

CASA DE ESPERANZA

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2018 AND 2017**

CASA DE ESPERANZA

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2018 and 2017

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9
Supplementary Information:	
Schedule of Expenditures of Federal Awards	17
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	19
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	21
Schedule of Findings and Questioned Costs	23



Mahoney Ulbrich Christiansen Russ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

10 River Park Plaza, Suite 800 | Saint Paul, MN 55107

Phone: 651.227.6695 Fax: 651.227.9796 | www.mucr.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Casa de Esperanza
Saint Paul, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Casa de Esperanza (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to 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.

Auditor's 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 auditor's 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.

(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casa de Esperanza as of June 30, 2018 and 2017, 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*Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 audits 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 December 10, 2018, on our consideration of Casa de Esperanza's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Casa de Esperanza's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Casa de Esperanza's internal control over financial reporting and compliance.

*Mahoney Ulbrich
Christiansen Russ P.A.*

December 10, 2018

CASA DE ESPERANZA

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

	2018	2017
ASSETS		
Cash - unrestricted	\$ 96,422	\$ (53,435)
Cash - restricted	280,447	127,652
Total cash	376,869	74,217
Contributions receivable	132,500	268,500
Program and grant receivables	383,057	480,576
Other receivables	429	-
Prepaid expenses	73,283	86,024
Security deposits	4,376	4,376
Inventory	-	22,420
Property and equipment, net	88,905	50,416
Total assets	\$ 1,059,419	\$ 986,529
LIABILITIES AND NET ASSETS		
Line of credit	\$ 150,000	\$ 175,553
Accounts payable	184,581	144,150
Accrued payroll and related expenses	231,866	199,805
Deferred revenue	-	13,810
Total liabilities	566,447	533,318
Net assets:		
Unrestricted net assets	94,595	70,869
Temporarily restricted net assets	398,377	382,342
Total net assets	492,972	453,211
Total liabilities and net assets	\$ 1,059,419	\$ 986,529

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	2018			2017
	Unrestricted	Temporarily Restricted	Total	
Revenues and support:				
Contributions	\$ 44,643	\$ -	\$ 44,643	\$ 52,316
Contributions - in kind	25,488	-	25,488	8,884
Foundation grants	274,250	450,000	724,250	381,762
Greater Twin Cities United Way	-	75,000	75,000	206,000
Government grants and contracts	3,449,449	-	3,449,449	2,856,171
Special event revenue	75,653	-	75,653	80,034
Less: costs of direct benefits to donors	(68,628)	-	(68,628)	(35,331)
Net revenue from special events	7,025	-	7,025	44,703
Program service fees	59,334	-	59,334	73,343
Merchandise sales	3,382	-	3,382	3,996
Interest income	-	-	-	533
Other income	36,927	-	36,927	18,128
Net assets released upon satisfaction of time and purpose restrictions	508,965	(508,965)	-	-
Total revenues and support	<u>4,409,463</u>	<u>16,035</u>	<u>4,425,498</u>	<u>3,645,836</u>
Expenses:				
Program services				
Family advocacy	1,046,496	-	1,046,496	912,787
Community engagement	253,277	-	253,277	229,610
National initiatives	2,224,133	-	2,224,133	1,984,090
Total program services	<u>3,523,906</u>	<u>-</u>	<u>3,523,906</u>	<u>3,126,487</u>
Management and general	699,499	-	699,499	551,802
Fundraising	162,332	-	162,332	107,460
Total expenses	<u>4,385,737</u>	<u>-</u>	<u>4,385,737</u>	<u>3,785,749</u>
Change in net assets	23,726	16,035	39,761	(139,913)
Net assets, beginning of year	<u>70,869</u>	<u>382,342</u>	<u>453,211</u>	<u>593,124</u>
Net assets, end of year	<u>\$ 94,595</u>	<u>\$ 398,377</u>	<u>\$ 492,972</u>	<u>\$ 453,211</u>

