

CASA LATINA
(A WASHINGTON NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Casa Latina

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, 2015, and the related statements of activities, 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 the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT AUDITORS' REPORT, CONTINUED

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, 2015, 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.

Prior Period Financial Statements

The financial statements of Casa Latina as of December 31, 2014, were audited by other auditors whose report dated August 13, 2015, expressed an unmodified opinion on those statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2016, 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.

Finney, Hill & Company, P.S.

July 22, 2016
Seattle, Washington

CASA LATINA
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

Assets	2015	2014
Current assets:		
Cash and cash equivalents	\$ 216,630	247,464
Grants receivable	51,423	228,060
Accounts receivable	3,100	-
Pledges receivable	97,150	5,370
Prepays and deposits	6,526	3,689
Total current assets	374,829	484,583
Property and equipment and other:		
Land	1,154,303	1,154,303
Building and improvements	3,502,505	3,306,069
Equipment	96,720	135,081
Software	120,619	120,619
Furniture and fixtures	46,289	46,289
Construction in progress	-	175,813
Loan fees	10,888	10,888
Less: accumulated depreciation and amortization	(509,064)	(392,227)
	4,422,260	4,556,835
Pledges, net of current portion	64,508	3,125
Total assets	\$ 4,861,597	5,044,543
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 4,306	99,464
Other current liabilities	64,051	64,162
Long-term debt, current portion	63,736	20,310
Total current liabilities	132,093	183,936
Long term liabilities:		
Long-term debt	529,066	609,285
Total liabilities	661,159	793,221
Net assets:		
Unrestricted	3,348,922	3,357,619
Temporarily restricted	851,516	893,703
Total net assets	4,200,438	4,251,322
Total liabilities and net assets	\$ 4,861,597	5,044,543

The accompanying notes are an integral part of these financial statements.

CASA LATINA
STATEMENT OF ACTIVITIES
Year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Government grants	\$ 428,931	-	428,931
Foundation grants	18,790	50,000	68,790
Capital campaign revenue	316	-	316
Contributions	471,941	154,641	626,582
United Way	59,500	-	59,500
Event revenue, net of direct benefits of \$61,542	26,128	-	26,128
In-kind revenue	8,900	-	8,900
Rental income	28,453	-	28,453
Fees for service	72,369	-	72,369
Other income	811	-	811
Net assets released from restrictions	246,828	(246,828)	-
Total support and revenue	1,362,967	(42,187)	1,320,780
Expenses:			
Program	886,335	-	886,335
Management and general	250,003	-	250,003
Fundraising	235,326	-	235,326
Total expenses	1,371,664	-	1,371,664
Increase (decrease) in unrestricted net assets	(8,697)	(42,187)	(50,884)
Net assets - beginning of year	3,357,619	893,703	4,251,322
Net assets - end of year	\$ 3,348,922	851,516	4,200,438

The accompanying notes are an integral part of these financial statements.

CASA LATINA
STATEMENT OF ACTIVITIES
Year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Government grants	\$ 416,137	-	416,137
Foundation grants	263,141	178,333	441,474
Capital campaign revenue	667	190,000	190,667
Contributions	337,228	6,010	343,238
United Way	49,000	-	49,000
Event revenue, net of direct benefits of \$28,138	17,783	-	17,783
In-kind revenue	19,522	-	19,522
Rental income	16,027	-	16,027
Fees for service	58,517	-	58,517
Other income	151	-	151
Net assets released from restrictions	259,511	(259,511)	-
Total support and revenue	<u>1,437,684</u>	<u>114,832</u>	<u>1,552,516</u>
Expenses:			
Program	881,239	-	881,239
Management and general	314,191	-	314,191
Fundraising	220,641	-	220,641
Total expenses	<u>1,416,071</u>	<u>-</u>	<u>1,416,071</u>
Increase (decrease) in net assets	21,613	114,832	136,445
Net assets - beginning of year	<u>3,336,006</u>	<u>778,871</u>	<u>4,114,877</u>
Net assets - end of year	<u>\$ 3,357,619</u>	<u>893,703</u>	<u>4,251,322</u>

The accompanying notes are an integral part of these financial statements.

