

CASA LATINA
(A Washington Nonprofit Corporation)

Financial Statements
for the Year Ended December 31, 2014
(With Comparative Totals for 2013)
and Independent Auditors' Report

CASA LATINA
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For the Year Ended December 31, 2014

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WATSON & McDONELL, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Casa Latina
Seattle, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of Casa Latina (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, the related statements of activity and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casa Latina as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Casa Latina's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 11, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2015, on our consideration of Casa Latina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Casa Latina's internal control over financial reporting and compliance.

Watson & McDowell, PLLC

August 13, 2015

CASA LATINA
Statement of Financial Position
December 31, 2014
(With Comparative Totals for 2013)

ASSETS	2014	2013
Current assets:		
Cash and cash equivalents	\$ 247,464	\$ 200,557
Grants receivable	228,060	127,769
Accounts receivable		150
Pledges	5,370	18,009
Prepays and deposits	3,689	2,732
	484,583	349,217
Property and equipment:		
Land	1,154,303	1,154,303
Building and improvements	3,306,069	3,265,765
Equipment	135,081	130,124
Software	120,619	54,381
Furniture and fixtures	46,289	44,112
Construction in progress	175,813	
Loan fees	10,888	10,888
Less: accumulated depreciation and amortization	(392,227)	(273,146)
	4,556,835	4,386,427
Pledges, net of current portion	3,125	8,487
	\$ 5,044,543	\$ 4,744,131
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 101,432	\$ 51,177
Other current liabilities	62,194	19,330
Long-term debt, current portion	20,310	16,462
	183,936	86,969
Long-term debt	609,285	542,285
	793,221	629,254
Net assets:		
Unrestricted net assets	3,357,619	3,336,006
Temporarily restricted net assets	893,703	778,871
	4,251,322	4,114,877
	\$ 5,044,543	\$ 4,744,131

The accompanying notes should be read with these financial statements.

CASA LATINA
Statement of Activity and Change in Net Assets
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2014</u>	<u>Total 2013</u>
Support and revenue:				
Government grants	\$ 416,137		\$ 416,137	\$ 392,010
Foundation grants	312,141	\$ 178,333	490,474	220,558
Capital campaign revenue	667	190,000	190,667	91,788
Contributions	185,378	6,010	191,388	227,797
Contributions from special events	151,850		151,850	117,211
Event revenue, net of direct benefits of \$28,138 and \$30,129 in 2014 and 2013	17,783		17,783	8,393
In-kind revenue	19,522		19,522	14,858
Union contracts				19,814
Rental income	16,027		16,027	7,290
Fees for service	58,517		58,517	48,656
Other income	151		151	3,782
Net assets released from restrictions	<u>259,511</u>	<u>(259,511)</u>		
Total support and revenue	<u>1,437,684</u>	<u>114,832</u>	<u>1,552,516</u>	<u>1,152,157</u>
Expenses:				
Program	881,239		881,239	856,924
Administration	314,191		314,191	214,933
Fundraising	<u>220,641</u>		<u>220,641</u>	<u>200,902</u>
Total expenses	<u>1,416,071</u>		<u>1,416,071</u>	<u>1,272,759</u>
Change in net assets	21,613	114,832	136,445	(120,602)
Net assets, beginning of year	<u>3,336,006</u>	<u>778,871</u>	<u>4,114,877</u>	<u>4,235,479</u>
Net assets, end of year	<u>\$ 3,357,619</u>	<u>\$ 893,703</u>	<u>\$ 4,251,322</u>	<u>\$ 4,114,877</u>

The accompanying notes should be read with these financial statements.

