

CASA DE ESPERANZA

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2017 AND 2016**

CASA DE ESPERANZA

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2017 and 2016

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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, 2017 and 2016, 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, 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.

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 January 18, 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.*

January 18, 2018

CASA DE ESPERANZA

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash - unrestricted	\$ (53,435)	\$ 35,337
Cash - restricted	127,652	328,669
Total cash	74,217	364,006
Contributions receivable	268,500	228,499
Program and grant receivables	480,576	250,468
Other receivables	-	1,279
Prepaid expenses	86,024	51,979
Security deposits	4,376	4,376
Inventory	22,420	28,821
Property and equipment, net	50,416	47,489
Total assets	\$ 986,529	\$ 976,917
LIABILITIES AND NET ASSETS		
Line of credit	\$ 175,553	\$ 99,291
Accounts payable	144,150	125,175
Accrued payroll and related expenses	199,805	147,984
Deferred revenue	13,810	11,343
Total liabilities	533,318	383,793
Net assets:		
Unrestricted net assets	70,869	47,299
Temporarily restricted net assets	382,342	545,825
Total net assets	453,211	593,124
Total liabilities and net assets	\$ 986,529	\$ 976,917

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	2017			2016
	Unrestricted	Temporarily Restricted	Total	
Revenues and support:				
Contributions	\$ 52,316	\$ -	\$ 52,316	\$ 46,950
Contributions - in kind	8,884	-	8,884	9,327
Foundation grants	94,042	287,720	381,762	765,044
Greater Twin Cities United Way	-	206,000	206,000	262,112
Government grants and contracts	2,856,171	-	2,856,171	2,287,854
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	15,083
Merchandise sales	3,996	-	3,996	2,740
Interest income	533	-	533	57
Other income	18,128	-	18,128	19,521
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	3,408,688
Expenses:				
Program services				
Family advocacy	912,787	-	912,787	913,919
Community engagement	229,610	-	229,610	185,024
National initiatives	1,984,090	-	1,984,090	1,544,534
Total program services	3,126,487	-	3,126,487	2,643,477
Management and general	551,802	-	551,802	453,584
Fundraising	107,460	-	107,460	190,214
Total expenses	3,785,749	-	3,785,749	3,287,275
Change in net assets	23,570	(163,483)	(139,913)	121,413
Net assets, beginning of year	47,299	545,825	593,124	471,711
Net assets, end of year	<u>\$ 70,869</u>	<u>\$ 382,342</u>	<u>\$ 453,211</u>	<u>\$ 593,124</u>

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues and support:			
Contributions	\$ 46,950	\$ -	\$ 46,950
Contributions - in kind	9,327	-	9,327
Foundation grants	241,045	523,999	765,044
Greater Twin Cities United Way	-	262,112	262,112
Government grants and contracts	2,287,854	-	2,287,854
Program service fees	15,083	-	15,083
Merchandise sales	2,740	-	2,740
Interest income	57	-	57
Other income	19,521	-	19,521
Net assets released upon satisfaction of time and purpose restrictions	678,710	(678,710)	-
	<u>3,301,287</u>	<u>107,401</u>	<u>3,408,688</u>
Expenses:			
Program services			
Family advocacy	913,919	-	913,919
Community engagement	185,024	-	185,024
National initiatives	1,544,534	-	1,544,534
Total program services	<u>2,643,477</u>	<u>-</u>	<u>2,643,477</u>
Management and general	453,584	-	453,584
Fundraising	190,214	-	190,214
	<u>3,287,275</u>	<u>-</u>	<u>3,287,275</u>
Change in net assets	14,012	107,401	121,413
Net assets, beginning of year	<u>33,287</u>	<u>438,424</u>	<u>471,711</u>
Net assets, end of year	<u>\$ 47,299</u>	<u>\$ 545,825</u>	<u>\$ 593,124</u>

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2017
(With Comparative Totals for 2016)

