

Council for the Spanish Speaking, Inc.

Milwaukee, Wisconsin

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2012 and 2011

Council for the Spanish Speaking, Inc.

Consolidated Financial Statements and Supplementary Information

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Independent Auditor's Report

Board of Directors
Council for the Spanish Speaking, Inc.
Milwaukee, Wisconsin

We have audited the accompanying consolidated statements of financial position of the Council for the Spanish Speaking, Inc. (the "Organization"), as of June 30, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Council for the Spanish Speaking, Inc., as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 27, 2012, on our consideration of the Council for the Spanish Speaking, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions, 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 the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

Our audit was conducted for the purpose of forming an opinion on the basic consolidated financial statements of the Organization taken as a whole. The supplementary information appearing on pages 22 through 30 is presented for the purpose of additional analysis, and is not a required part of the basic consolidated financial statements. The accompanying schedule of expenditures of federal, state and local awards is presented for the purpose of additional analysis required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration and are not a required part of the basic consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the basic consolidated financial statements taken as a whole.

Wipfli LLP

Wipfli LLP

December 27, 2012
Milwaukee, Wisconsin

Council for the Spanish Speaking, Inc.

Consolidated Statement of Financial Position

June 30, 2012 and 2011

<i>Assets</i>	2012	2011
Current assets:		
Cash	\$ 221,756	\$ 258,026
Accounts receivable	6,129	17,070
Grants receivable	163,399	208,524
Investments	9,106	9,113
Total current assets	400,390	492,733
Restricted deposits and funded reserves:		
Tenant security deposits	32,992	25,460
Escrow deposits	69,231	280,146
Replacement and residual receipts reserve	434,820	341,832
Total restricted deposits and funded reserves	537,043	647,438
Property and equipment - Net	7,428,738	7,704,191
Other assets:		
Capitalized financing costs, net	73,714	76,630
TOTAL ASSETS	\$ 8,439,885	\$ 8,920,992

<i>Liabilities and Net Assets</i>	2012	2011
Current liabilities:		
Current maturities of long-term debt	\$ 561,279	\$ 1,055,176
Accounts payable	570,993	507,329
Accrued payroll and related expenses	89,373	99,549
Accrued pension payable	-	203,989
Other accrued expenses	32,053	26,870
Accrued interest	16,903	17,068
Deferred compensation	25,875	34,500
Deferred revenue	171,822	149,814
Total current liabilities	1,468,298	2,094,295
Long-term liabilities:		
Long-term debt, less current maturities	4,309,431	3,920,586
Deferred compensation, less current portion	-	25,875
Capital advance	1,912,300	1,912,300
Total long-term liabilities	6,221,731	5,858,761
Total liabilities	7,690,029	7,953,056
Net assets:		
Unrestricted	628,465	829,045
Temporarily restricted	121,391	138,891
Total net assets	749,856	967,936
TOTAL LIABILITIES AND NET ASSETS	\$ 8,439,885	\$ 8,920,992

Council for the Spanish Speaking, Inc.

Consolidated Statement of Activities

Years Ended June 30, 2012 and 2011

	2012		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Governmental grants and contracts	\$ 5,957,802	\$ -	\$ 5,957,802
Rent revenue	499,585	-	499,585
Contributions	372,030	-	372,030
Contribution in-kind	850,404	-	850,404
Other support and revenue	566,875	-	566,875
Net assets released from restriction	17,500	(17,500)	-
Total support and revenue	8,264,196	(17,500)	8,246,696
Expenses:			
Program services	7,814,601	-	7,814,601
Fund development	95,592	-	95,592
Management and general	554,583	-	554,583
Total expenses	8,464,776	-	8,464,776
Change in net assets	(200,580)	(17,500)	(218,080)
Net assets at beginning of year	829,045	138,891	967,936
Net assets at end of year	\$ 628,465	\$ 121,391	\$ 749,856

See accompanying notes to consolidated financial statements.

2011		
Unrestricted	Temporarily Restricted	Total
\$ 6,273,721	\$ -	\$ 6,273,721
514,224	-	514,224
225,904	-	225,904
611,472	-	611,472
364,503	17,500	382,003
-	-	-
<u>7,989,824</u>	<u>17,500</u>	<u>8,007,324</u>
7,595,673	-	7,595,673
155,323	-	155,323
579,993	-	579,993
<u>8,330,989</u>	<u>-</u>	<u>8,330,989</u>
(341,165)	17,500	(323,665)
<u>1,170,210</u>	<u>121,391</u>	<u>1,291,601</u>
<u>\$ 829,045</u>	<u>\$ 138,891</u>	<u>\$ 967,936</u>

Council for the Spanish Speaking, Inc.

Consolidated Statement of Cash Flows

Years Ended June 30, 2012 and 2011

	2012	2011
Increase (decrease) in cash:		
Cash flows from operating activities:		
Change in net assets	\$ (218,080)	\$ (323,665)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	480,557	467,794
Changes in operating assets and liabilities:		
Accounts receivable	10,941	(10,184)
Grants receivable	45,125	148,051
Prepaid expenses	-	46,105
Accounts payable	63,664	(238,530)
Accrued payroll and related expenses	(10,176)	29,834
Accrued pension payable	(203,989)	203,989
Other accrued expenses	5,183	62,374
Accrued interest	(165)	(3,301)
Deferred compensation	(34,500)	-
Deferred revenue	22,008	(217,434)
Net cash provided by operating activities	160,568	165,033
Cash flows from investing activities:		
Net withdrawals from (deposits to) tenant security deposits held in trust	(7,532)	4,616
Net withdrawals from escrow deposits	210,915	126,788
Net deposits to replacement reserve	(92,914)	(5,312)
Purchases of property and equipment	(202,188)	(426,396)
Other investing activities	(67)	(1,422)
Net cash used in investing activities	(91,786)	(301,726)

Council for the Spanish Speaking, Inc.

Consolidated Statement of Cash Flows (Continued)

Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from financing activities:		
Principal payments on long-term debt	(105,052)	(92,660)
Net decrease in cash	(36,270)	(229,353)
Cash at beginning of year	258,026	487,379
Cash at end of year	\$ 221,756	\$ 258,026
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 302,294	\$ 303,429

Council for the Spanish Speaking, Inc.