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Contributions	\$ 52,316	\$ -	\$ 52,316
Contributions - in kind	8,884	-	8,884
Foundation grants	94,042	287,720	381,762
Greater Twin Cities United Way	-	206,000	206,000
Government grants and contracts	2,856,171	-	2,856,171
Special event revenue	80,034	-	80,034
Less: costs of direct benefits to donors	(35,331)	-	(35,331)
Net revenue from special events	44,703	-	44,703
Program service fees	73,343	-	73,343
Merchandise sales	3,996	-	3,996
Interest income	533	-	533
Other income	18,128	-	18,128
Net assets released upon satisfaction of time and purpose restrictions	657,203	(657,203)	-
Total revenues and support	3,809,319	(163,483)	3,645,836
Expenses:			
Program services			
Family advocacy	912,787	-	912,787
Community engagement	229,610	-	229,610
National initiatives	1,984,090	-	1,984,090
Total program services	3,126,487	-	3,126,487
Management and general	551,802	-	551,802
Fundraising	107,460	-	107,460
Total expenses	3,785,749	-	3,785,749
Change in net assets	23,570	(163,483)	(139,913)
Net assets, beginning of year	47,299	545,825	593,124
Net assets, end of year	\$ 70,869	\$ 382,342	\$ 453,211

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018
(With Comparative Totals for 2017)

	2018						Total	2017
	Family Advocacy	Community Engagement	National Initiatives	Total Program Services	Management and General	Fundraising		
Salaries	\$ 708,501	\$ 170,004	\$ 1,423,177	\$ 2,301,682	\$ 361,055	\$ 121,463	\$ 2,784,200	\$ 2,378,734
Payroll taxes	50,728	13,086	101,854	165,668	31,134	8,725	205,527	174,096
Employee benefits	76,617	19,764	153,834	250,215	47,022	13,177	310,414	259,128
Total salaries and benefits	835,846	202,854	1,678,865	2,717,565	439,211	143,365	3,300,141	2,811,958
Professional fees and contracts	26,995	10,553	185,044	222,592	130,349	4,150	357,091	262,791
Special events	-	-	-	-	-	-	-	7,567
Supplies	14,214	2,157	15,801	32,172	18,977	1,574	52,723	61,056
Postage and shipping	21	-	2,206	2,227	2,017	868	5,112	5,429
Printing and publication	33	4,482	2,215	6,730	6,819	287	13,836	14,008
Insurance	-	-	-	-	8,355	-	8,355	9,224
Occupancy:								
Rent	3,000	-	-	3,000	63,506	-	66,506	63,200
Utilities	8,800	-	-	8,800	-	-	8,800	9,554
Other	14,027	80	3,054	17,161	358	-	17,519	19,383
Library, training, and conferences	607	3,069	7,907	11,583	8,103	1,104	20,790	32,308
Telephone	17,684	1,224	16,699	35,607	7,247	8,945	51,799	43,704
Program activities and supplies	2,538	18,450	5,590	26,578	1,706	120	28,404	61,713
Housing services - food and supplies	34,354	280	178	34,812	-	-	34,812	26,550
Specific assistance - individuals	41,678	270	-	41,948	-	-	41,948	26,648
Cost of sales	-	-	-	-	-	-	-	6,743
Travel	19,853	9,858	279,333	309,044	2,656	161	311,861	293,172
Bad debts	734	-	27,241	27,975	-	500	28,475	2,496
Equipment rental and maintenance	23,184	-	-	23,184	1,722	-	24,906	12,617
Interest expense	-	-	-	-	4,538	-	4,538	2,890
Depreciation	2,888	-	-	2,888	-	-	2,888	5,698
Miscellaneous expenses	40	-	-	40	3,935	1,258	5,233	7,040
	<u>\$ 1,046,496</u>	<u>\$ 253,277</u>	<u>\$ 2,224,133</u>	<u>\$ 3,523,906</u>	<u>\$ 699,499</u>	<u>\$ 162,332</u>	<u>\$ 4,385,737</u>	<u>\$ 3,785,749</u>

