



ESPERANZA UNITED

**FINANCIAL STATEMENTS WITH
SUPPLEMENTARY INFORMATION**

**FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022**



ESPERANZA UNITED

FINANCIAL STATEMENTS WITH SUPPLEMENTARY INFORMATION

For the Years Ended June 30, 2023 and 2022

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	21
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>	23
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	25
Schedule of Findings and Questioned Costs	28
Summary Schedule of Prior Audit Findings	30



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, 2023 and 2022, 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, 2023 and 2022, 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.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, Esperanza United has adopted Accounting Standards Update 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Other Information

Management is responsible for the other information in Esperanza United's annual report. The other information comprises financial information, 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 January 24, 2024 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.

Mahoney Ulbrich
Christiansen & Russ, PA

January 24, 2024

ESPERANZA UNITED

STATEMENTS OF FINANCIAL POSITION

June 30, 2023 and 2022

	2023	2022
ASSETS		
Cash - unrestricted	\$ 634,942	\$ 1,688,142
Cash - restricted	807,186	317,159
Total cash	1,442,128	2,005,301
Investments	5,851,515	5,496,246
Contributions receivable	115,134	42,500
Program and grant receivables	1,270,029	757,109
Other receivables	1,332	-
Prepaid expenses	108,035	73,181
Security deposits	15,813	14,376
Property and equipment, net	130,742	146,282
Right of use asset, net	247,783	-
	\$ 9,182,511	\$ 8,534,995
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 319,039	\$ 179,125
Fiscal agency payable	25,404	20,904
Accrued payroll and related expenses	389,538	294,048
Lease liability	249,679	-
	983,660	494,077
Net assets:		
Without donor restrictions	7,276,665	7,681,259
With donor restrictions	922,186	359,659
	8,198,851	8,040,918
	\$ 9,182,511	\$ 8,534,995

See accompanying notes to financial statements.

ESPERANZA UNITED

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	
Revenues and support:				
Contributions	\$ 48,231	\$ -	\$ 48,231	\$ 53,236
PPP loan forgiveness	-	-	-	572,030
Contributions - in kind	44,251	-	44,251	-
Foundation grants	661,622	845,572	1,507,194	1,237,597
Greater Twin Cities United Way	282,110	-	282,110	112,647
Government grants and contracts	4,096,257	-	4,096,257	3,091,054
Program service fees	52,100	-	52,100	47,781
Net investment return	370,341	-	370,341	(500,017)
Other income	29,689	-	29,689	24,475
Net assets released upon satisfaction of time and purpose restrictions	283,045	(283,045)	-	-
Total revenues and support	<u>5,867,646</u>	<u>562,527</u>	<u>6,430,173</u>	<u>4,638,803</u>
Expenses:				
Program services				
Family advocacy	1,585,587	-	1,585,587	1,426,010
Prevention and social change (PSC)	371,695	-	371,695	394,288
Training and technical assistance (TTA)	2,948,324	-	2,948,324	1,731,554
Total program services	<u>4,905,606</u>	<u>-</u>	<u>4,905,606</u>	<u>3,551,852</u>
Management and general	1,263,126	-	1,263,126	840,877
Fundraising	103,508	-	103,508	219,308
Total expenses	<u>6,272,240</u>	<u>-</u>	<u>6,272,240</u>	<u>4,612,037</u>
Change in net assets	(404,594)	562,527	157,933	26,766
Net assets, beginning of year	<u>7,681,259</u>	<u>359,659</u>	<u>8,040,918</u>	<u>8,014,152</u>
Net assets, end of year	<u>\$ 7,276,665</u>	<u>\$ 922,186</u>	<u>\$ 8,198,851</u>	<u>\$ 8,040,918</u>

See accompanying notes to financial statements.

