

CASA DE ESPERANZA

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2014 AND 2013**

CASA DE ESPERANZA

FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2014 and 2013

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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, 2014 and 2013, and the related statements of activities and changes in net assets, 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, 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

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 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 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, 2014, 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 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 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.*

Saint Paul, Minnesota
December 10, 2014

CASA DE ESPERANZA

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash - unrestricted	\$ 440	\$ 11,735
Cash - restricted	279,847	66,599
Total cash	<u>280,287</u>	<u>78,334</u>
Contributions receivable	168,612	236,112
Program and grant receivables	165,078	119,063
Other receivables	21	3,696
Prepaid expenses	73,449	56,601
Security deposits	4,376	4,376
Inventory	35,445	35,790
Property and equipment, net	<u>76,927</u>	<u>101,802</u>
Total assets	<u><u>\$ 804,195</u></u>	<u><u>\$ 635,774</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 137,525	\$ 94,208
Accrued payroll and related expenses	83,182	96,425
Deferred revenue	4,829	19,500
Line of credit	95,000	95,000
Capital lease obligation	<u>5,920</u>	<u>9,389</u>
Total liabilities	<u>326,456</u>	<u>314,522</u>
Net assets:		
Unrestricted net assets	29,280	18,541
Temporarily restricted net assets	<u>448,459</u>	<u>302,711</u>
Total net assets	<u>477,739</u>	<u>321,252</u>
Total liabilities and net assets	<u><u>\$ 804,195</u></u>	<u><u>\$ 635,774</u></u>

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2014
(With Comparative Totals for 2013)

	2014			2013
	Unrestricted	Temporarily restricted	Total	
Revenues and support:				
Contributions	\$ 40,609	\$ -	\$ 40,609	\$ 51,544
Contributions - in kind	12,352	-	12,352	79,128
Foundation grants	214,002	339,998	554,000	369,390
Greater Twin Cities United Way	-	262,226	262,226	262,224
Government grants and contracts	1,848,230	-	1,848,230	1,718,561
Special event revenue	-	-	-	40,442
Less: costs of direct benefits to donors	-	-	-	(20,334)
Net revenue from special events	-	-	-	20,108
Program service fees	20,484	-	20,484	39,138
Merchandise sales	5,681	-	5,681	2,656
Interest income	156	-	156	553
Other income	45,408	-	45,408	34,767
Net assets released upon satisfaction of time and purpose restrictions	456,476	(456,476)	-	-
Total revenues and support	2,643,398	145,748	2,789,146	2,578,069
Expenses:				
Program services				
Family advocacy	821,651	-	821,651	854,014
Community engagement	132,910	-	132,910	150,452
National initiatives	1,209,585	-	1,209,585	1,237,392
Total program services	2,164,146	-	2,164,146	2,241,858
Management and general	393,340	-	393,340	357,564
Fundraising	75,173	-	75,173	103,484
Total expenses	2,632,659	-	2,632,659	2,702,906
Change in net assets	10,739	145,748	156,487	(124,837)
Net assets, beginning of year	18,541	302,711	321,252	446,089
Net assets, end of year	\$ 29,280	\$ 448,459	\$ 477,739	\$ 321,252

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Revenues and support:			
Contributions	\$ 51,544	\$ -	\$ 51,544
Contributions - in kind	79,128	-	79,128
Foundation grants	173,890	195,500	369,390
Greater Twin Cities United Way	-	262,224	262,224
Government grants and contracts	1,718,561	-	1,718,561
Special event revenue	40,442	-	40,442
Less: costs of direct benefits to donors	<u>(20,334)</u>	<u>-</u>	<u>(20,334)</u>
Net revenue from special events	20,108	-	20,108
Program service fees	39,138	-	39,138
Merchandise sales	2,656	-	2,656
Interest income	553	-	553
Other income	34,767	-	34,767
Net assets released upon satisfaction of time and purpose restrictions	<u>401,093</u>	<u>(401,093)</u>	<u>-</u>
Total revenues and support	<u>2,521,438</u>	<u>56,631</u>	<u>2,578,069</u>
Expenses:			
Program services			
Family advocacy	854,014	-	854,014
Community engagement	150,452	-	150,452
National initiatives	<u>1,237,392</u>	<u>-</u>	<u>1,237,392</u>
Total program services	2,241,858	-	2,241,858
Management and general	357,564	-	357,564
Fundraising	<u>103,484</u>	<u>-</u>	<u>103,484</u>
Total expenses	<u>2,702,906</u>	<u>-</u>	<u>2,702,906</u>
Change in net assets	(181,468)	56,631	(124,837)
Net assets, beginning of year	<u>200,009</u>	<u>246,080</u>	<u>446,089</u>
Net assets, end of year	<u>\$ 18,541</u>	<u>\$ 302,711</u>	<u>\$ 321,252</u>

