

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
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YEARS ENDED DECEMBER 31, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

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

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, 2017 and 2016, and the related statements of activities, 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. Those standards require that we plan and perform the audits 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, 2017 and 2016, 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 27, 2018

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
BALANCE SHEETS
DECEMBER 31, 2017 AND 2016

ASSETS	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 2,507,611	\$ 821,892
Accounts Receivable, Net of Allowance	1,560,686	1,579,720
Grants Receivable - Current Portion	814,500	746,500
Pledges Receivable - Current Portion	46,479	23,000
Prepaid Expenses	57,531	93,883
Total Current Assets	4,986,807	3,264,995
OTHER ASSETS		
Grants Receivable, Net of Current Portion	15,000	145,000
Total Other Assets	15,000	145,000
LAND, BUILDINGS AND EQUIPMENT, NET	4,078,192	4,035,246
Total Assets	\$ 9,079,999	\$ 7,445,241
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts Payable and Other Accrued Liabilities	\$ 63,506	\$ 42,434
Accrued Wages and Payroll Taxes	234,640	170,757
Accrued Vacation	183,972	99,775
Other Liabilities	117,440	100,000
Current Portion of Long-Term Debt	20,149	19,120
Total Current Liabilities	619,707	432,086
NONCURRENT LIABILITIES		
Long-Term Debt, Net of Current Portion	746,089	455,414
Total Liabilities	1,365,796	887,500
NET ASSETS		
Unrestricted:		
Undesignated	1,147,682	517,389
Designated - Property and Equipment	3,311,954	3,560,712
Total Unrestricted	4,459,636	4,078,101
Temporarily Restricted	3,241,067	2,466,140
Permanently Restricted	13,500	13,500
Total Net Assets	7,714,203	6,557,741
Total Liabilities and Net Assets	\$ 9,079,999	\$ 7,445,241

See accompanying Notes to Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUE				
Government Grants	\$ 4,680,110	\$ -	\$ -	\$ 4,680,110
Contributions	711,517	2,178,684	-	2,890,201
Private Grants	435,724	-	-	435,724
Interest	3,440	-	-	3,440
Client Paid and Private Insurance	921,743	-	-	921,743
Rental Income	180,468	-	-	180,468
In-Kind Contributions	466,730	-	-	466,730
Miscellaneous Income	59	-	-	59
Total Support and Revenue	<u>7,399,791</u>	<u>2,178,684</u>	<u>-</u>	<u>9,578,475</u>
Net Assets Released from Restrictions	<u>1,403,757</u>	<u>(1,403,757)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	8,803,548	774,927	-	9,578,475
EXPENSE				
Program Services	6,568,791	-	-	6,568,791
Support Services:				
Management and General	1,249,361	-	-	1,249,361
Fundraising	603,861	-	-	603,861
Total Support Services	<u>1,853,222</u>	<u>-</u>	<u>-</u>	<u>1,853,222</u>
Total Expense	<u>8,422,013</u>	<u>-</u>	<u>-</u>	<u>8,422,013</u>
CHANGE IN NET ASSETS	381,535	774,927	-	1,156,462
Net Assets - Beginning of Year	<u>4,078,101</u>	<u>2,466,140</u>	<u>13,500</u>	<u>6,557,741</u>
NET ASSETS - END OF YEAR	<u>\$ 4,459,636</u>	<u>\$ 3,241,067</u>	<u>\$ 13,500</u>	<u>\$ 7,714,203</u>

See accompanying Notes to Financial Statements.

