

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

**FINANCIAL STATEMENTS AND  
SINGLE AUDIT COMPLIANCE REPORTS**

**YEARS ENDED DECEMBER 31, 2014 AND 2013**

... ASSETS ...

... ASSETS ...

**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, 2014 and 2013, and the related statements of activity, functional expense, 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.

Board of Directors  
Comunidades Latinas Unidas En Servicio, Inc.

**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, 2014 and 2013, 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 September 14, 2015, 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.

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**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 14, 2015

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**BALANCE SHEETS**  
**DECEMBER 31, 2014 AND 2013**

<b>ASSETS</b>	<u>2014</u>	<u>2013</u>
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 122,272	\$ 560,458
Accounts Receivable, Net of Allowance	934,268	746,130
Grants Receivable - Current Portion	228,800	200,000
Pledges Receivable - Current Portion	8,000	5,850
Prepaid Expenses	121,136	59,296
Total Current Assets	<u>1,414,476</u>	<u>1,571,734</u>
<b>OTHER ASSETS</b>		
Grants Receivable, Net of Current Portion	80,000	-
Pledges Receivable, Net of Current Portion	-	2,150
Total Other Assets	<u>80,000</u>	<u>2,150</u>
<b>LAND, BUILDINGS AND EQUIPMENT, NET</b>	<u>4,337,540</u>	<u>4,195,449</u>
Total Assets	<u><u>\$ 5,832,016</u></u>	<u><u>\$ 5,769,333</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Other Accrued Liabilities	\$ 24,555	\$ 39,334
Accrued Wages and Payroll Taxes	116,309	88,549
Accrued Vacation	75,488	75,870
Other Liabilities	88,455	61,250
Current Portion of Long-Term Debt	37,948	26,100
Total Current Liabilities	<u>342,755</u>	<u>291,103</u>
<b>NONCURRENT LIABILITIES</b>		
Long-Term Debt, Net of Current Portion	<u>519,700</u>	<u>290,827</u>
Total Liabilities	862,455	581,930
<b>NET ASSETS</b>		
Unrestricted: Cash and Cash Equivalents - Designated		
Undesignated	231,681	274,703
Designated - Property and Equipment	3,779,892	3,878,522
Total Unrestricted	<u>4,011,573</u>	<u>4,153,225</u>
Temporarily Restricted	944,488	1,020,678
Permanently Restricted	13,500	13,500
Total Net Assets	<u>4,969,561</u>	<u>5,187,403</u>
Total Liabilities and Net Assets	<u><u>\$ 5,832,016</u></u>	<u><u>\$ 5,769,333</u></u>

See accompanying Notes to Financial Statements.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**STATEMENTS OF ACTIVITY**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>SUPPORT AND REVENUE</b>				
Government Grants	\$ 2,327,431	\$ -	\$ -	\$ 2,327,431
Contributions	1,115,501	552,891	-	1,668,392
Private Grants	359,400	-	-	359,400
Interest	47	-	-	47
Client Paid and Private Insurance	822,407	-	-	822,407
Rental Income	138,415	-	-	138,415
In-Kind Contributions	387,125	-	-	387,125
Miscellaneous Income	26,107	-	-	26,107
Special Events Income	-	-	-	-
Total Support and Revenue	<u>5,176,433</u>	<u>552,891</u>	<u>-</u>	<u>5,729,324</u>
Net Assets Released from Restrictions	<u>629,081</u>	<u>(629,081)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	5,805,514	(76,190)	-	5,729,324
<b>EXPENSE</b>				
Program Services	4,672,924	-	-	4,672,924
Support Services:				
Management and General	988,120	-	-	988,120
Fundraising	286,122	-	-	286,122
Total Support Services	<u>1,274,242</u>	<u>-</u>	<u>-</u>	<u>1,274,242</u>
Total Expense	<u>5,947,166</u>	<u>-</u>	<u>-</u>	<u>5,947,166</u>
<b>CHANGE IN NET ASSETS</b>	(141,652)	(76,190)	-	(217,842)
Net Assets - Beginning of Year	<u>4,153,225</u>	<u>1,020,678</u>	<u>13,500</u>	<u>5,187,403</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 4,011,573</u>	<u>\$ 944,488</u>	<u>\$ 13,500</u>	<u>\$ 4,969,561</u>

See accompanying Notes to Financial Statements.

