

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2013 AND 2012

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Comunidades Latinas Unidas En Servicio, Inc.
St. Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Comunidades Latinas Unidas En Servicio, Inc. (a nonprofit organization), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of activity, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the 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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Other Matters

Other Information – Schedule of Expenditures of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2014, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Comunidades Latinas Unidas En Servicio, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 5, 2014

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
BALANCE SHEETS
DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 560,458	\$ 176,463
Accounts Receivable, Net of Allowance	746,130	699,943
Grants Receivable - Current Portion	200,000	465,000
Pledges Receivable - Current Portion	5,850	77,925
Prepaid Expenses	59,296	46,015
Total Current Assets	1,571,734	1,465,346
OTHER ASSETS		
Grants Receivable, Net of Current Portion, Discount and Allowance	-	14,553
Pledges Receivable, Net of Current Portion, Discount and Allowance	2,150	4,868
Total Other Assets	2,150	19,421
LAND, BUILDINGS AND EQUIPMENT		
(Net of Accumulated Depreciation at December 31, 2013 and 2012 of \$2,675,345 and \$2,396,775, Respectively)	4,195,449	4,466,626
Total Assets	\$ 5,769,333	\$ 5,951,393
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Other Accrued Liabilities	\$ 39,334	\$ 47,511
Accrued Wages and Payroll Taxes	88,549	83,007
Accrued Vacation	75,870	133,789
Other Liabilities	61,250	60,000
Current Portion of Long-Term Debt	26,100	72,181
Total Current Liabilities	291,103	396,488
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	290,827	297,632
Total Liabilities	581,930	694,120
NET ASSETS		
Unrestricted:		
Undesignated	274,703	(105,192)
Designated - Property and Equipment	3,878,522	4,096,813
Total Unrestricted	4,153,225	3,991,621
Temporarily Restricted	1,020,678	1,252,152
Permanently Restricted	13,500	13,500
Total Net Assets	5,187,403	5,257,273
Total Liabilities and Net Assets	\$ 5,769,333	\$ 5,951,393

See accompanying Notes to Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
STATEMENTS OF ACTIVITY
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Government Grants	\$ 2,786,625	\$ -	\$ -	\$ 2,786,625
Contributions	1,179,967	371,581	-	1,551,548
Private Grants	382,096	-	-	382,096
Interest	38	-	-	38
Client Paid and Private Insurance	678,235	-	-	678,235
Rental Income	138,327	-	-	138,327
In-Kind Contributions	312,404	-	-	312,404
Gain on Disposal of Fixed Assets	-	-	-	-
Miscellaneous Income	26,100	-	-	26,100
Special Events Income	6,725	-	-	6,725
Total Support and Revenue	<u>5,510,517</u>	<u>371,581</u>	<u>-</u>	<u>5,882,098</u>
Net Assets Released from Restrictions	<u>603,055</u>	<u>(603,055)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	6,113,572	(231,474)	-	5,882,098
EXPENSE				
Program Services	4,804,584	-	-	4,804,584
Support Services:				
Management and General	919,684	-	-	919,684
Fundraising	227,700	-	-	227,700
Total Support Services	<u>1,147,384</u>	<u>-</u>	<u>-</u>	<u>1,147,384</u>
Total Expense	<u>5,951,968</u>	<u>-</u>	<u>-</u>	<u>5,951,968</u>
CHANGE IN NET ASSETS	161,604	(231,474)	-	(69,870)
Net Assets - Beginning of Year	<u>3,991,621</u>	<u>1,252,152</u>	<u>13,500</u>	<u>5,257,273</u>
NET ASSETS - END OF YEAR	<u>\$ 4,153,225</u>	<u>\$ 1,020,678</u>	<u>\$ 13,500</u>	<u>\$ 5,187,403</u>

See accompanying Notes to Financial Statements.

