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INDEPENDENT AUDITORS' REPORT

Board of Directors
Latino Community Services, Inc.
184 Wethersfield Ave.
Hartford, Connecticut 06114

We have audited the accompanying statement of financial position of Latino Community Services, Inc. (a Connecticut not-for-profit corporation) as of June 30, 2008, and the related statements of activities and changes in net assets and functional expenses for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from Latino Community Services, Inc.'s 2007 financial statements and, in our report dated January 15, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Latino Community Services, Inc. as of June 30, 2008, and the changes in its net assets and its cash flows for the year then ended June 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated January 6, 2009, on our consideration of Latino Community Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important in assessing the results of our audit.

Respectfully submitted,
Alfin, Fagin, Falce & Company, LLC

ALFIN, FAGIN, FALCE & COMPANY, LLC
Certified Public Accountants
January 6, 2009

LATINO COMMUNITY SERVICES, INC.
HARTFORD, CONNECTICUT
JUNE 30, 2008

I. Independent Auditors' Report.

II. Financial Statements:

Exhibit A - Comparative Statement of Financial Position as of June 30, 2008 and June 30, 2007.

Exhibit B - Statement of Activities and Changes in Net Assets for the Year Ended June 30, 2008 with Comparative Totals for the Year Ended June 30, 2007.

Exhibit C - Statement of Functional Expenses for the Year Ended June 30, 2008 with Comparative Totals for the Year Ended June 30, 2007.

Exhibit D - Comparative Statement of Cash Flows for the Years Ended June 30, 2008 and June 30, 2007.

Notes to Financial Statements.

III. Report on Compliance and 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.

LATINO COMMUNITY SERVICES, INC.
HARTFORD, CONNECTICUT
COMPARATIVE STATEMENTS OF FINANCIAL POSITION

	June 30,	
ASSETS	2008	2007
<u>Current Assets:</u>		
Cash and cash equivalents	\$ 43,224	\$ 8,100
Grants receivable	74,040	106,546
Total Current Assets	117,264	114,646
Property and Equipment (net)	423,807	444,135
<u>TOTAL ASSETS</u>	\$ 541,071	\$ 558,781
<u>LIABILITIES AND NET ASSETS</u>		
<u>Current Liabilities:</u>		
Accounts payable	\$ 18,665	\$ 12,108
Accrued wages	58,755	30,295
Refundable advance	-	9,750
Note payable - installment	19,804	18,498
Note payable	50,236	50,000
Total Current Liabilities	147,460	120,651
Long-term debt	296,988	316,588
<u>Net Assets:</u>		
Unrestricted	93,873	110,349
Temporarily restricted	2,750	11,193
Total Net Assets	96,623	121,542
<u>TOTAL LIABILITIES AND NET ASSETS</u>	\$ 541,071	\$ 558,781

See Accompanying Notes

LATINO COMMUNITY SERVICES, INC.
HARTFORD, CONNECTICUT
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2008</u>	<u>Total 2007</u>
<u>Revenue and Other Support:</u>				
Grants and contracts	\$ -	\$ 1,557,287	\$ 1,557,287	\$ 1,134,242
Other income	2,401	-	2,401	-
Interest income	465	-	465	191
Contributions	18,344	-	18,344	23,663
Net assets released from restrictions	<u>1,565,730</u>	<u>(1,565,730)</u>	<u>-</u>	<u>-</u>
<u>Total Revenue and Other Support</u>	<u>1,586,940</u>	<u>(8,443)</u>	<u>1,578,497</u>	<u>1,158,096</u>
<u>Expenses:</u>				
Program services	1,437,714	-	1,437,714	1,022,685
Management services	<u>165,702</u>	<u>-</u>	<u>165,702</u>	<u>115,575</u>
<u>Total Expenses</u>	<u>1,603,416</u>	<u>-</u>	<u>1,603,416</u>	<u>1,138,260</u>
Changes in Net Assets	(16,476)	(8,443)	(24,919)	19,836
<u>Net Assets - Beginning</u>	<u>110,349</u>	<u>11,193</u>	<u>121,542</u>	<u>101,706</u>
<u>Net Assets - Ending</u>	<u>\$ 93,873</u>	<u>\$ 2,750</u>	<u>\$ 96,623</u>	<u>\$ 121,542</u>

