

# Council for the Spanish Speaking, Inc.

Milwaukee, Wisconsin

Consolidated Financial Statements and  
Supplementary Information

Years Ended June 30, 2013 and 2012

# Council for the Spanish Speaking, Inc.

Consolidated Financial Statements and Supplementary Information  
Years Ended June 30, 2013 and 2012

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## Independent Auditor's Report

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

### **Report on Financial Statements**

We have audited the accompanying consolidated financial statements of the Council for the Spanish Speaking, Inc. (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

#### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Council of the Spanish Speaking, Inc. at June 30, 2013 and 2012, 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.

## Other Matters

### Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the Organization taken as a whole. The supplementary information appearing on pages 22 through 27 is presented for the purpose of additional analysis, and is not a required part of the 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the 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 consolidated financial statements taken as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 26, 2014, 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* in considered the Organizations internal control over financial reporting and compliance.

### Emphasis of Matter

As discussed in Note 13 to the consolidated financial statements, the Council for the Spanish Speaking, Inc. has suffered recurring losses from operations and has a working capital deficiency of \$1,880,353. The Organization is currently out of compliance with some of its bank covenants and in arrears on accounts with certain vendor creditors which, among other things, cause the balances to become due on demand. The Organization is currently working with its banks to extend terms of its borrowings and is looking to sell certain assets to raise capital to pay vendor creditors. Management's plans to resolving its solvency issue is discussed in Note 13. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect for that matter.

*Wipfli LLP*

Wipfli LLP

March 26, 2014

Milwaukee, Wisconsin

# Council for the Spanish Speaking, Inc.

## Consolidated Statements of Financial Position

June 30, 2013 and 2012

<i>Assets</i>	2013	2012
Current assets:		
Cash and cash equivalents	\$ 30,142	\$ 230,862
Accounts receivable	43,410	6,129
Grants receivable	192,584	163,399
<b>Total current assets</b>	<b>266,136</b>	<b>400,390</b>
Restricted deposits and funded reserves:		
Tenant security deposits	35,840	32,992
Escrow deposits	5,494	69,231
Replacement and residual receipts reserve	439,268	434,820
<b>Total restricted deposits and funded reserves</b>	<b>480,602</b>	<b>537,043</b>
<b>Property and equipment - Net</b>	<b>7,023,736</b>	<b>7,428,738</b>
Other assets:		
Capitalized financing costs, net	70,800	73,714
<b>TOTAL ASSETS</b>	<b>\$ 7,841,274</b>	<b>\$ 8,439,885</b>

<i>Liabilities and Net Assets</i>	2013	2012
Current liabilities:		
Current maturities of long-term debt	\$ 1,153,531	\$ 561,279
Accounts payable	842,568	570,993
Accrued payroll and related expenses	104,744	89,373
Other accrued expenses	28,922	32,053
Accrued interest	16,724	16,903
Deferred compensation	-	25,875
Deferred revenue	-	171,822
Total current liabilities	2,146,489	1,468,298
Long-term liabilities:		
Long-term debt, less current maturities	3,581,886	4,309,431
Capital advance	1,912,300	1,912,300
Total long-term liabilities	5,494,186	6,221,731
Total liabilities	7,640,675	7,690,029
Net assets:		
Unrestricted	117,358	628,465
Temporarily restricted	83,241	121,391
Total net assets	200,599	749,856
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 7,841,274</b>	<b>\$ 8,439,885</b>

# Council for the Spanish Speaking, Inc.

## Consolidated Statements of Activities Years Ended June 30, 2013 and 2012

	2013		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Governmental grants and contracts	\$ 5,995,568	\$ -	\$ 5,995,568
Rent revenue	541,448	-	541,448
Contributions	264,424	-	264,424
Contribution in-kind	994,624	-	994,624
Other support and revenue	330,445	-	330,445
Net assets released from restriction	38,150	(38,150)	-
<b>Total support and revenue</b>	<b>8,164,659</b>	<b>(38,150)</b>	<b>8,126,509</b>
Expenses:			
Program services	8,073,864	-	8,073,864
Fund development	95,698	-	95,698
Management and general	506,204	-	506,204
<b>Total expenses</b>	<b>8,675,766</b>	<b>-</b>	<b>8,675,766</b>
Change in net assets	(511,107)	(38,150)	(549,257)
Net assets at beginning of year	628,465	121,391	749,856
<b>Net assets at end of year</b>	<b>\$ 117,358</b>	<b>\$ 83,241</b>	<b>\$ 200,599</b>

See accompanying notes to consolidated financial statements.

