

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

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**FINANCIAL STATEMENTS**

**JUNE 30, 2023 AND 2022**



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

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## **INDEPENDENT AUDITOR'S 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, 2023 and 2022, 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, 2023 and 2022, 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 Auditor's 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.

#### ***Emphasis of a Matter – Change in Accounting Principle***

As discussed in notes 2 and 9 to the financial statements, the Organization changed its method of accounting for leases during the year ended June 30, 2023, due to the adoption of Accounting Standards Update (ASU) No. 2016-02. The auditor's opinion is not modified with respect to this matter.

### ***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.

### ***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 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 June 24, 2024, 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.

June 24, 2024

*Perotti & Canade*

**CENTRO LEGAL DE LA RAZA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2023 AND 2022**

**ASSETS**

	2023	2022
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 4,742,200	\$ 5,677,200
Grants and pledges receivable, net of \$23,000 allowance	4,339,159	5,023,628
Prepaid expenses	203,006	101,776
Total current assets	9,284,365	10,802,604
<b>Non Current Assets:</b>		
Property and equipment, net	113,744	181,792
Operating lease right-of-use asset	313,705	-
Deposits	28,366	28,366
Total non current assets	455,815	210,158
<b>Total Assets</b>	<b>\$ 9,740,180</b>	<b>\$ 11,012,762</b>

**LIABILITIES AND NET ASSETS**

<b>Current Liabilities:</b>		
Accounts payable and accrued expenses	\$ 2,255,222	\$ 1,864,554
Refundable program advances	1,472,222	3,776,450
Accrued wages and vacation	823,057	562,728
Current portion of operating lease liability, net of discount	194,369	-
Total current liabilities	4,744,870	6,203,732
<b>Long-term liability:</b> operating lease liability, net of discount	143,045	-
Total liabilities	4,887,915	6,203,732
<b>Net Assets:</b>		
Without donor restrictions:		
Undesignated	1,617,915	2,614,729
Board-designated	2,200,000	2,176,988
Total without donor restrictions	3,817,915	4,791,717
With donor restrictions	1,034,350	17,313
Total net assets	4,852,265	4,809,030
<b>Total Liabilities and Net Assets</b>	<b>\$ 9,740,180</b>	<b>\$ 11,012,762</b>

See accompanying notes to financial statements.

**CENTRO LEGAL DE LA RAZA, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support:</b>						
Government services	\$ 41,302,842	\$ -	\$ 41,302,842	\$ 102,217,117	\$ -	\$ 102,217,117
Foundation and community grants	2,100,542	1,527,037	3,627,579	3,457,611	-	3,457,611
Contributed nonfinancial assets	1,655,252	-	1,655,252	837,927	-	837,927
Individual and other contributions	733,664	-	733,664	639,752	-	639,752
Fees for service and other income	503,455	-	503,455	804,227	-	804,227
Gross special events revenue	135,071	-	135,071	249,284	-	249,284
Less: costs of direct benefit to donors	(78,974)	-	(78,974)	(29,715)	-	(29,715)
Net special event revenue	56,097	-	56,097	219,569	-	219,569
Net assets released from restrictions	510,000	(510,000)	-	97,474	(97,474)	-
Total revenue and support	46,861,852	1,017,037	47,878,889	108,273,677	(97,474)	108,176,203
<b>Expenses:</b>						
Program services	45,410,556	-	45,410,556	106,179,725	-	106,179,725
General and administrative	1,905,287	-	1,905,287	1,321,602	-	1,321,602
Development	519,811	-	519,811	477,968	-	477,968
Total expenses	47,835,654	-	47,835,654	107,979,295	-	107,979,295
<b>Change in Net Assets</b>	(973,802)	1,017,037	43,235	294,382	(97,474)	196,908
<b>Net Assets at Beginning of Year</b>	4,791,717	17,313	4,809,030	4,497,335	114,787	4,612,122
<b>Net Assets at End of Year</b>	\$ 3,817,915	\$ 1,034,350	\$ 4,852,265	\$ 4,791,717	\$ 17,313	\$ 4,809,030

See accompanying notes to financial statements.

