Council for the Spanish Speaking, Inc.

Milwaukee, Wisconsin

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2014 and 2013

Council for the Spanish Speaking, Inc.

Consolidated Financial Statements and Supplementary Information
Years Ended June 30, 2014 and 2013

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WIPFLi LLP

Independent Auditor's Report

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

Report on Financial Statements

We have audited the accompanying consolidated financial statements of the Council for the Spanish Speaking, Inc. (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2014 and 2013, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. And the standards applicable to 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Council for the Spanish Speaking, Inc. as of June 30, 2014 and 2013, 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.

Emphasis of Matter

As discussed in Note 13 to the consolidated financial statements, the Council for the Spanish Speaking, Inc. has suffered recurring losses from operations and has a working capital deficiency of $1,437,518. The Organization is currently in arrears on accounts with certain vendor creditors which, among other things, cause the balances to become due on demand. The Organization continues to pursue asset (building) sales to reduce overall debt, restructure loans with its banks at more favorable credit terms and to raise capital to pay vendors and creditors. Management's plans to resolving its solvency issue is discussed in Note 13. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the Organization taken as a whole. The supplementary information appearing on pages 22 through 27 is presented for the purpose of additional analysis, and is not a required part of the consolidated financial statements. The accompanying schedule of expenditures of federal, state and local awards is presented for the purpose of additional analysis required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State of Wisconsin Single Audit Guidelines*, issued by the Wisconsin Department of Administration and are not a required part of the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 29, 2015, on our consideration of the Council for the Spanish Speaking, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions, laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organizations internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

June 29, 2015
Milwaukee, Wisconsin

Council for the Spanish Speaking, Inc.

Consolidated Statements of Financial Position
June 30, 2014 and 2013

Assets	2014	2013
Current assets:		
Cash and cash equivalents	$ 26,153	$ 30,142
Accounts receivable	50,390	43,410
Grants receivable	331,898	192,584
Prepaid expenses	2,982	-
Total current assets	411,423	266,136
Restricted deposits and funded reserves:		
Tenant security deposits	40,608	35,840
Escrow deposits	9,214	5,494
Replacement and residual receipts reserve	459,329	439,268
Total restricted deposits and funded reserves	509,151	480,602
Property and equipment - Net	6,657,305	7,023,736
Other assets:		
Capitalized financing costs, net	67,884	70,800
TOTAL ASSETS	$ 7,645,763	$ 7,841,274

Liabilities and Net Assets	2014	2013
Current liabilities:		
Current maturities of long-term debt	$ 791,869	$ 1,153,531
Accounts payable	574,541	842,568
Accrued payroll and related expenses	125,329	104,744
Other accrued expenses	28,319	28,922
Accrued interest	16,542	16,724
Deferred revenue	312,341	-
Total current liabilities	1,848,941	2,146,489
Tenant security deposits	33,811	-
Long-term liabilities:		
Long-term debt, less current maturities	3,824,266	3,581,886
Capital advance	1,912,300	1,912,300
Total long-term liabilities	5,736,566	5,494,186
Total liabilities	7,619,318	7,640,675
Net assets:		
Unrestricted	(56,796)	117,358
Temporarily restricted	83,241	83,241
Total net assets	26,445	200,599
TOTAL LIABILITIES AND NET ASSETS	$ 7,645,763	$ 7,841,274

See accompanying notes to consolidated financial statements.

Council for the Spanish Speaking, Inc.

Consolidated Statements of Activities

Years Ended June 30, 2014 and 2013

	2014		
	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Governmental grants and contracts	$ 6,842,256	$ -	$ 6,842,256
Rent revenue	577,310	-	577,310
Contributions	207,820	-	207,820
Contribution in-kind	895,261	-	895,261
Other support and revenue	293,788	-	293,788
Net assets released from restriction	-	-	-
Total support and revenue	8,816,435	-	8,816,435
Expenses:			
Program services	8,314,561	-	8,314,561
Fund development	4,139	-	4,139
Management and general	671,889	-	671,889
Total expenses	8,990,589	-	8,990,589
Change in net assets	(174,154)	-	(174,154)
Net assets at beginning of year	117,358	83,241	200,599
Net assets at end of year	$ (56,796)	$ 83,241	$ 26,445

See accompanying notes to consolidated financial statements.

	2013		
Unrestricted	Temporarily Restricted	Total
$ 5,995,568	$ -	$ 5,995,568
541,448	-	541,448
264,424	-	264,424
994,624	-	994,624
330,445	-	330,445
38,150	(38,150)	-
8,164,659	(38,150)	8,126,509
8,073,864	-	8,073,864
95,698	-	95,698
506,204	-	506,204
8,675,766	-	8,675,766
(511,107)	(38,150)	(549,257)
628,465	121,391	749,856
$ 117,358	$ 83,241	$ 200,599

Council for the Spanish Speaking, Inc.

Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Increase (decrease) in cash and cash equivalents:		
Cash flows from operating activities:		
Change in net assets	$ (174,154)	$ (549,257)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	489,902	486,352
Changes in operating assets and liabilities:		
Accounts receivable	(6,980)	(37,281)
Grants receivable	(139,314)	(29,185)
Prepaid expenses	(2,982)	
Accounts payable	(268,027)	271,575
Accrued payroll and related expenses	20,585	15,371
Other accrued expenses	(603)	(3,131)
Accrued interest	(182)	(179)
Tenant security deposits	33,811	-
Deferred compensation	-	(25,875)
Deferred revenue	312,341	(171,822)
Net cash (used in) provided by operating activities	264,397	(43,432)
Cash flows from investing activities:		
Net deposits to tenant security deposits held in trust	(4,768)	(2,848)
Net withdrawals from (deposits to) escrow deposits	(3,720)	63,737
Net deposits to residual receipts and replacement reserves	(20,061)	(4,448)
Purchases of property and equipment	(120,555)	(78,436)
Net cash used in investing activities	(149,104)	(21,995)

Council for the Spanish Speaking, Inc.

Consolidated Statements of Cash Flows (Continued)

Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from financing activities:		
Principal payments on long-term debt	(119,282)	(135,293)
Net decrease in cash and cash equivalents	(3,989)	(200,720)
Cash and cash equivalents at beginning of year	30,142	230,862
Cash and cash equivalents at end of year	$ 26,153	$ 30,142
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	$ 277,518	$ 286,902

Council for the Spanish Speaking, Inc.

Notes to Consolidated Financial Statements

Note 1 Nature of Activities

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

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

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

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

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

Note 2 Summary of Significant Accounting Policies

Principles of Consolidation

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

Financial Statement Presentation

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

Net Assets

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

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

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

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

Note 2 Summary of Significant Accounting Policies (Continued)

Use of Estimates in Preparation of Financial Statements

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable are generally uncollateralized amounts due on rents and services performed, which are due the beginning of each month. Payments of accounts receivable are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to current unpaid invoices first then past due balances. Management individually reviews all accounts receivable balances that exceed 30 days from invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. Actual losses, when realized, have been within the range of management's expectations. At June 30, 2014 and 2013, accounts receivable are considered fully collectible, and accordingly, no allowance for uncollectible balances has been recorded.

Grants Receivable

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

Note 2 Summary of Significant Accounting Policies (Continued)

Restricted Deposits and Funded Reserves

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

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

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

Property and Equipment

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

Estimated lives for depreciable assets are as follows:

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

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

Note 2 Summary of Significant Accounting Policies (Continued)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. There were no impairment losses for the years ended June 30, 2014 and 2013.

Capitalized Financing Costs

Capitalized financing costs are included in other assets in the accompanying consolidated statements of financial position; they are being amortized to expense over the life of the loan. Amortization expense for the years ended June 30, 2014 and 2013 was $2,915 and $2,914, respectively.

Deferred Revenue

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

Revenue Recognition

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

Grant Awards that are Cost Reimbursement Transactions – Cost reimbursement revenue is recorded based on reimbursement of allowable expenses. Revenue is recognized in the accounting period when the related allowable expenses are incurred.

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

Rent revenue is recognized for apartment rentals as it accrues.

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

Contributions

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

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

In-Kind Contributions

In-kind contributions recorded include space, supplies, and professional services in the consolidated statement of activates in accordance with GAAP. GAAP requires that only contributions of services received which create or enhance a nonfinancial asset or require specialized skill and would typically need to be purchased if not provided by donation be recorded as in-kind contributions. The requirements by GAAP are different than the in-kind requirements of the grant awards. Nonprofessional in-kind contributions were also received during the years ended June 30, 2014 and 2013, with an estimated value of $385,257 and $163,509, respectively, which are not recorded in the consolidated statement of activities.

Note 2 Summary of Significant Accounting Policies (Continued)

Income Taxes

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

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

The Council, Casa Catalina, Hispanic Housing and La Villa have not recorded assets or liabilities related to uncertain income tax positions as of June 30, 2014 and 2013. Income tax returns from the fiscal years ended June 30, 2011 to the present remain subject to examination by the applicable taxing authorities.

Distributions

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

Subsequent Events

Subsequent events have been evaluated through June 29, 2015, which is the date the financial statements were available to be issue.

Note 3 Grants Receivable

At June 30, grants receivable consisted of the following:

	2014	2013
Milwaukee Area Technical College	$ -	$ 5,788
Wisconsin Department of Public Instruction	-	5,361
Head Start	-	118,860
Early Head Start	259,652	14,183
State of Wisconsin - Head Start	50,116	-
State of Wisconsin - Department of Public Instruction	-	29,187
Wisconsin Technical Board	7,763	14,074
Milwaukee Public Schools - K4	-	5,131
Other	14,367	-
Total grants receivable	$ 331,898	$ 192,584

Note 4 Property and Equipment

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

	2014	2013
Land and improvements	$ 796,334	$ 776,066
Buildings and improvements	11,838,888	11,738,601
Furniture and equipment	1,193,529	1,193,530
Vehicles	185,466	185,466
Total property and equipment	14,014,217	13,893,663
Less - Accumulated depreciation	7,356,912	6,869,927
Property and equipment - Net	$ 6,657,305	$ 7,023,736

Note 5 Deferred Revenue

At June 30, deferred revenue consisted of the following:

	2014	2013
Milwaukee Public Schools - Centro Hispano High School	$ 4,532	$ -
Head Start	307,809	-
Total deferred revenue	$ 312,341	$ -

