



ESPERANZA UNITED

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2022 AND 2021**



ESPERANZA UNITED

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2022 and 2021

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	7
Statements of Cash Flows	9
Notes to Financial Statements	10
Supplementary Information:	
Schedule of Expenditures of Federal Awards	19
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	23
Schedule of Findings and Questioned Costs	26



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Esperanza United
Saint Paul, Minnesota

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of Esperanza United (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Esperanza United, as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Esperanza United and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Esperanza United's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Esperanza United's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Esperanza United's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information

Management is responsible for the other information Organization's annual report. The other information comprises the financials, a letter from the CEO, and a description of program accomplishments for the year but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated.

(Continued)

Supplementary Information

Our audit was 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 also 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 audit 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 July 31, 2023 on our consideration of Esperanza United'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 Esperanza United'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 Esperanza United's internal control over financial reporting and compliance.

July 31, 2023

Mahoney Ulbrich
Christiansen & Russ, PA

ESPERANZA UNITED

STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021

	2022	2021
ASSETS		
Cash - unrestricted	\$ 1,688,142	\$ 7,713,691
Cash - restricted	317,159	154,354
Total cash	2,005,301	7,868,045
Investments	5,496,246	-
Contributions receivable	42,500	-
Program and grant receivables	757,109	790,359
Prepaid expenses	73,181	99,324
Security deposits	14,376	14,376
Property and equipment, net	146,282	164,164
Total assets	\$ 8,534,995	\$ 8,936,268
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 179,125	\$ 37,880
Fiscal agency payable	20,904	18,248
Accrued payroll and related expenses	294,048	281,188
PPP loan	-	584,800
Total liabilities	494,077	922,116
Net assets:		
Without donor restrictions	7,681,259	7,859,798
With donor restrictions	359,659	154,354
Total net assets	8,040,918	8,014,152
Total liabilities and net assets	\$ 8,534,995	\$ 8,936,268

See accompanying notes to financial statements.

ESPERANZA UNITED

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and support:				
Contributions	\$ 53,236	\$ -	\$ 53,236	\$ 77,395
PPP loan forgiveness	572,030	-	572,030	-
Contributions - in kind	-	-	-	11,781
Foundation grants	877,938	359,659	1,237,597	8,662,091
Greater Twin Cities United Way	112,647	-	112,647	113,062
Government grants and contracts	3,091,054	-	3,091,054	3,267,927
Program service fees	47,781	-	47,781	68,628
Net investment return	(500,017)	-	(500,017)	22,887
Other income	24,475	-	24,475	11,776
Net assets released upon satisfaction of time and purpose restrictions	154,354	(154,354)	-	-
Total revenues and support	<u>4,433,498</u>	<u>205,305</u>	<u>4,638,803</u>	<u>12,235,547</u>
Expenses:				
Program services				
Family advocacy	1,426,010	-	1,426,010	1,298,626
Community engagement	394,288	-	394,288	438,754
National initiatives	1,731,554	-	1,731,554	1,377,470
Total program services	<u>3,551,852</u>	<u>-</u>	<u>3,551,852</u>	<u>3,114,850</u>
Management and general	840,877	-	840,877	744,360
Fundraising	219,308	-	219,308	185,766
Total expenses	<u>4,612,037</u>	<u>-</u>	<u>4,612,037</u>	<u>4,044,976</u>
Change in net assets	(178,539)	205,305	26,766	8,190,571
Net assets, beginning of year	<u>7,859,798</u>	<u>154,354</u>	<u>8,014,152</u>	<u>(176,419)</u>
Net assets, end of year	<u>\$ 7,681,259</u>	<u>\$ 359,659</u>	<u>\$ 8,040,918</u>	<u>\$ 8,014,152</u>

See accompanying notes to financial statements.

