

**CENTRO LEGAL DE LA RAZA, INC.**

---

**FINANCIAL STATEMENTS**

**JUNE 30, 2021 AND 2020**



**CENTRO LEGAL DE LA RAZA, INC.**

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Centro Legal de la Raza, Inc. (a nonprofit public benefit corporation), which comprise the statements of financial position as of June 30, 2021 and 2020 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit of the year ended June 30, 2021, 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. We conducted our audit of the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Centro Legal de la Raza, Inc. as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Other 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 information 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 November 17, 2021, 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.

November 17, 2021

*Perotti & Carrade*

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**CENTRO LEGAL DE LA RAZA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

**ASSETS**

	2021	2020
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 6,642,135	\$ 5,747,747
Grants and pledges receivables, net of \$23,000 allowance	4,517,956	1,637,956
Prepaid expenses	103,843	209,408
Total current assets	11,263,934	7,595,111
<b>Property and Equipment:</b>		
Furniture	50,839	50,839
Computer equipment	127,032	10,360
Less: accumulated depreciation	(30,000)	(19,466)
Net property and equipment	147,871	41,733
<b>Deposits</b>	28,366	28,366
<b>Total Assets</b>	\$ 11,440,171	\$ 7,665,210

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 2,435,504	\$ 276,122
Refundable program advances	3,801,277	883,396
Accrued wages and vacation	591,268	458,640
Total current liabilities	6,828,049	1,618,158
<b>Long Term Debt: Note Payable</b>	-	1,236,988
<b>Net Assets:</b>		
Without donor restrictions:		
Undesignated	2,324,839	1,298,037
Board-designated	2,172,496	2,164,235
Total without donor restrictions	4,497,335	3,462,272
With donor restrictions	114,787	1,347,792
Total net assets	4,612,122	4,810,064
<b>Total Liabilities and Net Assets</b>	\$ 11,440,171	\$ 7,665,210

See accompanying notes to financial statements.

**CENTRO LEGAL DE LA RAZA, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support:</b>						
Government services	\$ 14,614,360	\$ -	\$ 14,614,360	\$ 4,831,040	\$ -	\$ 4,831,040
Foundation and community grants	4,197,070	33,250	4,230,320	1,431,082	2,247,172	3,678,254
In-kind contributions	1,056,734	-	1,056,734	2,058,931	-	2,058,931
Individual and other contributions	1,000,336	-	1,000,336	1,436,152	-	1,436,152
Fees for service and other income	374,524	-	374,524	447,559	-	447,559
Loan forgiveness	1,236,988	-	1,236,988	-	-	-
Gross special events revenue	107,560	-	107,560	228,809	-	228,809
Less: costs of direct benefit to donors	-	-	-	(65,392)	-	(65,392)
Net special event revenue	107,560	-	107,560	163,417	-	163,417
Net assets released from restrictions	1,266,255	(1,266,255)	-	1,563,577	(1,563,577)	-
Total revenue and support	23,853,827	(1,233,005)	22,620,822	11,931,758	683,595	12,615,353
<b>Expenses:</b>						
Program services	21,131,818	-	21,131,818	10,279,986	-	10,279,986
General and administrative	1,195,525	-	1,195,525	1,063,066	-	1,063,066
Development	491,421	-	491,421	405,707	-	405,707
Total expenses	22,818,764	-	22,818,764	11,748,759	-	11,748,759
<b>Change in Net Assets</b>	1,035,063	(1,233,005)	(197,942)	182,999	683,595	866,594
<b>Net Assets at Beginning of Year</b>	3,462,272	1,347,792	4,810,064	3,279,273	664,197	3,943,470
<b>Net Assets at End of Year</b>	\$ 4,497,335	\$ 114,787	\$ 4,612,122	\$ 3,462,272	\$ 1,347,792	\$ 4,810,064

See accompanying notes to financial statements.