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2014
(With Comparative Totals for 2013)

	2014						Total	2013
	Family Advocacy	Community Engagement	National Initiatives	Program Services	Management and General	Fundraising		
Salaries	\$ 493,245	\$ 78,479	\$ 607,474	\$ 1,179,198	\$ 223,459	\$ 50,935	\$ 1,453,592	\$ 1,525,294
Payroll taxes	35,931	5,726	44,285	85,942	16,931	3,988	106,861	108,113
Employee benefits	56,549	9,889	59,151	125,589	32,573	2,407	160,569	163,212
Total salaries and benefits	585,725	94,094	710,910	1,390,729	272,963	57,330	1,721,022	1,796,619
Professional fees and contracts	24,818	3,674	278,661	307,153	37,481	11,257	355,891	316,177
Special events	-	-	-	-	-	1,500	1,500	14,620
Supplies	1,971	2,485	4,682	9,138	4,923	103	14,164	27,312
Postage and shipping	237	38	2,469	2,744	707	388	3,839	4,874
Printing and publication	3,363	1,799	2,172	7,334	4,254	96	11,684	11,672
Insurance	3,411	632	1,147	5,190	3,245	198	8,633	7,851
Occupancy:								
Rent	6,146	14,657	7,593	28,396	35,493	1,288	65,177	66,810
Utilities	10,535	1,313	-	11,848	-	-	11,848	8,694
Other	9,532	-	-	9,532	41	-	9,573	8,349
Library, training, and conferences	2,434	3,470	15,436	21,340	6,463	1,370	29,173	46,933
Telephone	11,416	4,707	5,520	21,643	10,384	1,094	33,121	32,643
Program activities and supplies	2,441	4,680	2,070	9,191	-	-	9,191	18,156
Housing services - food and supplies	28,395	-	-	28,395	-	-	28,395	30,672
Specific assistance - individuals	92,174	-	-	92,174	-	-	92,174	107,481
Cost of sales	-	-	4,698	4,698	-	-	4,698	6,448
Travel	19,074	1,260	173,027	193,361	2,520	198	196,079	166,495
Equipment rental and maintenance	3,536	21	78	3,635	147	13	3,795	2,805
Interest expense	-	-	-	-	3,723	-	3,723	3,560
Depreciation	16,329	-	-	16,329	8,546	-	24,875	20,106
Miscellaneous expenses	114	80	1,122	1,316	2,450	338	4,104	4,629
	<u>\$ 821,651</u>	<u>\$ 132,910</u>	<u>\$ 1,209,585</u>	<u>\$ 2,164,146</u>	<u>\$ 393,340</u>	<u>\$ 75,173</u>	<u>\$ 2,632,659</u>	<u>\$ 2,702,906</u>

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2013

	Family Advocacy	Community Engagement	National Initiatives	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 501,916	\$ 79,575	\$ 667,098	\$ 1,248,589	\$ 217,351	\$ 59,354	\$ 1,525,294
Payroll taxes	35,881	5,677	48,028	89,586	14,495	4,032	108,113
Employee benefits	64,965	9,091	57,621	131,677	25,694	5,841	163,212
Total salaries and benefits	602,762	94,343	772,747	1,469,852	257,540	69,227	1,796,619
Professional fees and contracts	21,897	5,249	234,175	261,321	39,486	15,370	316,177
Special events	703	434	11,727	12,864	-	1,756	14,620
Supplies	6,123	3,965	6,851	16,939	8,946	1,427	27,312
Postage and shipping	228	54	2,815	3,097	1,098	679	4,874
Printing and publication	3,039	1,371	4,739	9,149	2,037	486	11,672
Insurance	3,482	627	2,190	6,299	1,296	256	7,851
Occupancy:							
Rent	-	21,292	21,553	42,845	19,329	4,636	66,810
Utilities	7,634	1,060	-	8,694	-	-	8,694
Other	8,204	-	-	8,204	145	-	8,349
Library, training, and conferences	1,318	2,694	32,721	36,733	5,823	4,377	46,933
Telephone	11,061	6,463	6,047	23,571	6,700	2,372	32,643
Program activities and supplies	4,680	10,878	2,138	17,696	-	-	17,696
Housing services - food and supplies	30,672	-	-	30,672	-	-	30,672
Specific assistance - individuals	107,941	-	-	107,941	-	-	107,941
Cost of sales	-	-	6,448	6,448	-	-	6,448
Travel	24,884	1,919	131,779	158,582	5,902	2,011	166,495
Equipment rental and maintenance	2,266	33	85	2,384	404	17	2,805
Interest expense	-	-	-	-	3,560	-	3,560
Depreciation	17,045	70	103	17,218	2,872	16	20,106
Miscellaneous expenses	75	-	1,274	1,349	2,426	854	4,629
	<u>\$ 854,014</u>	<u>\$ 150,452</u>	<u>\$ 1,237,392</u>	<u>\$ 2,241,858</u>	<u>\$ 357,564</u>	<u>\$ 103,484</u>	<u>\$ 2,702,906</u>