**CENTRO LEGAL DE LA RAZA, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Programs</u>	<u>Administrative</u>	<u>Development</u>	<u>Total</u>
Salaries and wages	\$ 8,084,720	\$ 1,029,672	\$ 409,144	\$ 9,523,536
Payroll taxes	616,547	61,216	31,246	709,009
Benefits	1,090,826	179,585	45,077	1,315,488
Total compensation costs	<u>9,792,093</u>	<u>1,270,473</u>	<u>485,467</u>	<u>11,548,033</u>
Program assistance fees	32,035,097	-	-	32,035,097
Legal	1,792,835	14,002	-	1,806,837
Occupancy	457,744	78,447	-	536,191
Consulting and professional services	332,592	110,791	8,091	451,474
Computer and software licenses	311,093	18,857	356	330,306
Accounting and auditing fees	-	299,725	-	299,725
Subawards	262,211	-	-	262,211
Telephone	88,110	1,177	-	89,287
Postage, copying, and printing	80,547	1,441	6,135	88,123
Depreciation	74,145	9,168	-	83,313
Meals and entertainment	-	-	83,032	83,032
Insurance	60,043	20,429	-	80,472
Miscellaneous	49,380	16,940	1,180	67,500
Office supplies	40,026	1,252	990	42,268
Payroll fees	-	38,892	-	38,892
Dues and subscriptions	32,978	3,811	843	37,632
Advertising and promotion	1,662	19,797	8,997	30,456
Bank charges	-	85	3,694	3,779
Total expenses by function	<u>45,410,556</u>	<u>1,905,287</u>	<u>598,785</u>	<u>47,914,628</u>
Less: expenses included with revenues on the statement of activities:				
Costs of direct benefit to donors	-	-	(78,974)	(78,974)
Total expenses included in expense section of the statement of activities	<u>\$ 45,410,556</u>	<u>\$ 1,905,287</u>	<u>\$ 519,811</u>	<u>\$ 47,835,654</u>

See accompanying notes to financial statements.



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

	<u>Programs</u>	<u>Administrative</u>	<u>Development</u>	<u>Total</u>
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.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ 43,235	\$ 196,908
Adjustments to reconcile change in net assets to net cash used for operating activities:		
Depreciation	83,313	43,868
Operating lease expense	451,533	-
Change in operating assets and liabilities:		
Decrease (increase) in grants and pledges receivable	684,469	(505,672)
Decrease (increase) in prepaid expenses	(101,230)	2,067
Increase (decrease) in accounts payable and accrued expenses	390,668	(569,499)
Decrease in refundable program advances	(2,304,228)	(26,278)
Increase (decrease) in accrued wages and vacation	260,329	(28,540)
Lease liability payments	(427,824)	-
<b>Net cash used for operating activities</b>	<b>(919,735)</b>	<b>(887,146)</b>
<b>Cash Flows from Investing Activities:</b>		
Property purchases	(15,265)	(77,789)
<b>Net cash used for investing activities</b>	<b>(15,265)</b>	<b>(77,789)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(935,000)</b>	<b>(964,935)</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<b>5,677,200</b>	<b>6,642,135</b>
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 4,742,200</b>	<b>\$ 5,677,200</b>

See accompanying notes to financial statements.

**CENTRO LEGAL DE LA RAZA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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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.

During the years ended June 30, 2021, 2022, and 2023 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 and cash equivalents is defined as demand deposits and savings accounts and certificates of deposits in which the original maturity is 90 days or less.

**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, 2023, the Organization has more than \$3.5 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

**CENTRO LEGAL DE LA RAZA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Contributions, continued** – the conditional promises to give, \$1,472,222 has been received and has been reflected as a program advance as of June 30, 2023.