Note 6 Mortgage Notes Payable

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

	2014	2013
Mortgage note payable to Forward Community Investments, payable in monthly installments of $2,745, including interest at 6.00%. A balloon payment equal to the unpaid balance is due March 31, 2015.	$ 414,311	$ 422,133
Mortgage note payable to a bank, payable in monthly installments of interest only at 6.85%. Payment of the unpaid principal balance is due May 13, 2015.	197,629	199,361
Mortgage note payable to a bank, payable in monthly installments of $2,963, including interest at 4.48%, London Inter Bank Offered Rate ("LIBOR" plus 4.25%). A balloon payment equal to the unpaid balance is due in November 2017.	347,899	367,385
Mortgage note payable to a bank, payable in monthly installments of $2,450, including interest at 4.49% (LIBOR plus 4.26%). A balloon payment equal to the unpaid balance is due in October 2017.	276,591	293,073

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

	2014	2013
Mortgage note payable to Wisconsin Preservation Fund, payable in interest only payments of $1,400, at 5.00%. Payment of the unpaid balance is considered month-to- month.	$ 74,266	$ 83,731
Note payable to a bank, payable in monthly installments of $2,805, including interest at 4.49% (LIBOR plus 4.26%). A balloon payment equal to the unpaid balance is due in October 2017.	103,799	132,055
Mortgage note payable to HUD, payable in monthly installment of $19,647, including interest at 6.20%, due April 2044.	3,201,640	3,237,679
Total long-term debt	4,616,135	4,735,417
Less current maturities	791,869	1,153,531
Long-term portion	$ 3,824,266	$ 3,581,886

All mortgage notes are secured by specific land and buildings.

Scheduled principal payments on the mortgage notes payable at June 30, 2014, based on terms existing as of the audit report date are as follows:

2015	$ 791,869
2016	111,198
2017	117,032
2018	563,052
2019	49,096
Thereafter	2,983,888
Total	$ 4,616,135

The Council had a mortgage note with a balance of $347,899 that was paid off in December of 2014, as a result of the sale of property.

Note 7 Capital Advance

Casa Catalina Corporation

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

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

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

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

Note 7 Capital Advance (Continued)

La Villa Housing Corporation

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

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

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

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

Note 8 Rental Income

The Council rents space in its buildings to other agencies under lease agreements with varying renewal options. Rent earned during the fiscal years ended June 30, 2014 and 2013 was $243,832 and $187,789, respectively. The revenue is recorded in other support and revenue.

Future rental income expected from lease agreements at June 30, 2014 is $151,491 for the year ending June 30, 2015.

Note 9 Retirement Plan

The Organization sponsors a profit sharing Plan in which substantially all full-time employees are participants. The Organization may make an annual discretionary retirement contribution. A participant's share of any such additional contribution will be based upon the ratio which a participant's salary bears to the salaries of all other participants receiving the contribution. Employees are fully vested after six years. No contribution was made for the fiscal years ending June 30, 2014 and 2013.

Note 10 Temporarily Restricted Net Assets

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

	2014	2013
Guadalupe Center Building Improvements	$ 74,559	$ 74,559
Murguia Endowment	8,682	8,682
Total temporarily restricted net assets	$ 83,241	$ 83,241

Note 10 Temporarily Restricted Net Assets (Continued)

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

	2014	2013
United Way Healthy Girls Grant	$ -	$ 6,901
Summer Program	-	13,232
Herzfeld Foundation Grant	-	8,017
Milwaukee Urban League Grant	-	10,000
Total temporarily restricted net assets released from restriction	$ -	$ 38,150

Note 11 Concentrations

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

In total, over 78% and 74% of the Organization's support and revenues were provided by governmental grants and contracts for 2014 and 2013, respectively. Over 66% and 51% of this support was received from the U.S. Department of Health and Human Services for the year ended June 30, 2014 and 2013, respectively.

Note 12 Contingency Footnote

The Organization receives a significant portion of its revenues from government grants and contracts, all of which are subject to audit by the federal and state governments. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlement reached, there exists a possibility that any amount received in excess of allowable costs would be required to be refunded. In the opinion of management, any remaining outcome of such audits, if any, will not have a material impact in the Organization's consolidated financial statements. Accordingly, the Organization has not recorded any further liability for any such refund. The amounts the Organization may be required to refund in the future, if any, could differ materially in the near term from this estimate.

Note 13 Emphasis of a Matter

During the year ended June 30, 2014, the Organization had a decrease in net assets of $174,154. Total current liabilities exceed current assets by $1,437,518. The Organization is currently in arrears on accounts with certain vendor creditors which, among other things, cause the balances to become due on demand. The Organization continues to pursue asset (building) sales to reduce overall debt, restructure loans with its banks at more favorable credit terms and to raise capital to pay vendors and creditors. Management's plan in regard to this matter is as follows:

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

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

Supplementary Information

Council for the Spanish Speaking, Inc.

