

CASA LATINA
(A WASHINGTON NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT
YEARS ENDED DECEMBER 31, 2016 AND 2015

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1 - 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4 - 5
Statements of Functional Expenses	6 - 7
Statements of Cash Flows	8
Notes to Financial Statements	9 – 15
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 <i>Government Auditing Standards</i>	16 – 17
Schedule of Findings and Questioned Costs	18
Summary Schedule for Prior Audit Findings	19

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 statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2017, 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, Neill & Company, P.S.

June 13, 2017
Seattle, Washington

CASA LATINA
STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015

Assets	2016	2015
Current assets:		
Cash and cash equivalents	\$ 314,974	216,630
Grants receivable	161,120	51,423
Accounts receivable	300	3,100
Pledges receivable, current	193,812	97,150
Prepays and deposits	5,517	6,526
Total current assets	675,723	374,829
Property and equipment and other:		
Land	1,154,303	1,154,303
Building and improvements	3,502,505	3,502,505
Equipment	96,720	96,720
Software	120,619	120,619
Furniture and fixtures	46,289	46,289
Construction in progress	242,113	-
Less: accumulated depreciation and amortization	(644,125)	(504,634)
	4,518,424	4,415,802
Pledges, net of current portion	5,500	64,508
Total assets	\$ 5,199,647	4,855,139
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 54,091	4,306
Payroll liabilities	70,890	40,143
Other current liabilities	29,176	23,908
Accrued interest	2,375	-
Notes payable, current portion	21,223	63,736
Total current liabilities	177,755	132,093
Long term liabilities:		
Notes payable, net of current portion	651,405	522,608
Total liabilities	829,160	654,701
Net assets:		
Unrestricted	3,484,075	3,348,922
Temporarily restricted	886,412	851,516
Total net assets	4,370,487	4,200,438
Total liabilities and net assets	\$ 5,199,647	4,855,139

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

CASA LATINA
STATEMENT OF ACTIVITIES
Year ended December 31, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Government grants	\$ 669,163	-	669,163
Foundation grants	194,181	125,000	319,181
Capital campaign revenue	91,259	-	91,259
Contributions	261,273	31,537	292,810
United Way	70,000	-	70,000
Event revenue, net of direct benefits of \$76,385	91,280	-	91,280
In-kind revenue	8,325	-	8,325
Rental income	42,733	-	42,733
Fees for service	73,121	-	73,121
Other income	2,064	-	2,064
Net assets released from restrictions	<u>121,641</u>	<u>(121,641)</u>	<u>-</u>
Total support and revenue	<u>1,625,040</u>	<u>34,896</u>	<u>1,659,936</u>
Expenses:			
Program	952,269	-	952,269
Management and general	269,784	-	269,784
Fundraising	<u>267,834</u>	<u>-</u>	<u>267,834</u>
Total expenses	<u>1,489,887</u>	<u>-</u>	<u>1,489,887</u>
Increase (decrease) in net assets	135,153	34,896	170,049
Net assets - beginning of year	<u>3,348,922</u>	<u>851,516</u>	<u>4,200,438</u>
Net assets - end of year	<u>\$ 3,484,075</u>	<u>886,412</u>	<u>4,370,487</u>

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	420,827	154,641	575,468
United Way	59,500	-	59,500
Event revenue, net of direct benefits of \$61,542	77,242	-	77,242
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	886,336	-	886,336
Management and general	250,003	-	250,003
Fundraising	235,326	-	235,326
Total expenses	1,371,664	-	1,371,664
Increase (decrease) in 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 FUNCTIONAL EXPENSES
Year ended December 31, 2016