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2012		
Unrestricted	Temporarily Restricted	Total
\$ 5,957,802	\$ -	\$ 5,957,802
499,585	-	499,585
372,030	-	372,030
850,404	-	850,404
566,875	-	566,875
17,500	(17,500)	-
<u>8,264,196</u>	<u>(17,500)</u>	<u>8,246,696</u>
7,814,601	-	7,814,601
95,592	-	95,592
554,583	-	554,583
<u>8,464,776</u>	<u>-</u>	<u>8,464,776</u>
(200,580)	(17,500)	(218,080)
<u>829,045</u>	<u>138,891</u>	<u>967,936</u>
<u>\$ 628,465</u>	<u>\$ 121,391</u>	<u>\$ 749,856</u>



# Council for the Spanish Speaking, Inc.

## Consolidated Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	2013	2012
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	\$ (549,257)	\$ (218,080)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	486,352	480,557
Changes in operating assets and liabilities:		
Accounts receivable	(37,281)	10,941
Grants receivable	(29,185)	45,125
Accounts payable	271,575	63,664
Accrued payroll and related expenses	15,371	(10,176)
Accrued pension payable	-	(203,989)
Other accrued expenses	(3,131)	5,183
Accrued interest	(179)	(165)
Deferred compensation	(25,875)	(34,500)
Deferred revenue	(171,822)	22,008
Net cash (used in) provided by operating activities	(43,432)	160,568
Cash flows from investing activities:		
Net deposits to tenant security deposits held in trust	(2,848)	(7,532)
Net withdrawals from escrow deposits	63,737	210,915
Net deposits to residual receipts and replacement reserves	(4,448)	(92,988)
Purchases of property and equipment	(78,436)	(202,188)
Net cash used in investing activities	(21,995)	(91,793)

# Council for the Spanish Speaking, Inc.

## Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2013 and 2012

	2013	2012
Cash flows from financing activities:		
Principal payments on long-term debt	(135,293)	(105,052)
Net decrease in cash and cash equivalents	(200,720)	(36,277)
Cash and cash equivalents at beginning of year	230,862	267,139
Cash and cash equivalents at end of year	\$ 30,142	\$ 230,862
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	\$ 286,902	\$ 302,294

# Council for the Spanish Speaking, Inc.

## Notes to Consolidated Financial Statements

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### **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

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### **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

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### **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.

#### **Cash and Cash Equivalents**

The Organization considers all short-term investments purchased with an original maturity of three months or less to be cash or cash equivalents, excluding amounts whose use is restricted.

#### **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, 2013 and 2012, 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

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### **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:

	<u>Useful Lives</u>
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

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### **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, 2013 and 2012.

#### **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, 2013 and 2012 was \$2,914 and \$2,916, respectively.

#### **Deferred Revenue**

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

#### **Revenue Recognition**

Government grant and contract revenues are either recorded as cost reimbursement transactions or exchange transactions based on criteria contained in the grant award.

Grant Awards that are Cost Reimbursement Transactions – Cost reimbursement revenue is recorded based on reimbursement of allowable expenses. 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

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### **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, 2013 and 2012 with an estimated value of \$163,509 and \$185,441, 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

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### **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, 2013 and 2012. Income tax returns from the fiscal years ended June 30, 2010 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 March 26, 2014, which is the date the financial statements were available to be issue.

# Council for the Spanish Speaking, Inc.

## Notes to Consolidated Financial Statements

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### Note 3 Grants Receivable

At June 30, grants receivable consisted of the following:

	2013	2012
Milwaukee Area Technical College	\$ 5,788	\$ 3,391
Wisconsin Department of Public Instruction	5,361	10,562
Guadalupe Head Start	118,860	-
Early Head Start	14,183	93,787
Social Development Commission - Healthy Marriage	-	18,200
State of Wisconsin - Department of Public Instruction	29,187	28,854
Wisconsin Technical Board	14,074	8,605
Milwaukee Public Schools - K4	5,131	-
Total grants receivable	\$ 192,584	\$ 163,399

### Note 4 Property and Equipment

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

	2013	2012
Land and improvements	\$ 776,066	\$ 721,065
Buildings and improvements	11,738,601	11,715,167
Furniture and equipment	1,193,530	1,193,530
Vehicles	185,466	185,466
Total property and equipment	13,893,663	13,815,228
Less - Accumulated depreciation	6,869,927	6,386,490
Property and equipment - Net	\$ 7,023,736	\$ 7,428,738

# Council for the Spanish Speaking, Inc.

## Notes to Consolidated Financial Statements

### Note 5 Deferred Revenue

At June 30, deferred revenue consisted of the following:

	2013	2012
Milwaukee Public Schools - Centro Hispano High School	\$ -	\$ 101,000
Social Development Commission - Federal Head Start	-	70,822
Total deferred revenue	\$ -	\$ 171,822

### Note 6 Mortgage Notes Payable

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

	2013	2012
Mortgage note payable to Forward Community Investments, payable in monthly installments of \$3,179, including interest at 6.75%. A balloon payment equal to the unpaid balance is due May 31, 2014.	\$ 422,133	\$ 430,483
Mortgage note payable to a bank, payable in monthly installments of \$2,904, including interest at 6.85%. Payment of the unpaid balance is considered month-to-month.	199,361	219,593
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.	367,385	385,844
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.	293,073	308,768

# Council for the Spanish Speaking, Inc.

## Notes to Consolidated Financial Statements

### Note 6 Mortgage Notes Payable (Continued)

	2013	2012
Mortgage note payable to Wisconsin Preservation Fund, payable in interest only payments of \$1,400, at 5.00%. Payment of the unpaid balance is considered month-to-month.	\$ 83,731	\$ 95,422
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.	132,055	159,044
Mortgage note payable to HUD, payable in monthly installment of \$19,647, including interest at 6.20%, due April 2044.	3,237,679	3,271,556
Total long-term debt	4,735,417	4,870,710
Less current maturities	1,153,531	561,279
Long-term portion	\$ 3,581,886	\$ 4,309,431

All mortgage notes are secured by specific land and building.

