

CENTRO LEGAL DE LA RAZA, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021



CENTRO LEGAL DE LA RAZA, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Centro Legal de la Raza, Inc.:

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Centro Legal de la Raza, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Centro Legal de la Raza, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Centro Legal de la Raza, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Centro Legal de la Raza, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 and *Government 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 and *Government 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 Centro Legal de la Raza, 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 Centro Legal de la Raza, 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 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 relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 6, 2022, on our consideration of Centro Legal de la Raza, 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 Centro Legal de la Raza, 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 Centro Legal de la Raza, Inc.'s internal control over financial reporting and compliance.

December 6, 2022

Perotti & Carade

CENTRO LEGAL DE LA RAZA, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	<u>2022</u>	<u>2021</u>
Current Assets:		
Cash and cash equivalents	\$ 5,677,200	\$ 6,642,135
Grants and pledges receivable, net of \$23,000 allowance	5,023,628	4,517,956
Prepaid expenses	101,776	103,843
Total current assets	<u>10,802,604</u>	<u>11,263,934</u>
Property and Equipment:		
Furniture	50,839	50,839
Computer equipment	204,821	127,032
Less: accumulated depreciation	<u>(73,868)</u>	<u>(30,000)</u>
Net property and equipment	<u>181,792</u>	<u>147,871</u>
Deposits	<u>28,366</u>	<u>28,366</u>
Total Assets	<u>\$ 11,012,762</u>	<u>\$ 11,440,171</u>

LIABILITIES AND NET ASSETS

Current Liabilities:		
Accounts payable and accrued expenses	\$ 1,866,005	\$ 2,435,504
Refundable program advances	3,774,999	3,801,277
Accrued wages and vacation	562,728	591,268
Total current liabilities	<u>6,203,732</u>	<u>6,828,049</u>
Net Assets:		
Without donor restrictions:		
Undesignated	2,614,729	2,324,839
Board-designated	<u>2,176,988</u>	<u>2,172,496</u>
Total without donor restrictions	4,791,717	4,497,335
With donor restrictions	<u>17,313</u>	<u>114,787</u>
Total net assets	<u>4,809,030</u>	<u>4,612,122</u>
Total Liabilities and Net Assets	<u>\$ 11,012,762</u>	<u>\$ 11,440,171</u>

See accompanying notes to financial statements.

CENTRO LEGAL DE LA RAZA, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support:						
Government services	\$ 102,217,117	\$ -	\$ 102,217,117	\$ 14,614,360	\$ -	\$ 14,614,360
Foundation and community grants	3,457,611	-	3,457,611	4,197,070	33,250	4,230,320
Contributed nonfinancial assets	837,927	-	837,927	1,056,734	-	1,056,734
Individual and other contributions	639,752	-	639,752	1,000,336	-	1,000,336
Fees for service and other income	804,227	-	804,227	374,524	-	374,524
Loan forgiveness		-	-	1,236,988	-	1,236,988
Gross special events revenue	249,284	-	249,284	107,560	-	107,560
Less: costs of direct benefit to donors	(29,715)	-	(29,715)	-	-	-
Net special event revenue	219,569	-	219,569	107,560	-	107,560
Net assets released from restrictions	97,474	(97,474)	-	1,266,255	(1,266,255)	-
Total revenue and support	108,273,677	(97,474)	108,176,203	23,853,827	(1,233,005)	22,620,822
Expenses:						
Program services	106,179,725	-	106,179,725	21,131,818	-	21,131,818
General and administrative	1,321,602	-	1,321,602	1,195,525	-	1,195,525
Development	477,968	-	477,968	491,421	-	491,421
Total expenses	107,979,295	-	107,979,295	22,818,764	-	22,818,764
Change in Net Assets	294,382	(97,474)	196,908	1,035,063	(1,233,005)	(197,942)
Net Assets at Beginning of Year	4,497,335	114,787	4,612,122	3,462,272	1,347,792	4,810,064
Net Assets at End of Year	\$ 4,791,717	\$ 17,313	\$ 4,809,030	\$ 4,497,335	\$ 114,787	\$ 4,612,122

See accompanying notes to financial statements.