**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 \$5,000 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).

**Leases** – The Organization determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term. Leases are evaluated on a regular basis to consider economic and strategic incentives of exercising the renewal options, and how they align with the Organization’s operating strategy. Therefore, substantially all the renewal option periods are not included within the lease term and the associated payments are not included in the measurement of the right-of-use asset and lease liability as the options to extend are not reasonably certain at lease commencement.

**CENTRO LEGAL DE LA RAZA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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. Accordingly, no provision for federal or state income taxes has been recorded. The Organization has evaluated its current tax positions as of June 30, 2023 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. 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.

**Recently Adopted Accounting Standard** – Effective July 1, 2022, the Organization adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize leases on the statement of financial position and disclose key information about leasing arrangements. The Organization elected not to restate the comparative period (2022). It also elected not to reassess at adoption (i) expired leases or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized an operating lease right-of-use asset and operating lease liability of approximately \$550,000 in its statement of financial position as of July 1, 2022. The adoption did not result in a significant effect on amounts reported in the statement of activities for the year ended June 30, 2023.

**CENTRO LEGAL DE LA RAZA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**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, 2023 and 2022, 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.

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 4,742,200	\$ 5,677,200
Grants and pledges receivable	4,339,159	5,023,628
Less: board-designated reserve	<u>(2,200,000)</u>	<u>(2,176,988)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 6,881,359</u>	<u>\$ 8,523,840</u>

**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, 2023 and 2022, the operating reserve balance was \$2,200,000 and \$2,176,988, respectively, which approximates two and half-months of operating expenses. The Organization is striving to bring the balance up to a six-month operating reserve.

**5. PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Furniture	\$ 50,839	\$ 50,839
Computer equipment	220,086	204,821
Less: accumulated depreciation	<u>(157,181)</u>	<u>(73,868)</u>
Property and equipment, net	<u>\$ 113,744</u>	<u>\$ 181,792</u>

During the years ended June 30, 2023 and 2022, the Organization recognized depreciation expense of \$83,313 and \$43,868, respectively.

**CENTRO LEGAL DE LA RAZA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

**6. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were available for the following purposes as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Immigrants rights	\$ 433,333	\$ -
General operations	375,000	-
Tenants' rights	201,667	-
Fiscal sponsor projects	24,350	17,313
Total net assets with donor restrictions	<u>\$ 1,034,350</u>	<u>\$ 17,313</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors during the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Immigrants rights	\$ 346,667	\$ -
General operations	125,000	25,000
Tenants' rights	38,333	62,500
Workers' rights	-	6,250
Fiscal sponsor projects	-	3,724
Releases from donor restrictions	<u>\$ 510,000</u>	<u>\$ 97,474</u>

**7. CONTRIBUTED NONFINANCIAL ASSETS**

The entity adopted accounting standard ASU 2020-07 during the year ended June 30, 2023. 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, 2023 and 2022, the Organization recognized \$1,655,252 and \$837,927, 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.

**CENTRO LEGAL DE LA RAZA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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**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, 2023 and 2022 in the amount of \$211,745 and \$112,429, respectively.

**9. OPERATING LEASES**

The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) asset represents the Organization’s right to use underlying assets for the lease term, and the lease liabilities represent the Organization’s obligation to make lease payments arising from these leases. The ROU asset and lease liability, all of which arise from an operating lease, were calculated based on the present value of future lease payments over the lease terms. The Organization has made an accounting policy election to use a risk-free rate in lieu of its incremental borrowing rate to discount future lease payments. Three contracts met the criteria which are the office spaces used by the Organization. The discount rates applied to calculate the lease liability as of June 30, 2023, were 1.72%, 2.48%, and 2.51%.

For the years ended June 30, 2023 and 2022, total operating lease costs were \$451,533 and \$420,198, respectively. As of June 30, 2023, the weighted-average remaining lease term for the Organization’s operating leases was approximately one and a half years. Cash paid for the operating leases for the year ended June 30, 2023 was \$427,824. There were no noncash investing and financing transactions related to the operating lease.

