

ACCESS SERVICES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

AUDITED FINANCIAL STATEMENTS (AS RESTATED),
SUPPLEMENTAL INFORMATION AND
REPORTS IN COMPLIANCE WITH UNIFORM GUIDANCE
AS OF AND FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

ACCESS SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Access Services
El Monte, California

Report on the Financial Statements

We have audited the accompanying financial statements of Access Services (a California nonprofit public benefit corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, and cash flows for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

INDEPENDENT AUDITOR'S REPORT *(continued)*

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Access Services as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 October 28, 2019, except as it relates to the restated financial statements as to which our report date is March 6, 2020, on our consideration of Access Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Access Services' 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 Access Services' internal control over financial reporting and compliance.



Long Beach, California
October 28, 2019
March 6, 2020 (restatement – Note 3)

ACCESS SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENTS OF FINANCIAL POSITION (AS RESTATED)

As of June 30,	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,807,280	\$ 31,093,499
Short-term investments at fair value	25,140,669	-
Grants receivable	5,246,430	11,729,650
Due from LACMTA	6,172,941	6,127,705
Accounts receivable	108,767	65,213
Prepaid expenses and other assets	5,096,063	6,350,045
Total current assets	44,572,150	55,366,112
Property and equipment, net	9,956,240	10,299,165
Deposits	39,129	45,824
Total assets	\$ 54,567,519	\$ 65,711,101
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 3,006,265	\$ 2,822,378
Contractors payable	13,622,366	10,460,039
Accrued expenses	1,285,637	780,420
Unfunded defined benefit plan liability	3,638,724	3,052,297
Self insurance accruals	4,464,854	4,689,341
Deferred support	18,271,403	33,990,534
Deferred revenue	277,073	257,146
Deferred rent	166,327	148,108
Total current liabilities	44,732,649	56,200,263
Commitments and contingencies		
Net assets:		
Without donor restrictions	9,834,870	9,510,838
Total net assets	9,834,870	9,510,838
Total liabilities and net assets	\$ 54,567,519	\$ 65,711,101

The accompanying notes are an integral part of these financial statements

ACCESS SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF ACTIVITIES (AS RESTATED)

<i>For the year ended June 30,</i>	2019		
	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Los Angeles County MTA funds	\$ 94,589,610	\$ -	\$ 94,589,610
Section 5310 funds	70,958,997	-	70,958,997
Passenger revenues	10,260,845	-	10,260,845
Section 5316 funds	663,144	-	663,144
Gain on disposal of assets	523,715	-	523,715
Section 5317 funds	390,725	-	390,725
Other revenue	196,555	-	196,555
Investment return, net	107,150	-	107,150
Interest income	115,500	-	115,500
Total revenue and support	177,806,241	-	177,806,241
Operating expenses:			
Program services			
Paratransit operations	153,709,746	-	153,709,746
Eligibility determination	9,633,573	-	9,633,573
CTSA function	268,532	-	268,532
Supporting services			
Management and general	7,322,472	-	7,322,472
Total expenses before certain noncash charges	170,934,323	-	170,934,323
Increase in unfunded defined benefit plan liability	586,427	-	586,427
Depreciation	5,953,256	-	5,953,256
Total expenses	177,474,006	-	177,474,006
Provision for income taxes	8,203	-	8,203
Change in net assets	324,032	-	324,032
Net assets, beginning of year	9,510,838	-	9,510,838
Net assets, end of year	\$ 9,834,870	\$ -	\$ 9,834,870

The accompanying notes are an integral part of these financial statements

ACCESS SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENT OF ACTIVITIES (AS RESTATED)

<i>For the year ended June 30,</i>	2018		
	Without donor restrictions	With donor restrictions	Total
Revenue and support:			
Los Angeles County MTA funds	\$ 76,647,117	\$ -	\$ 76,647,117
Section 5310 funds	64,871,101	-	64,871,101
Passenger revenues	9,926,430	-	9,926,430
Other revenue	1,226,399	-	1,226,399
Section 5316 funds	875,256	-	875,256
Section 5317 funds	220,770	-	220,770
Gain on disposal of assets	90,608	-	90,608
Interest income	13,989	-	13,989
Total revenue and support	153,871,670	-	153,871,670
Operating expenses:			
Program services			
Paratransit operations	137,548,597	-	137,548,597
Eligibility determination	8,550,085	-	8,550,085
CTSA function	90,712	-	90,712
Support services			
Management and general	7,442,790	-	7,442,790
Total expenses before certain noncash charges	153,632,184	-	153,632,184
Decrease in unfunded defined benefit plan liability	(132,429)	-	(132,429)
Depreciation	7,624,414	-	7,624,414
Total expenses	161,124,169	-	161,124,169
Provision for income taxes	5,862	-	5,862
Change in net assets	(7,258,361)	-	(7,258,361)
Net assets, beginning of year	14,446,376	-	14,446,376
Prior period adjustment	2,322,823	-	2,322,823
Net assets, end of year	\$ 9,510,838	\$ -	\$ 9,510,838

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ACCESS SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENTS OF FUNCTIONAL EXPENSES