CENTRO LEGAL DE LA RAZA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Programs	Administrative	Development	Total
Salaries and wages	\$ 6,567,354	\$ 837,012	\$ 287,042	\$ 7,691,408
Payroll taxes	492,847	103,519	32,633	628,999
Benefits	991,990	68,398	30,360	1,090,748
Total compensation costs	<u>8,052,191</u>	<u>1,008,929</u>	<u>350,035</u>	<u>9,411,155</u>
Program assistance fees	94,771,530	-	-	94,771,530
Legal	1,076,985	21,123	9	1,098,117
Subawards	735,749	1,467	-	737,216
Occupancy	414,748	77,264	-	492,012
Consulting and professional services	282,412	120,211	66,553	469,176
Computer and software licenses	365,482	11,134	1,430	378,046
Postage, copying, and printing	125,488	3,438	65	128,991
Telephone	94,815	47	-	94,862
Meals and entertainment	-	-	80,273	80,273
Insurance	70,693	9,440	-	80,133
Advertising and promotion	28,967	15,405	1,420	45,792
Office supplies	42,441	3,168	19	45,628
Dues and subscriptions	37,355	3,195	4,213	44,763
Depreciation	43,868	-	-	43,868
Accounting and auditing fees	11,703	21,796	-	33,499
Miscellaneous	25,045	3,218	153	28,416
Payroll fees	-	20,865	-	20,865
Bank charges	253	902	3,513	4,668
Total expenses by function	<u>106,179,725</u>	<u>1,321,602</u>	<u>507,683</u>	<u>108,009,010</u>
Less: expenses included with revenues on the statement of activities:				
Costs of direct benefit to donors	-	-	(29,715)	(29,715)
Total expenses included in expense section of the statement of activities	<u>\$ 106,179,725</u>	<u>\$ 1,321,602</u>	<u>\$ 477,968</u>	<u>\$ 107,979,295</u>

See accompanying notes to financial statements.

CENTRO LEGAL DE LA RAZA, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Programs	General and Administrative	Development	Total
Salaries and wages	\$ 5,067,793	\$ 676,118	\$ 350,816	\$ 6,094,727
Payroll taxes	401,844	50,150	28,448	480,442
Benefits	583,230	102,352	30,034	715,616
Total compensation costs	6,052,867	828,620	409,298	7,290,785
Program assistance fees	12,464,379	-	-	12,464,379
Legal	1,084,173	12,131	-	1,096,304
Subawards	429,866	-	-	429,866
Occupancy	397,387	68,500	8,176	474,063
Consulting and professional services	229,444	120,654	35,706	385,804
Computer and software licenses	187,219	11,051	2,201	200,471
Postage, copying, and printing	81,417	452	6,054	87,923
Telephone	47,177	7,926	2,102	57,205
Meals and entertainment	-	-	18,417	18,417
Insurance	45,961	6,684	2,001	54,646
Advertising and promotion	15,817	7,222	1,086	24,125
Office supplies	14,941	5,675	109	20,725
Dues and subscriptions	27,238	14,671	1,526	43,435
Depreciation	8,708	1,402	421	10,531
Accounting and auditing fees	-	84,755	-	84,755
Miscellaneous	41,236	-	106	41,342
Payroll fees	-	23,019	-	23,019
Bank charges	3,988	2,763	4,218	10,969
Total expenses by function	21,131,818	1,195,525	491,421	22,818,764
Less: expenses included with revenues on the statement of activities:				
Costs of direct benefit to donors	-	-	-	-
Total expenses included in expense section of the statement of activities	\$ 21,131,818	\$ 1,195,525	\$ 491,421	\$ 22,818,764

See accompanying notes to financial statements.

