

CASA DE ESPERANZA

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2020 AND 2019**

CASA DE ESPERANZA

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2020 and 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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.

Changes in Accounting Principles

As discussed in Note 2 to the financial statements, Casa de Esperanza adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* and ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to those matters.

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 June 8, 2021, 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.*

June 8, 2021

CASA DE ESPERANZA

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash - unrestricted	\$ -	\$ 12,873
Cash - restricted	197,973	132,516
Total cash	197,973	145,389
Contributions receivable	100,000	25,000
Program and grant receivables	305,052	487,504
Other receivables	351	296
Prepaid expenses	77,370	77,577
Security deposits	14,376	14,376
Property and equipment, net	130,439	80,107
Total assets	\$ 825,561	\$ 830,249
LIABILITIES AND NET ASSETS		
Line of credit	\$ 115,552	\$ 236,645
Accounts payable	44,435	120,328
Accrued payroll and related expenses	257,193	260,558
PPP loan	584,800	-
Total liabilities	1,001,980	617,531
Net assets:		
Without donor restrictions	(474,392)	70,348
With donor restrictions	297,973	142,370
Total net assets	(176,419)	212,718
Total liabilities and net assets	\$ 825,561	\$ 830,249

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and support:				
Contributions	\$ 84,696	\$ -	\$ 84,696	\$ 85,509
Contributions - in kind	8,802	-	8,802	3,575
Foundation grants	177,315	453,166	630,481	377,000
Greater Twin Cities United Way	123,439	-	123,439	272
Government grants and contracts	2,626,658	-	2,626,658	3,251,458
Program service fees	91,432	-	91,432	82,101
Merchandise sales	61	-	61	1,316
Interest income	6,138	-	6,138	-
Other income	9,382	-	9,382	27,693
Net assets released upon satisfaction of time and purpose restrictions	297,563	(297,563)	-	-
Total revenues and support	<u>3,425,486</u>	<u>155,603</u>	<u>3,581,089</u>	<u>3,828,924</u>
Expenses:				
Program services				
Family advocacy	1,057,325	-	1,057,325	1,092,220
Community engagement	384,890	-	384,890	318,611
National initiatives	1,456,460	-	1,456,460	1,918,169
Total program services	<u>2,898,675</u>	<u>-</u>	<u>2,898,675</u>	<u>3,329,000</u>
Management and general	923,999	-	923,999	611,145
Fundraising	147,552	-	147,552	169,033
Total expenses	<u>3,970,226</u>	<u>-</u>	<u>3,970,226</u>	<u>4,109,178</u>
Change in net assets	(544,740)	155,603	(389,137)	(280,254)
Net assets, beginning of year	<u>70,348</u>	<u>142,370</u>	<u>212,718</u>	<u>492,972</u>
Net assets, end of year	<u>\$ (474,392)</u>	<u>\$ 297,973</u>	<u>\$ (176,419)</u>	<u>\$ 212,718</u>

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions	\$ 85,509	\$ -	\$ 85,509
Contributions - in kind	3,575	-	3,575
Foundation grants	166,000	211,000	377,000
Greater Twin Cities United Way	272	-	272
Government grants and contracts	3,251,458	-	3,251,458
Program service fees	82,101	-	82,101
Merchandise sales	1,316	-	1,316
Other income	27,693	-	27,693
Net assets released upon satisfaction of time and purpose restrictions	467,007	(467,007)	-
Total revenues and support	4,084,931	(256,007)	3,828,924
Expenses:			
Program services			
Family advocacy	1,092,220	-	1,092,220
Community engagement	318,611	-	318,611
National initiatives	1,918,169	-	1,918,169
Total program services	3,329,000	-	3,329,000
Management and general	611,145	-	611,145
Fundraising	169,033	-	169,033
Total expenses	4,109,178	-	4,109,178
Change in net assets	(24,247)	(256,007)	(280,254)
Net assets, beginning of year	94,595	398,377	492,972
Net assets, end of year	\$ 70,348	\$ 142,370	\$ 212,718