Scheduled principal payments on the mortgage notes payable at June 30, 2013 based on terms existing as of the audit report date are as follows:

2014	\$ 1,153,531
2015	85,280
2016	89,880
2017	94,737
2018	279,004
Thereafter	3,032,985
Total	\$ 4,735,417

# Council for the Spanish Speaking, Inc.

## Notes to Consolidated Financial Statements

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

The Council has a mortgage note with a bank. As a condition of this note the Council is required to maintain certain financial ratios and restrictions are placed on various activities such as the transfer and incurrence of additional indebtedness. As of June 30, 2013, the Council was in violation of its debt service coverage ratio covenant. The outstanding debt of \$367,385 on this note has been included in current maturities of long-term debt on the balance sheet as of June 30, 2013.

### **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.

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

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### **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

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### **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, 2013 and 2012 was \$187,789 and \$171,105, respectively. The revenue is recorded in other support and revenue.

Future rental income expected from lease agreements at June 30, 2013 is \$33,026 for the year ending June 30, 2014.

### **Note 9            Retirement Plan**

The Organization sponsors a profit sharing Plan in which substantially all full-time employees are participants. The Organization 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, 2013 and 2012.

### **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 \$0 and \$25,875 at June 30, 2013 and 2012, respectively. The deferred compensation agreement expired in April of 2013.

# Council for the Spanish Speaking, Inc.

## Notes to Consolidated Financial Statements

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### Note 11 Temporarily Restricted Net Assets

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

	2013	2012
Guadalupe Center Building Improvements	\$ 74,559	\$ 74,559
Murguia Endowment	8,682	8,682
United Way Healthy Girls Grant	-	6,901
Summer Program	-	13,232
Herzfeld Foundation Grant	-	8,017
Milwaukee Urban League Grant	-	10,000
Total temporarily restricted net assets	\$ 83,241	\$ 121,391

Temporary restricted net assets are released from restrictions by meeting donor restrictions. Net assets released from restriction for the year ending June 30, consisted of the following:

	2013	2012
Potawatomi Grant	\$ -	\$ 15,000
United Way Healthy Girls Grant	6,901	-
Summer Program	13,232	-
Herzfeld Foundation Grant	8,017	-
Milwaukee Urban League Grant	10,000	2,500
Total temporarily restricted net assets released from restriction	\$ 38,150	\$ 17,500



# Council for the Spanish Speaking, Inc.

## Notes to Consolidated Financial Statements

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### **Note 12**      **Concentrations**

The Organization maintains depository relationships with area financial institutions that are Federal Deposit Insurance Corporation (FDIC) insured institutions. At times, deposits may exceed FDIC insurance limits. Management has not experienced any losses with these accounts and management believes the Organization is not exposed to any significant risk related to cash.

In total, over 74% and 72% of the Organization's support and revenues were provided by governmental grants and contracts for 2013 and 2012, respectively. Over 51% and 48% of this support was received from the U.S. Department of Health and Human Services for the year ended June 30, 2013 and 2012, respectively.

### **Note 13**      **Emphasis of a Matter**

During the year ended June 30, 2013, the Organization had a decrease in net assets of \$549,257, and negative cash flows from operations of \$43,432. Total current liabilities exceed current assets by \$1,880,353. The Organization is currently out of compliance with some of its bank covenants and in arrears on accounts with certain vendor creditors which, among other things, cause the balances to become due on demand. The organization is currently working with its banks to extend terms of its borrowings and is looking to sell certain assets to raise capital to pay vendor creditors. Management's plan in regard to this matter is as follows:

- Reduce expense through staff reduction and salary adjustments,
- Eliminate, reduce or consolidate programs to cut expense and reduce losses,
- Implement a fund development strategy to raise additional unrestricted contributions,
- Restructure and extend terms on loans agreements with its borrowers, and
- Sell two non-essential buildings and a vacant lot that will generate substantial dollars to reduce debt and pay off creditor vendors.

The consolidated financial statements do not include any adjustments that might result from the outcome of these activities. If the Organization is unable to improve its financial condition, it could have an impact on the Organization's ability to realize assets at their recognized values to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.

## **Supplementary Information**

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# Council for the Spanish Speaking, Inc.