CENTRO LEGAL DE LA RAZA, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 196,908	\$ (197,942)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	43,868	10,531
Forgiveness of note payable	-	(1,236,988)
Change in operating assets and liabilities:		
Increase in grants and pledges receivable	(505,672)	(2,880,000)
Decrease in prepaid expenses	2,067	105,565
Increase (decrease) in accounts payable and accrued expenses	(569,499)	2,159,382
Increase (decrease) in refundable program advances	(26,278)	2,917,881
Increase (decrease) in accrued wages and vacation	(28,540)	132,628
Net cash provided by (used for) operating activities	<u>(887,146)</u>	<u>1,011,057</u>
Cash Flows from Investing Activities:		
Property purchases	(77,789)	(116,669)
Net cash used for investing activities	<u>(77,789)</u>	<u>(116,669)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>(964,935)</u>	<u>894,388</u>
Cash and Cash Equivalents - Beginning of Year	<u>6,642,135</u>	<u>5,747,747</u>
Cash and Cash Equivalents - End of Year	<u>\$ 5,677,200</u>	<u>\$ 6,642,135</u>

See accompanying notes to financial statements.

CENTRO LEGAL DE LA RAZA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

1. ORGANIZATION

Centro Legal de la Raza, Inc. (the “Organization”) is a California nonprofit public benefit corporation that provides legal services principally to low-income Spanish speaking communities in Oakland, California. The legal services include direct representative, advice, and counsel, and information and referrals. The Organization provides legal services in the areas of housing, employment, consumer protection, immigration, workers’ compensation, and personal injury.

During the years ended June 30, 2021 and 2022 the Organization agreed to be a main agent to distribute COVID-related emergency rental assistance in Alameda County which resulted in a significant increase in government revenue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Significant accounting policies are described below to enhance the usefulness of the financial statements to the readers. Certain amounts have been reclassified to conform with the current year presentation.

Basis of Presentation – The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The governing board has designated a legal reserve from net assets without donor restrictions. Net assets with donor restrictions are subject to donor-imposed stipulations.

Cash and Cash Equivalents – Cash is defined as demand deposits and savings accounts as well as cash on hand.

Contributions – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets with donor restrictions. When a contribution has been previously restricted, and the restriction is satisfied, the restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions of assets other than cash are recorded at their estimated fair value at the date of contribution. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Any advances received from conditional promises for which the condition has not yet been met are reflected as refundable program advances. As of June 30, 2022, the Organization has more than \$25 million of conditional promises to give for which the conditions have not yet been met. The conditions principally involve providing future services to the individuals the Organization serves. Of the conditional promises to give, \$3,774,999 has been received and has been reflected as a program advance as of June 30, 2022.

CENTRO LEGAL DE LA RAZA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants and Pledges Receivable Realization – An allowance for doubtful accounts reflects management’s best estimate of probable losses inherent in grants and pledges receivable balances. Management primarily determines the allowance based on the aging of grants and pledges receivable balances. It is the Organization’s policy to not charge interest on its receivables.

Contributed Nonfinancial Assets – Contributed nonfinancial assets represent contributed goods and services. The Organization recognizes in-kind donations received at estimated fair value if such goods or services are measurable, would otherwise be purchased and (a) create or enhance nonfinancial assets or (b) require specialized skills, and are provided by individuals possessing those skills and would typically need to be paid for if not provided by donation.

Property and Equipment – Property, which consists of computer equipment and furniture, is recorded at cost at the date of purchase or, if donated, at the fair market value on the date received. The Organization established a policy to capitalize all purchases of \$1,000 or more. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets, with lives that range from 3-5 years (computer equipment); 7 years (furniture).

Income Taxes – The Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar California statute. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Code. Accordingly, no provision for federal or state income taxes has been recorded. The Organization’s informational returns are subject to examination by the Internal Revenue Service and the California Franchise Tax Board, generally for three years and four years, respectively, after they are filed.

