

SERVICIOS DE LA RAZA, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
WITH
INDEPENDENT AUDITORS' REPORTS
YEARS ENDED JUNE 30, 2013 and 2012**

**Feldhake &
Associates, P.C.**

Certified Public Accountants

CONTENTS

	Page
Independent auditors' reports	1
Combined financial statements:	
Combined statements of financial position	3
Combined statements of activities and changes in net assets	4
Combined statements of cash flows	5
Notes to combined financial statements	6
Supplemental information:	
Combined schedule of revenue and public support	12
Combining schedule of expenses	13
Schedule of federal awards	16
Non-combined financial information: (Servicios de La Raza, Inc.):	
Statements of financial position	17
Statements of activities and changes in net assets	18
Statements of cash flows	19
Mental Health Services supplemental financial information:	
Statements of financial position	20
Statements of activities and changes in net assets	21
Statements of cash flows	22
Independent auditors' reports on various reporting requirement	23
Schedule of findings and questioned costs	28

Feldhake & Associates, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORTS

The Board of Directors
Servicios de La Raza, Inc.
Denver, Colorado

We have audited the accompanying combined financial statements of Servicios de La Raza, Inc. (a nonprofit organization), which comprise the combined statements of financial position as of June 30, 2013 and 2012, and the related combined 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Servicios de La Raza, Inc. as of 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 of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued reports dated March 20, 2014, on our consideration of Servicios de La Raza, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Feldhake & Associates, P.C.

Greenwood Village, Colorado
March 20, 2014

SERVICIOS DE LA RAZA, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 365,798	\$ 25,322
Grant and contract receivable	127,345	92,864
Investments	175,176	160,565
Other current assets	1,284	4,142
	669,603	282,893
Real estate reserves and escrows	44,310	72,386
Property and equipment:		
Land, buildings and improvements	1,110,646	1,102,069
Equipment	18,142	18,142
Vehicles	21,399	21,399
	1,150,187	1,141,610
Accumulated depreciation	(642,131)	(612,267)
	508,056	529,343
	\$ 1,221,969	\$ 884,622
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 164,250	\$ 36,306
Accrued payroll and related liabilities	24,967	37,739
Accrued other expense	8,443	8,091
Deferred revenue	17	1,017
Mortgage note, current portion	18,084	16,533
	215,761	99,686
Long term liabilities:		
Mortgage note	557,202	575,287
Net assets:		
Unrestricted	305,969	277,923
Temporarily restricted	143,037	(68,274)
	449,006	209,649
	\$ 1,221,969	\$ 884,622

The accompanying notes are an integral part of the combined financial statements

SERVICIOS DE LA RAZA, INC.
COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year ended June 30, 2013			Year ended June 30, 2012		
	Unrestricted	Temporarily restricted	Total	Total	Unrestricted	Temporarily restricted
Revenue and public support:						
Net client fees and Medicaid	\$ 7,309	\$ -	\$ 7,309	\$ 27,109	\$ 27,109	\$ -
Federal awards	577,467	-	577,467	536,900	536,900	-
State of Colorado	146,737	-	146,737	163,788	163,788	-
Public support	809,272	294,011	1,103,282	657,009	579,459	77,550
Housing	-	187,790	187,790	172,710	-	172,710
Commercial rental, net of allocated costs of \$11,686 and \$33,324, respectively	914	-	914	(20,729)	(20,729)	-
Other	17,163	-	17,163	9,055	9,055	-
	1,558,862	481,801	2,040,662	1,545,842	1,295,582	250,260
Net assets released from restrictions:						
Satisfaction of usage restrictions	270,490	(270,490)	-	-	272,395	(272,395)
Expenses:						
Program services:						
Housing	192,940	-	192,940	183,558	183,558	-
Workforce Investment Act (WIA)	191,442	-	191,442	169,963	169,963	-
Latino Health Care Engagement Project (ADELANTE)	287,755	-	287,755	-	-	-
Mental Health (MH)	158,829	-	158,829	190,156	190,156	-
Family Healthcare Coverage Program (ENTRA)	156,641	-	156,641	185,541	185,541	-
Ryan White CARE (RW)	95,066	-	95,066	101,730	101,730	-
Violence Against Women (OVW)	75,380	-	75,380	110,840	110,840	-
Youth Experiencing Success (YES)	63,311	-	63,311	56,929	56,929	-
Victim Assistance Law Enforcement (VALE)	43,152	-	43,152	78,242	78,242	-
Colorado Department of Human Services Domestic Violence Program (CDHSDV)	37,687	-	37,687	88,064	88,064	-
Justice and Empowerment para Todos Partnership (JET)	36,941	-	36,941	38,475	38,475	-
Minority Aids Initiative (MAI)	33,141	-	33,141	66,211	66,211	-
Early intervention service (EIS)	35,036	-	35,036	-	-	-
Female Ex-Offender Grant Services (FEXO)	27,559	-	27,559	-	-	-
Victim of Crime Act Assistance Program (VOCA)	24,028	-	24,028	68,286	68,286	-
Work and Gain Education and Employment Skills (WAGEES)	24,016	-	24,016	-	-	-
Basic Emergency (BE)	11,418	-	11,418	60,469	60,469	-
Domestic Violence (DV)	11,409	-	11,409	-	-	-
Coalition for Culturally Appropriate Response and Enrollment Services (CCARES)	8,155	-	8,155	-	-	-
Summer Youth Employment Program (SYEP) and Other Youth	7,219	-	7,219	-	-	-
	1,521,125	-	1,521,125	1,398,464	1,398,464	-
General and administrative	222,087	-	222,087	148,889	148,889	-
Fundraising	58,093	-	58,093	85,300	85,300	-
	280,180	-	280,180	234,189	234,189	-
Change in net assets	28,046	211,311	239,357	(86,811)	(64,676)	(22,135)
Net assets- beginning of year	277,923	(68,274)	209,649	296,460	342,599	(46,139)
Net assets-end of year	\$ 305,969	\$ 143,037	\$ 449,006	\$ 209,649	\$ 277,923	\$ (68,274)

