

LATINO COMMISSION ON ALCOHOL AND DRUG ABUSE SERVICES, INC.
(A California Nonprofit Corporation)
For The Fiscal Year Ended June 30, 2018

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JOE J. CHAIDEZ

CERTIFIED PUBLIC ACCOUNTANT

55 SHAW AVENUE, SUITE 209 CLOVIS, CALIFORNIA 93612 PH. (559) 325-8084 FAX (559) 235-8493

Independent Auditor's Report on Financial Statements

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

Report on Financial Statements

I have audited the accompanying statement of financial position of Latino Commission on Alcohol and Drug Abuse Services Inc., as of June 30, 2018 and 2017, and related statements of activities, changes in net assets, cash flows, and functional expenses for the fiscal years then ended, and related notes to the financial statements.

Management's Responsibility For 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. This includes the design, implementation, and maintenance of internal controls relevant to the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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 agency'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 agency's internal controls. Accordingly I express no opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

To the Board of Directors of
Latino Commission on Alcohol and Drug Abuse Services, Inc.
For The Fiscal Year Ended June 30, 2018

Opinion

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Latino Commission on Alcohol and Drug Abuse Services as of June 30, 2018 and 2017, and changes in activities, and net assets, cash flows, and functional expenses for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated November 14, 2018 on my consideration of Latino Commission on Alcohol and Drug Abuse Services internal control over financial reporting and my testing of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control or compliance. Accordingly, I do not express any such opinion. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the agency's internal control over financial reporting and compliance.

Joe J. Chaidez, CPA
Clovis, California
November 14, 2018

LATINO COMMISSION ON ALCOHOL AND DRUG ABUSE SERVICES, INC.
Statement of Financial Position
June 30, 2018 and 2017

ASSETS

<u>Current Assets</u>	<u>2018</u>	<u>2017</u> (Note M)
Cash and Equivalent (Note C)	\$ 47,287	\$ 427,416
Grants Receivable (Note D)	213,937	193,274
Other Current Assets	<u>20,852</u>	<u>5,717</u>
Total Current Assets	282,076	626,407
<u>Property and Equipment</u>		
Property & Equipment-Net (Note E)	<u>270,285</u>	<u>214,731</u>
TOTAL ASSETS	<u>\$ 552,361</u>	<u>\$ 841,138</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$ 56,069	\$ 50,180
Bank lines of Credit	48,171	23,216
Other Bank Loans	84,111	-0-
Accrued Expenditures (Note J)	334,803	637,980
Loan Payable – Current (Note I)	<u>16,447</u>	<u>16,447</u>
Total Current Liabilities	539,601	727,823
Loan Payable – Long Term (Note I)	<u>152,889</u>	<u>156,210</u>
Total Liabilities	<u>\$ 692,490</u>	<u>\$ 884,033</u>

Net Assets

Unrestricted Net Assets – Deficit	\$<140,129>	\$<42,895>
Restricted Net Assets	<u>-0-</u>	<u>-0-</u>
Total Net Assets – Deficit	<u><140,129></u>	<u><42,895></u>
LIABILITIES AND NET ASSETS	<u>\$ 552,361</u>	<u>\$ 841,138</u>

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

LATINO COMMISSION ON ALCOHOL AND DRUG ABUSE SERVICES, INC.
Statement of Activities and Changes in Net Assets
For The Fiscal Years Ended June 30, 2018 and 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2018</u>	<u>2017</u> (Note M)
<u>Revenue</u>				
Government Grants:				
San Francisco County	\$ 1,300,524		\$ 1,300,524	\$ 1,284,780
San Mateo County	1,038,229		1,038,229	912,145
Donations/ Corp./ Foundations	198,473		198,473	223,272
Events Income	31,595		31,595	24,437
Contract Services/Regalitos	131,665		131,665	130,085
Client Service Fees	32,466		32,466	43,012
Food Stamps	3,072		3,072	16,329
Housing/Rental	52,644		52,644	32,792
Misc./Interest Income	<u>43,296</u>	<u> </u>	<u>43,296</u>	<u>79,302</u>
Total Revenue	<u>\$ 2,831,964</u>	<u>-0-</u>	<u>\$ 2,831,964</u>	<u>\$ 2,746,154</u>
<u>Expenses</u>				
Program Services	2,429,476		2,429,476	2,163,478
Management and General	499,722		499,722	542,064
Fund-Raising Expenses	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total Expenses	<u>2,929,198</u>	<u>-0-</u>	<u>2,929,198</u>	<u>2,705,542</u>
<Decrease> in Net Assets	\$ <97,234>	-0-	\$ <97,234>	\$ 40,612
Net Assets – Beginning-Restated	<42,895>	-0-	<42,895>	<112,638>
Other Increases (Note M)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>29,131</u>
Net Assets, Ending – Deficit	<u>\$<140,129></u>	<u>\$ -0-</u>	<u>\$<140,129></u>	<u>\$ <42,895></u>