Functional Allocation of Expenses – The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses presents the natural classification of expenses by function. Accordingly, certain costs, including personnel costs, insurance, and occupancy, have been allocated among the programs and supporting services benefited based upon management’s analysis of time and effort spent on the programs and supportive services.

Use of Estimates – Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

CENTRO LEGAL DE LA RAZA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

3. LIQUIDITY AND AVAILABILITY

Centro Legal de la Raza, Inc. strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The following table reflects the Organization's financial assets as of June 30, 2022 and 2021, that are available to meet general expenditures within one year of the statement of financial position date. Amounts available to meet general expenditures within one year include net assets with donor restrictions as the purposes are expected to be fulfilled within the next year. To help manage unanticipated liquidity needs, the Organization has a board designated reserve that was established to support unanticipated liquidity needs.

	2022	2021
Cash and cash equivalents	\$ 5,677,200	\$ 6,642,135
Grants and pledges receivable	5,023,628	4,517,956
Less: board-designated reserve	(2,176,988)	(2,172,496)
Financial assets available to meet cash needs for general expenditures within one year	\$ 8,523,840	\$ 8,987,595

4. BOARD DESIGNATED RESERVE

During the year ended June 30, 2019, the Organization's Board of Directors designated a legal reserve. As of June 30, 2022 and 2021, the legal reserve balance was \$2,176,988 and \$2,172,496, respectively, which approximates two and half-months of operating expenses. The Organization is striving to bring the balance up to a six-month legal reserve.

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes as of June 30, 2022 and 2021:

	2022	2021
Fiscal sponsor projects	\$ 17,313	\$ 21,037
Tenants' rights	-	62,500
Other	-	25,000
Workers' rights	-	6,250
Total net assets with donor restrictions	\$ 17,313	\$ 114,787

CENTRO LEGAL DE LA RAZA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

5. NET ASSETS WITH DONOR RESTRICTIONS (continued)

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors during the years ended June 30, 2022 and 2021:

	2022	2021
Tenants' rights	\$ 62,500	\$ 376,667
General operations	25,000	-
Workers' rights	6,250	-
Fiscal sponsor projects	3,724	2,660
Immigration	-	506,286
OUR Funds	-	380,642
Releases from donor restrictions	\$ 97,474	\$ 1,266,255

6. CONTRIBUTED NONFINANCIAL ASSETS

The entity adopted accounting standard ASU 2020-07 during the year ended June 30, 2022. No restatement was required. The standard required additional disclosures surrounding contributed nonfinancial assets. Contributed nonfinancial assets did not have donor-imposed restrictions, unless otherwise noted. During the years ended June 30, 2022 and 2021, the Organization recognized \$837,927 and \$1,056,734, respectively, of contributed nonfinancial assets within revenue on the statement of activities. All nonfinancial assets received during the two years were for legal services from attorneys and other professionals who donate their time to provide legal services to the Organization's clients. The nonfinancial assets are reflected on the statement of functional expenses under legal services under program. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

7. NOTE PAYABLE

The Organization received \$1,236,988 under the federal payroll protection program in April 2020. The loan bore interest at a rate of 1% annually with a maturity date of April 2022. The loan permitted no repayment of principal or interest until August 2021. If criteria were met, including having the loan proceeds cover certain eligible costs including wages, benefits, rent and other costs over a twenty-four-week period, up to 100% of the loan and related interest were able to be forgiven. The Organization applied and received forgiveness of 100% of the loan in October 2020. The forgiveness was recorded as income during the year ended June 30, 2021. No interest was recorded as of June 30, 2021 as it was deemed de minimus.

CENTRO LEGAL DE LA RAZA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

8. RETIREMENT PLAN

The Organization maintains a defined contribution 401(k) retirement plan for its employees. Employees are eligible to make elective contributions following the date of hire up to the maximum allowed by the Internal Revenue Code. The Organization committed a contribution to the plan for the years ended June 30, 2022 and 2021 in the amount of \$112,429 and \$73,866 respectively.

