

**SERVICIOS DE LA RAZA, INC.**

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**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTAL INFORMATION  
WITH  
INDEPENDENT AUDITORS' REPORTS  
YEARS ENDED JUNE 30, 2012 and 2011**

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

Certified Public Accountants

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# Feldhake & Associates, P.C.

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT - 2012

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

We have audited the accompanying combined statements of financial position of Servicios de La Raza, Inc. (a nonprofit organization) as of June 30, 2012, and the related combined statements of activities, and cash flows for the year then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on the combined financial statements based on our audits.

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 combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Servicios de La Raza, Inc. as of June 30, 2012, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2013, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Feldhake & Associates, P.C.*

Greenwood Village, Colorado  
January 27, 2013

# Feldhake & Associates, P.C.

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT - 2011

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

We have audited the accompanying combined statements of financial position of Servicios de La Raza, Inc. (a nonprofit organization) as of June 30, 2011, and the related combined statements of activities and changes in net assets, and cash flows for the year then ended. These combined financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Servicios de La Raza, Inc. as of June 30, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Feldhake & Associates, P.C.*

Greenwood Village, Colorado  
January 27, 2013

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

	June 30,	
	2012	2011
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 25,322	\$ 6,190
Grant and contract receivable	92,864	84,623
Investments	160,565	251,006
Other current assets	4,142	5,330
	<b>282,893</b>	<b>347,149</b>
<b>Real estate reserves and escrows</b>	<b>72,386</b>	<b>71,798</b>
<b>Property and equipment:</b>		
Land, buildings and improvements	1,102,069	1,770,607
Equipment	18,142	121,444
Vehicles	21,399	21,399
	1,141,610	1,913,450
Accumulated depreciation	(612,267)	(1,353,275)
	<b>529,343</b>	<b>560,175</b>
	<b>\$ 884,622</b>	<b>\$ 979,122</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 36,306	\$ 22,811
Accrued payroll and related liabilities	37,739	45,155
Accrued other expense	8,091	7,612
Deferred revenue	1,017	147
Mortgage note, current portion	16,533	15,115
	<b>99,686</b>	<b>90,840</b>
<b>Long term liabilities:</b>		
Mortgage note	<b>575,287</b>	<b>591,822</b>
<b>Net assets:</b>		
Unrestricted	277,923	342,599
Temporarily restricted	(68,274)	(46,139)
	<b>209,649</b>	<b>296,460</b>
	<b>\$ 884,622</b>	<b>\$ 979,122</b>

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**

	2012			2011		
	Unrestricted	Temporarily restricted	Total	Total	Unrestricted	Temporarily restricted
<b>Revenue and public support:</b>						
Net client fees and Medicaid	\$ 27,109	\$ -	\$ 27,109	\$ 16,928	\$ 16,928	\$ -
Federal direct awards	536,900	-	536,900	434,528	434,528	-
State of Colorado	163,788	-	163,788	185,609	185,609	-
Public support	579,459	77,550	657,009	599,392	512,153	87,239
Housing	-	172,710	172,710	163,244	-	163,244
Commercial rental, net of allocated costs of \$33,324 and \$22,340, respectively	(20,729)	-	(20,729)	(8,150)	(8,150)	-
Other	9,055	-	9,055	38,512	38,512	-
	<u>1,295,582</u>	<u>250,260</u>	<u>1,545,842</u>	<u>1,430,063</u>	<u>1,179,580</u>	<u>250,483</u>
<b>Net assets released from restrictions:</b>						
Satisfaction of usage restrictions	<u>272,395</u>	<u>(272,395)</u>	<u>-</u>	<u>-</u>	<u>227,516</u>	<u>(227,516)</u>
<b>Expenses:</b>						
Program services:						
Housing	183,558	-	183,558	178,119	178,119	-
Workforce Investment Act (WIA)	169,963	-	169,963	120,590	120,590	-
Mental Health (MH)	190,156	-	190,156	169,941	169,941	-
Domestic Violence (DV)	68,286	-	68,286	69,658	69,658	-
Ryan White CARE (RW)	101,730	-	101,730	77,603	77,603	-
Basic Emergency (BE)	60,469	-	60,469	64,498	64,498	-
Minority Aids Initiative (MAI)	66,211	-	66,211	112,930	112,930	-
Youth Experiencing Success (YES)	56,929	-	56,929	40,275	40,275	-
Violence Against Women (OVW)	110,840	-	110,840	68,965	68,965	-
Family Healthcare Coverage Program (ENTRA)	185,541	-	185,541	124,817	124,817	-
Justice and Empowerment para Todos Partnership (JET)	38,475	-	38,475	30,807	30,807	-
Colorado Department of Human Services Domestic Violence Program (CDHSDV)	88,064	-	88,064	61,106	61,106	-
Victim of Crime Act Assistance Program (VOCA)	-	-	-	28,922	28,922	-
Victim Assistance Law Enforcement (VALE)	78,242	-	78,242	58,776	58,776	-
	<u>1,398,464</u>	<u>-</u>	<u>1,398,464</u>	<u>1,207,007</u>	<u>1,207,007</u>	<u>-</u>
General and administrative	148,889	-	148,889	165,693	165,693	-
Fundraising	85,300	-	85,300	33,373	33,373	-
	<u>234,189</u>	<u>-</u>	<u>234,189</u>	<u>199,066</u>	<u>199,066</u>	<u>-</u>
<b>Change in net assets</b>	<b>(64,676)</b>	<b>(22,135)</b>	<b>(86,811)</b>	<b>23,990</b>	<b>1,023</b>	<b>22,967</b>
<b>Net assets- beginning of year</b>	<b>342,599</b>	<b>(46,139)</b>	<b>296,460</b>	<b>272,470</b>	<b>341,576</b>	<b>(69,106)</b>
<b>Net assets-end of year</b>	<b>\$ 277,923</b>	<b>\$ (68,274)</b>	<b>\$ 209,649</b>	<b>\$ 296,460</b>	<b>\$ 342,599</b>	<b>\$ (46,139)</b>