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020
(With Comparative Totals for 2019)

	2020						Total	2019
	Family Advocacy	Community Engagement	National Initiatives	Total Program Services	Management and General	Fundraising		
Salaries	\$ 585,668	\$ 242,705	\$ 1,073,696	\$ 1,902,069	\$ 623,380	\$ 83,561	\$ 2,609,010	\$ 2,654,979
Payroll taxes	43,528	18,038	79,799	141,365	46,331	6,211	193,907	200,733
Employee benefits	103,048	38,087	141,324	282,459	38,588	13,858	334,905	278,482
Total salaries and benefits	732,244	298,830	1,294,819	2,325,893	708,299	103,630	3,137,822	3,134,194
Professional fees and contracts	16,128	17,084	25,495	58,707	62,479	24,500	145,686	201,331
Supplies	12,473	5,707	4,715	22,895	8,866	2,336	34,097	32,707
Postage and shipping	156	-	354	510	1,340	101	1,951	4,203
Printing and publication	2	34	757	793	7,076	699	8,568	12,424
IT and software	21,520	5,376	29,978	56,874	23,446	1,266	81,586	76,647
Insurance	-	-	-	-	5,226	-	5,226	5,194
Occupancy:								
Rent	27,702	25,580	13,104	66,386	51,910	13,300	131,596	118,880
Utilities	7,629	-	-	7,629	-	-	7,629	10,461
Other	3,985	-	-	3,985	140	-	4,125	6,926
Library, training, and conferences	847	3,651	7,788	12,286	8,556	896	21,738	19,109
Telephone and internet	21,377	805	10,460	32,642	18,408	71	51,121	53,029
Program activities and supplies	15,898	9,168	1,066	26,132	49	-	26,181	19,545
Housing services - food and supplies	36,390	5,131	-	41,521	740	65	42,326	31,231
Specific assistance - individuals	129,397	1,956	101	131,454	-	-	131,454	72,695
Travel	20,708	11,245	58,194	90,147	1,942	51	92,140	270,739
Bad debts	5,898	-	9,629	15,527	-	-	15,527	-
Equipment rental and maintenance	2,084	-	-	2,084	588	-	2,672	9,896
Interest expense	-	-	-	-	16,278	-	16,278	8,172
Depreciation	2,887	-	-	2,887	7,189	-	10,076	8,798
Miscellaneous expenses	-	323	-	323	1,467	637	2,427	12,997
	<u>\$ 1,057,325</u>	<u>\$ 384,890</u>	<u>\$ 1,456,460</u>	<u>\$ 2,898,675</u>	<u>\$ 923,999</u>	<u>\$ 147,552</u>	<u>\$ 3,970,226</u>	<u>\$ 4,109,178</u>