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

	Programs	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	<u>6,052,867</u>	<u>828,620</u>	<u>409,298</u>	<u>7,290,785</u>
Program assistance fees	12,464,379	-	-	12,464,379
Legal	1,084,173	12,131	-	1,096,304
Occupancy	397,387	68,500	8,176	474,063
Subawards	429,866	-	-	429,866
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
Accounting and auditing fees	-	84,755	-	84,755
Telephone	47,177	7,926	2,102	57,205
Insurance	45,961	6,684	2,001	54,646
Dues and subscriptions	27,238	14,671	1,526	43,435
Miscellaneous	41,236	-	106	41,342
Advertising and promotion	15,817	7,222	1,086	24,125
Payroll fees	-	23,019	-	23,019
Office supplies	14,941	5,675	109	20,725
Meals and entertainment	-	-	18,417	18,417
Bank charges	3,988	2,763	4,218	10,969
Depreciation	8,708	1,402	421	10,531
Total expenses by function	<u>21,131,818</u>	<u>1,195,525</u>	<u>491,421</u>	<u>22,818,764</u>
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	<u>\$ 21,131,818</u>	<u>\$ 1,195,525</u>	<u>\$ 491,421</u>	<u>\$ 22,818,764</u>

See accompanying notes to financial statements.

**CENTRO LEGAL DE LA RAZA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Programs</u>	<u>General and Administrative</u>	<u>Development</u>	<u>Total</u>
Salaries and wages	\$ 4,166,758	\$ 591,485	\$ 219,461	\$ 4,977,704
Payroll taxes	351,199	33,447	12,418	397,064
Benefits	490,551	80,047	24,917	595,515
Total compensation costs	<u>5,008,508</u>	<u>704,979</u>	<u>256,796</u>	<u>5,970,283</u>
Program assistance fees	1,429,470	-	-	1,429,470
Legal	2,128,571	5,441		2,134,012
Occupancy	401,227	78,425	9,625	489,277
Subawards	745,691	-	-	745,691
Consulting and professional services	189,956	34,962	14,635	239,553
Computer and software licenses	68,144	16,437	693	85,274
Postage, copying, and printing	77,557	6,385	4,333	88,275
Accounting and auditing fees	-	94,500	-	94,500
Telephone	24,548	2,091	407	27,046
Insurance	42,232	5,798	799	48,829
Dues and subscriptions	21,527	6,854	4,208	32,589
Miscellaneous	15,589	30,096	-	45,685
Advertising and promotion	12,104	22,407	419	34,930
Payroll fees	-	29,549	-	29,549
Office supplies	53,579	17,585	1,764	72,928
Meals and entertainment	-	-	176,073	176,073
Bank charges	8,567	5,560	366	14,493
Depreciation	15,733	1,613	563	17,909
Travel	36,983	384	418	37,785
Total expenses by function	<u>10,279,986</u>	<u>1,063,066</u>	<u>471,099</u>	<u>11,814,151</u>
Less expenses included with revenues on the statement of activities:				
Costs of direct benefit to donors	-	-	(65,392)	(65,392)
Total expenses included in expense section of the statement of activities	<u>\$ 10,279,986</u>	<u>\$ 1,063,066</u>	<u>\$ 405,707</u>	<u>\$ 11,748,759</u>

See accompanying notes to financial statements.



**CENTRO LEGAL DE LA RAZA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

	2021	2020
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (197,942)	\$ 866,594
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	10,531	17,909
Loss on disposal of equipment and furniture	-	24,464
Forgiveness of note payable	(1,236,988)	-
Change in operating assets and liabilities:		
Change in allowance for doubtful accounts	-	-
Increase in grants and pledges receivables	(2,880,000)	682,533
Decrease (increase) in prepaid expenses	105,565	(88,656)
Increase (decrease) in accounts payable and accrued expenses	2,159,382	(277,673)
Increase (decrease) in refundable program advances	2,917,881	(647,986)
Increase in accrued wages and vacation	132,628	28,786
Security deposits made	-	(3,101)
<b>Net cash provided by operating activities</b>	<b>1,011,057</b>	<b>602,870</b>
<b>Cash Flows from Investing Activities:</b>		
Property purchases	(116,669)	(19,154)
<b>Net cash used for investing activities</b>	<b>(116,669)</b>	<b>(19,154)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from note payable	-	1,236,988
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>1,236,988</b>
<b>Net Increase in Cash and Cash Equivalents</b>	894,388	1,820,704
<b>Cash and Cash Equivalents - Beginning of Year</b>	5,747,747	3,927,043
<b>Cash and Cash Equivalents - End of Year</b>	\$ 6,642,135	\$ 5,747,747

See accompanying notes to financial statements.

