assets	42,500	42,500
Prepaid expenses and other	(140,661)	5,868
Accounts payable	81,992	20,307
Accrued expenses	52,857	47,265
Unearned grant revenue	(10,201)	(37,794)
Net cash flows from operating activities	1,882,438	1,123,485
Cash flows from investing activities:		
Purchase of property and equipment	(48,400)	(150,759)
Proceeds from sale of property and equipment	-	19,577
Net cash flows from investing activities	(48,400)	(131,182)
Cash flows from financing activities:		
Principal payments on notes payable	(24,300)	(24,875)
Payment on financing lease	(54,200)	(87,341)
Net cash flows from financing activities	(78,500)	(112,216)
Net changes in cash and cash equivalents	1,755,538	880,087
Cash and cash equivalents, beginning of year	2,055,075	1,174,988
Cash and cash equivalents, end of year	\$ 3,810,613	\$ 2,055,075

Comunidades Latinas Unidas En Servicio

Consolidated Statements of Cash Flows (Continued)

<i>Years Ended December 31,</i>	2023	2022
<i>Supplemental Disclosure of cash flow information:</i>		
Interest paid	\$ 178,997	\$ 162,550
In-kind goods and services	\$ 233,529	\$ 310,603

See accompanying notes to consolidated financial statements.

Comunidades Latinas Unidas En Servicio

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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

Minnesota's Latino population continues to increase rapidly and CLUES strives to grow in innovative ways to meet community growth and timely needs as it expands our presence in targeted 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 multigenerational services are delivered at its Saint Paul Headquarters, Minneapolis, and also local staff Navigators in Willmar and Austin areas. Over 140 team members and 600+ volunteers, help deliver services to over 40,000 people annually. CLUES' capabilities enable it to serve people from all walks of life, including immigrants and low-income families who want a better future.

Recently, CLUES developed a strategic framework to guide the organization through 2026. This included: High-Level Strategic framework, a three-year Business and Implementation Plan, and a Structural Assessment.

- **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 four transformational goals:

1. **Advancing Community Wellness** by facilitating individual and collective resilience, healing, and stability that help overcome trauma and promoter greater wellbeing and health.
2. **Advance Cultural Engagement** by catalyzing a deep sense of belonging among Latinos to strengthen the social networks that help people feel valued and connected.
3. **Advancing Community Prosperity** by cultivating access to opportunities and growing individual and community assets owned by and for Latinos to foster economic equity.
4. **Advance Organizational Capacity** by adapting to the changing needs of the communities we serve by strengthening our team and infrastructure.

Comunidades Latinas Unidas En Servicio

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Nature of Operations (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. CLUES goals for advancing community wellness are based on a holistic model of wellness centered on the whole person. CLUES fosters social capital and community-building as a form of healing and providing networks of support that connect people to achieving their dreams and thrive. CLUES arts and cultural programs foster healing and create connections that cross race and economic status.

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

CLUES services are based on an intergenerational approach to increase accessibility, promote learning, and motivate children and parents to mutually support one another. CLUES model of service is designed to advance learning and build social and human capital. CLUES focus on leveraging people's strengths and skills to achieve long-term self-sufficiency. Through strategic collaboration, CLUES provides 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 2023. CLUES has diversified its 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.

Basis of Consolidation

For financial reporting purposes, the consolidated financial statements include the accounts of Comunidades Latinas Unidas En Servicio, Inc. (CLUES) and CLUES Real Estate Holding Company (CREHC), collectively referred to as the Organization. All material intercompany transactions and accounts have been eliminated during consolidation.

Comunidades Latinas Unidas En Servicio

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

The consolidated financial statements of the Organization are prepared on the accrual basis of accounting in accordance with accounting standards contained in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The ASC is the single source of authoritative accounting principles generally accepted in the United States of America (GAAP) to be applied to nongovernmental entities in the preparation of financial statements in accordance with GAAP.

Net Assets

Net assets and revenue, supports and gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions: Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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 reporting period as net assets without donor restrictions.