The accompanying notes are an integral part of the combined financial statements

SERVICIOS DE LA RAZA, INC.
COMBINED STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 239,357	\$ (86,811)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	35,091	36,032
Loss on disposition of fixed assets	3,136	
(Gain) loss on investments:		
Unrealized	3,047	9,895
Realized	-	(4,174)
Reinvested dividends	(48)	(280)
Changes in assets and liabilities:		
Accounts receivable and other	(34,481)	(8,241)
Prepaid expenses	2,858	1,158
Accounts payable and accrued expenses	115,048	5,966
Deferred revenue	(1,000)	900
	363,008	(45,555)
Cash flows from investing activities:		
Acquisition of property and equipment	(16,940)	(5,200)
Net liquidation (purchase) of investments	10,736	85,202
	(6,204)	80,002
Cash flows from financing activities:		
Amortization of mortgage	(16,534)	(15,117)
Change in tenant security deposit liabilities	206	(198)
	(16,328)	(15,315)
Net increase in cash	340,476	19,132
Cash - beginning of year	25,322	6,190
Cash - end of year	\$ 365,798	\$ 25,322

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

SERVICIOS DE LA RAZA, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

The following is the summary of significant accounting policies of Servicios de La Raza, Inc. The financial statements and notes are representations of Servicios de La Raza, Inc.'s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied.

Organization and business activity

The La Raza Services, Inc. d/b/a Servicios de La Raza, Inc. (the Organization) is a nonprofit corporation, incorporated under the laws of the State of Colorado. The Organization provides bilingual mental health, and social services in Denver, Colorado.

Servicios Housing, Inc. (Housing) is also a nonprofit corporation, incorporated in Colorado. Housing provides chronically mentally ill individuals with housing facilities in Denver, Colorado, especially designed to meet their physical, social and psychological needs.

Financial statement presentation

The Organization and Housing are considered to be under common management because the Organization's Board of Directors has the power to appoint and remove the members of the Board of Directors for Housing. Accordingly, the accounts of the Organization and Housing are combined for financial reporting purposes.

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets temporarily restricted net assets and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

Grants, contributions, performance contracts and rental fees

The Organization's and Housing's operations generate cash from three primary sources: income from grants and contributions, performance contracts and rental fees. The Organization is dependent on public support in the form of grants, contributions and performance contracts which are variable in nature due to external economic factors. See Note 5 for a discussion of historical concentration of certain contracts.

Additionally, Housing receives a rent supplement from HUD which provides the difference between the tenant rent, which is a percentage of the tenant's income, and the contract rent which is established by HUD. For the years ended June 30, 2013 and 2012, this supplement represented approximately 63% and 65% of Housing's total income, respectively, and 6% and 7% of the Organization's combined income, respectively.

1. Summary of significant accounting policies (continued)

Contributions

Contributions received are recorded as unrestricted or temporarily restricted depending on the existence or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. Restrictions met in the same fiscal year in which the related contributions are received are recorded as unrestricted support.

Leasing operations

Housing records leasing arrangements with tenants using the operating method. There are no leases with noncancelable terms in excess of one year.

Contributions in-kind

Many volunteers have donated time to the Organization's special events and program services. These services include volunteers for case management and crisis line programs. Also, certain materials and supplies were donated for the Fiesta special event. Donated goods are valued at the donee's assigned value or estimated fair market value. Personal services are valued based upon hourly wage rates paid for similar services. Contributions in-kind are recognized as revenue only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. The value of these donated services, materials and supplies that are included in the financial statements and corresponding expenses for the years ended June 30, 2013 and 2012 are \$23,916 and \$172,611, respectively.

Mental Health Clinic/Medicaid

The Mental Health Clinic is partially funded under an agreement with the Colorado Department of Human Services, Division of Behavioral Health under which it is paid and recognized as revenue monthly which approximates performance under the contract.

Colorado Access has the contract for disbursement of Medicaid in the City and County of Denver. The Organization has a contract with Colorado Access to provide services for Medicaid recipients. Contracts are initiated every year and provide funds for the clinic.

Client fees associated with the above-mentioned activities are recorded with contractual adjustments and policy discounts to arrive at net revenue. They are reported at estimated net realizable amounts from patients, third-party payers, and others for services rendered, and include estimated adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the same period the related services are rendered and subsequently adjusted in the future periods as final adjustments became known.

1. Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Basis of allocation of expenses

Salaries and wages are allocated to each component of general support and program services based on employee's function. Fringe benefits and payroll taxes are allocated on the same basis.

Costs for mental health services are allocated to mental health subprograms based on hours of service rendered by staff. Units of service rendered, represents the number of individual client contacts or the total hours expended providing services in the subprogram.

Statement of cash flows

The Organization and Housing consider cash to include currency on hand, checking and savings accounts, and investments with original maturities of three months or less. Interest expense paid during the year ended June 30, 2013 and 2012 was \$54,009 and \$55,307, respectively.

Income taxes

The Organization and Housing are nonprofit organizations under the laws of the State of Colorado and are exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. None of the Organization's tax returns have been examined by the taxing authorities.

Management does not believe the Organization has any material uncertain tax positions requiring evaluation.

Investments

Funds are invested in a mutual funds and money market accounts. Investments are recorded at quoted market prices. Investment income, which consisted of interest and dividend income, for the years ended June 30, 2013 and 2012 was \$1,534 and \$1,414, respectively. Unrealized gains/(losses) at June 30, 2013 and 2012 totaled (\$5,333) and (\$9,895), respectively.

1. Summary of significant accounting policies (continued)

Advertising

The Organization expenses advertising costs when incurred.

Compensated absences

Vacation pay accrues to all eligible employees and is recorded when earned.

Property and equipment

Building, furniture and equipment are stated at cost. Purchased assets over \$1,000 are capitalized. Donated assets in excess of \$1,000 are capitalized at estimated fair value.

