

P.O. Box 160
661 5th Street, Suite 101
Lincoln, CA 95648
Office (916) 434-1662
Fax (916) 434-1090

March 11, 2014

Independent Living Center of Kern County
5251 Office Park Drive, #200
Bakersfield, CA 93301

Please find enclosed the audit reports for the year ended September 30, 2013. Please sign page 15 of each report for the Incentive Funding Form. You will need to send one bound report to the California Department of Rehabilitation. We have enclosed an envelope with the address for your convenience. Also, please sign page 15 on Jensen Smith's copies of the audit, and send back in the enclosed envelope. If you have any questions, please feel free to call me.

Sincerely,



Brandy Bucher
Office Manager

**INDEPENDENT LIVING CENTER
OF KERN COUNTY
FINANCIAL STATEMENTS
SEPTEMBER 30, 2013**

**INDEPENDENT LIVING CENTER OF KERN COUNTY
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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, 2013, 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, 2013, 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 Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for purposes of additional analysis and is not a required part of the financial statements. Also included is the Incentive Funding Form for the State of California Department of Rehabilitation. The above referenced paperwork is required the State of California Department of Rehabilitation. 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 7, 2014 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
Lincoln, California
February 7, 2014

INDEPENDENT LIVING CENTER OF KERN COUNTY
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2013

ASSETS

Current Assets

Cash	\$ 155,339	
Grants and Other Receivables	136,966	
Total Current Assets		\$ 292,305

Fixed Assets

Equipment	120,553	
Less Accumulated Depreciation	(99,253)	
Total Property, Plant and Equipment		21,300

Other Assets

Deposits		6,450
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TOTAL ASSETS		\$ 320,055
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LIABILITIES & NET ASSETS

Current Liabilities

Accounts Payable	\$ 20,739	
Credit Cards Payable	2,208	
Payroll and Related Expenses	24,292	
Compensated Absences Payable	10,360	
Total Current Liabilities		\$ 57,599

Net Assets

Unrestricted Net Assets		
Property, Plant and Equipment	21,300	
Net Assets	241,156	
Total Net Assets		262,456

TOTAL LIABILITIES & NET ASSETS		\$ 320,055
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See Accompanying Notes

**INDEPENDENT LIVING CENTER OF KERN COUNTY
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Total
Revenues and Support	
Grants and Contracts	\$ 662,561
Donations	8,004
Fundraising	15,394
Fees for Services	139,599
Interest and Other Income	12,538
Total Revenues and Support	838,096
Expenses	
Program Expenses	719,803
Fundraising Expenses	9,518
Administrative	23,987
Total Expenses	753,308
Change in Net Assets	84,788
Net Assets at September 30, 2012	177,668
Net Assets at September 30, 2013	\$ 262,456