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

LATINO COMMISSION ON ALCOHOL AND DRUG ABUSE SERVICES, INC.
Statement of Cash Flows
For The Fiscal Years Ended June 30, 2018 and 2017

<u>Cash Flows From Operating Activities</u>	<u>2018</u>	<u>2017</u> (Note M)
Change in unrestricted net assets	\$ <97,234>	\$ 40,612
Adjustments to Reconcile Net Cash to Changes in Net Assets:		
Depreciation Expense	14,077	10,084
Change in Grants Receivables	<20,633>	<84,937>
Change in Other Assets	<15,135>	3,160
Change in Payables/Other Accruals	<u><202,329></u>	<u>268,815</u>
Net Cash used by Operating Activities	<u><321,254></u>	<u>237,734</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of Fixed Assets - net	<u><55,554></u>	<u><-0-></u>
<u>Cash Flows from Financing Activities</u>		
Proceeds from Borrowings	-0-	-0-
Payment of Long-term Debt	<u><3,321></u>	<u><3,135></u>
Net Cash Flow from Financing Activities	<u><3,321></u>	<u><3,135></u>
Decrease in Cash & Cash Equivalent	\$ <380,129>	\$ 234,599
Cash & Cash Equivalent - Beginning	<u>427,416</u>	<u>192,817</u>
Cash & Cash Equivalent – Ending	<u>\$ 47,287</u>	<u>\$ 427,416</u>
<u>Supplemental Information</u>		
Interest Paid During The Fiscal Year	<u>\$ 18,804</u>	<u>\$ 23,956</u>

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

LATINO COMMISSION ON ALCOHOL AND DRUG ABUSE SERVICES, INC.
Statement of Functional Expenses
For The Fiscal Years Ended June 30, 2018 and 2017

	<u>Program Services</u>	<u>Management and General</u>	<u>2018</u>	<u>2017</u> (Note M)
<u>EXPENDITURES</u>				
Salaries / Wages	\$ 1,153,157	\$ 300,869	\$ 1,454,026	\$ 1,337,845
Fringe Benefits	371,249	70,041	441,290	357,789
Professional Fees	222,703	68,680	291,383	202,097
Program Expenses	77,401	22	77,423	88,253
Communications	40,589	2,189	42,778	42,842
Occupancy Costs	421,652	19,792	441,444	440,258
Depreciation	-0-	14,077	14,077	10,084
Client Services	19,804	-0-	19,804	27,535
Travel/ Conf.	43,943	3,105	47,048	42,119
Interest Exp.	1,709	17,095	18,804	13,425
Other Expenditures	<u>77,269</u>	<u>3,852</u>	<u>81,121</u>	<u>143,295</u>
Total Expenditures	<u>\$ 2,429,476</u>	<u>\$ 499,722</u>	<u>\$ 2,929,198</u>	<u>\$ 2,705,542</u>

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

LATINO COMMISSION ALCOHOL AND DRUG ABUSE SERVICES, INC.
Notes to Financial Statements
June 30, 2018 and 2017

Note A. ORGANIZATION

Latino Commission on Alcohol and Drug Services of San Mateo County is a tax - exempt corporation, organized under Section 501 (c) (3) of the Internal Revenue Code. Latino Commission is a community based organization located in the City of San Bruno, CA. The Latino Commission offers culturally and linguistically competent substance abuse treatment and prevention and counseling services to high risk residents and their families.

Note B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The financial statements of Latino Commission on Alcohol and Drug Abuse Services, Inc. have been prepared on the accrual basis of accounting. The statements report the financial activities of the agency related to the current reporting period. Revenues related to grants are recorded to the extent of expenses applicable to such grants. Any differences are recorded as deferred revenue or as receivable.

Financial Statement Presentation

Unrestricted Net Assets

The unrestricted is utilized to record certain donations, fund-raising income and other forms of unrestricted revenue and expenditures related to the general operations and fund-raising efforts of the organization. The fund balance is expected to be utilized for the next year's operations.