ESPERANZA UNITED

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions	\$ 77,395	\$ -	\$ 77,395
Contributions - in kind	11,781	-	11,781
Foundation grants	8,524,435	137,656	8,662,091
Greater Twin Cities United Way	113,062	-	113,062
Government grants and contracts	3,267,927	-	3,267,927
Program service fees	68,628	-	68,628
Net investment return	22,887	-	22,887
Other income	11,776	-	11,776
Net assets released upon satisfaction of time and purpose restrictions	281,275	(281,275)	-
Total revenues and support	12,379,166	(143,619)	12,235,547
Expenses:			
Program services			
Family advocacy	1,298,626	-	1,298,626
Community engagement	438,754	-	438,754
National initiatives	1,377,470	-	1,377,470
Total program services	3,114,850	-	3,114,850
Management and general	744,360	-	744,360
Fundraising	185,766	-	185,766
Total expenses	4,044,976	-	4,044,976
Change in net assets	8,334,190	(143,619)	8,190,571
Net assets, beginning of year	(474,392)	297,973	(176,419)
Net assets, end of year	\$ 7,859,798	\$ 154,354	\$ 8,014,152

See accompanying notes to financial statements.

ESPERANZA UNITED

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022
(With Comparative Totals for 2021)

	2022							2021
	Family advocacy	Community engagement	National initiatives	Total program services	Management and general	Fundraising	Total	
Salaries	\$ 914,612	\$ 260,690	\$ 950,964	\$ 2,126,266	\$ 568,012	\$ 165,865	\$ 2,860,143	\$ 2,661,289
Payroll taxes	66,150	18,855	68,779	153,784	41,082	11,995	206,861	212,047
Employee benefits	103,907	29,680	108,004	241,591	85,059	18,881	345,531	288,018
Total salaries and benefits	1,084,669	309,225	1,127,747	2,521,641	694,153	196,741	3,412,535	3,161,354
Professional fees and contracts	1,044	35,391	370,527	406,962	44,089	4,946	455,997	286,319
Supplies	11,728	837	23,066	35,631	19,517	4,267	59,415	40,493
Postage and shipping	375	47	1,045	1,467	2,211	336	4,014	2,670
Printing and publication	-	-	-	-	7,120	-	7,120	6,152
IT and software	39,338	6,629	42,623	88,590	13,182	4,361	106,133	72,230
Insurance	-	-	-	-	6,322	-	6,322	5,192
Occupancy:								
Rent	42,111	11,993	43,748	97,852	26,131	7,631	131,614	127,018
Utilities	8,055	-	-	8,055	195	-	8,250	7,257
Other	4,955	-	-	4,955	271	-	5,226	4,108
Library, training, and conferences	1,069	1,288	5,294	7,651	4,341	-	11,992	18,485
Telephone and internet	18,702	1,548	5,646	25,896	3,373	985	30,254	32,709
Program activities and supplies	14,019	19,054	107,664	140,737	610	-	141,347	13,921
Housing services - food and supplies	42,781	1,052	-	43,833	486	-	44,319	35,808
Specific assistance - individuals	131,440	5,300	-	136,740	-	-	136,740	164,920
Travel	9,801	1,924	4,194	15,919	5,562	-	21,481	15,650
Bad debts	-	-	-	-	-	-	-	21,641
Equipment rental and maintenance	6,744	-	-	6,744	588	-	7,332	5,353
Interest expense	-	-	-	-	175	-	175	2,442
Depreciation	9,133	-	-	9,133	6,744	-	15,877	13,804
Miscellaneous expenses	46	-	-	46	5,807	41	5,894	7,450
	<u>\$ 1,426,010</u>	<u>\$ 394,288</u>	<u>\$ 1,731,554</u>	<u>\$ 3,551,852</u>	<u>\$ 840,877</u>	<u>\$ 219,308</u>	<u>\$ 4,612,037</u>	<u>\$ 4,044,976</u>

See accompanying notes to financial statements.