See Accompanying Notes

**INDEPENDENT LIVING CENTER OF KERN COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

PROGRAM EXPENSES

	California Department of										
	U.S. Dept. of Education			Rehabilitation Grants							
	Grants			Independent				VII-B			
	Independent Living Center Core	Independent Living Center ARRA	Independent Living Center AB 204 & AT	Independent Living Center Transition & Capacity	Kern County	Urban Institute Studies	Other Programs	TOTAL PROGRAMS	FUNDRAISING	GENERAL ADMIN.	TOTAL EXPENSES
Salaries and Wages	\$ 200,874	\$ 39,050	\$ 79,436	\$ -	\$ 6,972	\$ 7,394	\$ 61,563	\$ 395,289	\$ -	\$ 3,560	\$ 398,849
Payroll Taxes	17,804	3,372	8,630	-	761	962	6,043	37,572	-	-	37,572
Benefits	25,823	1,726	10,995	-	-	17	5,886	44,447	-	486	44,933
Total Personnel Costs	244,501	44,148	99,061	-	7,733	8,373	73,492	477,308	-	4,046	481,354
Occupancy	42,951	16,494	27,848	-	-	2,713	5,697	95,703	-	74	95,777
Professional Services	33,215	4,633	9,745	5,778	491	3,687	5,759	63,308	-	151	63,459
Office Expense	5,674	951	3,199	-	10,076	854	2,556	23,310	-	2,446	25,756
Staff Training and Travel	7,699	1,045	2,980	762	260	95	6,037	18,878	-	1,866	20,744
Rental Assistance	-	-	-	1,056	-	-	17,224	18,280	-	-	18,280
Celebrating Independence Event	-	-	-	-	-	-	-	-	7,486	-	7,486
Equipment Rental & Maintenance	3,207	688	1,481	-	-	122	475	5,973	-	87	6,060
Dues and Subscriptions	626	203	1,741	-	-	-	113	2,683	-	3,246	5,929
Insurance	2,707	546	1,298	-	-	-	576	5,127	-	-	5,127
VOICED Coalition	-	-	-	-	-	-	1,788	1,788	2,000	-	3,788
Telephone	2,883	261	551	-	-	57	334	4,086	-	-	4,086
Printing and Publications	1,084	210	677	580	105	-	304	2,960	-	150	3,110
Camp Sponsorships	-	-	-	-	-	-	-	-	-	2,200	2,200
Outreach Expense	46	-	96	-	-	69	188	399	-	1,073	1,472
Miscellaneous	-	-	-	-	-	-	-	-	32	23	55
Total before depreciation	344,593	69,179	148,677	8,176	18,665	15,970	114,543	719,803	9,518	15,362	744,683
Depreciation Expense	-	-	-	-	-	-	-	-	-	8,625	8,625
TOTAL EXPENSES	\$ 344,593	\$ 69,179	\$ 148,677	\$ 8,176	\$ 18,665	\$ 15,970	\$ 114,543	\$ 719,803	\$ 9,518	\$ 23,987	\$ 753,308

ARRA = American Recovery & Reinvestment Act

See Accompanying Notes

**INDEPENDENT LIVING CENTER OF KERN COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Cash Flows From Operating Activities

Change in Net Assets	\$ 84,788
Adjustments to Reconcile Increase in Net Assets to Cash	
Depreciation	8,625
(Increase) Decrease in Assets	
Grants and Other Receivables	(11,722)
Deposits	435
Increase (Decrease) in Liabilities	
Accounts and Credit Cards Payable	12,215
Payroll and Related Expenses	24,292
Compensated Absences Payable	398
Net Cash Provided by Operating Activities	<u>119,031</u>

Cash Flows From Investing Activities

Purchase of Equipment	<u>(12,824)</u>
Net Cash Used by Investing Activities	<u>(12,824)</u>

Net Increase in Cash	106,207
Beginning Cash at October 1, 2012	<u>49,132</u>
Net Cash at September 30, 2013	<u><u>\$ 155,339</u></u>

NOTE: There was no interest or income taxes paid for the year ended September 30, 2013.

INDEPENDENT LIVING CENTER OF KERN COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 1: Nature of the Organization

The Independent Living Center of Kern County (the Center) is a California 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. 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, 2013.

Note 2: Summary of Significant Accounting Policies

Method of Accounting

The accounts of the Center are kept using the accrual method of accounting whereby 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.
- 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, 2013

Note 2: Summary of Significant Accounting Policies - Continued

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, 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

Expenditures for physical properties are stated at cost. Donated assets are recorded at their estimated fair market value at the date of donation. Depreciation of physical properties is calculated on the straight-line method over the following estimated useful lives in years:

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 and direct costs for programs and administrative activities.

INDEPENDENT LIVING CENTER OF KERN COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

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 Organization places its temporary cash and money market accounts with creditworthy, high-quality financial institutions. The Organization has not experienced any losses in such accounts.

Note 4: Grants and Other Receivables

At September 30, 2013, the Grants and Other Receivables consisted of the following amounts:

State of California Department of Rehabilitation	\$ 70,138
U.S. Department of Education	21,693
County of Kern – Fire Department	41,370
Others	<u>3,765</u>
Total Accounts Receivable	<u>\$ 136,966</u>

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 a new 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 for the next five years are as follows:

For the Year Ending September 30,	TOTAL
2014	\$80,200
2015	\$82,600
2016	\$85,000
2017	\$87,400
2018	\$89,800

Rent expense during the year ended September 30, 2013 totaled \$ 77,800

Copier

On February 8, 2011, the Center signed a five year lease for a new copy machine. The lease calls for 60 monthly payments of \$413.99 (including sales tax). The equipment lease expense for the year ended September 30, 2013 was \$4,968.