	2019					2018				
	Program Services			Supporting Services		Program Services			Supporting Services	
	Paratransit operations	Eligibility determination	CTSA function	Management and general	Total expenses	Paratransit operations	Eligibility determination	CTSA function	Management and general	Total expenses
Purchased transportation services (net of lease and liquidated damages)	\$ 139,775,943	\$ 1,566,597	\$ -	\$ -	\$ 141,342,540	\$ 123,575,229	\$ 1,283,102	\$ -	\$ -	\$ 124,858,331
Salaries and related benefits	2,322,405	533,159	222,243	4,270,891	7,348,698	2,123,289	467,772	52,723	4,229,839	6,873,623
Insurance and claims	5,113,203	64,477	710	485,544	5,663,934	5,891,979	68,252	482	406,014	6,366,727
Eligibility determination	-	5,221,896	-	-	5,221,896	-	4,754,953	-	-	4,754,953
Communications	2,140,723	146,031	4,225	106,421	2,397,400	1,898,263	131,582	3,713	77,173	2,110,731
Contracted customer services	2,209,373	-	-	-	2,209,373	2,243,122	-	-	-	2,243,122
Professional services	132,160	54,193	-	1,254,865	1,441,218	8,175	17,780	-	1,542,795	1,568,750
Network and telecom maintenance	882,332	2,797	420	417,031	1,302,580	862,104	568	-	384,271	1,246,943
Office and equipment rent	194,113	440,682	16,901	344,093	995,789	194,113	421,285	16,901	342,410	974,709
Travel training	-	837,130	-	-	837,130	-	617,465	-	-	617,465
Printed materials	78,200	438,158	-	13,031	529,389	106,125	459,811	69	13,884	579,889
Promotions/events	279,613	41,662	3,333	73,339	397,947	227,366	32,050	2,541	49,352	311,309
Postage/mailing	14,069	178,816	2,694	33,529	229,108	19,644	202,484	3,929	45,875	271,932
Vehicle costs	207,321	550	-	498	208,369	114,690	-	-	-	114,690
Security	200,000	-	-	-	200,000	200,000	-	-	-	200,000
Temporary personnel	106,574	-	-	39,785	146,359	34,130	-	-	5,428	39,558
Travel and conference	29,563	-	3,179	83,727	116,469	29,467	560	-	86,117	116,144
Other related employee expense	5,358	-	64	76,633	82,055	816	-	600	111,265	112,681
Tether pilot program	-	88,941	-	-	88,941	-	81,807	-	-	81,807
Other expenses	4,633	1,964	12,890	43,133	62,620	4,418	1,123	7,377	55,863	68,781
Office supplies	12,375	5,997	1,409	22,096	41,877	14,364	5,804	1,787	27,020	48,975
Business meetings and meals	1,788	866	464	34,671	37,789	870	287	590	28,411	30,158
Repairs and maintenance	-	9,657	-	13,247	22,904	433	3,400	-	19,891	23,724
Board and advisory committee compensation	-	-	-	9,938	9,938	-	-	-	17,182	17,182
Total expenditures before certain noncash charges	153,709,746	9,633,573	268,532	7,322,472	170,934,323	137,548,597	8,550,085	90,712	7,442,790	153,632,184
Increase (decrease) in unfunded defined benefit plan liability	-	-	-	586,427	586,427	-	-	-	(132,429)	(132,429)
Depreciation	5,380,874	310,478	-	261,904	5,953,256	7,107,777	281,656	-	234,981	7,624,414
Total expenses	\$ 159,090,620	\$ 9,944,051	\$ 268,532	\$ 8,170,803	\$ 177,474,006	\$ 144,656,374	\$ 8,831,741	\$ 90,712	\$ 7,545,342	\$ 161,124,169

The accompanying notes are an integral part of these financial statements

ACCESS SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
STATEMENTS OF CASH FLOWS (AS RESTATED)

<i>For the years ended June 30,</i>	2019	2018
Cash flows from operating activities:		
Change in net assets	\$ 324,032	\$ (7,258,361)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Non-cash items included in change in net assets:		
Gain on disposal of assets	(523,715)	(90,608)
Depreciation and amortization	5,953,256	7,624,414
Prior period adjustments	-	2,322,823
Realized/unrealized gain on investments	(107,150)	-
(Increase) decrease in operating assets:		
Grants receivable	6,483,220	(7,420,486)
Due from LACMTA	(45,236)	(5,738,131)
Accounts receivable	(43,554)	6,745
Prepaid expenses and other assets	1,260,677	795,817
Increase (decrease) in operating liabilities:		
Accounts payable	183,887	(1,616,634)
Contractors payable	3,162,327	(1,839,224)
Accrued expenses	505,217	(1,221,739)
Unfunded defined benefit plan liability	586,427	(132,429)
Self insurance accruals	(224,487)	397,242
Deferred support	(15,719,131)	23,381,989
Deferred revenue	19,927	6,932
Deferred rent	18,219	148,108
Net cash provided by operating activities	1,833,916	9,366,458
Cash flows from investing activities:		
Proceeds from sales of investments	30,078,000	-
Purchases of investments	(55,111,519)	-
Proceeds from sale of equipment	666,630	131,226
Acquisition of property and equipment	(5,753,246)	(1,323,502)
Net cash used in investing activities	(30,120,135)	(1,192,276)
Net increase (decrease) in cash and cash equivalents	(28,286,219)	8,174,182
Cash and cash equivalents, beginning of year	31,093,499	22,919,317
Cash and cash equivalents, end of year	\$ 2,807,280	\$ 31,093,499

The accompanying notes are an integral part of these financial statements

ACCESS SERVICES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO FINANCIAL STATEMENTS

As of and for the years ended June 30, 2019 and 2018

NOTE 1

ORGANIZATION AND PURPOSE

Access Services (the "Organization") was incorporated in the State of California as a nonprofit 501(c)(3) public benefit corporation on March 31, 1994. Access Services is designated as Los Angeles County's Consolidated Transportation Services Agency ("CTSA") pursuant to California Gov. Code §15975(a) and public entity pursuant to California Gov. Code §15975(b). The Organization administers the Los Angeles County Coordinated Paratransit Plan ("Plan") on behalf of the County's 45 public fixed route operators (i.e., bus and rail). Pursuant to the Plan, Access Services facilitates the provision of complementary American Disabilities Act ("ADA") paratransit services to certain persons with disabilities as required by 42 U.S.C. §12143 under the name "Access Paratransit". Paratransit is an alternative mode of flexible passenger transportation that does not follow fixed routes or schedules. Typically, vans or minibuses are used to provide paratransit service, but also shared taxis are important providers as a form of transportation. Complementary ADA paratransit is a federally mandated civil right for persons with disabilities who cannot ride public fixed route buses and trains. Access Services also provides certain limited services which exceed the minimum required by the ADA.

As required by applicable regulations, Access Paratransit service is available for any qualified ADA paratransit eligible individual for any purpose and to or from any location within 3/4 of a mile of any fixed route bus operated by the Los Angeles County public fixed route bus operators and within 3/4 of a mile around Metro rail stations during the hours that the systems are operational. The service area is divided into regions and extends into portions of the surrounding counties of San Bernardino,

Orange, and Ventura that are served by Los Angeles County fixed route bus lines.