ESPERANZA UNITED

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2021

	Family advocacy	Community engagement	National initiatives	Total program services	Management and general	Fundraising	Total
Salaries	\$ 824,695	\$ 290,880	\$ 972,325	\$ 2,087,900	\$ 447,365	\$ 126,024	\$ 2,661,289
Payroll taxes	86,597	30,624	101,919	219,140	54,672	(61,765)	212,047
Employee benefits	63,905	22,599	75,211	161,715	39,174	87,129	288,018
Total salaries and benefits	975,197	344,103	1,149,455	2,468,755	541,211	151,388	3,161,354
Professional fees and contracts	29,685	11,137	166,724	207,546	66,787	11,986	286,319
Supplies	16,505	6,980	5,888	29,373	7,407	3,713	40,493
Postage and shipping	179	-	425	604	1,680	386	2,670
Printing and publication	-	-	-	-	6,152	-	6,152
IT and software	23,194	7,858	26,003	57,055	12,687	2,488	72,230
Insurance	-	-	-	-	5,192	-	5,192
Occupancy:							
Rent	16,705	38,142	-	54,847	60,201	11,970	127,018
Utilities	7,257	-	-	7,257	-	-	7,257
Other	4,063	-	-	4,063	45	-	4,108
Library, training, and conferences	386	3,921	6,819	11,126	5,808	1,551	18,485
Telephone and internet	11,637	518	1,165	13,320	19,389	-	32,709
Program activities and supplies	3,294	7,459	1,128	11,881	21	2,019	13,921
Housing services - food and supplies	33,606	2,130	13	35,749	59	-	35,808
Specific assistance - individuals	148,589	16,331	-	164,920	-	-	164,920
Travel	14,252	175	286	14,713	937	-	15,650
Bad debts	1,759	-	19,435	21,194	447	-	21,641
Equipment rental and maintenance	4,708	-	-	4,708	645	-	5,353
Interest expense	-	-	-	-	2,442	-	2,442
Depreciation	7,484	-	-	7,484	6,320	-	13,804
Miscellaneous expenses	126	-	129	255	6,930	265	7,450
	<u>\$ 1,298,626</u>	<u>\$ 438,754</u>	<u>\$ 1,377,470</u>	<u>\$ 3,114,850</u>	<u>\$ 744,360</u>	<u>\$ 185,766</u>	<u>\$ 4,044,976</u>

See accompanying notes to financial statements.

ESPERANZA UNITED

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 26,766	\$ 8,190,571
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	15,877	13,804
PPP loan forgiveness	(572,030)	-
(Gains) losses on investments	519,516	-
Changes in operating assets and liabilities:		
Contributions receivable	(42,500)	100,000
Program and grant receivables	33,250	(485,307)
Other receivables	-	351
Prepaid expenses	26,143	(21,954)
Accounts payable	141,245	10,613
Fiscal agency payable	2,656	1,080
Accrued payroll and related expenses	12,860	23,995
	163,783	7,833,153
Net cash from operating activities		
Cash flows from investing activities:		
Purchase of property and equipment	-	(47,529)
Proceeds from the sale of investments	299,568	-
Purchases of investments	(6,313,325)	-
	(6,013,757)	(47,529)
Net cash from investing activities		
Cash flows from financing activities:		
Payments on line of credit, net	-	(115,552)
Payments on PPP loan	(12,770)	-
	(12,770)	(115,552)
Net cash from financing activities		
Net increase (decrease) in cash and restricted cash	(5,862,744)	7,670,072
Cash and restricted cash, beginning of year	7,868,045	197,973
Cash and restricted cash, end of year	\$ 2,005,301	\$ 7,868,045
Supplemental cash flow information:		
Cash paid for interest	\$ 175	\$ 2,442

See accompanying notes to financial statements.

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021

1. ORGANIZATION

Esperanza United (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 have worked since then to support Latin@ men, women, and children in living healthy, violence-free lives. The Organization is 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. Esperanza United 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. The Organization provides 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 the Organization helps 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 - The Organization is also 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.

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021

1. ORGANIZATION (Continued)

The Organization is supported primarily through government grants and contracts, foundation grants, individual contributions and program service fees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standard Adopted - In 2022, the Organization adopted ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Non-for-Profit Entities for Contributed Nonfinancial Assets*. Under the new standard, not-for-profits are required to show contributed nonfinancial assets as a separate line item in the statement of activities. Not-for-profits need to provide enhanced disclosures about in-kind contributions received including disaggregating by category depicting the type of contributed nonfinancial asset, disclosing qualitative information about whether the contributed nonfinancial assets were either monetized or used during the reporting period, and describing any donor-imposed restrictions associated with the contributed assets. In addition, the valuation techniques and inputs used to arrive at a fair value measure must be disclosed.

