

**NATIONAL ASSOCIATION FOR LATINO
COMMUNITY ASSET BUILDERS**

**Financial Statements
and Additional Information**

December 31, 2015 and 2014

With Independent Auditor's Report Thereon

**NATIONAL ASSOCIATION FOR LATINO
COMMUNITY ASSET BUILDERS**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
National Association for Latino
Community Asset Builders

Report on the Financial Statements

We have audited the accompanying financial statements of National Association for Latino Community Asset Builders (a nonprofit organization), which comprise the statement of financial position as of December 31, 2015 and 2014, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of National Association for Latino Community Asset Builders as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Other Matters

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of National Association for Latino Community Asset Builders taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (Schedule 1, page 16), presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic 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 basic 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, is fairly presented in all material respects in relation to the financial statements as a whole.

Report on Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2016 on our consideration of National Association for Latino Community Asset Builders internal control over financial reporting and 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 the 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 read in conjunction with this report in considering the results of our audit.



April 29, 2016

NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014

	2015	2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 812,852	3,590,807
Receivables	402,718	358,328
Promises to give	310,000	1,060,000
Prepaid expenses	5,047	35,013
Deposits	480	6,082
Total current assets	1,531,097	5,050,230
Property and equipment, less accumulated depreciation of \$83,064 in 2015, and \$31,238 in 2014	1,280,416	1,296,374
Investment in partnership	1,040,000	-
Total assets	\$ 3,851,513	6,346,604
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 355,346	238,171
Accrued expenses	10,385	11,837
Deferred revenue	43,724	62,579
Current portion of long-term debt	64,081	55,122
Total current liabilities	473,536	367,709
Long-term debt, net of current portion	949,810	981,154
Total liabilities	1,423,346	1,348,863
Net assets:		
Unrestricted	1,475,108	299,410
Temporarily restricted	953,059	4,698,331
Total net assets	2,428,167	4,997,741
Total liabilities and net assets	\$ 3,851,513	6,346,604

See accompanying notes to financial statements.

NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and other operating revenue:			
Contract and grants from:			
Federal grants	\$ 1,159,296	-	1,159,296
Other contributions and grants	398,501	1,360,000	1,758,501
Net assets released from restrictions	<u>5,105,272</u>	<u>(5,105,272)</u>	<u>-</u>
Total contracts and grants funding	6,663,069	(3,745,272)	2,917,797
Program service revenue	348,935	-	348,935
Interest income	1,358	-	1,358
Other income	<u>84,157</u>	<u>-</u>	<u>84,157</u>
Total support and revenues	<u>7,097,519</u>	<u>(3,745,272)</u>	<u>3,352,247</u>
Expenses:			
Program expenses	5,100,383	-	5,100,383
Lease Operations	47,778	-	47,778
Supporting services:			
Management and general	645,542	-	645,542
Fundraising	<u>128,118</u>	<u>-</u>	<u>128,118</u>
Total expenses	<u>5,921,821</u>	<u>-</u>	<u>5,921,821</u>
Change in net assets	1,175,698	(3,745,272)	(2,569,574)
Net assets, beginning	<u>299,410</u>	<u>4,698,331</u>	<u>4,997,741</u>
Net assets, ending	<u>\$ 1,475,108</u>	<u>953,059</u>	<u>2,428,167</u>

See accompanying notes to financial statements.

NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and other operating revenue:			
Contract and grants from:			
Federal grants	\$ 1,036,331	-	1,036,331
Other contributions and grants	333,500	2,790,000	3,123,500
Net assets released from restrictions	4,856,779	(4,856,779)	-
Total contracts and grants funding	6,226,610	(2,066,779)	4,159,831
Program service revenue	211,544	-	211,544
Interest income	534	-	534
Other income	69,669	-	69,669
Total support and revenues	<u>6,508,357</u>	<u>(2,066,779)</u>	<u>4,441,578</u>
Expenses:			
Program expenses	5,612,809	-	5,612,809
Lease Operations	45,240	-	45,240
Supporting services:			
Management and general	729,619	-	729,619
Fundraising	75,821	-	75,821
Total expenses	<u>6,463,489</u>	<u>-</u>	<u>6,463,489</u>
Change in net assets	44,868	(2,066,779)	(2,021,911)
Net assets, beginning	<u>254,542</u>	<u>6,765,110</u>	<u>7,019,652</u>
Net assets, ending	<u>\$ 299,410</u>	<u>4,698,331</u>	<u>4,997,741</u>

See accompanying notes to financial statements.

NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
STATEMENTS OF CASH FLOWS
Years Ended December 31, 2015 and 2014

	2015	2014
Cash flows from operations:		
Change in net assets	\$ (2,569,574)	\$ (2,021,911)
Adjustments to reconcile net excess to net cash		
Provided by operations:		
Depreciation	51,824	15,545
(Increase) decrease in assets:		
Receivables	(44,390)	31,949
Promises to give	750,000	4,940,000
Prepaid expenses	29,966	(30,013)
Deposits	5,602	19,848
(Decrease) increase in liabilities:		
Accounts payable	117,175	55,223
Accrued expenses	(1,452)	9,955
Deferred revenue	(18,855)	37,079
Net cash provided (used) by operations	(1,679,704)	3,057,675
Cash flows from investing activities:		
Cash used for purchase of property and equipment	(35,866)	(1,297,211)
Investment in partnership	(1,040,000)	-
Net cash used from investing activities	(1,075,866)	(1,297,211)
Cash flows from financing activities:		
Cash from (payment of) long-term debt	(22,385)	1,036,276
(Decrease) increase in cash	(2,777,955)	2,796,740
Cash, beginning of year	3,590,807	794,067
Cash, end of year	\$ 812,852	\$ 3,590,807
Supplemental disclosures:		
Interest paid	\$ 54,255	\$ 28,989

See accompanying notes to financial statements.

NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	<u>Program Expense</u>	<u>Lease Operations</u>	<u>Supporting Services</u>			<u>Total 2015</u>
			<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Grants	\$ 2,786,901	-	-	-	-	2,786,901
Salaries, benefits, and payroll taxes	1,084,656	2,043	533,838	105,090	638,928	1,725,627
Professional services	744,044	9	35,171	5,082	40,253	784,306
Travel	190,747	-	1,705	5,998	7,703	198,450
Conferences, conventions, and meetings	159,638	-	11,618	390	12,008	171,646
Building occupancy	30,785	16,938	14,477	2,983	17,460	65,183
Interest expense	24,069	16,008	11,846	2,332	14,178	54,255
Depreciation expense	27,214	8,580	13,394	2,636	16,030	51,824
Office expenses	32,906	-	15,275	2,902	18,177	51,083
Information technology	7,914	-	4,410	394	4,804	12,718
Staff and training development	8,300	-	2,228	-	2,228	10,528
Insurance	3,209	-	1,580	311	1,891	5,100
Federal income tax	-	4,200	-	-	-	4,200
Total expenses	\$ 5,100,383	47,778	645,542	128,118	773,660	5,921,821

See accompanying notes to financial statements.

NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2014

	<u>Program Expense</u>	<u>Lease Operations</u>	<u>Supporting Services</u>			<u>Total 2014</u>
			<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>	
Grants	\$ 3,579,500	-	-	-	-	3,579,500
Salaries, benefits, and payroll taxes	1,043,241	1,449	553,232	65,592	618,824	1,663,514
Professional services	480,427	-	75,276	3,207	78,483	558,910
Travel	231,741	-	27,394	909	28,303	260,044
Conferences, conventions, and meetings	166,526	-	5,832	-	5,832	172,358
Building occupancy	9,056	24,745	4,802	570	5,372	39,173
Rent	42,056	-	22,302	2,644	24,946	67,002
Office expenses	30,307	1,596	11,370	1,348	12,718	44,621
Interest expense	10,595	12,108	5,619	666	6,285	28,988
Information technology	8,160	-	13,457	387	13,844	22,004
Depreciation expense	6,404	5,342	3,396	403	3,799	15,545
Advertising and public relations outreach	1,067	-	5,920	-	5,920	6,987
Staff and training development	2,213	-	215	-	215	2,428
Insurance	1,516	-	804	95	899	2,415
Total expenses	\$ 5,612,809	45,240	729,619	75,821	805,440	6,463,489

See accompanying notes to financial statements.

NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 1 - Nature of Organization

National Association for Latino Community Asset Builders (NALCAB) is a 501(c)(3) non-profit organization that was incorporated on September 11, 2002. NALCAB's mission is to build financial and real estate assets as well as human and technology resources for Latino families, communities and organizations. The organization considers itself to be the national voice for a geographically and ethnically diverse group of Latino-led community development corporations (CDC), community development finance institutions (CDFI's) and other community-based organizations that focus on asset building projects. NALCAB's members serve Latino communities by developing affordable housing, implementing economic development strategies, providing consumer education services and providing wealth-building products and services. NALCAB funds its programs through federal grants, foundation grants and through donations.

Note 2 - Significant Accounting Policies

Financial Statement Presentation

NALCAB's financial statements have been prepared on the accrual basis of accounting following current pronouncements applicable to non-profit organizations.

Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, NALCAB's net assets and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are the remaining part of NALCAB's net assets that are neither permanently restricted nor temporarily restricted by donor-imposed stipulations.

Temporarily restricted net assets – Net assets that result from contributions and other inflow of assets that are limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of NALCAB pursuant to those stipulations. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions

Contributions received are recorded as unrestricted or temporarily restricted support depending on the existence or nature of any donor restrictions.

NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 2 - Significant Accounting Policies (Continued)

Functional Expenses

NALCAB's costs for programs and supporting services have been reported on a functional basis. This requires the allocation of certain costs among the various programs and supporting services based on estimates made by management. For purposes of the statement of functional expenses, program services include all direct program expenses plus allocated indirect expenses determined by management to benefit programs operated by NALCAB.

Partnership

Investment in partnership is accounted for using the equity method of accounting.

Deferred Revenue

Income drawn from grant awards and not expensed is deferred and will be recognized in the periods in which expenses for the grant are incurred. Funds received in advance of performing fee-for-service contracts is recognized as a liability and will be recognized as revenue when the services are performed.

Estimates

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

Tax Status

NALCAB is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. The three fiscal years under the statute of limitations (December 31, 2015, 2014 and 2013) remain open and subject to examination by Federal jurisdictions.

Cash and Cash Equivalents

For purpose of the statement of cash flows, NALCAB considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 2 - Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment is stated at cost at date of acquisition or fair market value at the date of gift. All items over \$2,500 are capitalized. Depreciation on equipment is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Building	30 years
Building Improvements	5-15 years
Equipment	3-7 years

Note 3 – Receivables and Promises to Give

Receivables and promises to give consist of the following:

		<u>2015</u>	<u>2014</u>
Federal grants	\$	264,658	245,567
Foundations		310,000	1,060,000
Other organizations		138,060	112,761

NALCAB considers accounts receivable to be fully collectible. Therefore, no allowance for doubtful accounts is reported.

Note 4 – Property and Equipment

Property and equipment, partially pledged, and accumulated depreciation at December 31, 2015 and 2014 are summarized as follows:

		<u>2015</u>			
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Life</u>	<u>Method</u>
Land	\$ 280,000	-	280,000	-	-
Buildings	614,883	26,758	588,125	30 yrs	S/L
Building improvements	266,482	9,623	256,859	30 yrs	S/L
Furniture, fixtures and equipment	<u>202,113</u>	<u>46,682</u>	<u>155,431</u>	5-30 yrs	S/L
	\$ <u>1,363,478</u>	<u>83,063</u>	<u>1,280,415</u>		

Depreciation expense for the year was \$51,826.

NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 4 – Property and Equipment (continued)

		<u>2014</u>			
	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Book Value</u>	<u>Life</u>	<u>Method</u>
Land	\$ 280,000	-	280,000	-	-
Buildings	614,883	6,262	608,621	30 yrs	S/L
Building improvements	266,482	740	265,742	30 yrs	S/L
Furniture, fixtures and equipment	<u>166,247</u>	<u>24,236</u>	<u>142,011</u>	5-30 yrs	S/L
	<u>\$ 1,327,612</u>	<u>31,238</u>	<u>1,296,374</u>		

Depreciation expense for the year was \$15,545.

Note 5 – Investment in Partnership

Pursuant to a \$6 million grant received from JP Morgan Chase Foundation, NALCAB and three other entities (NALCAB CDFI Cluster) entered into an agreement to capitalize a new social investment fund to produce and preserve affordable housing opportunities that advance economic mobility for low- and moderate-income households in predominately Latino communities. The NALCAB CDFI Cluster used \$2.6 million to form NALCAB Network Investors, LLC, a Delaware-based LLC, treated as a partnership for tax purposes, to establish its ownership stakes in the social investment fund which is raising capital from investors.

