

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Financial Statements
June 30, 2023

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, 2023, 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, 2023, 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, 2023, 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, 2023

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Statement of Financial Position
June 30, 2023

	2023
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 128,169
Receivables	588,424
Other Current Assets	18,730
Total Current Assets	735,323
Noncurrent Assets	
Operating Lease Right-of-Use Asset	431,594
Property and Equipment (net of Accumulated Depreciation of \$471,087)	893,901
Total Noncurrent Assets	1,325,495
TOTAL ASSETS	\$ 2,060,818
 LIABILITIES AND NET ASSETS	
Current Liabilities	
Unearned Advances	\$ 397,477
Current Operating Lease Liability	370,339
Accrued Expenses	230,807
Accounts Payable	82,222
Bank Lines of Credit	21,044
Notes Payable - Current	7,374
Total Current Liabilities	1,109,263
Long-term Liabilities	
Notes Payable - Noncurrent	886,011
Operating Lease Liabilities	47,069
Total long-term Liabilities	933,080
TOTAL LIABILITIES	2,042,343
 NET ASSETS	
Without Donor Restrictions	18,475
TOTAL NET ASSETS	18,475
TOTAL LIABILITIES AND NET ASSETS	\$ 2,060,818

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, 2023

	2023
<u>CHANGES IN NET ASSETS WITHOUT DONOR RESTRICTIONS</u>	
Revenues and Gains	
Program Service Revenues:	
San Francisco County	\$ 1,716,557
San Mateo County	1,213,424
Foundations/Corp	318,360
Program Income	21,915
Other Income	44,224
TOTAL REVENUES AND GAINS WITHOUT DONOR RESTRICTIONS	3,314,480
 EXPENSES	
Program Services	2,811,807
Management and General	498,384
TOTAL EXPENSES	3,310,191
 INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	4,289
 OTHER CHANGES	
 NET ASSETS AT BEGINNING OF YEAR	14,186
 NET ASSETS AT END OF YEAR	\$ 18,475

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, 2023

	PROGRAM SERVICES	MANAGEMENT & GENERAL	FUNDRAISING	2023 TOTAL
Salaries & Benefits	\$ 1,580,706	\$ 278,467	\$ -	\$ 1,859,173
Fringe Benefits/Taxes	288,357	82,011	-	370,368
Professional fees	173,949	38,904	-	212,853
Program Expenses	153,031	2,075	-	155,106
Communications	51,188	238	-	51,426
Occupancy Expenses	473,194	23,144	-	496,338
Depreciation Expense	-	34,941	-	34,941
Client Services	30,152	-	-	30,152
Travel/Conference	42,665	354	-	43,019
Other Expense	18,565	38,250	-	56,815
Total Functional Expenses	<u>\$ 2,811,807</u>	<u>\$ 498,384</u>	<u>\$ -</u>	<u>\$ 3,310,191</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, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2023</u>
Net Changes in Unrestricted Net Assets	\$ 4,289
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:	
Depreciation Expense	34,941
(Increase) decrease in operating assets:	
Grants Receivable	(581,899)
Prepaid Expenses	3,382
Employee Loan	400
Inventory Asset	1,500
Amortization of Right-of-Use Asset	347,326
Payments of Lease Liability	(361,512)
Increase (decrease) in operating liabilities:	
Accounts Payable	41,990
Accrued Expenses	(13,560)
Unearned Advances	<u>189,791</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>(333,352)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Payments made on short term borrowing	(3,463)
Payments made on long-term debt	<u>(11,188)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(14,651)</u>
NET DECREASE IN CASH	(348,003)
CASH AT BEGINNING OF YEAR	<u>476,172</u>
CASH AT END OF YEAR	<u>\$ 128,169</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, 2023

	YOUTH SERVICES	OUTPATIENT SERVICES	RESIDENTIAL SERVICES	OTHER SERVICES	2023 TOTALS
Salaries and Wages	\$ 110,761	\$ 436,444	\$ 1,008,632	\$ 24,869	\$ 1,580,706
Fringe Benefits/Taxes	21,674	85,556	180,463	664	288,357
Professional fees	1,450	33,279	92,829	46,391	173,949
Program Expenses	16,583	29,473	88,705	18,270	153,031
Communications	910	19,233	30,792	253	51,188
Occupancy Expenses	-	190,961	282,233	-	473,194
Client Services	14,334	1,383	11,988	2,447	30,152
Travel/Conference	4,966	4,838	14,318	18,543	42,665
Other Expense	67	4,973	13,525	-	18,565
Total Expenses	<u>\$ 170,745</u>	<u>\$ 806,140</u>	<u>\$ 1,723,485</u>	<u>\$ 111,437</u>	<u>\$ 2,811,807</u>

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

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.