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 - 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.
- 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.

Investments - Investments in publicly traded mutual funds, debt and other securities are reported at fair value in the statements of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements - The Organization determines fair value, when necessary, based on the assumptions that market participants would use when pricing the asset or liability. Valuation techniques require using inputs representing the assumptions that would be made by market participants in pricing the asset or liability. Valuation inputs are categorized using the following fair value hierarchy:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs that are observable, directly or indirectly, other than the quoted prices included in Level 1; and
- Level 3 - unobservable inputs.

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.

Fiscal Agency Payable - The Organization periodically acts as an agent for donors and grantors. It accepts assets from donors and agrees to use those amounts to benefit a specified beneficiary. These transactions are not included in the statements of activities since the Organization has no discretion in determining how the funds are used. Such agency amounts are recorded as liabilities until released to the beneficiary.

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.

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021

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

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.

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, 2022 and 2021, management has estimated that all of the receivable are collectable. Accordingly, no allowance has been provided. Contributions receivable of \$42,500 are due in 2023.

Donated Services and Materials - Donated items are recorded as contributions at their estimated fair value, determined by management referencing local market inputs and the type of goods donated, when 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. The Organization utilizes donated goods and services in its programs and operations or according to any donor restrictions. During 2021, the Organization received contributed professional services valued at \$11,781 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.

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021

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

Concentration of Credit Risk - The Organization maintains cash balances in one financial institution. At times, the balance exceeds the federally insured limit. At June 30, 2022 and 2021 these accounts exceeded the federally insured limits by \$1,824,515 and \$7,664,630. The Organization has not experienced any losses from these deposits and management believes there is no significant credit risk.

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.

Income Taxes - The Organization 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 the Organization did not have any unrelated business income in 2022 or 2021.

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	\$ 2,005,301	\$ 7,868,045
Investments	5,496,246	-
Contributions receivable	42,500	-
Program and grant receivables	<u>757,109</u>	<u>790,359</u>
Total financial assets available within one year	<u>\$ 8,301,156</u>	<u>\$ 8,658,404</u>

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

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021

4. INVESTMENTS

Investments, at fair value using level 1 inputs, consist of the following at June 30:

	2022	2021
Cash	\$ 142,167	\$ -
Common stocks	1,479,140	-
Exchange-traded & closed-end funds	1,783,939	-
Municipal bonds	245,590	-
Corporate fixed income	220,422	-
Government securities	465,240	-
Mutual funds	1,159,748	-
Total investments	\$ 5,496,246	\$ -

Net investment return consists of the following:

	2022	2021
Investment income	\$ 21,883	\$ -
Interest income on savings	6,640	14,234
Investment income (loss) on UST	(2,905)	8,653
Service fees	(8,124)	-
Realized loss	(11,396)	-
Unrealized loss	(506,115)	-
Net investment return	\$ (500,017)	\$ 22,887

5. UNEMPLOYMENT FUND DEPOSIT

The Organization 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 \$35,382 and \$59,005, at June 30, 2022 and 2021, respectively, is included in prepaid expenses.

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2022</u>	<u>2021</u>	<u>Depreciation lives-years</u>
Land	\$ 25,000	\$ 25,000	-
Building and building improvements	445,429	445,429	7-30
Furniture and equipment	<u>89,189</u>	<u>91,194</u>	3-10
Total	559,618	561,623	
Less accumulated depreciation	<u>(413,336)</u>	<u>(397,459)</u>	
Net property and equipment	<u>\$ 146,282</u>	<u>\$ 164,164</u>	

7. LINE OF CREDIT

The Organization 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 5.75% at June 30, 2022 and 2021), not to drop below 4.0% at any time. The line of credit will expire on February 11, 2023. The Organization is in the process of renewing the line of credit. The line of credit is secured by the Organization's accounts receivable. At June 30, 2022 and 2021, nothing 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 was funded through the Payroll Protection Program (PPP), a program developed by the Federal government in response to the COVID-19 pandemic. In August 2021, \$572,030 of principal was forgiven of the PPP loan. The remaining balance of \$12,770 was repaid in August 2021.