Notes to Consolidated Financial Statements

Note 1 Nature of Activities

The Council for the Spanish Speaking, Inc. (the "Council"), a nonprofit organization, is a nonstock Wisconsin corporation organized for the purpose of providing educational and charitable services and to promote the general welfare of people in Milwaukee, Wisconsin and surrounding communities. The Council's major sources of revenue are received from grants, contracts and contributions.

The Council has three housing projects that it operates, supervises and controls:

Casa Catalina Corporation ("Casa Catalina"), a nonprofit, nonstock organization, is a 16-unit apartment facility for the elderly and disabled located in Milwaukee, Wisconsin. It is operated under Section 202 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods.

Hispanic Housing Corporation, Inc. ("Hispanic Housing"), a nonprofit organization, is a 104-unit apartment facility for the elderly and handicapped located in Milwaukee, Wisconsin. It is operated under Section 223f/207 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods

La Villa Housing Corporation ("La Villa"), a nonprofit, nonstock organization, is a 12-unit apartment facility for the elderly and disabled located in Milwaukee, Wisconsin. It is operated under Section 202 of the National Housing Act and regulated by the U.S. Department of Housing and Urban Development (HUD) with respect to rental charges and operating methods.

Council for the Spanish Speaking, Inc.

Notes to Consolidated Financial Statements

Note 2 **Summary of Significant Accounting Policies**

Principles of Consolidation

The consolidated financial statements include the accounts of the Council, Casa Catalina, Hispanic Housing and La Villa (collectively referred to as the “Organization”). All intercompany accounts and transactions have been eliminated in the consolidation.

Financial Statement Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States (GAAP).

Net Assets

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. None of Casa Catalina’s, Hispanic Housing’s and La Villa’s net assets are subject to donor-imposed restriction. Accordingly, all their net assets are accounted for as unrestricted net assets.

Temporarily restricted net assets – Net assets whose use has been limited by donors to a specific time-period or purpose. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently restricted net assets – Net assets that have been restricted by donors to be maintained in perpetuity. The Organization does not have any permanently restricted net assets.

Council for the Spanish Speaking, Inc.

Notes to Consolidated Financial Statements

Note 2 **Summary of Significant Accounting Policies** (Continued)

Use of Estimates in Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

Accounts Receivable

Accounts receivable are generally uncollateralized amounts due on rents and services performed, which are due the beginning of each month. Payments of accounts receivable are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to current unpaid invoices first then past due balances. Management individually reviews all accounts receivable balances that exceed 30 days from invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Actual losses, when realized, have been within the range of management's expectations. At June 30, 2012 and 2011, accounts receivable are considered fully collectible, and accordingly, no allowance for uncollectible balances has been recorded.

Grants Receivable

Grants receivable consist of various federal, state and local grant funds due to the Council as reimbursement for expenses incurred prior to year end. Management believes no allowance for uncollectable grants is required based upon management's judgment and consideration of the collectability of each grant.

Restricted Deposits and Funded Reserves

All tenant security deposits are deposited into a separate interest bearing bank account and held in trust for the tenants until they vacate the property. Any amounts not returned to the tenant due to lease violations are transferred to the Organization's general operating account.

Council for the Spanish Speaking, Inc.

Notes to Consolidated Financial Statements

Note 2 **Summary of Significant Accounting Policies** (Continued)

Restricted Deposits and Funded Reserves (Continued)

Escrow deposits are required under the regulatory agreement for Casa Catalina, Hispanic Housing and La Villa for the payment of real estate taxes, property taxes and mortgage insurance premiums

Replacement and residual receipts reserves are required under the HUD regulatory agreement for Casa Catalina, Hispanic Housing and La Villa. The replacement reserves are deposits made by the corporations to meet future commitments on capital improvements. The residual receipts reserves are made up of accumulated surplus cash deposits. Any use of the reserve for replacement or residual receipts funds are subject to the prior approval of HUD.

Property and Equipment

Property and equipment are carried at cost and capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. The cost of these items is charged to expense as depreciation and is computed on the straight-line method over the estimated useful lives of the assets. Donated property and equipment are recorded at their estimated fair market value at the date of donation.

Estimated lives for depreciable assets are as follows:

	Useful Lives
Land improvements	10 - 20 years
Building and improvements	5 - 40 years
Furniture and equipment	3 - 10 years
Vehicles	5 - 10 years

Property and equipment purchased with grant funds are owned by the Organization while used in the program for which they were purchased or in other future authorized programs. However, the various funding sources have a reversionary interest in the property and equipment purchased with grant funds. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations.

Council for the Spanish Speaking, Inc.

Notes to Consolidated Financial Statements

Note 2 **Summary of Significant Accounting Policies** (Continued)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. There were no impairment losses for the years ended June 30, 2012 and 2011.

Capitalized Financing Costs

Capitalized financing costs are included in other assets in the accompanying consolidated statements of financial position; they are being amortized to expense over the life of the loan. Amortization expense for the years ended June 30, 2012 and 2011 was \$2,916 and \$2,915, respectively.

Deferred Revenue

Grant advances from service contracts are recognized as revenue in the year the corresponding expense is incurred.

Revenue Recognition

Government grants and contracts are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Grant Awards that are Contributions – Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred.

Grant Awards that are Exchange Transactions – Exchange transactions are reimbursed based on a predetermined rate for services performed. The revenue is recognized as income in the period the service is performed.

Rent revenue is recognized for apartment rentals as it accrues.

Council for the Spanish Speaking, Inc.

Notes to Consolidated Financial Statements

Note 2 **Summary of Significant Accounting Policies** (Continued)

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as released from restriction. If the restriction is satisfied in the period of contribution, the contribution is recorded as unrestricted revenue.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

In-Kind Contributions

In-kind contributions recorded include space, supplies, and professional services in the consolidated statement of activities in accordance with GAAP. GAAP requires that only contributions of services received which create or enhance a nonfinancial asset or require specialized skill and would typically need to be purchased if not provided by donation be recorded as in-kind contributions. The requirements by GAAP are different than the in-kind requirements of the grant awards. Nonprofessional in-kind contributions were also received during the years ended June 30, 2012 and 2011 with an estimated value of \$185,441 and \$156,041, respectively, which are not recorded in the consolidated statement of activities

Income Taxes

The Council, Casa Catalina, Hispanic Housing and La Villa are nonprofit corporations as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and are exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. They are also exempt from state income taxes on the related income.

