

# ACCESS SERVICES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

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AUDITED FINANCIAL STATEMENTS, SUPPLEMENTAL INFORMATION  
AND REPORTS IN COMPLIANCE WITH UNIFORM GUIDANCE  
AS OF AND FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

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

**CONTENTS**

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<i>As of and for the years ended June 30, 2018 and 2017</i>	<b>Page</b>
<b>Independent auditor's report</b>	1 - 2
<b>Financial statements:</b>	
Statements of financial position as of June 30, 2018 and 2017	3
Statements of activities for the years ended June 30, 2018 and 2017	4 - 5
Statements of cash flows for the years ended June 30, 2018 and 2017	6
Notes to financial statements for the years ended June 30, 2018 and 2017	7 – 19
<b>Supplemental information for statement of activities</b>	
Supplemental schedules of expenses for the years ended June 30, 2018 and 2017	20 – 22
<b>Supplemental information for the year ended June 30, 2018 in compliance with Uniform Guidance:</b>	
Supplemental schedule of expenditures of federal awards	23
Notes to supplemental schedule of expenditures of federal awards	24 – 25
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 <i>Government Auditing Standards</i>	26 – 27
Independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance	28 – 29
Schedule of findings and questioned costs	30 – 31

## 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, 2018 and 2017, 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, 2018 and 2017, 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 supplemental schedules of expenses are presented for purposes of additional analysis and are not required part of the financial statements. 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 December 14, 2018 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  
December 14, 2018

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

<i>As of June 30,</i>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 31,093,499	\$ 22,919,317
Grants receivable	11,729,650	4,309,164
Due from LACMTA	6,127,705	389,574
Accounts receivable	65,213	71,958
Prepaid expenses and other assets	6,350,045	7,125,032
<b>Total current assets</b>	<b>55,366,112</b>	<b>34,815,045</b>
<b>Property and equipment, net</b>	<b>10,299,165</b>	<b>16,640,695</b>
<b>Deposits</b>	<b>45,824</b>	<b>66,654</b>
<b>Total assets</b>	<b>\$ 65,711,101</b>	<b>\$ 51,522,394</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 2,822,378	\$ 4,439,012
Contractors payable	10,460,039	12,299,263
Accrued expenses	780,420	2,002,159
Unfunded defined benefit plan liability	3,052,297	3,184,726
Self insurance accruals	4,689,341	4,292,099
Deferred support	36,313,357	10,608,545
Deferred revenue	257,146	250,214
Deferred rent	148,108	-
<b>Total current liabilities</b>	<b>58,523,086</b>	<b>37,076,018</b>
<b>Commitments and contingencies</b>		
<b>Net assets:</b>		
Unrestricted	7,188,015	14,446,376
<b>Total net assets</b>	<b>7,188,015</b>	<b>14,446,376</b>
<b>Total liabilities and net assets</b>	<b>\$ 65,711,101</b>	<b>\$ 51,522,394</b>

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

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

<i>For the year ended June 30,</i>	2018		
	Unrestricted	Temporarily restricted	Total
<b>Revenue and support:</b>			
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
<b>Total revenue and support</b>	<b>153,871,670</b>	<b>-</b>	<b>153,871,670</b>
<b>Operating expenses:</b>			
Purchased transportation services (net of lease and liquidated damages)	124,858,331	-	124,858,331
Salaries and related benefits	6,873,623	-	6,873,623
Insurance and claims	6,366,727	-	6,366,727
Eligibility determination	4,754,953	-	4,754,953
Contracted customer services	2,243,122	-	2,243,122
Communications	2,110,731	-	2,110,731
Professional services	1,568,750	-	1,568,750
Network and telecom maintenance	1,246,943	-	1,246,943
Office and equipment rent	974,709	-	974,709
Travel training	617,465	-	617,465
Printed materials	579,889	-	579,889
Promotions/events	311,309	-	311,309
Postage/mailing	271,932	-	271,932
Security	200,000	-	200,000
Travel and conference	116,144	-	116,144
Vehicle costs	114,690	-	114,690
Other related employee expense	112,681	-	112,681
Tether pilot program	81,807	-	81,807
Other expenses	68,781	-	68,781
Office supplies	48,975	-	48,975
Temporary personnel	39,558	-	39,558
Business meetings and meals	30,158	-	30,158
Repairs and maintenance	23,724	-	23,724
Board and Advisory Committee compensation	17,182	-	17,182
<b>Total expenses before certain noncash charges</b>	<b>153,632,184</b>	<b>-</b>	<b>153,632,184</b>
<b>Decrease in unfunded defined benefit plan liability</b>	<b>(132,429)</b>	<b>-</b>	<b>(132,429)</b>
<b>Depreciation</b>	<b>7,624,414</b>	<b>-</b>	<b>7,624,414</b>
<b>Total expenses</b>	<b>161,124,169</b>	<b>-</b>	<b>161,124,169</b>
<b>Changes in net assets before taxes</b>			
Provision for income taxes	5,862	-	5,862
<b>Change in net assets</b>	<b>(7,258,361)</b>	<b>-</b>	<b>(7,258,361)</b>
<b>Net assets, beginning of year</b>	<b>14,446,376</b>	<b>-</b>	<b>14,446,376</b>
<b>Net assets, end of year</b>	<b>\$ 7,188,015</b>	<b>\$ -</b>	<b>\$ 7,188,015</b>