ESPERANZA UNITED

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and support:			
Contributions	\$ 53,236	\$ -	\$ 53,236
PPP loan forgiveness	572,030	-	572,030
Foundation grants	877,938	359,659	1,237,597
Greater Twin Cities United Way	112,647	-	112,647
Government grants and contracts	3,091,054	-	3,091,054
Program service fees	47,781	-	47,781
Net investment return	(500,017)	-	(500,017)
Other income	24,475	-	24,475
Net assets released upon satisfaction of time and purpose restrictions	154,354	(154,354)	-
Total revenues and support	4,433,498	205,305	4,638,803
Expenses:			
Program services			
Family advocacy	1,426,010	-	1,426,010
Prevention and social change (PSC)	394,288	-	394,288
Training and technical assistance (TTA)	1,731,554	-	1,731,554
Total program services	3,551,852	-	3,551,852
Management and general	840,877	-	840,877
Fundraising	219,308	-	219,308
Total expenses	4,612,037	-	4,612,037
Change in net assets	(178,539)	205,305	26,766
Net assets, beginning of year	7,859,798	154,354	8,014,152
Net assets, end of year	\$ 7,681,259	\$ 359,659	\$ 8,040,918

See accompanying notes to financial statements.

ESPERANZA UNITED

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2023
(With Comparative Totals for 2022)

	2023							2022
	Family advocacy	PSC	TTA	Total program services	Management and general	Fundraising	Total	
Salaries	\$ 1,011,635	\$ 237,582	\$ 1,550,135	\$ 2,799,352	\$ 632,713	\$ 72,611	\$ 3,504,676	\$ 2,860,143
Taxes and benefits	191,860	44,804	293,421	530,085	115,772	13,450	659,307	552,392
Total salaries and benefits	1,203,495	282,386	1,843,556	3,329,437	748,485	86,061	4,163,983	3,412,535
Professional fees and contracts	5,015	17,320	496,963	519,298	382,932	11,278	913,508	455,997
Supplies	5,784	4,059	14,371	24,214	23,280	100	47,594	59,415
Postage and shipping	84	-	1,288	1,372	2,019	-	3,391	4,014
Printing and publication	2,318	544	3,633	6,495	1,688	167	8,350	7,120
IT and software	21,247	4,288	82,696	108,231	1,178	2,267	111,676	106,133
Insurance	1,991	468	3,052	5,511	1,322	143	6,976	6,322
Occupancy:								
Rent	40,206	8,973	58,544	107,723	25,365	2,742	135,830	131,614
Utilities	9,905	-	-	9,905	-	-	9,905	8,250
Other	4,688	-	-	4,688	434	-	5,122	5,226
Library, training, and conferences	3,194	4,042	18,059	25,295	5,735	297	31,327	11,992
Telephone and internet	13,800	1,666	9,703	25,169	5,539	407	31,115	30,254
Program activities and supplies	9,657	40,016	246,056	295,729	26,941	-	322,670	141,347
Housing services - food and supplies	49,577	3,816	782	54,175	1,568	-	55,743	44,319
Specific assistance - individuals	181,301	1,048	59,073	241,422	1,708	-	243,130	136,740
Travel	11,680	2,188	107,873	121,741	13,271	-	135,012	21,481
Equipment rental and maintenance	4,388	-	-	4,388	147	-	4,535	7,332
Bad debts	-	-	-	-	7,525	-	7,525	-
Interest expense	-	-	-	-	-	-	-	175
Depreciation	8,848	-	-	8,848	6,692	-	15,540	15,877
Miscellaneous expenses	8,409	881	2,675	11,965	7,297	46	19,308	5,894
	<u>\$ 1,585,587</u>	<u>\$ 371,695</u>	<u>\$ 2,948,324</u>	<u>\$ 4,905,606</u>	<u>\$ 1,263,126</u>	<u>\$ 103,508</u>	<u>\$ 6,272,240</u>	<u>\$ 4,612,037</u>

See accompanying notes to financial statements.