Council for the Spanish Speaking, Inc.

Notes to Consolidated Financial Statements

Note 2 **Summary of Significant Accounting Policies** (Continued)

Income Taxes (Continued)

In order to account for any uncertain tax positions, the Council, Casa Catalina, Hispanic Housing and La Villa determine whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements.

The Council, Casa Catalina, Hispanic Housing and La Villa have not recorded assets or liabilities related to uncertain income tax positions as of June 30, 2012 and 2011. Income tax returns from the fiscal years ended June 30, 2009 to the present remain subject to examination by the applicable taxing authorities.

Distributions

Casa Catalina, Hispanic Housing, and La Villa's regulatory agreement with HUD stipulates, among other things, that they will not make distributions of assets or income to any of its officers or directors.

Subsequent Events

Subsequent events have been evaluated through December 27, 2012, which is the date the financial statements were available to be issue.

Council for the Spanish Speaking, Inc.

Notes to Consolidated Financial Statements

Note 3 Grants Receivable

At June 30, grants receivable consisted of the following:

	2012	2011
Milwaukee Area Technical College	\$ 3,391	\$ 9,400
Wisconsin Department of Public Instruction	10,562	-
Social Development Commission - State Head Start	-	26,958
Early Head Start	93,787	123,516
Social Development Commission - Healthy Marriage	18,200	-
State of Wisconsin - Department of Public Instruction	28,854	10,736
Wisconsin Technical Board	8,605	32,813
Multicultural Entrepreneurial Institute	-	2,000
Milwaukee Area Investment Board	-	3,101
Total grants receivable	\$ 163,399	\$ 208,524

Note 4 Property and Equipment

At June 30, property and equipment consisted of the following:

	2012	2011
Land and improvements	\$ 721,065	\$ 673,007
Buildings and improvements	11,715,167	11,561,037
Furniture and equipment	1,193,530	1,193,530
Vehicles	185,466	185,466
Total property and equipment	13,815,228	13,613,040
Less - Accumulated depreciation	6,386,490	5,908,849
Property and equipment - Net	\$ 7,428,738	\$ 7,704,191

Council for the Spanish Speaking, Inc.

Notes to Consolidated Financial Statements

Note 5 Deferred Revenue

At June 30, deferred revenue consisted of the following:

	2012	2011
Milwaukee Public Schools - Centro Hispano High School	\$ 101,000	\$ 23,020
Social Development Commission - Federal Head Start	70,822	126,794
Total deferred revenue	\$ 171,822	\$ 149,814

Note 6 Mortgage Notes Payable

At June 30, the mortgage notes payable consisted of the following:

	2012	2011
Mortgage note payable to Community Loan Fund, payable in monthly installments of \$3,179, including interest at 6.75%. A balloon payment equal to the unpaid balance is due in December 2012.	\$ 430,483	\$ 439,175
Mortgage note payable to a bank, payable in monthly installments of \$2,904, including interest at 6.85%. A balloon payment equal to the unpaid balance is due in August 2013.	219,593	238,430
Mortgage note payable to a bank, payable in monthly installments of \$2,963, including interest at 4.48%, London Inter Bank Offered Rate ("LIBOR") plus 4.25%. A balloon payment equal to the unpaid balance is due in November 2017.	385,844	393,689
Mortgage note payable to a bank, payable in monthly installments of \$2,450, including interest at 4.49%, LIBOR plus 4.26%. A balloon payment equal to the unpaid balance is due in October 2017.	308,768	318,931

Council for the Spanish Speaking, Inc.

Notes to Consolidated Financial Statements

Note 6 Mortgage Notes Payable (Continued)

	2012	2011
Mortgage note payable to Community Loan Fund, payable in interest only payments of \$1,400, at 5.00%. A balloon payment equal to the unpaid balance is due in September 2013.	95,422	105,701
Note payable to a bank, payable in monthly installments of \$2,805, including interest at 4.49%, LIBOR plus 4.26%. A balloon payment equal to the unpaid balance is due in October 2017.	159,044	176,435
Mortgage note payable to HUD, payable in monthly installment of \$19,647, including interest at 6.20%, due April 2044.	3,271,556	3,303,401
Total long-term debt	4,870,710	4,975,762
Less current maturities	561,279	1,055,176
Long-term portion	\$ 4,309,431	\$ 3,920,586

All mortgage notes are secured by specific land and building.

Scheduled principal payments on the mortgage notes payable at June 30, 2012 are as follows:

2013	\$ 561,279
2014	385,420
2015	108,531
2016	114,197
2017	120,168
Thereafter	3,581,115
Total	\$ 4,870,710

Council for the Spanish Speaking, Inc.

Notes to Consolidated Financial Statements

Note 6 **Mortgage Notes Payable** (Continued)

On December 26, 2012, the Company received a noncancelable commitment from the Community Loan Fund, which extends the maturity of the Company's existing debt due December 2012 for an additional six months. The Company intends to execute this bank agreement. This debt is classified as a short-term obligation as it is due within one year of the date of the Statement of Financial Position.

Note 7 **Capital Advance**

Casa Catalina Corporation

The Casa Catalina Corporation Project was financed principally by a HUD capital advance mortgage note (Note) in the amount of \$1,033,900, payable to HUD. The Note bears no interest and repayment is not required so long as the housing remains available for very low-income elderly persons in accordance with the regulatory agreements and regulations.

The Note may not be prepaid prior to the maturity date without the prior written approval of HUD. Provided that (1) the housing has remained available for occupancy by eligible persons until the maturity date of the Note and (2) the Note has not otherwise become due and payable by reason of default under the Note, mortgage or regulatory agreement or regulations, the Note will be considered to be paid in full and discharged at maturity, November 1, 2037.