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

**ACCESS SERVICES INCORPORATED**  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
STATEMENT OF ACTIVITIES

<i>For the year ended June 30,</i>	<b>2017</b>		
	<b>Unrestricted</b>	<b>Temporarily restricted</b>	<b>Total</b>
<b>Revenue and support:</b>			
Los Angeles County MTA funds	\$ 81,793,808	\$ -	\$ 81,793,808
Section 5310 funds	63,300,000	6,899,484	70,199,484
Passenger revenues	9,971,134	-	9,971,134
Section 5316 funds	1,065,106	1,770,214	2,835,320
Gain on disposal of assets	596,996	-	596,996
Section 5317 funds	325,092	9,631	334,723
Other revenue	92,368	-	92,368
Interest income	8,795	-	8,795
Net assets released from restrictions	10,900,165	(10,900,165)	-
<b>Total revenue and support</b>	<b>168,053,464</b>	<b>(2,220,836)</b>	<b>165,832,628</b>
<b>Operating expenses:</b>			
Purchased transportation services (net of lease and liquidated damages)	119,263,536	-	119,263,536
Salaries and related benefits	7,708,064	-	7,708,064
Insurance and claims	6,592,548	-	6,592,548
Eligibility determination	6,477,224	-	6,477,224
Contracted customer services	2,127,938	-	2,127,938
Communications	2,113,297	-	2,113,297
Network and telecom maintenance	1,780,145	-	1,780,145
Professional services	1,477,237	-	1,477,237
Office and equipment rent	637,000	-	637,000
Travel training	588,569	-	588,569
Printed materials	531,819	-	531,819
Promotions/events	315,915	-	315,915
Tether pilot program	268,375	-	268,375
Postage/mailing	256,000	-	256,000
Security	200,000	-	200,000
Vehicle costs	155,554	-	155,554
Other expenses	121,816	-	121,816
Travel and conference	116,732	-	116,732
Other related employee expense	98,241	-	98,241
Repairs and maintenance	52,354	-	52,354
Office supplies	45,595	-	45,595
Temporary personnel	25,355	-	25,355
Business meetings and meals	22,423	-	22,423
Board and Advisory Committee compensation	19,766	-	19,766
<b>Total expenses before certain noncash charges</b>	<b>150,995,503</b>	<b>-</b>	<b>150,995,503</b>
<b>Increase in unfunded defined benefit plan liability</b>	<b>965,663</b>	<b>-</b>	<b>965,663</b>
<b>Depreciation</b>	<b>7,733,828</b>	<b>-</b>	<b>7,733,828</b>
<b>Total expenses</b>	<b>159,694,994</b>	<b>-</b>	<b>159,694,994</b>
<b>Change in net assets</b>	<b>8,358,470</b>	<b>(2,220,836)</b>	<b>6,137,634</b>
<b>Net assets, beginning of year</b>	<b>6,087,906</b>	<b>2,220,836</b>	<b>8,308,742</b>
<b>Net assets, end of year</b>	<b>\$ 14,446,376</b>	<b>\$ -</b>	<b>\$ 14,446,376</b>