INDEPENDENT LIVING CENTER OF KERN COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 5: Operating Leases - continued

Copier – continued

Future minimum payments as follows:

For the Year Ending September 30,	TOTAL
2014	\$4,968
2015	\$4,968
2016	\$2,070

Note 6: Property and Equipment

The components of property and equipment at September 30, 2013 were as follows:

Furniture and equipment	\$ 120,553
Less: accumulated depreciation	(99,253)
	<u>\$ 21,300</u>

Depreciation expense for the fifteen months ending September 30, 2013 was \$8,625.

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 2012-2013 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: Line of Credit

On December 31, 2010, the Center established a line of credit with a bank. This line was renewed during the fiscal year with a new maturity date of April 30, 2013. The line of credit is an unsecured renewal loan. The available credit is \$20,000 with a variable interest rate. At September 30, 2013, the balance of this line of credit was \$0 and the interest rate was 6.0% per annum.

INDEPENDENT LIVING CENTER OF KERN COUNTY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013

Note 10: 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. The Independent Living Center of Kern County's expense for the medical plan for the year ended September 30, 2013 was as follows:

Medical Plan	\$ 32,999
Dental Plan	5,368
Vision Plan	<u>1,325</u>
	<u>\$ 39,692</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 but did pay the administrative fees which totaled \$611 for the year ended September 30, 2013.

Note 11: Subsequent Events

Events subsequent to September 30, 2013 have been evaluated through February 7, 2014, 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, 2013**

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Federal Expenditures</u>	<u>Total Expenditures</u>
<u>Department of Education</u>				
Title VIIC	84.132A		\$ 340,958	\$ 340,958
Title VIIC-ARRA	84.400A		68,537	68,537
<u>Passed through California Department of Rehabilitation:</u>				
Title VIIB Transition	84.169A	28361-1	1,056	1,056
SSDI Reimbursement (AB 204)	NONE	28414-1	153,852	153,852
<u>Total Passed through CA Department of Rehabilitation</u>				<u>154,908</u>
The Public Health Institute DBTAC	84.133D		2,769	2,769
<u>Department of Homeland Security</u>				
Passed through the County of Kern				
Disaster Preparedness Outreach & Training	97.067	PPSA-004	59,100	59,100
<u>Department of Housing and Urban Development</u>				
Passed through The Urban Institute				
Housing Discrimination Studies	NONE	08577-003-05- ILCKC-01	<u>17,395</u>	<u>17,395</u>
Total Federal Awards Expended			<u>\$ 643,667</u>	<u>\$ 643,667</u>

**INDEPENDENT LIVING CENTER OF KERN COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of basic financial statements.

**INDEPENDENT LIVING CENTER OF KERN COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

11-01 - Cost Allocation Plan in Compliance with Office of Management and Budget Circular A-122

Condition: The Organization did not have a written and implemented cost allocation plan which complied with the requirements of OMB Circular A-122 "Cost Principles for Non-Profit Organizations."

Recommendation: We recommend that the organization develop and implement a cost allocation plan which complies with the requirements of the OMB Circular A-122 "Cost Principles for Non-Profit Organization."

Status: Corrected

12-01 - Cost Allocation Plan in Compliance with Office of Management and Budget Circular A-122

Condition: The Organization had not fully implemented the written cost allocation plan which complies with the requirements of OMB Circular A-122 "Cost Principles for Non-Profit Organizations."

Recommendation: We recommend that the Organization evaluate the current plan and modify if necessary and implement the cost allocation plan which complies with the requirements of the OMB Circular A-122 "Cost Principles for Non-Profit Organization."