9. RETIREMENT PLAN

The Organization 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 2022 and 2021, the Organization made employer matching contributions to the plan of \$55,262 and \$58,318.

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021

10. 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:

	2022	2021
Time restricted for future periods	\$ 42,500	\$ -
Purpose restrictions:		
Leadership development	-	7,500
National Domestic Violence Awareness Programs	-	25,000
Capacity building	192,159	20,000
Family advocacy	100,000	97,138
Art mural	25,000	-
COVID-19 assistance	-	4,716
	\$ 359,659	\$ 154,354

Corresponding net assets with donor restrictions consist of the following:

	2022	2021
Cash - restricted	\$ 317,159	\$ 154,354
Contributions receivable	42,500	-
	\$ 359,659	\$ 154,354

Net assets released from restrictions consisted of the following:

	2022	2021
Use restrictions	\$ 154,354	\$ 228,537
Time restrictions	-	52,738
	\$ 154,354	\$ 281,275

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2022 and 2021

11. OPERATING LEASES

The Organization is 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, the Organization pays its share of operating costs. Total rent expense was \$131,614 and \$127,018 for 2022 and 2021, respectively.

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

2023	\$ 125,400
2024	128,244
2025	<u>128,244</u>
	<u>\$ 381,888</u>

12. ECONOMIC DEPENDENCY

The Organization received approximately 67% and 27% of its revenues and support from federal, state and local governments for 2022 and 2021. The Organization received approximately 13% and 65% of its revenues and support for one donor in 2022 and 2021.

13. COMMITMENTS

The Organization has several government grants that contain donor conditions (primarily that funds be expended for eligible costs before they are earned). Since these grants represent conditional promises to give, they are not recorded as revenue until the donor conditions are met. The Organization has unearned conditional contributions from cost-reimbursable grants of the following at June 30, 2022:

Family advocacy	\$ 1,816,798
Community engagement	360,147
National initiatives	<u>18,926,141</u>
	<u>\$ 21,103,086</u>

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 31, 2023, the date on which the financial statements were available for issue, and identified no further significant events or transactions to disclose.

SUPPLEMENTARY INFORMATION

ESPERANZA UNITED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing 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	\$ 17,707
Award # 2016-TA-AX-K038		N/A	1,650,000	196,912
Award # 2016-TA-AX-K039		N/A	1,200,000	54,635
Award # 2016-TA-AX-K040		N/A	900,000	122,234
Award # 2016-TA-AX-K041		N/A	420,000	4,007
Award # 2016-TA-AX-K051		N/A	900,000	114,623
Award # 15JOVW-21-GK-02225-MUMU		N/A	666,666	<u>126,175</u>
				<u>636,293</u>
Direct program:				
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736			
Award # 2017-WH-AX-0001		N/A	975,000	54,858
Direct program:				
School-based Prevention, Intervention, and Response for Latino Youth	16.888			
Award # 2020-CY-AX-0036		N/A	500,000	113,632
Department of Justice:				
Passed through State of Minnesota, Department of Public Safety, Office of Justice Programs	16.575			
Crime Victim Assistance		A-CVS-2022-CASAESP-149	657,080	<u>275,021</u>
<i>Total Department of Justice</i>				<u>1,079,804</u>
Department of Health and Human Services, Administration for Children and Families:				
Direct program:				
Family Violence Prevention and Services/ Discretionary Grants	93.592			
Award # 90EV0431-01		N/A	3,099,000	247,998
Award # 90EV0525-01		N/A	800,000	651,317
Award # 90EV0553-01-C6		N/A	3,000,000	14,089
Award # 90EV0520-01-C6		N/A	800,000	68,941
Award # 90EV0556-01-C6		N/A	13,200,000	<u>29,846</u>
<i>Total Department of Health and Human Services</i>				<u>1,012,191</u>
Department of Homeland Security:				
Passed through Ramsey County:				
Emergency Food and Shelter National Board Program	97.024	503200-006	3,500	<u>1,750</u>
<i>Total Department of Homeland Security</i>				<u>1,750</u>
Total				<u><u>\$ 2,093,745</u></u>

(Continued)

ESPERANZA UNITED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2022

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Esperanza United under programs of the federal government for the year ended June 30, 2022. 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 Esperanza United, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Esperanza United.

