

**INDEPENDENT LIVING CENTER
OF KERN COUNTY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**INDEPENDENT LIVING CENTER OF KERN COUNTY
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FOR THE YEAR ENDED SEPTEMBER 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Independent Living Center of Kern County
Bakersfield, California

Report on the Financial Statements

We have audited the accompanying financial statements of Independent Living Center of Kern County (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Independent Living Center of Kern County as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) 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. The Incentive Funding Form for the State of California Department of Rehabilitation is required by the State of California Department of Rehabilitation and is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2019, on our consideration of Independent Living Center of Kern County'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 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 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 Independent Living Center of Kern County's internal control over financial reporting and compliance.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
March 15, 2019

**INDEPENDENT LIVING CENTER OF KERN COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Total
Revenues and Support	
Governmental Grants and Contracts	\$ 931,027
Foundation Grants and Donations	23,739
Fundraising	7,184
Fees for Services	219,066
Interest and Other Income	178
Total Revenues and Support	1,181,194
 Expenses	
Program Expenses	906,109
Fundraising Expenses	2,805
Administrative	259,576
Total Expenses	1,168,490
Change in Net Assets	12,704
Net Assets at September 30, 2017	353,065
Net Assets at September 30, 2018	\$ 365,769

See Accompanying Notes

**INDEPENDENT LIVING CENTER OF KERN COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	U.S. Dept. of Health & Human Services		California Department of Rehabilitation Grants		Fee For Service Programs	Other Programs	TOTAL PROGRAMS	FUND-RAISING	GENERAL ADMIN. (Indirect)	TOTAL EXPENSES
	Independent Living Center - Core	Independent Living Center AB 204	Older Individ. who are blind	Rehabilitation Grants						
Salaries and Wages	\$ 156,570	\$ 204,865	\$ 38,017	\$ -	\$ 60,880	\$ 44,079	\$ 504,411	\$ -	\$ 160,880	\$ 665,291
Payroll Taxes	14,996	17,483	3,561	-	5,931	4,162	46,133	-	12,837	58,970
Benefits	32,163	47,111	9,748	-	10,106	9,865	108,993	-	19,391	128,384
Total Personnel Costs	203,729	269,459	51,326	-	76,917	58,106	659,537	-	193,108	852,645
Occupancy	20,963	35,195	5,512	-	14,174	5,869	81,713	-	21,499	103,212
Professional Services	20,337	11,559	1,906	-	9,140	2,046	44,988	1,794	9,306	56,088
Office Expense	2,340	3,657	363	-	1,231	11,015	18,606	462	9,140	28,208
Staff Training and Travel	6,848	7,093	1,490	-	8,069	3,437	26,937	16	820	27,773
Equipment Rental & Maintenance	1,245	1,805	203	-	658	2,045	5,956	-	1,080	7,036
Insurance	2,662	4,870	666	-	1,949	783	10,930	-	2,841	13,771
ASL Interpreter	-	-	-	-	22,747	-	22,747	-	-	22,747
Dues and Subscriptions	3,259	3,634	-	-	485	140	7,518	6	2,347	9,871
Rental Assistance - CCT	-	-	-	-	21,952	-	21,952	-	27	21,979
Communications	1,783	1,454	198	-	1,348	212	4,995	-	775	5,770
Outreach Expense	115	115	-	-	-	-	230	-	300	530
Vending Machines	-	-	-	-	-	-	-	527	-	527
Total Expenses before depreciation	263,281	338,841	61,664	-	158,670	83,653	906,109	2,805	241,243	1,150,157
Depreciation Expense	-	-	-	-	-	-	-	-	18,333	18,333
TOTAL EXPENSES	\$ 263,281	\$ 338,841	\$ 61,664	\$ -	\$ 158,670	\$ 83,653	\$ 906,109	\$ 2,805	\$ 259,576	\$ 1,168,490