Access Paratransit operates seven days a week, 24 hours of the day in most areas of Los Angeles County. It is a shared ride service that is curb-to-curb utilizing a fleet of small buses, mini-vans and taxis. Fares are distance-based and currently range from \$2.75 to \$3.50 for each one-way trip. Personal Care Assistants may ride with the qualified rider free of charge. Different fares may be charged in the Antelope Valley and Santa Clarita Valley service areas and during late-night service hours.

Access Services facilitates Access Paratransit service by entering into and administering federally funded regional contracts with independent private transit providers, which in turn, provide the reservation and transportation services in conformity with the Plan, applicable law, and the contract. Access Services also leases vehicles to the regional providers at \$1 per month to help facilitate the provision of service under the contracts. In total, the Access Paratransit system provides approximately 3.5 million trips per year to almost 150,000 qualified disabled riders in a service area of over 1,950 square miles. Access Services receives its funding for these services from Proposition C, Measure M, Federal 5310 grants, and fare box revenue.

In its function as the CTSA, Access Services acts as a state-mandated facilitator charged with the development and implementation of regional coordination of social service transportation to seniors, persons with disabilities, the young, and the low-income disadvantaged.

Access Services is governed by a nine-member board of directors with one appointment by each of: (i) the Los Angeles County Board of Supervisors, (ii) the City Selection Committee's

ACCESS SERVICES

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NOTES TO FINANCIAL STATEMENTS

As of and for the years ended June 30, 2019 and 2018

NOTE 1 - CONTINUED

ORGANIZATION AND PURPOSE

Corridor Transportation Representatives, (iii) the Mayor of the City of Los Angeles, (iv) the Los Angeles County municipal fixed-route operators, (v) the Los Angeles County local fixed-route operators, (vi) the Los Angeles County Commission on Disabilities, (vii) the Coalition of Los Angeles County Independent Living Centers, (viii) the Los Angeles County Metropolitan Transportation Authority ("LACMTA"), and (ix) an alternating appointment by the municipal and local fixed-route operators.

NOTE 2

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting principles:

Access Services' financial statements are prepared in conformity with generally accepted accounting principles ("GAAP") of the United States of America, using the accrual basis of accounting, and follow the guidelines in the American Institute of Certified Public Accountants' ("AICPA's") Audit and Accounting Guide, "Audits of Certain Nonprofit Organizations."

In preparing these financial statements, we evaluated the period from July 1, 2019 through October 28, 2019, the date the financial statements were available for issuance, for material subsequent events requiring recognition or disclosure in the accompanying financial statements. Subsequent to the issuance of the June 30, 2019 financial statements, management determined that the financial statements should be restated to correct for an error in deferred support. Also see Note 3.

Financial statement presentation:

During the year ended June 30, 2019, the Organization adopted Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*" (Topic 958).

In accordance with ASC 958-205, *Not-for-Profit Entities – Presentation of Financial Statements*, the Organization's net assets, revenues, gains, expenses and losses are classified as with donor restrictions and without donor restrictions, as follows:

- *Net assets without donor restrictions* – Net assets available for use at the discretion of the Board of Directors (the "Board") and/or management for general operations and not subject to donor restrictions.
- *Net assets with donor restrictions* – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when the restriction expires, that is, when the stipulated time has elapsed, or when the stipulated purpose for which the resource was restricted has been accomplished, or both.

Revenues are reported as increases in net assets without donor restrictions, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless their uses are restricted by explicit donor stipulation or by law.

As of and for the years ended June 30, 2019 and 2018

NOTE 2 - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statement presentation: - continued

Donor restricted revenues for which the restrictions expire during the same fiscal year in which the revenues are made are recognized as revenues with donor restrictions and are reclassified as net assets released from restrictions. When a donor restriction expires, that is, when a stipulated time restriction end, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Estimates inherent in the preparation of financial statements:

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 these estimates, and assumptions, and such differences could be material to the financial statements.

Fair value of financial instruments:

The Organization's financial instruments, including cash and cash equivalents, grants and accounts receivable, accounts payable and other liabilities are carried at cost, which approximates their fair values because of the short-term maturity of these instruments and the relative stability of interest rates. Long-term

borrowings are also carried at amounts that approximate fair value.

Revenue recognition and grants:

Access Services primarily receives revenue from Federal Section 5310 grants, Proposition C discretionary funds, Los Angeles County Measure M funds, and other grants through LACMTA, and passenger fares for paratransit services provided. Revenues are deemed to be earned when allowable expenses are incurred or recognized by Access Services. Revenue received for the acquisition of capital assets (i.e. equipment) are recognized as the assets are acquired.

Amounts received but not earned as of June 30, 2019 and 2018 are included in the accompanying statement of financial position as deferred support. Access Services and LACMTA entered into a Funding Agreement for the fiscal year ended June 30, 2019, which provided Access Services with Proposition C funds of \$61.2 million, Measure M funds of \$23.720 million and a reserve of \$3.5 million. LACMTA funding is subject to audit and retroactive adjustment by outside third parties; however, in the opinion of management, Access Services has provided adequate reserves for any such situations (See note 8).

Federal Section 5310 grant funds are recognized for financial reporting purposes as expenditures are made or liabilities are incurred in fulfilling the purpose of the grant award. Funds granted for paratransit provider services are recorded as revenue without donor restrictions, and funds designated for vehicle acquisitions are included in the accompanying statement of financial position as deferred support.

As of and for the years ended June 30, 2019 and 2018

NOTE 2 - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition: - continued

During the years ended June 30, 2019 and 2018, Access Services was awarded a Federal Transit Administration (“FTA”) Section 5310 Surface Transportation Program (“STPL-R”) grants of \$66,000,000 and \$64,600,000, respectively, to provide contract services for paratransit eligibility determination and transportation provision functions throughout the County of Los Angeles. As of June 30, 2019 and 2018, Access Services had received and recognized as revenue all the funds available under these grants for paratransit provider services.