2016

Unrestricted	Temporarily Restricted	Permanently Restricted	Total
\$ 3,259,188	\$ -	\$ -	\$ 3,259,188
1,053,477	1,778,044	-	2,831,521
435,724	-	-	435,724
94	-	-	94
943,758	-	-	943,758
171,812	-	-	171,812
385,870	-	-	385,870
(7,807)	-	-	(7,807)
6,242,116	1,778,044	-	8,020,160
1,025,288	(1,025,288)	-	-
7,267,404	752,756	-	8,020,160
5,619,554	-	-	5,619,554
1,064,440	-	-	1,064,440
423,095	-	-	423,095
1,487,535	-	-	1,487,535
7,107,089	-	-	7,107,089
160,315	752,756	-	913,071
3,917,786	1,713,384	13,500	5,644,670
\$ 4,078,101	\$ 2,466,140	\$ 13,500	\$ 6,557,741

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
STATEMENTS OF FUNCTIONAL EXPENSE
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			
	Program	Management and General	Fundraising	Total
Salaries and Wages	\$ 3,619,962	\$ 583,271	\$ 261,579	\$ 4,464,812
Payroll Taxes and Fringe Benefits	925,549	104,716	55,933	1,086,198
Consultants and Professional Fees	420,592	98,398	133,156	652,146
Travel	65,355	2,515	244	68,114
Occupancy Costs	471,687	36,461	19,474	527,622
Supplies	204,637	12,689	55,214	272,540
Equipment Rental and Maintenance	53,489	5,875	3,198	62,562
Telephone	42,468	4,919	1,856	49,243
Insurance	27,033	43,857	1,676	72,566
Conferences and Training	58,084	17,835	597	76,516
Financial Assistance and Client Transportation	283,421	-	-	283,421
Subscriptions and Dues	2,421	8,866	4,383	15,670
Printing and Postage	26,220	3,738	7,521	37,479
Interest and Discount Amortization	-	36,756	-	36,756
Other	39,187	66,228	10,224	115,639
In-Kind Services	302,785	45,814	47,205	395,804
Total Expense Before Depreciation	6,542,890	1,071,938	602,260	8,217,088
Depreciation	25,901	177,423	1,601	204,925
Total Expense	<u>\$ 6,568,791</u>	<u>\$ 1,249,361</u>	<u>\$ 603,861</u>	<u>\$ 8,422,013</u>
Percentage of Total Expense	78.0%	14.8%	7.2%	100.0%

See accompanying Notes to Financial Statements.

2016

Program	Management and General	Fundraising	Total
\$ 3,077,829	\$ 517,916	\$ 195,499	\$ 3,791,244
823,656	91,607	36,138	951,401
232,509	96,292	110,869	439,670
54,422	1,393	449	56,264
531,314	34,974	17,684	583,972
168,483	21,218	28,953	218,654
51,480	5,251	2,301	59,032
45,391	4,529	1,622	51,542
27,501	42,268	1,263	71,032
46,947	12,603	790	60,340
130,239	21	244	130,504
12,866	8,570	4,098	25,534
23,520	4,249	6,411	34,180
-	32,308	-	32,308
37,973	21,406	8,357	67,736
325,792	11,628	7,333	344,753
5,589,922	906,233	422,011	6,918,166
29,632	158,207	1,084	188,923
<u>\$ 5,619,554</u>	<u>\$ 1,064,440</u>	<u>\$ 423,095</u>	<u>\$ 7,107,089</u>
79.1%	14.9%	6.0%	100.0%

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,156,462	\$ 913,071
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by Operating Activities:		
Depreciation	204,925	188,923
Amortization of Discount on Long-Term Debt	10,196	18,278
Loss on Disposal of Fixed Assets	-	7,881
Donated Fixed Asset Additions	-	(21,576)
Contributions Restricted for Capital Campaign	(92,625)	(85,000)
(Increase) Decrease in Current Assets:		
Accounts Receivable	19,034	(569,069)
Grants Receivable	62,000	(204,000)
Pledges Receivable	(23,479)	(15,000)
Prepaid Expense	36,352	(29,221)
Increase (Decrease) in Current Liabilities:		
Accounts Payable and Other Accrued Liabilities	21,072	(19,608)
Accrued Wages and Payroll Taxes	63,883	39,620
Accrued Vacation	84,197	10,997
Other Liabilities	17,440	(39,388)
Net Cash Provided by Operating Activities	1,559,457	195,908
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property and Equipment	(245,809)	(94,369)
Proceeds on Sale of Fixed Assets	-	2,500
Net Cash Used by Investing Activities	(245,809)	(91,869)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Received for Capital Campaign	92,625	85,000
Cash Received on Long-Term Debt	300,000	-
Payments on Long-Term Debt	(20,554)	(18,226)
Net Cash Provided by Financing Activities	372,071	66,774
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,685,719	170,813
Cash and Cash Equivalents - Beginning of Year	821,892	651,079
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,507,611	\$ 821,892
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	\$ 26,559	\$ 14,030
In-Kind Goods and Services	\$ 466,730	\$ 385,870