**INDEPENDENT LIVING CENTER OF KERN COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Cash Flows From Operating Activities	
Change in Net Assets	\$ 12,704
Adjustments to Reconcile Increase in Net Assets to Cash	
Depreciation	18,833
(Increase) Decrease in Assets	
Grants and Other Receivables	(97,154)
Deposits	-
Increase (Decrease) in Liabilities	
Accounts and Credit Cards Payable	(14,551)
Payroll and Related Expenses	(249)
Grant Advances	(15,133)
Compensated Absences Payable	(58)
Net Cash Provided/(Used) by Operating Activities	<u>(95,608)</u>
Net Change in Cash	(95,608)
Beginning Cash at October 1, 2017	224,601
Net Cash at September 30, 2018	<u><u>\$ 128,993</u></u>

NOTE: There was no interest or income taxes paid for the year ended September 30, 2018.

INDEPENDENT LIVING CENTER OF KERN COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 1: Nature of the Organization

The Independent Living Center of Kern County (the Center) is a California nonprofit corporation and was incorporated in June 1991. The Center was organized primarily to assist persons with disabilities to live in the community with maximum freedom of choice and with an enhanced quality of life. The Center is headquartered in Bakersfield, California, serving Kern County.

The Center provides a wide range of services, including, but not limited to, personal advocacy, systems advocacy, personal assistance referral, housing assistance, information and referral, peer support, independent living skills training and an assistive technology program.

The Center is a not-for-profit corporation exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and the related California revenue code 23701(d). It has been classified as an organization that is not a private foundation under Section 509(a)(2) of the Internal Revenue Code and qualifies for the 50% charitable contribution deduction for individual donors. It did not have unrelated business income during the fiscal year ended September 30, 2018.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements of the Center are presented using the accrual method of accounting in accordance with Generally Accepted Accounting Principles in the United States of America. Consequently, support and revenues are recognized when earned, and expenses are recognized when the obligations are incurred rather than when cash is received or spent.

Classes of Net Assets

The financial statements report amounts by class of net assets:

- a) *Unrestricted net assets* are those currently available for use in the activities of the Organization under the direction of the board, and those resources invested in equipment and furniture.
- b) *Temporarily restricted net assets* are those stipulated by donors for specific operating purposes or for the acquisition of property and equipment; or those not currently available for use until commitments regarding their use have been fulfilled or lifetime beneficiary interests have ceased. It is the Center's policy to classify restricted donations received and released from restriction within the same period as unrestricted.
- c) *Permanently restricted net assets* are those contributed with the donor stipulation that they be held in perpetuity with use of income for unrestricted or temporarily restricted purposes.

INDEPENDENT LIVING CENTER OF KERN COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

Note 2: Summary of Significant Accounting Policies - Continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the cash flow statement, cash and cash equivalents are considered to be highly liquid depository accounts with a maturity of less than three months.

Allocation of Support Service Expenditures

The Center's policy is to allocate the indirect expenses of administrative overhead to certain programs (if allowed by the grantor) based on various direct costs related to each program.

Property and Equipment

Property & Equipment with values greater than \$5,000 are capitalized and stated at historical cost or estimated fair market value at the time of donation for donated property and equipment. Depreciation of property and equipment is calculated on the straight-line method over the following estimated useful lives in years:

Vehicles	5
Office Equipment	5
Furniture and Fixtures	10

Contributed Services

The Center receives significant services from volunteers; however, the value of such services is not reflected in the financial statements since they neither enhance a long-lived asset nor are they of a specialized nature of which the Center would otherwise have to purchase.

Allocated Expenses

Expenses by function have been allocated between program and supporting services classification on the basis of time records, direct costs for programs and administrative activities, and estimates made by the Center's management.

**INDEPENDENT LIVING CENTER OF KERN COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 3: Concentration of Credit Risk

Financial instruments which potentially subject the Center to concentrations of credit risk consist principally of cash and money market accounts. The Center places its temporary cash and money market accounts with creditworthy, high-quality financial institutions. The cash balances are maintained in accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Organization has not experienced any losses in such accounts.

