

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Financial Statements
June 30, 2022

Douglas M. Smith & Co. CPA's
Fresno, CA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Latino Commission on Alcohol and Drug Abuse Services, Inc.

Opinion

We have audited the accompanying financial statements of Latino Commission on Alcohol and Drug Abuse Services, Inc., (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Latino Commission on Alcohol and Drug Abuse Services, Inc. as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Latino Commission on Alcohol and Drug Abuse Services, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Latino Commission on Alcohol and Drug Abuse Services, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Latino Commission on Alcohol and Drug Abuse Services, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Latino Commission on Alcohol and Drug Abuse Services, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepared the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022, on our consideration of Latino Commission on Alcohol and Drug Abuse Services, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Latino Commission on Alcohol and Drug Abuse Services, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Latino Commission on Alcohol and Drug Abuse Services, Inc.'s internal control over financial reporting and compliance.



Fresno, California
December 21, 2022

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Statement of Financial Position
June 30, 2022

	2022
ASSETS	
Cash and Cash Equivalents	\$ 476,172
Receivables	6,525
Other Current Assets	24,012
Total Current Assets	506,709
Property and Equipment	1,364,988
Accumulated Depreciation	(436,146)
Total Property and Equipment	928,842
TOTAL ASSETS	\$ 1,435,551
 LIABILITIES AND NET ASSETS	
Accrued Expenses	\$ 244,367
Unearned Advances	207,686
Accounts Payable	40,232
Bank Lines of Credit	24,507
Other Payables	9,197
Notes Payable - Short Term	4,559
Total Current Liabilities	530,548
Loans Payable - Long Term	890,817
TOTAL LIABILITIES	1,421,365
 NET ASSETS	
Without Donor Restrictions	14,186
TOTAL NET ASSETS	14,186
TOTAL LIABILITIES AND NET ASSETS	\$ 1,435,551

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

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2022

	2022
<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>	
Revenues and Gains	
Program Service Revenues:	
San Francisco County	\$ 1,548,133
San Mateo County	1,102,229
Contra Costa County	13,402
Foundations/Corp	221,248
Program Income	15,685
Other Income	38,231
TOTAL REVENUES AND GAINS WITHOUT DONOR RESTRICTIONS	2,938,928
EXPENSES	
Program Services	2,405,126
Management and General	505,384
TOTAL EXPENSES	2,910,510
INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	28,418
OTHER CHANGES	200
NET ASSETS AT BEGINNING OF YEAR	(14,432)
NET ASSETS AT END OF YEAR	\$ 14,186

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

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Statement of Functional Expenses
For the Year Ended June 30, 2022

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING	2022 TOTAL
Salaries & Benefits	\$ 1,286,452	\$ 250,928	\$ -	\$ 1,537,380
Fringe Benefits/Taxes	281,937	81,719	-	363,656
Professional fees	156,802	36,360	-	193,162
Program Expenses	109,967	4,670	-	114,637
Communications	57,894	2,219	-	60,113
Occupancy Expenses	457,553	45,694	-	503,247
Depreciation Expense	3,358	40,082	-	43,440
Client Services	17,232	-	-	17,232
Travel/Conference	19,132	714	-	19,846
Other Expense	14,799	42,998	-	57,797
Total Functional Expenses	<u>\$ 2,405,126</u>	<u>\$ 505,384</u>	<u>\$ -</u>	<u>\$ 2,910,510</u>

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

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Statement of Cash Flows
For the Year Ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2022</u>
Net Changes in Unrestricted Net Assets	\$ 28,618
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:	
Depreciation Expense	43,441
(Increase) decrease in operating assets:	
Grants Receivable	108,392
Prepaid Expenses	(1,686)
Employee Loan	(350)
Increase (decrease) in operating liabilities:	
Accounts Payable	(21,597)
Accrued Expenses	20,608
Unearned Advances	(10,866)
<u>NET CASH PROVIDED BY OPERATING ACTIVITIES</u>	<u>166,560</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments made on short term borrowing	(4,560)
Payments made on long-term debt	(18,661)
<u>NET CASH USED BY INVESTING ACTIVITIES</u>	<u>(23,221)</u>
NET INCREASE IN CASH	143,339
CASH AT BEGINNING OF YEAR	<u>332,833</u>
CASH AT END OF YEAR	<u>\$ 476,172</u>
Interest paid	<u>\$ 10,209</u>