2013

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 2,786,625	\$ -	\$ -	\$ 2,786,625
1,179,967	371,581	-	1,551,548
382,096	-	-	382,096
38	-	-	38
678,235	-	-	678,235
138,327	-	-	138,327
312,404	-	-	312,404
26,100	-	-	26,100
6,725	-	-	6,725
<u>5,510,517</u>	<u>371,581</u>	<u>-</u>	<u>5,882,098</u>
603,055	(603,055)	-	-
6,113,572	(231,474)	-	5,882,098
4,804,584	-	-	4,804,584
919,684	-	-	919,684
227,700	-	-	227,700
<u>1,147,384</u>	<u>-</u>	<u>-</u>	<u>1,147,384</u>
5,951,968	-	-	5,951,968
161,604	(231,474)	-	(69,870)
3,991,621	1,252,152	13,500	5,257,273
<u>\$ 4,153,225</u>	<u>\$ 1,020,678</u>	<u>\$ 13,500</u>	<u>\$ 5,187,403</u>

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSE**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014			Total
	Program	Management and General	Fundraising	
Salaries and Wages	\$ 2,460,145	\$ 494,322	\$ 223,219	\$ 3,177,686
Payroll Taxes and Fringe Benefits	712,739	98,107	5,236	816,082
Consultants and Professional Fees	145,002	75,368	15,536	235,906
Travel	55,086	3,393	1,137	59,616
Occupancy Costs	466,237	16,601	19,177	502,015
Supplies	164,565	34,679	2,261	201,505
Equipment Rental and Maintenance	31,070	3,611	1,652	36,333
Telephone	45,306	4,323	2,069	51,698
Insurance	24,781	38,742	1,578	65,101
Conferences and Training	34,604	12,799	1,274	48,677
Financial Assistance and Client Transportation	26,908	-	-	26,908
Subscriptions and Dues	19,041	6,749	2,369	28,159
Printing and Postage	16,689	3,409	981	21,079
Interest and Discount Amortization	-	22,732	-	22,732
Other	46,155	9,808	427	56,390
In-Kind Services	355,680	11,524	4,818	372,022
Total Expense before Depreciation	4,604,008	836,167	281,734	5,721,909
Depreciation	68,916	151,953	4,388	225,257
<b>Total Expense</b>	<b>\$ 4,672,924</b>	<b>\$ 988,120</b>	<b>\$ 286,122</b>	<b>\$ 5,947,166</b>
Percentage of Total Expense	78.6%	16.6%	4.8%	100.0%

See accompanying Notes to Financial Statements.



2013

Program	Management and General	Fundraising	Total
\$ 2,503,281	\$ 365,200	\$ 146,701	\$ 3,015,182
700,431	86,932	21,525	808,888
200,201	188,197	18,036	406,434
55,161	2,455	391	58,007
454,828	1,571	22,212	478,611
137,106	12,523	6,468	156,097
34,599	2,490	1,045	38,134
41,982	3,626	1,370	46,978
26,763	40,713	1,404	68,880
48,739	12,311	411	61,461
104,742	-	-	104,742
16,218	7,400	275	23,893
20,875	2,393	937	24,205
-	19,636	-	19,636
42,934	5,872	1,042	49,848
300,485	11,919	-	312,404
4,688,345	763,238	221,817	5,673,400
116,239	156,446	5,883	278,568
<u>\$ 4,804,584</u>	<u>\$ 919,684</u>	<u>\$ 227,700</u>	<u>\$ 5,951,968</u>
80.7%	15.5%	3.8%	100.0%