Use of Estimates

The preparation of consolidated financial statements in accordance with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue, support, and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

Contribution Revenue

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized

Comunidades Latinas Unidas En Servicio

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

Grant Revenue

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards That Are Contributions - Grants awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reported as unearned grant revenue.

Grant Awards That Are Exchange Transactions - Exchange transactions are those in which the resource provider or grantor receives a commensurate value in exchange for goods or services transferred. Revenue is recognized when control of the promised goods or services is transferred to the customer (grantor) in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Amounts received in excess of recognized revenue are reflected as a contract liability.

Revenue from Contracts with Customers

Private Insurance and Client Fee Revenue

Private insurance and client fee revenue is reported at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing patient treatment. These amounts are due from patients and insurance, based on contracted rates. Generally, the Organization bills the patients and insurance several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided. For revenue from services provided to patients of the Organization, the performance obligation is satisfied as the patient simultaneously receives and consumes the benefits provided as the patient care services are performed. In the case of these services, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. The Organization believes this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

Comunidades Latinas Unidas En Servicio

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue from Contracts with Customers (Continued)

The Organization determines the transaction price, which involves significant estimates and judgment, based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Organization's policy, and implicit price concessions provided to patients. The Organization determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policy, and historical experience. The Organization determines its estimate of implicit price concessions based on its historical collection experience for each patient portfolio based on payor class and service type.

The Organization determined at December 31, 2023 and 2022 that there were no services provided without a contract in place and, therefore, has no expected adjustments to receivables and revenue. The receivables from contracts with clients for services provided are included in program receivables on the consolidated statements of financial position. Receivables from contracts with clients were \$136,634, \$156,233 and \$162,003 at December 31, 2023, December 31, 2022 and January 1, 2022.

In-Kind Contributions

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the Organization.

Functional Allocation of Expenses

The costs of providing program and supporting services have been reported on a functional basis in the statements of activities. The statements of functional expenses present the natural classification details of expenses by function. Expenses which directly benefit the program, management and general, or fundraising are charged to the respective functional area on the basis of actual cost. Expenses, other than salaries and related expenses which are not directly identifiable by program or supporting service, are allocated based on time and effort estimates of management.

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Other CREHC Assets

As of December 31, 2023 and 2022, the Organization had construction deposits held in escrow (cash balance) for the office headquarters expansion construction project of \$87,417 and \$129,917, respectively.

Comunidades Latinas Unidas En Servicio

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Receivables

Grants, accounts, and pledges receivable are stated at net realizable value. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on historical experience, and other circumstances, which may affect the ability of entities to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. Beginning January 1, 2023, the carrying amount of accounts receivable is reduced by an allowance that reflects management's best estimate of the current expected credit losses. The estimate of the allowance for credit losses is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and expected changes during a reasonable and supportable forecast period. The Organization uses an aging method to estimate allowances for credit losses. Management assesses collectability by pooling receivables with similar risk characteristics and evaluates receivables individually when specific customer balances no longer share those risk characteristics. At December 31, 2023 and 2022, the Organization recorded an allowance for uncollectible accounts in the amount of \$182,410 and \$52,513.

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.

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.

	2023	2022
Allowable cost guidelines	\$ 4,418,381	\$ 3,189,605
Matching funds raised	-	200,000
Total	\$ 4,418,381	\$ 3,389,605

Property and Equipment

Property and equipment are capitalized at cost or, if donated, at fair value on the 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 property and equipment are recorded as without donor restrictions. Depreciation property and equipment is computed on a straight-line basis over the estimated useful lives of the asset. The Organization capitalizes items greater than \$2,000.

Comunidades Latinas Unidas En Servicio

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment (Continued)

The Organization assigns useful lives to assets as follows:

Land	N/A
Buildings	40 years
Vehicles	5 years
Furniture and equipment	5 years
Software	3 years
Leasehold improvements	lesser of 15 years or the expected lease term

The Organization reviews long-lived assets, including property and equipment for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset and its fair value are less than the carrying amount of that asset. The Organization has not recognized any impairment of long lived assets during 2023 and 2022.