If the Note is considered in default under the terms of the Note, mortgage, the regulatory agreement or the regulations, at the option of the holder of the Note, HUD may take possession of the project, collect all rents and charges in connection of the project, declare the entire principal due and foreclose on the mortgage, apply any court, Federal or State, sanctions, and/or terminate the Project Rental Assistance Contract. The holder of the Note is required to give written notice of such default and the Project has 30 days to correct such default. If the default is not corrected within 30 days, HUD may proceed to correct the violation.

Council for the Spanish Speaking, Inc.

Notes to Consolidated Financial Statements

Note 7 **Capital Advance** (Continued)

La Villa Housing Corporation

The La villa Housing Corporation Project was financed principally by a HUD capital advance mortgage note (Note) in the amount of \$878,400, payable to HUD. The Note bears no interest and repayment is not required so long as the housing remains available for very low-income elderly persons in accordance with the regulatory agreements and regulations.

The Note may not be prepaid prior to the maturity date without the prior written approval of HUD. Provided that (1) the housing has remained available for occupancy by eligible persons until the maturity date of the Note and (2) the Note has not otherwise become due and payable by reason of default under the Note, mortgage or regulatory agreement or regulations, the Note will be considered to be paid in full and discharged at maturity, July 30, 2041.

If the Note is considered in default under the terms of the Note, mortgage, the regulatory agreement or the regulations, at the option of the holder of the Note, HUD may take possession of the project, collect all rents and charges in connection of the project, declare the entire principal due and foreclose on the mortgage, apply any court, Federal or State, sanctions, and/or terminate the Project Rental Assistance Contract. The holder of the Note is required to give written notice of such default and the Project has 30 days to correct such default. If the default is not corrected within 30 days, HUD may proceed to correct the violation.

The Note, in its principal amount, is reflected on the statement of financial positions as long-term debt until such time as the HUD capital advance Note expires. Although management currently intends to comply with all Note provisions over the term of the Note, management believes that the possibility that repayment may occur is other than remote and therefore believes recognition of the Note as long-term debt is the appropriate treatment.

Council for the Spanish Speaking, Inc.

Notes to Consolidated Financial Statements

Note 8 Rental Income

The Council rents space in its buildings to other agencies under lease agreements with varying renewal options. Rent earned during the fiscal years ended June 30, 2012 and 2011 was \$171,105 and \$204,761, respectively. The revenue is recorded in operating support and revenue.

Future rental income expected from lease agreements at June 30, 2012 are \$45,726 and \$4,010 for the years ending June 30, 2013 and 2014, respectively.

Note 9 Retirement Plan

The Council may make an annual discretionary retirement contribution. A participant's share of any such additional contribution will be based upon the ratio which a participant's salary bears to the salaries of all other participants receiving the contribution. Employees are fully vested after six years. No contribution was made for the fiscal years ending June 30, 2012 and 2011.

At June 30, 2011, the Council had a \$203,989 current liability on its Statement of Financial Position related to an intended employer discretionary contribution to the employee retirement plan. In 2012, management rescinded the Council's contribution to the employee retirement plan.

Note 10 Deferred Compensation

The Council has an employment agreement with a former executive director in which the former executive director was entitled to receive compensation and other benefits following his retirement in May of 2003. The executive director is fully eligible for these benefits and the Council has accrued all such benefits. The Council has recorded, in the consolidated statements of financial position, a liability related to this agreement of \$25,875 and \$60,375 at June 30, 2012 and 2011, respectively. The deferred compensation agreement expires in April of 2013.

Council for the Spanish Speaking, Inc.

Notes to Consolidated Financial Statements

Note 11 Temporarily Restricted Net Assets

At June 30, temporarily restricted net assets consisted of the following:

	2012	2011
Guadalupe Center Building Improvements	\$ 74,559	\$ 74,559
Murguia Endowment	8,682	8,682
United Way Healthy Girls Grant	6,901	6,901
Summer Program	13,232	13,232
Herzfeld Foundation Grant	8,017	8,017
Potawatomi Grant	-	15,000
Milwaukee Urban League Grant	10,000	12,500
Total temporarily restricted net assets	\$ 121,391	\$ 138,891

Temporary restricted net assets are released from restrictions by meeting donor designations.

Note 12 Concentrations

The Organization maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. On November 9, 2010, the FDIC issued a final rule implementing section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides for unlimited coverage of non-interest-bearing transaction accounts through December 31, 2012. In addition, the Organization maintains cash in interest-bearing accounts at these institutions, which are insured by the FDIC up to \$250,000. At times, deposits may exceed FDIC insurance limits. Management has not experienced any losses with these accounts and management believes the Association is not exposed to any significant risk on cash.

Over 48% of the Organization's support is received from U.S. Department of Health and Human Services. In total, over 71% of the Organization's support and revenues were provided by governmental grants and contracts.

Council for the Spanish Speaking, Inc.

Notes to Consolidated Financial Statements

Note 13 Reclassifications

Certain reclassifications have been made to the 2011 consolidated financial statements to conform to the 2012 presentation. There was no effect on net assets or on the change in net assets.

Supplementary Information

Council for the Spanish Speaking, Inc.

Consolidating Statement of Financial Position

Year Ended June 30, 2012

<i>Assets</i>	Council for the Spanish Speaking	Casa Catalina Corporation	Hispanic Housing Corporation	La Villa Housing Corporation	Eliminating	Total
Current assets:						
Cash	\$ 200,850	\$ 11,385	\$ 2,576	\$ 6,945	\$ -	\$ 221,756
Accounts receivable	1,787	5,038	4,238	104	(5,038)	6,129
Grants receivable	163,399	-	-	-	-	163,399
Housing projects' receivables	130,443	-	-	-	(130,443)	-
Investments	9,106	-	-	-	-	9,106
Total current assets	505,585	16,423	6,814	7,049	(135,481)	400,390
Restricted deposits and funded reserves:						
Tenant security deposits	-	4,365	24,804	3,823	-	32,992
Escrow deposits	-	-	69,231	-	-	69,231
Replacement and residual receipts reserve	-	37,515	370,556	26,749	-	434,820
Total restricted deposits and funded reserves	-	41,880	464,591	30,572	-	537,043
Property and equipment - Net	4,087,297	660,263	1,965,967	715,211	-	7,428,738
Other assets:						
Capitalized financing costs, net	-	-	71,837	1,877	-	73,714
TOTAL ASSETS	\$ 4,592,882	\$ 718,566	\$ 2,509,209	\$ 754,709	\$ (135,481)	\$ 8,439,885

Council for the Spanish Speaking, Inc.