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.

Note 3. Indirect Costs Rate

Esperanza United 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
Esperanza United
Saint Paul, Minnesota

We have audited the financial statements of Esperanza United (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 July 31, 2023. 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 Esperanza United’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 Esperanza United’s internal control. Accordingly, we do not express an opinion on the effectiveness of Esperanza United’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 Esperanza United'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.

July 31, 2023

Mahoney Ulbrich
Christiansen & Russ, PA



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
Esperanza United
Saint Paul, Minnesota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Esperanza United's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on Esperanza United's major federal program for the year ended June 30, 2022. Esperanza United's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Esperanza United 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 the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Esperanza United and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for major federal program. Our audit does not provide a legal determination of Esperanza United's compliance with the compliance requirements referred to above.

(Continued)

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Esperanza United's federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Esperanza United's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Esperanza United's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Esperanza United's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Esperanza United's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Esperanza United's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001. Our opinion on the major federal program is not modified with respect to these matters.

(Continued)

Government Auditing Standards requires the auditor to perform limited procedures on Esperanza United's response to the noncompliance findings identified in our compliance audit is described in the accompanying Schedule of Findings and Questioned Costs. Esperanza United's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in Esperanza United's internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001 to be a material weakness.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Esperanza United's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Esperanza United's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

July 31, 2023

Mahoney Ulbrich
Christiansen & Russ, PA

ESPERANZA UNITED

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

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 program(s):			
• Material weakness(es) identified?	<u> X </u> yes	<u> </u> no	
• Significant deficiency(s) identified?	<u> </u> yes	<u> X </u> none reported	

Type of auditor’s report issued on compliance for major program(s)	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	<u> X </u> yes	<u> </u> no
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Identification of major program(s):	Assistance Listing Number 93.592 – Family Violence Prevention and Services Act Discretionary Grants
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Dollar threshold used to distinguish between type A and type B programs	<u> \$ 750,000 </u>
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Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
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SECTION II – FINDINGS – FINANCIAL STATEMENTS AUDIT

No matters were reported.

(Continued)

ESPERANZA UNITED

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2022

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

2022-001 Filing of Single Audit Report

Material Weakness & Noncompliance

Federal Program – All programs

Criteria - Pursuant to 2 CFR section 200.512(a), the reporting package shall be submitted within the earlier of 30 days after receipt of the auditor’s report(s), or nine months after the end of the audit period.

Condition – The Organization did not submit the Single Audit Reporting Package for the year ended June 30, 2021, within nine months after the end of the audit period (March 31, 2022).

Cause – Audit fieldwork for the year began late which caused scheduling conflicts for the auditor during their peak months of operations, which delayed the audit further. In addition, there was a break-down of communication between the auditor and the Organization which caused further delays. These delays all together cause the audit and data collection form to not be completed by the nine-month due date.

Effect – Failure to submit the required Single Audit Reporting Package timely automatically results in the Organization not qualifying for low-risk auditee status for the subsequent year’s Single Audit.

Recommendation – We recommend the Organization update their policies and procedures to ensure timely submission of the Reporting Package.

Management’s Response and Corrective Action – The Organization transitioned to a contract accountant in June 2022 and continues to work with the contract financial team who plans to have the books closed in a timely manner going forward. The Organization is also actively working with their auditing firm to improve communication during the audit so a future break-down in communication does not occur. This transition and this new plan were not implemented until after the end of fiscal year 2022, so a repeat finding is expected for the 2022 audit, but the issue will be mitigated for the 2023 audit.

Responsible party for corrective action – Patti Tototzintle, President and CEO

Repeat finding – No