CASA LATINA
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2015

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 432,696	149,024	144,175	725,895
Employee benefits	47,972	16,522	15,985	80,479
Payroll taxes	37,014	12,748	12,333	62,095
External contractors	38,761	439	-	39,200
Services, in-kind	300	8,000	-	8,300
Rent and occupancy	44,976	5,890	2,677	53,543
Supplies	25,646	2,077	7,494	35,217
Advertising	696	1,896	1,007	3,599
Operations	41,859	6,516	16,501	64,876
Professional services	22,667	11,153	-	33,820
Event expenses, other than direct benefits	185	-	20,268	20,453
Travel	30,774	1,032	1,131	32,937
Insurance	15,600	2,043	929	18,572
Interest	15,547	2,036	925	18,508
Bad debt	-	4,337	-	4,337
Miscellaneous	555	9,713	4,366	14,635
Depreciation and amortization	126,270	15,946	7,248	149,464
Loss on disposal of assets	4,817	631	287	5,734
	<u>\$ 886,335</u>	<u>250,003</u>	<u>235,326</u>	<u>1,371,664</u>

The accompanying notes are an integral part of these financial statements.

CASA LATINA
STATEMENT OF FUNCTIONAL EXPENSES
Year ended December 31, 2014

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 506,992	168,961	129,624	805,577
Employee benefits	59,888	19,958	15,311	95,157
Payroll taxes	37,215	12,402	9,515	59,132
Services, in-kind	4,522	15,000	-	19,522
Rent and occupancy	43,332	5,423	2,622	51,377
Supplies	25,407	2,206	13,828	41,441
Advertising	4,774	-	-	4,774
Operations	27,165	6,476	4,529	38,170
Professional services	530	20,629	-	21,159
Event expenses, other than direct benefits	-	-	37,192	37,192
Travel	19,145	1,192	10	20,347
Insurance	17,274	2,161	1,045	20,480
Interest	-	20,772	-	20,772
Bad debt	-	18,169	-	18,169
Miscellaneous	34,560	8,274	887	43,721
Depreciation and amortization	100,435	12,568	6,078	119,081
	<u>\$ 881,239</u>	<u>314,191</u>	<u>220,641</u>	<u>1,416,071</u>

The accompanying notes are an integral part of these financial statements.

CASA LATINA
STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash
Years ended December 31, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Change in net assets	\$ (50,884)	136,445
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	149,464	119,081
Loss (gain) on disposal	5,734	-
(Increase) decrease in assets:		
Grants and pledges receivable	23,474	(82,290)
Accounts receivable	(3,100)	150
Prepays and deposits	(2,837)	(957)
Increase (decrease) in liabilities:		
Accounts payable	(95,269)	93,119
Net cash provided (used) by operating activities	26,582	265,548
Cash flows from investing activities:		
Purchase of land, building, and equipment	(20,623)	(289,489)
Net cash provided (used) by investing activities	(20,623)	(289,489)
Cash flows from financing activities:		
Proceeds from long-term debt	-	103,740
Payments on line-of-credit	-	(16,462)
Payments on long-term debt	(36,793)	(16,430)
Net cash provided (used) by financing activities	(36,793)	70,848
Net increase (decrease) in cash	(30,834)	46,907
Cash and cash equivalents at beginning of year	247,464	200,557
Cash and cash equivalents at end of year	\$ 216,630	247,464

SUPPLEMENTAL DISCLOSURE OF CASHFLOW INFORMATION

Cash paid for interest	\$ 18,508	20,772
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The accompanying notes are an integral part of these financial statements.

CASA LATINA
Notes To Financial Statements
Years Ended December 31, 2015 and 2014

NOTE 1 – NATURE OF ORGANIZATION

Casa Latina (the Organization) is a not-for-profit, 501(c)(3) organization formed in 1995 that empowers Latino immigrants through educational and economic opportunities. These opportunities include day labor employment through Casa Latina's worker center, English language classes, workplace safety and job skills trainings, leadership development, and organizing around issues of public policy that affect immigrant workers. Casa Latina's vision is that the Latino community participate fully in the economy and democracy of the United States.

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

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 958, *Not-for-profit Entities*. This Topic establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into net asset classes according to donor-imposed restrictions. Accordingly, the net assets of the Organization have been reported as follows:

- *Unrestricted net assets* are those currently available at the discretion of the board for use in the activities of the Organization.
- *Temporarily restricted net assets* are those stipulated by donors for specific operating purposes.
- *Permanently restricted net assets* are in the form of endowment or sustaining funds in which only the income from such funds may be expended. The Organization had no permanently restricted net assets at December 31, 2015 and 2014.