See accompanying Notes to Financial Statements.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 1 SUMMARY OF BUSINESS BACKGROUND AND SIGNIFICANT ACCOUNTING POLICIES

Business 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 2017 – 2020 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 approximately 35,000 individuals annually throughout Minneapolis, Saint Paul, Mankato and the rest of southern Minnesota. As the largest Minnesota 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.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

Business Background (Continued)

During the summer of 2017, CLUES' leadership reviewed and updated our Strategic Goals through 2020. Our mission and vision remain relevant and continue to be the foundation for our strategy and direction. During the 2014-2016 Strategic Plan implementation period, CLUES grew revenues from \$5.7 million in 2014 to more than \$9 million in 2017. We've diversified sources of income and moved from net losses to net gains. Staff grew to over 100 employees and volunteers to more than 700. Today, CLUES is a strong organization ready to meet the changing needs of Latinos and immigrants.

By 2035, Minnesota's Latino population is estimated to surpass half a million individuals, more than 8.5% of the state's total population. We strive to grow in innovative ways to meet the needs of our community and expand our presence in new geographic areas.

Our refreshed Strategic Goals call us to continue delivering quality services and invest in our capacity to: advance equity by connecting community health and wealth initiatives to educational enrichment; Advocate for individuals and families to have access to opportunities; grow programming and services for Latino youth; amplify cultural engagement by cultivating a strong Latino heritage; and seek organizational excellence by investing in our internal capacity to support individuals and families at each stage of their journey towards health and economic wellness.

We believe the best way our organization can foster equity and inclusion and improve outcomes and conditions for Latinos and immigrants is to empower them through knowledge, engagement, and advocacy. Through expansion efforts, we will focus resources to advance place-based community hubs that promote health, education, cultural engagement, and social and economic wellness.

Our model of service is designed to advance learning and build social and human capital. We focus on leveraging people's strengths and skills to achieve long-term self-sufficiency. Through strategic collaboration, CLUES provide a broad range of services and advances promising new strategies.

Our services are based on an intergenerational approach to increase accessibility, promote learning and motivate children and parents to mutually support one another towards a better future.

**COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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

Overview of Services



Health & Wellness

- Mental and Chemical Health Clinics
- Chemical Health Assessments
- Mental Health Assessments for Immigration
- Individual, Family, and Group Psychotherapy
- Driving with Care and MADD Panels
- Access to Healthcare
- Healthy Eating and Active Living
- Health-Related Education and Prevention
- Tobacco Control and Cessation
- Elder Care and Caregiver Support
- Healthy Child and Family Development
- Sexual Health Education
- Parenting Skill-Building
- Support, Advocacy, and Case Management for Sexual Assault and Domestic Violence

Economic Empowerment

- Asset and Credit Building
- Financial Education and Coaching
- Homeownership and Pre-Purchase Counseling
- Lending Circles
- Employment Readiness
- Tailored Workforce Trainings
- Employer-Driven Trainings
- Job Search and Placement
- Job Retention

Educational Enrichment

- Adult Basic Education
- English as a Second Language (ESL)
- Early Childhood Education
- GED and Citizenship Classes
- Computer Skills and Certification
- Youth Engagement and Mentoring
- Academic Support and College Preparation
- Youth Career and Internship Program

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

Capital Campaign Initiative

In 2015, the Organization began the process to raise funds in an effort to renovate and expand the current office headquarters. This expansion will allow the Organization to consolidate and expand programs while increasing the resources and services to the Latino clients and community.