Consolidating Statement of Financial Position

Year Ended June 30, 2014

Assets	Council for the Spanish Speaking	Casa Catalina Corporation	Hispanic Housing Corporation	La Villa Housing Corporation	Eliminating	Total
Current assets:						
Cash and cash equivalents	$ 34,334	$ 100	$ 300	$ -	$ (8,581)	$ 26,153
Accounts receivable	11,199	29,777	11,614	-	(2,200)	50,390
Grants receivable	331,448	-	450	-	-	331,898
Housing projects' receivables	127,912	-	-	-	(127,912)	-
Prepaid expenses	2,982	-	-	-	0	2,982
Total current assets	507,875	29,877	12,364	-	(138,693)	411,423
Restricted deposits and funded reserves:						
Tenant security deposits	-	5,018	30,516	5,074	-	40,608
Escrow deposits	-	-	9,214	-	-	9,214
Replacement and residual receipts reserve	-	52,988	359,852	46,489	-	459,329
Total restricted deposits and funded reserves	-	58,006	399,582	51,563	-	509,151
Property and equipment - Net	3,653,431	606,026	1,726,818	671,030	-	6,657,305
Other assets:						
Capitalized financing costs, net	-	-	67,159	725	-	67,884
TOTAL ASSETS	$ 4,161,306	$ 693,909	$ 2,205,923	$ 723,318	$ (138,693)	$ 7,645,763

Council for the Spanish Speaking, Inc.

Consolidating Statement of Financial Position (Continued)

Year Ended June 30, 2014

Liabilities and Net Assets	Council for the Spanish Speaking	Casa Catalina Corporation	Hispanic Housing Corporation	La Villa Housing Corporation	Eliminating	Total
Current liabilities:						
Cash overdraft	$ -	$ 753	$ 4,982	$ 2,846	$ (8,581)	$ -
Current maturities of long-term debt	753,532	-	38,337	-	-	791,869
Accounts payable	550,902	7,300	114,828	31,623	(130,112)	574,541
Accrued payroll and related expenses	125,329	-	-	-	-	125,329
Other accrued expenses	26,219	675	930	495	-	28,319
Deferred revenue	312,341	-	-	-	-	312,341
Accrued interest	-	-	16,542	-	-	16,542
Total current liabilities	1,768,323	8,728	175,619	34,964	(138,693)	1,848,941
Tenant security deposits	4,082	4,110	22,046	3,573		33,811
Long-term liabilities:						
Long-term debt, less current maturities	660,963	-	3,163,303	-	-	3,824,266
Capital advance	-	1,033,900	-	878,400	-	1,912,300
Total long-term liabilities	660,963	1,033,900	3,163,303	878,400	-	5,736,566
Total liabilities	2,433,368	1,046,738	3,360,968	916,937	(138,693)	7,619,318
Net assets (deficit):						
Unrestricted	1,644,697	(352,829)	(1,155,045)	(193,619)	-	(56,796)
Temporarily restricted	83,241	-	-	-	-	83,241
Total net assets (deficit)	1,727,938	(352,829)	(1,155,045)	(193,619)	-	26,445
TOTAL LIABILITIES AND NET ASSETS	$ 4,161,306	$ 693,909	$ 2,205,923	$ 723,318	$ (138,693)	$ 7,645,763

Council for the Spanish Speaking, Inc.

Consolidating Statement of Activities

Year Ended June 30, 2014

	Council for the Spanish Speaking	Casa Catalina Unrestricted	Hispanic Housing Unrestricted	La Villa Unrestricted	Eliminating	Total
Unrestricted net assets:						
Support and revenue:						
Governmental grants and contracts	$ 6,230,826	$ 68,962	$ 484,224	$ 58,244	$ -	$ 6,842,256
Rent revenue	243,832	44,512	254,667	34,299	-	577,310
Contributions	207,820	-	-	-	-	207,820
Contribution in-kind	895,261	-	-	-	-	895,261
Other support and revenue	298,150	1,064	55,158	1,156	(61,740)	293,788
Net assets released from restriction	-	-	-	-	-	-
Total support and revenue	7,875,889	114,538	794,049	93,699	(61,740)	8,816,435
Expenses:						
Program services	7,240,794	124,852	910,476	100,179	(61,740)	8,314,561
Fund development	4,139	-	-	-	-	4,139
Management and general	671,889	-	-	-	-	671,889
Total expenses	7,916,822	124,852	910,476	100,179	(61,740)	8,990,589
Change in net assets	(40,933)	(10,314)	(116,427)	(6,480)	-	(174,154)
year	1,685,630	(342,515)	(1,038,618)	(187,139)	-	117,358
Unrestricted net assets (deficit) at end of year	$ 1,644,697	$ (352,829)	$ (1,155,045)	$ (193,619)	$ -	$ (56,796)
Temporarily restricted net assets:						
Net assets released from restriction	$ -	$ -	$ -	$ -	$ -	$ -
Temporarily restricted net assets at beginning of year	83,241	-	-	-	-	83,241
Temporarily restricted net assets at end of year	$ 83,241	$ -	$ -	$ -	$ -	$ 83,241

Council for the Spanish Speaking, Inc.