In addition, Access Services has been awarded the following grants:

- (i) FTA Section 5317 New Freedom grant of \$1,405,980 for three projects: (1) Transportation Services for Adults with Children Program – this program is designed to provide transportation assistance for the agency clients who live in the San Fernando Valley region of Los Angeles County to allow them to engage in childcare related activities; (2) Tether Strap and Marking Program – this is for the procurement of tether straps and tape to be installed on wheelchairs, as part of the Tether Strap and Marking Program in Los Angeles County; and (3) Access to Work Program – which is operating assistance to implement a three-year Access to Work Program to provide the Agency clients with transportation to work and work related activities in Los Angeles County. The funds were to be used for (1) the purchase of vehicles for

\$205,040 and (2) operating costs for \$1,200,940.

- (ii) FTA Section 5316 Job Access – Reverse Commute (“JARC”) grant of \$2,943,671 to implement the Access to Work Program, subsequently amended which increased the grant amount to \$10,393,763. The funds are to be used for (1) the purchase of vehicles of \$5,716,500 and (2) operating costs of \$4,677,263.
- (iii) On July 29, 2014, Access Services was awarded an FTA Section 5317 New Freedom grant for Service Area Expansion in the amount of \$740,500. The project’s scope of work consists of operating assistance to provide new paratransit service beyond what is required by ADA to/from origins/destinations outside Access’ service area but within regions of Los Angeles County that are part of the Los Angeles-Long Beach-Anaheim area.
- (iv) On March 4, 2016 Access Services was awarded an FTA Section 5310 Capital for Enhanced Mobility of Seniors and Individuals with Disabilities Program grant of \$7,072,604 to purchase one hundred twenty-seven (127) replacement ADA compliant vehicles for the continuation of existing ADA complementary paratransit services and five expansion ADA compliant vehicles for the expanded service capacity of ADA complementary paratransit services within the specified areas. The grant was passed through from LACMTA to Access Services to complete the project.

ACCESS SERVICES

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NOTES TO FINANCIAL STATEMENTS

As of and for the years ended June 30, 2019 and 2018

NOTE 2 - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition: - continued

- (v) On January 1, 2017, Access Services was awarded an FTA Section 5317 New Freedom Service Area Expansion grant of \$218,000 to provide new paratransit service beyond what is required by the ADA to/from origins/destinations outside the Agency's service area from/to the Lancaster-Palmdale Urbanized Area. The grant was passed through from LACMTA to Access Services to complete the project's scope of work.
- (vi) On July 27, 2017, Access was awarded an FTA Section 5316 Job Access and Reserve Commute Program grant of \$2,313,033 to purchase vehicles for replacement to expand and continue Access Services' Access to Work program, which provides paratransit services for seniors and persons with disabilities throughout Los Angeles County. The grant was passed through from LACMTA to Access Services to complete the project.
- (vii) On July 27, 2017, Access was awarded an FTA Section 5317 New Freedom Program grant of \$2,262,567 for operating assistance and vehicles replacement to expand and continue Access Services' Access to Work program, which provides paratransit services for seniors and persons with disabilities throughout Los Angeles County. The grant was passed through from LACMTA to Access Services to complete the project.

- (viii) On December 30, 2017, Access Services was awarded an FTA Section 5310 ADA Complementary Paratransit Vehicle Replacement grant of \$10,139,411 for the purchase of 195 ADA accessible vehicles for replacements for the contractors servicing Los Angeles, Santa Clarita, and Lancaster areas.

Concentration of credit and business risk:

As a public benefit corporation, cash funds held at Wells Fargo, Union Bank, and City National Bank are 100 percent collateralized in compliance with the requirements of the California Government Code.

Access Services received approximately 41% and 43% of its total funding for the years ended June 30, 2019 and 2018, respectively, from the FTA, and the receivable from the FTA accounted for 100% of total grants receivable at June 30, 2019 and 2018. Any material reduction in the contract amounts granted would have a material adverse effect on the Organization's business, results of operations, and financial condition. Management anticipates that each program will continue to be renewed in the foreseeable future.

Access Services receives funding from LACMTA acting in its role as a Regional Transportation Planning Authority through an annual Memorandum of Understanding ("MOU"). During the years ended June 30, 2019 and 2018, this funding represented approximately 53% and 50%, respectively, of Access Services' total funding received for the fiscal years then ended. As of June 30, 2019 and 2018, \$6,172,941 and \$6,127,705, respectively, was due from LACMTA.

As of and for the years ended June 30, 2019 and 2018

NOTE 2 - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Concentration of credit and business risk: - continued

Access Services entered into long-term contracts (three to five years plus option years) with its transportation services vendors. Access Services has six such agreements in place with vendors who have been vetted through a rigorous RFP process ensuring each vendor has the financial and operational stability and strength to provide transportation services. These six vendors comprise 98% of the expense associated with transportation services, and 82% of the overall expenses of the organization.

Functional allocation of expenses:

The costs of providing the various program services and other activities of the Organization are shown on the statement of functional expenses. Expenses that can be identified with a specific activity are allocated directly according to their functional benefit. Salaries, benefits, and other related expenses are categorized to paratransit operations, eligibility determination, CTSA function and ride information, and management and general, primarily based on personnel job function.

Other indirect costs are allocated based on either the number of employees located within a department, estimated asset usage, or the nature of services provided.

Income taxes:

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from state franchise taxes under Section 23701(d) of

the California Revenue and Taxation Code, whereby only unrelated business income, as defined by Section 509(a)(1) of the Internal Revenue Code, is subject to federal income tax.

Under the new Internal Revenue Code Section 512(a)(7), certain employer-provided fringe benefits are considered unrelated business income ("UBI") and are subject to income tax. During the years ended June 30, 2019 and 2018, Access Services paid for bus and train passes and Metro B-Tap cards for some employees. The payments by the Organization were classified as UBI under the 2017 Tax Cuts and Jobs Act as qualified transportation benefits resulting in an income tax charge of \$8,203 and \$5,862, respectively.

The Organization follows the provisions of FASB ASC 740-10, *Income Taxes* and subsections. Accordingly, Access Services accounts for uncertain tax positions, if any, by recording a liability for unrecognized tax benefits resulting from uncertain tax positions taken, or expected to be taken, in its tax returns. The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained by the appropriate taxing authorities.