CASA LATINA
Statement of Functional Expenses
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

	<u>Program</u>	<u>Administration</u>	<u>Fundraising</u>	<u>Total 2014</u>	<u>Total 2013</u>
Salaries and wages	\$ 506,992	\$ 168,961	\$ 129,624	\$ 805,577	\$ 645,971
Employee benefits	59,888	19,958	15,311	95,157	75,654
Payroll taxes	37,215	12,402	9,515	59,132	51,858
External contractors					54,529
Services, in-kind	4,522	15,000		19,522	13,948
Rent and occupancy	42,384	5,304	2,565	50,253	49,619
Supplies	25,407	2,206	13,828	41,441	46,732
Advertising	4,774			4,774	4,213
Office and general	12,383	1,550	749	14,682	4,564
Telecommunications	14,782	4,926	3,780	23,488	18,988
Professional services	530	20,629		21,159	58,747
Event expenses other than direct benefits			37,192	37,192	45,605
Travel and training	19,145	1,192	10	20,347	17,891
Insurance	17,274	2,161	1,045	20,480	21,134
Property taxes	948	119	57	1,124	2,655
Interest		20,772		20,772	2,979
Bad debt		18,169		18,169	652
Miscellaneous	34,560	8,274	887	43,721	46,960
Basic need assistance					8,902
Depreciation and amortization	<u>100,435</u>	<u>12,568</u>	<u>6,078</u>	<u>119,081</u>	<u>101,158</u>
 Total expenses	 <u>\$ 881,239</u>	 <u>\$ 314,191</u>	 <u>\$ 220,641</u>	 <u>\$ 1,416,071</u>	 <u>\$ 1,272,759</u>

The accompanying notes should be read with these financial statements.

CASA LATINA
Statement of Cash Flows
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 136,445	\$ (120,602)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	119,081	101,158
Decrease (increase) in operating assets:		
Grants receivable	(100,291)	356,205
Pledges	18,001	(6,529)
Accounts receivable	150	4,204
Prepays and deposits	(957)	8,673
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	93,119	(164,810)
Cash provided (used) by operating activities	265,548	178,299
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturities of certificates of deposit		50,134
Purchases of buildings, improvements, furniture, software and equipment	(113,676)	(217,302)
Purchases of items in construction in progress	(175,813)	
Cash provided (used) by investing activities	(289,489)	(167,168)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	103,740	
Payments on line of credit	(16,462)	(364,000)
Proceeds from long-term debt		352,747
Payments on long-term debt	(16,430)	
Cash provided (used) by financing activities	70,848	(11,253)
Net increase (decrease) in cash	46,907	(122)
Cash and cash equivalents, beginning of year	200,557	200,679
Cash and cash equivalents, end of year	\$ 247,464	\$ 200,557
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest expensed during the year	\$ 20,772	\$ -
Interest capitalized during the year	\$ -	\$ 10,062

The accompanying notes should be read with these financial statements.

CASA LATINA
Notes to Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 1 - NATURE OF THE ORGANIZATION

Casa Latina (the Organization) is a Washington nonprofit corporation formed in 1995 that seeks to educate Latino seasonal workers so they may become economically independent and contributing members of the community. Programs include classes in English, rights and responsibilities training, services to overcome employability barriers and other activities designed to fulfill the Organization's mission.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial statement presentation

Casa Latina reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. At December 31, 2014 and 2013, Casa Latina had no permanently restricted net assets.

Contributions restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity and change in net assets as net assets released from restrictions.

Fair value of financial assets and liabilities

Financial Accounting Standards Board Codification, Subtopic 820-10, *Fair Value Measurements and Disclosures*, establishes a hierarchy for measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The valuation methodologies used to measure fair value have been consistently applied. All assets and liabilities measured at fair value on a recurring basis fall in Level 1 at December 31, 2014 and 2013.

Cash and cash equivalents

Cash and cash equivalents consist of checking accounts and money market funds. The carrying amount of these assets approximates fair value because of the short maturity of the instruments. The Organization maintains cash balances at several financial institutions. Balances at times may exceed the federally insured limits. The Organization has not experienced any losses in such accounts.

CASA LATINA
Notes to Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Accounts and grants receivable

The Organization's accounts receivable balances consist primarily of small miscellaneous receivables. Grants receivable balances consist primarily of unsecured receivables. Grant revenues are accrued once they have been earned in accordance with specific contractual terms. The Organization has deemed that all accounts are collectible, therefore no allowance has been provided.

Fixed assets and depreciation

Casa Latina capitalizes all expenditures for furniture and equipment in excess of \$1,000. Fixed assets are recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are charged to expense as incurred. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, from 3 to 40 years. The estimated service life of the assets for depreciation purposes may be different than their actual economic useful life.