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2014 and 2013

Increase (Decrease) in Cash

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Change in net assets	\$ 156,487	\$ (124,837)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	24,875	20,106
Donated property and equipment	-	(14,955)
Changes in operating assets and liabilities:		
Contributions receivable	67,500	(36,991)
Program and grant receivables	(46,015)	57,629
Other receivables	3,675	(3,642)
Prepaid expenses	(16,848)	43,658
Inventory	345	6,448
Accounts payable	43,317	(87,807)
Accrued payroll and related expenses	(13,243)	14,550
Deferred revenue	(14,671)	10,500
Net cash from operating activities	<u>205,422</u>	<u>(115,341)</u>
Cash flows from financing activities:		
Payments on capital lease obligation	(3,469)	(1,293)
Net cash from financing activities	<u>(3,469)</u>	<u>(1,293)</u>
Net increase (decrease) in cash	201,953	(116,634)
Cash, beginning of year	<u>78,334</u>	<u>194,968</u>
Cash, end of year	<u>\$ 280,287</u>	<u>\$ 78,334</u>
Supplemental cash flow information:		
Cash paid for interest	\$ 3,723	\$ 3,560
Noncash investing and financing activities:		
Property and equipment purchased with a capital lease	\$ -	\$ 10,682
Property and equipment received from donation	\$ -	\$ 14,955

See accompanying notes to financial statements.

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2014 and 2013

1. ORGANIZATION

Casa de Esperanza (the Organization) is a national Latina organization that mobilizes Latinas and Latino communities to end domestic violence. Rooted in Latino values, the Organization proactively addresses the causes and impact of violence in the home. Casa de Esperanza creates family support systems; changes community attitudes about domestic violence; facilitates community networks; and increases Latinos' access to resources and support across the country. Headquartered in Saint Paul, Minnesota, Casa de Esperanza's work is comprised of three areas:

Family Advocacy - Casa de Esperanza's Latina-based advocacy is based on the conviction that each woman who has experienced domestic violence knows what is best for her and her family; Family Advocates follow her lead and support her decisions. Casa de Esperanza works with women and children who find safety at the shelter, *El Refugio*, and with Latinas living in the community. The 24/7 bilingual crisis line provides support and information to thousands of callers each year.

Community Engagement - Casa de Esperanza believes that strong communities and social networks decrease domestic violence. Cultivating leadership, facilitating connections and resources, and changing attitudes about violence in the home are key elements in mobilizing communities to prevent and end domestic violence. This work focuses on building leadership, community connections and social support, and developing key partnerships to increase access to services and resources. Two neighborhood Information and Resource Centers provide access to technology and other information critical to Latin@s daily lives. Leadership development and peer education opportunities are available to Latin@ teens and adults, who also focus on developing community action projects that promote the well-being of Latin@ communities.

National Initiatives - Casa de Esperanza is a national leader in improving services and access for Latino families experiencing domestic violence. The Organization's National Latin@ Network for Healthy Families and Communities offers connections, resources, training and tools to organizations and individuals serving Latino communities. Casa de Esperanza supports the network with:

- The National Latin@ Research Center on Family and Social Change, centered in Atlanta, Georgia.
- A public policy initiative that takes research findings and Latino voice to legislative tables in Washington, DC, then translates and disseminates policy decisions for network members and local communities throughout the country.
- Training and technical assistance (TA) funded by the Office on Violence Against Women, Department of Justice. Casa de Esperanza provides TA nationally to organizations serving Latino families and culturally specific organizations.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2014 and 2013

1. **ORGANIZATION (Continued)**

Casa de Esperanza is supported primarily through contributions, government grants and reimbursements, foundation grants, and the Greater Twin Cities United Way.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Use of Estimates - The preparation of financial statements in conformity 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.