Depreciation of building improvements, furniture, fixtures, equipment and vehicles are provided for over the estimated useful lives of the respective assets on a straight-line basis. Buildings are depreciated over period of 40 years and furniture, fixtures, equipment and vehicles are being depreciated over periods from three to seven years.

Reclassifications

Certain reclassifications have been made to the 2012 financial statements in order to conform to the 2013 presentation.

Subsequent events

Subsequent events have been evaluated by management through March 20, 2014, the date these financial statements were available to be issued.

2. Real estate reserves and escrows

The terms of the Servicios Housing, Inc., mortgage with the Department of Housing and Urban Development (HUD) require two reserve funds to be maintained: Reserve for Replacement and Residual Receipts Account. These funds cannot be used without written approval from HUD and are part of restricted cash. Real estate reserves and escrows also include tenant security deposits.

3. Operating lease commitments

The Organization currently leases office space to one not-for-profit and one community organization under month to month leases. Additionally, Housing operates 20 rental units under Section 202 of the National Housing Act. There are no leases with non-cancelable terms in excess of one year.

3. Operating lease commitments (continued)

Properties held for rental comprise the following:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Servicios Housing	\$ 823,120	\$ 814,543
Servicios de La Raza	154,423	154,423
Less accumulated depreciation	<u>(518,149)</u>	<u>(502,542)</u>
	<u>\$ 459,394</u>	<u>\$ 466,424</u>

4. Mortgage note payable

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Servicios Housing, Inc. has a mortgage loan from HUD related to multi-family housing project No. 101-EH109-NP-CMI-L8. The loan is secured by a deed of trust on the real property. Interest accrues at 9% with monthly payments of \$5,761, including principal and interest. The note is due November 2028. Interest expense for the year ending June 30, 2013 and 2012 was \$52,468 and \$53,896.	\$575,286	\$591,820
Less current portion	<u>18,084</u>	<u>16,533</u>
	<u>\$557,202</u>	<u>\$575,287</u>

The following schedule of maturities for each of the next five years is as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2014	\$ 18,084
2015	19,787
2016	21,643
2017	23,673
2018	25,894
Thereafter	<u>466,205</u>
	<u>\$575,286</u>

5. Temporarily restricted net assets

Temporarily restricted net assets represent restricted grants not spend by year end. Additionally, net assets of Housing, the use of which is restricted by the HUD regulatory agreement, is reported as temporarily restricted net assets. At June 30, 2013 and 2012, temporarily restricted net assets were comprised of the following:

	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
Grants:		
Colorado Health Foundation	\$275,176	\$ 62,384
Denver Foundation	15,000	-
Fiesta Cookout	3,835	11,416
Hispanics in Philan	<u>-</u>	<u>3,750</u>
	294,011	77,550
Servicios Housing, Inc. net deficit	<u>(150,974)</u>	<u>(145,824)</u>
	<u>\$143,037</u>	<u>\$(68,274)</u>

6. Concentrations

Financial instruments which potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents. The Organization places its cash and cash equivalents with creditworthy, high quality, financial institutions and certain accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000. At times during the year, the Organization's cash balances may have exceeded the \$250,000 limit.

Revenue generated from the performance contracts with the Mile High United Way, State of Colorado and the Federal government represents approximately 44% and 57% of the Organization's combined revenue during the year ended June 30, 2013 and 2012, respectively. The expectations of the Organization's management are that these relationships with the above agencies are not going to change significantly in the near future.

7. Contingencies and Commitments

The Organization has entered into contracts to sell its buildings located on Tejon Street for a total of \$1,465,000. Earnest money totaling \$100,000 is held in escrow at June 30, 2013. The Organization closed on these properties on December 2, 2013. On the same date, the Organization entered into an agreement to lease this property for four months at \$4,000 per month. The lease can be extended for an additional three months at \$6,000 per month.

Subsequent to June 30, 2013, the Organization entered into a contract to purchase a property for \$760,000. The Organization closed on this purchase on December 2, 2013 and is in the process of rehabbing the building.

SUPPLEMENTAL INFORMATION

SERVICIOS DE LA RAZA, INC.
COMBINED SCHEDULE OF REVENUE AND PUBLIC SUPPORT

	Year ended June 30,			
	2013		2012	
	Unrestricted	Temporarily restricted	Total	
Net client fees	\$ 7,309	\$ -	\$ 7,309	\$ 27,109
Federal:				
Federal direct awards	88,037	-	88,037	141,420
Pass-through:				
State of Colorado:				
Division of Public Safety	24,027	-	24,027	37,262
Department of Transportation	3,614	-	3,614	5,051
Department of Human Services	33,035	-	33,035	39,070
City and County of Denver:				
Workforce Investment Act (WIA)	201,485	-	201,485	187,081
Ryan White CARE (RW)	87,933	-	87,933	96,522
Minority Aids Initiative (MAI)	75,797	-	75,797	69,564
Community Development Block Grant	7,805	-	7,805	-
Female Ex-Offender (FEXO)	29,645	-	29,645	-
The Latino Coalition:				
Work and Gain Education and Employment Skills (WAGEES)	26,089	-	26,089	-
	577,467	-	577,467	575,970
State of Colorado:				
Division of Behavioral Health	140,036	-	140,036	115,653
Department of Human Services	6,701	-	6,701	9,065
	146,737	-	146,737	124,718
Public support:				
Contributions/grants	710,456	294,011	1,004,466	409,398
In-kind donations	23,816	-	23,816	172,611
Mile High United Way	75,000	-	75,000	75,000
	809,272	294,011	1,103,282	657,009
Housing	-	187,790	187,790	172,710
Other:				
Commercial rental, net	914	-	914	(20,729)
Other income	17,163	-	17,163	9,055
	18,077	-	18,077	(11,674)
	\$ 1,558,862	\$ 481,801	\$ 2,040,662	\$ 1,545,842