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

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

<i>For the years ended June 30,</i>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (7,258,361)	\$ 6,137,634
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	(90,608)	(596,996)
Depreciation and amortization	7,624,414	7,733,828
(Increase) decrease in operating assets:		
Grants receivable	(7,420,486)	1,591,161
Due from LACMTA	(5,738,131)	3,541,521
Accounts receivable	6,745	15,978
Prepaid expenses and other assets	795,817	(3,224,035)
Increase (decrease) in operating liabilities:		
Accounts payable	(1,616,634)	3,178,408
Contractors payable	(1,839,224)	2,836,891
Accrued expenses	(1,221,739)	998,969
Unfunded defined benefit plan liability	(132,429)	965,663
Self insurance accruals	397,242	435,258
Deferred support	25,704,812	(13,952,691)
Deferred revenue	6,932	(58,857)
Deferred rent	148,108	-
<b>Net cash provided by operating activities</b>	<b>9,366,458</b>	<b>9,602,732</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of equipment	131,226	724,086
Acquisition of property and equipment	(1,323,502)	(10,717,682)
<b>Net cash used in investing activities</b>	<b>(1,192,276)</b>	<b>(9,993,596)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>8,174,182</b>	<b>(390,864)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>22,919,317</b>	<b>23,310,181</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 31,093,499</b>	<b>\$ 22,919,317</b>

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



***As of and for the years ended June 30, 2018 and 2017***

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**NOTE 1**

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**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 the designated Los Angeles County Consolidated Transportation Services Agency ("LACCTSA") pursuant to Gov. Code §15975(a) and public entity pursuant to 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 mini-buses are used to provide paratransit service, but also shared taxis and jitneys 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  $\frac{3}{4}$  of a mile of any fixed route bus operated by the Los Angeles County public fixed route bus operators and within  $\frac{3}{4}$  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.

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 3.4 million trips per year to more than 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 sales tax, Federal 5310 grants, and fare box revenue.

In its function as the LACCTSA, 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

***As of and for the years ended June 30, 2018 and 2017***

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**NOTE 1 - CONTINUED**

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**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, and (ix) an alternating appointment by the municipal and local fixed-route operators.

**NOTE 2**

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**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 June 30, 2018 through December 14, 2018 the date the financial statements were available for issuance, for material subsequent events requiring recognition or disclosure in the accompanying financial statements.

***Financial statement presentation:***

The Organization follows the provisions of the AICPA's Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") ASC 958, *Not-for-Profit Entities*. Under

these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Access Services and changes therein are classified and reported as follows:

*Unrestricted net assets* - Net assets that do not have donor restrictions, or the donor-imposed restrictions have expired due to the Organization's fulfillment of the restrictions and/or by the passage of time.

*Temporarily restricted net assets* - Net assets that contain donor-imposed restrictions that permit the Organization to use or expend the donated net assets as specified, whose restrictions are satisfied either by the passage of time and/or by actions of the Organization. There were no temporarily restricted net assets at June 30, 2018 and 2017.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that the Organization maintains them permanently. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. There were no permanently restricted net assets at June 30, 2018 and 2017.

Revenues are reported as increases in unrestricted net assets, unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets, unless their uses are restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported

***As of and for the years ended June 30, 2018 and 2017***

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**NOTE 2 - CONTINUED**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

as reclassifications between the applicable classes of net assets.

***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:***

Access Services primarily receives revenue from Federal Section 5310 grants, Proposition C discretionary funds and other grants through the LACMTA acting in its capacity as the Regional Planning Agency, and passenger fares for the 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. LACMTA funding received for expenditures related to prepayments are recognized as the amounts are prepaid. Passenger revenues are recognized as services are provided to passengers.

Amounts received but not earned as of June 30, 2018 and 2017 are included in the accompanying statement of financial position as deferred support. Unexpended Proposition C sales tax discretionary funds are required to be refunded to LACMTA under a Memorandum of Understanding unless such funds are committed for specific future purposes. As of June 30, 2018 and 2017, unexpended funds were primarily committed for future operations, purchase of vehicles, and capital assets. 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.

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 unrestricted revenue, and funds designated for vehicle acquisitions are included in the accompanying statement of financial position as deferred support. The Federal Section 5310 grant funds designated for vehicles and equipment are recognized as revenue when the vehicle is acquired. During the years ended June 30, 2018 and 2017, Access Services was awarded a Federal Transit Administration ("FTA") Section 5310 Surface Transportation Program ("STPL-R") grant of \$64,600,000 and \$63,300,000, respectively, to provide contract services for paratransit eligibility determination and transportation provision functions throughout

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

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***As of and for the years ended June 30, 2018 and 2017***

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**NOTE 2 - CONTINUED**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

the County of Los Angeles. As of June 30, 2018 and 2017, Access Services had received and recognized as revenue all the funds available under this grant for paratransit provider services.