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 statements of financial position.

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 lease 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 its incremental borrowing 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.

Loan Financing Costs

Loan financing costs represent costs of \$559,558 that were associated with obtaining debt to finance the construction of a building. Unamortized financing costs have been recorded as a reduction to the related debt obligation. The costs are being amortized to interest expense over the maximum term provided in the debt agreement using the straight-line method which approximates the effective interest method.

Comunidades Latinas Unidas En Servicio

Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Tax 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.

Reclassifications

Certain amounts as previously reported in the 2022 consolidated financial statements have been reclassified to conform to the 2023 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

New Accounting Pronouncement

Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, requires the Organization to present financial assets measured at amortized cost including trade receivables at the net amount expected to be collected over their remaining contractual lives. Estimated credit losses are based on relevant information about historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amounts.

The Organization adopted ASU No. 2016-13 on January 1, 2023. The impact to net assets would have been immaterial, thus no adjustment was made to net assets. Results for the year ended December 31, 2023, are presented under Accounting Standards Codification (ASC) 326 while prior period amounts continue to be reported in accordance with previously applicable accounting standards generally accepted in the United States.

Subsequent Events

The Organization has evaluated events and transactions for potential recognition or disclosure in the consolidated financial statements through June 5, 2024, which is the date the consolidated financial statements were available to be issued.

Comunidades Latinas Unidas En Servicio

Notes to Consolidated Financial Statements

Note 2: Liquidity and Availability of Financial Resources

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 \$1,500,000, which the Organization may tap into in times of low liquidity with the intent it is paid back as soon as reasonably possible.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

<i>As of December 31,</i>	2023	2022
Cash	\$ 3,810,613	\$ 2,055,075
Accounts receivable, net of allowances	2,010,482	2,990,966
Grants receivable	626,900	600,900
Total Current Assets	6,447,995	5,646,941
Less: Net assets subject to satisfaction of donor restrictions	(2,085,200)	(2,240,873)
Less: Unearned grant revenue	(7,344)	(17,545)
Current assets unavailable for general expenditure	(2,092,544)	(2,258,418)
Financial assets available to meet general expenditures within one year	\$ 4,355,451	\$ 3,388,523

Note 3: Concentration 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 pledge receivable are from organization, corporations, and the state and federal governments.

Government grant revenue for the years ended December 31, 2023 and 2022 consisted of 50% and 78%, from two and three grantors, respectively of the total revenue. Contribution revenue for the years ended December 31, 2023 and 2022 consisted of 13% from one donor, respectively.

Grant receivables for the years ended December 31, 2023 and 2022 consisted of 78% and 57% from three grantors, respectively.

Comunidades Latinas Unidas En Servicio

Notes to Consolidated Financial Statements

Note 3: Concentration of Credit Risk (Continued)

The Organization maintains cash balance at several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. The Organization has not experienced any losses in such accounts. Management has assessed the creditworthiness of the financial institutions and believes it is not exposed to any significant credit risk on cash.

Note 4: NMTC Receivables

Under a promissory note dated August 30, 2018, in conjunction with the new market tax credit financing transactions in Note 6, the Organization loaned Twain Investment Fund 308, LLC two leverage loans. The first loan was for \$1,400,000, bears interest at a rate of 1.0% per annum and matures February 28, 2026. The second loan was for \$3,631,400, bears interest at a rate of 1.0% per annum and matures on August 30, 2043. Interest on the unpaid principal amounts for both loans are payable quarterly. Principal for the first loan is due at maturity. For the second loan, principal payments are required starting on August 30, 2025 until maturity.