... for uncertain tax benefits

... for uncertain tax benefits

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (217,842)	\$ (69,870)
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation	225,257	278,568
Amortization of Discount on Long-Term Debt	19,660	19,295
Forgiveness of Debt	(26,100)	(26,100)
(Increase) Decrease in Current Assets:		
Accounts Receivable	(188,138)	(46,187)
Grants Receivable	(108,800)	279,553
Pledges Receivable	-	(207)
Prepaid Expense	(61,840)	(13,281)
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	(14,779)	(8,177)
Accrued Wages and Payroll Taxes	27,760	5,542
Accrued Vacation	(382)	(57,919)
Other Liabilities	27,205	1,250
Net Cash Provided (Used) by Operating Activities	(317,999)	362,467
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Property and Equipment	(117,348)	(7,391)
Net Cash Used by Investing Activities	(117,348)	(7,391)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash Received for Capital Campaign	-	75,000
Payments on Long-Term Debt	(2,839)	(46,081)
Net Cash Provided (Used) by Financing Activities	(2,839)	28,919
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(438,186)	383,995
Cash and Cash Equivalents - Beginning of Year	560,458	176,463
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 122,272	\$ 560,458
<b>SUPPLEMENTAL INFORMATION</b>		
Interest Paid	\$ 3,072	\$ 451
Land Acquired Through Issuance of Debt	250,000	-
In-Kind Goods and Services	387,125	312,404

See accompanying Notes to Financial Statements.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**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 four 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, 2014 AND 2013**

**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, 2014 AND 2013**

**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.

**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, 2014 and 2013, 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 2014 and 2013. There was no allowance or discount warranted on pledges receivable at December 31, 2014 and 2013.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**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, 2014 and 2013, 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 \$22,243 and \$20,011 for the years ended December 31, 2014 and 2013, 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 2011 through 2013 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, 2014 AND 2013**

**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.

**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.

**Subsequent Events**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 14, 2015.

**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.

For the years ended December 31, 2014 and 2013, major sources of support and revenue and their respective concentration as a percentage of total revenues were as follows:

	<u>2014</u>		<u>2013</u>	
State of Minnesota	\$ 936,674	16.3%	\$ 782,562	13.3%
Hennepin County	163,997	2.9	269,887	4.6
Ramsey County	159,983	2.8	961,188	16.3

A significant portion of the previous funding received from Ramsey County relates to the Minnesota Family Investment Program (MFIP) grant program that was not renewed into 2014.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 3 GRANTS RECEIVABLE**

Grants receivable consist of the following at December 31:

	2014	2013
Gross Grants Receivable	\$ 308,800	\$ 200,000
Less: Current Portion	(228,800)	(200,000)
Long-Term Portion	\$ 80,000	\$ -
Cash Amounts Due In:		
Within One Year	\$ 228,800	\$ 200,000
One to Five Years	80,000	-
Total	\$ 308,800	\$ 200,000

**NOTE 4 PLEDGES RECEIVABLE**

Pledges receivable consist of the following at December 31:

	2014	2013
Unconditional Promises to Give:		
Individuals	\$ 8,000	\$ 8,000
Less: Current Portion	8,000	5,850
Long-Term Portion	\$ -	\$ 2,150
Cash Amounts Due In:		
Within One Year	\$ 8,000	\$ 5,850
One to Five Years	-	2,150
Total	\$ 8,000	\$ 8,000



**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 5 LAND, BUILDINGS AND EQUIPMENT**

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

	<u>2014</u>	<u>2013</u>
Land	\$ 1,141,120	\$ 866,882
Building	3,942,554	3,930,591
Vehicles	43,741	43,741
Furniture and Equipment	1,533,105	1,489,450
Software	187,767	187,767
Leasehold Improvements	389,855	352,363
Accumulated Depreciation	<u>(2,900,602)</u>	<u>(2,675,345)</u>
Total	<u>\$ 4,337,540</u>	<u>\$ 4,195,449</u>