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

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

	<b>Year ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (86,811)	\$ 23,990
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	36,032	43,258
(Gain) loss on investments:		
Unrealized	9,895	(17,285)
Realized	(4,174)	-
Reinvested dividends	(280)	(3,176)
Changes in assets and liabilities:		
Accounts receivable and other	(8,241)	(14,573)
Prepaid expenses	1,158	589
Accounts payable and accrued expenses	5,966	18,033
Deferred revenue	900	(3,000)
	<b>(45,555)</b>	<b>47,836</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(5,200)	(5,074)
Net liquidation (purchase) of investments	85,202	(100,247)
	<b>80,002</b>	<b>(105,321)</b>
<b>Cash flows from financing activities:</b>		
Amortization of mortgage	(15,117)	(13,819)
Change in tenant security deposit liabilities	(198)	1,957
	<b>(15,315)</b>	<b>(11,862)</b>
<b>Net increase (decrease) in cash</b>	<b>19,132</b>	<b>(69,347)</b>
<b>Cash - beginning of year</b>	<b>6,190</b>	<b>75,537</b>
<b>Cash - end of year</b>	<b>\$ 25,322</b>	<b>\$ 6,190</b>

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, 2012 and 2011, this supplement represented approximately 65% and 64% of total 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, 2012 and 2011 are \$172,611 and \$120,410, 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, 2012 and 2011 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.

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 income, for the years ended June 30, 2012 and 2011 was \$1,414 and \$3,176, respectively. Unrealized gains and (losses) at June 30, 2012 and 2011 totaled (\$9,895) and \$17,285, respectively. Realized gains on sale of investments for the year ended June 30, 2012 totaled \$4,174.

## **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 2011 financial statements in order to conform to the 2012 presentation.

### **Subsequent events**

Subsequent events have been evaluated by management through January 27, 2013, 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. In accordance with Notice H-2012-14 issued August 3, 2012, residual receipts account balances in excess of \$250 per unit must be applied on a monthly basis to offset Section 8 HAP payments up to the full amount of monthly subsidy request. This process will begin with the November 1, 2012 voucher.

## **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>2012</u>	<u>2011</u>
Servicios Housing	\$ 814,543	\$ 814,543
Servicios de La Raza	154,423	384,490
Less accumulated depreciation	<u>(502,542)</u>	<u>(711,028)</u>
	<u>\$ 466,424</u>	<u>\$ 488,005</u>

### 4. Mortgage note payable

	<u>June 30,</u>	
	<u>2012</u>	<u>2011</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, 2012 and 2011 was \$53,896 and \$55,203.	\$591,820	\$606,937
Less current portion	<u>16,533</u>	<u>15,115</u>
	<u>\$575,287</u>	<u>\$591,822</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>
2013	\$ 16,533
2014	18,090
2015	19,787
2016	21,644
2017	23,674
Thereafter	<u>492,092</u>
	<u>\$591,820</u>

### 5. 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.

**5. Concentrations (continued)**

Revenue generated from the performance contracts with the Mile High United Way, State of Colorado and the Federal government represents approximately 57% and 56% of the Organization's combined revenue during the year ended June 30, 2012 and 2011, 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.