Note 5: Property and Equipment

A summary of property and equipment is as follows as of December 31:

	2023	2022
Land	\$ 1,141,120	\$ 1,141,120
Building	10,485,852	10,485,852
Vehicles	130,390	151,966
Furniture and equipment	472,818	450,325
Leasehold improvements	15,595	15,595
Construction in progress	13,965	-
Total property and equipment	12,259,740	12,244,858
Less: Accumulated depreciation	(3,247,514)	(2,915,802)
Property and equipment, net	\$ 9,012,226	\$ 9,329,056

Comunidades Latinas Unidas En Servicio

Notes to Consolidated Financial Statements

Note 6: Long-Term Debt

Long-term debt consisted of the following at December 31, 2023 and 2022:

	2023	2022
<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. The Organization has paid \$525,000 of the required principal payments in advance.</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

Notes to Consolidated Financial Statements

Note 6: Long-Term Debt (Continued)

	2023	2022
<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. hereafter 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>	(146,753)	(162,605)
<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>	92,578	103,879
<p>On July 15, 2015, the Saint Paul City Council authorized a loan up to the amount of \$125,000 to CLUES. During 2019, CLUES drew \$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.</p>	83,160	96,159
<p>Loan Financing Costs</p>	(369,325)	(389,506)
<p>Total debt</p>	\$ 7,911,660	\$ 7,899,927

Comunidades Latinas Unidas En Servicio

Notes to Consolidated Financial Statements

Note 6: Long-Term Debt (Continued)

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.

At December 31, 2023 and 2022, loan-financing costs of \$559,558 were netted with related debt, respectively, and amortized using the straight-line method over the assumed term of loans. Accumulated amortization was \$190,233 and \$170,052, for the years ended December 31, 2023 and 2022, respectively.

Future maturities of long-term debt are as follows for the years ending December 31:

2024	\$	23,692
2025		39,362
2026		2,425,948
2027		51,836
2028		52,743
Thereafter		5,834,157
<hr/>		
Total debt before unamortized discounts and loan financing costs		8,427,738
Less: Unamortized discounts		(146,753)
Less: Loan financing costs		(369,325)
<hr/>		
Total debt, net of unamortized discounts and loan financing costs	\$	7,911,660

The Organization recorded interest and discount amortization expense is \$215,030 and \$229,687 for the years ended December 31, 2023 and 2022, respectively.

Note 7: Line of Credit

The Organization maintains a line of credit with Bremer Bank with an available balance of up to \$1,500,000 and an advance rate of 0.5% + Prime. The current maturity date is August 31, 2024. Borrowings are secured by the Organization's inventory, equipment, accounts receivable, and general intangibles. There was no outstanding balance on the line of credit as of December 31, 2023 and 2022.

Comunidades Latinas Unidas En Servicio

Notes to Consolidated Financial Statements

Note 8: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods as of December 31:

	2023	2022
Restrictions for time	\$ 137,500	\$ 377,308
Purpose-Restricted		
Strategic	212,500	133,333
Behavioral health	310,414	215,000
Children and youth	322,000	430,676
Family services	20,000	-
Economic prosperity	836,968	517,723
Community health	194,318	303,333
Community Engagement	38,000	250,000
Net assets held in perpetuity	13,500	13,500
Total purpose-restricted	\$ 1,947,700	\$ 1,863,565
Total net assets with donor restrictions	\$ 2,085,200	\$ 2,240,873

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

	2023	2022
Restrictions for time	\$ -	\$ 137,500
Purpose-Restricted		
Strategic	510,641	-
Behavioral health	215,000	20,000
Children and Youth	365,343	214,146
Family services	-	-
Economic prosperity	442,723	1,310,292
Community health	276,805	256,906
Community engagement	212,000	112,545
Total purpose-restricted	\$ 2,022,512	\$ 1,913,889
Total net assets with donor restrictions	\$ 2,022,512	\$ 2,051,389

Comunidades Latinas Unidas En Servicio

Notes to Consolidated Financial Statements

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 2023 and 2022, the Organization received 10,678 and 15,301 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 \$233,529 and \$310,603 during the years ended December 31, 2023 and 2022, respectively.

Note 10: Leases

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

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.