**NOTE 6 LONG-TERM DEBT**

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

<u>Description</u>	<u>2014</u>	<u>2013</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%.	(260,162)	(269,348)
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.	26,100	52,200
Unamortized discount on the above loan at imputed interest rate of 6.06%.	-	(3,004)

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

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

<u>Description</u>	<u>2014</u>	<u>2013</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%.	(42,451)	(49,921)
In September 2014, the Organization entered into a note agreement with Bremer Bank for the purchase of property in St. Paul, Minnesota. Interest is fixed at 4.88%, with monthly interest and principal payments of \$1,971 with a final payment of \$188,176 due in September 2019. The loan is secured by the property located in St. Paul.	247,161	-
Total	<u>557,648</u>	<u>316,927</u>
Less: Current Maturities	<u>37,948</u>	<u>26,100</u>
Long-Term Debt	<u>\$ 519,700</u>	<u>\$ 290,827</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, 2014 AND 2013**

**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>
2015	\$ 37,948
2016	15,334
2017	19,120
2018	20,149
2019	202,939
Thereafter	564,771
Total Long-Term Debt	860,261
Less: Current Portion	37,948
Less: Unamortized Discounts	302,613
Long-Term Portion	<u>\$ 519,700</u>

The Organization recorded interest and discount amortization expense in the amount of \$22,732 and \$19,636 for the years ended December 31, 2014 and 2013, respectively, which includes the amortization of the discount for loans with forgiven interest totaling \$19,660 and \$19,295 for the years ended December 31, 2014 and 2013, 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 matured on July 31, 2015. The Organization has since renewed the line of credit to advance up to \$400,000 at the same interest rate of 5.00% to mature on September 30, 2015. The line of credit had an advance rate of 5.00% at December 31, 2014. 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, 2014 and 2013.

The Organization also had an irrevocable standby letter of credit for an amount not to exceed \$20,000, and bearing interest at 5.00%. The letter of credit expires on August 31, 2015. Advances on the letter of credit were \$-0- at December 31, 2014 and 2013. 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 December 31, 2014 and 2013.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**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>
2015	\$ 150,430
Total	\$ 150,430

**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. It leases another facility that began in May 2008 and was extended through April 2018. In September 2014, the Organization began a lease of a third facility that goes through October 2016. The rent expense for the years ended December 31, 2014 and 2013 was \$278,516 and \$278,237, respectively. The following is the future minimum lease payment schedule for the lease:

<u>Year</u>	<u>Amount</u>
2015	\$ 323,337
2016	276,984
2017	40,922
2018	13,760
Total	\$ 655,003

and 2013  
as a percentage of

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2014 AND 2013**

**NOTE 10 TEMPORARILY RESTRICTED NET ASSETS**

**Temporarily Restricted**

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

	2014	2013
<b>Time Restricted:</b>		
City of St. Paul Housing & Redevelopment Authority	\$ 341,568	\$ 341,568
Butler Family Foundation	20,000	30,000
Kresge Foundation	-	187,501
<b>Purpose Restricted:</b>		
<b>Employment Program:</b>		
Allianz	6,250	-
Best Buy Foundation	12,500	-
Country Financial	15,000	-
The Minneapolis Foundation	50,000	-
Thrivent Financial for Lutherans	15,000	15,000
Deluxe Corp. Foundation	-	15,000
McKnight Foundation	82,500	75,000
Wells Fargo	-	59,999
Ameriprise Financial	-	12,000
State Farm	-	10,000
Marbrook Foundation	15,000	10,000
<b>Mental Health Program:</b>		
FR Bigelow	-	41,666
<b>Family Services Program:</b>		
Women's Foundation of Minnesota	1,875	-
Medica Foundation	-	37,500
<b>Health Program:</b>		
Blue Cross Blue Shield of Minnesota Foundation	10,000	-
Susan G. Komen Foundation	16,596	-
UCare Foundation	50,000	-
Medtronic	49,167	-
<b>Education Program:</b>		
Comcast Foundation	14,136	29,136
YouthPrise	-	7,500
Best Buy Children's Foundation	-	16,666
Otto Bremer Foundation	18,750	-
Xcel Energy Foundation	12,500	-
National Council of La Raza	102,754	-
Cornell University	70,000	-
Minneapolis Foundation	-	75,000
<b>Capital Campaign:</b>		
3M Foundation	7,892	7,892
<b>Aging Well:</b>		
Steven's Square	-	6,250
<b>Administrative:</b>		
Individuals	8,000	8,000
St Paul Foundation	-	35,000
General Mills Foundation	25,000	-
Total	\$ 944,488	\$ 1,020,678