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 Reimbursements - Government grants and reimbursement 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.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2014 and 2013

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All program and grant receivables are deemed to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded at June 30, 2014 and 2013.

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.

Donated Services and Materials - Donated materials are recorded as contributions at their estimated fair market value in the period received. During 2013, Casa de Esperanza received donations of software and software licenses of \$14,955. 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 2014, contributed professional and consulting services valued at \$10,000 were received for program purposes, \$2,352 for management and general purposes, and \$ - for fundraising purposes. During 2013, Casa de Esperanza received contributed professional and consulting services valued at \$45,000 for program purposes, \$11,673 for management and general purposes, and \$7,500 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.

Functional Expenses - Expenses have been recorded 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, 2014, these accounts exceeded the FDIC limit by approximately \$52,000. These accounts did not exceed FDIC limits at June 30, 2013. Casa de Esperanza has not experienced any losses from these deposits and management believes there is no significant credit risk.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2014 and 2013

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 businesses that are not related to its exempt purpose. Management believes Casa de Esperanza did not have any unrelated business income in 2014 or 2013. The Organization believes that it has appropriate support for any tax positions taken, and accordingly, does not have any uncertain tax positions that are material to the financial statements.

Casa de Esperanza is not currently under examination by any taxing jurisdiction. Federal and state tax authorities have the right to examine the current and prior three years' returns. Any interest or penalties associated with tax positions are reported as such within the management and general expenses category. For 2014 and 2013, there were no such interest or penalties recorded in the accompanying financial statements.

3. **CONTRIBUTIONS RECEIVABLE**

Contributions receivable are due in 2015.

4. **UNEMPLOYMENT FUND DEPOSIT**

Casa de Esperanza has elected to opt out of participation in the Minnesota Unemployment Insurance Program. Casa de Esperanza is self-insured for unemployment claims through Unemployment Services Trust (UST). Contributions to UST are accumulated and used to pay future claims. Casa de Esperanza could be required to make additional payments if claims exceeded the accumulated contributions. The unemployment fund deposit at June 30, 2014 and 2013, was \$52,452 and \$47,850, respectively, and is included in prepaid expenses.

5. **PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

	<u>2014</u>	<u>2013</u>	<u>Depreciation lives-years</u>
Land	\$ 25,000	\$ 25,000	-
Building and building improvements	340,959	340,959	7-30
Furniture and equipment	<u>125,722</u>	<u>125,722</u>	3-10
Total	491,681	491,681	
Less accumulated depreciation	<u>(414,754)</u>	<u>(389,879)</u>	
Net property and equipment	<u>\$ 76,927</u>	<u>\$ 101,802</u>	

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2014 and 2013

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:

	<u>2014</u>	<u>2013</u>
Implementation of a community engagement strategy	\$ 152,794	\$ 101,598
National Domestic Violence Awareness Programs	214,327	-
Grants for future periods	37,500	163,612
Transitional housing	<u>43,838</u>	<u>37,501</u>
	<u>\$ 448,459</u>	<u>\$ 302,711</u>

Corresponding temporarily restricted assets consist of the following:

	<u>2014</u>	<u>2013</u>
Cash - restricted	\$ 279,847	\$ 66,599
Contributions receivable	<u>168,612</u>	<u>236,112</u>
	<u>\$ 448,459</u>	<u>\$ 302,711</u>

7. **LINE OF CREDIT**

Casa de Esperanza has a \$100,000 line of credit with Bremer Bank with interest at the prime rate plus two-and-a-half percent (5.75% at June 30, 2014), not to drop below 4.5% at any time. The line of credit expires on February 9, 2015. A mortgage on the building secures the line of credit. At June 30, 2014 and 2013, \$95,000 has been advanced on the line of credit.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2014 and 2013

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 2014 and 2013, Casa de Esperanza did not make contributions to the plan.

9. **OPERATING LEASES**

Casa de Esperanza leases its office space under the terms of various operating lease agreements that expire prior to or on August 31, 2015. In addition to base rent for operating space, Casa de Esperanza pays its share of operating costs. Total rent expense was \$65,177 and \$66,810 for 2014 and 2013, respectively.