Net assets of the temporarily and permanently restricted class are created only by donor-imposed restrictions on the use of funds. All other net assets, including board-designated or appropriated amounts, are reported as part of the unrestricted class.

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

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Cash and cash equivalents

Cash consists of balances held in checking, money market and certificate of deposit accounts. For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year. The Organization has not experienced any losses in these accounts, and management does not believe it is exposed to any significant credit risk.

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.

Depreciation and amortization expense of \$149,464 and \$119,081 was recognized in the years ended December 31, 2015 and 2014, respectively.

Functional Allocation of Expenses

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

Impairment of long-lived assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Recoverability is measured by a comparison of the carrying amount to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount exceeds the fair value as determined from an appraisal, discounted cash flow analysis, or other valuation techniques. There were no impairment losses recognized for the years ended December 31, 2015 and 2014.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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 2015 and 2014, Casa Latina recognized \$7,800 and \$19,522, 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 6,784 and 11,309 hours of such additional donated time in 2015 and 2014, respectively.

Event revenue

The Organization records contribution revenue for a fundraising 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.

Federal income tax status

The Organization is a nonprofit organization and is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1).

The Organization accounts for tax positions in accordance with the Recognition and Initial Measurement Sections of the FASB Accounting Standards Codification Topic 740, *Income Taxes*. With few exceptions, Casa Latina is subject to federal and state income tax examinations by tax authorities for the prior three years. Management has reviewed Casa Latina's tax positions and determined there were no uncertain tax positions as of December 31, 2015 and 2014.

The Organization recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended December 31, 2015 and 2014, Casa Latina recognized no income tax related interest or penalties.

Reclassifications

Certain balances in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. These reclassifications had no effect on the change in net assets.

Use of estimates in 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 or liabilities, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2015 and 2014

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Date of Management’s Review

Subsequent events have been evaluated through July 22, 2016, which is the date the financial statements were available to be issued.

NOTE 3 – PLEDGES

Pledges receivable consist of unconditional promises to give. 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.

Pledges receivable at December 31, 2015 and 2014 are expected to be realized as follows:

	<u>2015</u>	<u>2014</u>
In less than one year	\$ 97,150	5,370
In one to five years	<u>64,508</u>	<u>3,125</u>
	<u>\$ 161,658</u>	<u>8,495</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. No interest was capitalized during 2014 or 2015. 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. A kitchen construction and improvement project was started during 2014 and completed in 2015 for a total cost of \$196,436.

NOTE 5 – 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. No balance was outstanding at December 31, 2015 and 2014. The line-of-credit matures on August 1, 2016.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2015 and 2014

NOTE 6 – LONG-TERM DEBT

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

	2015	2014
Loan payable to Plymouth Congregational Church; quarterly payments of interest only at 3%; secured by a deed of trust on property in Seattle, Washington; maturity extended to October 1, 2016	\$ 43,570	59,570
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 in King County, WA; total loan available is \$200,000	200,000	200,000
Loan payable to Pacific Continental Bank; 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 loan after March 1, 2014; secured by a deed of trust on property in Seattle, Washington	349,232	370,025
	592,802	629,595
Less current portion	(63,736)	(20,310)
Amount due after one year	\$ 529,066	609,285

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

<u>Years ending</u>	<u>Principal Payments</u>
2016	\$ 63,736
2017	21,223
2018	22,281
2019	23,392
2020	24,521
Thereafter	437,649
Total	\$ 592,802

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2015 and 2014

NOTE 7 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets of \$851,516 and \$893,703 at December 31, 2015 and 2014, 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. In addition, a grant of \$316,875 from the Department of Commerce is restricted to a specific use through 2022. Under the terms of the forgivable grant agreement, violation of the use restriction will result in immediate repayment of the funds with a 5% annual penalty.

Net assets restricted for use are as follows:

	<u>2015</u>	<u>2014</u>
Program	\$ 811,516	853,703
Development	<u>40,000</u>	<u>40,000</u>
	<u>\$ 851,516</u>	<u>893,703</u>

NOTE 8 – CONCENTRATIONS, CONTINGENCIES AND COMMITMENTS

Amounts received from grantor agencies are subject to audit and adjustments by the grantor agency. Any disallowed costs, 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 by the government agency.