## Consolidating Statement of Financial Position

Year Ended June 30, 2013

<i>Assets</i>	Council for the Spanish Speaking	Casa Catalina Corporation	Hispanic Housing Corporation	La Villa Housing Corporation	Eliminating	Total
Current assets:						
Cash and cash equivalents	\$ 11,482	\$ 25,592	\$ 300	\$ 2,033	\$ (9,265)	\$ 30,142
Accounts receivable	-	2,703	40,707	-	-	43,410
Grants receivable	192,584	-	-	-	-	192,584
Housing projects' receivables	126,709	-	-	-	(126,709)	-
<b>Total current assets</b>	<b>330,775</b>	<b>28,295</b>	<b>41,007</b>	<b>2,033</b>	<b>(135,974)</b>	<b>266,136</b>
Restricted deposits and funded reserves:						
Tenant security deposits	-	4,666	27,120	4,054	-	35,840
Escrow deposits	-	-	5,494	-	-	5,494
Replacement and residual receipts reserve	-	41,021	360,628	37,619	-	439,268
<b>Total restricted deposits and funded reserves</b>	<b>-</b>	<b>45,687</b>	<b>393,242</b>	<b>41,673</b>	<b>-</b>	<b>480,602</b>
<b>Property and equipment - Net</b>	<b>3,861,629</b>	<b>632,954</b>	<b>1,836,036</b>	<b>693,117</b>	<b>-</b>	<b>7,023,736</b>
Other assets:						
Capitalized financing costs, net	-	-	69,499	1,301	-	70,800
<b>TOTAL ASSETS</b>	<b>\$ 4,192,404</b>	<b>\$ 706,936</b>	<b>\$ 2,339,784</b>	<b>\$ 738,124</b>	<b>\$ (135,974)</b>	<b>\$ 7,841,274</b>

# Council for the Spanish Speaking, Inc.

## Consolidating Statement of Financial Position (Continued)

Year Ended June 30, 2013

<i>Liabilities and Net Assets</i>	Council for the Spanish Speaking	Casa Catalina Corporation	Hispanic Housing Corporation	La Villa Housing Corporation	Eliminating	Total
<b>Current liabilities:</b>						
Cash overdraft	\$ 8,579	\$ -	\$ 686	\$ -	\$ (9,265)	\$ -
Current maturities of long-term debt	1,117,493	-	36,038	-	-	1,153,531
Accounts payable	810,385	10,596	99,893	42,209	(120,515)	842,568
Accrued payroll and related expenses	104,744	-	-	-	-	104,744
Other accrued expenses	2,087	4,955	23,420	4,654	(6,194)	28,922
Accrued interest	-	-	16,724	-	-	16,724
<b>Total current liabilities</b>	<b>2,043,288</b>	<b>15,551</b>	<b>176,761</b>	<b>46,863</b>	<b>(135,974)</b>	<b>2,146,489</b>
<b>Long-term liabilities:</b>						
Long-term debt, less current maturities	380,245	-	3,201,641	-	-	3,581,886
Capital advance	-	1,033,900	-	878,400	-	1,912,300
<b>Total long-term liabilities</b>	<b>380,245</b>	<b>1,033,900</b>	<b>3,201,641</b>	<b>878,400</b>	<b>-</b>	<b>5,494,186</b>
<b>Total liabilities</b>	<b>2,423,533</b>	<b>1,049,451</b>	<b>3,378,402</b>	<b>925,263</b>	<b>(135,974)</b>	<b>7,640,675</b>
<b>Net assets (deficit):</b>						
Unrestricted	1,685,630	(342,515)	(1,038,618)	(187,139)	-	117,358
Temporarily restricted	83,241	-	-	-	-	83,241
<b>Total net assets (deficit)</b>	<b>1,768,871</b>	<b>(342,515)</b>	<b>(1,038,618)</b>	<b>(187,139)</b>	<b>-</b>	<b>200,599</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 4,192,404</b>	<b>\$ 706,936</b>	<b>\$ 2,339,784</b>	<b>\$ 738,124</b>	<b>\$ (135,974)</b>	<b>\$ 7,841,274</b>

# Council for the Spanish Speaking, Inc.

## Consolidating Statement of Activities

Year Ended June 30, 2013

	Council for the Spanish Speaking	Casa Catalina Unrestricted	Hispanic Housing Unrestricted	La Villa Unrestricted	Eliminating	Total
Unrestricted net assets:						
Support and revenue:						
Governmental grants and contracts	\$ 5,459,282	\$ 59,542	\$ 437,532	\$ 39,212	\$ -	\$ 5,995,568
Rent revenue	187,789	43,586	276,409	33,664	-	541,448
Contributions	264,424	-	-	-	-	264,424
Contribution in-kind	994,624	-	-	-	-	994,624
Other support and revenue	353,652	1,424	32,127	4,172	(60,930)	330,445
Net assets released from restriction	38,150	-	-	-	-	38,150
<b>Total support and revenue</b>	<b>7,297,921</b>	<b>104,552</b>	<b>746,068</b>	<b>77,048</b>	<b>(60,930)</b>	<b>8,164,659</b>
Expenses:						
Program services	7,056,862	112,813	869,124	95,995	(60,930)	8,073,864
Fund development	95,698	-	-	-	-	95,698
Management and general	506,204	-	-	-	-	506,204
<b>Total expenses</b>	<b>7,658,764</b>	<b>112,813</b>	<b>869,124</b>	<b>95,995</b>	<b>(60,930)</b>	<b>8,675,766</b>
Change in net assets	(360,843)	(8,261)	(123,056)	(18,947)	-	(511,107)
Unrestricted net assets (deficit) at beginning of year	2,046,473	(334,254)	(915,562)	(168,192)	-	628,465
<b>Unrestricted net assets (deficit) at end of year</b>	<b>\$ 1,685,630</b>	<b>\$ (342,515)</b>	<b>\$ (1,038,618)</b>	<b>\$ (187,139)</b>	<b>\$ -</b>	<b>\$ 117,358</b>
Temporarily restricted net assets:						
Net assets released from restriction	\$ (38,150)	\$ -	\$ -	\$ -	\$ -	\$ (38,150)
Temporarily restricted net assets at beginning of year	121,391	-	-	-	-	121,391
<b>Temporarily restricted net assets at end of year</b>	<b>\$ 83,241</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 83,241</b>

See Independent Auditor's Report.