The Organization has over 100 staff members (across the organization) and a tenant in its headquarters, maxing out the current capacity. Space is one of the main constraints as an organization. A successful capital campaign will alleviate this restriction and will allow the Organization to carry out the current strategic plan as well as the long-term mission more effectively.

The total cost of this expansion is estimated to be \$7.5 million and construction is set to begin in the Summer of 2018. Of the \$7.5 million, the Organization plans to finance the expansion through private fundraising efforts (\$4 million), new market tax credits (\$2.2 million) and borrowing (\$1.3 million).

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

Permanently Restricted Net Assets – 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.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

Receivables

Grants, accounts and pledges receivable are stated at net realizable value. At December 31, 2017 and 2016, the Organization recorded an allowance for uncollectible accounts in the amount of \$2,058, 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 collectibility of less than one year, while pledges receivable are those with initial anticipated collectibility 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 2017 and 2016. There was no allowance or discount warranted on pledges receivable at December 31, 2017 and 2016.

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, 2017 and 2016, loan financing costs of \$89,328 were netted with related debt (see Note 5) and amortized using the straight-line method over the assumed 40-year term of the loan. Accumulated amortization was \$28,943 and \$26,710 for the years ended December 31, 2017 and 2016, respectively.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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

Tax-Exempt Status

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

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

Functional Allocation of Expense

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

In-Kind Contributions

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

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 April 27, 2018, the date the financial statements were available to be issued.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

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, 2017 and 2016, major sources of support and revenue and their respective concentration as a percentage of total revenues were as follows:

	<u>2017</u>		<u>2016</u>	
State of Minnesota	\$ 1,061,238	11.1%	\$ 1,026,324	12.8%
Hennepin County	416,318	4.3	367,970	4.6
Ramsey County	116,769	1.2	88,460	1.1

Additionally, for the year ended December 31, 2017 and 2016, approximately 23% and 25%, respectively, of contributions were from two donors.

NOTE 3 GRANTS RECEIVABLE

Grants receivable consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Gross Grants Receivable	\$ 829,500	\$ 891,500
Less: Current Portion	(814,500)	(746,500)
Long-Term Portion	<u>\$ 15,000</u>	<u>\$ 145,000</u>
Cash Amounts Due In:		
Within One Year	\$ 814,500	\$ 746,500
One to Five Years	15,000	145,000
Total	<u>\$ 829,500</u>	<u>\$ 891,500</u>

NOTE 4 LAND, BUILDINGS, AND EQUIPMENT

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

	<u>2017</u>	<u>2016</u>
Land	\$ 1,141,120	\$ 1,141,120
Building	3,891,544	3,889,311
Vehicles	81,571	81,571
Furniture and Equipment	1,444,195	1,340,734
Software	193,806	189,067
Leasehold Improvements	352,363	352,363
Capital Lease	36,638	-
Construction in Progress	120,823	20,023
Less: Accumulated Depreciation	(3,183,868)	(2,978,943)
Total	<u>\$ 4,078,192</u>	<u>\$ 4,035,246</u>

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 LONG-TERM DEBT

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

<u>Description</u>	<u>2017</u>	<u>2016</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%	(229,886)	(240,577)
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% began in 2015 and continues through 2030. However, the loan is immediately due and payable if the Organization relocates to another location outside of the City of St. Paul. This loan is unsecured.	156,518	164,012
Unamortized discount on the above loan at imputed interest rate of 6.06%	(27,359)	(26,524)
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 property located in St. Paul, Minnesota.	210,350	223,241

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 5 LONG-TERM DEBT (CONTINUED)