SERVICIOS DE LA RAZA, INC.
 COMBINING SCHEDULE OF EXPENSES
 YEAR ENDED JUNE 30, 2013

	Program Services												
	MH	BE	DVV General	CDHSDV	VOCA	JET	OVW	VALE	Food Bank General	MAI EIS	MAI	RW	SYEP General
Personnel expenses:													
Salaries and wages	\$ 83,024	\$ 7,301	\$ -	\$ 20,513	\$ 19,212	\$ 28,598	\$ 45,991	\$ 35,517	\$ 1,604	\$ 9,847	\$ 18,388	\$ 53,759	\$ 3,230
Payroll taxes and benefits	11,298	1,224	-	4,127	4,072	4,400	6,538	5,265	217	845	4,653	12,731	336
	<u>94,322</u>	<u>8,525</u>	<u>-</u>	<u>24,640</u>	<u>23,284</u>	<u>32,998</u>	<u>52,529</u>	<u>40,782</u>	<u>1,821</u>	<u>10,692</u>	<u>23,041</u>	<u>66,490</u>	<u>3,566</u>
Other expense:													
Advertising	18	-	-	13	-	100	159	-	-	-	9	4	-
Bank fees and interest expense	-	-	-	12	-	-	-	-	-	-	-	-	-
Board expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Contracted services	41,805	-	-	-	-	-	9,262	-	-	1,345	2,461	11,365	-
Dues and subscriptions	4,860	-	-	261	-	40	256	-	400	-	-	185	-
Equipment - purchase	138	-	-	262	-	-	247	-	-	62	31	62	-
Equipment - rental	1,377	-	-	883	-	-	619	-	-	485	715	883	-
Gifts	-	-	100	-	-	-	-	-	-	-	-	-	-
Insurance	1,081	67	-	1,015	-	-	573	-	-	350	463	727	-
Meals	569	-	64	896	-	63	54	-	59	-	-	29	178
Postage and delivery	95	-	-	80	-	-	74	-	-	47	55	79	-
Printing and binding	421	19	-	361	-	-	512	-	-	224	94	118	-
Legal and professional services	4,547	1,670	-	1,903	744	199	3,036	-	-	1,890	3,442	3,035	644
Management fee	-	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance	314	12	-	364	-	-	866	-	-	590	668	574	-
Utilities	2,497	53	-	1,192	-	-	579	-	-	799	626	870	-
Software	4,751	6	-	317	-	-	133	-	-	95	129	174	-
Office supplies	175	4	-	363	-	-	2,061	-	243	82	278	1,695	-
General supplies	307	283	-	99	-	101	632	-	269	364	170	116	25
Training and educations	23	50	-	1,100	-	140	-	67	-	-	34	180	47
Travel, mileage and parking	138	735	328	734	-	1,694	2,979	400	-	193	387	1,107	1,050
Telephone	1,356	108	-	1,249	-	1,606	675	-	-	431	538	869	-
Volunteer expense	-	-	-	891	-	-	-	-	-	-	-	-	-
Program and client expenses	35	2,611	10,917	1,052	-	-	134	-	208	17,387	-	3,305	1,709
In Kind Expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous expense	-	-	-	-	-	-	-	-	199	-	-	-	-
Loss on recapture of Residual Receipts	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant paybacks	-	-	-	-	-	-	-	1,903	-	-	-	-	-
Approved admin grant transfers	-	(2,725)	-	-	-	-	-	-	-	-	-	-	-
	<u>64,507</u>	<u>2,893</u>	<u>11,409</u>	<u>13,047</u>	<u>744</u>	<u>3,943</u>	<u>22,851</u>	<u>2,370</u>	<u>1,378</u>	<u>24,344</u>	<u>10,100</u>	<u>25,377</u>	<u>3,653</u>
	<u>\$ 158,829</u>	<u>\$ 11,418</u>	<u>\$ 11,409</u>	<u>\$ 37,687</u>	<u>\$ 24,028</u>	<u>\$ 36,941</u>	<u>\$ 75,380</u>	<u>\$ 43,152</u>	<u>\$ 3,199</u>	<u>\$ 35,036</u>	<u>\$ 33,141</u>	<u>\$ 91,867</u>	<u>\$ 7,219</u>

SERVICIOS DE LA RAZA, INC.
COMBINING SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2013