2012

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,804,934	\$ -	\$ -	\$ 2,804,934
1,082,920	378,019	-	1,460,939
401,623	-	-	401,623
309	-	-	309
715,223	-	-	715,223
135,238	-	-	135,238
229,034	-	-	229,034
-	-	-	-
45,865	-	-	45,865
-	-	-	-
<u>5,415,146</u>	<u>378,019</u>	<u>-</u>	<u>5,793,165</u>
<u>550,056</u>	<u>(550,056)</u>	<u>-</u>	<u>-</u>
5,965,202	(172,037)	-	5,793,165
5,085,265	-	-	5,085,265
866,307	-	-	866,307
517,521	-	-	517,521
<u>1,383,828</u>	<u>-</u>	<u>-</u>	<u>1,383,828</u>
<u>6,469,093</u>	<u>-</u>	<u>-</u>	<u>6,469,093</u>
(503,891)	(172,037)	-	(675,928)
<u>4,495,512</u>	<u>1,424,189</u>	<u>13,500</u>	<u>5,933,201</u>
<u>\$ 3,991,621</u>	<u>\$ 1,252,152</u>	<u>\$ 13,500</u>	<u>\$ 5,257,273</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
STATEMENTS OF FUNCTIONAL EXPENSE
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			Total
	Program	Management and General	Fundraising	
Salaries and Wages	\$ 2,503,281	\$ 365,200	\$ 146,701	\$ 3,015,182
Payroll Taxes and Fringe Benefits	700,431	86,932	21,525	808,888
Consultants and Professional Fees	200,201	188,197	18,036	406,434
Travel	55,161	2,455	391	58,007
Occupancy Costs	454,828	1,571	22,212	478,611
Supplies	137,106	12,523	6,468	156,097
Equipment Rental and Maintenance	34,599	2,490	1,045	38,134
Telephone	41,982	3,626	1,370	46,978
Insurance	26,763	40,713	1,404	68,880
Conferences and Training	48,739	12,311	411	61,461
Financial Assistance and Client Transportation	104,742	-	-	104,742
Subscriptions and Dues	16,218	7,400	275	23,893
Printing and Postage	20,875	2,393	937	24,205
Interest and Discount Amortization	-	19,636	-	19,636
Other	42,934	5,872	1,042	49,848
In-Kind Services	300,485	11,919	-	312,404
Total Expense before Depreciation	4,688,345	763,238	221,817	5,673,400
Depreciation	116,239	156,446	5,883	278,568
Total Expense	\$ 4,804,584	\$ 919,684	\$ 227,700	\$ 5,951,968
Percentage of Total Expense	80.7%	15.5%	3.8%	100.0%

See accompanying Notes to Financial Statements.

2012

Program	Management and General	Fundraising	Total
\$ 2,758,129	\$ 329,652	\$ 316,969	\$ 3,404,750
720,542	92,418	57,450	870,410
249,402	88,424	45,219	383,045
70,951	1,607	1,067	73,625
463,333	9,266	33,532	506,131
167,414	43,757	15,234	226,405
32,715	2,492	1,403	36,610
40,602	3,578	1,756	45,936
19,617	32,950	1,304	53,871
45,512	15,634	8,566	69,712
141,068	-	-	141,068
5,321	3,171	872	9,364
32,033	4,398	22,685	59,116
177	27,564	-	27,741
10,754	52,760	2,418	65,932
210,198	964	470	211,632
4,967,768	708,635	508,945	6,185,348
117,497	157,672	8,576	283,745
<u>\$ 5,085,265</u>	<u>\$ 866,307</u>	<u>\$ 517,521</u>	<u>\$ 6,469,093</u>
78.6%	13.4%	8.0%	100.0%

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ (69,870)	\$ (675,928)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	278,568	283,745
Amortization of Discount on Long-Term Debt	19,295	19,693
Forgiveness of Debt	(26,100)	(26,100)
(Increase) Decrease in Current Assets:		
Accounts Receivable	(46,187)	(110,611)
Grants Receivable	279,553	42,772
Pledges Receivable	(207)	(871)
Prepaid Expense	(13,281)	(25,012)
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	(8,177)	19,745
Accrued Wages and Payroll Taxes	5,542	12,389
Accrued Vacation	(57,919)	10,612
Other Liabilities	1,250	-
Net Cash Provided (Used) by Operating Activities	362,467	(449,566)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(7,391)	-
Net Cash Used by Investing Activities	(7,391)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received for Capital Campaign	75,000	87,500
Payments on Long-Term Debt	(46,081)	(177,631)
Net Cash Provided (Used) by Financing Activities	28,919	(90,131)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	383,995	(539,697)
Cash and Cash Equivalents - Beginning of Year	176,463	716,160
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 560,458	\$ 176,463
SUPPLEMENTAL INFORMATION		
Interest Paid	\$ 451	\$ 8,048
In-Kind Goods and Services	\$ 312,404	\$ 229,034

See accompanying Notes to Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Activity and Background

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

The Organization's mission, as stated in our 2014 – 2016 strategic plan, is to advance the capacity of Latino families to be healthy, prosperous, and engaged in their communities. The Organization's longer-term vision is to help create a thriving multicultural community enriched with confident and strong Latino families who actively contribute their voice, skills, entrepreneurial spirit, and cultural richness to the community at large.