	Program	Management and General	Fundraising	Total
Salaries and wages	\$ 501,015	176,234	151,997	829,246
Employee benefits	44,985	15,884	13,687	74,556
Payroll taxes	44,382	15,670	13,504	73,556
External contractors	63,182	2,860	-	66,042
Services, in-kind	2,825	-	5,500	8,325
Occupancy	44,935	5,884	2,675	53,494
Supplies	26,969	1,726	7,339	36,034
Operations	21,691	3,472	17,649	42,812
Professional services	20,409	9,119	10,775	40,303
Event expenses, other than direct benefits	500	668	24,517	25,685
Travel	21,538	2,171	246	23,955
Insurance	14,438	1,891	859	17,188
Interest	17,074	2,236	1,016	20,326
Bad debt	-	179	-	179
Other operating costs	11,153	16,446	11,095	38,694
Depreciation and amortization	117,173	15,344	6,975	139,492
	<u>\$ 952,269</u>	<u>269,784</u>	<u>267,834</u>	<u>1,489,887</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
Occupancy	44,976	5,890	2,677	53,543
Supplies	25,646	2,077	7,494	35,217
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	16,419	2,150	977	19,546
Bad debt	-	4,337	-	4,337
Other operating costs	1,251	11,609	5,373	18,233
Depreciation and amortization	125,399	15,832	7,196	148,427
Loss on disposal of assets	4,817	631	287	5,734
	<u>\$ 886,336</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
STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash
Years ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Change in net assets	\$ 170,049	(50,884)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	140,529	149,464
Loss (gain) on disposal	-	5,734
(Increase) decrease in assets:		
Grants and pledges receivable	(147,352)	23,474
Accounts receivable	2,800	(3,100)
Prepays and deposits	1,009	(2,837)
Increase (decrease) in liabilities:		
Accounts payable	49,785	(95,158)
Other accrued liabilities	38,390	(111)
Net cash provided (used) by operating activities	<u>255,210</u>	<u>26,582</u>
Cash flows from investing activities:		
Purchase of land, building, and equipment	<u>(242,113)</u>	<u>(20,623)</u>
Net cash provided (used) by investing activities	<u>(242,113)</u>	<u>(20,623)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	150,000	-
Payments on long-term debt	<u>(64,753)</u>	<u>(36,793)</u>
Net cash provided (used) by financing activities	<u>85,247</u>	<u>(36,793)</u>
Net increase (decrease) in cash	98,344	(30,834)
Cash and cash equivalents at beginning of year	<u>216,630</u>	<u>247,464</u>
Cash and cash equivalents at end of year	<u>\$ 314,974</u>	<u>216,630</u>
SUPPLEMENTAL DISCLOSURE OF CASHFLOW INFORMATION		
Cash paid for interest	<u>\$ 17,952</u>	<u>18,508</u>

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

CASA LATINA
Notes To Financial Statements
Years Ended December 31, 2016 and 2015

NOTE 1 – NATURE OF ORGANIZATION

Casa Latina (the Organization) is a not-for-profit, 501(c)(3) organization formed in 1995. As a vibrant, immigrant worker rights organization, Casa Latina empowers low-wage Latino immigrants to move from economic insecurity to economic prosperity and to lift their voices to take action around public policy issues that affect them. Our vision is for the Latino community to participate fully in the economy and democracy of this country.

Casa Latina serves working age (18+) Latino immigrants, the majority of whom work as day laborers and domestic workers—the positions low wage Latino immigrants are most likely to fill after reaching the US. In 2016, 65% of participants were men and 35% were women.

Casa Latina strives to provide culturally relevant programs that are applicable to the lived experiences of the Latino day laborers and domestic workers we serve. We use the popular education model of collective leadership to design programs that draw directly from our members' stories and needs. Our programs are built around three pillars: Employment, Education, and Community Organizing. Current programs include:

Employment

The Day Worker Center, Casa Latina's hiring hall, connects participants on a daily basis with day labor and domestic work at fair wages. These temporary jobs build a path to more stable employment and provide participants with the financial stability and client-base they need to earn a living and to prepare for their next steps—whether that's finding safe housing, starting full-time work, or building their own business.

Education

Casa Latina offers a variety of classes that help participants develop the skills they need to be more employable, which in turn helps them climb out of poverty.

- English as a Second Language: Free English classes, taught five days a week, help participants navigate everyday life and employment in the United States.
- Workplace Skills: Job skills trainings on topics including moving, gardening, and environmentally safe (“green”) cleaning give participants valuable skills to find and retain work.
- Workplace Safety: Safety trainings keep participants safe on the job and educate them on work place hazards, ergonomics, etc.

Community Organizing

Because Casa Latina believes that those most affected by racial and socioeconomic inequities are those most qualified to propose solutions, members organize and take leadership within Casa Latina and in the community at large. For example:

- Every Friday evening, the women’s leadership group Mujeres Sin Fronteras (Women Without Borders) meets and provides participants with the opportunity to gain leadership skills and build community. Topics of trainings and discussion include self-esteem building; civil rights; domestic violence; public speaking; women’s preventative health care; and household finances.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2016 and 2015

NOTE 1 – NATURE OF ORGANIZATION, continued

- Casa Latina’s worker defense committee educates workers on labor rights and supports victims of wage theft in recovering stolen wages.
- Casa Latina provides know your rights trainings and has created a community-wide plan for rapid response to actions by immigration enforcement. We will continue looking for ways to defend and empower our community in the face of increased anti-immigrant sentiments.