See Accompanying Notes

LATINO COMMUNITY SERVICES, INC.
HARTFORD, CONNECTICUT
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2007

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>& General</u>	<u>Total Expenses</u>	
			<u>2008</u>	<u>2007</u>
Salaries	\$ 651,430	\$ 112,413	\$ 763,843	\$ 561,429
Fringe benefits	128,148	11,166	139,314	106,329
Payroll taxes	59,219	10,440	69,659	53,007
Office supplies	5,342	870	6,212	5,799
Postage	2,298	255	2,553	2,061
Program supplies	22,145	-	22,145	25,888
Staff development	13,290	1,474	14,764	8,451
Educational materials	197	-	197	1,154
Telephone	18,604	3,282	21,886	12,493
Repairs and maintenance	21,581	2,397	23,978	8,452
Utilities	11,657	2,057	13,714	12,750
Consulting and professional services	65,576	7,286	72,862	51,047
Advertising	12,157	-	12,157	3,970
Vehicle expense and leases	33,331	-	33,331	35,741
Clients' transportation	65,433	-	65,433	42,482
Staff travel	10,044	-	10,044	3,256
Payroll service	4,427	781	5,208	4,515
Client assistance	15,690	-	15,690	15,057
Security	1,248	138	1,386	2,028
Printing	13,114	2,314	15,428	10,226
Honorariums	30,000	-	30,000	20
Site costs	3,000	-	3,000	-
Fundraising	516	-	516	3,614
Interest	25,083	2,787	27,870	29,578
Insurance	12,271	2,165	14,436	16,693
Equipment and technology supplies	8,791	1,323	10,114	1,226
Depreciation	26,411	2,906	29,317	22,361
Grants	56,250	-	56,250	56,250
Property taxes	13,577	1,508	15,085	-
Subcontractors	106,404	-	106,404	41,450
Dues, subscriptions, and fees	480	140	620	933
<u>Total Per Exhibit B</u>	<u>\$ 1,437,714</u>	<u>\$ 165,702</u>	<u>\$ 1,603,416</u>	<u>\$ 1,138,260</u>

See Accompanying Notes

LATINO COMMUNITY SERVICES, INC.
HARTFORD, CONNECTICUT
COMPARATIVE STATEMENTS OF CASH FLOWS
Increase (Decrease) in Cash

	For the Years Ended	
	June 30,	
	2008	2007
<u>Cash Flows From Operating Activities:</u>		
Changes in net assets	\$ (24,919)	\$ 19,836
Adjustments to reconcile excess of revenues over expenses to net cash provided by (used in) operating activities:		
Depreciation	29,317	22,361
Changes in assets and liabilities:		
Increase Decrease in Assets and Liabilities:		
Grants receivable	32,506	11,343
Accounts payable	6,557	(27,209)
Refundable advances	(9,750)	9,750
Accrued wages	28,460	3,169
Total Adjustments	87,090	19,414
Net Cash Used In Operating Activities	62,171	39,250
<u>Cash Flows Used In Investing Activities:</u>		
Purchase of property and equipment	(8,989)	(37,026)
<u>Cash Flows From Financing Activities:</u>		
Principal payments on loans	(18,058)	(17,218)
Net Cash Provided by (Used In) Financing Activities	(18,058)	(17,218)
<u>Net Increase (Decrease) in Cash</u>	35,124	(14,994)
<u>Cash at the Beginning of Year</u>	8,100	23,094
<u>Cash at End of Year</u>	\$ 43,224	\$ 8,100
<u>Supplemental Disclosure of Cash Flow Information:</u>		
Cash paid during the year:		
Interest	\$ 27,870	\$ 29,578
Income taxes	\$ -	\$ -

See Accompanying Notes

LATINO COMMUNITY SERVICES, INC.
HARTFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS

Note 1 - Organization:

Latino Community Services, Inc. (the "Organization") is a not-for-profit Organization formed for the purpose of assisting individuals and families affected with AIDS through counseling services education and awareness programs.

Note 2 - Accounting Policies:

Comparative Totals

The financial statements include prior-year summarized comparative information in total, however, not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the entity's financial statements for the year ended June 30, 2007, from which the summarized information was derived.

Depreciation

Equipment acquired by the Organization has been capitalized at cost, and is being depreciated over five and six years, utilizing the straight-line method.

