

CASA DE ESPERANZA
FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED
JUNE 30, 2013 AND 2012

CASA DE ESPERANZA

FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2013 and 2012

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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, 2013 and 2012, 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.

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, 2013 and 2012, 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 17, 2013 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 17, 2013

CASA DE ESPERANZA

STATEMENTS OF FINANCIAL POSITION

June 30, 2013 and 2012

	2013	2012
ASSETS		
Cash - unrestricted	\$ 11,735	\$ 148,009
Cash - restricted	66,599	46,959
Total cash	78,334	194,968
Contributions receivable	236,112	199,121
Program and grant receivables	119,063	176,692
Other receivables	3,696	54
Prepaid expenses	56,601	100,259
Security deposits	4,376	4,376
Inventory	35,790	42,238
Property and equipment, net	101,802	96,271
Total assets	<u>\$ 635,774</u>	<u>\$ 813,979</u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 94,208	\$ 182,015
Accrued payroll and related expenses	96,425	81,875
Deferred revenue	19,500	9,000
Line of credit	95,000	95,000
Capital lease obligation	9,389	-
Total liabilities	314,522	367,890
Net assets:		
Unrestricted net assets	18,541	200,009
Temporarily restricted net assets	302,711	246,080
Total net assets	321,252	446,089
Total liabilities and net assets	<u>\$ 635,774</u>	<u>\$ 813,979</u>

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2013
(With Comparative Totals for 2012)

	2013			2012
	Unrestricted	Temporarily restricted	Total	
Revenues and support:				
Contributions	\$ 51,544	\$ -	\$ 51,544	\$ 41,965
Contributions - in kind	79,128	-	79,128	7,800
Foundation grants	173,890	195,500	369,390	394,618
Greater Twin Cities United Way	-	262,224	262,224	262,225
Government grants and reimbursements	1,718,561	-	1,718,561	1,644,725
Special event revenue	40,442	-	40,442	353
Less: costs of direct benefits to donors	(20,334)	-	(20,334)	-
Net revenue from special events	20,108	-	20,108	353
Program service fees	39,138	-	39,138	18,045
Merchandise sales	2,656	-	2,656	9,780
Interest income	553	-	553	460
Other income	34,767	-	34,767	22,170
Net assets released upon satisfaction of time and purpose restrictions	401,093	(401,093)	-	-
Total revenues and support	2,521,438	56,631	2,578,069	2,402,141
Expenses:				
Program services				
Family advocacy	854,014	-	854,014	924,933
Community engagement	150,452	-	150,452	208,511
National initiatives	1,237,392	-	1,237,392	996,582
Total program services	2,241,858	-	2,241,858	2,130,026
Management and general	357,564	-	357,564	265,798
Fundraising	103,484	-	103,484	140,861
Total expenses	2,702,906	-	2,702,906	2,536,685
Change in net assets	(181,468)	56,631	(124,837)	(134,544)
Net assets, beginning of year	200,009	246,080	446,089	580,633
Net assets, end of year	\$ 18,541	\$ 302,711	\$ 321,252	\$ 446,089

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2012

	Unrestricted	Temporarily restricted	Total
Revenues and support:			
Contributions	\$ 41,965	\$ -	\$ 41,965
Contributions - in kind	7,800	-	7,800
Foundation grants	297,774	96,844	394,618
Greater Twin Cities United Way	116,308	145,917	262,225
Government grants and reimbursements	1,644,725	-	1,644,725
Special event revenue	353	-	353
Program service fees	18,045	-	18,045
Merchandise sales	9,780	-	9,780
Interest income	460	-	460
Other income	22,170	-	22,170
Net assets released upon satisfaction of time and purpose restrictions	352,592	(352,592)	-
Total revenues and support	2,511,972	(109,831)	2,402,141
Expenses:			
Program services			
Family advocacy	924,933	-	924,933
Community engagement	208,511	-	208,511
National initiatives	996,582	-	996,582
Total program services	2,130,026	-	2,130,026
Management and general	265,798	-	265,798
Fundraising	140,861	-	140,861
Total expenses	2,536,685	-	2,536,685
Change in net assets	(24,713)	(109,831)	(134,544)
Net assets, beginning of year	224,722	355,911	580,633
Net assets, end of year	\$ 200,009	\$ 246,080	\$ 446,089