Donated services

The Organization receives donated services; primarily program services. Donated services are recorded at fair value if they create or enhance non-financial assets or if they consist of specialized skills that would have to be purchased if they were not donated. During 2014 and 2013, Casa Latina recognized \$19,522 and \$14,858, respectively, for such donated services. In addition, Casa Latina receives donated time from volunteers that does not meet the requirement above for recognition in the financial statements, but provides valuable service to the Organization. These services include community service, fundraising, and general office assistance. Casa Latina received more than 11,309 and 10,097 hours of such additional donated time in 2014 and 2013, respectively.

Event revenue

The Organization records contribution revenue for a funding-raising dinner. Expenses of the event comprising direct benefits to donors are netted against ticket revenue and reported as a separate line item in the statement of activity and change in net assets.

Allocation of expenses

The costs of providing programs and other activities have been summarized on a functional basis in the statement of activity and change in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CASA LATINA
Notes to Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Federal income tax

Casa Latina is exempt from federal income tax under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3). In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is a public charity under Section 509(a)(1). The Organization's income tax filings are subject to examination by various taxing authorities. Casa Latina's open examination periods are 2011 and thereafter. The Organization believes that it has appropriate support for any tax positions taken and, as such, does not have any uncertain tax positions that are material to the financial statements.

Comparative financial information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Casa Latina's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Reclassifications

Certain amounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

NOTE 3 - PLEDGES

Pledges receivable consist of unconditional promises to give, restricted to the development of a Casa Latina building project in Seattle, Washington. All pledges are expected to be realized, therefore there is no allowance for uncollectible pledges. A discount has not been provided for pledges that are expected to be realized in a timeframe greater than one year since the amount is considered immaterial.

CASA LATINA
Notes to Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 3 - PLEDGES, CONTINUED

Pledges receivable at December 31, 2014 and 2013, are expected to be realized as follows:

	<u>2014</u>	<u>2013</u>
In less than one year	\$ 5,370	\$ 18,009
In one to five years	<u>3,125</u>	<u>8,487</u>
	<u>\$ 8,495</u>	<u>\$ 26,496</u>

NOTE 4 - DEVELOPMENT AND CONSTRUCTION IN PROGRESS

On March 16, 2007, Casa Latina purchased property in Seattle, Washington for development of three buildings to house the Organization's programs and offices. The Organization has incurred debt related to the purchase and development as described in Note 5. Loan interest of \$10,062 was capitalized during 2013. No interest was capitalized during 2014. Land costs totaled \$1,154,303 at December 31, 2014 and 2013. Casa Latina completed Phase I of the project and occupied the administrative and workers' center buildings in March 2009. During 2010 the Organization started, and in 2013 completed, work on Phase II of the project, which consisted of construction of a third building. Additional construction in progress costs on projects within the buildings totaled \$175,813 at December 31, 2014. There was no construction in progress at December 31, 2013.

NOTE 5 - LONG-TERM DEBT

Long-term debt consisted of the following at December 31:

	<u>2014</u>	<u>2013</u>
Loan payable to Plymouth Congregational Church; quarterly payments of interest only at 3%; secured by a deed of trust on property in Seattle, Washington (see Note 4); maturity extended to October 1, 2016	\$ 59,570	\$ 76,000
Loan payable to City of Seattle; no interest and loan forgiven at maturity on December 31, 2027, provided Casa Latina satisfies all compliance obligations of loan agreement; secured by a deed of trust on property under development in King County, WA (see Note 4); total loan available is \$200,000	200,000	200,000

CASA LATINA
Notes to Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 5 - LONG-TERM DEBT, CONTINUED

	2014	2013
Line of credit payable to Pacific Continental Bank; interest only payments monthly for six months starting October 1, 2013 at 4.81%; principal and interest payments monthly starting April 1, 2014; all remaining principal and interest due March 1, 2024; total available credit of \$400,000; borrower is not entitled to further advances under this line of credit after March 1, 2014; secured by a deed of trust on property in Seattle, Washington (see Note 4)	\$ 370,025	\$ 282,747
Total long-term debt	\$ 629,595	\$ 558,747