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

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Statement of Expenses by Program Services
For the Year Ended June 30, 2022

	YOUTH SERVICES	OUTPATIENT SERVICES	RESIDENTIAL SERVICES	OTHER SERVICES	2022 TOTALS
Salaries and Wages	\$ 43,009	\$ 366,727	\$ 834,481	\$ 42,235	\$ 1,286,452
Fringe Benefits/Taxes	1,492	83,645	174,164	22,636	281,937
Professional fees	14,357	26,030	75,853	40,562	156,802
Program Expenses	7,729	28,615	64,216	9,407	109,967
Communications	635	15,508	40,236	1,515	57,894
Occupancy Expenses	30	175,998	268,882	12,643	457,553
Depreciation Expense	-	-	3,358	-	3,358
Client Services	6,000	477	8,744	2,011	17,232
Travel/Conference	3,161	2,493	8,187	5,291	19,132
Other Expense	22	1,368	5,745	7,664	14,799
Total Expenses	<u>\$ 76,435</u>	<u>\$ 700,861</u>	<u>\$ 1,483,866</u>	<u>\$ 143,964</u>	<u>\$ 2,405,126</u>

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

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Notes to the Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies

Nature of Activities

The Latino Commission provides a multitude of services throughout the counties of San Francisco, San Mateo, and Tulare. The Organization currently employs twelve programs – eight for adults, and four for youth and transitional age youth – which include five certified and state-licensed substance abuse residential recovery facilities. Their services include intensive, outpatient, and mental health treatment services; health education; domestic violence, teen pregnancy, coming of age gender specific, parenting classes and public awareness prevention programs; safety net services for teens and adults; and distribution of emergency food and clothing for families.

The Organization adopts a philosophy that is rooted in indigenous principles and honors culture values and traditions. The implementation of this philosophy is conducted through an incorporation of bicultural and bilingual staff; many of whom are residential treatment program graduates and community members who serve as role models, surrogate family members, and cultural brokers.

Method of Accounting

The financial statements of the Organization have been prepared on the accrual basis. The statements report the financial activities of the Organization related to the current reporting period.

Financial Statement Presentation

The Organization accounts for contributions in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, Not-for-Profit Entities, contributions received are recorded in two groups as net assets without donor restrictions or net assets with donor restrictions, depending on the existence or nature of any donor restrictions.

The Organization is required to report information regarding its financial position and activities according to two classes of net assets, net assets with donor restrictions and net assets without donor restrictions. The net assets without donor restrictions fund is utilized to record certain donations, fund-raising income and other forms of unrestricted revenue and expenditures related to the general operations and fund-raising efforts of the Organization. The fund balance is expected to be utilized for the next year's operations. The net assets with donor restrictions fund is utilized to record resources received that are restricted as to the use by the donor or grantor. When the restriction expires, the net assets of this fund are generally reclassified to net assets without donor restrictions.

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Notes to the Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

Cost Allocation

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis consistently applied.

The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time and effort. The Organization proportionately distributes costs based on the number of Full-Time Equivalents per activity.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Revenue Recognition

Revenue from county grants is recognized on an accrual basis and earned when services are provided. Revenue from cost reimbursable grants is recorded to the extent of expenses incurred and in accordance to grant provisions.

Income Taxes

The organization has been determined to be exempt from Federal and California Franchise taxes under Section 501(c)(3) of the Internal Revenue Service Code and 23701(d) of the State of California Revenue and Taxation Code.