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2013
(With Comparative Totals for 2012)

	2013					2012				
	Family Advocacy	Community Engagement	National Initiatives	Program Services	Management and General	Fundraising	Total		Total	2012
Salaries	\$ 501,916	\$ 79,575	\$ 667,098	\$ 1,248,589	\$ 217,351	\$ 59,354	\$ 1,525,294	\$	1,391,388	
Payroll taxes	35,881	5,677	48,028	89,586	14,495	4,032	108,113		99,053	
Employee benefits	64,965	9,091	57,621	131,677	25,694	5,841	163,212		186,144	
Total salaries and benefits	602,762	94,343	772,747	1,469,852	257,540	69,227	1,796,619		1,676,585	
Professional fees and contracts	21,897	5,249	234,175	261,321	39,486	15,370	316,177		283,482	
Special events	703	434	11,727	12,864	-	1,756	14,620		22,413	
Supplies	6,123	3,965	6,851	16,939	8,946	1,427	27,312		46,591	
Postage and shipping	228	54	2,815	3,097	1,098	679	4,874		5,325	
Printing and publication	3,039	1,371	4,739	9,149	2,037	486	11,672		12,692	
Insurance	3,482	627	2,190	6,299	1,296	256	7,851		7,214	
Occupancy:										
Rent	-	21,292	21,553	42,845	19,329	4,636	66,810		65,017	
Utilities	7,634	1,060	-	8,694	-	-	8,694		10,099	
Other	8,204	-	-	8,204	145	-	8,349		7,504	
Library, training, and conferences	1,318	2,694	32,721	36,733	5,823	4,377	46,933		21,403	
Telephone	11,061	6,463	6,047	23,571	6,700	2,372	32,643		28,696	
Program activities and supplies	4,680	10,878	2,138	17,696	-	-	17,696		32,237	
Housing services - food and supplies	30,672	-	-	30,672	-	-	30,672		22,089	
Specific assistance - individuals	107,941	-	-	107,941	-	-	107,941		117,122	
Cost of sales	-	-	6,448	6,448	-	-	6,448		8,628	
Travel	24,884	1,919	131,779	158,582	5,902	2,011	166,495		142,038	
Equipment rental and maintenance	2,266	33	85	2,384	404	17	2,805		2,653	
Interest expense	-	-	-	-	3,560	-	3,560		1,596	
Depreciation	17,045	70	103	17,218	2,872	16	20,106		18,683	
Miscellaneous expenses	75	-	1,274	1,349	2,426	854	4,629		4,618	
	\$ 854,014	\$ 150,452	\$ 1,237,392	\$ 2,241,858	\$ 357,564	\$ 103,484	\$ 2,702,906	\$	2,536,685	

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2012

	Family Advocacy	Community Engagement	National Initiatives	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 516,582	\$ 123,035	\$ 506,671	\$ 1,146,288	\$ 144,746	\$ 100,354	\$ 1,391,388
Payroll taxes	37,153	8,351	36,039	81,543	10,441	7,069	99,053
Employee benefits	87,092	17,069	51,227	155,388	18,814	11,942	186,144
Total salaries and benefits	640,827	148,455	593,937	1,383,219	174,001	119,365	1,676,585
Professional fees and contracts	41,671	7,499	184,260	233,430	46,908	3,144	283,482
Special events	327	-	22,086	22,413	-	-	22,413
Supplies	13,339	3,465	17,253	34,057	10,364	2,170	46,591
Postage and shipping	192	66	3,681	3,939	1,047	339	5,325
Printing and publication	2,998	2,154	4,586	9,738	2,452	502	12,692
Occupancy:							
Insurance	3,673	613	1,303	5,589	1,250	375	7,214
Rent	499	20,788	27,623	48,910	9,979	6,128	65,017
Utilities	9,145	954	-	10,099	-	-	10,099
Other	7,504	-	-	7,504	-	-	7,504
Library, training, and conferences	3,614	1,612	5,318	10,544	7,590	3,269	21,403
Telephone	10,625	6,257	6,641	23,523	2,807	2,366	28,696
Program activities and supplies	8,696	14,042	9,499	32,237	-	-	32,237
Housing services - food and supplies	22,089	-	-	22,089	-	-	22,089
Specific assistance - individuals	117,122	-	-	117,122	-	-	117,122
Cost of sales	-	-	8,628	8,628	-	-	8,628
Travel	22,660	2,142	110,344	135,146	3,941	2,951	142,038
Equipment rental and maintenance	2,424	43	121	2,588	38	27	2,653
Interest expense	-	-	-	-	1,596	-	1,596
Depreciation	17,407	421	617	18,445	140	98	18,683
Miscellaneous expenses	121	-	685	806	3,685	127	4,618
	\$ 924,933	\$ 208,511	\$ 996,582	\$ 2,130,026	\$ 265,798	\$ 140,861	\$ 2,536,685