**SUPPLEMENTAL INFORMATION**

# Feldhake & Associates, P.C.

Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION**

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

We have audited the combined financial statements of Servicios de La Raza, Inc. (a nonprofit organization) as of and for the years ended June 30, 2012 and 2011, and have issued our reports thereon dated January 27, 2013, which contained unqualified opinions on those financial statements. Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The accompanying supplemental information on pages 13 through 22 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2012 on page 16 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 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.*

January 27, 2013

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

	Year ended June 30,			2011
	2012			
	Unrestricted	Temporarily restricted	Total	
<b>Net client fees</b>	<b>\$ 27,109</b>	<b>\$ -</b>	<b>\$ 27,109</b>	<b>\$ 16,928</b>
<b>Federal:</b>				
Federal direct awards	141,420	-	141,420	70,542
<b>Pass-through:</b>				
<b>State of Colorado:</b>				
Division of Public Safety	37,262	-	37,262	34,759
Department of Transportation	5,051	-	5,051	-
<b>City and County of Denver:</b>				
Direct - Workforce Investment Act (WIA)	187,081	-	187,081	125,740
Ryan White CARE (RW)	96,522	-	96,522	80,678
Minority Aids Initiative (MAI)	69,564	-	69,564	122,809
	<b>536,900</b>	<b>-</b>	<b>536,900</b>	<b>434,528</b>
<b>State of Colorado:</b>				
Division of Behavioral Health	115,653	-	115,653	140,017
Department of Human Services	48,135	-	48,135	45,592
	<b>163,788</b>	<b>-</b>	<b>163,788</b>	<b>185,609</b>
<b>Public support:</b>				
Contributions	331,848	77,550	409,398	403,982
In-kind donations	172,611	-	172,611	120,410
Mile High United Way	75,000	-	75,000	75,000
	<b>579,459</b>	<b>77,550</b>	<b>657,009</b>	<b>599,392</b>
<b>Housing</b>	<b>-</b>	<b>172,710</b>	<b>172,710</b>	<b>163,244</b>
<b>Other:</b>				
Commercial rental, net	(20,729)	-	(20,729)	(8,150)
Other income	9,055	-	9,055	38,512
	<b>(11,674)</b>	<b>-</b>	<b>(11,674)</b>	<b>30,362</b>
	<b>\$ 1,295,582</b>	<b>\$ 250,260</b>	<b>\$ 1,545,842</b>	<b>\$ 1,430,063</b>

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
<b>Personnel expenses:</b>																	
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
	<u>144,757</u>	<u>25,210</u>	<u>29,608</u>	<u>33,375</u>	<u>34,841</u>	<u>87,893</u>	<u>135,634</u>	<u>43,494</u>	<u>85,511</u>	<u>158,434</u>	<u>57,615</u>	<u>45,176</u>	<u>25,445</u>	<u>906,993</u>	<u>-</u>	<u>106,080</u>	<u>1,013,073</u>
<b>Other expense:</b>																	
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
	<u>43,978</u>	<u>11,915</u>	<u>28,207</u>	<u>5,350</u>	<u>3,634</u>	<u>12,906</u>	<u>32,788</u>	<u>13,435</u>	<u>23,292</u>	<u>25,648</u>	<u>7,966</u>	<u>3,454</u>	<u>140,999</u>	<u>353,572</u>	<u>25,152</u>	<u>37,884</u>	<u>416,608</u>
	<b>188,735</b>	<b>37,125</b>	<b>57,815</b>	<b>38,725</b>	<b>38,475</b>	<b>100,799</b>	<b>168,422</b>	<b>56,929</b>	<b>108,803</b>	<b>184,082</b>	<b>65,581</b>	<b>48,630</b>	<b>166,444</b>	<b>1,260,565</b>	<b>25,152</b>	<b>143,964</b>	<b>1,429,681</b>
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
	<u>\$ 190,156</u>	<u>\$ 60,469</u>	<u>\$ 88,064</u>	<u>\$ 68,286</u>	<u>\$ 38,475</u>	<u>\$ 101,730</u>	<u>\$ 169,963</u>	<u>\$ 56,929</u>	<u>\$ 110,840</u>	<u>\$ 185,541</u>	<u>\$ 66,211</u>	<u>\$ 78,242</u>	<u>\$ 183,558</u>	<u>\$ 1,398,464</u>	<u>\$ 85,300</u>	<u>\$ 148,889</u>	<u>\$ 1,632,653</u>