ESPERANZA UNITED

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2022

	Family advocacy	PSC	TTA	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
Taxes and benefits	170,057	48,535	176,783	395,375	126,141	30,876	552,392
Total salaries and benefits	1,084,669	309,225	1,127,747	2,521,641	694,153	196,741	3,412,535
Professional fees and contracts	1,044	35,391	370,527	406,962	44,089	4,946	455,997
Supplies	11,728	837	23,066	35,631	19,517	4,267	59,415
Postage and shipping	375	47	1,045	1,467	2,211	336	4,014
Printing and publication	-	-	-	-	7,120	-	7,120
IT and software	39,338	6,629	42,623	88,590	13,182	4,361	106,133
Insurance	-	-	-	-	6,322	-	6,322
Occupancy:							
Rent	42,111	11,993	43,748	97,852	26,131	7,631	131,614
Utilities	8,055	-	-	8,055	195	-	8,250
Other	4,955	-	-	4,955	271	-	5,226
Library, training, and conferences	1,069	1,288	5,294	7,651	4,341	-	11,992
Telephone and internet	18,702	1,548	5,646	25,896	3,373	985	30,254
Program activities and supplies	14,019	19,054	107,664	140,737	610	-	141,347
Housing services - food and supplies	42,781	1,052	-	43,833	486	-	44,319
Specific assistance - individuals	131,440	5,300	-	136,740	-	-	136,740
Travel	9,801	1,924	4,194	15,919	5,562	-	21,481
Equipment rental and maintenance	6,744	-	-	6,744	588	-	7,332
Interest expense	-	-	-	-	175	-	175
Depreciation	9,133	-	-	9,133	6,744	-	15,877
Miscellaneous expenses	46	-	-	46	5,807	41	5,894
	<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>

See accompanying notes to financial statements.

ESPERANZA UNITED

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 157,933	\$ 26,766
Adjustments to reconcile the change in net assets to net cash from operating activities:		
Depreciation	15,540	15,877
PPP loan forgiveness	-	(572,030)
(Gains) losses on investments	(211,658)	519,516
Changes in operating assets and liabilities:		
Contributions receivable	(72,634)	(42,500)
Program and grant receivables	(512,920)	33,250
Other receivables	(1,332)	-
Prepaid expenses	(34,854)	26,143
Security deposits	(1,437)	-
Right of use asset	108,160	-
Lease liability	(106,264)	-
Accounts payable	139,914	141,245
Fiscal agency payable	4,500	2,656
Accrued payroll and related expenses	95,490	12,860
Net cash from operating activities	(419,562)	163,783
Cash flows from investing activities:		
Proceeds from the sale of investments	1,196,120	299,568
Purchases of investments	(1,339,731)	(6,313,325)
Net cash from investing activities	(143,611)	(6,013,757)
Cash flows from financing activities:		
Payments on PPP loan	-	(12,770)
Net cash from financing activities	-	(12,770)
Net decrease in cash and cash equivalent	(563,173)	(5,862,744)
Cash and restricted cash, beginning of year	2,005,301	7,868,045
Cash and restricted cash, end of year	\$ 1,442,128	\$ 2,005,301
Supplemental cash flow information:		
Cash paid for interest	\$ -	\$ 175
Noncash investing and financing activities:		
Lease asset obtained in exchange for lease obligations	\$ 355,943	\$ -

See accompanying notes to financial statements.

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

1. ORGANIZATION

Esperanza United (the Organization) mobilizes Latinas and Latin@ communities to end gender-based violence (GBV). 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 has 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 GBV organization in the country. 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 experiencing GBV in the Twin Cities metro areas. 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 help with referrals to other resources.

Prevention and Social Change (PSC) - Our PSC team focuses on developing the leadership and community capacity of Latin@s to end GBV. Over the last year, 800 Latin@ youth and adults built new peer relationships, gained confidence in their roles as community leaders, and took action to promote healthy relationships through participation in our PSC programming. Our Amig@s initiative trains and supports 75-80 Latin@ youth and young adults each year to help shift beliefs and behaviors within their own social networks. Amig@s develop and lead community action projects that reach thousands of community members throughout the Twin Cities area. 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.

Training and Technical Assistance (TTA) - The Organization's training and technical assistance department provides education, consultation and strategic support to multi-disciplinary professionals and organizations across the country. Our leadership in the field has been recognized by the U.S. Department of Health and Human Services (HHS), which designated our organization as the Culturally Specific Issue Resource Center on Domestic Violence and Latin@ Communities. The Organization has received funding from the U.S. Department of Justice, Office on Violence Against Women (OVW) to be the technical assistance provider for organizations receiving OVW grant funding who serve Latin@s. The Organization also received American Rescue Plan funding from HHS to administer a capacity building grant program for 28 Latin@ culturally specific domestic violence and sexual assault organizations.