Schedule of Revenue and Expenses by Funding Source – Unrestricted

Year Ended June 30, 2014

	Vocational Training				Social Services		
	MATC	WI Tech Board & El Civic	Adult Ed Multi-cult.	DPI USDA	United Way	WI Voices	Other Social Services
Support and revenue:							
Governmental grants and contracts	$ 16,625	$ 117,318	$ -	$ -	$ -	$ -	$ -
Rent revenue	-	-	-	-	-	-	-
Contributions	-	-	610	21,308	98,966	6,250	46,347
Contributions in-kind	-	-	-	-	-	-	-
Other support and revenue	-	225	7,241	4,144	-	-	32,234
Total support and revenue	16,625	117,543	7,851	25,452	98,966	6,250	78,581
Expenses:							
Salaries and wages	14,748	110,246	7,799	16,380	97,678	-	34,661
Payroll taxes	1,564	12,581	575	988	7,001	-	2,542
Other employee benefits	2,643	14,366	1,738	1,847	10,660	-	4,520
Staff development	-	1,701	-	480	62	-	845
Professional fees	261	1,275	155	142	943	-	679
Consulting/contractual	-	1,840	1,100	28	-	2,000	270
Materials and supplies	-	2,858	315	-	30	-	28,703
Office expense	944	5,817	474	65	4,638	-	553
Telephone	-	161	206	-	3,317	-	10
Equipment maintenance	519	3,169	713	-	-	-	342
Computer and support	-	1,702	-	202	143	-	93
Occupancy	149	1,421	880	9	74	-	2,269
Depreciation/amortization	-	-	646	-	-	-	-
Insurance	559	2,762	420	314	1,531	-	817
Travel/vehicle expense	-	51	-	78	25	-	1,129
Lunch program	-	-	-	-	-	-	-
Busing and field trips	-	-	-	-	-	-	-
Miscellaneous	384	-	374	2,837	249	-	172
Mortgage interest	-	-	-	-	-	-	-
Management fees	-	-	-	-	-	-	-
Administration	-	-	-	-	-	-	-
Capitalized equipment	-	-	-	-	-	-	-
In-kind expense	-	-	-	-	-	-	-
Subtotal of expenses	21,771	159,950	15,395	23,370	126,351	2,000	77,605
Allocated administrative expenses	3,364	16,713	2,864	1,894	12,375	-	5,336
Total expenses	25,135	176,663	18,259	25,264	138,726	2,000	82,941
Change in net assets	$ (8,510)	$ (59,120)	$ (10,408)	$ 188	$ (39,760)	$ 4,250	$ (4,360)

Council for the Spanish Speaking, Inc.

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

Year Ended June 30, 2014

	Housing and HUD				Guadalupe Center			
	Building Maintenance	Casa Catalina Corporation	Hispanic Housing Corporation, Inc.	La Villa Housing Corporation	2013 Early Head Start	2013 - 2014 Early Head Start	Federal Head Start	State Head Start
Support and revenue:								
Governmental grants and contracts	$ -	$ 68,962	$ 484,224	$ 58,244	$ 353,050	$ 492,822	$ 4,569,409	$ 269,677
Rent revenue	243,832	44,512	254,667	34,299	-	-	-	-
Contributions	-	-	-	-	-	-	-	-
Contributions in-kind	-	-	-	-	104,852	66,596	723,813	-
Other support and revenue	3,577	1,064	55,158	1,156	-	-	386	-
Total support and revenue	247,409	114,538	794,049	93,699	457,902	559,418	5,293,608	269,677
Expenses:								
Salaries and wages	27,512	15,272	139,410	11,859	175,892	197,420	2,485,367	169,923
Payroll taxes	2,046	1,077	4,669	852	12,986	13,437	176,889	12,111
Other employee benefits	5,380	2,182	18,332	2,182	24,703	32,184	394,139	26,959
Staff development	95	-	180	-	7,983	5,159	53,412	-
Professional fees	482	10,320	22,815	10,403	3,093	2,246	35,010	3,690
Consulting/contractual	2,150	-	-	-	65,196	112,932	287,217	-
Materials and supplies	3,506	-	-	-	2,826	3,940	48,733	8,406
Office expense	3,341	2,344	14,342	3,529	3,620	15,339	31,236	-
Telephone	484	-	549	-	567	1,570	17,095	-
Equipment maintenance	280	-	-	-	696	1,048	17,612	-
Computer and support	869	-	-	-	1,629	9,442	43,697	-
Occupancy	74,692	46,291	230,520	33,361	6,897	52,943	274,151	1,773
Depreciation/amortization	261,261	26,927	155,932	22,664	-	-	22,472	-
Insurance	810	5,235	40,592	4,919	3,199	4,556	60,134	3,706
Travel/vehicle expense	-	-	-	-	1,578	4,458	21,460	-
Lunch program	-	-	-	-	-	-	-	-
Busing and field trips	-	-	-	-	-	-	9,927	-
Miscellaneous	744	-	-	-	1,274	2,882	45,291	480
Mortgage interest	54,005	-	199,537	-	-	-	13,303	-
Management fees	-	8,100	47,970	5,670	-	-	-	-
Administration	-	7,104	35,628	4,740	-	-	-	-
Capitalized equipment	-	-	-	-	-	-	65,911	9,657
In-kind expense	-	-	-	-	104,852	66,596	723,813	-
Subtotal of expenses	437,657	124,852	910,476	100,179	416,991	526,152	4,826,869	236,705
Allocated administrative	6,121	-	-	-	40,911	33,266	466,739	32,972
Total expenses	443,778	124,852	910,476	100,179	457,902	559,418	5,293,608	269,677
Change in net assets	$ (196,369)	$ (10,314)	$ (116,427)	$ (6,480)	$ -	$ -	$ -	$ -

Council for the Spanish Speaking, Inc.