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. As of June 30, 2018, Access Services had incurred \$271,101 of expenses to purchase vehicles. At June 30, 2018, Access Services had a grant receivable balance of \$10,139,411.

Access Services was awarded an 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 – this 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. As of June 30, 2018 and 2017, Access Services had incurred \$1,393,752 and

\$1,326,308, respectively, of expenses, of which \$67,444 and \$214,556 was incurred during the years ended June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, Access Services had a receivable balance of \$25,349 and \$99,862, respectively, under this grant.

Access Services originally was awarded an FTA Section 5316 Job Access – Reverse Commute (“JARC”) grant of \$2,943,671 to implement the Access to Work Program. The funds were to be used for (1) the purchase of vehicles for \$1,884,000 and (2) operating costs for \$1,059,671. During the year ended June 30, 2014, Access Services entered into an amendment to this grant which increased the grant amount by \$7,450,092 to \$10,393,763. The additional funds are to be used for (1) the purchase of vehicles of \$3,832,500 and (2) operating costs of \$3,617,592. As of June 30, 2018 and 2017, Access Services had incurred \$9,714,259 and \$8,839,003, respectively, of expenses under the original and amended grant, of which \$875,256 and \$2,835,320 was incurred during the years ended June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, Access Services had a grant receivable balance of \$1,029,174 and \$3,512,466, respectively.

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. As of June 30, 2018 and 2017, Access Services had incurred \$258,770 and \$116,350, respectively, of expenses, of which \$142,420 and \$112,117 was incurred during the years ended June 30, 2018 and 2017, respectively. At June 30, 2018

***As of and for the years ended June 30, 2018 and 2017***

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**NOTE 2 - CONTINUED**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

and 2017, Access Services had a grant receivable balance of \$535,716 and \$696,836, respectively.

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. As of June 30, 2018 and 2017, Access Services had incurred \$6,899,484 of expenses to purchase one hundred thirty-two vehicles as required by the grant, of which \$0 and \$6,899,484 was incurred during the years ended June 30, 2018 and 2017, respectively. As of June 30, 2018 and 2017, the grant had a remaining balance of \$173,120. These funds will be used to purchase additional vehicles as approved by LACMTA.

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. As of June 30, 2018 and 2017, Access Services has incurred \$18,896 and \$7,990, respectively, of expenses, of which \$10,906 and \$7,990 was incurred during the years

ended June 30, 2018 and 2017, respectively. At June 30, 2018 and 2017, Access Services had a grant receivable balance of \$213,958 and \$218,000 from LACMTA, respectively.

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. As of June 30, 2018, Access Services has incurred zero balance of expenses. At June 30, 2018, Access Services had a grant receivable balance of \$2,313,033 from LACMTA.

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. As of June 30, 2018, Access Services had not incurred any expenses related to the grant. At June 30, 2018, Access Services had a grant receivable balance of \$2,262,567 from LACMTA.

***Concentration of credit and business risk:***

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

Access Services received approximately 43% and 44% of its total funding for the years ended June 30, 2018 and 2017, respectively, from the

***As of and for the years ended June 30, 2018 and 2017***

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**NOTE 2 - CONTINUED**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

FTA, and the receivable from the FTA accounted for 100% of total grants receivable at June 30, 2018 and 2017. 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. During the years ended June 30, 2018 and 2017, this funding represented approximately 50% and 49%, respectively, of Access Services' total funding received for the fiscal years then ended. As of June 30, 2018 and 2017, \$6,127,705 and \$389,574, respectively, was due from LACMTA.

***Income taxes:***

The Organization is exempt from federal and California 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.

The fringe benefit payments are classified as UBI if they are incurred by the Organization after December 31, 2017 for the following:

- On-premises athletic facility is a facility predominately used by employees and their families.
- Qualified transportation benefits include commuter vehicle and van pooling as well as transit passes and vouchers for mass transit, such as buses and trains.
- Qualified parking facility includes parking provided by an employer and parking reimbursements provided under a bona-fide reimbursement arrangement.

During the year ended June 30, 2018, Access Services paid for Metro passes and B-Tap cards for some employees. The payments incurred 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 \$5,862.