**SERVICIOS DE LA RAZA, INC.**  
**COMBINING SCHEDULE OF EXPENSES**  
**YEAR ENDED JUNE 30, 2011**

	Program Services														Supporting Services			
	MH	BE	CDHSDV	DV	JET	RW	WIA	YES	OVW	ENTRA	MAI	VOCA	VALE	Housing	Total Program Services	Fundraising	Supporting Services	Total
<b>Personnel expenses:</b>																		
Salaries and wages	\$ 122,670	\$ 29,176	17,559	\$ 26,603	\$ 23,558	\$ 55,000	\$ 81,966	\$ 23,849	\$ 39,529	\$ 81,187	\$ 84,804	13,615	\$ 22,214	\$ 15,831	\$ 637,561	\$ 5,704	\$ 106,443	\$ 749,708
Payroll Taxes	6,642	2,202	1,282	2,225	1,802	4,284	6,135	1,838	2,893	6,048	6,313	1,061	1,607		44,332	436	8,410	53,178
Fringe benefits	9,963	3,596	1,121	2,137	1,190	4,607	6,921	2,020	2,039	5,669	4,651	510	1,541	8,576	54,541	408	12,618	67,567
	<b>139,275</b>	<b>34,974</b>	<b>19,962</b>	<b>30,965</b>	<b>26,550</b>	<b>63,891</b>	<b>95,022</b>	<b>27,707</b>	<b>44,461</b>	<b>92,904</b>	<b>95,768</b>	<b>15,186</b>	<b>25,362</b>	<b>24,407</b>	<b>736,434</b>	<b>6,548</b>	<b>127,471</b>	<b>870,453</b>
<b>Other expense:</b>																		
Accounting and legal	1,691	508	225	580	-	1,233	2,332	-	-	-	782	-	16	9,050	16,417	182	2,381	18,980
Advertising	100	33	24	25	35	38	107	4,023	12	436	44	-	21	242	5,140	-	188	5,328
Auto expense	-	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1,000	106	-	1,106
Contract services	1,065	-	-	-	-	-	-	5,850	6,000	12,346	-	-	-	26,926	52,187	-	1,860	54,047
Data processing	6,221	175	146	197	51	205	623	-	4,461	298	2,464	-	-	-	14,841	-	2,785	17,626
Dues and subscriptions	1,559	-	-	150	-	-	-	-	-	-	-	-	112	89	1,910	-	465	2,375
Equipment	4,233	1,431	1,207	1,174	-	2,037	5,833	522	1,465	4,031	7,989	-	815	-	30,737	213	4,162	35,112
Insurance	1,821	723	247	714	-	648	2,069	-	163	502	729	-	450	4,265	12,331	-	1,444	13,775
Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	55,202	55,202	-	-	55,202
Maintenance	489	151	94	87	-	99	653	-	66	220	207	-	56	10,132	12,254	347	638	13,239
Management fees	-	-	-	-	-	-	-	-	-	-	-	-	-	11,547	11,547	-	-	11,547
Meetings and conferences	2,157	120	293	829	890	63	140	-	5,061	230	63	-	35	-	9,881	-	2,196	12,077
Miscellaneous	-	843	-	-	-	-	-	-	66	33	-	-	-	714	1,656	37	897	2,590
Office supplies	916	206	101	591	238	742	1,509	436	1,013	2,474	437	-	207	892	9,762	265	1,267	11,294
Postage and printing	530	299	330	159	-	460	608	44	277	807	175	-	149	-	3,838	2,569	772	7,179
Program costs	1,035	9,278	4,470	244	-	2,498	3,000	1,693	195	5,301	327	-	-	-	28,041	15,051	501	43,593
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Telephone	2,804	1,055	2,791	1,196	710	997	3,161	-	409	1,591	1,512	-	506	550	17,282	-	5,033	22,315
Travel	408	354	960	3,395	2,333	283	754	-	3,581	810	849	266	1,866	128	15,987	200	4,609	20,796
Utilities	3,819	1,148	873	709	-	777	3,857	-	689	1,505	1,002	-	604	16,861	31,844	-	2,813	34,657
	<b>28,848</b>	<b>17,324</b>	<b>11,761</b>	<b>10,050</b>	<b>4,257</b>	<b>10,080</b>	<b>24,646</b>	<b>12,568</b>	<b>23,458</b>	<b>30,584</b>	<b>16,580</b>	<b>266</b>	<b>4,837</b>	<b>136,598</b>	<b>331,857</b>	<b>18,970</b>	<b>32,011</b>	<b>382,838</b>
	<b>168,123</b>	<b>52,298</b>	<b>31,723</b>	<b>41,015</b>	<b>30,807</b>	<b>73,971</b>	<b>119,668</b>	<b>40,275</b>	<b>67,919</b>	<b>123,488</b>	<b>112,348</b>	<b>15,452</b>	<b>30,199</b>	<b>161,005</b>	<b>1,068,291</b>	<b>25,518</b>	<b>159,482</b>	<b>1,253,291</b>
In-kind donations	800	10,505	27,730	27,730	-	2,700	-	-	-	-	-	13,470	27,730	-	110,665	7,855	1,890	120,410
Depreciation and amortization	1,018	1,695	1,653	913	-	932	922	-	1,046	1,329	582	-	847	17,114	28,051	-	4,321	32,372
	<b>\$ 169,941</b>	<b>\$ 64,498</b>	<b>\$ 61,106</b>	<b>\$ 69,658</b>	<b>\$ 30,807</b>	<b>\$ 77,603</b>	<b>\$ 120,590</b>	<b>\$ 40,275</b>	<b>\$ 68,965</b>	<b>\$ 124,817</b>	<b>\$ 112,930</b>	<b>\$ 28,922</b>	<b>\$ 58,776</b>	<b>\$ 178,119</b>	<b>\$ 1,207,007</b>	<b>\$ 33,373</b>	<b>\$ 165,693</b>	<b>\$ 1,406,073</b>