# Council for the Spanish Speaking, Inc.

## Schedule of Revenue and Expenses by Funding Source – Unrestricted Year Ended June 30, 2013

	Vocational Training			Loyola Academy				Social Services		
	WI Tech Board	Adult Ed	MPS	DPI	United Way	School Forest	United Way	WI Voices	Other Social	
	& El Civic	Multi-cult.								Partnership
	MATC									
Support and revenue:										
Governmental grants and contracts	\$ 33,250	\$ 134,860	\$ -	\$ 548,856	\$ 25,447	\$ -	\$ -	\$ -	\$ -	\$ -
Rent revenue	-	-	-	-	-	-	-	-	-	-
Contributions	-	-	500	-	-	53,000	19,952	98,925	35,250	49,845
Contributions in-kind	-	-	-	-	-	-	-	-	-	-
Other support and revenue	-	-	4,379	-	-	-	-	-	-	32,889
Net assets released from restriction	-	-	-	-	-	6,901	13,232	-	-	-
<b>Total support and revenue</b>	<b>33,250</b>	<b>134,860</b>	<b>4,879</b>	<b>548,856</b>	<b>25,447</b>	<b>59,901</b>	<b>33,184</b>	<b>98,925</b>	<b>35,250</b>	<b>82,734</b>
Expenses:										
Salaries and wages	24,834	120,932	11,723	367,676	-	27,704	-	79,755	16,272	29,627
Payroll taxes	1,939	8,928	855	27,277	-	2,128	-	5,679	1,359	2,087
Other employee benefits	4,711	15,198	1,708	46,069	-	1,957	-	11,366	4,819	4,138
Staff development	-	1,490	-	951	-	-	-	1,525	-	1,615
Professional fees	563	1,823	207	5,533	-	345	-	1,389	558	457
Consulting/contractual	-	-	-	-	-	-	-	2,563	15,620	-
Materials and supplies	1,238	6,489	-	6,219	-	489	1,638	199	-	26,285
Office expense	349	1,603	22	2,899	-	25	-	782	765	46
Telephone	92	600	56	1,256	-	-	-	2,488	248	-
Equipment repairs and maintenance	989	8,658	33	616	-	-	-	6	-	-
Computer and support	-	268	-	4,405	-	-	-	602	-	399
Occupancy	-	-	-	38,652	-	-	-	90	41	3,387
Depreciation/amortization	-	-	705	14,183	-	-	-	-	-	-
Insurance	-	-	373	6,767	-	115	-	-	313	474
Travel/vehicle expense	-	254	-	2,940	-	198	-	626	-	1,436
Lunch program	-	-	-	-	22,785	-	-	-	-	-
Busing and field trips	-	-	-	13,011	-	997	450	-	-	-
Miscellaneous	684	75	(230)	1,068	-	217	-	298	96	1,004
Mortgage interest	-	-	-	9,630	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	-	-	-	-
Administration	-	-	-	-	-	-	-	-	-	-
Capitalized equipment	-	-	-	-	-	-	-	-	-	-
In-kind expense	-	-	-	-	-	-	-	-	-	-
<b>Subtotal of expenses</b>	<b>35,399</b>	<b>166,318</b>	<b>15,452</b>	<b>549,152</b>	<b>22,785</b>	<b>34,175</b>	<b>2,088</b>	<b>107,368</b>	<b>40,091</b>	<b>70,955</b>
Allocated administrative expenses	4,191	12,685	1,528	43,031	-	131	-	9,563	4,272	3,609
<b>Total expenses</b>	<b>39,590</b>	<b>179,003</b>	<b>16,980</b>	<b>592,183</b>	<b>22,785</b>	<b>34,306</b>	<b>2,088</b>	<b>116,931</b>	<b>44,363</b>	<b>74,564</b>
<b>Change in net assets</b>	<b>\$ (6,340)</b>	<b>\$ (44,143)</b>	<b>\$ (12,101)</b>	<b>\$ (43,327)</b>	<b>\$ 2,662</b>	<b>\$ 25,595</b>	<b>\$ 31,096</b>	<b>\$ (18,006)</b>	<b>\$ (9,113)</b>	<b>\$ 8,170</b>