**CENTRO LEGAL DE LA RAZA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**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.

**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 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 an operating 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 is reflected as refundable program advances. As of June 30, 2021, 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 serve. Of the conditional promises to give, \$3,801,277 has been received and has been reflected as a program advance as of June 30, 2021.

**CENTRO LEGAL DE LA RAZA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**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 Services** – In-kind donations 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 5 years (computer equipment); 7 years (furniture).

**Income Taxes** – The Organization is exempt from the 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, 2021 AND 2020**

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**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, 2021 and 2020, 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 also has a line of credit in the amount of \$125,000, which is available to draw upon and has a board designated reserve that was established to support unanticipated liquidity needs.

	2021	2020
Cash and cash equivalents	\$ 6,642,135	\$ 5,747,747
Grants and pledges receivables	4,517,956	1,637,956
Less: board-designated reserve	(2,172,496)	(2,164,235)
Financial assets available to meet cash needs for general expenditures within one year	\$ 8,987,595	\$ 5,221,468

**4. BOARD DESIGNATED RESERVE**

During the year ended June 30, 2019, the Organization's Board of Directors designated an operating reserve. As of June 30, 2021 and 2020, the operating reserve balance was \$2,172,496 and \$2,164,235, respectively, which approximates three-month of operating expenses. The Organization is striving to bring the balance up to a six-month operating reserve.

**5. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were available for the following purposes as of June 30, 2021 and 2020:

	2021	2020
Tenants' rights	\$ 62,500	\$ 439,167
Other	25,000	-
Fiscal sponsor projects	21,037	23,697
Workers' rights	6,250	-
Immigration	-	504,286
OUR Funds	-	380,642
Total net assets with donor restrictions	\$ 114,787	\$ 1,347,792

**CENTRO LEGAL DE LA RAZA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**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, 2021 and 2020:

	2021	2020
Immigration	\$ 506,286	\$ 1,010,714
OUR Funds	380,642	151,530
Tenants' rights	376,667	250,833
Fiscal sponsor projects	2,660	500
Workers' rights	-	150,000
Releases from donor restrictions	\$ 1,266,255	\$ 1,563,577

**6. DONATED SERVICES AND MATERIALS**

The Organization has received, valued and recorded professional in-kind services. Donated services are received from attorneys who donate their time to provide legal services to the Organization's clients. Such services are included in the financial statements as donated service revenue and legal services expense under programs on the statements of functional expenses. Total donated attorney services amounted to \$1,056,734 and \$2,058,931 for the years ended June 30, 2021 and 2020, respectively.

**7. LINE OF CREDIT**

The Organization has a \$125,000 line of credit with a bank, secured by the assets of the Organization. Borrowings bear interest at a rate of prime plus 3% (6.50% and 6.25% as of June 30, 2021 and 2020, respectively). There were no advances on the line of credit during the years ended June 30, 2021 and 2020.

**8. NOTE PAYABLE**

The Organization received \$1,236,988 under the federal payroll protection program in April 2020. The loan beared 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 and 2020 as it was deemed de minimus.

**CENTRO LEGAL DE LA RAZA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**9. RETIREMENT PLAN**

The Organization maintains a defined contribution 401(k) retirement plan available 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 has committed a contribution to the plan for the years ended June 30, 2021 and 2020 in the amount of \$73,866 and \$52,957 respectively.