**Servicios de La Raza, Inc.**  
**Schedule of Federal Awards**  
**Year Ended June 30, 2012**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance Number	Expenditures		
<b>U.S. Department of Justice</b>				
<i>Colorado Division of Criminal Justice</i>				
Victims of Crime Act				
FYE 12/31/12	16.575	\$ 17,627		
FYE 12/31/11	16.575	19,635		
<i>Mayor's Office of HIV Resources</i>				
Ryan White Part A Grant				
FYE 02/28/13	93.914	37,598		
FYE 02/29/12	93.914	70,902		
<i>Mayor's Office of HIV Resources</i>				
Minority Aids Initiative				
FYE 02/28/13	93.914	14,197		
FYE 02/29/12	93.914	55,367		
<i>Office of Violence Against Women</i>				
OVW/ US-DOJ				
FYE 09/30/12	16.016	92,006	+	
FYE 09/30/11	16.016	44,008	+	
<b>U.S. Department of Labor</b>				
<i>Mayor's Office of Workforce Development</i>				
Workforce Investment Act				
FYE 6/30/12	17.259	187,081	+	
<b>U.S. Department of Housing and Urban Development</b>				
Section 202 Mortgage				
	14.181	575,287	+	*
Section 8 housing assistance				
	14.195	112,239		
<b>U.S. Department of Health and Human Services</b>				
<i>Colorado Department of Health and Human Services</i>				
Temporary Assistance for Needy Families				
FYE 09/30/12	93.558	9,710		
Family Violence Prevention and Services				
FYE 09/30/12	93.671	12,444		
FYE 09/30/11	93.671	16,916		
<b>U.S. Department of Transportation</b>				
<i>Colorado Department of Transportation</i>				
State and Community Highway Safety				
	20.600	5,051		
<b>Total</b>		<b>\$ 1,270,068</b>		