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2013 and 2012

Increase (Decrease) in Cash

	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ (124,837)	\$ (134,544)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	20,106	18,683
Donated property and equipment	(14,955)	-
Changes in operating assets and liabilities:		
Contributions receivable	(36,991)	92,665
Program and grant receivables	57,629	102,522
Other receivables	(3,642)	226
Prepaid expenses	43,658	(22,953)
Inventory	6,448	4,515
Accounts payable	(87,807)	22,344
Accrued payroll and related expenses	14,550	11,862
Deferred revenue	10,500	-
Net cash from operating activities	(115,341)	95,320
Cash flows from investing activities:		
Purchase of property and equipment	-	(21,769)
Net cash from investing activities	-	(21,769)
Cash flows from financing activities:		
Advances (payments) on line of credit, net	-	50,000
Payment on capital lease obligation	(1,293)	-
Net cash from financing activities	(1,293)	50,000
Net increase (decrease) in cash	(116,634)	123,551
Cash, beginning of year	194,968	71,417
Cash, end of year	\$ 78,334	\$ 194,968
Supplemental cash flow information:		
Cash paid for interest	\$ 3,560	\$ 1,596
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, 2013 and 2012

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 St. Paul, MN, 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, GA.
- 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, 2013 and 2012

1. ORGANIZATION (Continued)

Casa de Esperanza is supported primarily through contributions, government grants, 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.

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. All program and grant receivables are deemed to be fully collectible. Accordingly, no allowance for doubtful accounts has been recorded at June 30, 2013 and 2012.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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-lived 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 2013, contributed professional and consulting services valued at \$45,000 were received for program purposes, \$11,673 for management and general purposes, and \$7,500 for fundraising purposes. Casa de Esperanza received contributed professional services valued at \$7,800 for management and general purposes in 2012.

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, 2013 these accounts did not exceed the FDIC limit. These accounts did exceed FDIC limits at June 30, 2012 by approximately \$3,000. 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, 2013 and 2012

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 2013 or 2012.

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 2013 and 2012, there were no such interest or penalties recorded in the accompanying financial statements.

3. CONTRIBUTIONS RECEIVABLE

Contributions receivable are due in 2014.

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, 2013 and 2012 was \$47,850 and \$75,296, respectively, and is included in prepaid expenses.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	2013	2012	Depreciation lives-years
Land	\$ 25,000	\$ 25,000	-
Building and building improvements	340,959	340,959	7-30
Furniture and equipment	125,722	135,070	3-10
Total	491,681	501,029	
Less accumulated depreciation	(389,879)	(404,758)	
Net property and equipment	<u>\$ 101,802</u>	<u>\$ 96,271</u>	

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

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>2013</u>	<u>2012</u>
Implementation of a community engagement strategy	\$ 101,598	\$ -
Research	-	19,318
Direct support for victims	-	500
Grants for future periods	163,612	161,622
Peer education	-	9,000
Enhancing program effectiveness through volunteer placement	-	3,335
Transitional housing	37,501	52,305
	<u>\$ 302,711</u>	<u>\$ 246,080</u>

Temporarily restricted net assets consist of the following:

	<u>2013</u>	<u>2012</u>
Cash – restricted	\$ 66,599	\$ 46,959
Contributions receivable	236,112	199,121
	<u>\$ 302,711</u>	<u>\$ 246,080</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, 2013), not to drop below 4.5% at any time. The line of credit expires on January 16, 2014. A mortgage on the building secures the line of credit. At June 30, 2013 and 2012, \$95,000 has been advanced on the line of credit.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

8. PENSION 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 contributions to the plan beginning the first payroll period after the date of hire. During 2013 and 2012, 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, 2014. In addition to base rent for operating space, Casa de Esperanza pays its share of operating costs. Total rent expense was \$66,810 and \$65,017 for 2013 and 2012, respectively.