As of December 31, 2015, the members of NALCAB CDFI Cluster have made the following capital contributions to NALCAB Network Investors, LLC:

RGV Tierra Properties, LLC.	\$ 520,000
Prestamos CDFI, LLC	520,000
Colorado Housing Enterprises, LLC	520,000
NALCAB	<u>1,040,000</u>
	<u>\$ 2,600,000</u>

Note 6 - Related Party Transactions

In the ordinary course of business, NALCAB provided sub-grants to member organizations who have representation on the Board of NALCAB. During the years ended December 31, 2015 and 2014, grants to member organizations amounted to \$760,575 and \$1,045,000, respectively.

NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 7 – Deferred Revenue

NALCAB records grant awards accounted for as exchange transactions and advances on fee-for-service contracts as deferred revenue until related services are performed, at which time they are recognized as revenue. The activity in the deferred revenue account is reported as follows:

Deferred revenue, beginning of year	\$	62,579
Grant awards and other advances		147,500
Performance on grants and contracts		<u>(166,355)</u>
Deferred revenue, end of year	\$	<u><u>43,724</u></u>

In addition to deferred revenue, NALCAB has six grant awards on which it has the availability to draw \$3,490,616.

Note 8 - Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 consists of the following:

Donor	As of December 31, 2014	Received Contributions	Current Year Released	As of December 31, 2015
Wal-Mart (Sam's Club) \$	1,175,221	-	(902,742)	272,479
NWAF	-	510,000	(270,167)	239,833
Surdna	-	300,000	(103,455)	196,545
Citi	60,301	300,000	(221,057)	139,244
JPM Chase	3,282,809	-	(3,207,851)	74,958
BB&T	-	50,000	(20,000)	30,000
MRBF	100,000	-	(100,000)	-
Ford	80,000	-	(80,000)	-
Total	\$ 4,698,331	1,160,000	(4,905,272)	953,059

NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 9 – Long-term Debt

Long-term debt consists of the following:

	2015
Note payable to Wells Fargo Bank, N.A., dated January 30, 2015 bearing interest at 5.25%, payable in monthly installments of \$6,212 including principal and interest, maturing October 1, 2024, secured by building.	\$ 892,605
Note payable to Wells Fargo Equipment Finance, Inc. dated February 3, 2015, bearing interest at 4.35%, payable in monthly installments of \$3,422 including principal and interest, maturing February 3, 2019, secured by equipment.	121,286
Total notes payable	1,013,891
Less current portion	(64,081)
Long-term debt, net of current portion	\$ 949,810

Note 10 – Federal Grants

Federal grants were as follows:

<u>Name of Grant</u>	2015	2014
NSP2 - Chicanos Por La Causa	\$ 27,806	\$ 128,002
HUD-Fair Housing Initiative Program	6,505	1,082
HUD-One CPD	508,969	721,492
HUD Rural Capacity Building	338,877	57,451
SBA PRIME	246,183	9,261
Department of Education – Mission Promise Neighborhood Program	30,956	119,043
	\$ 1,159,296	\$ 1,036,331

NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
NOTES TO FINANCIAL STATEMENTS
December 31, 2015 and 2014

Note 11- Concentration of Credit Risk

Financial instruments which potentially subject NALCAB to credit risk consist principally of cash accounts and accounts receivable. NALCAB places its cash accounts at highly rated local banks and they may at times exceed the federally insured limit of \$250,000.

Historically, NALCAB has not incurred any significant credit related losses.

Note 12 – Contingencies

NALCAB's programs are partially supported through federal programs that are governed by various rules and regulations. Expenses charged to the grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that NALCAB has not complied with the rules and regulations governing the grants, refunds of any money received may be required.

In the opinion of management, there are no contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provisions have been made in the accompanying financial statements for such contingencies.

The financial instruments for NALCAB include cash and cash equivalents, accounts receivables, prepaid expenses, other assets, and accounts payable. The carrying amounts reported in the statements of financial position approximate fair values because of the short maturities of those instruments.

Note 13 - Retirement Plan

NALCAB has a 401(k) retirement plan that matches up to 3% for all eligible employees who contribute. Contributions of \$31,571 and \$29,929 were made to the plan for 2015 and 2014.