# Council for the Spanish Speaking, Inc.

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

Year Ended June 30, 2013

	Housing and HUD				Guadalupe Center				
	Building	Casa Catalina	Hispanic Housing	La Villa Housing	2012-13 Federal	2011-12 Federal	2012-13 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	\$ 4,900	\$ 59,542	\$ 437,532	\$ 39,212	\$ 405,739	\$ 999,030	\$ 2,354,402	\$ 414,322	\$ 133,876
Rent revenue	187,789	43,586	276,409	33,664	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-
Contributions in-kind	-	-	-	-	111,329	241,342	677,821	127,641	-
Other support and revenue	16,627	1,424	32,127	4,172	-	-	-	-	-
Net assets released from restriction	-	-	-	-	-	-	-	-	-
<b>Total support and revenue</b>	<b>209,316</b>	<b>104,552</b>	<b>746,068</b>	<b>77,048</b>	<b>517,068</b>	<b>1,240,372</b>	<b>3,032,223</b>	<b>541,963</b>	<b>133,876</b>
Expenses:									
Salaries and wages	25,913	13,350	121,418	11,385	193,380	536,208	1,326,868	194,898	94,614
Payroll taxes	1,910	988	7,723	838	14,162	39,192	97,318	14,142	6,838
Other employee benefits	5,351	2,196	14,415	1,723	32,488	96,647	247,584	25,085	18,807
Staff development	100	508	2,477	355	8,731	2,233	23,218	8,601	-
Professional fees	610	14,020	25,744	15,459	2,821	14,458	25,683	3,894	2,268
Consulting/contractual	1,500	12,107	69,279	8,955	96,508	14,546	160,945	99,741	-
Materials and supplies	1,103	-	-	-	10,341	98,344	49,256	6,288	-
Office expense	9,468	266	793	749	3,793	5,463	29,712	2,604	-
Telephone	9,076	92	2,712	688	821	6,172	10,110	487	-
Equipment repairs and maintenance	439	-	-	-	140	4,815	9,425	2,973	-
Computer and support	2,766	-	786	331	3,417	9,165	9,341	1,861	-
Occupancy	96,778	24,191	133,226	20,290	4,909	48,144	121,136	17,525	3,079
Depreciation/amortization	258,781	27,310	155,704	22,669	-	2,333	4,667	-	-
Insurance	602	2,657	33,337	3,143	1,370	22,021	19,251	4,215	1,599
Travel/vehicle expense	-	123	1,485	197	2,880	3,228	4,953	5,403	-
Lunch program	-	-	-	-	-	-	-	-	-
Busing and field trips	-	-	-	-	-	2,561	4,450	-	-
Miscellaneous	802	485	20,072	168	3,450	3,806	15,839	3,580	477
Mortgage interest	63,397	-	201,709	-	-	-	-	-	-
Management fees	-	8,100	47,385	5,445	-	-	-	-	-
Administration	-	6,420	30,859	3,600	-	-	-	-	-
Capitalized equipment	-	-	-	-	-	-	-	-	-
In-kind expense	-	-	-	-	111,329	241,342	677,821	127,641	-
<b>Subtotal of expenses</b>	<b>478,596</b>	<b>112,813</b>	<b>869,124</b>	<b>95,995</b>	<b>490,540</b>	<b>1,150,678</b>	<b>2,837,577</b>	<b>518,938</b>	<b>127,682</b>
Allocated administrative expenses	4,444	-	-	-	26,528	89,694	194,646	23,025	17,278
<b>Total expenses</b>	<b>483,040</b>	<b>112,813</b>	<b>869,124</b>	<b>95,995</b>	<b>517,068</b>	<b>1,240,372</b>	<b>3,032,223</b>	<b>541,963</b>	<b>144,960</b>
<b>Change in net assets</b>	<b>\$ (273,724)</b>	<b>\$ (8,261)</b>	<b>\$ (123,056)</b>	<b>\$ (18,947)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (11,084)</b>