	Program Services								Supporting Services		Total	
	FEXO	WAGEES	WIA	YES	ADELANTE	CCARES	ENTRA	Housing	Total Program Services	Fundraising FIESTA		Supporting Services
Personnel expenses:												
Salaries and wages	\$ 21,154	\$ 17,000	\$ 132,126	\$ 28,405	\$ 9,917	\$ -	\$ 100,214	\$ 17,834	\$ 653,634	\$ -	\$ 90,573	\$ 744,207
Payroll taxes and benefits	1,694	1,746	28,927	4,844	419	-	16,182	9,702	119,220	-	5,298	124,518
	22,848	18,746	161,053	33,249	10,336	-	116,396	27,536	772,854	-	95,871	868,725
Other expense:												
Advertising	-	-	371	1,429	2,265	-	1,378	237	5,983	474	634	7,091
Bank fees and interest expense	-	-	-	-	29	-	-	52,468	52,509	-	2,276	54,785
Board expenses	-	-	-	-	-	-	-	-	-	43	1,004	1,047
Contracted services	228	-	788	12,419	254,338	-	5,518	27,954	367,483	-	-	367,483
Dues and subscriptions	-	-	-	118	2,360	-	929	-	9,409	1,137	1,188	11,734
Equipment - purchase	31	-	781	210	-	-	430	-	2,254	21	1,329	3,604
Equipment - rental	234	-	2,751	149	-	-	1,225	-	9,321	6,857	4,472	20,650
Gifts	-	-	-	-	-	-	-	-	100	880	2,609	3,589
Insurance	175	-	2,271	-	-	-	1,015	4,531	12,268	-	2,447	14,715
Meals	-	-	-	697	-	-	-	-	2,609	22,608	19,215	44,432
Postage and delivery	24	16	214	-	94	-	128	-	906	103	100	1,109
Printing and binding	102	424	898	940	195	-	961	-	5,269	3,878	1,165	10,312
Legal and professional services	1,998	3,521	5,608	4,958	50	8,155	19,042	7,439	71,881	3,174	19,031	94,086
Management fee	-	-	-	-	-	-	-	12,978	12,978	-	-	12,978
Repairs and maintenance	75	42	2,791	106	-	-	978	4,132	11,512	-	892	12,404
Utilities	611	460	4,605	29	-	-	1,987	19,429	33,737	-	2,066	35,803
Software	47	40	500	160	-	-	879	-	7,231	-	386	7,617
Office supplies	547	419	3,280	542	-	-	703	676	11,068	131	603	11,802
General supplies	21	121	427	837	-	-	589	6,870	11,231	3,092	1,309	15,632
Training and educations	-	-	-	1,078	69	-	1,995	-	4,783	-	3,271	8,054
Travel, mileage and parking	323	55	2,284	4,061	2,016	-	1,016	-	19,500	2,655	9,312	31,467
Telephone	215	172	2,820	-	-	-	1,335	632	12,006	-	4,922	16,928
Volunteer expense	-	-	-	52	-	-	-	-	943	-	-	943
Program and client expenses	80	-	-	2,277	16,003	-	137	-	55,855	4,270	654	60,779
In Kind Expense	-	-	-	-	-	-	-	-	-	100	23,816	23,916
Depreciation and amortization	-	-	-	-	-	-	-	17,379	17,379	-	17,721	35,100
Miscellaneous expense	-	-	-	-	-	-	-	1,737	1,936	8,670	3,069	13,675
Loss on recapture of Residual Receipts	-	-	-	-	-	-	-	8,942	8,942	-	-	8,942
Grant paybacks	-	-	-	-	-	-	-	-	1,903	-	-	1,903
Approved admin grant transfers	-	-	-	-	-	-	-	-	(2,725)	-	2,725	-
	4,711	5,270	30,389	30,062	277,419	8,155	40,245	165,404	748,271	58,093	126,216	932,580
	\$ 27,559	\$ 24,016	\$ 191,442	\$ 63,311	\$ 287,755	\$ 8,155	\$ 156,641	\$ 192,940	\$ 1,521,125	\$ 58,093	\$ 222,087	\$ 1,801,305

SERVICIOS DE LA RAZA, INC.
COMBINING SCHEDULE OF EXPENSES
YEAR ENDED JUNE 30, 2012

	Program Services												Supporting Services				
	MH	BE	CDHSDV	DV	JET	RW	WIA	YES	OVW	ENTRA	MAI	VALE	Housing	Total Program Services	Fundraising	Supporting Services	Total
Personnel expenses:																	
Salaries and wages	\$ 129,850	\$ 19,487	\$ 25,088	\$ 28,848	\$ 29,344	\$ 73,863	\$ 114,650	\$ 35,753	\$ 74,571	\$ 133,547	\$ 47,440	\$ 38,261	\$ 16,747	\$ 767,449	\$ -	\$ 94,806	\$ 862,255
Payroll Taxes	9,061	1,611	1,827	2,270	2,245	5,540	8,959	2,514	5,559	10,219	3,812	2,988	-	56,605	-	7,188	63,793
Fringe benefits	5,846	4,112	2,693	2,257	3,252	8,490	12,025	5,227	5,381	14,668	6,363	3,927	8,698	82,939	-	4,086	87,025
	144,757	25,210	29,608	33,375	34,841	87,893	135,634	43,494	85,511	158,434	57,615	45,176	25,445	906,993	-	106,080	1,013,073
Other expense:																	
Accounting and legal	1,553	586	2,099	-	-	1,108	1,206	496	636	1,139	801	-	7,673	17,297	212	983	18,492
Advertising	21	5	16	-	275	5	354	533	835	849	10	-	227	3,130	531	45	3,706
Auto expense	-	2,674	-	-	-	-	-	-	-	-	-	-	-	2,674	-	-	2,674
Bad debts	-	-	-	-	-	-	-	-	-	-	-	-	1,255	1,255	-	-	1,255
Contract services	23,705	-	-	-	-	1,250	1,988	1,103	10,000	1,575	-	-	30,465	70,086	7,300	3,520	80,906
Data processing	709	192	452	-	134	372	960	-	317	478	217	-	-	3,831	-	3,591	7,422
Dues and subscriptions	2,139	-	-	200	-	-	-	-	-	-	-	-	136	2,475	-	900	3,375
Equipment	2,947	592	3,209	-	-	1,294	8,327	740	1,794	3,034	1,845	-	-	23,782	-	2,037	25,819
Insurance	1,333	356	1,087	-	-	556	1,834	-	645	1,307	550	-	4,379	12,047	-	1,226	13,273
Interest	-	-	-	-	-	-	-	-	-	-	-	-	53,896	53,896	-	-	53,896
Maintenance	1,016	144	834	-	-	742	2,595	114	2,297	2,867	654	-	9,139	20,402	40	877	21,319
Management fees	-	-	-	-	-	-	-	-	-	-	-	-	12,188	12,188	-	-	12,188
Meetings and conferences	432	-	661	1,216	-	-	-	-	-	20	15	641	-	2,985	75	2,043	5,103
Miscellaneous	-	1,251	-	-	10	-	-	424	-	-	120	150	1,201	3,156	1,525	723	5,404
Office supplies	1,129	172	1,725	1,500	-	1,741	3,700	569	1,339	1,430	809	370	823	15,307	144	1,383	16,834
Postage and printing	918	253	821	-	-	359	1,587	477	616	853	327	-	-	6,211	2,381	623	9,215
Program costs	1,926	4,338	8,332	-	-	3,247	299	8,294	764	6,319	236	-	-	33,755	12,714	1,036	47,505
Property taxes	73	17	56	-	-	17	73	-	34	56	34	-	-	360	-	68	428
Telephone	2,633	425	1,501	-	1,804	836	4,084	-	1,248	2,223	1,110	1,539	609	18,012	143	6,033	24,188
Travel	252	113	5,493	2,434	1,411	523	913	609	1,387	1,638	288	754	99	15,914	87	10,195	26,196
Utilities	3,192	797	1,921	-	-	856	4,868	76	1,380	1,860	950	-	18,909	34,809	-	2,601	37,410
	43,978	11,915	28,207	5,350	3,634	12,906	32,788	13,435	23,292	25,648	7,966	3,454	140,999	353,572	25,152	37,884	416,608
	188,735	37,125	57,815	38,725	38,475	100,799	168,422	56,929	108,803	184,082	65,581	48,630	166,444	1,260,565	25,152	143,964	1,429,681
In-kind donations	-	22,701	28,738	28,738	-	-	-	-	-	-	-	28,737	-	108,914	60,148	3,549	172,611
Depreciation and amortization	1,421	643	1,511	823	-	931	1,541	-	2,037	1,459	630	875	17,114	28,985	-	1,376	30,361
	\$ 190,156	\$ 60,469	\$ 88,064	\$ 68,286	\$ 38,475	\$ 101,730	\$ 169,963	\$ 56,929	\$ 110,840	\$ 185,541	\$ 66,211	\$ 78,242	\$ 183,558	\$ 1,398,464	\$ 85,300	\$ 148,889	\$ 1,632,653