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017

	Family Advocacy	Community Engagement	National Initiatives	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 635,748	\$ 143,151	\$ 1,222,012	\$ 2,000,911	\$ 294,333	\$ 83,490	\$ 2,378,734
Payroll taxes	46,560	10,056	90,453	147,069	21,083	5,944	174,096
Employee benefits	76,821	23,681	125,068	225,570	23,548	10,010	259,128
Total salaries and benefits	759,129	176,888	1,437,533	2,373,550	338,964	99,444	2,811,958
Professional fees and contracts	5,745	14,523	159,041	179,309	81,547	1,935	262,791
Special events	424	7,143	-	7,567	-	-	7,567
Supplies	8,585	7,658	29,116	45,359	15,358	339	61,056
Postage and shipping	101	7	3,252	3,360	1,686	383	5,429
Printing and publication	1,011	448	5,222	6,681	6,371	956	14,008
Insurance	-	250	-	250	8,974	-	9,224
Occupancy:							
Rent	3,000	480	-	3,480	59,720	-	63,200
Utilities	9,554	-	-	9,554	-	-	9,554
Other	11,553	219	4,092	15,864	2,619	900	19,383
Library, training, and conferences	2,138	835	21,220	24,193	7,744	371	32,308
Telephone	19,184	1,855	10,176	31,215	12,471	18	43,704
Program activities and supplies	2,637	17,024	42,052	61,713	-	-	61,713
Housing services - food and supplies	26,550	-	-	26,550	-	-	26,550
Specific assistance - individuals	26,648	-	-	26,648	-	-	26,648
Cost of sales	-	-	6,743	6,743	-	-	6,743
Travel	18,884	1,910	261,310	282,104	9,532	1,536	293,172
Bad debts	-	-	2,496	2,496	-	-	2,496
Equipment rental and maintenance	11,406	-	-	11,406	1,211	-	12,617
Interest expense	-	-	-	-	2,890	-	2,890
Depreciation	5,698	-	-	5,698	-	-	5,698
Miscellaneous expenses	540	370	1,837	2,747	2,715	1,578	7,040
	<u>\$ 912,787</u>	<u>\$ 229,610</u>	<u>\$ 1,984,090</u>	<u>\$ 3,126,487</u>	<u>\$ 551,802</u>	<u>\$ 107,460</u>	<u>\$ 3,785,749</u>

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2018 and 2017

Increase (Decrease) in Cash

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ 39,761	\$ (139,913)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	2,888	5,698
Changes in operating assets and liabilities:		
Contributions receivable	136,000	(40,001)
Program and grant receivables	97,519	(230,108)
Other receivables	(429)	1,279
Prepaid expenses	12,741	(34,045)
Inventory	22,420	6,401
Accounts payable	40,431	18,975
Accrued payroll and related expenses	32,061	51,821
Deferred revenue	(13,810)	2,467
Net cash from operating activities	369,582	(357,426)
Cash flows from investing activities:		
Purchase of property and equipment	(41,377)	(8,625)
Net cash from investing activities	(41,377)	(8,625)
Cash flows from financing activities:		
Advances (payments) on line of credit, net	(25,553)	76,262
Net cash from financing activities	(25,553)	76,262
Net increase (decrease) in cash	302,652	(289,789)
Cash, beginning of year	74,217	364,006
Cash, end of year	\$ 376,869	\$ 74,217
Supplemental cash flow information:		
Cash paid for interest	\$ 4,538	\$ 2,890

See accompanying notes to financial statements.

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

1. ORGANIZATION

Casa de Esperanza (the Organization) is a Latina organization whose mission is to mobilize Latinas and Latin@ communities to end domestic violence. The organization was founded in 1982 when a small group of Latina activists created an emergency shelter to provide culturally-responsive services for Latinas who were experiencing domestic violence and we have worked since then to support Latin@ men, women, and children in living healthy, violence-free lives. We are now the largest and most recognized Latina domestic violence organization in the country and are increasing our capacity to respond to sexual assault and human trafficking. Casa de Esperanza serves approximately 13,000 individuals, families, and organizations across the country, half of them in the Twin Cities and surrounding areas.

Family advocacy - Family advocacy offers direct support for Latin@s and their families who are living in domestic violence in the Twin Cities metro area and are at risk of experiencing homelessness. We provide a variety of options to best meet our families' needs including: El Refugio (emergency shelter), a bi-lingual crisis line, transitional housing support, mobile advocacy (our Latina Family Advocates meet survivors wherever they feel safe to help them create safety plans, navigate legal systems, and accompany them to school, court, or medical appointments), and we help with referrals to other agencies and resources.