Note 4: Grants and Other Receivables

At September 30, 2018, the Grants and Other Receivables consisted of the following amounts:

State of California Department of Rehabilitation	\$ 166,054
Department of Health and Human Services	9,790
Department of Health Care Services	18,554
Others	28,582
Total Accounts Receivable	\$222,980

Receivables have been determined to all be collectible; therefore no allowance for doubtful accounts was necessary.

Note 5: Operating Leases

Facility

On October 13, 2011, the Center entered into an office lease. The lease commenced January 1, 2012 and continues for seven years ending April 30, 2019 with the option to extend the lease for an additional three years. Future minimum lease payments are as follows:

For the Year Ending September 30,	TOTAL
2019	\$92,200

Rent expense during the year ended September 30, 2018 totaled \$ 89,800.

**INDEPENDENT LIVING CENTER OF KERN COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 6: Property and Equipment

The components of property and equipment at September 30, 2018 were as follows:

	2017	Additions	Disposals	2018
Furniture and equipment	\$ 68,140	\$ -	\$ -	\$ 68,140
Vehicle	59,996	-	-	59,996
Less: accumulated depreciation	(59,500)	(18,333)	-	(77,833)
	<u>\$ 68,636</u>	<u>\$ (18,333)</u>	<u>\$ -</u>	<u>\$ 50,303</u>

Depreciation expense for the year ended September 30, 2018 was \$18,333.

Nearly all equipment is purchased with governmental grants specifically to be used in the programs. The Center must obtain approval before disposing of the equipment.

Note 7: In-Kind Volunteers

During fiscal year 2017-2018 volunteer hours were provided for both program and fund-raising services but were not recognized as contributions in the financial statements as they did not meet the criteria of Accounting Standards Codification (ASC) No. 958-605-252 (formerly SFAS No. 116).

Note 8: Concentrations

The majority of the funding for the Center comes from government funded contracts and programs. If these contracts or programs are cancelled or not renewed, the Center would be unable to continue the programs funded by these contracts and programs.

Note 9: Employee Benefits

The Center offers a medical plan to eligible employees. This plan is administered by the management of the Center and substantially all eligible employees of the Center participate in the plan. The medical plan also covers vision and dental plans which allows eligible employees to participate with the same guidelines as the medical plan.

**INDEPENDENT LIVING CENTER OF KERN COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018**

Note 9: Employee Benefits – continued

The Independent Living Center of Kern County's expense for the benefit plan for the year ended September 30, 2018 was as follows:

Medical Plan	\$ 99,578
Dental Plan	17,344
Vision Plan	5,180
	<u>\$ 122,102</u>

Effective August 1, 2012, the Center made available a 403(b) retirement plan to its eligible employees. Employees may make voluntary contributions to the plan. The Center does not match contributions.

Note 10: Subsequent Events

Events subsequent to September 30, 2018 have been evaluated through March 15, 2019, the date at which the Organization's audited financial statements were available to be issued. No events required disclosure during this period.

SUPPLEMENTAL INFORMATION

**INDEPENDENT LIVING CENTER OF KERN COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

<u>Federal Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Award or Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
<u>US Department of Education</u>				
<u>Passed through California Department of Rehabilitation:</u>				
Independent Living Services for Older Individuals Who Are Blind	84.177	30546	\$ 79,538	\$ -
State Independent Living Centers State and Social Security Reimbursement (SSR) Grants	NONE	30581	432,733	-
<u>Total Passed through CA Department of Rehabilitation</u>			512,271	-
Disability and Business Technical Assistance Centers	84.133D		2,967	-
<u>Total US Department of Education</u>			515,238	-
<u>US Department of Housing and Urban Development</u>				
<u>Passed through County of Kern:</u>				
Continuum of Care Grant	14.267	NA	73,132	-
<u>Total US Department of Housing and Urban Development</u>			73,132	-
<u>US Department of Health and Human Services</u>				
ACL Centers for Independent Living	93.432	90IL0255-02-00	333,912	-
<u>Passed through Christopher and Dana Reeves Foundation:</u>				
Paralysis Resource Centers	93.325	NONE	11,712	-
<u>Total US Department of Health and Human Services</u>			345,624	-
Total Expenditures of Federal Awards			\$ 933,994	\$ -

**INDEPENDENT LIVING CENTER OF KERN COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Independent Living Center of Kern County and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of basic financial statements. The Organization did not elect to use the ten percent (10%) de minimis indirect cost rate.