Servicios de La Raza, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Expenditures		
U.S. Department of Justice				
<i>Colorado Division of Criminal Justice</i>				
Victims of Crime Act	16.575	\$ 24,028		
<i>Office of Violence Against Women</i>				
OVW/ US-DOJ	16.016	88,037		
U.S. Department of Labor				
<i>Mayor's Office of Workforce Development</i>				
Workforce Investment Act FYE 6/30/13	17.259	201,485	+	
<i>Employment and Training Administration</i>				
Skills	17.261	26,089		
Serving Adult and Youth Ex-Offenders	17.270	29,644		
U.S. Department of Housing and Urban Development				
Section 202 Mortgage	14.181	575,286	+	*
Section 8 housing assistance	14.195	117,384		
<i>City's Office of Economic Development</i>				
Community Development Block Grant JUNTOS Basic Emergency Services FYE 6/30/13	14.218	7,805		
U.S. Department of Health and Human Services				
<i>Colorado Department of Health and Human Services</i>				
Temporary Assistance for Needy Families	93.558	11,327		
Family Violence Prevention and Services	93.671	21,708		
<i>Mayor's Office of HIV Resources</i>				
Ryan White Part A Grant/Minority Aids Initiative	93.914	169,800	+	
U.S. Department of Transportation				
<i>Colorado Department of Transportation</i>				
State and Community Highway Safety	20.600	<u>3,614</u>		
Total		<u>\$ 1,276,207</u>		

+ Major program

* The balance of the mortgage payable incurred in prior years with continuing compliance commitments.

This schedule has been prepared on the accrual basis of accounting.

SERVICIOS DE LA RAZA, INC.
FINANCIAL STATEMENTS
(Does Not Include Servicios Housing, Inc.)

SERVICIOS DE LA RAZA, INC.
(Does not include Servicios Housing, Inc.)
STATEMENTS OF FINANCIAL POSITION

ASSETS	June 30,	
	2013	2012
Current assets:		
Cash and cash equivalents	\$ 362,515	\$ 22,581
Grant and contract receivable	127,127	92,856
Deposits and prepaid expenses	-	3,000
Investments	175,176	160,565
	664,818	279,002
Property and equipment:		
Land, buildings and improvements	287,526	287,526
Equipment	18,142	18,142
Vehicles	21,399	21,399
	327,067	327,067
Accumulated depreciation	(216,630)	(198,918)
	110,437	128,149
	\$ 775,255	\$ 407,151
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 150,308	\$ 12,939
Accrued payroll and related liabilities	24,967	37,739
Deferred revenue	-	1,000
	175,275	51,678
Net assets:		
Unrestricted	305,969	277,923
Temporarily restricted	294,011	77,550
	599,980	355,473
	\$ 775,255	\$ 407,151

SERVICIOS DE LA RAZA, INC.
(Does not include Servicios Housing, Inc.)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