**10. COMMITMENTS**

The Organization rents office space at various locations in Oakland, California under leases which expire at various times between November 2023 and June 2025. Rent, inclusive of common area cost charges, for the years ended June 30, 2021 and 2020 was \$406,721 and \$408,774, respectively.

The remaining lease commitment as of June 30, 2021, exclusive of common area cost charges are as follows:

2022	\$	224,940
2023		230,652
2024		196,363
2025		140,723
Total	\$	<u>792,678</u>

The Organization also has 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:

2022	\$	33,868
2023		29,843
2024		4,763
Total	\$	<u>68,474</u>

**CENTRO LEGAL DE LA RAZA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

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**11. 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 are in excess of the \$250,000 insurance limitation of the United States Federal Deposit Insurance Corporation.

Collective Bargaining Agreement – The Organization executed an agreement with Engineers and Scientists of California, Local 20 which expires on March 15, 2022. The agreement requires specific benefits for employees covered by the agreement including, but not limited to: contributions to the 401(k) plan, health insurance, and increases in compensation annually.

Concentration of Revenue – One funder accounted for more than 79% of the Organization’s total revenue and support during the year ended June 30, 2021. Our funder accounted for more than 17% of the Organization’s total revenue and support during the year ended June 30, 2020. A substantial portion of this funder’s revenue went to housing assistance payments, which would be reduced if there were any significant reductions in support.

Covid-19 – In March 2020, a pandemic emerged around the world. As a result, the economic environment of several industries has been impacted. The extent to which the pandemic will impact operations will depend on future developments, which are highly uncertain. The Organization was the recipient of funds to assist in the response effort to the pandemic. The Organization has received additional funding to assist in the response for the year ending June 30, 2022. It is not expected that such funding will be received in future years at the current level.

**12. SUBSEQUENT EVENTS**

Management of the Organization has evaluated events and transactions subsequent to June 30, 2021, for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through November 17, 2021, 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,  
Centro Legal de la Raza, Inc.:

We have audited 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, the financial statements of Centro Legal de la Raza, Inc. which comprise the statement of financial position as of June 30, 2021, 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 November 17, 2021.

***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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 may exist that have not been identified.

### ***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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and 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.

*Perotti & Canade*

November 17, 2021



**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***

We have audited Centro Legal de la Raza, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect of Centro Legal de la Raza, Inc.'s major federal programs for the year ended June 30, 2021. Centro Legal de la Raza, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance of Centro Legal de la Raza, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Centro Legal de la Raza, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of Centro Legal de la Raza, Inc.'s compliance.

### ***Opinion on the Major Federal Programs***

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 its major federal programs for the year ended June 30, 2021.

### **Report on Internal Control over Compliance**

Management of Centro Legal de la Raza, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Centro Legal de la Raza, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Centro Legal de la Raza, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

November 17, 2021

*Perotti & Canade*

**CENTRO LEGAL DE LA RAZA, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2021**

<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 - ACHS ERAP Phase I	21.023	COVID-19	\$ 7,198,268	\$ -
<u>U.S. Department of Housing</u>						
Community Development Block Grants/Entitlement Grants	Pass-through	City of Hayward CDBG	14.218		74,570	-
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 San Leandro CDBG	14.218		104,377	-
Community Development Block Grants/Entitlement Grants	Pass-through	County of Alameda Housing Secure CARES EFA	14.218	COVID-19	2,150,534	-
Community Development Block Grants/Entitlement Grants	Pass-through	City of Oakland - KOH - CARES Act	14.218	COVID-19	838,323	-
Total U.S. Department of Housing					<u>3,207,867</u>	<u>-</u>
Total Expenditures of Federal Awards					<u>\$ 10,406,135</u>	<u>\$ -</u>

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**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, 2021. 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, 2021**

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**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 programs tested as a major program are:

<u>C DFA Number</u>	<u>Program Name</u>
14.218	Community Development Block Grants/Entitlement Grants
21.023	Emergency Rental Assistance Program

8. The threshold for distinguishing Types A and B programs was \$750,000.
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, 2021.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings for the year ended June 30, 2021.