The total cost and related accumulated depreciation, for the years ended June 30, 2008 and 2007, are as follows:

	<u>2008</u>	<u>2007</u>
Office equipment and furniture	\$ 89,599	\$ 86,829
Vehicle	-	3,300
Building and land	<u>409,787</u>	<u>409,787</u>
Total	499,386	499,916
Less: Accumulated depreciation	<u>75,579</u>	<u>55,781</u>
Cost less accumulated depreciation	<u>\$423,807</u>	<u>\$ 444,135</u>

The Organization capitalizes, at cost, all expenditures for equipment and improvements in excess of \$500.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

LATINO COMMUNITY SERVICES, INC.
HARTFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 2 - Accounting Policies: (Continued)

Donated Materials and Services

Latino Community Services, Inc. receives, at times, donated materials and volunteer assistance from various sources. The donated materials are reflected as contributions in the accompanying statements at their estimated values at the date of their receipt. For the years ended June 30, 2008 and June 30, 2007, the Organization did not receive donated materials. No amounts for volunteer assistance were recognized in the statement of activities because the criteria for recognition under SFAS No. 116 were not satisfied.

Tax Status

The Organization is a Connecticut not-for-profit voluntary health and welfare agency exempt from income tax under Section 501(c)(3) of the U. S. Internal Revenue Code. In addition, Latino Community Services, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended June 30, 2008 and 2007.

Basis of Presentation

The accompanying financial statements of the Organization have been prepared using the accrual basis of accounting in accordance with generally accepted accounting principles. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the organization and changes therein are classified and reported as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets

Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as Net Assets Released From Restrictions.

Recognition of Restricted Grant Revenues

Revenues restricted by the donor, grantor, board of directors or any other outside party for particular operating purposes, are deemed to be earned and reported as revenues currently. Funds available at year end, which are to be carried over into the subsequent fiscal year, are reflected as Temporarily Restricted Net Assets.

LATINO COMMUNITY SERVICES, INC.
HARTFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 3 - Mortgage:

	<u>2008</u>	<u>2007</u>
Mortgage payable to bank, accrues interest at 7.3% per annum and requires monthly payments of principal and interest totaling \$2,580.68 through December 2020. The mortgage is secured by the office building located at 184 Wethersfield Ave.	\$ 251,986	\$263,718
Credit line note interest payable monthly at 6.00%.	50,236	50,000
The loan will require monthly payments of principal and interest at 6.0% totaling \$888.16 through January 2016. The loan is secured by all business equipment.	<u>64,806</u>	<u>71,368</u>
Total	<u>367,028</u>	<u>385,086</u>
Less: Current portion	<u>70,040</u>	<u>68,498</u>
Long-Term Debt	<u>\$ 296,988</u>	<u>\$316,588</u>

The principal maturities as of June 30, 2008 are as follows:

June 30, 2009	\$ 70,040
June 30, 2010	21,203
June 30, 2011	22,701
June 30, 2012	24,306
June 30, 2013	26,102
Thereafter	<u>202,676</u>
Total	<u>\$ 367,028</u>

Note 4 - Retirement Plans:

The Organization maintains a retirement plan, which is an employee-only funded program. All employees are eligible to participate in the plan.

Note 5 - Cash and Cash Equivalents:

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use, with an initial maturity of three months or less when purchased, to be cash equivalents.

Note 6 - Functional Allocation of Expenses:

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services.

LATINO COMMUNITY SERVICES, INC.
HARTFORD, CONNECTICUT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 7 - Note Payable:

The Organization has a line of credit, which was utilized to the extent of \$50,000 as of June 30, 2008 and 2007. The note is unsecured and interest is payable monthly at 9%.

Note 8 - Concentration of Revenue:

Federal and State government agencies provided approximately 94% and 90% of the total revenue received by the Organization for the years ended June 30, 2008 and 2007, respectively.

Note 9 - Temporarily Restricted Assets:

At June 30, 2008, temporarily restricted net assets were \$2,750 for the Hispanics in Philanthropy capital improvements project.

At June 30, 2007, temporarily restricted net assets were \$11,193 for the Hispanics in Philanthropy capacity building Project.

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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 the
Latino Community Services, Inc.

We have audited the financial statements of Latino Community Services, Inc. as of and for the year ended June 30, 2008, and have issued our report thereon dated January 6, 2009. We conducted our audit 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.

Compliance and Other Matters

As part of obtaining responsible assurance about whether Latino Community Services, Inc.'s financial statements are free of 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Latino Community Services, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Latino Community Services, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in the internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the Organization and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Alfin, Fagin, Falce & Company, LLC

ALFIN, FAGIN, FALCE & COMPANY, LLC
Certified Public Accountants

January 6, 2009