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

Year Ended June 30, 2014

	Guadalupe Center									
	DPI USDA	Wrap-Around	MPS 4 Year Kindergarten	Other Grants	Total Program	Management and General	Fundraising	Non-GAAP Adjustment	Eliminating	Total
Support and revenue:										
Governmental grants and contracts	$ 250,875	$ -	$ 161,050	$ -	$ 6,842,256	$ -	$ -	$ -	$ -	$6,842,256
Rent revenue	-	-	-	-	577,310	-	-	-	-	577,310
Contributions	-	-	-	-	173,481	-	34,339	-	-	207,820
Contributions in-kind	-	-	-	-	895,261	-	-	-	-	895,261
Other support and revenue	-	145,290	-	-	250,475	61,740	43,313	-	(61,740)	293,788
Total support and revenue	250,875	145,290	161,050	-	8,738,783	61,740	77,652	-	(61,740)	8,816,435
Expenses:										
Salaries and wages	-	37,399	119,631	-	3,661,197	411,056	-	-	-	4,072,253
Payroll taxes	-	2,792	8,568	-	260,678	30,247	-	-	-	290,925
Other employee benefits	-	2,759	12,149	-	556,743	44,541	-	-	-	601,284
Staff development	-	300	1,368	-	71,585	4,256	(115)	-	-	75,726
Professional fees	-	214	1,249	-	92,977	34,312	-	-	-	127,289
Consulting/contractual	-	-	-	-	472,733	849	-	-	-	473,582
Materials and supplies	-	78	-	-	99,395	41	-	-	-	99,436
Office expense	-	-	-	-	86,242	16,292	-	-	-	102,534
Telephone	-	-	-	10	23,969	12,901	-	-	-	36,870
Equipment maintenance	-	-	-	-	24,379	9,942	-	-	-	34,321
Computer and support	-	-	-	-	57,777	4,458	-	-	-	62,235
Occupancy	-	288	-	337	726,055	54,241	-	-	-	780,296
Depreciation/amortization	-	-		-	489,902	-	-	-	-	489,902
Insurance	-	477	1,090	-	131,121	5,068	-	-	-	136,189
Travel/vehicle expense	-	-	-	-	28,779	7,903	-	-	-	36,682
Lunch program	255,118	-	-	-	255,118	-	-	-	-	255,118
Busing and field trips	-	232	1,117	370	11,646	-	-	-	-	11,646
Miscellaneous	-	-	-	-	54,687	25,291	4,254	-	-	84,232
Mortgage interest	-	-	-	-	266,845	10,491		-	-	277,336
Management fees	-	-	-	-	61,740	-	-	-	(61,740)	-
Administration	-	-	-	-	47,472	-	-	-	-	47,472
Capitalized equipment	-	-	-	-	75,568	-	-	(75,568)	-	-
In-kind expense	-	-	-	-	895,261	-	-	-	-	895,261
Subtotal of expenses	255,118	44,539	145,172	717	8,451,869	671,889	4,139	(75,568)	(61,740)	8,990,589
Allocated administrative expenses	-	2,918	16,594	-	642,067	(642,067)	-	-	-	-
Total expenses	255,118	47,457	161,766	717	9,093,936	29,822	4,139	(75,568)	(61,740)	8,990,589
Change in net assets	$ (4,243)	$ 97,833	$ (716)	$ (717)	$ (355,153)	$ 31,918	$ 73,513	$ 75,568	$ -	$ (174,154)

See Independent Auditor's Report.

Council for the Spanish Speaking, Inc.

Schedule of Expenditures of Federal, State and Local Awards
Year Ended June 30, 2014

Federal and State Awards Grantor/Program Title	Passthrough	Program Period	Catalog # Fed ID	CARS # State ID	Federal Expenditures	State Expenditures	Local Expenditures
U.S. Department of Agriculture:							
Child and Adult Care Food Program	N/A	10/1/12 - 9/30/13	10.558		$ 21,047	$ -	$ -
Child and Adult Care Food Program	N/A	10/1/13 - 9/30/14	10.558		229,828	-	-
Total Child and Adult Care Food Program					250,875	-	-
Total U.S. Department of Agriculture					250,875	-	-
U.S. Department of Education:							
Adult Education - Basic Grants to States	Wisconsin Technical College System Board	7/1/13 - 6/30/14	84.002		107,180	-	-
Adult Education - Basic Grants to States	Wisconsin Technical College System Board	7/1/13 - 6/30/14	84.002		10,138	-	-
Total U.S. Department of Education					117,318	-	-
U.S. Department of Health and Human Services:							
Head Start	N/A	6/30/13	93.600		4,569,409	-	-
Early Head Start	N/A	12/31/13	93.600		353,050	-	-
Early Head Start	N/A	12/31/14	93.600		492,822	-	-
Total Head Start					5,415,281	-	-
Total U.S. Department of Health and Human Services					5,415,281	-	-

Council for the Spanish Speaking, Inc.

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

Year Ended June 30, 2014

Federal and State Awards Grantor/Program Title	Passthrough	Program Period	Catalog # Fed ID	CARS # State ID	Federal Expenditures	State Expenditures	Local Expenditures
State and Local Awards:							
Department of Public Instruction							
Head Start State Supplement	N/A	7/1/13 - 6/30/14		255.327	$ -	$ 269,677	$ -
Technical College System Board							-
Basic Skills	College	7/1/13 - 6/30/14		292.112	-	16,625	-
Milwaukee Public Schools:							
4-Year Old Kindergarten	N/A				-	-	161,050
Total Federal, State and Local Awards					$ 5,783,474	$ 286,302	$ 161,050

See Independent Auditor's Report.

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

Council for the Spanish Speaking, Inc.