<i>As of December 31, 2023 and 2022</i>	2023	2022
Right of Use Assets:		
Finance leases	\$ 172,759	\$ 229,572
Operating leases	448,140	501,191
Total right of use assets	\$ 620,899	\$ 730,763
Lease Liabilities:		
Current:		
Finance leases	56,541	54,201
Operating leases	176,851	157,838
Noncurrent:		
Finance leases	123,032	179,572
Operating leases	284,866	347,740
Total lease liabilities	\$ 641,290	\$ 739,351

Components of lease expense were as follows:

<i>Years Ended December 31, 2023 and 2022</i>	2023	2022
Finance lease costs:		
Amortization of right-of-use asset	\$ 56,813	\$ 80,646
Interest	9,005	9,103
Operating lease costs	217,774	212,240
Total lease costs	\$ 283,592	\$ 301,989

Comunidades Latinas Unidas En Servicio

Notes to Consolidated Financial Statements

Note 10: Leases (Continued)

Supplemental cash flow information related to leases is as follows for the years ended December 31, 2023 and 2022:

Cash paid for amounts included in the measurement of lease liabilities:

Operating cash flows from finance leases	\$	9,005	\$	9,103
Operating cash flows from operating leases		208,585		207,854
Financing cash flows from finance leases		54,201		78,238
Right-of-use assets obtained in exchange for new finance lease liabilities		-		121,502
Right-of-use assets obtained in exchange for new operating lease liabilities	\$	170,840	\$	692,423

Other information:

Weighted-average remaining lease term in years - Finance leases	3.0	3.9
Weighted-average remaining lease term in years - Operating leases	3.0	4.0
Weighted-average discount rate - Finance leases	4.33 %	4.31 %
Weighted-average discount rate - Operating leases	5.00 %	5.00 %

Maturities of lease liabilities are as follows as of December 31, 2023:

	Operating	Finance	Totals
2024	\$ 204,617	\$ 63,205	\$ 267,822
2025	129,637	63,205	192,842
2026	108,621	54,655	163,276
2027	64,690	11,465	76,155
Total lease payments	507,565	192,530	700,095
Less imputed interest	(45,848)	(12,957)	(58,805)
Total	\$ 461,717	\$ 179,573	\$ 641,290

Supplementary Information

Comunidades Latinas Unidas En Servicio

Consolidating Statement of Financial Position

<i>December 31, 2023</i>	CLUES	CREHC	Eliminations	Total
Assets:				
Cash and cash equivalents	\$ 3,289,031	\$ 521,582	\$ -	\$ 3,810,613
Program receivables, net	2,010,482	-	-	2,010,482
Related party receivable	260,636	-	(260,636)	-
Grant receivable	626,900	-	-	626,900
NMTC receivable	5,031,400	-	-	5,031,400
Other CREHC assets	-	87,417	-	87,417
Prepaid and other assets	309,733	-	-	309,733
Right of use assets, operating leases - Net	448,140	-	-	448,140
Right of use assets, finance leases - Net	172,759	-	-	172,759
Property and equipment, net	288,659	8,723,567	-	9,012,226
Total assets	12,437,740	9,332,566	(260,636)	21,509,670
Liabilities:				
Accounts payable	159,167	-	-	159,167
Related party payable	-	260,636	(260,636)	-
Accrued expenses	554,085	-	-	554,085
Unearned grant revenue	7,344	-	-	7,344
Lease liabilities, operating leases	461,717	-	-	461,717
Lease liabilities, finance leases	179,573	-	-	179,573
NMTC debt	-	6,490,675	-	6,490,675
Other debt	1,058,160	362,825	-	1,420,985
Total liabilities	2,420,046	7,114,136	(260,636)	9,273,546
Net assets				
Without donor restrictions	7,932,494	2,218,430	-	10,150,924
With donor restrictions	2,085,200	-	-	2,085,200
Total net assets	10,017,694	2,218,430	-	12,236,124
Total liabilities and net assets	\$ 12,437,740	\$ 9,332,566	\$ (260,636)	\$ 21,509,670

See Independent Auditor's Report.