Casa de Esperanza also leases certain office equipment under an operating lease which expires in December 2014. Lease expense was \$4,896 and \$8,353 for 2013 and 2012, respectively.

Future minimum rental payments are as follows:

2014	\$ 53,532
2015	<u>10,308</u>
	<u>\$ 63,840</u>

10. CAPITAL LEASES

During 2013, Casa de Esperanza entered into a capital lease for a server. At June 30, 2013, the cost of the server under the capital lease is \$10,682 and the corresponding accumulated depreciation is \$1,293.

Future minimum lease payments are as follows:

2014	\$ 3,792
2015	3,792
2016	<u>2,338</u>
	9,922
Less interest	<u>(533)</u>
	<u>\$ 9,389</u>

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2013 and 2012

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 benefits costs were paid for 2013 and 2012.

12. ECONOMIC DEPENDENCY

Casa de Esperanza received approximately 67% and 69% of its support from federal, state and local governments for 2013 and 2012, respectively. Casa de Esperanza also received approximately 10% of its support from one donor for 2013 and 2012. 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 17, 2013, 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, 2013

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	\$ 265,283
Award #2011-TA-AX-K047		N/A	700,000	160,490
Passed through Fund for the City of New York-Center for Court Innovation				
OVW Technical Assistance Initiative	16.526			
Award #2012-TA-AX-K023		N/A	120,640	5,816
				<u>431,589</u>
Direct programs:				
Services to Advocate for and Respond to Youth	16.018			
Award #2010-WY-AX-K022		N/A	300,000	107,494
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736			
Award # 2012-WH-AX-0070		N/A	500,000	43,497
Department of Justice, Office of Victims of Crime:				
Passed through State of Minnesota Department of Public Safety, Office of Justice Programs				
Crime Victim Assistance	16.575			
Ongoing Crime Victim Services 2012 Grant		A-CVS-2012-CASAESP-00156	383,420	86,426
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	6,611
				<u>675,617</u>
<i>Total Department of Justice</i>				
Department of Health and Human Services, Administration for Children and Families:				
Direct programs:				
Family Violence Prevention and Services/Battered Women's Shelters - Discretionary Grants	93.592			
Award # 90EV0413/01		N/A	1,150,000	638,870
Passed through State of Minnesota Department of Public Safety, Office of Justice Programs				
Family Violence Prevention and Services/Battered Women's Shelters - Grants to States and Indian Tribes	93.671			
Ongoing Crime Victim Services 2012 Grant		A-CVS-2012-CASAESP-00156	72,154	19,004
Ongoing Crime Victim Services 2013 Grant		A-CVS-2013-CASAESP-00092	50,000	50,000
				<u>69,004</u>
				<u>707,874</u>
<i>Total Department of Health and Human Services</i>				

(Continued)

CASA DE ESPERANZA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2013

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	\$ 3,000
<i>Total Department of Homeland Security</i>				<u>3,000</u>
Department of State, Under Secretary for Public Diplomacy and Public Affairs				
Direct programs:				
Public Diplomacy Programs	19.040			
Award # SMX53012GR483		N/A	2,180	2,180
Award # SPM07012GR092		N/A	2,640	2,640
				<u>4,820</u>
<i>Total Department of State</i>				<u>4,820</u>
Total				<u>\$ 1,391,311</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, 2013. 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, 2013, 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 17, 2013. 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.

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 report is not suitable for any other purpose.

Saint Paul, Minnesota
December 17, 2013

*Mahoney Ulbrich
Christiansen Russ P.C.*



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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, 2013. 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* (OMB Circular A-133). 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.

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, 2013.

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 17, 2013

CASA DE ESPERANZA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2013

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 16.526 – OVW Technical Assistance Initiative

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.