+ 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,	
	2012	2011
<b>Current assets:</b>		
Cash and cash equivalents	\$ 22,581	\$ 4,851
Grant and contract receivable	92,856	84,467
Deposits and prepaid expenses	3,000	4,225
Investments	160,565	251,006
	<b>279,002</b>	<b>344,549</b>
<b>Property and equipment:</b>		
Land, buildings and improvements	287,526	956,064
Equipment	18,142	121,444
Vehicles	21,399	21,399
	327,067	1,098,907
Accumulated depreciation	(198,918)	(957,040)
	<b>128,149</b>	<b>141,867</b>
	<b>\$ 407,151</b>	<b>\$ 486,416</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 12,939	\$ 9,725
Accrued payroll and related liabilities	37,739	45,155
Deferred revenue	1,000	100
	<b>51,678</b>	<b>54,980</b>
<b>Net assets:</b>		
Unrestricted	277,923	342,599
Temporarily restricted	77,550	88,837
	<b>355,473</b>	<b>431,436</b>
	<b>\$ 407,151</b>	<b>\$ 486,416</b>

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

	2012			2011		
	Unrestricted	Temporarily restricted	Total	Total	Unrestricted	Temporarily restricted
<b>Revenue and public support:</b>						
Net client fees and Medicaid	\$ 27,109	\$ -	\$ 27,109	\$ 16,928	\$ 16,928	\$ -
Federal direct awards	536,900	-	536,900	434,528	434,528	-
State of Colorado	163,788	-	163,788	185,609	185,609	-
Public support	579,459	77,550	657,009	599,392	512,153	87,239
Commercial rental, net of allocated costs of \$33,324 and \$22,340, respectively	(20,729)	-	(20,729)	(8,150)	(8,150)	-
Other	9,055	-	9,055	38,512	38,512	-
	<b>1,295,582</b>	<b>77,550</b>	<b>1,373,132</b>	<b>1,266,819</b>	<b>1,179,580</b>	<b>87,239</b>
<b>Net assets released from restrictions:</b>						
Satisfaction of usage restrictions	<b>88,837</b>	<b>(88,837)</b>	-	-	<b>49,397</b>	<b>(49,397)</b>
<b>Expenses:</b>						
<b>Program services:</b>						
Workforce Investment Act (WIA)	169,963	-	169,963	120,590	120,590	-
Mental Health (MH)	190,156	-	190,156	169,941	169,941	-
Domestic Violence (DV)	68,286	-	68,286	69,658	69,658	-
Ryan White CARE (RW)	101,730	-	101,730	77,603	77,603	-
Basic Emergency (BE)	60,469	-	60,469	64,498	64,498	-
Minority Aids Initiative (MAI)	66,211	-	66,211	112,930	112,930	-
Youth Experiencing Success (YES)	56,929	-	56,929	40,275	40,275	-
Violence Against Women (OVW)	110,840	-	110,840	68,965	68,965	-
Family Healthcare Coverage Program (ENTRA)	185,541	-	185,541	124,817	124,817	-
Justice and Empowerment para Todos Partnership (JET)	38,475	-	38,475	30,807	30,807	-
Colorado Department of Human Services Domestic Violence Program (CDHSDV)	88,064	-	88,064	61,106	61,106	-
Victim of Crime Act Assistance Program (VOCA)	-	-	-	28,922	28,922	-
Victim Assistance Law Enforcement (VALE)	78,242	-	78,242	58,776	58,776	-
	<b>1,214,906</b>	<b>-</b>	<b>1,214,906</b>	<b>1,028,888</b>	<b>1,028,888</b>	<b>-</b>
General and administrative	148,889	-	148,889	165,693	165,693	-
Fundraising	85,300	-	85,300	33,373	33,373	-
	<b>234,189</b>	<b>-</b>	<b>234,189</b>	<b>199,066</b>	<b>199,066</b>	<b>-</b>
<b>Change in net assets</b>	<b>(64,676)</b>	<b>(11,287)</b>	<b>(75,963)</b>	<b>38,865</b>	<b>1,023</b>	<b>37,842</b>
<b>Net assets- beginning of year</b>	<b>342,599</b>	<b>88,837</b>	<b>431,436</b>	<b>392,571</b>	<b>341,576</b>	<b>50,995</b>
<b>Net assets-end of year</b>	<b>\$ 277,923</b>	<b>\$ 77,550</b>	<b>\$ 355,473</b>	<b>\$ 431,436</b>	<b>\$ 342,599</b>	<b>\$ 88,837</b>