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Family Advocacy	Community Engagement	National Initiatives	Total Program Services	Management and General	Fundraising	Total
Salaries	\$ 705,653	\$ 209,187	\$ 1,263,289	\$ 2,178,129	\$ 370,829	\$ 106,021	\$ 2,654,979
Payroll taxes	53,352	15,816	95,512	164,680	28,037	8,016	200,733
Employee benefits	75,498	22,366	135,444	233,308	33,980	11,194	278,482
Total salaries and benefits	834,503	247,369	1,494,245	2,576,117	432,846	125,231	3,134,194
Professional fees and contracts	25,513	11,539	95,660	132,712	43,619	25,000	201,331
Supplies	6,742	583	12,812	20,137	12,482	88	32,707
Postage and shipping	226	-	2,345	2,571	1,148	484	4,203
Printing and publication	823	-	4,022	4,845	7,579	-	12,424
Insurance	19,586	5,678	30,916	56,180	18,983	1,484	76,647
IT and software	-	-	-	-	5,194	-	5,194
Occupancy:							
Rent	22,360	26,999	16,951	66,310	38,820	13,750	118,880
Utilities	10,461	-	-	10,461	-	-	10,461
Other	6,627	-	-	6,627	299	-	6,926
Library, training, and conferences	1,743	1,869	8,788	12,400	6,364	345	19,109
Telephone and internet	17,126	1,348	16,665	35,139	17,042	848	53,029
Program activities and supplies	3,020	13,591	2,518	19,129	322	94	19,545
Housing services - food and supplies	31,171	60	-	31,231	-	-	31,231
Specific assistance - individuals	72,210	85	400	72,695	-	-	72,695
Travel	28,133	9,490	229,631	267,254	3,481	4	270,739
Bad debts	-	-	-	-	-	-	-
Equipment rental and maintenance	9,089	-	110	9,199	697	-	9,896
Interest expense	-	-	-	-	8,172	-	8,172
Depreciation	2,887	-	-	2,887	5,911	-	8,798
Miscellaneous expenses	-	-	3,106	3,106	8,186	1,705	12,997
	<u>\$ 1,092,220</u>	<u>\$ 318,611</u>	<u>\$ 1,918,169</u>	<u>\$ 3,329,000</u>	<u>\$ 611,145</u>	<u>\$ 169,033</u>	<u>\$ 4,109,178</u>

See accompanying notes to financial statements.

CASA DE ESPERANZA

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

Increase (Decrease) in Cash

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (389,137)	\$ (280,254)
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	10,076	8,798
Changes in operating assets and liabilities:		
Contributions receivable	(75,000)	107,500
Program and grant receivables	182,452	(104,447)
Other receivables	(55)	133
Prepaid expenses	207	(4,294)
Security deposits	-	(10,000)
Accounts payable	(75,893)	(64,253)
Accrued payroll and related expenses	(3,365)	28,692
Net cash from operating activities	(350,715)	(318,125)
Cash flows from investing activities:		
Purchase of property and equipment	(60,408)	-
Net cash from investing activities	(60,408)	-
Cash flows from financing activities:		
Advances (payments) on line of credit, net	(121,093)	86,645
Proceeds from PPP loan	584,800	-
Net cash from financing activities	463,707	86,645
Net increase (decrease) in cash	52,584	(231,480)
Cash, beginning of year	145,389	376,869
Cash, end of year	\$ 197,973	\$ 145,389
Supplemental cash flow information:		
Cash paid for interest	\$ 16,278	\$ 8,172

See accompanying notes to financial statements.

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

1. ORGANIZATION

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

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

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

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

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

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

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.

Implementation of New Accounting Guidance - In fiscal year 2020, the Organization adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash* using the full retrospective approach. This ASU was issued to address diversity in reporting restricted cash on the statement of cash flows, largely due to the lack of guidance. After the adoption of ASU 2016-18, restricted cash and cash equivalents must be included with the beginning and ending cash and cash equivalents shown on the statement of cash flows. Before the change, restricted cash and cash equivalents were excluded. There was no change to the 2019 beginning of year cash, cash equivalents, and restricted cash reported on the statement of cash flows.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance outlines a single, comprehensive model for accounting for revenue from contracts with customers. In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. The Organization adopted these related standards on July 1, 2019, using the modified prospective methods. The cumulative effect of adopting the new revenue standards was not material and no adjustment was recorded to net assets. No material impact on total revenue or change in net assets on an ongoing basis is expected.

Financial Statement Presentation - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

Grants, Contracts, and Contributions – The Organization recognizes contributions when cash, securities or other assets or an unconditional promise to give are received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met. Contributions are recorded when received as net assets without donor restrictions or net assets with donor restrictions depending on the existence and/or nature of any donor restrictions. Upon expiration of the time restriction or when purpose restrictions have been met, they are reclassified to net assets without donor restrictions. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized.

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions.