# Council for the Spanish Speaking, Inc.

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

Year Ended June 30, 2013

	Guadalupe Center				Total Program	Management and General	Fundraising	Non-GAAP Adjustment	Eliminating	Total
	DPI USDA	Wrap- Around	MPS 4 Year Kindergarten	Other Grants						
Support and revenue:										
Governmental grants and contracts	\$ 254,014	\$ -	\$ 150,076	\$ 510	\$ 5,995,568	\$ -	\$ -	\$ -	\$ -	\$ 5,995,568
Rent revenue	-	-	-	-	541,448	-	-	-	-	541,448
Contributions	-	-	-	470	257,942	-	6,482	-	-	264,424
Contributions in-kind	-	-	-	-	1,158,133	-	-	(163,509)	-	994,624
Other support and revenue	-	238,092	-	-	329,710	60,930	735	-	(60,930)	330,445
Net assets released from restriction	-	-	-	8,017	28,150	-	10,000	-	-	38,150
<b>Total support and revenue</b>	<b>254,014</b>	<b>238,092</b>	<b>150,076</b>	<b>8,997</b>	<b>8,310,951</b>	<b>60,930</b>	<b>17,217</b>	<b>(163,509)</b>	<b>(60,930)</b>	<b>8,164,659</b>
Expenses:										
Salaries and wages	408	125,250	102,366	-	3,424,581	287,184	75,971	-	-	3,787,736
Payroll taxes	-	9,497	7,486	-	250,346	22,582	5,488	-	-	278,416
Other employee benefits	-	24,778	18,621	-	577,661	32,177	6,632	-	-	616,470
Staff development	-	110	-	652	52,566	1,950	480	-	-	54,996
Professional fees	-	2,995	2,306	-	121,133	27,204	797	-	-	149,134
Consulting/contractual	-	-	-	361	482,125	1,785	-	-	-	483,910
Materials and supplies	-	9,507	1,138	-	218,534	-	-	-	-	218,534
Office expense	-	-	-	-	59,339	13,779	977	-	-	74,095
Telephone	-	-	-	28	34,926	8,517	-	-	-	43,443
Equipment repairs and maintenance	-	-	-	-	28,094	5,021	-	-	-	33,115
Computer and support	-	6,263	143	-	39,747	2,246	171	-	-	42,164
Occupancy	-	-	48	-	511,496	42,543	-	-	-	554,039
Depreciation/amortization	-	-	-	-	486,352	-	-	-	-	486,352
Insurance	-	1,944	1,276	-	99,457	2,706	575	-	-	102,738
Travel/vehicle expense	-	-	-	-	23,723	11,935	6	-	-	35,664
Lunch program	256,221	-	-	-	279,006	-	-	-	-	279,006
Busing and field trips	-	349	233	588	22,639	-	-	-	-	22,639
Miscellaneous	-	-	-	9	51,900	34,588	4,601	-	-	91,089
Mortgage interest	-	-	-	-	274,736	11,987	-	-	-	286,723
Management fees	-	-	-	-	60,930	-	-	-	(60,930)	-
Administration	-	-	-	-	40,879	-	-	-	-	40,879
Capitalized equipment	-	55,000	-	-	55,000	-	-	(55,000)	-	-
In-kind expense	-	-	-	-	1,158,133	-	-	(163,509)	-	994,624
<b>Subtotal of expenses</b>	<b>256,629</b>	<b>235,693</b>	<b>133,617</b>	<b>1,638</b>	<b>8,353,303</b>	<b>506,204</b>	<b>95,698</b>	<b>(218,509)</b>	<b>(60,930)</b>	<b>8,675,766</b>
Allocated administrative expenses	-	27,919	16,459	-	479,003	(484,906)	5,903	-	-	-
<b>Total expenses</b>	<b>256,629</b>	<b>263,612</b>	<b>150,076</b>	<b>1,638</b>	<b>8,832,306</b>	<b>21,298</b>	<b>101,601</b>	<b>(218,509)</b>	<b>(60,930)</b>	<b>8,675,766</b>
Change in net assets	\$ (2,615)	\$ (25,520)	\$ -	\$ 7,359	\$ (521,355)	\$ 39,632	\$ (84,384)	\$ 55,000	\$ -	\$ (511,107)

See Independent Auditor's Report.



# Council for the Spanish Speaking, Inc.

## Schedule of Expenditures of Federal, State and Local Awards Year Ended June 30, 2013

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	N/A	9/24/11 - 9/23/12	10.555	ARRA	\$ 688	\$ -	\$ -
ARRA National School Lunch Program	N/A	9/24/12 - 9/23/13	10.555	ARRA	24,759	-	-
Total ARRA National School Lunch Program					25,447	-	-
Child and Adult Care Food Program	N/A	10/1/12 - 9/30/13	10.558		222,299	-	-
Child and Adult Care Food Program	N/A	10/1/11 - 9/30/12	10.558		31,715	-	-
Total Child and Adult Care Food Program					254,014	-	-
Total U.S. Department of Agriculture					279,461	-	-
U.S. Department of Education:							
Adult Education - Basic Grants to States	Wisconsin Technical College System Board	7/1/12 - 6/30/13	84.002		121,485	-	-
Adult Education - Basic Grants to States	Wisconsin Technical College System Board	7/1/12 - 6/30/13	84.002		13,375	-	-
Total U.S. Department of Education					134,860	-	-
U.S. Department of Health and Human Services:							
Head Start	Social Development Commission	11/1/11 - 10/31/12	93.600		1,005,900	-	-
Head Start	Social Development Commission	11/1/12 - 6/30/13	93.600		2,354,402	-	-
Early Head Start	N/A	9/30/11 - 12/31/12	93.600		414,322	-	-
Early Head Start	N/A	1/1/13 - 12/31/13	93.600		405,739	-	-
Total Head Start Cluster					4,180,363	-	-
Total U.S. Department of Health and Human Services					4,180,363	-	-

# Council for the Spanish Speaking, Inc.

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

Year Ended June 30, 2013

Federal and State Awards Grantor/Program Title	Passthrough	Program Period	Catalog # Fed ID	CARS # State ID	Federal Expenditures	State Expenditures	Local Expenditures
State and Local Awards:							
Department of Public Instruction Head Start State Supplement	Social Development Commission	7/1/12 - 6/30/13		255.327	-	133,876	-
Technical College System Board Basic Skills	Milwaukee Area Technical College	7/1/12 - 6/30/13		292.112	-	33,250	-
Milwaukee Public Schools: Alternative Education	N/A				-	-	548,856
4-Year Old Kindergarten	N/A				-	-	150,076
<b>Total Federal, State and Local Awards</b>					<b>\$ 4,594,684</b>	<b>\$ 167,126</b>	<b>\$ 698,932</b>

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, 2013

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## **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, state and local government for the year ended June 30, 2013. 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

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

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to the financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Council for the Spanish Speaking, Inc. (the "Council"), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 26, 2014.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Council'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 the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council'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 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, 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 would not necessarily 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 weakness, as defined above. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and is not to provide an opinion on the effectiveness of the Council'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 Council's internal control and compliance. Accordingly, This communication is not suitable for any other purpose.