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

1. ORGANIZATION (Continued)

Research and evaluation – Through a partnership with the University of New Haven, the Organization conducts community-based participatory research on the intersections of domestic violence and Latin@ identity. The research and evaluation team conducts literature reviews to support the training and technical assistance department with the provision of evidence-based best practices assistance to organizations nationwide. During the last year members of the department published one peer-reviewed journal article, published one abstract in a peer-reviewed journal, submitted or revised three additional articles for peer-reviewed journals, received IRB approval for a new study, and made nine presentations at national scholarly conferences.

Public Policy – The Public Policy team works to ensure that policies nationwide are responsive to the needs and realities of Latin@ communities, advocating for enhanced rights and protections for survivors, immigrants, and Latin@s. Over this last year the public policy team participated on advisory councils, submitted testimony to government bodies, and published nine policy briefing documents.

The Organization is supported primarily through government grants and contracts, and contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Standard Adopted – In 2023, Esperanza United adopted Accounting Standard Update (ASU) 2016-02: *Leases (Topic 842)* using the modified retrospective approach with July 1, 2022 as the date of initial adoption. This ASU requires lessees to record most leases on their statement of financial position as a right of uses asset and related lease liability but recognize related expenses in a manner similar to existing accounting. Esperanza United also elected not to record leases with an initial term of less than 12 months on the statement of financial position. As a result of implementing ASU No. 2016-02, the Organization recognized a right of use asset and a lease liability of \$355,943 on its statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

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.

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2023 and 2022, management has estimated that all of the receivables are collectable. Accordingly, no allowance has been provided. Contributions receivable of \$115,000 are due in 2024.

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2023, the Organization received contributed professional services valued at \$44,251 for management and general purposes. The Organization received no contributed services in 2022.

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.

Leases - The Organization assesses whether an arrangement qualifies as a lease (i.e. conveys the right to control the use of an identified asset for a period of time in exchange for consideration) at inception and only reassesses its determination if the terms and conditions of the arrangement are changed.

Right of use (ROU) assets represent the Organization's right to use an underlying asset for the lease term, and lease liabilities represent the Organization's obligation to make lease payments. Leased assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise the option. Lease expense is recognized for these leases on a straight-line basis over the lease term. The Organization has elected to recognize payments for short-term leases with a lease term of less than 12 months as expense as incurred and these leases are not included as lease liabilities or right of use assets on the balance sheet. Common area maintenance costs and other variable lease payments are recognized when invoiced and are not included in the leased assets and liabilities.

The Organization uses the implicit rate when it is readily determinable. When the leases do not provide an implicit rate, to determine the present value of lease payments, management uses the risk free rate at lease commencement.

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.

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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, 2023 and 2022 these accounts exceeded the federally insured limits by \$1,194,251 and \$1,824,515. The Organization has not experienced any losses from these deposits and management believes there is no significant credit risk.

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 2023 or 2022. 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:

	2023	2022
Cash	\$ 1,442,128	\$ 2,005,301
Investments	5,851,515	5,496,246
Contributions receivable	115,134	42,500
Program and grant receivables	1,270,029	757,109
Other receivables	1,332	-
	<u>8,680,138</u>	<u>8,301,156</u>
Total financial assets available within one year	\$ <u>8,680,138</u>	\$ <u>8,301,156</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, 2023 and 2022

4. INVESTMENTS

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

	2023	2022
Cash	\$ 134,023	\$ 142,167
Common stocks	1,626,377	1,479,140
Exchange-traded & closed-end funds	1,800,954	1,783,939
Municipal bonds	276,127	245,590
Corporate fixed income	241,075	220,422
Government securities	610,803	465,240
Mutual funds	1,162,156	1,159,748
 Total investments	 \$ 5,851,515	 \$ 5,496,246

Net investment return consists of the following:

	2023	2022
Investment income	\$ 184,823	\$ 21,883
Interest income on savings	17,604	6,640
Investment income (loss) on UST	(2,532)	(2,905)
Service fees	(41,211)	(8,124)
Realized loss	(86,215)	(11,396)
Unrealized gain (loss)	297,872	(506,115)
 Net investment return	 \$ 370,341	 \$ (500,017)

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 \$26,136 and \$35,382, at June 30, 2023 and 2022, respectively, is included in prepaid expenses.