Use of 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.

Property and Equipment

Fixed Asset acquisitions are recorded at cost or, in the case of donated property, at their estimated fair market value at date of receipt. The Organization capitalizes all assets of \$3,000 or more. Depreciation is computed on the straight-line methods over the useful life of assets, which ranges from five to seven years. Repairs and maintenance are charged to operating expenses as incurred.

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Notes to the Financial Statements
June 30, 2022

Note 2 – Cash and Cash Equivalents

The June 30, 2022 cash balance was \$476,172. The cash balance was composed as follows:

	2022
General Account	\$ 268,759
Payroll Account	110,861
Program Accounts	93,881
Savings	1,354
Petty Cash	1,317
	\$ 476,172

Deposits at financial institutions exceeded FDIC limits by \$224,855 at June 30, 2022

Note 3 – Concentration of Credit Risk

The Organization received 53% of its revenues from the City and County of San Francisco and 38% of its revenues from the County of San Mateo. Any decrease in this funding would significantly impact revenues. The Organization operates locations in the Bay Area and Central Valley and is subject to market risk in those geographic areas.

Note 4 – Grants Receivable

Reported in the Statement of financial position as grants receivable are costs incurred on grants but not reimbursed as of June 30, 2022. Grants Receivables were as follows:

	2022
San Francisco County	\$ 4,098
San Mateo County	1,708
Other Receivables	719
	\$ 6,525

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Notes to the Financial Statements
June 30, 2022

Note 5 – Property and Equipment

Property and equipment consist of the following at June 30, 2022:

	2022			Total
	Beginning	Additions	Deletions	
Land	\$ 676,592	-	-	\$ 676,592
Buildings	254,979	-	-	254,979
Furniture, Equipment, Computers	181,775	-	-	181,775
Vehicles	211,154	-	-	211,154
Improvements	40,488	-	-	40,488
Total Assets	1,364,988	-	-	1,364,988
Less Accumulated Depreciation	(392,706)	(43,440)	-	(436,146)
Assets Net of Depreciation	<u>\$ 972,282</u>			<u>\$ 928,842</u>

Note 6 – Lease Commitments

The Latino Commission is leasing its headquarters at 1001 Sneath Lane, No. 307, San Bruno, CA 94066, under a 10-year lease. Monthly rent of \$11,365 is due beginning of the month. Rent is adjusted annually in accordance with the lease agreement.

The Organization conducts its residential operations from leased facilities in San Mateo and San Francisco County. All leases are on a month-to-month basis.

As of June 30, 2022, the future minimum operating lease payments under these leases is as follows:

	2023	2024	2025	2026	2027
Headquarters - San Bruno	\$ 140,477	\$ 144,691	\$ 149,032	\$ 153,503	\$ 158,108
Residential Operations	274,508	274,508	274,508	274,508	274,508
	<u>\$ 414,985</u>	<u>\$ 419,199</u>	<u>\$ 423,540</u>	<u>\$ 428,011</u>	<u>\$ 432,616</u>

Note 7 – Simple Retirement Plan

The Organization has a tax-deferred defined contribution pension plan qualified under Section 401(k) of the Internal Revenue Code. The Organization contributes up to 4% of gross salaries for qualified employees to the plan. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. The Organization contributed \$27,508 to the plan for the fiscal year ended June 30, 2022.

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Notes to the Financial Statements
June 30, 2022

Note 8 – Loans Payable

The Organization has a loan payable to Revfinn Ltd., a California Limited Partnership. The loan is for property located at 13129 Antonia Avenue, Cutler CA. The original loan was for \$189,945. Monthly principal amount due is \$306. Future loan repayments are as follows:

Future Loan Repayments:

2023	\$ 4,559
2024	5,112
2025	5,624
2026	6,136
2027	6,682
Thereafter	125,638
Total Payments	\$ 153,751

The Organization has a loan payable to San Mateo County, Department of Housing for a loan amount of \$741,625. The loan is noninterest bearing and matures in 2046. The loan amount will be forgiven in five equal shares beginning in 2042. No principal payments are due from the Organization for the term of the loan.