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Wipfli LLP

March 26, 2014

Milwaukee, Wisconsin



## Independent Auditor's Report on Compliance for Each Major Federal and State Program and Internal Control Over Compliance

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

### **Report on Compliance for Each Major Federal and State Program**

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. 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, 2013. The Council's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Council of the Spanish Speaking, Inc.'s consolidated financial statements include the operations of the Casa Catalina Corporation, Hispanic Housing Corporation, and La Villa Housing Corporation, which in total received approximately \$5,710,210 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, 2013. 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*.

#### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal and state programs.

#### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Council's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Council's compliance.

## Opinion on Each Major Federal and State Program

In our opinion, the Council complied, in all material respects, with the types of 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, 2013.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 063013-01. Our opinion on each major federal and state program is not modified with respect to this matter.

The Council's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Council's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal and state program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 063013-01, that we consider to be a significant deficiency.

The Council's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Council's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and State Single Audit Guidelines. Accordingly, this report is not suitable for any other purpose.

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

Wipfli LLP

March 26, 2014  
Milwaukee, Wisconsin



# Council for the Spanish Speaking, Inc.

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

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## Section I - Summary of Auditor's Results

### Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

### Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency(ies) identified not considered to be material weakness(es)?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no

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

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?  yes  no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start Cluster

Identification of major state programs:

<u>Identifying Number</u>	<u>Name of State Program</u>
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

# Council for the Spanish Speaking, Inc.

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

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### Section II - Financial Statement Findings

None

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

#### 063013-01 EARMARKING – FUNDED ENROLLMENT

**Head Start – CFDA #93.600, Grant #G054122, G054120,**

**Grant period July 1, 2012 through June 30, 2013**

**Questioned Costs: None**

#### Condition

During our audit, Wipfli LLP noted that Council for the Spanish Speaking, Inc. was not in compliance with the federal grant regulations requiring that each Head Start agency must enroll 100% of its funded enrollment in its service area. Funded enrollment for these counties is 599 and actual enrollment was 586 on the date tested, resulting in an under-enrollment of 13.

#### Criteria

According to 42 USC 9837(g) (The Head Start Act) *“Each Head Start agency shall enroll 100 percent of its funded enrollment and maintain an active waiting list at all times with ongoing outreach to the community and activities to identify underserved populations.”*

#### Effect

As a result of not ensuring that the minimum enrollment level for children was maintained, Council for the Spanish Speaking, Inc. was out of compliance with federal regulations and grant requirements.

#### Recommendation

Wipfli recommends that Council for the Spanish Speaking, Inc. continue their outreach efforts and monitor the enrollment levels of their service area to ensure compliance going forward.

#### Management Response

This external audit covered the time period of July 1, 2012 through June 30, 2013. During this time, the Head Start program of Centro Hispano was still offered as a delegate program of the Social Development Commission (SDC). This is no longer the case.

# Council for the Spanish Speaking, Inc.

## Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2013

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The primary cause of our under-enrollment situation was the loss of our collaboration and contract with the United Community Center (UCC), and the lack of classroom space to accommodate enrollment slots elsewhere after this collaboration ended for the reasons described below late during the program year. We had approximately 90 three-year olds and four-year olds enrolled in UCC.

It is important to note that this was a period of much upheaval between SDC and the federal Head Start (HS) administration, specifically with the federal HHS regional office in Chicago. This resulted in the loss by SDC of its HS contract in June of 2013.

Discussions between the Chicago office and SDC over issues of compliance resulted in several program monitoring reviews early that year. That year the Guadalupe Head Start program of Centro Hispano began with a full HS enrollment. An internal SDC monitoring determined that UCC was placing more than 20 four-year old children in several classrooms.

When the monitoring occurred there was some confusion on the issue of how many children could be in a classroom. To clarify, we had several meetings with UCC and SDC. UCC argued that the number of HS children in their classrooms was below 20 and that the others were not HS students, but children enrolled in their charter school. SDC insisted that the regulations required that they not have classrooms that combined more than 20 students (4-year olds). We agreed. Annoyed by this because it would lose revenue if they were to reduce classrooms from 23 to 20 children, UCC, abruptly, decided to drop its contract for the four-year olds.

In spite of this, we continued the collaboration with UCC on just 3-year-olds. In FY 2012-2013, we began with about 24 three-year-olds enrolled. But in October of 2012 UCC decided to back out of that agreement too. UCC was troubled by the fact that we insisted that they could not have more than 17 three-year-olds in a classroom. That left us with more slots than we could accommodate with the existing classroom space. We immediately created and added some new classrooms in our facilities at 3<sup>rd</sup> Street and 36<sup>th</sup> Street, but this was insufficient to accommodate the number of children from our abruptly ended UCC contract.

In consultation with SDC and the Chicago Regional HSS office, it was understood why we had an under enrollment. The federal office did not make a case of this because the enrollment approximated 97%. There was never any action on the part of SDC or the feds to reduce our funding or to force the issue of having full enrollment.

This matter, therefore, was not an issue for the federal funding source, and should not be an issue in this audit.

# Council for the Spanish Speaking, Inc.

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2013

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## 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*?

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

March 26, 2014