Notes to Schedule of Expenditures of Federal, State and Local Awards
Year Ended June 30, 2014

Note 1 Basis of Presentation

The accompanying schedule of expenditures of Federal, State and Local Awards (the "Schedule") includes the Federal, State, and Local grant activity for the Council for the Spanish Speaking, Inc. under programs of the federal, state and local government for the year ended June 30, 2014. The information in this schedule is presented in accordance with requirements of the Office and Management and Budget (OMB) Circular A-133 *Audits of State, Local Governments and Nonprofit Organizations*. Because the schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization.

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

Note 2 Summary of Significant Accounting Policies

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

WIPFLi LLP

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

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

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to the financial audits contained *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Council for the Spanish Speaking, Inc. (the "Council"), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated June 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness, as defined above. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Wipfli LLP

Wipfli LLP

June 29, 2015
Milwaukee, Wisconsin

WIPFLi LLP

Independent Auditor's Report on Compliance For Each Major Federal and State Program and on Internal Control Over Compliance Required by OMB Circular A-133 and *State Single Audit Guidelines*

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

Report on Compliance for Each Major Federal and State Program

We have audited the Council for the Spanish Speaking, Inc.'s, (the "Council"), compliance with the types of compliance requirements described in the *U.S. OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the Council's major federal and state programs for the year ended June 30, 2014. The Council's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Council of the Spanish Speaking, Inc.'s consolidated financial statements include the operations of the Casa Catalina Corporation, Hispanic Housing Corporation, and La Villa Housing Corporation, which in total received approximately $5,771,464 in federal and state awards which is not included in the schedule of expenditures of federal and state awards during the year ended June 30, 2014. Our audit, described below, did not include the operations of the Casa Catalina Corporation, Hispanic Housing Corporation, and La Villa Housing Corporation because they had a separate audit under *OMB Circular A-133* and the *State of Wisconsin State Single Audit Guidelines*.

Management's Responsibility

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

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the Council's compliance.

Basis for Qualified Opinion on 93.600 Head Start

As described in the accompanying schedule of findings and questioned costs, Council for the Spanish Speaking, Inc. did not comply with requirements regarding the following:

Finding #	CFDA #/ CARS #	Program Name	Compliance Requirement
2014-002	93.600	Head Start	Cash Management
2014-003	93.600	Head Start	Allowable cost
2014-004	93.600	Head Start	Financial Reporting

Compliance with such requirements is necessary, in our opinion, for Council for the Spanish Speaking, Inc. to comply with the requirements applicable to that program.

Qualified Opinion on 93.600 Head Start

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Council for the Spanish Speaking, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 93.600 Head Start for the year ended.

Unmodified Opinion on the Other Major Federal and State Programs

In our opinion, Council for the Spanish Speaking, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal and state programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal and state program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-002, 2014-003 and 2014-004 to be material weaknesses.

A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We also identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-001 that we consider to be a significant deficiency.

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

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

Wipfli LLP

Wipfli LLP

June 29, 2015
Milwaukee, Wisconsin

Council for the Spanish Speaking, Inc.

Schedule of Findings and Questioned Costs
Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	___ yes	_x_ no
Significant deficency(ies) identified not considered to be material weakness(es)?	___ yes	_x_ no
Noncompliance material to financial statements noted?	___ yes	_x_ no

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	_X_ yes	___ no
Significant deficency(ies) identified not considered to be material weakness(es)?	_X_ yes	___ no
Type of auditor's report issued on compliance for major programs	Modified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	_X_ yes	___ no

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
93.600	Head Start

Identification of major state programs:

Identifying Number	Name of State Program
255.327	Head Start – Supplement

Dollar threshold used to distinguish between Type A and Type B programs	
Federal	$300,000
State	$100,000
Auditee qualified as low-risk auditee?	No

Council for the Spanish Speaking, Inc.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Section II - Financial Statement Findings

None

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

2014-001 EARMARKING – FUNDED ENROLLMENT

Head Start – CFDA #93.600, Award #05CH8320/02
Head Start Supplement - CARS #255.327
Grant period July 1, 2013 through June 30, 2014
Questioned Costs: None

Condition

During our audit, Wipfli LLP noted that Council for the Spanish Speaking, Inc. was not in compliance with the federal grant regulations requiring that each Head Start agency must enroll 100% of its funded enrollment in its service area. Funded enrollment for these counties, state and federal Head Start is 709 and actual enrollment was 701 on the date tested, resulting in an under-enrollment of 8.

Criteria

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

Effect

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

Recommendation

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

Management Response

The Council for the Spanish Speaking will adopt the recommendation to continue outreach efforts and monitor the enrolment levels to ensure all necessary actions are taken for program compliance.

Section III – Findings and Questioned Costs – Major Award Program Audits (Continued)

2014-002 Cash Management

Head Start – CFDA #93.600, Award #05CH8320/02
Grant period July 1, 2013 through June 30, 2014
Questioned Costs: None

Condition

It was noted that the Council had deferred revenue in the Head Start program at June 30, 2014 in the amount of $307,809. This deferred revenue largely originated as part of the cash advance received July 5, 2013 in the amount of $350,000. Additional draws were made on the grant to fund immediate cash needs subsequent to the advance. As this cash from the advance was not maintained in the Council's bank account at year end, it would indicate that the advance was used to pay expenses other than the immediate cash needs of the grant.