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, 2018 and 2017***

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**NOTE 2 - CONTINUED**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Property and equipment:***

Property and equipment that is purchased is stated at cost. Major improvements and betterments to existing property and equipment are capitalized as incurred. Cost for maintenance and repairs which do not extend the useful life of the applicable assets are charged to expense as 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, the 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, 2018 and 2017.

***New accounting standards not yet adopted:***

*Accounting for net assets classifications*

In August 2016, Financial Accounting Standard Board ("FASB") issued Accounting Standard Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 was issued to improve the current net asset classification requirements and the information presented in the financial statements and notes thereto about a not-for-profit entity's liquidity, financial performance, and cash flows. Additionally, the amendments in ASU 2016-14

***As of and for the years ended June 30, 2018 and 2017***

**NOTE 2 - CONTINUED**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

among other matters, reduce the current three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) to two classes of net assets (net assets with donor restrictions and net assets without donor restrictions). The amendments in ASU 2016-14 are effective for the fiscal years beginning after December 15, 2017. Management is currently evaluating the impact of the pending adoption of ASU 2016-14 on its financial statements.

*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, 2019 with early adoption permitted. Management 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. Management is currently evaluating the impact of the pending adoption of ASU 2018-08 on the financial statements.

***Reclassification:***

Certain reclassifications have been made so that the June 30, 2017 amounts conform to the June 30, 2018 classifications. These reclassifications had no effect on the change in net assets for the year ended June 30, 2017.

**NOTE 3**

**GRANTS RECEIVABLE**

Grants receivable consist of:

<i>As of June 30,</i>	<b>2018</b>	<b>2017</b>
Section 5310 capital grant	\$ 10,139,411	\$ -
Access to work grant	1,029,174	3,512,466
Service expansion grant	535,716	696,836
Adults/Tether strap grant	25,349	99,862
Total	\$ 11,729,650	\$ 4,309,164

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

***As of and for the years ended June 30, 2018 and 2017***

**NOTE 4**

**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 \$257,146 and \$250,214 related to coupons sold, but not utilized as of June 30, 2018 and 2017, respectively.

**NOTE 5**

**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>	<b>2018</b>	<b>2017</b>
Vehicles and equipment	\$ 39,427,674	\$ 40,230,794
Software	3,689,880	4,488,200
Leasehold improvements	1,701,035	1,271,046
Office furniture and equipment	1,390,395	1,283,431
Total property and equipment	46,208,984	47,273,471
Less: accumulated depreciation	(35,909,819)	(30,632,776)
Property and equipment, net	\$ 10,299,165	\$ 16,640,695

Depreciation expense for the years ended June 30, 2018 and 2017 was \$7,624,414 and \$7,733,828, respectively.

**NOTE 6**

**DEFERRED SUPPORT**

Deferred support consists of the following:

<i>As of June 30,</i>	<b>2018</b>	<b>2017</b>
LACMTA funding	\$ 19,192,513	\$ 8,139,953
5310 capital grant	10,041,430	-
Access to work FTA JARC grant	2,976,177	1,538,400
Service expansion/Adult Tether		
Strap grant	2,972,312	930,192
MTA capital toll grant	1,130,925	-
Total	\$ 36,313,357	\$ 10,608,545

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, 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 not yet been received. Access Services recognizes revenue related to these grants when the respective expenses are incurred.

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

***As of and for the years ended June 30, 2018 and 2017***

**NOTE 7**

**FUNCTIONAL EXPENSES**

Salaries, benefits, and other related expenses are categorized to paratransit operations, eligibility determination, LACCTSA 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.

Expenses for the years ended June 30, 2018 and 2017 are functionally allocated as follows:

<i>For the years ended June 30,</i>	<b>2018</b>	<b>2017</b>
Program services:		
Paratransit operations	\$ 144,656,374	\$ 140,700,677
Eligibility determination	8,831,741	10,208,974
CTSA function	90,712	301,057
Total program services	\$ 153,578,827	\$ 151,210,708
Management and general	7,551,204	8,484,286
Total	\$ 161,130,031	\$ 159,694,994

**NOTE 8**

**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, 2018 and 2017, 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 also contributes towards the employee account based on a CalPERS actuarial process, which was 7.200% and 7.159% of employees’ gross wages for the years ended June 30, 2018 and 2017, respectively.