Community engagement - Our Community Engagement work area focuses on developing the leadership skills and community capacity of Latin@s to end gender-based violence, primarily through our Fuerza Unida Amig@s initiative which trains and supports 75 to 80 Latin@ youth and adults each year to become first-responders and change agents who can help shift the beliefs and behaviors within their own family and social networks that lead to unhealthy relationships. Once they have finished training, Amig@s develop and lead community action projects that reach thousands of community members throughout the Twin Cities and neighboring suburbs. The work of the Youth Amig@s culminates each year in a day-long conference that they organize to raise awareness of Teen Dating Violence and other topics that Latin@ Youth are interested in.

National initiatives - Casa de Esperanza also is home to the National Latin@ Network for Healthy Families and Communities, which provides training and technical assistance across the country; leads public policy initiatives; and conducts community-based participatory research on the intersections of domestic violence and Latin@ identity. Our leadership in the field has been recognized by the U.S. Department of Health and Human Services, which has designated our organization as the only Culturally Specific Issue Resource Center on Domestic Violence and Latin@ Communities.

Casa de Esperanza is supported primarily through government grants and contracts, foundation grants, and individual contributions.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates - The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation - Revenues and support are classified based on the presence or absence of donor restrictions and reported in the following net asset categories:

- Unrestricted net assets are not restricted by donors or the donor-imposed restrictions have expired. Unrestricted net assets are available for programs and supporting services at the discretion of management and the board of directors.
- Temporarily restricted net assets arise from contributions that are restricted by donors for specific purposes or time periods.
- Permanently restricted net assets arise from contributions that the donor has stipulated must be maintained in perpetuity. At this time, Casa de Esperanza has no permanently restricted net assets.

Inventory - Inventory consists of training films, training manuals, audio-visual tools and children's products held for resale by Casa de Esperanza. Inventory is valued at the lower of cost, determined on a first-in, first-out basis, or market. In 2018, based on management review it was determined the remaining inventory was obsolete and was written off to bad debt expense.

Property and Equipment - Property and equipment with a value of at least \$5,000 and a useful life greater than one year are carried at cost, with the exception of donated equipment, which is recorded at its fair market value at date of gift. Property and equipment are depreciated using the straight-line method over their estimated useful lives. Maintenance and repairs are expensed as incurred. Major renewals or betterments that extend the lives of property and equipment are capitalized. Management evaluates these assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Government Grants and Contracts - Government grants and contracts funds are generally considered exchange transactions and are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are incurred. Funds received but not yet earned are recorded as deferred revenue. All program and grant receivables are deemed to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded at June 30, 2018 and 2017.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expenditures under government grants and contracts are subject to review by the granting authority. If, as a result of such a review, expenditures are determined to be unallowable, the disallowance will be recorded at the time the assessment for refund is made.

Contributions - Contributions are recognized when the donor makes an unconditional commitment to give to Casa de Esperanza. Contributions that are restricted by the donor are reported as temporarily or permanently restricted net assets depending on the nature of the restrictions. Cash collected from donors for a specific purpose or time period is reported as restricted cash until donor restrictions have been satisfied. When a restriction expires or is fulfilled, temporarily restricted net assets are reclassified to unrestricted net assets and restricted cash is released. Contributions with donor-imposed restrictions that expire in the same fiscal year the contribution is recognized are reported as unrestricted net assets.

Absent explicit donor restrictions regarding how long donated assets must be maintained, Casa de Esperanza reports expiration of donor restrictions when the donated or acquired assets are placed in service.

Contributions Receivable - Contributions receivable are recorded at the promised amount because the difference between the promised amount and the net present value of the promise is immaterial. Management believes that all amounts will be received when due, therefore no allowance for uncollectible amounts has been provided. Receivables are written off when, in management's estimation, it is probable that the receivable is worthless. Contributions receivable at June 30, 2018 are due in 2019.