The Organization does not believe that its financial statements include any uncertain tax positions and accordingly, has not recorded a liability for unrecognized taxes in the accompanying financial statements.

Cash and cash equivalents:

Cash and cash equivalents primarily consist of cash in bank checking accounts and money market funds with initial maturities of 90 days or less.

As of and for the years ended June 30, 2019 and 2018

NOTE 2 - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments:

Investments in marketable securities with readily determinable fair values and investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets and are reported as an increase and decrease in net assets without donor restrictions. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or use) in the reporting period in which the income and gains are recognized.

Property and equipment:

Property and equipment that is purchased is stated at cost. Major improvements and betterments to existing property and equipment are capitalized and the cost for maintenance and repairs which do not extend the useful life of the applicable assets are charged to expense when incurred. Upon disposition, the cost and accumulated depreciation of disposed assets are removed from the accounts and any resulting gains or losses are included in the statement of activities.

Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets as follows:

Vehicles and equipment	4 years
Office furniture and equipment	3 years
Software	3 years
Leasehold improvements	5 years

Property and equipment purchased with FTA funds are subject to federal regulations whereby any disposition of project property before the end of its useful life requires prior FTA approval. If project property is removed from service before the end of its useful life, the Organization is subject to a return of funds to the FTA of the amount of the undepreciated net asset value of the subject property.

After the service life of project property occurs, rolling stock and equipment with a current market value exceeding \$5,000 per unit, or unused supplies with a total aggregate fair market value of more than \$5,000, may be retained or sold by Access Services. In the event Access Services disposes of property and equipment purchased with federal funds, any proceeds in excess of \$5,000 must be used to reduce the gross project costs of another federally funded capital transit project. For rolling stock and equipment with a current market value of \$5,000 or less, or unused supplies with a total aggregate fair market value of \$5,000 or less, the asset may be retained, sold or otherwise disposed of with no obligation to reimburse the FTA.

The Organization reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of its property and equipment may not be recoverable. An impairment loss is recognized when the assets' carrying value exceeds both the assets' estimated undiscounted future cash flows and the assets' estimated fair value. Measurement of the impairment loss is then based on the estimated fair value of the assets. Considerable judgment is required to project such future cash flows and, if required, to estimate the fair value of the property and equipment and the resulting amount of the impairment. No impairment charges were recorded for property and equipment during the years ended June 30, 2019 and 2018.

As of and for the years ended June 30, 2019 and 2018

NOTE 2 - CONTINUED

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

New accounting standards not yet adopted:

Accounting for leases

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. Under this new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with GAAP, the recognition, measurement, and presentation of expenses and cashflows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP, which requires only capital leases to be recognized on the balance sheet, the new ASU will require both types of leases to be recognized on the balance sheet. ASU 2016-02 will take effect for fiscal years beginning after December 15, 2020 with early adoption permitted. The Organization is currently evaluating the impact of the pending adoption of ASU 2016-02 on its financial statements.

Clarifying the scope and the accounting guidance for contributions received and contributions made

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958)*. ASU 2018-08 requires that an entity determine whether a contribution is conditional on the basis of whether an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets.

After a contribution has been deemed unconditional, an entity would then consider whether the contribution is restricted on the basis of the current definition of the term *donor-imposed restriction*, which includes a consideration of how broad or narrow the purpose of the agreement is, and whether the resources are available for use only after a specified date. The amendments in ASU 2018-08 are effective on a modified prospective basis for the fiscal years beginning after December 15, 2018. The Organization is currently evaluating the impact of the pending adoption of ASU 2018-08 on the financial statements.

Revenue from contracts with customers

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers*," which establishes a comprehensive revenue recognition standard in U.S. GAAP. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The Organization is currently evaluating the effect the adoption of ASU 2014-09 will have on the financial statements.

NOTE 3

RESTATEMENT AND PRIOR PERIOD ADJUSTMENT

Certain errors resulting from the misstatement of previously reported net assets and deferred support were discovered subsequent to the issuance of the financial statements as of and for the year ended June 30, 2019. Subsequent to issuing its financial statements for June 30, 2019, management determined that deferred support was overstated by \$1,788,492. Additionally, in previously issued financial statements, the Organization had not recognized revenue by reducing deferred support when the Organization recorded its unfunded defined benefit plan liability at June

ACCESS SERVICES
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NOTES TO FINANCIAL STATEMENTS

As of and for the years ended June 30, 2019 and 2018

NOTE 3 – CONTINUED

RESTATEMENT AND PRIOR PERIOD ADJUSTMENT

30, 2013. The Organization determined that the amount of the unfunded pension plan liability was to be funded by the LACMTA MOU. Accordingly, the cumulative effect of the correction of this error reduced deferred support by \$2,322,823 and increased net assets by \$2,322,823 at June 30, 2018. These adjustments involve agreements reached with the LACMTA regarding the accounting for certain transactions.

The cumulative effect of the restatement and correction of the error resulted in a net increase to the Organization’s total net assets of \$4,111,315 and decrease of \$4,111,315 in deferred support.

NOTE 4

LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed purpose restrictions within one year of the balance sheet date. Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet dates, are comprised of the following:

<i>As of June 30,</i>	2019	2018
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,807,280	\$ 31,093,499
Short-term investments at fair value	25,140,669	-
Grants receivable	5,246,430	11,729,650
Due from LACMTA	6,172,941	6,127,705
Accounts receivable	108,767	65,213
Total financial assets available	39,476,087	49,016,067
Less amounts not available to be used within one year:		
Net assets with donor restrictions	-	-
Financial assets available to meet cash needs for general expenditures within one year	\$ 39,476,087	\$ 49,016,067

At June 30, 2019 and 2018, the Organization had \$39,476,087 and \$49,016,067, respectively, of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures.

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization reviews its funding levels on an on-going basis to ensure they are adequate to meet its obligations.

NOTE 5

GRANTS RECEIVABLE

Grants receivable consist of:

<i>As of June 30,</i>	2019	2018
Section 5310 capital grant	\$ 4,909,313	\$ 10,139,411
Access to work grant	-	1,029,174
Service expansion grant	337,117	535,716
Adults/Tether strap grant	-	25,349
Total	\$ 5,246,430	\$ 11,729,650

The Organization has not recorded an allowance for uncollectible grants or accounts receivable since management believes that it is probable that all receivables will be collected.