It was also noted that the Council had a total balance of approximately $728,000 in accounts payable and accrued expense at year end. The large balance in these accounts would indicate that cash drawn on the Head Start program was not being used to pay the current expenses on which the draw was based.

Criteria

As prescribed by OMB Circular A-110 (2 CFR section 215.22 (a) "Payment methods shall minimize the time elapsing between the transfer of funds from the United States Treasury and the issuance or redemption of checks, warrants, or payment by other means by the recipients".

Questioned Costs

None

Effect

Funds were received and held by the organization for more than three days before being paid out to vendors or as part of payroll.

Recommendation

Wipfli recommends that the Council pulls down funds to cover only costs which have been paid or will be paid within three days of receipt of the funds from the grantor.

Section III – Findings and Questioned Costs – Major Award Program Audits (Continued)

Management Response

The Council for the Spanish Speaking will minimize the time that elapses between the transfer of funds from the U.S. Treasury and the issuance of payments. The goal is to have all payments made to employees and to vendors and contractors within a five day timeframe.

2014-003 Payroll Cost Allocation

Early Head Start – CFDA #93.600 Award #05CH8290/02, #05CH8290/03
Grant period July 1, 2013 through June 30, 2014
Questioned Costs: None

Condition

Wipfli noted during testing of payroll transactions that charges for certain employees who charge their activity to more than one program were allocated based upon budgets. The budgeted amounts differed from actual hours coded to the program on the timesheets prepared by the employee.

Criteria

2 CFR Part 230 (A-122) requires that joint costs be "prorated using a base which accurately measures the benefits provided to each award or other activity. The bases must be established in accordance with reasonable criteria, and be supported by current data."

Questioned Costs

Unknown

Effect

The Council utilizes budgeted figures as its base for the allocation for certain employee compensation expense. Allocation of direct costs utilizing budgets does not meet the criteria of 2 CFR Part 230 as described above. We deem the utilizing of budgeted figures as a material weakness in internal controls.

Section III – Findings and Questioned Costs – Major Award Program Audits (Continued)

Recommendation

Wipfli LLP recommends that the Council implement a direct cost allocation method whereby compensation for all employees is allocated to programs under a methodology that meets the requirements of 2 CFR Part 230.

Management Response

The Council of the Spanish Speaking will adopt the recommendation as presented to implement a direct cost allocation method whereby compensation for all employees is allocated to programs under a methodology that meets the requirements of 2 CFR Part 230.

2014-004 Financial Reporting

Early Head Start – CFDA #93.600 Award #05CH8290/02
Grant period January 1, 2013 through December 31, 2013
Head Start – CFDA #93.600 Award #05CH8320/01
Grant period July 1, 2013 through October 31, 2013

Questioned Costs: None

Condition

Per review of the Administration for Children and Families audit letter dated September 18, 2014, Wipfli noted that an audit finding was noted for inaccurate and untimely federal financial reporting as it relates to the Federal Financial Form SF-425 for Early Head Start Award #05CH8290/02. The finding noted that the form was filed subsequent to its reporting deadline of April 30, 2014. It was also noted that the report had errors in the amount reported for Training and Technical Assistance and the total amount awarded reported to the Council under the award.

Wipfli noted the amount of cash receipts per the Federal Financial Report SF-425 related to Head Start Award #05CH8320/01 were $1,580,208 while detail of cash draws in the Payment Management System indicated cash draws of $1,359,191.

Section III – Findings and Questioned Costs – Major Award Program Audits (Continued)

Criteria

OMB Circular A-110 – Financial reporting, 2 CFR section 215.52 (iv) notes that the Federal awarding agency shall require recipients to submit the federal financial reporting no later than 90 calendar days after the grant year end for annual and final reports.

Questioned Costs

None

Effect

An accurate annual Federal Financial Report SF-425 was not filed in compliance with grant requirements for the two awards noted causing inaccurate and or untimely information to be reported to the awarding agency.

Recommendation

Wipfli LLP recommends that the Council implement a process to ensure that reports are completed, reviewed for accuracy and filed in a timely manner.

Management Response

The Council for the Spanish Speaking will adopt the recommendation to create and implement a process to ensure that reports are completed, reviewed for accuracy and submitted in a timely manner.

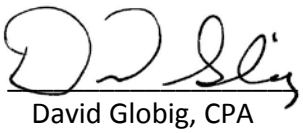
Council for the Spanish Speaking, Inc.

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

Section IV - Other Issues

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?	___ yes	_X_ no
Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs material weakness, reportable condition, management letter comment) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*?		
Department of Health Services	___ yes	_X_ no
Department of Public Instruction (Finding 2014-001)	_X_ yes	___ no
Was a management letter or other document conveying audit comments issued as a result of this audit?	___ yes	_X_ no

Name and Signature of Partner



David Globig, CPA

Date of Report June 29, 2015

Council for the Spanish Speaking, Inc.

Schedule of Prior Year Audit Findings
Year Ended June 30, 2014

Findings and Questioned Costs – Major Award Program Audits

063013-01 EARMARKING – FUNDED ENROLLMENT

Head Start – CFDA #93.600, Grant #G054122, G054120,
Grant period July 1, 2012 through June 30, 2013
Questioned Costs: None

Condition

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

Criteria

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

Effect

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

Recommendation

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

Status

This finding was repeated in 2014.