Donated Services and Materials - Donated materials are recorded as contributions at their estimated fair market value in the period received. Donated services are recorded as contributions at their estimated fair value only if the services create or enhance a nonfinancial asset or if the services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During 2018, Casa de Esperanza received contributed professional services valued at \$25,488 for management and general purposes. During 2017, Casa de Esperanza received computer software valued at \$588, contributed professional services valued at \$6,946 for management and general purposes, and contributed professional services valued at \$1,350 for fundraising purposes.

The Organization regularly receives donated services from many volunteers. However, no amounts have been recognized for these services because they do not meet the criteria described above.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses - Expenses have been reported in program services and support service categories based on specific identification. In the absence of specific identification, expenses have been allocated based on staff time spent in each category. The time allocations are based on detailed timesheets prepared by employees.

Concentration of Credit Risk - Casa de Esperanza maintains cash balances in one financial institution. At times, the balance exceeds the federally insured limit. At June 30, 2018, these accounts exceeded the FDIC limit by \$256,402. At June 30, 2017, these accounts did not exceed the FDIC limit. Casa de Esperanza has not experienced any losses from these deposits and management believes there is no significant credit risk.

Income Taxes - Casa de Esperanza is exempt from income taxes under Internal Revenue Code Section 501(c)(3) and applicable Minnesota Statutes, except to the extent it has taxable income from activities that are not related to its exempt purpose. Management believes Casa de Esperanza did not have any unrelated business income in 2018 or 2017.

Management believes that it has appropriate support for any tax positions taken, and accordingly, the Organization does not have any uncertain tax positions that are material to the financial statements.

Reclassifications - Reclassifications were made to the 2017 financial statements to be consistent with the current year financial statements. These reclassifications did not affect net assets or the change in net assets.

3. RESTRICTED CASH

Cash is restricted at June 30, 2018 and 2017 as follows:

	<u>2018</u>	<u>2017</u>
Temporarily restricted net assets	\$ 265,877	\$ 113,842
Fiscal agent - included in accounts payable	14,570	-
Deferred revenue	-	13,810
	<u>\$ 280,447</u>	<u>\$ 127,652</u>

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

4. UNEMPLOYMENT FUND DEPOSIT

Casa de Esperanza has elected to opt out of the State of Minnesota's tax-rated unemployment system and become a direct reimbursing employer. As a reimbursing employer, the Organization pays dollar for dollar for benefits paid to its former employees should there be a claim. The Organization uses Unemployment Services Trust (UST) to manage assets set aside for payment of claims and to monitor claims. UST is a grantor trust created by and for nonprofit organizations. The Organization's UST account balance of \$27,449 and \$32,044, at June 30, 2018 and 2017, respectively, is included in prepaid expenses.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2018</u>	<u>2017</u>	<u>Depreciation lives-years</u>
Land	\$ 25,000	\$ 25,000	-
Building and building improvements	349,584	349,584	7-30
Furniture and equipment	<u>149,044</u>	<u>107,667</u>	3-10
Total	523,628	482,251	
Less accumulated depreciation	<u>(434,723)</u>	<u>(431,835)</u>	
Net property and equipment	<u><u>\$ 88,905</u></u>	<u><u>\$ 50,416</u></u>	

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets result from restrictions on contributions received from donors. The restrictions expire over time or when the stated purpose has been met. Temporarily restricted net assets consist of the following:

	2018	2017
Time restricted for future periods	\$ 42,500	\$ 193,500
Purpose restrictions:		
Implementation of a community engagement strategy	25,000	25,370
National Domestic Violence Awareness Programs	205,877	8,900
Family advocacy - transitional housing	75,000	119,572
New office space	-	35,000
Resource development - capacity building	30,000	-
Develop brand strategy	20,000	-
	\$ 398,377	\$ 382,342

Corresponding temporarily restricted assets consist of the following:

	2018	2017
Cash - restricted	\$ 265,877	\$ 113,842
Contributions receivable	132,500	268,500
	\$ 398,377	\$ 382,342

As of June 30, 2017, Casa de Esperanza had spent \$53,435 of donor restricted funds on general operations. Casa de Esperanza repaid the donor restricted funds during fiscal year 2018 when grants receivable were collected.