Note 9 - Contingencies

The Organization receives the majority of its revenues from government grants and contracts all of which are subject to audit. Granting agencies may perform periodic audits and costs may be questioned as not being reimbursable under the terms of the grant or contract. Such audits could lead to reimbursement to the granting agency. Until such audits have been completed and full settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. The June 30, 2022 financial statements do not include any adjustment for any liability that may result from any actions of the grantor agencies.

During the fiscal year, the Organization faced two lawsuits.

The first lawsuit, regarding a labor dispute, had little to no risk of assertion on such claims as per the Organization's lawyers.

The second lawsuit, regarding a wrongful death and elder abuse, has a probability of loss that has yet to be determined. Hearings regarding the claims are scheduled to take place during the subsequent fiscal year. The Organization is adequately insured to cover such matters.

Note 10 – Related Party Transactions

During the fiscal year, the Organization employed the consulting services of Luke Camarillo, the brother to the Executive Director. Amounts paid to Luke Camarillo were less than \$20,000.

Amounts owed to Luke Camarillo at June 30, 2022 amounted to \$2,920.

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Notes to the Financial Statements
June 30, 2022

Note 11 – Subsequent Events

Management has evaluated subsequent events through December 21, 2022, the date the report was available to be issued. The Organization did not close during the United States COVID-19 pandemic.

Since March 11, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, businesses are being forced to cease or limit operations for long or indefinite periods of time.

Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown.

Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions. There could potentially be other issues, but none that the Organization is currently aware. The Organization has determined that these events are non-adjusting subsequent events. Accordingly, the statement of net assets available for benefits and the statement of changes in net assets available for benefits for the year ended June 30, 2022 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the statement of net assets available for benefits and the statement of changes in net assets available for benefits of the Plan for future periods.

Note 12 – New Accounting Guidance Implementation

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). Topic 606 supersedes the revenue recognition requirement in FASB ASC 605, *Revenue Recognition*, and requires the recognition of revenue when the promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The new guidance also added Subtopic 340-40, *Other Assets and Deferred Costs – Contracts with Customers*, to the ASC to require the deferral of incremental costs of obtaining a contract with a customer. Collectively, we refer to the new Topic 606 and Subtopic 340-40 as the “new guidance.”

We adopted the requirement of the new guidance as of January 1, 2020, utilizing the full retrospective method of transition. Adoption of the new guidance resulted in changes to our accounting policies and cost recognition, previously described.

The Organization had several contracts in progress as of July 1, 2020 however those contracts did not include material variable consideration components. The difference to revenue and cost recognition-related account balances at June 30, 2022, under the new guidance as opposed to the prior revenue recognition guidance for that contract was determined to be immaterial. Accordingly, no adjustment to beginning retained earnings was necessary.

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Notes to the Financial Statements
June 30, 2022

Note 12 – New Accounting Guidance Implementation (continued)

In February 2016, the FASB issued new guidance that created Topic 842, *Leases*; in the Accounting Standards Codification (ASC). The new guidance establishes principles to report information about assets and liabilities that arise from leases. The new guidance is effective for fiscal years beginning after December 15, 2021.

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-Through Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Total Federal Expenditure
<u>U.S. Department of Health and Human Services:</u>			
Passed through the City and County of San Francisco			
Dept. of Public Health Services			
Outpatient Substance Abuse Program			
Medical Assistance Program	93.778	1000011177	\$ 266,958
Substance Abuse Prevention and Treatment	93.959	1000011177	664,969
Total Outpatient Substance Abuse Program			<u>931,927</u>
Passed through the County of San Mateo			
Dept. of Public Health Services			
Prevention and Education Program			
Substance Abuse Prevention and Treatment	93.959	077759.1	286,310
Total Prevention and Education Program			<u>286,310</u>
Total 93.959 - Substance Abuse Prevention and Treatment			<u>951,279</u>
Total U.S. Department of Health and Human Services			<u>1,218,237</u>
Total Expenditures of Federal Awards			<u>\$ 1,218,237</u>