Revenues 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, or services performed not in compliance, the disallowance will be recorded at the time the assessment for refund is made.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

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

Contributions and grants receivable are stated at the amount management expects to collect from outstanding balances. Grants receivable represent expenditures made in accordance with the terms of the awards not yet reimbursed in cash or services performed but not paid. Funding received in advance of the incurrence of project expenditures or performance of required services is recorded as a refundable advance. Management provides for probable uncollectible amounts through a charge to expense and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to grants or contributions receivable. As of June 30, 2020 and 2019, management has estimated that all of the receivable are collectable. Accordingly, no allowance has been provided.

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 2020 and 2019, Casa de Esperanza received contributed professional services valued at \$8,802 and \$3,575 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, 2020 and 2019, these accounts did not exceed the FDIC limit. Casa de Esperanza has not experienced any losses from these deposits and management believes there is no significant credit risk.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

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 activities that are not related to its exempt purpose. Management believes Casa de Esperanza did not have any unrelated business income in 2020 or 2019.

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.

3. LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure within one year of the statement of financial position date are as follows:

Cash	\$	197,973	\$	130,243
Contributions receivable		100,000		25,000
Program and grant receivables		305,052		487,504
Other receivables		<u>351</u>		<u>296</u>
Total financial assets available within one year	\$	<u>603,376</u>	\$	<u>643,043</u>

In addition to financial assets available to meet general expenditures over the next 12 months, Casa de Esperanza, operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures.

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

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 \$41,231 and \$35,092, at June 30, 2020 and 2019, respectively, is included in prepaid expenses.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2020</u>	<u>2019</u>	<u>Depreciation lives-years</u>
Land	\$ 25,000	\$ 25,000	-
Building and building improvements	409,993	349,585	7-30
Furniture and equipment	<u>79,101</u>	<u>79,101</u>	3-10
Total	514,094	453,686	
Less accumulated depreciation	<u>(383,655)</u>	<u>(373,579)</u>	
Net property and equipment	<u><u>\$ 130,439</u></u>	<u><u>\$ 80,107</u></u>	

During 2019, \$69,943 of fully depreciated equipment that was no longer in use was disposed of by the Organization.

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CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

6. NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Time restricted for future periods	\$ 52,738	\$ 25,000
Purpose restrictions:		
Leadership development	25,000	-
National Domestic Violence Awareness Programs	100,000	117,370
Family advocacy - transitional housing	62,766	-
Covid-19 assistance	57,469	-
	\$ 297,973	\$ 142,370

Corresponding net assets with donor restrictions consist of the following:

	2020	2019
Cash - restricted	\$ 197,973	\$ 117,370
Contributions receivable	100,000	25,000
	\$ 297,973	\$ 142,370

Net assets released from restrictions consisted of the following:

	2020	2019
Use restrictions	\$ 244,825	\$ 392,007
Time restrictions	52,738	75,000
	\$ 297,563	\$ 467,007

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

7. LINE OF CREDIT

Casa de Esperanza has a \$250,000 line of credit with Bremer Bank with interest at the prime rate plus two-and-a-half percent (5.75% and 8.00% at June 30, 2020 and 2019), not to drop below 4.0% at any time. The line of credit will expire on February 11, 2022. The line of credit is secured by the Organization's accounts receivable. At June 30, 2020 and 2019, \$115,552 and \$236,645 has been advanced on the line of credit.

8. PAYROLL PROTECTION PROGRAM LOAN

In April 2020, the Organization signed an unsecured \$584,800 note payable to Bremer Bank, National Association with interest at 1.0%. The note is funded through the Payroll Protection Program (PPP), a program developed by the Federal government in response to the COVID-19 pandemic. All or a portion of this note may be forgiven if the Organization uses the proceeds from the note for payroll costs and other expenses in accordance with the requirements of the PPP. If the proceeds are not used in accordance with the PPP guidelines, the note will be required to be repaid with monthly principal and interest payments maturing April 16, 2022, the date all outstanding principal and interest is due. The Organization expects the full amount to be forgiven in 2021.