Living our mission means that we value:

- Family: We believe in the value and power of the family unit and portray this in our ability to provide family-centric services that strengthen Latino culture and community vitality.
- Community Strength: We recognize the talents and resiliency of our clients and strive to help them identify their strengths, build on them and reach their goals.
- Respect: We honor the dignity and worth of all people, striving for humility and compassion as we interact and advocate for our clients.
- Collaboration: We work with others, understanding that collaboration is paramount to achieving comprehensive community impact.
- Accountability: We are committed to upholding the highest standards for quality and effectiveness in service to our community, clients, funders and stakeholders.

CLUES impacts the greater Latino community by addressing the needs of individuals and families through classes, counseling, services and programs, which provide strong building blocks that lead to long-term self-sufficiency. Our services attract over 20,000 individuals annually at three sites in Minneapolis and Saint Paul, Minnesota via direct services and events. As the largest provider of health, education, economic, and civic engagement services focused on the Latino community, CLUES promotes a thriving, multicultural community with the help of our valued donors, volunteers, staff, and community partners, all of whom are committed to the long-term success and sustainability of Latino community in Minnesota.

An integral aspect of CLUES' strategic planning was the creation and definition of four service area pillars, which take into consideration community needs, as well as our organizational strengths.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business Activity and Background (Continued)



These four pillars of service and their corresponding service areas are:

- **Health and Family Well-Being:** Includes all health services, including group therapy, chemical dependency counseling, family development therapy and support, domestic violence and sexual assault prevention, access to healthcare, good nutrition, tobacco control and cessation, and elderly caregiver support. The Programs that are included in this Service Area include Chemical Health, Mental Health, Health Promotion, Aging Well Services and Family Services. These Programs are separately profiled in the Supplemental Information – Schedule of Revenue and Expense by Program – Unrestricted.
- **Economic Vitality:** Focuses on reducing poverty and increasing economic opportunities and capacity for adults and families to achieve financial prosperity through homeownership counseling, financial coaching, lending circles, workforce training, employment readiness classes, job search and placement assistance, and free income tax preparation services. Economic Vitality is separately profiled in the Supplemental Information – Schedule of Revenue and Expense by Program – Unrestricted.
- **Educational Achievement:** Includes partnerships and services that provide a better education and skill development for dual language learner children, youth and immigrant families through youth mentorship and academic achievement. Services include academic support for youth, adult ESL classes, the Father's Project, computer skills classes, and mentoring for youth. Educational Achievement is separately profiled in the Supplemental Information – Schedule of Revenue and Expense by Program – Unrestricted.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business Activity and Background (Continued)

- Civic and Cultural Engagement: Via partnerships and collaborations, this service area will strive to build social and capital, while lifting the voices of Minnesota's Latino community through health equity and policy change, education advocacy, youth civic learning, citizenship attainment, and events promoting Latino arts and culture.

The following select service statistics highlight some of CLUES impact in 2013:

Health and Family Wellbeing

- 1,205 individuals were served through our numerous programs including the father project, in-home parenting education, in-home family therapy, domestic and sexual abuse programs, targeted case management for children with mental health issues, and suburban Ramsey schools case management.

Economic Vitality

- CLUES Financial Empowerment Program provided pre purchase home ownership to over 650 clients.
- The program completed 1,353 tax declarations, returning \$2.4 million to the community in tax refunds.
- 652 clients participated in one-on-one counseling for a total of 1,000 counseling hours.

Educational Achievement

- 659 students were served in English as a Second Language (ESL) and other Adult Basic Education (ABE) classes with a total of 29,182 contact hours.
- 113 students graduated from Workforce Development Training.
- 50 Latino youth in the Youth in Action (YA!) Program maintained year-long relationships with their mentor.