Consolidating Statement of Financial Position (Continued)

Year Ended June 30, 2012

<i>Liabilities and Net Assets</i>	Council for the Spanish Speaking	Casa Catalina Corporation	Hispanic Housing Corporation	La Villa Housing Corporation	Eliminating	Total
Current liabilities:						
Current maturities of long-term debt	\$ 527,402	\$ -	\$ 33,877	\$ -	\$ -	\$ 561,279
Accounts payable	536,707	13,050	110,919	39,604	(129,287)	570,993
Accrued payroll and related expenses	89,373	-	-	-	-	89,373
Other accrued expenses	2,087	5,870	25,393	4,897	(6,194)	32,053
Accrued interest	-	-	16,903	-	-	16,903
Deferred compensation	25,875	-	-	-	-	25,875
Deferred revenue	171,822	-	-	-	-	171,822
Total current liabilities	1,353,266	18,920	187,092	44,501	(135,481)	1,468,298
Long-term liabilities:						
Long-term debt, less current maturities	1,071,752	-	3,237,679	-	-	4,309,431
Capital advance	-	1,033,900	-	878,400	-	1,912,300
Total long-term liabilities	1,071,752	1,033,900	3,237,679	878,400	-	6,221,731
Total liabilities	2,425,018	1,052,820	3,424,771	922,901	(135,481)	7,690,029
Net assets (deficit):						
Unrestricted	2,046,473	(334,254)	(915,562)	(168,192)	-	628,465
Temporarily restricted	121,391	-	-	-	-	121,391
Total net assets (deficit)	2,167,864	(334,254)	(915,562)	(168,192)	-	749,856
TOTAL LIABILITIES AND NET ASSETS	\$ 4,592,882	\$ 718,566	\$ 2,509,209	\$ 754,709	\$ (135,481)	\$ 8,439,885

Council for the Spanish Speaking, Inc.

Consolidating Statement of Activities

Year Ended June 30, 2012

	Council for the Speaking	Casa Catalina Unrestricted	Hispanic Unrestricted	La Villa Unrestricted	Eliminating	Total
Unrestricted net assets:						
Support and revenue:						
Governmental grants and contracts	\$ 5,390,085	\$ 59,428	\$ 469,581	\$ 38,708	\$ -	\$ 5,957,802
Rent revenue	171,100	41,518	251,897	35,070	-	499,585
Contributions	372,030	-	-	-	-	372,030
Contribution in-kind	850,404	-	-	-	-	850,404
Other support and revenue	570,061	1,518	48,851	4,489	(58,044)	566,875
Net assets released from restriction	17,500	-	-	-	-	17,500
Total support and revenue	7,371,180	102,464	770,329	78,267	(58,044)	8,264,196
Expenses:						
Program services	6,827,029	108,557	840,461	96,598	(58,044)	7,814,601
Fund development	95,592	-	-	-	-	95,592
Management and general	554,583	-	-	-	-	554,583
Total expenses	7,477,204	108,557	840,461	96,598	(58,044)	8,464,776
Change in net assets	(106,024)	(6,093)	(70,132)	(18,331)	-	(200,580)
Unrestricted net assets (deficit) at beginning of year	2,152,497	(328,161)	(845,430)	(149,861)	-	829,045
Unrestricted net assets (deficit) at end of year	\$ 2,046,473	\$ (334,254)	\$ (915,562)	\$ (168,192)	\$ -	\$ 628,465
Temporarily restricted net assets:						
Net assets released from restriction	\$ (17,500)	\$ -	\$ -	\$ -	\$ -	\$ (17,500)
Temporarily restricted net assets at beginning of year	138,891	-	-	-	-	138,891
Temporarily restricted net assets at end of year	\$ 121,391	\$ -	\$ -	\$ -	\$ -	\$ 121,391

See Independent Auditor's Report.

Council for the Spanish Speaking, Inc.

Schedule of Revenue and Expenses by Funding Source - Unrestricted

Year Ended June 30, 2012

	Vocational Training			Loyola Academy				Social Services		
	WI Tech Board		Adult Ed	MPS	DPI	United Way	School Forest	Other Social		
	MATC	& EI Civic	Multi-cult.	Partnership	USDA	Healthy Girls	Program	United Way	WI Voices	Services
Support and revenue:										
Governmental grants and contracts	\$ 33,335	\$ 142,820	\$ -	\$ 558,362	\$ 31,118	\$ -	\$ -	\$ -	\$ -	\$ -
Rent revenue	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	6,450	-	-	50,475	16,684	104,038	45,000	59,398
Contributions in-kind	-	-	-	-	-	-	-	-	-	-
Other support and revenue	750	-	29,317	-	-	-	-	930	-	13,719
Net assets released from restriction	-	-	-	-	-	-	2,500	-	-	15,000
Total support and revenue	34,085	142,820	35,767	558,362	31,118	50,475	19,184	104,968	45,000	88,117
Expenses:										
Salaries and wages	24,241	130,255	8,970	326,865	-	30,235	480	126,367	12,735	-
Payroll taxes	1,945	8,335	371	20,444	-	1,816	-	8,284	494	-
Other employee benefits	5,084	21,293	1,008	53,034	-	4,563	-	21,490	1,454	-
Staff development	-	769	-	5,766	-	918	-	560	-	75
Professional fees	711	2,974	131	8,082	-	675	-	2,447	153	-
Consulting/contractual	-	1,500	6,105	-	-	-	6,090	-	-	7,000
Materials and supplies	1,779	9,010	36	7,705	-	350	9,604	-	-	32,932
Office expense	951	8,547	414	4,729	-	569	-	786	335	526
Telephone	7	682	122	5,206	-	-	-	-	429	-
Equipment repairs and maintenance	569	1,680	161	5,714	-	-	-	-	-	-
Computer and support	-	1,214	-	10,240	-	-	-	637	596	761
Occupancy	-	-	-	25,271	-	-	-	63	63	3,973
Depreciation/amortization	-	-	705	5,458	-	-	-	-	-	-
Insurance	509	1,460	206	6,953	-	195	-	818	175	-
Travel/vehicle expense	77	611	-	-	-	110	-	528	237	-
Lunch program	-	-	-	10	29,289	-	-	-	-	-
Busing and field trips	-	-	-	17,569	-	8,507	9,693	-	-	-
Miscellaneous	180	683	-	604	-	-	-	699	991	115
Mortgage interest	-	-	-	6,506	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	-	-	-	-
Administration	-	-	-	-	-	-	-	-	-	-
In-kind expense	-	-	-	-	-	-	-	-	-	-
Subtotal of expenses	36,053	189,013	18,229	510,156	29,289	47,938	25,867	162,679	17,662	45,382
Allocated administrative expenses	4,546	17,636	940	48,206	-	3,800	-	13,809	1,578	-
Total expenses	40,599	206,649	19,169	558,362	29,289	51,738	25,867	176,488	19,240	45,382
Change in net assets	\$ (6,514)	\$ (63,829)	\$ 16,598	\$ -	\$ 1,829	\$ (1,263)	\$ (6,683)	\$ (71,520)	\$ 25,760	\$ 42,735