<u>Description</u>	<u>2017</u>	<u>2016</u>
The Organization received a loan from Otto Bremer Trust on November 30, 2017 in the amount of \$300,000. Interest payments of \$9,000 (3%) are paid yearly starting in 2018 until the loan reaches maturity on December 1, 2021. At maturity, the principal repayment of \$300,000 will also be due. No principal payments are required until maturity.	\$ 300,000	\$ -
Total	826,623	537,152
Less: Loan Financing Costs (Note 1)	(60,385)	(62,618)
Less: Current Maturities	<u>(20,149)</u>	<u>(19,120)</u>
Total Long-Term Debt	<u>\$ 746,089</u>	<u>\$ 455,414</u>

The security interests of the Housing and Redevelopment Authority of the City of St. Paul are subordinate to the security interest of Bremer Bank for the note agreement to purchase property in St. Paul, Minnesota.

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

<u>Year Ending December 31,</u>	<u>Amount</u>
2018	\$ 20,149
2019	203,309
2020	7,265
2021	307,718
2022	8,199
Thereafter	<u>537,228</u>
Total Long-Term Debt	1,083,868
Less: Current Portion	(20,149)
Less: Loan Financing Costs	(60,385)
Less: Unamortized Discounts	<u>(257,245)</u>
Long-Term Portion	<u>\$ 746,089</u>

The Organization recorded interest and discount amortization expense in the amount of \$36,756 and \$32,308 for the years ended December 31, 2017 and 2016, respectively, which includes the amortization of the discount for loans with forgiven interest totaling \$10,196 and \$18,278 for the years ended December 31, 2017 and 2016, respectively.

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 6 LINE AND LETTER OF CREDIT

Since 2009, the Organization has renewed a revolving line of credit with Bremer Bank. The line of credit has an available balance of \$600,000 and an advance rate of 6.25% at December 31, 2017. The line matures on August 31, 2018. 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, 2017 and 2016.

In 2015, the Organization received a grant from the City of St. Paul. As part of the grant agreement, the Organization is able to draw down on a loan in the amount of \$125,000 from the city in order to help with the construction costs to expand the current office headquarters. As of December 31, 2017, the Organization has not made any draw requests.

NOTE 7 OPERATING LEASES

The Organization rents various facilities under lease agreements as follows:

720 East Lake Street: The Organization entered into a lease agreement for this facility that started in September 2006 and has been extended through July 31, 2018.

882 South Robert Street: The Organization entered into a lease agreement for this facility that started in May 2008 and goes through April 30, 2018.

777 East Lake Street: The Organization entered into a lease agreement for this facility that started in November 2016 and goes through July 31, 2018. This facility replaced the previous 1516 East Lake Street location.

Total rent expense for the years ended December 31, 2017 and 2016 under all leases was \$282,159 and \$318,420, respectively. The following is the future minimum lease payment schedule for the lease:

<u>Year</u>	<u>Amount</u>
2018	\$ 145,769

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8 TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted

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

	2017	2016
Time Restricted:		
City of St. Paul Housing & Redevelopment Authority	\$ 373,943	\$ 466,568
Butler Family Foundation	-	15,000
Purpose Restricted:		
Employment Program:		
St. Paul Foundation	11,229	-
Northwest Area Foundation	187,500	-
Ecolab Foundation	-	2,500
Wells Fargo	-	13,750
Opus Foundation	20,000	15,000
Marbrook Foundation	-	13,750
McKnight Foundation	-	45,833
Mental Health Program:		
Health East Care System	12,500	-
Medica Foundation	20,000	-
Health Program:		
Medtronic Foundation	50,000	-
Clearway Foundation	-	15,625
Education Program:		
City of St. Paul Cultural Star Program	11,250	-
The McKnight Foundation	95,833	-
Best Buy Foundation	-	12,500
Otto Bremer Foundation	-	50,000
Cornell University	-	31,818
Youthprise	20,000	-
Knight Foundation	30,000	60,000
St Paul Foundation	11,250	17,083
Cargill Foundation	50,000	50,000
Capital Campaign:		
3M Foundation	250,000	-
Bigelow Foundation	200,000	200,000
Bulter Family Foundation	150,000	150,000
St Paul Foundation	150,000	150,000
Hardenburgh Foundation	300,000	300,000
Hugh J Anderson Foundation	100,000	100,000
Patrick & Aimee Butler Foundation	100,000	100,000
Mardag Foundation	50,000	50,000
Securian Foundation	30,000	-
Otto Bremer Trust	200,000	-
Best Buy Foundation	250,000	-
Wells Fargo	60,000	-
The Travelers Companies	50,000	-
LISC	25,000	-
The St. Paul and Minneapolis Community Foundations	100,000	-
Individuals	78,729	19,546
Administrative:		
Individuals	8,000	8,000
The Kresge Foundation	162,500	379,167
St Paul Foundation	-	20,000
The George Family Foundation	-	5,000
Wells Fargo Foundation	8,333	-
Northwest Area Foundation	75,000	175,000
Total	\$ 3,241,067	\$ 2,466,140