ACCESS SERVICES
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NOTES TO FINANCIAL STATEMENTS

As of and for the years ended June 30, 2019 and 2018

NOTE 6

ACCOUNTS RECEIVABLE AND DEFERRED REVENUE

Accounts receivable generally consist of the sales of rider coupons by cities or transportation agencies, not yet remitted to the Organization. Additionally, the Organization has recorded deferred revenue of \$277,073 and \$257,146 related to coupons sold, but not utilized as of June 30, 2019 and 2018, respectively.

NOTE 7

PROPERTY AND EQUIPMENT

Property and equipment consist of vehicles, office furniture and equipment, software and leasehold improvements as follows:

<i>As of June 30,</i>	2019	2018
Vehicles and equipment	\$ 39,213,931	\$ 39,427,674
Software	3,292,564	3,689,880
Leasehold improvements	1,683,700	1,701,035
Office furniture and equipment	1,442,838	1,390,395
Total property and equipment	45,633,033	46,208,984
Less: accumulated depreciation	(35,676,793)	(35,909,819)
Property and equipment, net	\$ 9,956,240	\$ 10,299,165

Depreciation expense for the years ended June 30, 2019 and 2018 was \$5,953,256 and \$7,624,414, respectively.

NOTE 8

DEFERRED SUPPORT

Deferred support consists of the following:

<i>As of June 30,</i>	2019	2018
LACMTA funding	\$ 7,163,748	\$ 16,869,690
5310 capital grant	5,082,433	10,041,430
Access to work FTA JARC grant	2,313,033	2,976,177
Service expansion/Adult Tether		
Strap grant	2,581,264	2,972,312
MTA capital toll grant	1,130,925	1,130,925
Total	\$ 18,271,403	\$ 33,990,534

Deferred support amounts are committed for future acquisitions of vehicles, capital expenditures, and current period and near-term operating expenditures.

Access Services receives funds from LACMTA for the support of operations, acquisition of vehicles, and other capital expenditures. These funds are initially recorded as deferred support and reported as a liability on the statement of financial position. Deferred support amounts are reduced based on the recognition of revenue, the timing of which may be different than the expenditures for operations, and the acquisition of vehicles and capital improvements. (See also Note 2).

All other deferred support consists of grants in which funds have been received but for which Access Services recognizes revenue when the respective expenses are incurred.

NOTE 9

INVESTMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures*, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This standard provides a consistent definition of fair value which focuses on an exit price between market participants in an orderly transaction as prescribed by ASC 820. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity-specific information and establishes a three-level hierarchy for fair value measurements based on the transparency of information used in the valuation of an asset or liability as of the measurement date.

ACCESS SERVICES
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NOTES TO FINANCIAL STATEMENTS

As of and for the years ended June 30, 2019 and 2018

NOTE 9 - CONTINUED

INVESTMENTS

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date.

Level II – Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III – Pricing inputs are unobservable for the investments and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgement or estimation. Investments that are included in this category generally include privately held investments and partnership interests.

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the year ended June 30, 2019.

The following table summarizes the valuation of the investments by the ASC 820 fair value hierarchy levels as of June 30, 2019:

<i>As of June 30, 2019</i>	Level I	Level II	Level III	Total
U.S. treasury / agency securities	\$ -	\$ 25,140,669	\$ -	\$ 25,140,669
Total investment	\$ -	\$ 25,140,669	\$ -	\$ 25,140,669

U.S. treasury/agency securities are reported at fair value on a recurring basis determined by reference to quoted market prices for similar investments and other relevant information generated by market transactions.

Net investment income and net realized and unrealized gains consisted of the following:

<i>For the year ended June 30,</i>	2019
Dividends & interest	\$ 79,738
Net realized & unrealized gains	107,150
Total	\$ 186,888

NOTE 10

RETIREMENT PLAN

Access Services established a 403(b)(7) tax sheltered annuity (“TSA”) plan in January 1995 under which employees may, by elective deferral under a salary reduction agreement, contribute to the plan. Contributions are applied to group or individual annuity contracts, or to custodial accounts holding regulated investment stock that meet the requirements of Section 403(b) of the Code. Contributions and investments are determined by the employees. During the years ended June 30, 2019 and 2018, there were no employer contributions to the Plan.

Access Services entered into an agreement on April 10, 2000, with the California Public Employees Retirement System (“CalPERS”), replacing the employee’s Social Security Administration program. Access Services requires mandatory employee participation in the CalPERS defined contribution program. For legacy members, the CalPERS program requires a 7.0% contribution of employees’ gross wages, which is currently being contributed by Access Services.

ACCESS SERVICES
 (A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
 NOTES TO FINANCIAL STATEMENTS

As of and for the years ended June 30, 2019 and 2018

NOTE 10 - CONTINUED

RETIREMENT PLAN

Access Services also contributes towards the employee account based on a CalPERS actuarial process, which was 7.634% and 7.200% of employees' gross wages for the years ended June 30, 2019 and 2018, respectively.

Effective January 1, 2013, new employees are required to contribute 6.25% of their gross wages to the CalPERS Plan.

Under Governmental Accounting Standards Board ("GASB") 68 –*Accounting and Financial Reporting for Pensions*, an employer should recognize annual pension expenditures/costs ("APC") equal to its contractually required contributions to the plan. Pension liabilities and assets result from the difference between contributions required and contributions made.

The Organization utilizes the most recent actuarial information available at the time it prepares and issues its financial statements. At June 30, 2019 and 2018, the most current available actuarial financial information from CalPERS was as of June 30, 2018 and 2017, respectively.