Casa de Esperanza also leases certain office equipment under an operating lease which expires in December 2014. Lease expense was \$4,699 and \$4,896 for 2014 and 2013, respectively.

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

2015	\$ 55,258
2016	<u>8,990</u>
	<u>\$ 64,248</u>

10. **CAPITAL LEASE**

During 2013, Casa de Esperanza entered into a capital lease for a server. At June 30, 2014, the cost of the server under the capital lease is \$10,682 and the corresponding accumulated depreciation is \$4,762.

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

2015	\$ 3,792
2016	<u>2,338</u>
	6,130
Less interest	<u>(210)</u>
	<u>\$ 5,920</u>

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2014 and 2013

11. **COMMITMENTS AND CONTINGENCIES**

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Such audits could result in claims against Casa de Esperanza for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

The Organization provides certain postemployment benefits to former employees after employment but before retirement on a case by case basis. Benefits may include salary continuation, severance benefits, disability benefits, continuation of health care benefits and worker's compensation benefits. It is not practicable for the Organization to reasonably estimate the amount of its liability for postemployment benefits; accordingly, no liability has been recognized in the accompanying statements of financial position. The Organization recognizes the costs of postemployment benefits when actually paid. No postemployment benefit costs were incurred in 2014 and 2013.

12. **ECONOMIC DEPENDENCY**

Casa de Esperanza received approximately 66% and 67% of its revenue and support from federal, state and local governments for 2014 and 2013, respectively. Casa de Esperanza also received approximately 9% and 10% of its support from United Way for 2014 and 2013, respectively. 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.

13. **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 10, 2014, 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, 2014

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 programs:				
OVW Technical Assistance Initiative	16.526			
Award #2009-TA-AX-K007		N/A	\$ 1,515,000	\$ 311,912
Award #2011-TA-AX-K047		N/A	700,000	165,674
Award #2013-TA-AX-K015		N/A	400,000	77,104
Passed through Fund for the City of New York-Center for Court Innovation				
OVW Technical Assistance Initiative	16.526			
Award #2012-TA-AX-K023		2012-TA-AX-K023	97,504	<u>52,207</u>
				<u>606,897</u>
Direct programs:				
Services to Advocate for and Respond to Youth	16.018			
Award #2010-WY-AX-K022		N/A	300,000	51,740
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault				
Award # 2012-WH-AX-0070	16.736	N/A	300,000	74,976
Department of Justice, Bureau of Justice Assistance:				
Passed through State of Minnesota Department of Public Safety, Office of Justice Programs				
Edward Byrne Memorial Justice Assistance Grant Program	16.738			
Byrne Justice Assistance Grants 2011		A-JAG-2011-CASAESP-00050	60,000	<u>52,830</u>
<i>Total Department of Justice</i>				<u>786,443</u>
Department of Health and Human Services, Administration for Children and Families:				
Direct programs:				
Family Violence Prevention and Services/Discretionary Grants	93.592			
Award # 90EV0413		N/A	1,689,000	522,222
Passed through State of Minnesota Department of Public Safety, Office of Justice Programs				
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671			
Ongoing Crime Victim Services 2014 Grant		A-CVS-2014-CASAESP-00015	56,000	<u>56,000</u>
<i>Total Department of Health and Human Services</i>				<u>578,222</u>

(Continued)

CASA DE ESPERANZA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2014

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	\$ 3,000	\$ 1,500
<i>Total Department of Homeland Security</i>				<u>1,500</u>
Total				<u>\$ 1,366,165</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, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.



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**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, 2014, and the related statements of activities and changes in net assets, 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, 2014. 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 Casa de Esperanza's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Casa de Esperanza's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Mahoney Ulbrich
Christiansen Russ P.A.*

Saint Paul, Minnesota
December 10, 2014



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR
FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on Casa de Esperanza's major federal program for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 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 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, 2014.

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 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 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Mahoney Ulbrich
Christiansen Russ P.A.*

Saint Paul, Minnesota
December 10, 2014

CASA DE ESPERANZA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

SECTION I – SUMMARY OF AUDITOR’S RESULTS

FINANCIAL STATEMENTS

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

FEDERAL AWARDS

Internal control over major program:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(s) identified? _____ yes X 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 Section 510(a) of OMB Circular A-133? _____ yes X 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 \$ 300,000

Auditee qualified as low-risk auditee? X yes _____ no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.