	2017						Total	2016
	Family Advocacy	Community Engagement	National Initiatives	Total Program Services	Management and General	Fundraising		
Salaries	\$ 635,748	\$ 143,151	\$ 1,222,012	\$ 2,000,911	\$ 294,333	\$ 83,490	\$ 2,378,734	\$ 1,914,849
Payroll taxes	46,560	10,056	90,453	147,069	21,083	5,944	174,096	139,325
Employee benefits	76,821	23,681	125,068	225,570	23,548	10,010	259,128	210,053
Total salaries and benefits	759,129	176,888	1,437,533	2,373,550	338,964	99,444	2,811,958	2,264,227
Professional fees and contracts	5,745	14,523	159,041	179,309	81,547	1,935	262,791	367,110
Special events	424	7,143	-	7,567	-	-	7,567	959
Supplies	8,585	7,658	29,116	45,359	15,358	339	61,056	39,189
Postage and shipping	101	7	3,252	3,360	1,686	383	5,429	6,996
Printing and publication	1,011	448	5,222	6,681	6,371	956	14,008	11,135
Insurance	-	250	-	250	8,974	-	9,224	9,441
Occupancy:								
Rent	3,000	480	-	3,480	59,720	-	63,200	64,641
Utilities	9,554	-	-	9,554	-	-	9,554	8,561
Other	11,553	219	4,092	15,864	2,619	900	19,383	18,960
Library, training, and conferences	2,138	835	21,220	24,193	7,744	371	32,308	27,809
Telephone	19,184	1,855	10,176	31,215	12,471	18	43,704	34,219
Program activities and supplies	2,637	17,024	42,052	61,713	-	-	61,713	28,702
Housing services - food and supplies	26,550	-	-	26,550	-	-	26,550	28,588
Specific assistance - individuals	26,648	-	-	26,648	-	-	26,648	88,509
Cost of sales	-	-	6,743	6,743	-	-	6,743	4,679
Travel	18,884	1,910	261,310	282,104	9,532	1,536	293,172	258,396
Bad debts	-	-	2,496	2,496	-	-	2,496	-
Equipment rental and maintenance	11,406	-	-	11,406	1,211	-	12,617	4,473
Interest expense	-	-	-	-	2,890	-	2,890	1,316
Depreciation	5,698	-	-	5,698	-	-	5,698	11,856
Miscellaneous expenses	540	370	1,837	2,747	2,715	1,578	7,040	7,509
	<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>	<u>\$ 3,287,275</u>

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	Family Advocacy	Community Engagement	National Initiatives	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 580,801	\$ 122,402	\$ 835,249	\$ 1,538,452	\$ 246,139	\$ 130,258	\$ 1,914,849
Payroll taxes	42,715	8,552	62,574	113,841	16,474	9,010	139,325
Employee benefits	69,274	22,285	81,963	173,522	21,839	14,692	210,053
Total salaries and benefits	692,790	153,239	979,786	1,825,815	284,452	153,960	2,264,227
Professional fees and contracts	6,992	2,850	269,448	279,290	58,197	29,623	367,110
Special events	-	959	-	959	-	-	959
Supplies	11,030	4,180	14,180	29,390	8,903	896	39,189
Postage and shipping	478	40	4,296	4,814	1,718	464	6,996
Printing and publication	2,934	718	4,526	8,178	2,503	454	11,135
Insurance	-	544	-	544	8,897	-	9,441
Occupancy:							
Rent	3,000	2,383	2,039	7,422	57,219	-	64,641
Utilities	8,469	92	-	8,561	-	-	8,561
Other	11,259	117	6,054	17,430	1,491	39	18,960
Library, training, and conferences	8,052	483	12,885	21,420	4,473	1,916	27,809
Telephone	14,497	2,666	4,782	21,945	12,261	13	34,219
Program activities and supplies	1,483	13,148	14,071	28,702	-	-	28,702
Housing services - food and supplies	28,588	-	-	28,588	-	-	28,588
Specific assistance - individuals	88,509	-	-	88,509	-	-	88,509
Cost of sales	-	-	4,679	4,679	-	-	4,679
Travel	26,112	3,605	224,891	254,608	2,366	1,422	258,396
Equipment rental and maintenance	3,540	-	-	3,540	933	-	4,473
Interest expense	-	-	-	-	1,316	-	1,316
Depreciation	6,159	-	-	6,159	5,697	-	11,856
Miscellaneous expenses	27	-	2,897	2,924	3,158	1,427	7,509
	<u>\$ 913,919</u>	<u>\$ 185,024</u>	<u>\$ 1,544,534</u>	<u>\$ 2,643,477</u>	<u>\$ 453,584</u>	<u>\$ 190,214</u>	<u>\$ 3,287,275</u>