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016

NOTE 8 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, 2017 and 2016:

	2017	2016
Time Restricted	\$ 107,625	\$ 40,000
Purpose Restricted:		
Economic Vitality Program	318,333	236,111
Mental Health Program	17,500	10,000
Family Services Program	15,000	2,500
Community and Health Program	15,625	70,852
Education Achievement Program	257,568	205,016
Capital Campaign	-	107,892
Chemical Health	40,000	-
Elder Day Center	80,000	-
Administrative	552,106	352,917
Total	\$ 1,403,757	\$ 1,025,288

NOTE 9 IN-KIND SERVICES

The Organization receives in-kind services in the form of volunteer tutoring for English as a Second Language (ESL), Basic Literacy (in Spanish), Citizenship courses, CD Counseling, Outpatient Psychotherapy, Case Management, Interns, Child Care, and Clerical and Research work. In 2017 and 2016, the Organization received 15,552 and 16,853 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 \$395,804 and \$344,753 during the years ended December 31, 2017 and 2016, respectively.

Additionally, the Organization received \$70,926 and \$41,117 in donated goods during the years ended December 31, 2017 and 2016, respectively.

NOTE 10 RELATED PARTY TRANSACTIONS

During 2015, the Organization entered into a contract for consulting services with the former Chair of the board of directors. For the years ended December 31, 2017 and 2016, the Organization paid out \$-0- and \$13,085, respectively, for services and expense reimbursements.

During 2016, the Organization received a donated car from the President. The value of the donation was estimated at \$21,576 and recorded as in-kind revenue and capitalized to fix assets. The capitalized cost will be depreciated to expenses over the estimated life of the asset.



CliftonLarsonAllen

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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, 2017 and 2016, and our report thereon dated April 27, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were 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 audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
April 27, 2018

COMUNIDADES LATINAS UNIDAS EN SERVICIO, INC.
SCHEDULE OF REVENUE AND EXPENSE BY PROGRAM - UNRESTRICTED
YEAR ENDED DECEMBER 31, 2017
(SEE INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION)