Future payments required on loans and lines of credit payable for the years ending December 31, are as follows:

2015	\$	20,310
2016		80,879
2017		22,357
2018		23,456
2019		24,609
Thereafter		457,984
	\$	629,595

Additional line of credit

On August 27, 2013, the Organization signed a refinance agreement for a line of credit with Pacific Continental Bank for a total of \$50,000. The agreement stipulates an interest rate based on outstanding balances, at 1.5 percent over the lender's prime rate; minimum 5.5 percent, payable monthly. Any outstanding principal and interest are due at maturity, on August 1, 2015. No balance was outstanding at December 31, 2014 or 2013.

NOTE 6 - RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets of \$893,703 and \$778,871 at December 31, 2014 and 2013, respectively, are restricted for use, including an easement on property owned by the Organization. The easement agreement, with the City of Seattle, requires certain uses of the property for a period of five years.

CASA LATINA
Notes to Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 6 - RESTRICTIONS ON NET ASSETS, CONTINUED

Net assets restricted for use are as follows:

	<u>2014</u>	<u>2013</u>
Program	\$ 853,703	\$ 757,070
Development	<u>40,000</u>	<u>21,801</u>
	<u>\$ 893,703</u>	<u>\$ 778,871</u>

NOTE 7 - COMMITMENTS AND CONTINGENCIES

Amounts received from grantor agencies are subject to audit and adjustments by the grantor agency. Any disallowed cost, including amounts already collected, may constitute a liability for the Organization. The amounts, if any, of expenditures, which may be disallowed by the grantor, are recorded at the time that such amounts can be reasonably determined, normally upon notification of the government agency. During the year ended December 31, 2013, adjustments of \$144 were made. During the year ended December 31, 2014, no adjustments were made.

NOTE 8 - PENSION PLAN

Casa Latina has a qualified defined contribution pension plan under Internal Revenue Code section 403(b). The Organization's contributions to the plan totaled \$3,305 and \$4,735 for the years ended December 31, 2014 and 2013, respectively.

NOTE 9 - PRIOR PERIOD ADJUSTMENT

The prior period has been restated to reflect capitalization of software and a net increase to ending unrestricted net assets of \$54,381 at December 31, 2013.

Effects of the adjustments are as follows:

	<u>12/31/13</u> <u>Original</u>	<u>Adjustments</u>	<u>12/31/13</u> <u>Restated</u>
Capitalized software		\$ 54,381	\$ 54,381
Salaries and wages	\$ 698,313	(52,342)	645,971
Employee benefits	75,827	(173)	75,654
Payroll taxes	53,724	(1,866)	51,858
Change in equity	4,060,496	54,381	4,114,877

CASA LATINA
Notes to Financial Statements
For the Year Ended December 31, 2014
(With Comparative Totals for 2013)

NOTE 10 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through August 13, 2015, which is the date the financial statements were available to be issued, and has determined that there are no material subsequent events that require recognition or additional disclosure.

WATSON & McDONELL, PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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

Board of Directors
Casa Latina
Seattle, Washington

We have audited, in accordance with the 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, the financial statements of Casa Latina, which comprise the statement of financial position as of December 31, 2014, the related statements of activity and change in net assets, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 13, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Casa Latina's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Casa Latina's internal control. Accordingly, we do not express an opinion on the effectiveness of Casa Latina's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Casa Latina'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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the schedule of findings and responses as item 2014-002.

Casa Latina's Response to Findings

Casa Latina's responses to the findings identified in our audit are described following the findings. Casa Latina's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watson & McDermott, PLLC

August 13, 2015

CASA LATINA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

Finding identification number: 2014-001

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting.

Condition: The Organization has struggled with turnover in the Director of Finance position for several years. In the current year, the Organization was not able to maintain adequate staffing to provide for sufficient segregation of duties or monitoring to achieve an adequate level of internal control. Turnover and illness in the Director of Finance position left the Organization without adequate and timely performance of accounting functions during parts of the year under audit. Further, the contract CPA who was to monitor the system was terminated from access to the accounting software, resulting in inadequate monitoring.