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2017 and 2016

Increase (Decrease) in Cash

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ (139,913)	\$ 121,413
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	5,698	11,856
Changes in operating assets and liabilities:		
Contributions receivable	(40,001)	(7,387)
Program and grant receivables	(230,108)	(44,635)
Other receivables	1,279	(1,169)
Prepaid expenses	(34,045)	1,732
Inventory	6,401	4,679
Accounts payable	18,975	(11,249)
Accrued payroll and related expenses	51,821	46,777
Deferred revenue	2,467	8,819
Net cash from operating activities	(357,426)	130,836
Cash flows from investing activities:		
Purchase of property and equipment	(8,625)	-
Net cash from investing activities	(8,625)	-
Cash flows from financing activities:		
Advances on line of credit, net	76,262	291
Payments on capital lease obligation	-	(2,305)
Net cash from financing activities	76,262	(2,014)
Net increase (decrease) in cash	(289,789)	128,822
Cash, beginning of year	364,006	235,184
Cash, end of year	\$ 74,217	\$ 364,006
Supplemental cash flow information:		
Cash paid for interest	\$ 2,890	\$ 1,316

See accompanying notes to financial statements.

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

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 approximately 80 women and children who find safety at our shelter—El Refugio (24/7), and with thousands of callers who access support and information through our 24/7 bilingual crisis line. Our community advocacy initiative provides strengths-based advocacy services for over 500 Latinas and their children in the community experiencing domestic violence. Transitional housing support and other critical services are also provided.

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. Our Fuerza Unida (united in strength) Amig@s initiative provides community leadership development training to youth (girls and boys) and adults (women and men) and utilizes community mobilizing techniques to engage the community in action projects focused on Latin@ community well-being. Our Amig@s reaches up to 3,000 community members annually. Our youth Amig@s also organize an annual youth conference for approximately 50 youth. Casa de Esperanza also partners with numerous other organizations and community leaders to create action agendas for engaging community members and to infuse information, resources, and support into Latino communities.

National initiatives - Casa de Esperanza is a national leader in improving services and access for Latin@ families experiencing domestic violence. The organization's National Latin@ Network for healthy families and communities (NLN) offers connections, resources, training and tools to organizations and individuals serving Latino communities. The NLN serves approximately 8,000 individuals annually through:

- Training and technical assistance (TA) for organizations and systems serving Latin@ families and communities and also provides training/TA to other culturally specific organizations
- A national Latin@ research and evaluation center on family and social change

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

1. ORGANIZATION (Continued)

- A public policy initiative that takes research findings and Latin@ voice to legislative tables in Washington, DC, then translates and disseminates policy decisions for network members and local communities throughout the country
- Access to culturally-relevant products and other tools and resources.

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

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.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2017 and 2016.

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, 2017 are due in 2018.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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. During 2016, Casa de Esperanza received a computer valued at \$843 and contributed professional services valued at \$8,484 for management and general 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 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, 2017, these accounts did not exceed the FDIC limit. At June 30, 2016, these accounts exceeded the FDIC limit by approximately \$120,000. 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 2017 or 2016.

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 2016 financial statements to be consistent with the current year financial statements. These reclassifications did not affect net assets or the change in net assets.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

3. RESTRICTED CASH

Cash is restricted at June 30, 2017 and 2016 as follows:

	<u>2017</u>	<u>2016</u>
Temporarily restricted net assets	\$ 113,842	\$ 317,326
Deferred revenue	<u>13,810</u>	<u>11,343</u>
	<u>\$ 127,652</u>	<u>\$ 328,669</u>

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 \$32,044 and \$36,572, at June 30, 2017 and 2016, respectively, is included in prepaid expenses.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2017</u>	<u>2016</u>	<u>Depreciation lives-years</u>
Land	\$ 25,000	\$ 25,000	-
Building and building improvements	349,584	340,959	7-30
Furniture and equipment	<u>107,667</u>	<u>107,667</u>	3-10
Total	482,251	473,626	
Less accumulated depreciation	<u>(431,835)</u>	<u>(426,137)</u>	
Net property and equipment	<u>\$ 50,416</u>	<u>\$ 47,489</u>	

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

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:

	2017	2016
Time restricted for future periods	\$ 193,500	\$ 141,100
Purpose restrictions:		
Implementation of a community engagement strategy	25,370	227,645
National Domestic Violence Awareness Programs	8,900	135,830
Family advocacy - transitional housing	119,572	37,500
New office space	35,000	-
Resource development - capacity building	-	3,750
	\$ 382,342	\$ 545,825

Corresponding temporarily restricted assets consist of the following:

	2017	2016
Cash - restricted	\$ 113,842	\$ 317,326
Contributions receivable	268,500	228,499
	\$ 382,342	\$ 545,825

As of June 30, 2017, Casa de Esperanza has spent \$53,435 of donor restricted funds on general operations. Casa de Esperanza intends to restore the donor restricted funds during fiscal year 2018 when grants receivable are collected.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

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 (6.50% and 6.00% at June 30, 2017 and 2016), not to drop below 4.5% at any time. The line of credit expires on February 11, 2018. A mortgage on the building secures 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 expires on February 11, 2018. At June 30, 2017 and 2016, \$175,553 and \$99,291 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 2017 and 2016, Casa de Esperanza did not make employer contributions to the plan.

9. OPERATING LEASES

Casa de Esperanza leases its office space under the terms of various operating lease agreements that expire on or before August 31, 2018. In addition to base rent for operating space, Casa de Esperanza pays its share of operating costs. Total rent expense was \$63,200 and \$64,641 for 2017 and 2016, respectively.

Casa de Esperanza leases certain office equipment under an operating lease which expires in December 2019. Lease expense was \$5,724 for both 2017 and 2016.

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

2018	\$ 63,808
2019	15,452
2020	<u>2,862</u>
	<u>\$ 82,122</u>

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2017 and 2016

10. ECONOMIC DEPENDENCY

Casa de Esperanza received approximately 79% and 67% of its revenues and support from federal, state and local governments for 2017 and 2016. Casa de Esperanza also received approximately 6% and 8% of its support from United Way for 2017 and 2016. 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 January 18, 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, 2017

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 # 2013-TA-AX-K015		N/A	\$ 400,000	\$ 81,993
Award # 2014-TA-AX-K015		N/A	275,000	77,092
Award # 2014-TA-AX-K041		N/A	500,000	223,599
Award # 2014-TA-AX-K004		N/A	450,000	225,851
Award # 2015-TA-AX-K007		N/A	300,000	110,415
Award # 2015-TA-AX-K053		N/A	300,000	88,893
Award # 2016-TA-AX-K038		N/A	450,000	106,944
Award # 2016-TA-AX-K039		N/A	450,000	153,432
Award # 2016-TA-AX-K041		N/A	420,000	43,017
Award # 2016-TA-AX-K051		N/A	600,000	<u>135,602</u>
				<u>1,246,838</u>
Passed through State of Minnesota, Department of Public Safety, Office of Justice Programs				
Violence Against Women Formula Grants	16.588	A-VAWA-2015-CASAESP-00015	130,000	43,728
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	16.888			
Award # 2016-CY-AX-K004		N/A	750,000	22,232
Department of Justice, Office for Victims of Crime:				
Passed through State of Minnesota, Department of Public Safety, Office of Justice Programs				
Crime Victim Assistance	16.575	A-CVS-2017-CASAESP-00086	334,225	293,018
Passed through Vera Institute of Justice				
Crime Victim Assistance/Discretionary Grants	16.582			
2015 Award		2015-VF-GX-K011	10,000	5,541
2016 Award		2016-XV-GX-K015	214,782	<u>24,402</u>
				<u>29,943</u>
<i>Total Department of Justice</i>				<u>1,635,759</u>
Department of Health and Human Services, Administration for Children and Families:				
Direct program:				
Family Violence Prevention and Services/Discretionary Grants	93.592			
Award # 90EV0413		N/A	3,099,000	704,529
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			
Crime Victim Services 2017 Grant		A-CVS-2017-CASAESP-00086	67,000	<u>67,000</u>
<i>Total Department of Health and Human Services</i>				<u>771,529</u>

(Continued)

(Continued)

CASA DE ESPERANZA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor Identifying Number	Award Amount	Federal Expenditures
Department of Homeland Security, Federal Emergency Management Agency:				
Passed through Ramsey County:				
Emergency Food and Shelter National Board Program	97.024	503200-006	\$ 3,000	\$ 3,000
<i>Total Department of Homeland Security</i>				<u>3,000</u>
Total				<u>\$ 2,410,288</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, 2017. 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

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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, 2017, 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 January 18, 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.*

January 18, 2018



Mahoney Ulbrich Christiansen Russ P.A.

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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, 2017. 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, 2017.

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.

*Mahoney Ulbrich
Christiansen Russ P.A.*

January 18, 2018

CASA DE ESPERANZA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2017

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 16.526 – OVW Technical Assistance Initiative		
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.