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2014 AND 2013**

**NOTE 10 TEMPORARILY RESTRICTED NET ASSETS (CONTINUED)**

**Net Assets Released from Restrictions**

Net assets released from donor restrictions were as follows for the years ended December 31, 2014 and 2013:

	2014	2013
<b>Time Restricted</b>	\$ 197,500	\$ 249,999
<b>Purpose Restricted:</b>		
Employment Program	196,999	68,124
Mental Health Program	41,666	20,000
Family Services Program	37,500	125,000
Health Program	-	34,864
Education Program	114,166	21,548
Capital Campaign	-	8,725
Aging Well	6,250	-
Administrative	35,000	74,795
Total	<u>\$ 629,081</u>	<u>\$ 603,055</u>

**NOTE 11 IN-KIND SERVICES**

The Organization receives in-kind services in the form of volunteer tutoring for English as a Second Language (ESL), Basic Literacy (in Spanish), Citizenship courses, CD Counseling, Outpatient Psychotherapy, Case Management, Interns, Child Care, and Clerical and Research work. In 2014 and 2013, the Organization received 19,556 and 16,136 volunteer hours, respectively, at estimated hourly rates of \$15 to \$25. The Organization also received in-kind donations of various supply items. Total in-kind services from course teachers and supply items, classified as program services expenses, totaled \$387,125 and \$312,404 during the years ended December 31, 2014 and 2013, respectively.

For the year ended 2014  
and 2013



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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, 2014 and 2013, and our report thereon dated September 14, 2015, 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  
September 14, 2015

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**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.**  
**SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM - UNRESTRICTED**  
**YEAR ENDED DECEMBER 31, 2014**  
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Chemical Health	Mental Health	Educational Achievement	Economic Vitality
<b>SUPPORT AND REVENUE</b>				
Government Grants	\$ 224,447	\$ 280,769	\$ 293,285	\$ 496,376
Contributions, Private Grants and Special Events	15,000	61,714	127,291	262,074
Interest	-	-	-	-
Client Paid and Private Insurance	115,141	218,406	250	-
Rent Income	-	-	-	-
In-Kind Contributions	24,708	17,610	292,786	26,472
Miscellaneous Income	-	-	-	-
Net Assets Released from Restrictions	-	41,666	114,166	196,999
Total Support and Revenue	<u>379,296</u>	<u>620,165</u>	<u>827,778</u>	<u>981,921</u>
<b>EXPENSE</b>				
Salaries and Wages	206,397	538,146	217,527	452,335
Payroll Taxes and Fringe Benefits	55,873	130,764	67,850	134,326
Consultants and Professional Fees	14,849	20,009	13,419	18,580
Travel	915	1,634	2,919	4,781
Occupancy Costs	39,199	86,858	47,567	93,809
Supplies	12,344	8,157	30,088	20,151
Equipment Rental and Maintenance	2,519	5,947	2,858	6,667
Telephone	2,559	9,109	3,719	8,016
Insurance	1,986	4,516	2,401	4,605
Conferences and Training	2,062	9,081	(407)	8,196
Financial Assistance and Client Transportation	-	1,142	-	8,954
Subscriptions and Dues	1,320	1,700	194	11,747
Printing and Postage	1,691	2,498	1,593	3,568
Interest	-	-	-	-
Other	820	359	38,704	4,749
In-Kind Services	24,708	13,793	384,702	21,115
Depreciation	5,530	12,188	6,636	13,029
Total Expense before Capital Campaign	<u>372,773</u>	<u>845,901</u>	<u>719,770</u>	<u>814,628</u>
Program Development Cost Allocation	16,485	37,434	20,591	40,767
Administrative Expense Allocation	<u>53,870</u>	<u>120,541</u>	<u>65,188</u>	<u>128,387</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$ (63,832)</u>	<u>\$ (383,711)</u>	<u>\$ 22,229</u>	<u>\$ (1,861)</u>