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. Expenses such as compensation and benefits are allocated on the basis of estimates of time and effort, The Organization proportionately distributes common costs based on the number of Full-Time Equivalents per activity. If required by the funding source, a bottom-line allocation is used.

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.

Leases

The Latino Commission adopted FASB ASU No. 2016-02, Leases (Topic 842), as amended. This guidance is intended to improve financial reporting of lease transaction sby requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than 12 months.

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Notes to the Financial Statements
June 30, 2023

Note 1 – Summary of Significant Accounting Policies (continued)

Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. The adoption did not result in a significant effect on the net amounts reported in the statement of activities for the year ended June 30, 2023.

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2021-09, Leases (Topic 842): Discount Rate for Lessees That Are Not Public Business Entities, allowing lessees that are not public business entities to use a risk-free discount rate for leases instead of its incremental borrowing rate as an accounting policy election made by class of underlying asset as opposed to at the entity level. The Latino Commission has elected to adopt this method effective July 1, 2022.

Note 2 – Cash and Cash Equivalents

The June 30, 2023 cash balance was \$128,169. The cash balance was composed as follows:

	2023
General Account	\$ 18,276
Payroll Account	44,591
Program Accounts	62,378
Savings	1,506
Petty Cash	1,418
	\$ 128,169

Deposits at financial institutions were fully insured under FDIC limits at June 30, 2023.

Note 3 – Concentration of Credit Risk

The Organization received 52% of its revenues from the City and County of San Francisco and 37% 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, 2023. Grants Receivables were as follows:

	2023
San Francisco County	\$ 580,249
San Mateo County	8,000
Other Receivables	175
	\$ 588,424

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Notes to the Financial Statements
June 30, 2023

Note 5 – Property and Equipment

Property and equipment consist of the following at June 30, 2023:

	2023			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	(436,146)	(34,941)	-	(471,087)
Assets Net of Depreciation	<u>\$ 928,842</u>			<u>\$ 893,901</u>

Note 6 – Operating Leases

The Latino Commission evaluated current office and equipment contracts to determine which met the criteria of a lease. The Right-Of-Use (“ROU”) asset represents the Organization’s obligation to make lease payments arising from these leases. The ROU assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms.

The discount rate applied to calculate lease liabilities as of July 1 varied per lease; these rates range from 0.17% to 3%. The initial ROU asset and liability recorded at July 1, 2022 was \$778,920. The lease expense will be recognized on a straight-line basis over the lease term.

Future maturities of the lease liabilities are as follows:

2024	\$ 370,339
2025	47,069
	<u>\$ 417,408</u>

The underlying ROU Asset related to the above liability is as follows:

ROU Asset balance at July 1, 2022	\$ 778,920
Less: Amortization of lease	(347,326)
ROU Asset Balance at June 30, 2023	<u>\$ 431,594</u>

Rent expense under operating leases for the year ended June 30, 2023 was \$361,512.

The Latino Commission will receive no sublease revenue nor pay any contingent rental associated with this lease.

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Notes to the Financial Statements
June 30, 2023

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 \$28,712 to the plan for the fiscal year ended June 30, 2023.

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:

2024	\$	4,852
2025		5,164
2026		5,496
2027		5,850
2028		6,226
Thereafter		121,529
Total Payments	\$	<u>149,117</u>

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, 2023 financial statements do not include any adjustment for any liability that may result from any actions of the grantor agencies.

At the end of the previous fiscal year, the Organization faced two lawsuits.

The first lawsuit, regarding a labor dispute, has 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 since been dismissed as of November 30, 2023.

Latino Commission on Alcohol and Drug Abuse Services, Inc.
Notes to the Financial Statements
June 30, 2023

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 \$30,000.

Amounts owed to Luke Camarillo at June 30, 2023 amounted to \$14,790.

Note 11 – Subsequent Events

Management has evaluated subsequent events through December 21, 2023, the date the report was available to be issued.

Latino Commission on Alcohol and Drug Abuse Services, Inc.
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2023

<u>Federal Grantor/Pass-Through Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Federal Expenditure</u>
<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	286,115
Total Outpatient Substance Abuse Program			<u>553,073</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	661,644
Total Prevention and Education Program			<u>661,644</u>
Total 93.959 - Substance Abuse Prevention and Treatment			<u>947,759</u>
Total U.S. Department of Health and Human Services			<u>1,214,717</u>
Total Expenditures of Federal Awards			<u>\$ 1,214,717</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, 2023

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, 2023. 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.

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, 2023, 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, 2023.

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.

Fresno, California
December 21, 2023

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, 2023. 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, 2023.

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.

Fresno, California
December 21, 2023

Latino Commission on Alcohol and Drug Abuse Services, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2023

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	\$ 947,759	
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, 2023

Section II – Financial Statement Findings

N/A

Section III – Federal Award Findings and Questioned Costs

N/A