Note 14 - Subsequent Events

NALCAB evaluates subsequent events in accordance with ASC Topic No. 855, "*Subsequent Events*" (formally SFAS No. 165). The guidance requires an entity to disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. In preparing these financial statements, NALCAB has evaluated events and transactions for potential recognition or disclosure through April 29, 2016, the date the financial statements were available to be issued. NALCAB has determined there are no subsequent events requiring disclosure.

SINGLE AUDIT COMPLIANCE INFORMATION

NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2015

Schedule 1

Federal Agency/ Pass through Agency	CFDA Number	Grant Number	Expended During the Year Ended
Department of Housing and Urban Development			
Fair Housing Initiatives Program (FHIP)	14.408	FH200G15003	\$ 6,505
One CPD	14.259	O-10-TA-TX-0010	43,514
One CPD	14.259	O-11-TA-TX-0016	465,455
Rural Capacity Building	14.265	B-13-RCB-TX-001	334,957
Rural Capacity Building	14.265	B-14-RCB-TX-001	3,920
Pass Through:			
Chicanos Por La Causa (CPLC) - NSP 2	14.264		27,806
US Small Business Administration			
PRIME 2014	59.050	SBAHQ-14-PR-0017	240,739
PRIME 2015	59.050	SBAHQ-15-PR-0039	5,444
Department of Education			
Sub Contractor Work:			
Promise Neighborhoods Program (MPN)	84.215	U215N120046	30,956
Total expenditures of federal awards			\$ <u><u>1,159,296</u></u>

See accompanying notes to schedule of expenditures of federal awards.

NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
December 31, 2015

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the National Association for Latino Community Asset Builders and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Uniform Guidance, “Audits of States, Local Governments, and Non-Profit Organizations.” Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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**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
National Association for Latino Community Asset Builders

We have audited the financial statements of National Association for Latino Community Asset Builders as of and for the year ended December 31, 2015, and have issued our report thereon dated April 29, 2016. 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

In planning and performing our audit, we considered National Association for Latino Community Asset Builder'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 National Association for Latino Community Asset Builder's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of National Association for Latino Community Asset Builder's internal control over financial reporting.

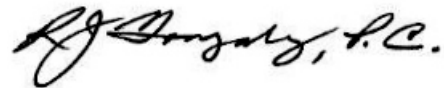
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and 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 National Association for Latino Community Asset Builder'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 and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "R. J. Douglas, P.C.", is positioned to the right of the date.

April 29, 2016

RINALDO J. GONZALEZ
A Professional Corporation
CERTIFIED PUBLIC ACCOUNTANT
7800 IH 10 West - Suite 505
San Antonio, Texas 78230

(210) 366-9430 FAX (210) 366-9451

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Board of Directors
National Association for Latino Community Asset Builders

Report on Compliance for Each Major Federal Program

We have audited National Association for Latino Community Asset Builder's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of National Association for Latino Community Asset Builder's major federal programs for the year ended December 31, 2015. National Association for Latino Community Asset Builder's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Managements Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of National Association for Latino Community Asset Builder's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance 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 National Association for Latino Community Asset Builder 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 program. However, our audit does not provide a legal determination of National Association for Latino Community Asset Builder's compliance.

Opinion on Each Major Federal Program

In our opinion, National Association for Latino Community Asset Builders complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

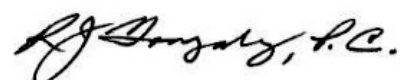
Report on Internal Control Over Compliance

Management of National Association for Latino Community Asset Builders is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered National Association for Latino Community Asset Builder's internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with Uniform Guidance, 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 National Association for Latino Community Asset Builder'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 the 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 for the information of the audit committee, management, others within the organization and federal and state awarding entities and is not intended to be and should not be used by anyone other than these specified parties.



April 29, 2016

**NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2015**

<u>Program</u>	<u>Prior Year's Finding/Noncompliance Questioned Costs</u>
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	None.
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**NATIONAL ASSOCIATION FOR LATINO COMMUNITY ASSET BUILDERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year ended December 31, 2015**

Summary of Auditors' Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Non-compliance material to the financial statements.	None

Federal Awards

Internal control over major programs:	
Material weakness(es) identified	None
Significant deficiencies identified that are not considered to be material weakness(es)	None
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	None

Major Programs

Federal Programs

CFDA 14.265 Department of Housing and Urban Development, Rural Capacity Building for Community Development and Affordable Housing Grants

Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee	Yes

Findings – Financial Statements Audit None

Findings and Questioned Costs – Major Federal Programs Audit None