Health Promotion	Aging Well Services	Family Services	Total Program	Management and General	Capital Campaign & Fundraising	Total
\$ 221,488	\$ 108,103	\$ 702,963	\$ 2,327,431	\$ -	\$ -	\$ 2,327,431
449,837	178,915	198,942	1,293,773	167,869	13,259	1,474,901
-	-	-	-	47	-	47
-	299,026	185,690	818,513	3,894	-	822,407
-	-	-	-	138,415	-	138,415
2,520	5,652	4,717	374,465	12,660	-	387,125
-	7	-	7	26,100	-	26,107
-	6,250	37,500	396,581	-	232,500	629,081
<u>673,845</u>	<u>597,953</u>	<u>1,129,812</u>	<u>5,210,770</u>	<u>348,985</u>	<u>245,759</u>	<u>5,805,514</u>
211,245	209,887	624,608	2,460,145	494,322	223,219	3,177,686
66,252	64,589	193,085	712,739	98,107	5,236	816,082
16,550	22,454	39,141	145,002	75,368	15,536	235,906
12,932	6,107	25,798	55,086	3,393	1,137	59,616
45,783	54,417	98,604	466,237	16,601	19,177	502,015
25,965	61,299	6,561	164,565	34,679	2,261	201,505
2,886	2,384	7,809	31,070	3,611	1,652	36,333
3,434	4,231	14,238	45,306	4,323	2,069	51,698
2,331	2,306	6,636	24,781	38,742	1,578	65,101
9,546	936	5,190	34,604	12,799	1,274	48,677
-	15,918	894	26,908	-	-	26,908
-	3,432	648	19,041	6,749	2,369	28,159
1,695	1,821	3,823	16,689	3,409	981	21,079
-	-	-	-	22,732	-	22,732
49	1,351	123	46,155	9,808	427	56,390
2,520	5,652	3,190	355,680	11,524	4,818	372,022
1,953	6,515	18,657	68,916	151,953	4,388	225,257
<u>407,703</u>	<u>463,144</u>	<u>1,049,005</u>	<u>4,672,924</u>	<u>988,120</u>	<u>286,122</u>	<u>5,947,166</u>
18,981	19,277	57,245	210,780	-	(210,780)	-
<u>63,526</u>	<u>62,294</u>	<u>182,666</u>	<u>676,472</u>	<u>(676,472)</u>	<u>-</u>	<u>-</u>
<u>\$ 183,635</u>	<u>\$ 53,238</u>	<u>\$ (159,104)</u>	<u>\$ (349,406)</u>	<u>\$ 37,337</u>	<u>\$ 170,417</u>	<u>\$ (141,652)</u>



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Comunidades Latinas Unidas En Servicio, Inc., which comprise the balance sheet as of December 31, 2014, and the related statements of activity, functional expense, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 14, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Comunidades Latinas Unidas En Servicio, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Comunidades Latinas Unidas En Servicio, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Comunidades Latinas Unidas En Servicio, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency 2014-001 described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

Board of Directors  
Comunidades Latinas Unidas En Servicio, Inc.