Two funders and three funders provided 24.9% and 42.7% of the Organization's revenue during the years ended December 31, 2015 and 2014, respectively. As of December 31, 2016, one donor's pledge comprises \$100,000 or 62% of the total pledges receivable.

NOTE 9 – 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 \$6,784 and \$3,305 for the years ended December 31, 2015 and 2014, respectively.

These notes are an integral part of the financial statements.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

To the Board of Directors
Casa Latina
Seattle, WA

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 (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 22, 2016.

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.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2015-001 and 2015-002.

**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*, continued**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Casa Latina's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002.

Casa Latina's Response to Findings

Casa Latina's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Casa Latina's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report is intended 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.

Finney, Hill & Company, P.S.

July 22, 2016
Seattle, Washington

CASA LATINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2015

2015-001 Accounting System, Processes and Reporting

Finding: Internal control processes over financial reporting did not ensure that all transactions were properly recorded, reconciled or reported.

Criteria: The Organization is responsible for day-to-day transactional accounting, as well as monthly, quarterly and annual financial statement reporting. As such, the Organization is responsible for implementing adequate procedures to ensure that such information and reports are accurate and complete.

Condition & context: The Organization has struggled with turnover in the Director of Finance position for several years. During 2014 through March 2015, 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.

Effect: Without adequate reconciliation and review procedures in place, the Organization may provide its internal management and third-parties with information that is inaccurate or incomplete. Without adequate controls and review procedures, the Organization may incorrectly process a transaction and not detect the error.

Cause: The Organization was without a Director of Finance until March 2015.

Recommendation:

With the hiring of the new finance manager in March 2015 and her efforts during much of the remainder of the year, the Organization has made significant progress in resolving these matters. We recommend the Organization continue its efforts to improve its procedures and maintain monitoring procedures to ensure accurate, complete and timely reporting.

Management Response and Corrective Action Plan:

We understand the auditors' findings and have resolved the issue identified.

Casa Latina hired a new finance manager on March 30, 2015. She is familiar with the principles of GAAP, and the organization has paid for additional courses on nonprofit accounting, and is paying for additional individualized training. She has been reviewing reports and correcting errors in bank reconciliations, journal entries and reports. She has implemented new internal controls and new segregation of duties has been placed as well as new policies and procedures to prevent errors.

We have implemented additional review procedures and are using the services of a contract CPA to provide monthly accounting assistance, oversight and review.

We consider the finding to be fully resolved.

CASA LATINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2015, continued

2015-002 Allowable Costs

Finding: During March 2015 it was determined the Organization incorrectly reported to a Federal grant budgeted rather than actual payroll, tax and benefit costs.

Criteria: Expenditures under Federal and State grants are required to be made, billed and documented under standards promulgated by Office of Management and Budget Circular A-122.

Condition and context: During March 2015 it was determined that payroll, taxes and benefits were billed at the budgeted amount rather than at actual cost during the year ending 2014.

Effect: The Organization was required to correct prior financial report submissions.

Cause: The former Director of Finance may have misunderstood the requirements.

Recommendation:

Management should review the Federal requirements for allowable costs, and should obtain training in Federal cost principles. Additionally, internal controls should be implemented, and all governmental grants reviewed, to ensure all material transactions are properly recorded, billed and reported in accordance with Federal requirements.

Management Response and Corrective Action Plan:

We understand the auditors' findings and have resolved the issue identified.

Casa Latina hired a new finance manager on March 30, 2015.

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 December 31, 2014 grant. On June 10, 2015 Casa Latina received notice that the matter was considered resolved and noted improvements in Casa Latina's procedures during 2015.

In addition, the executive director is reviewing all reports before they are submitted.

We consider the finding to be fully resolved.

CASA LATINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the year ended December 31, 2014

2014-001 Accounting System, Processes and Reporting

Finding:

Internal control processes over financial reporting did not ensure that all transactions were properly recorded, reconciled or reported.

Current Status:

Casa Latina hired a new finance manager on March 30, 2015 and implemented policy and procedures designed to ensure that all transactions are properly recorded, reconciled and reported.

2014-002 Allowable Costs

Finding:

The Organization incorrectly billed to a Federal grant budgeted rather than actual payroll, tax and benefit costs.

Current Status:

Corrective action was taken to correct billing mistakes during 2015.