Future minimum lease payments under noncancelable operating leases discounted to present value are presented in the following table, for the years ending June 30:

2024	\$	199,519
2025		127,291
2026		16,987
		343,797
Total remaining payments		343,797
Less: remaining discount		(6,383)
Lease obligation	\$	337,414

**10. CONCENTRATIONS, RISKS, AND UNCERTAINTIES**

Cash and Cash Equivalents – 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”).



**CENTRO LEGAL DE LA RAZA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2023 AND 2022**

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**10. CONCENTRATIONS, RISKS, AND UNCERTAINTIES (continued)**

Collective Bargaining Agreement – The Organization executed an agreement with Engineers and Scientists of California, Local 20 which expired on March 2024. The Organization is in active negotiations to extend the agreement. 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.

Concentration of Revenue – More than 86% of the Organization’s total revenue and support during the year ended June 30, 2023 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, 2023, for potential recognition or disclosure in the financial statements. Subsequent events have been evaluated through June 24, 2024, the date on which the financial statements were available to be issued.



**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 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, 2023, 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 June 24, 2024.

**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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 that we consider to be a material weakness.

### **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*.

### **Centro Legal de la Raza, Inc.'s Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Centro Legal de la Raza, Inc.'s response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Centro Legal de la Raza, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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.



June 24, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM 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 Each Major Federal Program***

***Opinion on Each 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 each of Centro Legal de la Raza, Inc.'s major federal programs for the year ended June 30, 2023. 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.

In our opinion, Centro Legal de la Raza, Inc. complied, in all material respects, with the 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 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.

### ***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 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***

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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.

*Government Auditing Standards* requires the auditor to perform limited procedures on Centro Legal de la Raza, Inc.'s response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Centro Legal de la Raza, Inc.'s response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

June 24, 2024

*Perotti & Canade*

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2023**

<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 - ERAP 3	21.023	COVID-19	\$ 16,024,950	\$ -
Emergency Rental Assistance Program	Pass-through	Contra Costa County - East Contra Costa County	21.023	COVID-19	64,913	-
Emergency Rental Assistance Program	Pass-through	County of Alameda - ARPA Expansion (Admin)	21.023	COVID-19	508,542	124,535
Emergency Rental Assistance Program	Pass-through	County of Alameda - ARPA (Unincorporated)	21.023	COVID-19	169,524	173,716
Emergency Rental Assistance Program	Pass-through	County of Alameda - ERAP 1 - STATE	21.023	COVID-19	2,866,387	-
Emergency Rental Assistance Program	Pass-through	County of Alameda - ERAP 1 - STATE	21.023	COVID-19	1,667,613	168,061
Emergency Rental Assistance Program	Pass-through	County of Alameda - ERAP 2 - STATE	21.023	COVID-19	13,681,952	-
Community Development Block Grants/Entitlement Funds		City of San Leandro	21.023	COVID-19	56,800	25,477
					<u>35,040,681</u>	<u>491,789</u>
Coronavirus State Fiscal Recovery Funds	Pass-through	State Bar - 21-24 HP III Formula Grant	21.027	COVID-19	179,707	-
Total U.S. Department of Treasury					<u>35,220,388</u>	<u>491,789</u>
<u>U.S. Department of Justice</u>						
Office on Violence Against Women (OVW)	Pass-through	Family Violence Law Center 15JOVW-21	16.524		58,554	-
Total U.S. Department of Justice					<u>58,554</u>	<u>-</u>
<u>U.S. Department of Housing</u>						
Community Development Block Grants/Entitlement Grants	Pass-through	City of Dublin - 2022-23	14.218		22,743	-
Community Development Block Grants/Entitlement Grants	Pass-through	City of Hayward - HAYCDBG22-23	14.218		93,998	-
Community Development Block Grants/Entitlement Grants	Pass-through	City of Oakland/ East Bay Community Law Center	14.218		40,063	-
Community Development Block Grants/Entitlement Grants	Pass-through	County of Alameda - Urban & Unincorporated	14.218		99,493	-
Community Development Block Grants/Entitlement Grants	Pass-through	City of Concord - CDBG	14.218	COVID-19	190,023	-
Community Development Block Grants/Entitlement Grants	Pass-through	City of Walnut Creek - CDBG	14.218	COVID-19	27,911	-
Community Development Block Grants/Entitlement Grants	Pass-through	County of Contra Costa - Urban	14.218	COVID-19	230,445	-
Community Development Block Grants/Entitlement Grants	Pass-through	City of Oakland - CBDG Legal	14.218	COVID-19	237,863	136,891
Total U.S. Department of Housing					<u>942,539</u>	<u>136,891</u>
Total Expenditures of Federal Awards					<u>\$ 36,221,481</u>	<u>\$ 628,680</u>