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	<u>2023</u>	<u>2022</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>89,189</u>	3-10
Total	559,618	559,618	
Less accumulated depreciation	<u>(428,876)</u>	<u>(413,336)</u>	
Net property and equipment	<u><u>\$ 130,742</u></u>	<u><u>\$ 146,282</u></u>	

7. LINE OF CREDIT

The Organization had a \$250,000 line of credit with Bremer Bank with interest at the prime rate plus two-and-a-half percent (5.75% at June 30, 2022), not to drop below 4.0% at any time. The line of credit expired on February 11, 2023.

The Organization signed a new \$250,000 line of credit with Bremer Bank beginning November 8, 2023 with interest at an Index rate set by the bank plus .75% (9.25% at November 2023), not to drop below 6.0% at any time. The line matures on November 7, 2024.

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 2023 and 2022, The Organization made employer match contributions to the plan of \$77,076 and \$55,262.

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

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:

	2023	2022
Time restricted for future periods	\$ 115,000	\$ 42,500
Purpose restrictions:		
Capacity building	724,398	192,159
Family advocacy - transitional housing	82,788	100,000
Art mural	-	25,000
	\$ 922,186	\$ 359,659

Corresponding net assets with donor restrictions consist of the following:

	2023	2022
Cash - restricted	\$ 807,186	317,159
Contributions receivable	115,000	42,500
	\$ 922,186	\$ 359,659

Net assets released from restrictions consisted of the following:

	2023	2022
Use restrictions	\$ 240,545	\$ 154,354
Time restrictions	42,500	-
	\$ 283,045	\$ 154,354

11. LEASES

Esperanza United is leasing its office space under the terms of an operating lease agreement that expires on June 30, 2025. In addition to base rent for operating space, Esperanza United pays its share of operating costs.

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

11. LEASES (Continued)

The following summarizes the line items in the statements of activities which include the components of lease expense, including CAM, under all leases for the year ended June 30:

Lease Cost	Classification	2023	2022
Operating	Rent	127,296	125,400
Short term leases	Rent	2,000	-
Non-lease charges	Rent	6,534	6,214
<hr/>			
Lease term and discount rate for operating leases		2023	2022
Weighted average remaining lease term (years)		2.00	N/A
Weighted average discount rate		4.87%	N/A

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

2024	\$ 128,244
2025	128,244
Total lease payments	<u>\$ 256,488</u>
Less: interest	<u>(6,809)</u>
Present value of lease liabilities	<u><u>\$ 249,679</u></u>

12. ECONOMIC DEPENDENCY

The Organization received approximately 64% and 67% of its revenues and support from federal, state and local governments for 2023 and 2022. The Organization received approximately 12% and 13% of its revenues and support for one donor in 2023 and 2022.

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, 2023:

Family advocacy	\$ 978,692
Community engagement	873,626
National initiatives	<u>18,521,518</u>
	<u><u>\$ 20,373,836</u></u>

(Continued)

ESPERANZA UNITED

NOTES TO FINANCIAL STATEMENTS

For the Years Ended June 30, 2023 and 2022

14. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 24, 2024, 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, 2023