Comunidades Latinas Unidas En Servicio

Consolidating Statement of Activities

<i>Year Ended December 31, 2023</i>	CLUES	CREHC	Eliminations	Total
Support and revenue:				
Government grants	\$ 9,186,415	\$ -	\$ -	\$ 9,186,415
Private grants and contributions	4,564,816	-	-	4,564,816
Contracts for services	762,867	-	-	762,867
Private insurance	493,218	-	-	493,218
Client fees	35,163	-	-	35,163
In-kind revenue	233,529	-	-	233,529
Miscellaneous income	557,206	212,316	-	769,522
Total support and revenue	15,833,214	212,316	-	16,045,530
Expenses				
Program services	12,036,842	422,134	-	12,458,976
Support services:				
Management and general	2,479,306	-	-	2,479,306
Fundraising	673,047	-	-	673,047
Total expense	15,189,195	422,134	-	15,611,329
Change in net assets	644,019	(209,818)	-	434,201
Net assets, beginning of year	9,373,675	2,428,248	-	11,801,923
Net assets, end of year	\$ 10,017,694	\$ 2,218,430	\$ -	\$ 12,236,124

See Independent Auditor's Report.

Comunidades Latinas Unidas En Servicio

Schedule of Expenditures of Federal Awards

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:			
<i>Pass-Through the State of Minnesota Department of Agriculture:</i>			
Pandemic Relief Activities: Local Food Purchase Agreements with States, Tribes, and Local Governments	10.182	B0423F516914	\$ 2,020
<i>Pass-Through the State of Minnesota Department of Human Services:</i>			
Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants	10.537	146220	39,023
Supplemental Nutrition Assistance Program - SNAP Cluster	10.551	GRK%146220	123,842
Total U.S. Department of Agriculture			164,885
U.S. Department of Housing and Urban Development:			
<i>Pass-Through the National Council of La Raza:</i>			
Housing Counseling	14.169	N/A	10,234
<i>CDBG Entitlement Grants Cluster: Pass-Through the City of Minneapolis:</i>			
Employment and Training Contract	14.218	COM0003220	46,343
Business Technical Assistance Program	14.218	COM0003849	35,950
Subtotal CDBG Entitlement Grants Cluster, AL # 14.218			82,293
<i>Pass-Through the City of Bloomington:</i>			
Community Development Block -Grant – Coronavirus Program (CDBG-CV)	14.228	2022-486	35,914
<i>Pass-Through the State of Minnesota Department of Human Services:</i>			
Emergency Solutions Grant	14.231	189413	64,266
Emergency Solutions Grant	14.231	189317	82,128
Subtotal AL # 14.231			146,394
Total U.S. Department of Housing and Urban Development			274,835
U.S. Department of Justice:			
<i>Pass-Through the State of Minnesota Department of Public Safety:</i>			
Sexual Assault Services Formula Program	16.017	A-CVSV A-2019-CLUES-00004	89,396
<i>Pass-Through the Office on Violence Against Women:</i>			
Sexual Assault Education and Prevention	16.023	2016-KS-AX-0005	158,097
Total U.S. Department of Justice			247,493

Comunidades Latinas Unidas En Servicio

Schedule of Expenditures of Federal Awards (Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Labor:			
<i>Pass-Through the City of Minneapolis Employment and Training:</i>			
Career Dislocated Worker Grant	17.277	DW-37016-21-60-A-55	213,962
Total U.S. Department of Labor			213,962
U.S. Department of Treasury:			
Volunteer Income Tax Assistance (VITA) -Matching	21.009	20-2009	28,918
<i>Pass-Through the State of Minnesota Department of Health:</i>			
COVID-19: Coronavirus Relief Fund	21.019	184475	224,690
<i>Pass-Through the State of Minnesota Department of Housing Finance Agency:</i>			
COVID-19 Emergency Rental Assistance	21.023	N/A	113,487
<i>Pass-Through the City of Minneapolis Employment and Training:</i>			
Ambassador Project	21.027	COM3220	28,306
<i>Pass-Through the Brooklyn Park Economic Development Authority:</i>			
City of Brooklyn Park ARPA/CPA Community Funding	21.027	N/A	15,733
Subtotal AL #21.027			44,039
Total U.S. Department of Treasury			411,134
U.S. Department of Health and Human Services:			
<i>Pass-Through the State of Minnesota Department of Human Services:</i>			
Temporary Assistance to Needy Families (TANF)	93.558	11168	241,942
FFN Direct Support - CLUES - CCDF Cluster	93.575	T3LVDJQMMWA1	170,608
<i>Pass-Through the State of Minnesota Department of Human Services:</i>			
CCDF Cluster - Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	167436	461,587
Subtotal CCDF Cluster			632,195
 <i>Pass-Through the State of Minnesota Department of Human Services:</i>			
Minnesota 2020 State Opioid Response (SOR)	93.788	194848	120,716
Opioid State Targeted Response (STR)	93.788	COM0003170	35,360
Subtotal Medicaid Cluster, AL # 93.788			156,076