9. COMMITMENTS

The Organization rents office space at various locations in Oakland, California under leases that expire at various times between November 2023 and June 2025. Rent, inclusive of common area cost charges, for the years ended June 30, 2022 and 2021 was \$420,198 and \$406,721, respectively.

Future minimum lease payments as of June 30, 2022, exclusive of common area cost charges are as follows:

2023	\$	230,652
2024		196,363
2025		140,723
Total	\$	<u>567,738</u>

The Organization also has a copier and other office equipment leases which are set to expire at various times between February 2022 and November 2023. Future minimum operating lease payments are as follows:

2023	\$	29,843
2024		4,763
Total	\$	<u>34,606</u>

10. RISKS AND UNCERTAINTIES

Credit Risk – Financial instruments that potentially subject the Organization to credit risk include cash on deposit with financial institutions that at times is in excess of the \$250,000 insurance limitation of the Federal Deposit Insurance Corporation (“FDIC”).

Collective Bargaining Agreement – The Organization executed an agreement with Engineers and Scientists of California, Local 20 which expired on March 15, 2022. The Organization worked under this agreement while it negotiated terms to extend the agreement. In October 2022 a new agreement was reached which will expire in March 2024. The agreement requires specific benefits for employees covered by the agreement including, but not limited to: contributions to the 401(k) plan, benefits, and increases in compensation annually.

CENTRO LEGAL DE LA RAZA, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

10. RISKS AND UNCERTAINTIES (continued)

Concentration of Revenue – More than 94% of the Organization’s total revenue and support during the year ended June 30, 2022 is from pass-through funds from local government agencies. A substantial portion of the revenue went to housing assistance payments, which would be reduced if there were any significant reductions in support.

11. SUBSEQUENT EVENTS

Management of the Organization has evaluated events and transactions subsequent to June 30, 2022, for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through December 6, 2022, the date on which the financial statements were available to be issued.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of
Centro Legal de la Raza, Inc.

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 Centro Legal de la Raza, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 6, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Centro Legal de la Raza, 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 Centro Legal de la Raza, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Centro Legal de la Raza, 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Centro Legal de la Raza, 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.



December 6, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR THE MAJOR
FEDERAL PROGRAMS AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors,
Centro Legal de la Raza, Inc.

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Centro Legal de la Raza, 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 Centro Legal de la Raza, Inc.'s major federal program for the year ended June 30, 2022. Centro Legal de la Raza, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Centro Legal de la Raza, 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Centro Legal de la Raza, 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 Centro Legal de la Raza, 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 Centro Legal de la Raza, Inc.'s federal programs.

Auditors' 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 Centro Legal de la Raza, 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 Centro Legal de la Raza, 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 Centro Legal de la Raza, 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 Centro Legal de la Raza, 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 Centro Legal de la Raza, 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.

Perotti & Carade

December 6, 2022

CENTRO LEGAL DE LA RAZA, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2022