Net assets released from restrictions consisted of the following:

Use restrictions	\$ 372,965
Time restrictions	136,000
	\$ 508,965

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

7. **LINE OF CREDIT**

Casa de Esperanza had a \$100,000 line of credit with Bremer Bank with interest at the prime rate plus two-and-a-half percent (6.50% at June 30, 2017), not to drop below 4.5% at any time. The line of credit expired on February 11, 2018. A mortgage on the building secured the line of credit. In March 2017, the Organization opened a second \$100,000 line of credit with Bremer Bank with interest at the prime rate plus two-and-a-half percent (6.50% at June 30, 2017), not to drop below 4.0% at any time. The line of credit expired on February 11, 2018. In February 2018 the lines of credit were consolidated into one \$250,000 line of credit with Bremer Bank with interest at the prime rate plus two-and-a-half percent (7.50% at June 30, 2018), not to drop below 4.0% at any time. The line of credit will expire on February 11, 2020. The line of credit is secured by the Organization's accounts receivable. At June 30, 2018 and 2017, \$150,000 and \$175,553 has been advanced on the lines of credit.

8. **RETIREMENT PLAN**

Casa de Esperanza has a Tax Deferred Annuity Savings Plan in accordance with Section 403(b) of the Internal Revenue Code. An employee becomes eligible to make voluntary contributions to the plan beginning the first payroll period after the date of hire. During 2018 and 2017, Casa de Esperanza did not make employer contributions to the plan.

9. **OPERATING LEASES**

Casa de Esperanza was leasing its office space under the terms of various operating lease agreements that expire on or before August 31, 2018. In June 2018 a new lease for office space was signed expiring on June 30, 2025. In addition to base rent for operating space, Casa de Esperanza pays its share of operating costs. Total rent expense was \$66,506 and \$63,200 for 2018 and 2017, respectively.

Casa de Esperanza leases certain office equipment under an operating lease which expires in December 2019. Lease expense was \$5,724 for both 2018 and 2017.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2018 and 2017

9. OPERATING LEASES (Continued)

Future minimum rental payments for the years ending June 30 are as follows:

2019	\$ 116,868
2020	125,634
2021	122,772
2022	125,400
2023	125,400
Thereafter	256,488
	<u>\$ 872,562</u>

10. ECONOMIC DEPENDENCY

Casa de Esperanza received approximately 78% of its revenues and support from federal, state and local governments for 2018 and 2017. A significant reduction in the level of this support would have an effect on Casa de Esperanza's programs and services and could prevent Casa de Esperanza from continuing in its present form.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 10, 2018, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

CASA DE ESPERANZA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor Identifying Number	Award Amount	Federal Expenditures
Department of Justice, Violence Against Women Office:				
Direct program:				
OVW Technical Assistance Initiative	16.526			
Award # 2014-TA-AX-K041		N/A	\$ 500,000	\$ 154,882
Award # 2015-TA-AX-K007		N/A	550,000	170,435
Award # 2015-TA-AX-K053		N/A	300,000	96,170
Award # 2016-TA-AX-K038		N/A	450,000	319,434
Award # 2016-TA-AX-K039		N/A	450,000	179,620
Award # 2016-TA-AX-K040		N/A	400,000	29,438
Award # 2016-TA-AX-K041		N/A	420,000	101,587
Award # 2016-TA-AX-K051		N/A	600,000	232,868
				<u>1,284,434</u>
Direct program:				
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault Award # 2017-WH-AX-0001	16.736	N/A	350,000	8,853
Passed through Tubman				
Legal Assistance for Victims Grant	16.524	Award #2016-WL-AX-0038	17,243	4,290
Direct program:				
Consolidated And Technical Assistance Grant Program to Address Children and Youth Experiencing Domestic and Sexual Violence and Engage Men and Boys as Allies Award # 2016-CY-AX-K004	16.888	N/A	750,000	170,813
Department of Justice:				
Passed through State of Minnesota, Department of Public Safety, Office of Justice Programs				
Crime Victim Assistance	16.575	A-CVS-2017-CASAESP-00086	375,476	40,685
Crime Victim Assistance		A-CVS-2018-CASAESP-00098	747,716	352,855
				<u>393,540</u>
Passed through Vera Institute of Justice				
Crime Victim Assistance/Discretionary Grants	16.582			
2015 Award		2015-VF-GX-K011	63,156	24,883
2016 Award		2016-XV-GX-K015	214,782	140,387
				<u>165,270</u>
<i>Total Department of Justice</i>				<u>2,027,200</u>
Department of Health and Human Services, Administration for Children and Families:				
Direct program:				
Family Violence Prevention and Services/Discretionary Grants Award # 90EV0413	93.592	N/A	3,099,000	741,663
Passed through Futures without Violence				
Family Violence Prevention and Services/Discretionary Grants	93.592	Award #90EV0434-02-00	61,443	52,872
<i>Total Department of Health and Human Services</i>				<u>794,535</u>