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Note 1 – Basis of Presentation

The accompanying consolidated schedule of expenditures of federal awards includes the federal award activity of Latino Commission on Alcohol and Drug Abuse Services, Inc. under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Requirements for federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Latino Commission on Alcohol and Drug Abuse Services, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Latino Commission on Alcohol and Drug Abuse Services, Inc.

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 the Uniform Guidance and/or OMB Circular A-122, Cost Principles for Non-Profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – De Minimis Cost Rate

Latino Commission on Alcohol and Drug Abuse Services, Inc. did not elect to use the 10% de minimis cost rate.



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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

To the Board Directors
Latino Commission on Alcohol and Drug Abuse Services, Inc.
San Bruno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Latino Commission on Alcohol and Drug Abuse Services, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, 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 December 21, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Latino Commission on Alcohol and Drug Abuse Services, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Latino Commission on Alcohol and Drug Abuse Services, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Latino Commission on Alcohol and Drug Abuse Services, Inc.'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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to 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 weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Latino Commission on Alcohol and Drug Abuse Services, Inc.'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 financial statements. 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 not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to be 'D.M.', is located above the typed text.

Fresno, California
December 21, 2022



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE**

To the Board of Directors
Latino Commission on Alcohol and Drug Abuse Services, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Latino Commission on Alcohol and Drug Abuse Services, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Latino Commission on Alcohol and Drug Abuse Services, Inc.'s major federal programs for the year ended June 30, 2022. Latino Commission on Alcohol and Drug Abuse Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Latino Commission on Alcohol and Drug Abuse Services, Inc. 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 June 30, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Latino Commission on Alcohol and Drug Abuse Services, Inc. and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Latino Commission on Alcohol and Drug Abuse Services, Inc.'s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Latino Commission on Alcohol and Drug Abuse Services, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Latino Commission on Alcohol and Drug Abuse Services, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Latino Commission on Alcohol and Drug Abuse Services, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Latino Commission on Alcohol and Drug Abuse Services, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Latino Commission on Alcohol and Drug Abuse Services, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Latino Commission on Alcohol and Drug Abuse Services, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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.

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 program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to be 'RJC', is located above the typed text.

Fresno, California
December 21, 2022

Latino Commission on Alcohol and Drug Abuse Services, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2022

Section I - Summary of Auditor Results

Type of auditor's report issued (financial statements):	Unmodified			
Internal control over financial statements: (Section II)				
Material weakness(es) identified?	_____	yes	_____ X _____	no
Significant deficiency(ies) identified- not considered to be material weaknesses?	_____	yes	_____ X _____	no
Noncompliance material to financial statements noted? (Section II)	_____	yes	_____ X _____	no
Internal control over major federal award programs: (Section III)				
Material weakness(es) identified?	_____	yes	_____ X _____	no
Significant deficiency(ies) identified- not considered to be material weaknesses?	_____	yes	_____ X _____	no
Type of auditor's report issued (federal award programs):	Unmodified			
Findings required to be reported under required under under 2 CFR Section 200.516(a). (Section III)	_____	yes	_____ X _____	no
<u>Name of Major Program</u>	<u>CFDA No.</u>		<u>Expenditure</u>	
Substance Abuse Prevention and Treatment	93.959		\$ 951,279	
Dollar threshold used to distinguish between type A and type B program			_____ \$750,000 _____	
Low Risk Auditee	_____ X _____	yes	_____ no _____	
Prior year findings and questioned costs	_____	yes	_____ X _____	no

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2022

Section II – Financial Statement Findings

N/A

Section III – Federal Award Findings and Questioned Costs

N/A