Status: Corrected

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: 2012-2013

NON-GOVERNMENT GRANTS AND CASH DONATIONS/CONTRIBUTIONS

Total Cash Donations:	<u>Donations</u>	\$	8,004.00
Total Cash Contributions:	<u>PG&E</u>	\$	10,000.00
Total Non-Govt. Grants:	<u>Chevron (Homeward Bound)</u>	\$	-
	<u>KernHealth Now!</u>	\$	8,000.00
	<u>Bakersfield Californian Foundation</u>	\$	3,702.00
	Total:	\$	29,706.00

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

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

NET INCOME RAISED FROM FUNDRAISING (Income less expenses)

Source:	<u>PUBLIC Fundraising Revenue (Net)</u>	\$	15,393.00
		\$	-
		\$	-
		\$	-
	Total:	\$	15,393.00

FEES FOR SERVICES

Source:	<u>Fees for Services</u>	\$	136,830.00
	<u>Pac DBTAC</u>	\$	2,769.00
		\$	-
		\$	-
	Total:	\$	139,599.00

OTHER (Explain)

Source:	<u>Vending Machine (Net)</u>	\$	814.00
	<u>Recycling Income</u>	\$	41.00
		\$	-
		\$	-
	Total:	\$	855.00

GRAND TOTAL: \$ 185,553.00

ILC Signature: 

Date: 2/7/2014

Auditor Signature: 

Phone Number: (916) 434-1662

* Attach additional pages if necessary.

** Explain conditions for contributions received with restrictions.

See Independent Auditor's Report

P.O. Box 160
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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, 2013, 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 February 7, 2014.

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
Lincoln, California 95648
February 7, 2014

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133**

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 A-133 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, 2013. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2013.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Jensen Smith
Certified Public Accountants
Lincoln, California
February 7, 2014

**INDEPENDENT LIVING CENTER OF KERN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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 was expresses an unmodified opinion.
6. There were no findings relative to the major federal award programs.
7. The programs tested as major programs included Title VIIC funds through U.S. Department of Education CFDA No. 84.132A.
8. The threshold for distinguishing between Type A and Type B programs was \$300,000.
9. The Organization was not determined to be a low-risk auditee.

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Office (916) 434-1662
Fax (916) 434-1090

February 7, 2014

Board of Directors
Independent Living Center of Kern County

Dear Ladies and Gentlemen,

Thank you for your confidence in choosing our firm for your auditing needs..

In planning and performing our audit of the financial statements of Independent Living Center of Kern County (ILCKC) for the year ended September 30, 2013, we considered ILCKC's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. We previously reported on ILCKC's internal control in our report dated February 7, 2014. This letter does not affect our report dated February 7, 2014, on the financial statements or internal control of ILCKC.


During the audit there were a few items that were brought to our attention that could use improvement that did not meet the definitions of a finding but are opportunities to improve controls and efficiency:

- 1.) There were a number of entries need to assist with the accrual process at the end of the year. Checks were written after the year end, but because they were related to the 2012-2013 fiscal year, they were backdated to September 30, 2013. Checks should be dated with the actual date they are written and instead of backdating checks; an accounts payable should be created in order to accrue the expense to the proper period.
- 2.) Other expenses and revenues that should have been accrued to the 2012-2013 year were not accrued and were not "back-dated" as discussed above. The end of the year accruals are very important and greater care should be taken in order to capture the correct entries.
- 3.) We noted that overtime was not being paid in the early part of the year but this was corrected by the end of the period. We understand that management has been instructed in the current California labor laws. We recommend that you assign a staff person or hire an outside human resource company to make sure you comply in the future. Labor laws are continually changing and it is difficult to stay up on these changes without continuous training.

- 4.) Invoices for disbursements do not always clearly identify who approved the invoice for payment and where the expense is to be allocated. Good business practices dictate that invoices indicate who approved the invoice for payment, when it was approved and where the allocation of the cost should be posted with the account and the grant. We recommend that management design steps to ensure that all information is indicated on the invoices. We have found that using stamp with boxes for the information makes this easier for staff to meet all the details that need to be included or including a "purchase order" with each invoice.

We want to thank your staff for their assistance in completing the audit this year. We understand that there were a number of changes in the accounting staff during the year and this made it more difficult to find some of the answers. Your current staff was very quick to retrieve any documents we needed for the audit and assist us in finding the answers to our inquiries. We were happy to see your new programs and we wish you success in the current fiscal year.

Sincerely,


Jensen Smith
Certified Public Accountants