Comunidades Latinas Unidas En Servicio

Schedule of Expenditures of Federal Awards (Continued)

Federal Grantor/Pass-Through Grantor/Program Title	Federal AL Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services (cont):			
Abrienodo Caminos CLUES Certified Community Behavioral Health Clinic (CCBHC)			
Expansion	93.829	N/A	\$ 1,196,482
<i>Pass-Through the State of Minnesota Department of Human Services</i>			
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	X1043589	252,445
<i>Pass-Through the University of Iowa</i>			
Medical Library Assistance	93.879	S01579-01	4,737
<i>Pass-Through the State of Minnesota Department of Human Services</i>			
CPP BIPOC Training	93.958	GRK 210103 / PO 3-90558	25,577
Block Grants for Community Mental Health Services	93.958	GRK 223323	191,815
Subtotal AL # 93.958			217,392
<i>Pass-Through the State of Minnesota Department of Human Services</i>			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	148792	132,053
Block Grants for Prevention and Treatment of Substance Abuse	93.959	150272	1,031,343
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GRK 220840	18,608
Substance Use Block Grant	93.959	GK401 Contract 150272	199,528
Subtotal AL # 93.959			1,381,532
Total U.S. Department of Health and Human Services			4,082,801
Corporation for National and Community Services:			
<i>Pass-Through the State of Minnesota Alliance for Volunteer Advancement</i>			
AmeriCorps Volunteer Generation Fund	94.021	N/A	\$ 33,189
Total Corporation for National and Community Services			33,189
Total Expenditures of Federal Awards			\$ 5,428,299

See Independent Auditor's Report.

See Notes to Schedule of Expenditures of Federal Awards.

Comunidades Latinas Unidas En Servicio

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2023

Note 1: General

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Comunidades Latinas Unidas En Servicio under programs of the federal government for the year ended December 31, 2023. The information in this schedule is presented in accordance with requirements of the Title 2 U.S. Code of Federal Regulations 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, 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.

Note 2: Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3: Indirect Cost Rate

Comunidades Latinas Unidas En Servicio has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 4: Sub-Recipients

Comunidades Latinas Unidas En Servicio does not have any sub-recipients of federal awards.

Independent Auditor's 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
St. Paul, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Comunidades Latinas Unidas En Servicio, as of and for the year ended December 31, 2023 and the related notes to the consolidated financial statements, which collectively comprise Comunidades Latinas Unidas En Servicio's basic consolidated financial statements, and have issued our report thereon dated June 5, 2024. The financial statements of CLUES Real Estate Holding Company was not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with CLUES Real Estate Holding Company.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Comunidades Latinas Unidas En Servicio'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's internal control. Accordingly, we do not express an opinion on the effectiveness of Comunidades Latinas Unidas En Servicio's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is reasonable possibility that a material misstatement of Comunidades Latinas Unidas En Servicio's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a deficiency in internal control described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Comunidades Latinas Unidas En Servicio'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 consolidated 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's Response to Finding

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

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 results of that testing, and not to provide an opinion on the effectiveness of Comunidades Latinas Unidas En Servicio'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's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Wipfli LLP

Madison, Wisconsin

June 5, 2024

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Comunidades Latinas Unidas En Servicio
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's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023. Comunidades Latinas Unidas En Servicio's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Comunidades Latinas Unidas En Servicio complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each major federal program for the year ended December 31, 2023.