Federal Grantor/ Program Title/ Pass-through Grantor	Assistance Listing Number	Pass-through Grantor Identifying Number	Award Amount	Federal Expenditures
Department of Justice, Office on Violence Against Women:				
OVW Technical Assistance Initiative	16.526			
Direct program:				
Award # 2015-TA-AX-K007		N/A	\$ 550,000	\$ 33,452
Award # 2016-TA-AX-K038		N/A	1,650,000	257,559
Award # 2016-TA-AX-K039		N/A	1,200,000	135,865
Award # 2016-TA-AX-K040		N/A	900,000	82,599
Award # 2016-TA-AX-K051		N/A	900,000	26,891
Award # 15JOVW-21-GK-02252-CSSP		N/A	450,000	125,756
Award # 15JOVW-21-GK-02225-MUMU		N/A	666,666	242,159
				<u>904,281</u>
Transitional Housing Assistance for Victims of Domestic Violence, Dating Violence, Stalking, or Sexual Assault	16.736			
Direct program:				
Award # 2017-WH-AX-0001		N/A	975,000	116,887
Legal Assistance for Victims Grant Passed through Tubman	16.524			
		2019 LAV Grant	19,714	1,059
		2022 LAV Grant	19,714	452
				<u>1,511</u>
Consolidated Grant Program to Address Children and Youth Experiencing Domestic and Sexual Assault and Engage Men and Boys as Allies	16.888			
Direct program:				
Award # 2020-CY-AX-0036		N/A	500,000	95,983
Passed through Men As Peacemakers		2019-CY-AX-0001	149,694	70,157
				<u>166,140</u>
Department of Justice, Office of Justice Programs:				
Crime Victim Assistance Passed through State of Minnesota, Department of Public Safety, Office of Justice Programs	16.575			
		A-CVS-2022-CASAESP-149	657,080	297,920
Crime Victim Assistance/Discretionary Grants Passed through the National Network to End Domestic Violence	16.582			
		REACH 15POVC-22-GK- 01804-NONF	600,000	16,768
<i>Total Department of Justice</i>				<u>1,503,507</u>
Department of Health and Human Services, Administration for Children and Families:				
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671			
Passed through State of Minnesota, Department of Public Safety, Office of Justice Programs - COVID		A-FARPC-2023- CASAESP-00034	179,989	13,866

(Continued)

ESPERANZA UNITED

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2023

Federal Grantor/ Pass-through Grantor/ Program Title	Assistance Listing Number	Pass-through Grantor Identifying Number	Award Amount	Federal Expenditures
Family Violence Prevention and Services/Culturally Specific Domestic Violence and Sexual Violence Services	93.496			
Direct program:				
Award # 90EV0556 - COVID		N/A	13,200,000	95,212
Family Violence Prevention and Services/ Discretionary Grants	93.592			
Direct program:				
Award # 90EV0525		N/A	2,600,000	866,629
Award # 90EV0525 - COVID		N/A	1,000,000	266,171
Award # 90EV0520		N/A	800,000	171,899
Award # 90EV0553 - COVID		N/A	3,000,000	343,444
				<u>1,648,143</u>
<i>Total Department of Health and Human Services</i>				<u>1,757,221</u>
Department of Homeland Security:				
Emergency Food and Shelter National Board Program	97.024			
Passed through Ramsey County:				
		39-5032-00-006	3,500	3,500
		ARPAR-5032-00-006	8,875	8,875
<i>Total Department of Homeland Security</i>				<u>12,375</u>
Total				<u><u>3,273,103</u></u>

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, 2023. 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.
- (2) Pass-through entity identifying numbers are presented where available.

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated January 24, 2024. 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.

Mahoney Ulbrich
Christiansen & Russ, PA

January 24, 2024



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, 2023. 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, 2023.

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 2023-001. 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 2023-001 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.

January 24, 2024

Makoney Ulbrich
Christiansen & Russ, PA

ESPERANZA UNITED

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2023

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> 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 programs	Unmodified	
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
Identification of major programs:	Assistance Listing Number 93.592 – Family Violence Prevention and Services/Discretionary	
Dollar threshold used to distinguish between type A and type B programs	<u> \$ 750,000 </u>	
Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no

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, 2023

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

2023-001 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, 2022, within nine months after the end of the audit period (March 31, 2023).

Cause – The organization had transition in key financial personnel at the end of their fiscal year in 2022. 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 Organization and the auditor which cause further delays. These delays all together caused 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 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 auditor to improve communication during the audit so a future break-down in communication does not occur. We expect the issue will be mitigated for the 2023 audit.

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

Repeat finding – Yes

ESPERANZA UNITED

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended June 30, 2023

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

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).

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

Current Status: The recommendation was adopted 2023. However, a similar finding was reported in the 2023 audit, as the June 30, 2023 Single Audit Reporting Package was already late as of the date of adoption.