**INDEPENDENT LIVING CENTER OF KERN COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

There were no prior audit findings.

INCENTIVE FUNDING FORM

Submit This Form Each Year With The ILC's Audit

*Page: 1 of 1

Name of ILC: INDEPENDENT LIVING CENTER OF KERN COUNTY

Fiscal Year: 2017-2018

NON-GOVERNMENT GRANTS AND CASH DONATIONS/CONTRIBUTIONS

Total Cash Donations:	Donations	\$ 9,543.00
Total Cash Contributions:	SCAN Foundation	\$ 14,196.00
Total Non-Govt. Grants:		\$ -
		\$ -
		\$ -
Total:		\$ 23,739.00

CONTRIBUTIONS RELEASED FROM DONOR RESTRICTIONS (Private sources only)**

Source:		\$ -
		\$ -
		\$ -
		\$ -
Total:		\$ -

NET INCOME RAISED FROM FUNDRAISING (Income less expenses)

Source:	PUBLIC Fundraising Revenue (Net)	\$ 4,379.00
		\$ -
		\$ -
		\$ -
Total:		\$ 4,379.00

FEES FOR SERVICES

Source:	Fees for Services - misc.	\$ 4,596.00
	Pac DBTAC	\$ 2,967.00
	ASL Interpreter Service	\$ 138,298.00
	California Community Transitions Project	\$ 73,205.00
Total:		\$ 219,066.00

OTHER (Explain)

Source:		\$ -
		\$ -
		\$ -
		\$ -
Total:		\$ -

GRAND TOTAL: \$ 247,184.00

ILC Signature: JIMMIE SOTO

Date: 3/15/2019

Auditor Signature: JENSEN SMITH CERTIFIED PUBLIC ACCOUNTANTS

Phone Number: (916) 434-1662

* Attach additional pages if necessary.
 ** Explain conditions for contributions received with restrictions.

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**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
Independent Living Center of Kern County

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 Independent Living Center of Kern County (a nonprofit organization), which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon date March 15, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Independent Living Center of Kern County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Independent Living Center of Kern County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Independent Living Center of Kern County financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California 95648
March 15, 2019

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Independent Living Center of Kern County

Report on Compliance for Each Major Federal Program

We have audited Independent Living Center of Kern County's compliance with the types of compliance requirements described in the *OMB Circular Compliance Supplement* that could have a direct and material effect on each of Independent Living Center of Kern County's major federal programs for the year ended September 30, 2018. Independent Living Center of Kern County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Independent Living Center of Kern County's compliance.

Opinion on Each Major Federal Program

In our opinion, Independent Living Center of Kern County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of Independent Living Center of Kern County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Independent Living Center of Kern County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Independent Living Center of Kern County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Jensen Smith
Certified Public Accountants, Inc.
Lincoln, California
March 15, 2019

**INDEPENDENT LIVING CENTER OF KERN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Summary of Audit Results

Financial Statements:

1. The auditor's report expresses an unmodified opinion.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.

Federal Awards:

4. No significant deficiencies were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion.
6. There were no findings relative to the major federal award programs.
7. The program tested as major programs included:
California Department of Rehabilitation: State Independent Living Centers State and Social Security Reimbursement (SSR) Grants. CFDA# None.
8. The threshold for distinguishing between Type A and Type B programs was \$750,000.
9. The Organization was determined to be a low-risk auditee.