Temporarily Restricted Net Assets

The temporarily restricted is utilized to record resources received that are temporarily restricted as to the use by the donor or grantor. When the restriction expires, the net assets of this fund are generally reclassified to unrestricted net assets. There were no temporarily restricted assets at June 30, 2018 and 2017.

Permanently Restricted Net Assets

The permanently restricted is utilized to report resources, if any, restricted by the grantor to provide a permanent source of income or to be permanently held and not sold. There were no restricted assets at June 30, 2018.

Tax Exempt Status

Latino Commission on Alcohol and Drug Abuse Services, Inc. is classified as a not-for-profit California corporation and has been granted exemption from federal and state income taxes under section 501 (c) (3) of the Internal Revenue Code.

LATINO COMMISSION ON ALCOHOL AND DRUG ABUSE SERVICES, INC.
Notes to Financial Statements
June 30, 2018 and 2017

Note B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to use estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

PROPERTY AND EQUIPMENT

Fixed assets are recorded at cost or, in the case of donated property, at their estimated fair market value at date of receipt. It is the policy of the agency to capitalize any purchase over \$ 3,000. Depreciation is computed on the straight-line method over the estimated useful lives of the assets which range from 5 to 7 years. Repairs and maintenance are charged to operating expenses as incurred.

Note C. CASH AND EQUIVALENTS

The agency considers all highly liquid debt instruments with terms to maturity of thirty (30) days or less to be cash equivalents.

	<u>2018</u>	<u>2017</u>
General Account	\$ 16,328	\$ 242,313
Payroll Account	7,593	31,737
Program Accounts	12,386	146,475
Savings	9,242	4,233
Petty Cash	<u>1,738</u>	<u>2,658</u>
Total - Cash	<u>\$ 47,287</u>	<u>\$ 427,416</u>

LATINO COMMISSION ON ALCOHOL AND DRUG ABUSE SERVICES, INC.
Notes to Financial Statements
June 30, 2018 and 2017

Note D. GRANTS RECEIVABLES

	<u>2018</u>	<u>2017</u>
San Francisco County	\$ 179,577	\$ 97,839
San Mateo County	3,108	90,000
Others	<u>31,252</u>	<u>5,435</u>
Total	<u>\$ 213,937</u>	<u>\$ 193,274</u>

Note E. <u>PROPERTY AND EQUIPMENT</u>	<u>Beginning Balances</u>	<u>Increases <Decreases></u>	<u>Ending Balances</u>
Vehicles	\$ 130,395	\$ 35,886	\$ 166,281
Furniture and Equip.	181,776	-0-	181,776
Building – Improvements	-0-	26,745	26,745
Building – Cutler, CA	154,239	-0-	154,239
Land – Cutler CA	<u>35,706</u>	<u>-0-</u>	<u>35,706</u>
Subtotal	\$ 502,116	62,631	\$ 564,747
Less Accum. Depreciation	<u><287,385></u>	<u><7,077></u>	<u><294,462></u>
Total - Net	<u>\$ 214,731</u>	<u>\$ 55,554</u>	<u>\$ 270,285</u>

Note F. CONTINGENCY- COUNTY REVENUE

Latino Commission on Alcohol and Drug Abuse Services receives a significant portion of its revenue from government grants and contracts all of which are subject to audit. Periodic audits may be performed by granting agencies and costs may be questioned as not being reimbursable under the terms of the grant or contract. Such audits could lead to reimbursement to the granting agency. Management believes that it has complied with the conditions of its awards for the fiscal years ended June 30, 2018 and 2017.

LATINO COMMISSION ON ALCOHOL AND DRUG ABUSE SERVICES, INC.
Notes to Financial Statements
June 30, 2018 and 2017

Note G. RELATED PARTY TRANSACTIONS

There were no related party transactions to be reported for the fiscal year ended June 30, 2018 and 2017.

Note H. LEASE OBLIGATIONS

The agency is currently leasing its headquarters at 1001 Sneath Lane, No. 307, San Bruno, CA, 94066, under a 10 year lease agreement. Monthly rent of \$10,401 is due on the 1st of the month. Annual rent may be adjusted based on operating expenses.