9. 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 2020 and 2019, Casa de Esperanza made employer match contributions to the plan of \$45,803 and \$37,517.

10. OPERATING LEASES

Casa de Esperanza was leasing its office space under the terms of various operating lease agreements that expire on June 30, 2025. In addition to base rent for operating space, Casa de Esperanza pays its share of operating costs. Total rent expense was \$131,596 and \$118,880 for 2020 and 2019, respectively.

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

2021	\$ 122,772
2022	125,400
2023	125,400
2024	128,244
2025	128,244
	<hr/>
	\$ 630,060
	<hr/>

(Continued)

CASA DE ESPERANZA

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2020 and 2019

11. ECONOMIC DEPENDENCY

Casa de Esperanza received approximately 74% and 85% of its revenues and support from federal, state and local governments for 2020 and 2019. 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.

12. SUBSEQUENT EVENTS

In December 2020 an unrestricted contribution of \$8,000,000 was received by the Organization.

Management has evaluated subsequent events through June 8, 2021, 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, 2020

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 # 2015-TA-AX-K007		N/A	\$ 550,000	\$ 50,626
Award # 2015-TA-AX-K053		N/A	300,000	23,506
Award # 2016-TA-AX-K038		N/A	1,200,000	147,312
Award # 2016-TA-AX-K039		N/A	450,000	162,809
Award # 2016-TA-AX-K040		N/A	900,000	85,097
Award # 2016-TA-AX-K041		N/A	420,000	114,148
Award # 2016-TA-AX-K051		N/A	600,000	<u>124,556</u>
				<u>708,054</u>
Direct program:				
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault Award # 2017-WH-AX-0001	16.736	N/A	350,000	157,761
Passed through Tubman				
Legal Assistance for Victims Grant	16.524	Award #2016-WL-AX-0038	17,243	2,881
Direct program:				
Consolidated And Technical Assistance Grant Program to Address Children and Youth Experiencing Domestic and Sexual Violence and Engage Men and Boys as Allies Award # 2016-CY-AX-K004	16.888	N/A	750,000	207,567
Department of Justice:				
Passed through State of Minnesota, Department of Public Safety, Office of Justice Programs Crime Victim Assistance	16.575	A-CVS-2020-CASAESP-115	633,174	459,974
Passed through Vera Institute of Justice				
Crime Victim Assistance/Discretionary Grants	16.582			
2015 Award		2015-VF-GX-K011	55,921	1,852
2016 Award		2016-XV-GX-K015	214,782	<u>104,241</u>
				<u>106,093</u>
<i>Total Department of Justice</i>				<u>1,642,330</u>
Department of Health and Human Services, Administration for Children and Families:				
Direct program:				
Family Violence Prevention and Services/Discretionary Grants Award # 90EV0413	93.592	N/A	3,099,000	<u>465,974</u>
<i>Total Department of Health and Human Services</i>				<u>465,974</u>

(Continued)

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CASA DE ESPERANZA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2020

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Grantor Identifying Number	Award Amount	Federal Expenditures
Department of Homeland Security:				
Passed through Ramsey County:				
Emergency Food and Shelter National Board Program	97.024	503200-006	\$ 3,500	<u>\$ 3,500</u>
<i>Total Department of Homeland Security</i>				<u>3,500</u>
Total				<u><u>\$ 2,111,804</u></u>

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Casa de Esperanza under programs of the federal government for the year ended June 30, 2020. 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.

**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, 2020, 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 June 8, 2021. 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.*

June 8, 2021



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, 2020. Casa de Esperanza's major federal programs are 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 a 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.

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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, 2020.

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.*

June 8, 2021

CASA DE ESPERANZA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2020

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?	<u> </u> yes	<u> X </u> no	
Internal control over financial reporting:			
• Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
• Significant deficiency(s) identified?	<u> </u> yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no	

FEDERAL AWARDS

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