Council for the Spanish Speaking, Inc.

Schedule of Revenue and Expenses by Funding Source – Unrestricted (Continued)

Year Ended June 30, 2012

	Housing and HUD				Guadalupe Center				
	Building	Casa Catalina	Hispanic Housing	La Villa Housing	2010-11 Federal	2011-12 Federal	2010-11 Early	2011-12 Early	State
	Maintenance	Corporation	Corporation, Inc.	Corporation	Head Start	Head Start	Head Start	Head Start	Head Start
Support and revenue:									
Governmental grants and contracts	\$ 36,960	\$ 59,428	\$ 469,581	\$ 38,708	\$ 944,566	\$ 2,223,609	\$ 197,977	\$ 649,478	\$ 133,470
Rent revenue	171,100	41,518	251,897	35,070	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-
Contributions in-kind	-	-	-	-	235,669	654,336	61,034	84,806	-
Other support and revenue	64,801	1,518	48,851	4,489	-	-	-	-	-
Net assets released from restriction	-	-	-	-	-	-	-	-	-
Total support and revenue	272,861	102,464	770,329	78,267	1,180,235	2,877,945	259,011	734,284	133,470
Expenses:									
Salaries and wages	26,292	13,479	126,353	12,183	476,094	1,279,228	99,369	303,999	81,719
Payroll taxes	2,604	824	8,636	604	42,831	91,359	3,666	24,500	9,361
Other employee benefits	6,886	2,181	22,716	1,615	109,572	238,528	10,791	62,057	24,165
Staff development	10	297	2,429	175	17,352	26,258	2,160	12,344	-
Professional fees	1,436	11,841	25,727	11,451	18,894	31,546	4,793	5,756	3,492
Consulting/contractual	5,450	11,008	54,130	18,034	37,341	104,872	56,696	157,323	-
Materials and supplies	-	-	-	-	20,466	47,371	1,915	1,797	-
Office expense	737	474	1,965	852	8,094	8,825	1,972	3,474	-
Telephone	17,827	92	3,199	480	8,233	17,241	367	1,029	-
Equipment repairs and maintenance	-	-	-	-	12,118	9,264	789	388	-
Computer and support	200	-	690	230	5,995	9,169	300	-	-
Occupancy	129,780	21,888	124,521	14,614	61,562	100,215	3,469	10,416	7,535
Depreciation/amortization	245,518	28,153	151,325	22,669	14,429	4,667	-	-	-
Insurance	691	3,744	33,407	4,464	14,174	21,936	260	3,581	1,382
Travel/vehicle expense	-	63	520	63	8,004	11,534	1,751	6,109	-
Lunch program	-	-	-	-	-	-	-	-	-
Busing and field trips	-	-	-	-	1,717	5,741	-	-	-
Miscellaneous	3,210	474	1,610	500	3,596	10,679	441	2,079	-
Mortgage interest	81,498	-	203,751	-	-	-	-	-	-
Management fees	-	7,434	45,234	5,376	-	-	-	-	-
Administration	-	6,605	34,248	3,288	-	-	-	-	-
In-kind expense	-	-	-	-	235,669	654,336	61,034	84,806	-
Subtotal of expenses	522,139	108,557	840,461	96,598	1,096,141	2,672,769	249,773	679,658	127,654
Allocated administrative expenses	5,553	-	-	-	103,734	205,176	9,348	54,626	17,373
Total expenses	527,692	108,557	840,461	96,598	1,199,875	2,877,945	259,121	734,284	145,027
Change in net assets	\$ (254,831)	\$ (6,093)	\$ (70,132)	\$ (18,331)	\$ (19,640)	\$ -	\$ (110)	\$ -	\$ (11,557)

Council for the Spanish Speaking, Inc.

Schedule of Revenue and Expenses by Funding Source – Unrestricted (Continued)