**Compliance and Other Matters**

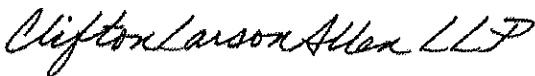
As part of obtaining reasonable assurance about whether Comunidades Latinas Unidas En Servicio, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Comunidades Latinas Unidas En Servicio, Inc.'s Response to Findings**

Comunidades Latinas Unidas En Servicio, Inc.'s response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Comunidades Latinas Unidas En Servicio, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

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



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 14, 2015



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

We have audited Comunidades Latinas Unidas En Servicio, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Comunidades Latinas Unidas En Servicio, Inc.'s major federal programs for the year ended December 31, 2014. Comunidades Latinas Unidas En Servicio, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Comunidades Latinas Unidas En Servicio, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Comunidades Latinas Unidas En Servicio, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Comunidades Latinas Unidas En Servicio, Inc.'s compliance.

**Opinion on Each Major Federal Program**

In our opinion, Comunidades Latinas Unidas En Servicio, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

**Report on Internal Control Over Compliance**

Management of Comunidades Latinas Unidas En Servicio, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Comunidades Latinas Unidas En Servicio, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Comunidades Latinas Unidas En Servicio, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Minneapolis, Minnesota  
September 14, 2015

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2014**

Federal Grantor/Program Title	Federal CFDA Number	Contract Number	Grant Period	Expenditures
<b>U.S. Department of Health and Human Services:</b>				
Passed through:				
Hennepin County Minnesota Family Investment Program	93.558	A140691	7/1/14 - 8/30/16	\$ 118,292
Goodwill Easterseals Minnesota: Promoting Responsible Fatherhood	93.086	HHS-2011-ACF-OFA-FK-0194	10/01/13 - 09/30/14	142,560
Promoting Responsible Fatherhood	93.086	HHS-2011-ACF-OFA-FK-0194	10/01/14 - 09/30/15	61,045
				<u>203,605</u>
Metropolitan Area Agency on Aging: Title III-B Older Americans Act	93.052	311-14-003E-194	01/01/14 - 12/31/14	48,225
Minnesota Department of Human Services: Refugee Act of 1980: Refugee Program	93.566	67705	10/01/13 - 09/30/14	34,509
Refugee Program	93.566	83608	10/01/14 - 09/30/15	18,739
				<u>53,248</u>
Minnesota Department of Human Services: Familias Unidas	93.959	48460	07/01/13 - 06/30/14	93,862
Familias Unidas	93.959	48460	07/01/14 - 06/30/15	57,116
				<u>150,978</u>
Minnesota Department of Human Services Children's Mental Health Division: Ethnic and Cultural Minority Infrastructure	93.958	71505	07/01/13 - 06/30/15	53,081
<b>Total U.S. Department of Health and Human Services</b>				<b>627,429</b>
<b>U.S. Department of Housing and Urban Development (HUD):</b>				
Passed Through:				
National Council of La Raza Housing Counseling	14.169	HC140011003	10/01/13 - 03/31/15	49,773
Mortgage Default Services	21.000	PL113-76X1350	10/01/13 - 03/31/15	24,650
<b>Total U.S. Department of Housing and Urban Development (HUD)</b>				<b>74,423</b>
<b>U.S. Department of Justice:</b>				
Passed Through:				
Office on Violence Against Women: Sexual Assault Education and Prevention	16.017	2012-KS-AX-0004	10/1/12 - 09/30/15	172,777
<b>Total U.S. Department of Justice</b>				<b>172,777</b>
<b>U.S. Department of Education:</b>				
Passed Through:				
Minnesota Department of Education English Literacy and Civics Education	84.002A	V002A140024	07/01/13 - 03/31/15	102,125
<b>Total U.S. Department of Education</b>				<b>102,125</b>
<b>U.S. Department of Corrections:</b>				
Passed Through:				
Minnesota Department of Public Safety: Sexual Assault Education and Prevention	16.017	A-CVS-2014-CLUES-00086	10/01/13 - 09/30/14	30,670
Sexual Assault Education and Prevention	16.017	A-CVS-2015-CLUES-00056	10/01/14 - 09/30/15	14,667
<b>Total U.S. Department of Corrections</b>				<b>45,337</b>
<b>Corporation for National and Community Service:</b>				
Passed Through:				
Local Initiatives Support Corporation (LISC): Financial Opportunity Center	94.019	45185	02/01/13 - 01/31/14	8,547
Financial Opportunity Center	94.019	45185	02/01/14 - 01/31/15	105,471
<b>TOTAL FEDERAL AWARDS</b>				<b>\$ 1,136,109</b>