	Year ended June 30, 2013			Year ended June 30, 2012		
	Unrestricted	Temporarily restricted	Total	Total	Unrestricted	Temporarily restricted
Revenue and public support:						
Net client fees and Medicaid	\$ 7,309	\$ -	\$ 7,309	\$ 27,109	\$ 27,109	\$ -
Federal awards	577,467	-	577,467	536,900	536,900	-
State of Colorado	146,737	-	146,737	163,788	163,788	-
Public support	809,272	294,011	1,103,282	657,009	579,459	77,550
Commercial rental, net of allocated costs of \$11,686 and \$33,324, respectively	914	-	914	(20,729)	(20,729)	-
Other	17,163	-	17,163	9,055	9,055	-
	1,558,862	294,011	1,852,872	1,373,132	1,295,582	77,550
Net assets released from restrictions:						
Satisfaction of usage restrictions	77,550	(77,550)	-	-	88,837	(88,837)
Expenses:						
Program services:						
Workforce Investment Act (WIA)	191,442	-	191,442	169,963	169,963	-
Latino Health Care Engagement Project (ADELANTE)	287,755	-	287,755	-	-	-
Mental Health (MH)	158,829	-	158,829	190,156	190,156	-
Family Healthcare Coverage Program (ENTRA)	156,641	-	156,641	185,541	185,541	-
Ryan White CARE (RW)	95,066	-	95,066	101,730	101,730	-
Violence Against Women (OVW)	75,380	-	75,380	110,840	110,840	-
Youth Experiencing Success (YES)	63,311	-	63,311	56,929	56,929	-
Victim Assistance Law Enforcement (VALE)	43,152	-	43,152	78,242	78,242	-
Colorado Department of Human Services Domestic Violence Program (CDHSDV)	37,687	-	37,687	88,064	88,064	-
Justice and Empowerment para Todos Partnership (JET)	36,941	-	36,941	38,475	38,475	-
Minority Aids Initiative (MAI)	33,141	-	33,141	66,211	66,211	-
Early intervention service (EIS)	35,036	-	35,036	-	-	-
Female Ex-Offender Grant Services (FEXO)	27,559	-	27,559	-	-	-
Victim of Crime Act Assistance Program (VOCA)	24,028	-	24,028	68,286	68,286	-
Work and Gain Education and Employment Skills (WAGEES)	24,016	-	24,016	-	-	-
Basic Emergency (BE)	11,418	-	11,418	60,469	60,469	-
Domestic Violence (DV)	11,409	-	11,409	-	-	-
Coalition for Culturally Appropriate Response and Enrollment Services (CCARES)	8,155	-	8,155	-	-	-
Summer Youth Employment Program (SYEP) and Other Youth	7,219	-	7,219	-	-	-
	1,328,185	-	1,328,185	1,214,906	1,214,906	-
General and administrative	222,087	-	222,087	148,889	148,889	-
Fundraising	58,093	-	58,093	85,300	85,300	-
	280,180	-	280,180	234,189	234,189	-
Change in net assets	28,046	216,461	244,507	(75,963)	(64,676)	(11,287)
Net assets- beginning of year	277,923	77,550	355,473	431,436	342,599	88,837
Net assets-end of year	\$ 305,969	\$ 294,011	\$ 599,980	\$ 355,473	\$ 277,923	\$ 77,550

SERVICIOS DE LA RAZA, INC.
(Does not include Servicios Housing, Inc.)
STATEMENTS OF CASH FLOWS

	Year ended June 30,	
	2013	2012
Cash flows from operating activities:		
Change in net assets	\$ 244,507	\$ (75,963)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	17,712	18,918
(Gain) loss on investments:		
Unrealized	3,047	9,895
Realized	-	(4,174)
Reinvested dividends	(48)	(280)
Changes in assets and liabilities:		
Accounts receivable and other	(34,271)	(8,389)
Prepaid expenses	3,000	1,225
Accounts payable and accrued expenses	124,597	(4,202)
Deferred revenue	(1,000)	900
	357,544	(62,070)
Cash flows from investing activities:		
Acquisition of property and equipment	-	(5,200)
Net liquidation (purchase) of investments	(17,610)	85,000
	(17,610)	79,800
Change in cash	339,934	17,730
Cash - beginning of year	22,581	4,851
Cash - end of year	\$ 362,515	\$ 22,581

**MENTAL HEALTH SERVICES
SUPPLEMENTAL FINANCIAL INFORMATION**

**SERVICIOS DE LA RAZA, INC.
MENTAL HEALTH SERVICES DIVISION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013**

ASSETS

Current assets:

Accounts receivable:

Colorado Department of Human Services \$ 23,336

\$ 23,336

LIABILITIES AND NET ASSETS

Intercompany advances \$ 78,066

Net assets, unrestricted (54,730)

\$ 23,336

SERVICIOS DE LA RAZA, INC.
MENTAL HEALTH SERVICES DIVISION
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2013

	<u>Mental Health Services</u>	<u>In-direct</u>	<u>Totals</u>
Revenue and public support:			
Net client fees	\$ 7,309	\$ -	\$ 7,309
Colorado Department of Human Services	140,036	-	140,036
Public support		49	49
	<u>\$ 147,345</u>	<u>\$ 49</u>	<u>\$ 147,394</u>
Expenses:			
Personnel expenses:			
Salaries and wages	\$ 80,283	\$ 2,741	83,024
Taxes and benefits	10,925	373	11,298
Occupancy			
Maintenance	314	-	314
Insurance	1,081	-	1,081
Utilities	2,497	-	2,497
Operating			
Advertising	18	-	18
Dues and subscriptions	4,860	-	4,860
Equipment	1,515	-	1,515
Office supplies	482	-	482
Postage and printing	516	-	516
Program costs	58	-	58
Software	4,751	-	4,751
Telephone	1,356	-	1,356
Travel and meal	707	-	707
Professional fees			
Accounting and legal	4,547	-	4,547
Contract services	32,307	9,498	41,805
	<u>\$ 146,217</u>	<u>\$ 12,612</u>	<u>158,829</u>
Change in net assets			(11,435)
Net assets - beginning of year			<u>(43,295)</u>
Net assets - end of year			<u>\$ (54,730)</u>

SERVICIOS DE LA RAZA, INC.
MENTAL HEALTH SERVICES DIVISION
STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2013

Cash flows from operating activities:

Change in net assets	\$ (11,435)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts receivable and other	(13,188)
Intercompany advances	<u>24,623</u>

Net cash provided by operating activities

\$ -

Feldhake & Associates, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Board of Directors
Servicios de La Raza, Inc.
Denver, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Servicios de La Raza, Inc. (the Organization), which comprise the combined statement of financial position as of June 30, 2013, and the related combined statement of activities, changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 20, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items #2013-1 through 2013-3 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 Organization's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Feldhake & Associates, P.C.

Greenwood Village, Colorado
March 20, 2014

Feldhake & Associates, P.C.

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of Directors
Servicios de La Raza, Inc.
Denver, Colorado

Report on Compliance for Each Major Program

We have audited Servicios de La Raza, Inc.'s (the Organization) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2013. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal 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 of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 program occurred. An audit includes examining, on a test basis, evidence about the Organization'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 program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Program

In our opinion, the Organization 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 programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are 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 2013-4. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected 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 Organization 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 of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major 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 program and to test and report on internal control over compliance in accordance with the OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 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 compliance requirement of a federal 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 combination of deficiencies, in internal control over compliance with a compliance requirement of a federal 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Feldhake & Associates, P.C.