(Continued)

(Continued)

CASA DE ESPERANZA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2018

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor Identifying Number	Award Amount	Federal Expenditures
Department of Homeland Security:				
Passed through Ramsey County:				
Emergency Food and Shelter National Board Program	97.024	503200-006	\$ 3,500	<u>\$ 3,500</u>
<i>Total Department of Homeland Security</i>				<u>3,500</u>
Total				<u><u>\$ 2,825,235</u></u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Casa de Esperanza under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Casa de Esperanza, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Casa de Esperanza.

Note 2. Summary of Significant Accounting Policies

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) Casa de Esperanza has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



Mahoney Ulbrich Christiansen Russ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

10 River Park Plaza, Suite 800 | Saint Paul, MN 55107

Phone: 651.227.6695 Fax: 651.227.9796 | www.mucr.com

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

To the Board of Directors
Casa de Esperanza
Saint Paul, Minnesota

We have audited the financial statements of Casa de Esperanza (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated December 10, 2018. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Casa de Esperanza'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 Casa de Esperanza's internal control. Accordingly, we do not express an opinion on the effectiveness of Casa de Esperanza's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Casa de Esperanza'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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mahoney Ulbrich
Christiansen Russ P.A.*

December 10, 2018



Mahoney Ulbrich Christiansen Russ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

10 River Park Plaza, Suite 800 | Saint Paul, MN 55107

Phone: 651.227.6695 Fax: 651.227.9796 | www.mucr.com

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Casa de Esperanza
Saint Paul, Minnesota

Report on Compliance for the Major Federal Program

We have audited Casa de Esperanza's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Casa de Esperanza's major federal program for the year ended June 30, 2018. Casa de Esperanza's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Casa de Esperanza's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about Casa de Esperanza'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 the major federal program. However, our audit does not provide a legal determination of Casa de Esperanza's compliance.

(Continued)

Opinion on the Major Federal Program

In our opinion, Casa de Esperanza complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Casa de Esperanza 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 Casa de Esperanza's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Casa de Esperanza'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

December 10, 2018

*Mahoney Ulbrich
Christiansen Russ P.A.*

CASA DE ESPERANZA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2018

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued	Unmodified		
“Going concern” emphasis-of-matter paragraph included in the auditor’s report?	_____ yes	_____ <u>X</u> no	
Internal control over financial reporting:			
• Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
• Significant deficiency(s) identified?	_____ yes	_____ <u>X</u> none reported	
Noncompliance material to financial statements noted?	_____ yes	_____ <u>X</u> no	

FEDERAL AWARDS

Internal control over major program:			
• Material weakness(es) identified?	_____ yes	_____ <u>X</u> no	
• Significant deficiency(s) identified?	_____ yes	_____ <u>X</u> none reported	
Type of auditor’s report issued on compliance for major program	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	_____ yes	_____ <u>X</u> no	
Identification of major program:	CFDA Number 93.592 – Family Violence Prevention and Services/Discretionary Grants		
Dollar threshold used to distinguish between type A and type B programs	<u>\$ 750,000</u>		
Auditee qualified as low-risk auditee?	_____ <u>X</u> yes	_____ no	

SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT

No matters were reported.

SECTION III - FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAM AUDIT

No matters were reported.