A summary of principal assumptions and methods used to determine the contractually required contributions is shown below as of June 30, 2018 and 2017 (the most up to date information currently available):

Valuation Date	June 30, 2018
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Salary increases	Varies by Entry Age and Service
Inflation	2.50%
Mortality rate table	Derived using CalPERS' membership data for all Funds
Post-retirement benefit increase	Contract COLA up to 2.50% until purchasing power Protection allowance floor on purchasing power applies, 2.50% thereafter

Valuation Date	June 30, 2017
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.15%
Salary increases	Varies by Entry Age and Service
Inflation	2.75%
Mortality rate table	Derived using CalPERS' membership data for all Funds
Post-retirement benefit increase	Contract COLA up to 2.75% until purchasing power Protection allowance floor on purchasing power applies, 2.75% thereafter

ACCESS SERVICES
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NOTES TO FINANCIAL STATEMENTS

As of and for the years ended June 30, 2019 and 2018

NOTE 10 - CONTINUED

RETIREMENT PLAN

Required supplementary information:

Trend information

Below is the trend information, for employees hired prior to January 1, 2013:

<i>For the years ended June 30,</i>	2019	2018
Entry Age Normal Accrued Liability	\$ 16,971,864	\$ 15,240,263
Market Value of Plan Assets	13,442,049	12,242,029
Unfunded Defined Benefit Plan Liability	3,529,815	2,998,234
Funded Ratio	79.2%	80.3%
Annual Covered Payroll	\$ 2,786,038	\$ 3,113,925

Below is the trend information, related to the employees hired after January 1, 2013:

<i>For the years ended June 30,</i>	2019	2018
Entry Age Normal Accrued Liability	\$ 1,055,093	\$ 731,933
Market Value of Plan Assets	946,184	677,870
Unfunded Defined Benefit Plan Liability	108,909	54,063
Funded Ratio	89.7%	92.6%
Annual Covered Payroll	\$ 1,984,849	\$ 1,705,663

The effect of any potential increase or decrease in unfunded defined benefit plan liability is not included in the budget request allotment from LACMTA. Access Services recorded the following defined benefit plan expense for the years ended June 30, 2019 and 2018:

<i>For the years ended June 30,</i>	2019	2018
Contributions made during the year	\$ 821,932	\$ 745,359
Increase (Decrease) in unfunded defined benefit plan liability	586,427	(132,429)
Total	\$ 1,408,359	\$ 612,930

NOTE 11

COMMITMENTS AND CONTINGENCIES

Litigation:

The Organization is subject to various legal proceedings and claims that have arisen in the ordinary course of business and that have not been fully adjudicated. The outcome of litigation is inherently uncertain. If one or more legal matters were resolved against the Organization in a reporting period for amounts in excess of management's expectations, the Organizations financial condition and operating results for that reporting period could be materially adversely affected. Although it is not possible to predict the outcome of these matters, in the opinion of management, there was not at least a reasonable possibility the Organization may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to loss contingencies for asserted legal and other claims.

Self-insurance:

On June 21, 2009, the Organization implemented a self-insurance program covering portions of vehicle and general liability insurance claims. Access Services bears the risk of loss for each individual claim up to \$100,000 per incident with an aggregate annual maximum of \$3.0 million. The amount in excess of the self-insured levels is fully insured by third party insurers to coverage levels that the Organization considers adequate.

ACCESS SERVICES
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NOTES TO FINANCIAL STATEMENTS

As of and for the years ended June 30, 2019 and 2018

NOTE 11 – CONTINUED

COMMITMENTS AND CONTINGENCIES

The Organization’s self-insurance program is administered by a third party.

A summary of the Organization’s self-insured liability follows:

<i>As of June 30,</i>	2019	2018
Balance at beginning of year	\$ 4,689,341	\$ 4,292,099
Charged to operating costs	1,049,746	1,557,025
Payments for claims	(1,274,233)	(1,159,783)
Balance at end of year	\$ 4,464,854	\$ 4,689,341

Operating lease:

Access Services leases its facility under a five-year non-cancellable operating lease agreement with LACMTA at \$50,000 per month, expiring on December 31, 2021 with two additional five-year options. Rent expense for the years ended June 30, 2019 and 2018 under this operating lease was \$612,149 and \$610,466, respectively, including common area maintenance and other charges.

On June 1, 2017, Access Services leased a new facility in City of Commerce under a non-cancellable operating lease agreement which expires on November 30, 2027. Rent expense for the years ended June 30, 2019 and 2018 under this operating lease was \$383,640 and \$216,135, respectively, including common area maintenance and other charges.

Total rent expense, including deferred rent, incurred for the years ended June 30, 2019 and 2018 was \$995,789 and \$974,709, respectively.

Future minimum lease payments under the Organization’s non-cancelable operating leases are as follows:

<i>For the years ending June 30,</i>	Amount
2020	\$ 856,263
2021	863,950
2022	871,866
2023	880,022
2024	888,420
Thereafter	2,553,163
	\$ 6,913,684

SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019
IN COMPLIANCE WITH UNIFORM GUIDANCE

ACCESS SERVICES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<i>For the year ended June 30, 2019</i>	Federal CFDA number	Grant number	Effective dates	Program or award amount	Expenditures
<u>Federal grantor program title</u>					
<u>U.S. Department of Transportation:</u>					
Surface Transportation Program Local Regional Section 5310 Grant	20.513	Note D	July 1, 2018	\$ 66,000,000	\$ 66,000,000 *
ADA Complementary Paratransit Vehicle Replacement Section 5310 Grant Enhanced Mobility of Seniors and Individuals with Disabilities Program	20.513	Note E	December 30, 2017	10,139,411	4,958,997 *
FTA - Services for Adults/Tether Strap Program Section 5317 - New Freedom Funds	20.521	Note F	April 1, 2011	1,405,980	28,589 *
FTA - Access to Work Program - Job Access and Reverse Commute Program Section 5316 Funds	20.516	Note G	April 1, 2011	10,393,763	663,144 *
Service Area Expansion Section 5317 - New Freedom	20.521	Note H	July 29, 2014	740,500	193,257 *
<u>Pass-through grantor program title</u>					
<u>U.S. Department of Transportation</u>					
Pass through from Los Angeles County Metropolitan Transportation Authority - Section 5310 Grant - Enhanced Mobility of Seniors and Individual with Disabilities Program	20.513	Note I	March 4, 2016	7,072,604	- *
Pass through from Los Angeles County Metropolitan Transportation Authority - Service Area Expansion Section 5317 - New Freedom Funds	20.521	Note J	January 1, 2017	218,000	13,194 *
Pass through from Los Angeles County Metropolitan Transportation Authority - Job Access and Reserve Commute Program Section 5316 Funds	20.516	Note K	July 27, 2017	2,313,033	- *
Pass through from Los Angeles County Metropolitan Transportation Authority - New Freedom Program Section 5317 Funds	20.521	Note L	July 27, 2017	2,262,567	156,008 *
Total				\$ 100,545,858	\$ 72,013,189

* These Grants are Identified as Part of the Transit Services Program Cluster. Total Federal Awards Expended for the Cluster are \$72,013,189.