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

	<b>Year ended June 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (75,963)	\$ 38,865
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	18,918	26,144
(Gain) loss on investments:		
Unrealized	9,895	(17,285)
Realized	(4,174)	
Reinvested dividends	(280)	(3,176)
Changes in assets and liabilities:		
Accounts receivable and other	(8,389)	(14,417)
Prepaid expenses	1,225	877
Accounts payable and accrued expenses	(4,202)	10,708
Deferred revenue	900	(3,000)
	<b>(62,070)</b>	<b>38,716</b>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(5,200)	(5,074)
Net liquidation (purchase) of investments	85,000	(97,500)
	<b>79,800</b>	<b>(102,574)</b>
<b>Change in cash</b>	<b>17,730</b>	<b>(63,858)</b>
<b>Cash - beginning of year</b>	<b>4,851</b>	<b>68,709</b>
<b>Cash - end of year</b>	<b>\$ 22,581</b>	<b>\$ 4,851</b>

**MENTAL HEALTH SERVICES  
SUPPLEMENTAL FINANCIAL INFORMATION**

**SERVICIOS DE LA RAZA, INC.  
MENTAL HEALTH SERVICES DIVISION  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2012**

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**ASSETS**

**Current assets:**

Accounts receivable:	
Colorado Access for Medicaid	\$ 6,098
Colorado Department of Human Services	4,050
	<u>\$ 10,148</u>

**LIABILITIES AND NET ASSETS**

<b>Intracompany advances</b>	\$ 53,443
<b>Net assets, unrestricted</b>	<u>(43,295)</u>
	<u>\$ 10,148</u>

**SERVICIOS DE LA RAZA, INC.**  
**MENTAL HEALTH SERVICES DIVISION**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2012**

	<u>Mental Health Services</u>	<u>In-direct</u>	<u>Totals</u>
<b>Revenue and public support:</b>			
Net client fees	\$ 27,109	\$ -	\$ 27,109
Colorado Department of Human Services	115,653	-	115,653
Public support	-	3,843	3,843
	<u>\$ 142,762</u>	<u>\$ 3,843</u>	<u>146,605</u>
<b>Expenses:</b>			
<b>Personnel expenses:</b>			
Salaries and wages	\$ 100,941	\$ 28,909	129,850
Taxes and benefits	11,588	3,319	14,907
<b>Occupancy</b>			
Maintenance	1,016	-	1,016
Insurance	1,333	-	1,333
Utilities	3,192	-	3,192
Property taxes	73	-	73
<b>Operating</b>			
Advertising	21	-	21
Data processing	709	-	709
Dues and subscriptions	2,139	-	2,139
Equipment	2,947	-	2,947
Meetings and conferences	432	-	432
Office supplies	1,129	-	1,129
Postage and printing	918	-	918
Program costs	1,926	-	1,926
Telephone	2,633	-	2,633
Travel	252	-	252
<b>Depreciation and amortization</b>	1,421	-	1,421
<b>Professional fees</b>			
Accounting and legal	1,553	-	1,553
Contract services	23,705	-	23,705
	<u>\$ 157,928</u>	<u>\$ 32,228</u>	<u>190,156</u>
<b>Change in net assets</b>			(43,551)
<b>Net assets - beginning of year</b>			<u>256</u>
<b>Net assets - end of year</b>			<u>\$ (43,295)</u>

**SERVICIOS DE LA RAZA, INC.**  
**MENTAL HEALTH SERVICES DIVISION**  
**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2012**

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**Cash flows from operating activities:**

Change in net assets	\$ (43,551)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Changes in assets and liabilities:	
Accounts receivable and other	3,482
Intracompany advances	<u>40,069</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 the financial statements of Servicios de La Raza, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated January 27, 2013. 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.

### **Internal Control over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and other matters**

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

This report is intended solely for the information and use of the board of directors, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Feldhake & Associates, P.C.*

Greenwood Village, Colorado  
January 27, 2013

# Feldhake & Associates, P.C.

Certified Public Accountants

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

### **Compliance**

We have audited the compliance of Servicios de La Raza, Inc. (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2012. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 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. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

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, 2012.

## **Internal Control over Compliance**

The management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the board of directors, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Feldhake & Associates, P.C.*

Greenwood Village, Colorado  
January 27, 2013

**Schedule of findings and questioned costs  
Year ended June 30, 2012**

**Section I - Summary of Audit Results**

*Financial Statements*

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

*Federal Awards*

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	No
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**

None

**Section III - Federal Award Findings and Questioned Costs**

None