Year Ended June 30, 2012

	Guadalupe Center					Total Program	Management and General	Fundraising	Non-GAAP		Total
	DPI	Wrap-	MPS 4 Year	Healthy	Other Grants				Adjustment	Eliminating	
	USDA	Around	Kindergarten	Marriage							
Support and revenue:											
Governmental grants and contracts	\$ 247,389	\$ -	\$ 172,801	\$ 18,200	\$ -	\$ 5,957,802	\$ -	\$ -	\$ -	\$ -	\$ 5,957,802
Rent revenue	-	-	-	-	-	499,585	-	-	-	-	499,585
Contributions	-	-	-	-	-	282,045	-	89,985	-	-	372,030
Contributions in-kind	-	-	-	-	-	1,035,845	-	-	(185,441)	-	850,404
Other support and revenue	-	188,300	-	-	2,629	355,304	58,044	211,571	-	(58,044)	566,875
Net assets released from restriction	-	-	-	-	-	17,500	-	-	-	-	17,500
Total support and revenue	247,389	188,300	172,801	18,200	2,629	8,148,081	58,044	301,556	(185,441)	(58,044)	8,264,196
Expenses:											
Salaries and wages	-	102,078	120,948	-	-	3,301,890	271,020	72,527	-	-	3,645,437
Payroll taxes	-	10,510	9,513	-	-	246,097	13,488	3,519	-	-	263,104
Other employee benefits	-	27,507	24,406	-	-	638,350	45,049	4,661	-	-	688,060
Staff development	-	-	250	-	7,041	76,404	2,529	716	-	-	79,649
Professional fees	-	3,674	3,693	-	-	137,476	39,234	1,290	-	-	178,000
Consulting/contractual	-	-	-	-	5,000	470,549	2,393	-	-	-	472,942
Materials and supplies	-	25	8,616	2,949	67	144,622	-	-	-	-	144,622
Office expense	-	-	-	-	-	43,250	15,835	2,265	-	-	61,350
Telephone	-	-	-	-	25	54,939	14,506	-	-	-	69,445
Equipment repairs and maintenance	-	-	-	-	-	30,683	3,450	761	-	-	34,894
Computer and support	-	-	-	-	-	30,032	42,809	-	-	-	72,841
Occupancy	-	-	1,020	-	281	504,671	42,093	-	-	-	546,764
Depreciation/amortization	-	-	-	-	-	472,924	7,633	-	-	-	480,557
Insurance	-	1,183	1,148	-	-	96,286	4,468	1,022	-	-	101,776
Travel/vehicle expense	-	-	-	-	-	29,607	13,390	-	-	-	42,997
Lunch program	251,137	-	-	-	-	280,436	-	-	-	-	280,436
Busing and field trips	-	35	905	-	-	44,167	-	-	-	-	44,167
Miscellaneous	-	-	57	-	-	25,918	26,312	8,831	-	-	61,061
Mortgage interest	-	-	-	-	-	291,755	10,374	-	-	-	302,129
Management fees	-	-	-	-	-	58,044	-	-	-	(58,044)	-
Administration	-	-	-	-	-	44,141	-	-	-	-	44,141
In-kind expense	-	-	-	-	-	1,035,845	-	-	(185,441)	-	850,404
Subtotal of expenses	251,137	145,012	170,556	2,949	12,414	8,058,086	554,583	95,592	(185,441)	(58,044)	8,464,776
Allocated administrative expenses	-	25,407	17,365	-	-	529,097	(537,230)	8,133	-	-	-
Total expenses	251,137	170,419	187,921	2,949	12,414	8,587,183	17,353	103,725	(185,441)	(58,044)	8,464,776
Change in net assets	\$ (3,748)	\$ 17,881	\$ (15,120)	\$ 15,251	\$ (9,785)	\$ (439,102)	\$ 40,691	\$ 197,831	\$ -	\$ -	\$ (200,580)

See Independent Auditor's Report

Council for the Spanish Speaking, Inc.

Schedule of Expenditures of Federal, State and Local Awards

Year Ended June 30, 2012

Federal and State Awards Grantor/Program Title	Passthrough	Program Period	Catalog # Fed ID	CARS # State ID	Federal Expenditures	State Expenditures	Local Expenditures
U.S. Department of Agriculture							
ARRA National School Lunch Program	Wisconsin Department of Public Instruction	6/23/10 - 9/23/11	10.555	ARRA	\$ 4,928	\$ -	\$ -
ARRA National School Lunch Program	Wisconsin Department of Public Instruction	9/24/11 - 9/23/12	10.555	ARRA	26,190	-	-
Total ARRA National School Lunch Program					31,118	-	-
U.S. Department of Agriculture							
Child and Adult Care Food Program	Wisconsin Department of Public Instruction	10/1/11 - 9/30/12	10.558		215,755	-	-
Child and Adult Care Food Program	Wisconsin Department of Public Instruction	10/1/10 - 9/30/11	10.558		31,634	-	-
Total Child and Adult Care Food Program					247,389	-	-
Total U.S. Department of Agriculture					278,507	-	-
U.S. Department of Housing and Urban Development							
Community Development Block Grant Program for Entitlement Communities	Milwaukee County Department of Administrative Services	1/1/11-12/31/11	14.218		36,960	-	-
U.S. Department of Education							
Adult Education - Basic Grants to States	Wisconsin Technical College System Board	7/1/11 - 6/30/12	84.002		125,680	-	-
Adult Education - Basic Grants to States	Wisconsin Technical College System Board	7/1/11 - 6/30/12	84.002		17,140	-	-
Total U.S. Department of Education					142,820	-	-

Council for the Spanish Speaking, Inc.

Schedule of Expenditures of Federal, State and Local Awards (Continued)

Year Ended June 30, 2012

Federal and State Awards Grantor/Program Title	Passthrough	Program Period	Catalog # Fed ID	CARS # State ID	Federal Expenditures	State Expenditures	Local Expenditures
U.S. Department of Health and Human Services							
Head Start	Social Development Commission	11/1/10 - 10/31/11	93.600		944,566	-	-
Head Start	Social Development Commission	11/1/11 - 10/31/12	93.600		2,223,609	-	-
Head Start Healthy Marriage	Social Development Commission	9/30/11 - 9/29/12	93.600		18,200	-	-
ARRA Early Head Start	N/A	9/30/10 - 9/29/11	93.709 ARRA		197,977	-	-
ARRA Early Head Start	N/A	9/30/11 - 9/29/12	93.709 ARRA		649,478	-	-
Total Head Start Cluster					4,033,830	-	-
Total U.S. Department of Health and Human Services					4,033,830	-	-
State and Local Awards							
Department of Public Instruction							
Head Start State Supplement	N/A	7/1/11 - 6/30/12		255.327	-	133,470	-
Technical College System Board							
Basic Skills	Milwaukee Area Technical College	7/1/10 - 6/30/11		292.112	-	33,335	-
Milwaukee Public Schools							
Alternative Education	N/A				-	-	558,362
4-Year Old Kindergarten	N/A				-	-	172,801
Total Federal, State and Local Awards					\$ 4,492,117	\$ 166,805	\$ 731,163

See Independent Auditor's Report.