Cultural and Civic Engagement

- In partnership with the Minneapolis Foundation, CLUES launched the "Our Dreams Can Fly" campaign.
- Participants of CLUES Elders program visited the capitol for the first time and engaged with Governor Dayton.
- CLUES staff, volunteers, and clients also attended and visited with several legislators and shared some of their own stories with them.
- In 2013, CLUES engaged over 600 volunteers who provided more than 20,000 hours of service, an all-time high in the Organization's history.
- CLUES is funded by the government, foundations, corporations, United Way, private insurance and individual donors.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 SUMMARY OF 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:

Unrestricted – 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.

Temporarily Restricted – Those resources subject to donor imposed restrictions which will be satisfied by actions of the Organization or passage of time.

Permanently Restricted – Those resources subject to a donor imposed restriction that they be maintained permanently by the Organization. The donors of these resources permitted the Organization to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

The Organization has elected to present temporarily restricted contributions, which are fulfilled in the same time period, within the unrestricted net asset class.

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

Grants, accounts and pledges receivable are stated at net realizable value. At December 31, 2013 and 2012, the Organization recorded an allowance for uncollectible accounts in the amount of \$2,058 and \$2,058, respectively, which is based on management judgment considering historical information. The Organization separately reports grants receivable and pledges receivable. Grants receivables represent receivables with initial anticipated collectability of less than one year, while pledges receivable are those with initial anticipated collectability of greater than one year. Receivable balances that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The discounts on those amounts are computed using an imputed interest rate applicable to the year in which the pledge is received. This value is determined to be fair value and is calculated using an income approach of applying a discount rate technique in the year in which the pledge is received. Conditional pledges are not included as support until such time as the conditions are substantially met. The Organization received no significant conditional gifts in 2013 or 2012.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land, Buildings and Equipment

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

The Organization assigns useful lives to assets as follows:

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

Loan Financing Costs

At December 31, 2013 and 2012, loan financing costs of \$89,328 were included in building and equipment and amortized using the straight-line method over the assumed 40-year term of the loan. Accumulated amortization was \$20,011 and \$17,777 for the years ended December 31, 2013 and 2012, respectively.

Tax Exempt Status

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

The Organization has adopted guidance in the income tax standard regarding the recognition of uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. The implementation of this guidance had no impact on the Organization's financial statements. The Organization's tax returns are subject to review and examination by federal authorities. The tax returns for the years 2010 through 2012 are open to examination by federal authorities.

Functional Allocation of Expense

Salaries and related expenses are allocated based on job descriptions and the best estimates of management. 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.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Fair Value Measurements

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The Organization follows the accounting policy which measures fair value using a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability. The Organization currently does not have any financial assets or financial liabilities that are measured at fair value on a recurring or non-recurring basis.

Private Grants

The Organization reports private grants revenues separately from contributions as these are exchange transaction revenues from corporate and nonprofit organizations that are recognized when earned.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with U.S. generally accepted accounting principles. 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.

Reclassifications

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

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 5, 2014.

NOTE 2 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.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 2 SIGNIFICANT CONCENTRATIONS OF CREDIT RISK (CONTINUED)

For the years ended December 31, 2013 and 2012, major sources of support and revenue and their respective concentration as a percentage of total revenues were as follows:

	<u>2013</u>		<u>2012</u>	
State of Minnesota	\$ 782,562	13.3%	\$ 839,118	14.5%
Hennepin County	269,887	4.6	310,088	5.4
Ramsey County	961,188	16.3	989,710	17.1

A significant portion of the funding received from Ramsey County relates to the MFIP grant program that was not renewed going forward into 2014.

NOTE 3 GRANTS RECEIVABLE

Grants receivable consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Gross Grants Receivable	\$ 200,000	\$ 480,000
Less: Discount (3.07% Rate)	-	(447)
	<u>200,000</u>	<u>479,553</u>
Less: Current Portion	(200,000)	(465,000)
Long-Term Portion	<u>\$ -</u>	<u>\$ 14,553</u>
Cash Amounts Due In:		
Within One Year	\$ 200,000	\$ 465,000
One to Five Years	-	15,000
Total	<u>\$ 200,000</u>	<u>\$ 480,000</u>

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable consist of the following at December 31:

	<u>2013</u>	<u>2012</u>
Unconditional Promises to Give:		
Ecolab Foundation	\$ -	\$ 25,000
Best Buy	-	50,000
Individuals	8,000	8,000
Subtotal	<u>8,000</u>	<u>83,000</u>
Less: Discount (3.07% Rate)	-	(207)
	<u>8,000</u>	<u>82,793</u>
Less: Current Portion	5,850	77,925
Long-Term Portion	<u>\$ 2,150</u>	<u>\$ 4,868</u>
Cash Amounts Due In:		
Within One Year	\$ 5,850	\$ 77,925
One to Five Years	2,150	5,075
Total	<u>\$ 8,000</u>	<u>\$ 83,000</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 5 LAND, BUILDINGS AND EQUIPMENT

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

	<u>2013</u>	<u>2012</u>
Land	\$ 866,882	\$ 866,882
Building	3,930,591	3,930,591
Vehicles	43,741	43,741
Furniture and Equipment	1,489,450	1,489,450
Software	187,767	180,374
Dakotah Leasehold Improvements	352,363	352,363
Accumulated Depreciation	<u>(2,675,345)</u>	<u>(2,396,775)</u>
Total	<u>\$ 4,195,449</u>	<u>\$ 4,466,626</u>

NOTE 6 LONG-TERM DEBT

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

<u>Description</u>	<u>2013</u>	<u>2012</u>
The Organization 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.	\$ 417,000	\$ 417,000
Unamortized discount on the above loan at imputed interest rate of 6.06%.	(269,348)	(278,008)
The Organization received a loan from the Housing and Redevelopment Authority of the City of St. Paul, Minnesota on June 14, 2005 in the amount of \$261,000. This loan bears interest on 0% and is forgivable at 10% per year commencing in 2006 and continuing through 2015. 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.	52,200	78,300
Unamortized discount on the above loan at imputed interest rate of 6.06%.	(3,004)	(6,595)

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 6 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2013</u>	<u>2012</u>
The Organization 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% will begin in 2015 and continue through 2030. 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.	170,000	170,000
Unamortized discount on the above loan at imputed interest rate of 6.06%.	(49,921)	(56,965)
 In March 2010, the Organization refinanced an existing construction loan with Bremer Bank, interest was fixed at 5.70%, with monthly interest and principal payments of \$15,459. The loan was paid in full in 2013. The loan was secured by property located in Ramsey County.	<u>-</u>	<u>46,081</u>
Total	<u>316,927</u>	<u>369,813</u>
Less: Current Maturities	<u>26,100</u>	<u>72,181</u>
Long-Term Debt	<u><u>\$ 290,827</u></u>	<u><u>\$ 297,632</u></u>

The security interests of the Housing and Redevelopment Authority of the City of St. Paul are subordinate to the security interest of the lender of the Construction Loan.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 6 LONG-TERM DEBT (CONTINUED)

The maturity requirements on long-term debt are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$ 26,100
2015	26,100
2016	2,895
2017	6,060
2018	6,438
Thereafter	<u>571,607</u>
Total Long-Term Debt	639,200
Less: Current Portion	26,100
Less: Unamortized Discounts	<u>322,273</u>
Long-Term Portion	<u><u>\$ 290,827</u></u>

The Organization recorded interest and discount amortization expense in the amount of \$19,636 and \$27,564 for the years ended December 31, 2013 and 2012, respectively, which includes the amortization of the discount for loans with forgiven interest totaling \$19,295 and \$19,693 for the years ended December 31, 2013 and 2012, respectively.

NOTE 7 LINE AND LETTER OF CREDIT

Since 2009, the Organization has renewed a revolving line of credit with Bremer Bank. The current line of credit of \$400,000 matures on March 1, 2014. The Organization has since renewed the line of credit to advance up to \$400,000 to mature on July 31, 2015. The line of credit has an advance rate of 5.00% at December 31, 2013. Borrowings are secured by the Organization's inventory, equipment, accounts receivable, and general intangibles. Advances under the line of credit were \$-0- as of December 31, 2013 and 2012.