	Chemical Health	Mental Health	Educational Achievement	Economic Vitality
SUPPORT AND REVENUE				
Government Grants	\$ 191,565	\$ 507,216	\$ 322,274	\$ 2,087,137
Contributions, Private Grants, and Special Events	15,000	-	104,555	272,466
Interest	-	-	-	-
Client Paid and Private Insurance	72,384	548,792	-	11,225
Rent Income	-	-	-	-
In-Kind Contributions	16,133	43,180	208,219	46,400
Miscellaneous Income	-	-	-	-
Net Assets Released from Restrictions	40,000	17,500	257,568	318,333
Total Support and Revenue	<u>335,082</u>	<u>1,116,688</u>	<u>892,616</u>	<u>2,735,561</u>
EXPENSE				
Salaries and Wages	232,323	722,560	330,895	1,141,066
Payroll Taxes and Fringe Benefits	53,744	164,296	87,262	293,711
Consultants and Professional Fees	15,929	39,847	23,211	235,782
Travel	949	10,409	3,211	11,385
Occupancy Costs	27,444	82,983	44,305	144,279
Supplies	11,392	5,098	51,423	52,335
Equipment Rental and Maintenance	3,190	9,432	5,037	16,496
Telephone	1,772	6,510	3,714	11,109
Insurance	1,579	4,857	2,534	8,334
Conferences and Training	2,749	7,623	4,549	17,772
Financial Assistance and Client Transportation	491	134	3,469	241,055
Subscriptions and Dues	1,955	1,562	323	(6,597)
Printing and Postage	1,076	3,577	2,089	11,631
Interest	-	-	-	-
Other	465	521	12,697	22,880
In-Kind Services	16,133	43,180	190,729	33,250
Depreciation	1,515	4,661	2,476	8,064
Total Expense before Capital Campaign	<u>372,706</u>	<u>1,107,250</u>	<u>767,924</u>	<u>2,242,552</u>
Program Development Cost Allocation	6,391	17,921	9,741	31,490
Administrative Expense Allocation	44,950	138,904	71,232	245,714
CHANGE IN NET ASSETS	<u>\$ (88,965)</u>	<u>\$ (147,387)</u>	<u>\$ 43,719</u>	<u>\$ 215,805</u>

Community Health	Elder Day Center	Family Services	Total Program	Management and General	Capital Campaign & Fundraising	Total
\$ 571,810	\$ 55,214	\$ 784,040	\$ 4,519,256	\$ 11,579	\$ 149,275	\$ 4,680,110
475,457	78,830	125,002	1,071,310	28,333	47,598	1,147,241
-	-	-	-	3,440	-	3,440
-	282,410	247	915,058	6,685	-	921,743
-	-	-	-	180,468	-	180,468
7,441	3,518	8,736	333,627	46,512	86,591	466,730
-	-	-	-	-	59	59
15,625	80,000	15,000	744,026	-	659,731	1,403,757
<u>1,070,333</u>	<u>499,972</u>	<u>933,025</u>	<u>7,583,277</u>	<u>277,017</u>	<u>943,254</u>	<u>8,803,548</u>
502,599	208,303	482,216	3,619,962	583,271	261,579	4,464,812
128,859	64,576	133,101	925,549	104,716	55,933	1,086,198
47,698	27,049	31,076	420,592	98,398	133,156	652,146
17,306	2,558	19,537	65,355	2,515	244	68,114
64,622	40,932	67,122	471,687	36,461	19,474	527,622
26,493	48,487	9,409	204,637	12,689	55,214	272,540
7,567	3,824	7,943	53,489	5,875	3,198	62,562
5,997	3,734	9,632	42,468	4,919	1,856	49,243
3,775	2,021	3,933	27,033	43,857	1,676	72,566
11,472	1,539	12,380	58,084	17,835	597	76,516
556	9,902	27,814	283,421	-	-	283,421
1,500	3,204	474	2,421	8,866	4,383	15,670
3,114	1,699	3,034	26,220	3,738	7,521	37,479
-	-	-	-	36,756	-	36,756
428	1,763	433	39,187	66,230	10,224	115,641
7,241	3,518	8,734	302,785	45,812	47,205	395,802
3,614	1,819	3,752	25,901	177,423	1,601	204,925
<u>832,841</u>	<u>424,928</u>	<u>820,590</u>	<u>6,568,791</u>	<u>1,249,361</u>	<u>603,861</u>	<u>8,422,013</u>
14,228	7,179	14,788	101,738	-	(101,738)	-
<u>108,064</u>	<u>54,518</u>	<u>111,937</u>	<u>775,319</u>	<u>(775,319)</u>	<u>-</u>	<u>-</u>
<u>\$ 115,200</u>	<u>\$ 13,347</u>	<u>\$ (14,290)</u>	<u>\$ 137,429</u>	<u>\$ (197,025)</u>	<u>\$ 441,131</u>	<u>\$ 381,535</u>