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2014**

**NOTE A SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC,  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2014**

**SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of Comunidades Latinas Unidas En Servicio, Inc. (the Organization).
2. A material weakness was noted during the audit of the financial statements of Comunidades Latinas Unidas En Servicio, Inc. The material weakness is reported below as finding 2014-001.
3. No instances of material noncompliance were disclosed during the audit of the financial statements of Comunidades Latinas Unidas En Servicio, Inc.
4. No material weaknesses were identified during the audit of the major federal award programs for Comunidades Latinas Unidas En Servicio, Inc.
5. The auditors' report on compliance for the major federal award programs for Comunidades Latinas Unidas En Servicio, Inc. expresses an unmodified opinion.
6. There were no audit findings relative to the major federal award programs for Comunidades Latinas Unidas En Servicio, Inc.
7. The programs tested as major programs include:

Program	CFDA Number
Promoting Responsible Fatherhood	93.086
Familias Unidas	93.959
Sexual Assault Education & Prevention	16.017

8. The threshold for distinguishing type A and B programs was \$300,000.
9. The Comunidades Latinas Unidas En Servicio, Inc. was determined not to be a low-risk auditee.



**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC,  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2014**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**CURRENT YEAR FINDINGS**

**2014-001 Segregation of Duties**

Condition

During our audit, we noted that certain individuals in the finance department have access to make journal entries and either process payments or have user access rights to the Organization's banking system. There is some oversight review of the transactions they initiate to potentially detect significant errors or misappropriations, as there are secondary reviews of financial reports, journal entries and payments. However, the reviewers are provided the information from the initiating personnel and it is possible that the reviewers would not detect if a processed transaction was not reviewed or provided to them for review. The Organization has not completely removed the risks related to having these duties not segregated.

Criteria

The Organization should segregate duties over the processes for journal entries and disbursements.

Cause of Condition

Due to limited accounting personnel, segregating duties over journal entries and disbursements can be difficult and the Organization had not deemed it practical to restrict the access of finance personnel from their functions in generating payments and journal entries.

Effect

Without segregating the duties over journal entries and disbursements, the Organization is exposed to increased risk that:

- A journal entry could be posted that is incorrect, unsupported or fraudulent and it may go undetected.
- An inappropriate or errant disbursement could be processed and paid.

Recommendation

We recommend the Organization review and modify its system access rights and procedures around journal entries to ensure adequate segregation of duties are in place. The Organization can accomplish this by removing the VP of Finance & Administration's access to initiate journal entries in the system (approval access only) and have them be the responsible party for uploading payments to the bank instead of the Accountants currently assigned.

Management's Response

CLUES believes strong reviews are in place, but understands the potential risk if a transaction was not detected during the current review process. Since becoming aware of the potential risk during the audit process, in September 2015 the Organization has implemented the recommendation by removing the VP of Finance & Administration access to make journal entries in the accounting system and changed bank access to allow only the VP of Finance and Administration and the President to access and upload payments to the bank.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC,  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2014**

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT**

**CURRENT YEAR FINDINGS**

None

**PRIOR YEAR FINDINGS**

None