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

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

**JUNE 30, 2023**

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**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, 2023. 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, 2023**

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**SECTION I - SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unmodified opinion on the financial statements of Centro Legal de la Raza, Inc..
2. A material weakness was noted during the audit of the financial statements. No 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. A material weakness in internal control over major federal award programs was identified during the audit of the major federal award programs. No significant deficiencies were identified during the audit of the major federal award programs.
5. The auditor's 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 was:

<u>Assistance Listing No.</u>	<u>Program Name</u>
21.023	Emergency Rental Assistance Program

8. The threshold for distinguishing Types A and B programs was \$1,086,644.
9. Auditee did qualify as a low-risk auditee.

**FINANCIAL STATEMENT FINDINGS**

There was a financial statement finding for the year ended June 30, 2023.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There was a federal award finding for the year ended June 30, 2023.

**CENTRO LEGAL DE LA RAZA, INC.**  
**SUMMARY OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2023**

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**SECTION II – FINANCIAL STATEMENT FINDING**

**Finding 2023-001: Inadequate Financial Reporting**

**Condition:** The tracking of eligible (billable) costs within the accounting system was inadequate and required a significant amount of work to generate reconciliations of billable costs to contract billings. In addition, certain grants were inconsistently reflected as restricted or conditional compared to similar grants. As part of the process to review year end, management identified errors which required adjustments, the most common of which was adjusting revenue between restricted and conditional revenue.

**Criteria:** CFR 200.303, *Internal Controls*, states that the non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Additionally, 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; 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.

**Cause:** The Organization did not have in place a formal, clear system which reconciled the billings to the funders and related eligible costs or releases related to certain restricted grants.

**Effect:** Significant adjustments were proposed by management during the audit, principally between conditional and restricted revenue.

**Recommendation:** We strongly recommend that all costs are coded directly to a contract within the accounting system and on a monthly or quarterly (at a minimum) basis there is a reconciliation of the billings between the funders and the revenue/costs related to the contracts to assure that all costs have been captured for billings and releases from restrictions. We also recommend detailed reviews/approvals of such reconciliations be performed.

**Questioned Costs:** None identified.

**Context:** While performing initial audit procedures, we requested management to perform a reconciliation of billings and related costs and review its recording of restricted and conditional grants. During management review, errors were identified by management and requested to be corrected. The condition noted is deemed to be systemic in nature. We did not identify any misstatements during our audit once the review was completed by management.

**CENTRO LEGAL DE LA RAZA, INC.**  
**SUMMARY OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2023**

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**SECTION II – FINANCIAL STATEMENT FINDING (continued)**

**Identification as a Repeat Finding:** This is not a repeat finding

**Management Views and Corrective Action Plan:** Management agrees with the finding and recommendation. The Organization implemented a new accounting system effective July 1, 2023, in which substantially all costs are now coded to respective contracts which will provide much easily generatable support for billings. Management is working with the accounting team to implement a new process as part of the monthly closing procedures in which for cost reimbursement contracts there will be a review of revenue compared to costs to ascertain that the billing is accurate and complete.

**SECTION III – FEDERAL AWARD FINDING**

**Information on the Federal Programs:** Assistance Listing Number 21.023.

**Finding 2023-001: Inadequate Financial Reporting** – The 2023-001 financial statement finding is also considered a federal award finding.