See accompanying notes to the schedule of expenditures of federal, state and local awards.

Council for the Spanish Speaking, Inc.

Notes to Schedule of Expenditures of Federal, State and Local Awards

Year Ended June 30, 2012

Note 1 **Basis of Presentation**

The accompanying schedule of expenditures of Federal, State and Local Awards (the "Schedule") includes the Federal, State, and Local grant activity for the Council for the Spanish Speaking, Inc. under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with requirements of the Office and Management and Budget (OMB) Circular A-133 *Audits of State, Local Governments and Nonprofit Organizations*. Because the schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

Although Casa Catalina Corporation, Hispanic Housing Corporation, and La Villa Housing Corporation are consolidated with the Council for the Spanish Speaking, Inc. for financial statement purposes, they are not included with testing to meet the requirements of OMB Circular A-133 *Audits of State, Local Governments and Nonprofit Organizations*, as they have separate audits under OMB Circular A-133.

Note 2 **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.



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*

Board of Directors
Council for the Spanish Speaking, Inc.
Milwaukee, Wisconsin

We have audited the financial statements of the Council for the Spanish Speaking, Inc. (the "Council"), as of and for the years ended June 30, 2012 and 2011, and have issued our report thereon dated December 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control over financial reporting.

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 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council'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*.

This report is intended for the information of the Board of Directors, management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

The image shows a handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

December 27, 2012
Milwaukee, Wisconsin



Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal and State Program and Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Directors
Council for the Spanish Speaking, Inc.
Milwaukee, Wisconsin

Compliance

We have audited the Council for the Spanish Speaking, Inc.'s, (the "Council"), compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the Council's major federal and state programs for the year ended June 30, 2012. The Council's major federal and state programs are identified in the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the Council's management. Our responsibility is to express an opinion on the Council's compliance based on our audit.

The Council of the Spanish Speaking, Inc.'s basic financial statements included the operations of the Casa Catalina Corporation, Hispanic Housing Corporation, and La Villa Housing Corporation, which in total received approximately \$5,788,239 in federal and state awards which is not included in the schedule of expenditures of federal and state awards during the year ended June 30, 2012. Our audit, described below, did not include the operations of the Casa Catalina Corporation, Hispanic Housing Corporation, and La Villa Housing Corporation because they had a separate audit under *OMB Circular A-133* and the *State of Wisconsin State Single Audit Guidelines*.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the Council's compliance

with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Council's compliance with those requirements.

In our opinion, the Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the Council's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over compliance. Accordingly, we do not express any opinion on the effectiveness of the Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance, is a deficiency or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, federal, state, and local awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Wipfli LLP

Wipfli LLP

December 27, 2012
Milwaukee, Wisconsin

Council for the Spanish Speaking, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

yes

no

Significant deficiency(ies) identified not

considered to be material weakness(es)?

yes

none reported

Noncompliance material to financial statements noted?

yes

no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

yes

no

Significant deficiency(ies) identified not

considered to be material weakness(es)?

yes

none reported

Type of auditor's report issued on compliance for major programs

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

yes

no

Identification of major federal programs:

CFDA Number

Name of Federal Program or Cluster

93.600

Head Start Cluster

93.709-ARRA

Head Start Cluster

Council for the Spanish Speaking, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Section I - Summary of Auditor's Results (Continued)

Identification of major state programs:

Identifying Number	Name of State Program
255.327	Head Start – Supplement

Dollar threshold used to distinguish between Type A
and Type B programs

Federal	\$300,000
State	\$100,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

None

Section III – Findings and Questioned Costs – Major Award Program Audits

None

Council for the Spanish Speaking, Inc.

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Section IV - Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? yes no

Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs material weakness, reportable condition, management letter comment) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*? yes no

Department of Health Services yes no

Department of Public Instruction yes no

Was a management letter or other document conveying audit comments issued as a result of this audit? yes no

Name and Signature of Partner



David Globig, CPA

Date of Report

December 27, 2012

Council for the Spanish Speaking, Inc.

Schedule of Prior Year Findings and Questioned Costs

Year Ended June 30, 2012

Prior Year Audit Findings

063011-01: Proper Approval of Disbursements

Criteria:

In order to comply with *OMB Circular A-122, Attachment A (D)(3)(c)*, an organization receiving federal funds should provide “effective control over accountability for all funds, property and other assets.” In addition, they should “adequately safeguard all such assets and assure they are used solely for authorized purposes.”

Condition:

During the audit, Wipfli LLP did not find proper approval by the Council for ten out of the forty disbursements selected for testing.

Effect:

As a result of not properly approving disbursements a significant deficiency in control exists and the Council was out of compliance with federal regulations. Unapproved disbursements may permit unallowable activities and costs to occur.

Questioned Costs:

None

Recommendations:

We recommend that the Council implement a standard approval process for all disbursements.

Status:

Wipfli LLP noted during review for approvals on disbursements that all disbursements selected for testing were properly approved.

Council for the Spanish Speaking, Inc.

Schedule of Prior Year Findings and Questioned Costs (Continued)

Year Ended June 30, 2012

Prior Year Audit Findings (Continued)

063011-02: Recording of In-kind Contributions

Criteria:

OMB Circular A-110 Section 215.23 (a), indicates that certain criteria must be met in order for third party in-kind contributions to meet matching requirements. The in-kind contribution must be "verifiable from the recipient's records."

Condition:

During the audit, Wipfli LLP noted that Early Head Start in-kind was supported by appropriate documentation; however, the in-kind was not recorded in the financial accounting system.

Effect:

As a result of not recording in-kind in the financial accounting system, the Council was out of compliance with federal regulations. By not recording the Early Head Start in-kind, reports sent to the Early Head Start funding source were not supported by financial statement records. This lack of a policy to record in-kind in the financial accounting system is a significant deficiency in internal control.

Questioned Costs:

None

Recommendations:

We recommend that the Council properly record all in-kind that meets program requirements in the financial accounting system.

Status:

In-Kind was properly recorded in the financial accounting system at year end.