ACCESS SERVICES

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NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Notes to Schedule of Expenditures of Federal Awards:

- Note A – The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Access Services under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Access Services, it is not intended to and does not present the financial position, changes in net assets or cash flows of Access Services.
- Note B – Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Note C – Access Services has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.
- Note D – Program award was granted under Federal project number CA-2018-100-00 for the total cost reimbursement of \$74,551,000 with an 11.47% local match, netting to \$66,000,000 federal share of the award. During the fiscal year ending June 30, 2019, all of the funds were expended on contract number CA-2018-100-00.
- Note E – Program award was granted under Federal project number CA-2017-059-00 Section 5310 ADA Complementary Paratransit Vehicle Replacement Grant. The total cost of the project is \$10,238,000 with a local match of 0.96%, netting federal share of \$10,139,411. As of June 30, 2019, Access Services had expended \$5,230,098 of the fund of which \$4,958,997 was expended during the year ended June 30, 2019.
- Note F – Program award was granted under Federal project number CA-57-X049-00 New Freedom Services for Adults/Tether Strap Program Grant. The total cost of the project is \$2,658,180 with a local match of 20% for capital and 50% for operating expenditures, netting to \$1,405,980 federal share of the award. As of June 30, 2019, Access Services had expended \$1,405,980 of the fund of which \$28,589 was expended during the year ended June 30, 2019.
- Note G – Program award was granted under Federal project number CA-37-X125-00 Section 5316 Job Access Reverse Commute (JARC) Grant. The total cost of the project is \$4,474,342 with a local match of 20% for capital and 50% for operating expenditure, netting to \$2,943,671 federal share of the award. During the year ended June 30, 2014, this grant was amended to increase the total grant amount by \$7,450,092 to the total funding of \$10,393,763 for this program. As of June 30, 2019, Access Services had expended \$10,393,763 of the fund of which \$663,144 was expended during the year ended June 30, 2019.

ACCESS SERVICES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

- Note H – Program award was granted under Federal project number CA-57-X104-00 New Freedom Service Area Expansion Grant. The total cost of the project is \$1,481,000 with a local match of 50%, netting federal share of \$740,500. As of June 30, 2019, Access Services had expended \$452,027 of the fund of which \$193,257 was expended during the year ended June 30, 2019.
- Note I – Program award was granted under Federal project number CA-16-X067 Section 5310 Capital Enhanced Mobility of Seniors and Individuals with Disabilities Program Grant. The award was passed through from LACMTA to Access Services to complete the project. The total cost of the project is \$7,175,469 with a local match of 1.43%, netting federal share of \$7,072,604. As of June 30, 2019, Access Services had expended \$6,899,484 of the fund.
- Note J – Program award was granted under Federal project number CA-57-X100-01 New Freedom Service Area Expansion Grant. The award was passed through from LACMTA to Access Services to complete the project. The total cost of the project is \$436,000 with a local match of 50%, netting federal share of \$218,000. As of June 30, 2019, Access Services had expended \$32,090 of the fund of which \$13,194 was expended during the year ended June 30, 2019.
- Note K – Program award was granted under Federal project number CA-37-X100 Job Access and Reserve Commute Program Grant. The award was passed through from LACMTA to Access Services to complete the project. The total cost of the project is \$2,891,291 with a local match of 20%, netting federal share of \$2,313,033. As of June 30, 2019, there were no expenses related to the grant.
- Note L – Program award was granted under Federal project number CA-57-X100 New Freedom Program Grant. The award was passed through from LACMTA to Access Services to complete the project. The total cost of the project is \$4,056,709 with a local match of 44%, netting federal share of \$2,262,567. During the year ended June 30, 2019, Access Services expended \$156,008 of the fund.



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
Access Services
El Monte, California

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 Access Services (a California nonprofit public benefit organization), which comprise the statement of financial position as of June 30, 2019, 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 dated October 18, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Access Services' 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 Access Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Access Services' 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 have not been 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.

**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*
(continued)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Access Services' 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.

Rossi LLP

Long Beach, California
October 28, 2019
March 6, 2020 (restatement – Note 3)

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
Access Services
El Monte, California

Report on Compliance for Each Major Federal Program

We have audited Access Services' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Access Services' major federal programs for the year ended June 30, 2019. Access Services' 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Access Services' 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). 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 Access Services' 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 Access Services' compliance.

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

Opinion on Each Major Federal Program

In our opinion, Access Services 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 June 30, 2019.

Report on Internal Control over Compliance

Management of Access Services 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 Access Services' 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 the 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 Access Services' 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.

Rossi LLP

Long Beach, California
October 28, 2019
March 6, 2020 (restatement – Note 3)

ACCESS SERVICES
 (A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2019

SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified opinion

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Type of auditor’s report issued on compliance for major federal award programs: Unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516 (a)? Yes No

Audited as Major Program:

CFDA Numbers

Name of Federal Program or Cluster

20.513

Capital Assistance Program for Elderly Persons and Persons with Disabilities - Section 5310 Grant – Transit Services Programs Cluster

20.516

Access to Work – JARC Program – Transit Services Programs Cluster

20.521

New Freedom Program – Transit Services Programs Cluster

Dollar threshold used to distinguish between Type A and Type B programs \$ 2,160,396

Auditee qualified as low-risk auditee? Yes No

ACCESS SERVICES
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the years ended June 30, 2019 and 2018

FINANCIAL STATEMENT FINDINGS

There are no financial statement findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no federal award findings and questioned costs.

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

There were no prior audit findings or recommendations.