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 (*Government Auditing Standards*); 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Comunidades Latinas Unidas En Servicio 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 of Comunidades Latinas Unidas En Servicio'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's federal programs.

Auditor's Responsibility 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'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'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'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'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'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.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's 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 a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 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.

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization'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.

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.

Wipfli LLP

Wipfli LLP
Madison, Wisconsin

June 5, 2024

Comunidades Latinas Unidas En Servicio

Schedule of Findings and Questioned Costs

Year Ended December 31, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes No

Identification of major programs

<u>AL Number(s)</u>	<u>Federal Program or Cluster</u>
93.829	Section 223 Demonstration Programs to Improve Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse

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

Auditee qualified as low-risk auditee?

Yes No

Comunidades Latinas Unidas En Servicio

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2023

Section II - Audit Findings in Relation to Financial Statements

2023-001

Monitoring of Grant Expenditures

Criteria or Specific Requirement: An organizations internal control processes should provide for the accurate reporting of grant expenditures and timely identification of any unallowable costs that could be charged to grants in error.

Condition: Subsequent to December 31, 2023, management identified \$134,837 of costs that were charged to federal grants in error for the year ended December 31, 2023. After the error was identified, the Organization consulted the respective grant funding sources and came to agreement with substantially all of the funding sources to substitute the unallowable costs with other allowable costs either from 2023 or 2024. No costs are questioned since the questioned costs were removed prior to issuance of the consolidated financial statements.

Context: In planning and performing our audit procedures, we obtained an understanding of the design and implementation of internal controls for significant audit risk and performed audit procedures assessing the effectiveness of internal controls. Additionally, we performed substantive audit procedures to obtain audit evidence verifying the completeness, validity, and accuracy of the financial records.

Effect: A significant deficiency in internal control over financial reporting exist due to untimely identification of certain unallowable costs for some select grants.

Cause: The Organization's procedures did not identify the unallowable grant costs at the point of expenditure and the subsequent detective controls were not timely.

Repeat: No

Auditor's Recommendations: Organization management should ensure policies are consistently followed for unallowable grant costs for every grant award so that they are identified at the point of initial grant billing.

View of Responsible Officials: Upon Management detecting that select grants were charged a specific cost, immediate action was taken to identify the scope of the matter and remedy the matter with the effected granting agencies. The granting agencies understood the situation and supported our immediate response solutions.

Comunidades Latinas Unidas En Servicio

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2023

Section III - Audit Findings and Questioned Costs in Relation to Federal Awards

2023-001

Monitoring of Grant Expenditures

Federal Programs: AL #93.829, Section 223 Demonstration Programs to Improve Community Mental Health Services and AL #93.959, Block Grants for Prevention and Treatment of Substance Abuse

Condition: Finding 2023-001 represents a significant deficiency in internal controls over grant expenditures for the Organization's major federal programs.

Questioned Costs: No costs were questioned since substantially all unallowable costs were removed from federal grant expenditures.

Repeat: No

View of Responsible Officials: Upon Management detecting that select grants were charged a specific cost, immediate action was taken to identify the scope of the matter and remedy the matter with the effected granting agencies. The granting agencies understood the situation and supported our immediate response solutions.

Comunidades Latinas Unidas En Servicio

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2023

Section IV – Summary of Prior Year Audit Findings

2022-001 Material Weakness in Internal Control Over Financial Reporting

Condition: The Organization made a material prior period adjustment.

Current Year Status: No prior period adjustments were made in the current year, accordingly this finding has been resolved.

2022-002 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 did not fully reconcile to the amounts reported in the contribution software.

Current Year Status: No similar matters related to the reconciliation of revenue were identified in the current year, accordingly this finding has been resolved.

2022-003 Suspension and Debarment

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

Current Year Status: No similar current year matters were identified related to procurement, accordingly this finding has been resolved.