Greenwood Village, Colorado
March 20, 2014

Schedule of findings and questioned costs
Year ended June 30, 2013

Section I - Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes

Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiency(ies) identified? No

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 section 510(a) of OMB Circular A-133? Yes

Identification of major programs:

See Schedule of Expenditures of Federal Awards for identification of major programs

The threshold for distinguishing Types A and B programs \$ 300,000

Auditee qualified as a low-risk auditee? No

Section II - Findings - Financial Statement Findings

Current year:

Finding #2013-1

Condition

In connection with cash disbursement testing performed, for 1 out of 25 checks selected for testing, no supporting documentation was provided to support expenditure. For 1 out of 25 checks testing, approval for payment of invoice was not noted on supporting documentation.

Significant numbers of debit card transactions and ATM withdrawals occurred during the year. For the month of May, approximately 100 debit card and ATM transactions were noted. Supporting documents were provided for approximately half of those transactions. Business purpose was not noted on some documents provided. ATM withdrawals posted to program expenses exceeded total cash payments per program summaries during the year.

Criteria

Internal controls should be in place for proper review and approval of expenditures to ensure they are legitimate costs of the Organization. Debit and ATM card transactions are highly susceptible to fraudulent activity and need diligent monitoring and review.

Cause

Organization has internal control policies and procedures for expenditures in place. With turnover in accounting department, these procedures and reviews were not always being followed.

Effect or Potential Effect

Without proper review and approval process, Organization assets could be misappropriated for personal use.

Recommendation

The use of debit and ATM cards be allowed on limited basis. Monthly review and approval of debit and ATM charges and supporting documentation should take place by management level staff, ensuring that all transactions are legitimate business expenses and are properly documented and supported.

Auditee Response

With the large amount of funding that came in causing an exponential increase in staff, infrastructure and a myriad other needs, systems were not in place. Policies have been reviewed and revised as necessary subsequent to year end. In response to missing documentation for debit transactions, missing/lost report forms were provided for transactions that had no support. This document served as an affidavit that the transaction was a business expense and was signed by a staff member.

Additionally, the agency has discontinued the use of debit cards and has acquired credit cards for all program directors. Each program director is required to maintain a credit card log and attach all credit card receipts to the log. The logs are turned into the business office on a monthly basis and reconciled by the business office. Furthermore, the organization has implemented a formal request for funds process that requires that the staff members turn in a request for funds form for appropriate approval by the Executive Director prior to cash disbursement taking place.

Finding #2013-2**Condition**

A summary of mental health units of service was not available for the year ended June 30, 2013. Additionally, billings for Medicaid mental health services were not completed for a portion of the year.

Criteria

An annual report of all mental health units of services is required to be submitted to the State of Colorado. Additionally, billings for services provided to Medicaid clients are required to be completed within a required time frame for approval and payment.

Cause

Software used to document units of service failed during the year and electronic detail of services provided was lost. With the turnover in the accounting department, monthly billings for Medicaid charges were not being completed.

Effect or Potential Effect

The Organization will not receive payment for services provided to Medicaid clients for billings that were not completed timely. Units of services information is required to complete and submit the required annual reporting to the State of Colorado. The effect of not complying with this requirement may negatively impact future funding to the Organization for this program.

Recommendation

A system for maintaining units of service needs to be implemented. Backup of this system should be maintained to prevent loss of information in case of system failure. Medicaid billings should be completed timely.

Auditee Response

In response to this finding, a summary of mental health units of service was manually recreated from hard copy files for the year ended June 30, 2013. Electronic copies of this was not available due to a system error. Additionally, due to the same system error, billings for Medicaid mental health services were not completed for a portion of the year. Completion of the required reporting to the State is in process.

Finding #2013-3

Condition

The Organization did not maintain a complete and accurate summary of federal award expenditures for the year ended June 30, 2013. Significant changes were made to the Schedule of Expenditures of Federal Awards (SEFA) as a result of audit procedures undertaken.

Criteria

Internal controls should be in place for identifying federal awards and monitoring the expenditure of those awards. A complete and accurate summary of federal awards expended during the year should be maintained so that the SEFA will be fairly stated.

Cause

An accurate summary of federal awards and related expenditures was not maintained by the Organization.

Effect or Potential Effect

A material misstatement of the SEFA, which could result in non-compliance with federal grant agreements.

Recommendation

Establish procedures that identify the source of funding for all grants. Those that are federal should be specially tracked so that amounts reported in the SEFA are fairly stated.

Auditee Response

Subsequent to year end, the Organization implemented a new grant tracking sheet for all grant awards. The grant tracking sheet includes the granting organization, award amount and the CFDA number, if applicable. Additionally, the sheet is updated monthly to track expenditures to date and the amount remaining on the award.

Prior year findings:

None

Section III - Federal Award Findings and Questioned Costs

Current year:

Finding #2013-4

Condition

For one major program tested, the Organization did not comply with grant requirements in certain areas, specifically related to required documentation of policies and procedures related to management of the wait list and referrals, documentation of procedures utilized to identify and reengage EIS participants, and documentation of policies and procedures to demonstrate that transportation funds are properly delivered and ensure cost effectiveness.

Criteria

The grant requires documented policies and procedures related to management of the wait list and referrals, procedures utilized to identify and reengage EIS participants, and procedures to demonstrate transportation funds are properly delivered and ensure cost effectiveness.

Cause

Staff attempted to seek technical assistance to complete the required documentation. Delays in receiving this assistance prevented them from getting this completed within the contract period.

Effect or Potential Effect

This non-compliance might jeopardize the current grant or the potential for future grants.

Recommendation

Grant agreements should be reviewed by the program team to ensure all requirements of the grant are identified and procedures are put in place to assure that all personnel are adequately trained. Additionally, proper supervision should be in place to monitor program compliance.

Auditee Response

Staff has subsequently completed required documentation of policies and procedures.

Prior year findings:

None