In addition to directly serving the Latino community in King County, Casa Latina has national impact as a model day worker center whose programs, curricula, and operations have been shared and implemented at worker centers throughout the country.

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, 2016 and 2015.

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 restriction.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2016 and 2015

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. In June 2016, the capitalization threshold was increased to capitalize expenditures in excess of \$3,000. 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 expense of \$139,492 and \$148,427 was recognized in the years ended December 31, 2016 and 2015, respectively.

Debt Issuance Costs

Debt issuance costs, net of accumulated amortization, are reported as a direct reduction of the obligation to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense.

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, 2016 and 2015.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2016 and 2015

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 2016 and 2015, Casa Latina recognized \$8,325 and \$8,900, 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 9,910 and 6,784 hours of such additional donated time in 2016 and 2015, 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.

Change in accounting principle

Effective January 1, 2016, Casa Latina adopted the provisions of Accounting Standards Update 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (ASU 2015-03). Under this new accounting policy, the Organization has retrospectively presented all debt issuance costs as a direct deduction from the carrying amount of the related obligation in the balance sheet. Amortization of the debt issuance costs is included as a component of interest expense. The effects of the retrospective application of the accounting change on the year ended December 31, 2015 is to decrease total assets and total liabilities by \$6,458 and reclassify \$1,037 of amortization to interest expense in the statement of functional expenses.

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, 2016 and 2015.

The Organization recognizes income tax related interest in interest expense and penalties in operating expenses. During the years ended December 31, 2016 and 2015, Casa Latina recognized no income tax related interest or penalties.

Reclassifications

Certain balances in the prior year financial statements may 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.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

Date of management's review

Subsequent events have been evaluated through June 13, 2017, 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, 2016 and 2015 are expected to be realized as follows:

	<u>2016</u>	<u>2015</u>
In less than one year	\$ 193,812	97,150
In one to five years	<u>5,500</u>	<u>64,508</u>
	<u>\$ 199,312</u>	<u>161,658</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. 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. An elevator construction and building improvement project was started during 2016 and was in progress as of December 31, 2016 with total costs of \$242,113. No interest was capitalized during 2016 or 2015.

NOTE 5 – Line-of-Credit

On August 19, 2016, the Organization signed an agreement for a line of credit with Heritage 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 4.5 percent, payable monthly. No balance was outstanding at December 31, 2016 and 2015. The line-of-credit matures on August 15, 2017.

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2016 and 2015

NOTE 6 – LONG-TERM DEBT

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

	2016	2015
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. Paid in full during 2016.	\$ -	43,570
Loan payable to Plymouth Congregational Church; quarterly payments of interest only at 2%; secured by a deed of trust on property in Seattle, Washington; all remaining principal and interest due December 31, 2018.	150,000	-
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 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	328,049	349,232
	678,049	592,802
Less: debt issuance costs, net of amortization	(5,421)	(6,458)
Notes payable, net	\$ 672,628	586,344

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

Years ending	Principal Payments
2017	\$ 21,223
2018	172,281
2019	23,392
2020	24,521
2021	25,782
Thereafter	410,850
Total	\$ 678,049

These notes are an integral part of the financial statements.

CASA LATINA

Notes To Financial Statements, continued
Years Ended December 31, 2016 and 2015

NOTE 7 – RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets of \$886,412 and \$851,516 at December 31, 2016 and 2015, 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>2016</u>	<u>2015</u>
Program	\$ 886,412	811,516
Development	<u>-</u>	<u>40,000</u>
	<u>\$ 886,412</u>	<u>851,516</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.

Three funders provided 48%, and two funders provided 25%, respectively, of the Organization's revenue during the years ended December 31, 2016 and 2015. As of December 31, 2016, one donor's pledge comprises \$125,000 or 64% 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 \$7,863 and \$6,508 for the years ended December 31, 2016 and 2015, respectively.

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*

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 statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated June 13, 2017.

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.

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.

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

Finney, Hill & Company, P.S.

June 13, 2017
Seattle, Washington

CASA LATINA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended December 31, 2016

NONE

CASA LATINA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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.

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.

The finding is closed.

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.

Current Status:

Corrective action was taken to correct billing mistakes during 2015 and received confirmation from the funder that the matter was resolved.

The finding is closed.