<u>Grantor/Program Title</u>	<u>Direct / Pass-through</u>	<u>Pass-Through Identification Number</u>	<u>Assistance Listing #</u>	<u>Additional Award Identification</u>	<u>Federal Expenditures</u>	<u>Passed Through to Subrecipients</u>
<u>U.S. Department of Treasury</u>						
Emergency Rental Assistance Program	Pass-through	County of Alameda - Federal ERA2	21.023	COVID-19	\$ 31,315,217	\$ -
Emergency Rental Assistance Program	Pass-through	County of Alameda - State ERA1	21.023	COVID-19	29,795,502	-
Emergency Rental Assistance Program	Pass-through	County of Alameda - Federal ERA1	21.023	COVID-19	20,076,871	-
Emergency Rental Assistance Program	Pass-through	County of Alameda - State ERA2	21.023	COVID-19	11,124,927	-
Emergency Rental Assistance Program	Pass-through	City of Oakland - ERA1 -KOH	21.023	COVID-19	2,650,000	-
Emergency Rental Assistance Program	Pass-through	City of Oakland - ERA2-KOH	21.023	COVID-19	2,500,000	-
Emergency Rental Assistance Program	Pass-through	County of Alameda - Federal ERA2	21.023	COVID-19	265,863	-
Emergency Rental Assistance Program	Pass-through	Local Initiatives Support Corporation	21.023	COVID-19	62,370	-
					<u>97,790,750</u>	<u>-</u>
Emergency Rental Assistance Program	Pass-through	State Bar - 21-24 HP III Formula Grant	21.027	COVID-19	94,914	-
Total U.S. Department of Treasury					<u>97,885,664</u>	<u>-</u>
<u>U.S. Department of Justice</u>						
Office on Violence Against Women (OVW)	Pass-through	2021 FVLC LAV - Office on Violence Against Women	16.524		45,000	-
Office on Violence Against Women (OVW)	Pass-through	2022 FVLC LAV - Office on Violence Against Women	16.524		28,021	-
Total U.S. Department of Justice					<u>73,021</u>	<u>-</u>
<u>U.S. Department of Housing</u>						
Community Development Block Grants/Entitlement Grants	Pass-through	County of Contra Costa - Urban CDBG-CV	14.218	COVID-19	307,040	-
Community Development Block Grants/Entitlement Grants	Pass-through	City of Oakland CDBG-CV Legal Services	14.218	COVID-19	215,510	-
Community Development Block Grants/Entitlement Grants	Pass-through	County of Alameda Urban Unincorporated CDBG	14.218		200,000	-
Community Development Block Grants/Entitlement Grants	Pass-through	City of Oakland CDBG-CV Housing Stabilization	14.218	COVID-19	200,000	-
Community Development Block Grants/Entitlement Grants	Pass-through	City of San Leandro CDBG	14.218		147,400	-
Community Development Block Grants/Entitlement Grants	Pass-through	City of Hayward CDBG	14.218		75,164	-
Community Development Block Grants/Entitlement Grants	Pass-through	City of Walnut Creek CDBG-CV	14.218	COVID-19	43,122	-
Community Development Block Grants/Entitlement Grants	Pass-through	City of Oakland CDBG	14.218		40,063	-
Community Development Block Grants/Entitlement Grants	Pass-through	City of Concord CDBG-CV	14.218	COVID-19	29,977	-
Community Development Block Grants/Entitlement Grants	Pass-through	City of Pleasanton CDBG	14.218		28,255	-
Community Development Block Grants/Entitlement Grants	Pass-through	City of Dublin CDBG	14.218		22,985	-
Total U.S. Department of Housing					<u>1,309,516</u>	<u>-</u>
Total Expenditures of Federal Awards					\$ <u>99,268,201</u>	\$ <u>-</u>

CENTRO LEGAL DE LA RAZA, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

JUNE 30, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Centro Legal de la Raza, 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 Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Centro Legal de la Raza, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Centro Legal de la Raza, Inc.

NOTE B – 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, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Centro Legal de la Raza, Inc. has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

CENTRO LEGAL DE LA RAZA, INC.
SUMMARY OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2022

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on the financial statements of Centro Legal de la Raza, Inc..
2. No material weaknesses or significant deficiencies were noted during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Centro Legal de la Raza, Inc., which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. No material weaknesses or significant deficiencies in internal control over major federal award programs were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Centro Legal de la Raza, Inc. expresses an unmodified opinion on the major federal programs.
6. There were no audit findings that met the criteria for reporting in accordance with 2 CFR section 200.516(a).
7. The program tested as a major program is:

<u>CDFFA Number</u>	<u>Program Name</u>
21.023	Emergency Rental Assistance Program

8. The threshold for distinguishing Types A and B programs was \$2,978,046.
9. Auditee did not qualify as a low-risk auditee.

FINANCIAL STATEMENT FINDINGS

There were no financial statement findings for the year ended June 30, 2022.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal award findings for the year ended June 30, 2022.