Context: Bank and other reconciliations were not completed for many months. A number of journal entries and a significant amount of time were required to properly state the financial statements.

Effect: Significant time was required to correct accounts, and make entries and adjustments to properly record transactions. Because of the failure to correctly record transactions, financial statements were not presented in accordance with generally accepted accounting principles and may not have provided sufficient accurate information to support effective decision making.

Cause: The Organization was without a Director of Finance until February 2014. That Director was unable to come to work or fulfill the requirements of the job for many months and was terminated in October, once again leaving the Organization without a finance manager. Additionally, during the time the Director of Finance was out of the office, the monitoring by the contract CPA ceased.

CASA LATINA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

Finding 2014-001, Continued

Recommendation:

We recommend the Organization re-establish its internal controls and implement proper procedures for reconciliation, closing, and maintaining supporting documentation. We further recommend implementing adequate monitoring procedures to ensure accurate, complete and timely reporting. When the Organization experiences turnover or is otherwise in need of additional financial assistance, we recommend the Organization hire individuals who are experienced with generally accepted accounting principles, nonprofit accounting and federal cost principles.

Views of responsible officials
and planned corrective actions:

In the beginning of 2014 Casa Latina contracted with a consultant who reviewed the work of the new finance director on a monthly basis including reconciliation, closing, documentation, and employee benefits and tax payments. The consultant brought the issues of late bank reconciliations and tax payments to the attention of the executive director. However, because of subsequent staff turnover in that position, the consultant was hired to fill in temporarily and help the organization with budgeting and closing the end of the year and could no longer fulfill the role of reviewer.

The organization will re-instate its internal controls by contracting with another qualified consultant who can review the finance manager's tasks on a monthly basis and provide monthly oversight reports to the executive director. The consultant will review the finance manager tasks and will provide training where necessary to make sure that the principles of GAAP are followed and to provide good financial reporting.

Casa Latina hired a new finance manager on March 30, 2015. She has been reviewing reports and correcting errors in bank reconciliations, journal entries and reports. She is familiar with the principles of GAAP, and the organization has paid for additional courses on nonprofit accounting, and will pay for additional individualized training.

CASA LATINA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

Finding 2014-001, Continued

Views of responsible officials
and planned corrective actions,
continued:

Casa Latina will create an emergency backup plan to contract with a backup person to replace the finance manager if something happens resulting in an unplanned absence. The plan and the consultant contact information will be available in the organization's financial procedures handbook.

CASA LATINA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

Finding identification number:	2014-002
Criteria:	Expenditures under Federal grants are required to be made, billed and documented under standards promulgated by Office of Management and Budget Circular A-122.
Condition:	The Organization incorrectly billed to a Federal grant budgeted rather than actual payroll, tax and benefit costs.
Context:	All of the payroll, taxes and benefits were billed at the budgeted amount rather than at actual cost.
Effect:	The Organization could be required to repay any amounts overbilled.
Cause:	The former Director of Finance may have misunderstood the requirements.
Recommendation:	Management should review the Federal requirements for allowable costs, and should pursue training in Federal cost principles. Additionally, internal controls should be implemented, and all governmental grants reviewed, to ensure all material transactions are properly recorded and billed in accordance with Federal requirements.
Views of responsible officials and planned corrective actions:	The new finance manager has read the training handbook provided by Susan Harwood and has received in-person and phone support from the federal monitor. As a result, the new finance manager was able to identify and correct payroll billing mistakes from her predecessor and has submitted corrected billing reports to Susan Harwood for the FY 2015 grant. She is receiving phone and e-mail support from the federal monitor to ensure that her reports are accurate. In addition, the executive director is reviewing all reports.

CASA LATINA
Schedule of Findings and Responses
For the Year Ended December 31, 2014

Finding 2014-002, Continued

Views of responsible officials
and planned corrective actions,
continued:

If Casa Latina receives another grant from Susan Harwood, the new finance manager will attend an in-person training that Susan Harwood will provide in the fall of 2015.

The organization will institute a policy that all government contract billings will be prepared by one person and reviewed by another person who is familiar with federal billing and documentation requirements before submission.