The Organization also had an irrevocable standby letter of credit for an amount not to exceed \$20,000, and bearing interest at 5%. The letter of credit expires on August 31, 2014. Advances on the letter of credit were \$-0- at December 31, 2013 and 2012. The letter of credit reduced availability on the revolving line of credit by the full amount of the letter regardless of advances. Accordingly, only \$380,000 of the \$400,000 line of credit could have been advanced as of August 31, 2013 and \$540,000 of the \$560,000 line of credit as of December 31, 2012.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 8 LEASE INCOME

The Organization receives rental income from various tenants with commitments signed through 2015. Future rental minimal lease payments expected to be received are as follows:

<u>Year</u>	<u>Amount</u>
2014	\$ 135,415
2015	56,959
Total	<u>\$ 192,374</u>

NOTE 9 OPERATING LEASES

The Organization rents one facility under a lease agreement that started in September 2006 and has been extended through October 2016. The rent expense for the years ended December 31, 2013 and 2012 was \$278,237 and \$306,815, respectively. The following is the future minimum lease payment schedule for the lease:

<u>Year</u>	<u>Amount</u>
2014	\$ 279,302
2015	280,377
2016	254,648
Total	<u>\$ 814,327</u>

Beginning in May 2013, the Organization added \$720 to their monthly lease payment to cover additional parking and improvements that will continue through October 2016.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted

Temporarily restricted net assets as of December 31 consist of the following donor restrictions:

	2013	2012
Time Restricted:		
City of St. Paul Housing & Redevelopment Authority	\$ 341,568	\$ 341,568
Butler Family Foundation	30,000	-
Kresge Foundation	187,501	437,500
Purpose Restricted:		
Employment Program:		
State of Minnesota	-	5,000
Xcel Energy	-	9,999
Wells Fargo	-	4,375
Thrivent Financial for Lutherans	15,000	20,000
Deluxe Corp. Foundation	15,000	13,750
McKnight Foundation	75,000	-
Wells Fargo	59,999	-
Ameriprise Financial	12,000	-
State Farm	10,000	-
Marbrook Foundation	10,000	-
Mental Health Program:		
FR Bigelow	41,666	-
St. Paul Foundation	-	20,000
Family Services Program:		
Otto Bremer Foundation	-	125,000
Medica Foundation	37,500	-
Health Program:		
Susan G Komen	-	34,864
Education Program:		
Comcast Foundation	29,136	29,856
YouthPrise	7,500	-
Best Buy Children's Foundation	16,666	-
Best Buy	-	20,830
Minneapolis Foundation	75,000	-
Capital Campaign:		
Mardag Foundation	-	8,725
3M Foundation	7,892	7,892
Aging Well:		
Steven's Square	6,250	-
Administrative:		
Individuals	8,000	7,793
St Paul Foundation	35,000	-
McKnight Foundation	-	165,000
Total	\$ 1,020,678	\$ 1,252,152

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 10 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)

Net Assets Released from Restrictions

Net assets released from donor restrictions were from grants restricted by purpose and time totaling \$603,055 and \$550,056 for the years ended December 31, 2013 and 2012, respectively.

NOTE 11 IN-KIND SERVICES

The Organization receives in-kind services in the form of volunteer tutoring for English as a Second Language (ESL), Basic Literacy (in Spanish), Citizenship courses, CD Counseling, Outpatient Psychotherapy, Case Management, Interns, Child Care, and Clerical and Research work. In 2013 and 2012, the Organization received 16,136 and 11,713 volunteer hours, respectively, at estimated hourly rates of \$15 to \$25. The Organization also received in-kind donations of various supply items. Total in-kind services from course tutors and supply items, classified as program services expenses, totaled \$312,404 and \$229,034 during the years ended December 31, 2013 and 2012, respectively.



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

Board of Directors
Comunidades Latinas Unidas En Servicio, Inc.
St. Paul, Minnesota

We have audited the financial statements of Comunidades Latinas Unidas En Servicio, Inc. as of and for the years ended December 31, 2013 and 2012, and our report thereon dated August 5, 2014, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Revenue and Expense by Program, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
August 5, 2014