2019	\$ 124,812	2021	\$ 124,812	2023	\$ 124,812
2020	\$ 124,812	2022	\$ 124,812		

The agency conducts its residential operations from several leased facilities in San Mateo and San Francisco County. All leases are on a month to month basis. Future lease payments are as follows:

2019	\$ 244,800	2021	\$ 244,800	2023	\$ 244,800
2020	\$ 244,800	2022	\$ 244,800		

Note I. LOANS PAYABLE

Loan payable to Revfinn Ltd., a California Limited Partnership. The Loan is for property located at 13129 Antonia Avenue, Cutler California. Original loan of \$189,945 and is due in 15 years(2025). Monthly principal amount due is \$1,370. The loan bears interest at 8%. Future loan payments:

2019	\$16,447
2020	\$16,447
2021	\$16,447
2022	\$16,447
2023	\$16,447
Thereafter	\$87,100

LATINO COMMISSION ON ALCOHOL AND DRUG ABUSE SERVICES, INC.
Notes to Financial Statements
June 30, 2018 and 2017

Note J. ACCRUED PAYABLES

	<u>2018</u>	<u>2017</u>
Payroll Taxes Payable	\$ 516	\$ 23,593
Accrued Wages	63,385	75,592
Accrued Vacations	65,918	63,158
Unearned Advancements	184,387	473,077
Other accruals/Credit Cards	<u>20,597</u>	<u>2,560</u>
Total	<u>\$ 334,803</u>	<u>\$ 637,980</u>

Note K. SUBSEQUENT EVENT

Management has evaluated events through November 14, 2018, the date of my audit report.

Note L. RETIREMENT PLAN

The agency has a tax – deferred defined contribution pension plan qualified under Section 401 (K) of the Internal Revenue Code. The agency contributes up to 4% of gross salaries for qualified employees to the plan. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code if they wish. The agency contributed \$ 24,699 to the plan for the year ended June 30, 2018, and \$20,839 for 2017.

Note M. COMPARATIVE DATE

The financial statement information for the fiscal year ended June 30, 2017, presented for comparative purpose, is not intended to be complete financial statement presentation. For a complete presentation of June 30, 2017, please refer to the financial statements for that year.

Note N. SIGNIFICANT EVENT

On October 12, 2016, the agency entered into a 30 year loan agreement with San Mateo County for assistance in the purchase of a residential home for the amount of \$741,625. At the end of the 30 year period, the home reverts to The Latino Commission.

JOE J. CHAIDEZ
CERTIFIED PUBLIC ACCOUNTANT

55 SHAW AVENUE, SUITE 209 • CLOVIS, CALIFORNIA 93612 PH. • (559) 325-8084. • FAX (559) 235-8493

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND COMPLIANCE BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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

I 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 Latino Commission on Alcohol and Drug Abuse Services which comprise the statement of financial position and related statement of activities, functional expenses, and cash flows, as of and for the year ended June 30, 2018 and 2017, and related notes to the financial statements.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Latino Commission on Alcohol and Drug Abuse Services internal control over financial reporting to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not to express an opinion on the internal. Accordingly, I do not express an opinion on the agency'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.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. 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.

To the Board of Directors
Latino Commission Alcohol and Drug Abuse Services, Inc.
For The Fiscal Year Ended June 30, 2018

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Latino Commission on Alcohol and Drug Abuse Services financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of material noncompliance that are required to be reported under Government Auditing Standards. However, material weakness may exist that have not been identified.

Purpose of this Report

This report is intended solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the agencies internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the agency's internal content and compliance.

Joe J Chaidez, CPA
Clovis, California
November 14, 2018

LATINO COMMISSION ON ALCOHOL AND DRUG ABUSE SERVICES, INC.
 Schedule of Findings and Questioned Costs
 For The Fiscal Year Ended June 30, 2018

Section I- Summary of Auditor's Results

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified.

Internal Control over Financial Reporting:

- Were there material weaknesses identified?..... No.
- Were there significant deficiencies identified that are considered to be material weaknesses?..... No.
- Noncompliance material to the financial statements noted?..... No.

FEDERAL AWARDS

N/A – The agency received less than \$750,000 in federal funds.

Section II- Current Year Audit Findings and Recommendations No.

Section III- Prior Year Audit Findings and Recommendations No.

Questioned Costs - 2018 \$ -0-

Questioned Costs - 2017 \$ -0-

LATINO COMMISSION ON ALCOHOL
AND DRUG ABUSE SERVICES, INC.

(A CALIFORNIA NONPROFIT CORPORATION)

AUDITED FINANCIAL STATEMENTS

For The Fiscal Year Ended June 30, 2018

By: **JOE J. CHAIDEZ, CPA**