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM - UNRESTRICTED
YEAR ENDED DECEMBER 31, 2013
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Chemical Health	Mental Health	Educational Achievement	Economic Vitality
SUPPORT AND REVENUE				
Government Grants	\$ 381,711	\$ 627,813	\$ 175,902	\$ 1,019,049
Contributions, Private Grants and Special Events	19,000	61,481	169,547	425,081
Interest	-	-	-	-
Client Paid and Private Insurance	125,850	309,895	1,085	225
Rent Income	-	-	-	-
In-Kind Contributions	38,100	25,436	181,374	40,836
Miscellaneous Income	-	-	-	-
Net Assets Released from Restrictions	-	-	93,353	121,766
Total Support and Revenue	<u>564,661</u>	<u>1,024,625</u>	<u>621,261</u>	<u>1,606,957</u>
EXPENSE				
Salaries and Wages	285,699	585,224	161,595	734,574
Payroll Taxes and Fringe Benefits	75,816	161,287	47,012	199,648
Consultants and Professional Fees	35,222	44,976	7,960	36,482
Travel	1,923	15,921	2,908	4,461
Occupancy Costs	47,709	101,669	30,106	132,259
Supplies	22,183	6,013	25,021	17,126
Equipment Rental and Maintenance	4,435	7,073	2,508	10,663
Telephone	3,499	12,342	2,850	9,070
Insurance	2,883	6,015	1,668	7,992
Conferences and Training	2,758	15,055	1,543	14,357
Financial Assistance and Client Transportation	-	365	200	84,095
Subscriptions and Dues	1,940	2,088	366	9,241
Printing and Postage	2,512	4,638	1,636	5,936
Bad Debt	-	-	-	-
Interest	-	-	-	-
Other	80	165	19,291	22,783
In-Kind Services	38,100	25,436	178,590	40,836
Depreciation	12,466	26,540	7,848	34,490
Total Expense before Capital Campaign	<u>537,225</u>	<u>1,014,807</u>	<u>491,102</u>	<u>1,364,013</u>
Program Development Cost Allocation	34,847	74,180	21,674	97,790
Administrative Expense Allocation	<u>76,041</u>	<u>161,388</u>	<u>47,088</u>	<u>213,111</u>
CHANGE IN NET ASSETS	<u>\$ (83,452)</u>	<u>\$ (225,750)</u>	<u>\$ 61,397</u>	<u>\$ (67,957)</u>

Health Promotion	Aging Well Services	Family Services	Total Program	Management and General	Capital Campaign & Fundraising	Total
\$ 35,480	\$ 37,302	\$ 509,368	\$ 2,786,625	\$ -	\$ -	\$ 2,786,625
388,188	117,261	198,479	1,379,037	46,225	143,526	1,568,788
-	-	-	-	38	-	38
-	237,655	-	674,710	3,525	-	678,235
-	-	-	-	138,327	-	138,327
3,885	8,724	4,916	303,271	9,133	-	312,404
-	-	-	-	26,100	-	26,100
34,864	-	75,000	324,983	-	278,072	603,055
<u>462,417</u>	<u>400,942</u>	<u>787,763</u>	<u>5,468,626</u>	<u>223,348</u>	<u>421,598</u>	<u>6,113,572</u>
179,354	153,726	403,109	2,503,281	365,200	146,701	3,015,182
54,857	49,973	111,838	700,431	86,932	21,525	808,888
26,042	28,481	21,038	200,201	188,197	18,036	406,434
7,600	2,892	19,456	55,161	2,455	391	58,007
29,148	42,170	71,767	454,828	1,571	22,212	478,611
17,639	42,764	6,360	137,106	12,523	6,468	156,097
1,984	1,689	6,247	34,599	2,490	1,045	38,134
2,412	3,354	8,455	41,982	3,626	1,370	46,978
1,865	1,942	4,398	26,763	40,713	1,404	68,880
7,494	1,228	6,304	48,739	12,311	411	61,461
-	18,226	1,856	104,742	-	-	104,742
889	1,694	-	16,218	7,400	275	23,893
1,132	1,873	3,148	20,875	2,393	937	24,205
-	-	-	-	-	-	-
-	-	-	-	19,636	-	19,636
42	192	381	42,934	8,658	1,042	52,634
3,885	8,724	4,914	300,485	9,133	-	309,618
7,705	8,482	18,708	116,239	156,446	5,883	278,568
<u>342,048</u>	<u>367,410</u>	<u>687,979</u>	<u>4,804,584</u>	<u>919,684</u>	<u>227,700</u>	<u>5,951,968</u>
28,255	22,660	52,424	331,830	-	(331,830)	-
<u>61,722</u>	<u>49,266</u>	<u>114,057</u>	<u>722,673</u>	<u>(722,673)</u>	<u>-</u>	<u>-</u>
<u>\$ 30,392</u>	<u>\$ (38,394)</u>	<u>\$ (66,697)</u>	<u>\$ (390,461)</u>	<u>\$ 26,337</u>	<u>\$ 525,728</u>	<u>\$ 161,604</u>