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

Under Governmental Accounting Standards Board (“GASB”) which was amended by 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, 2018 and 2017, the most current available actuarial financial information from CalPERS was as of June 30, 2017 and 2016, respectively, which has been recorded in the financial statements. Accordingly, a summary of principal assumptions and methods used to determine the contractually required contributions is shown below as of June 30, 2017 and 2016 (the most up to date information currently available):

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

**As of and for the years ended June 30, 2018 and 2017**

**NOTE 8 - CONTINUED**

**RETIREMENT PLAN**

<b>Valuation Date</b>	<b>June 30, 2017</b>
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 Contract COLA up to 2.75% until purchasing power Protection allowance floor on purchasing power applies, 2.75% thereafter
Post-retirement benefit	
Increase	

<b>Valuation Date</b>	<b>June 30, 2016</b>
Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions	
Discount Rate	7.65%
Salary increases	Varies by Entry Age and Service
Inflation	2.75%
Mortality rate table	Derived using CalPERS' membership data for all Funds Contract COLA up to 2.75% until purchasing power Protection allowance floor on purchasing power applies, 2.75% thereafter
Post-retirement benefit	
Increase	

**Required supplementary information:**

*Trend information*

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

<b>For the years ended June 30,</b>	<b>2018</b>	<b>2017</b>
Entry Age Normal Accrued Liability	\$ 15,240,263	\$ 14,014,605
Market Value of Plan Assets	12,242,029	10,883,857
Unfunded Defined Benefit Plan Liability	2,998,234	3,130,748
Funded Ratio	80.3%	77.7%
Annual Covered Payroll	\$ 3,113,925	\$ 3,576,056

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

<b>For the years ended June 30,</b>	<b>2018</b>	<b>2017</b>
Entry Age Normal Accrued Liability	\$ 731,933	\$ 505,977
Market Value of Plan Assets	677,870	451,999
Unfunded Defined Benefit Plan Liability	54,063	53,978
Funded Ratio	92.6%	89.3%
Annual Covered Payroll	\$ 1,705,663	\$ 1,801,484

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, 2018 and 2017 :

<b>For the years ended June 30,</b>	<b>2018</b>	<b>2017</b>
Contributions made during the year	\$ 745,359	\$ 750,976
Increase (Decrease) in unfunded defined benefit plan liability	(132,429)	965,663
Total	\$ 612,930	\$ 1,716,639

***As of and for the years ended June 30, 2018 and 2017***

**NOTE 9**

**COMMITMENTS AND CONTINGENCIES**

***Litigation:***

In the normal course of operations, the Organization may be a party to various legal claims, actions and complaints, and Access Services maintains accruals for such costs that are expected to be incurred. Although it is not possible to predict the outcome of these matters, management believes that they will not, individually or in the aggregate, have a material impact on Access Services' financial statements.

On August 24, 2015, a case was filed with the Department of Fair Employment and Housing ("DFEH"), but Access Services received a DFEH dismissal and right to sue letter. On December 27, 2016, the same case was filed with the Superior Court of California for the County of Los Angeles alleging discrimination, retaliation, and failure to accommodate disability. The case was also dismissed by the Superior Court of California for the County of Los Angeles and was transferred to the American Arbitration Association. On November 14, 2017, the American Arbitration Association approved a settlement on this arbitration matter. The Organization has accrued an estimated amount as a charge to revenue for settlement of this case of \$27,313 in prior year as management believed that Access had substantial defenses to the claim in this matter and that its exposure would not exceed \$30,000. The Organization settled in the amount of \$255,675 during the year ended June 30, 2018. The lawsuit settlement amounts were included in the accompanying statement of activities under the insurance and 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. The Organization's self-insurance program is administered by a third party.

A summary of the Organization's self-insured liability is as follows:

<b><i>As of June 30,</i></b>	<b>2018</b>	<b>2017</b>
Balance at beginning of year	\$ 4,292,099	\$ 3,856,841
Charged to operating costs	1,557,025	1,833,256
Payments for claims	(1,159,783)	(1,397,998)
Balance at end of year	\$ 4,689,341	\$ 4,292,099

***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, 2018 and 2017 under this operating lease was \$610,466 and \$611,492, 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, 2018 and 2017 under this operating lease was \$216,135 and \$25,508, respectively, including common area maintenance and other charges.

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

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*As of and for the years ended June 30, 2018 and 2017*

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**NOTE 9 - CONTINUED**

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**COMMITMENTS AND CONTINGENCIES**

Total rent expenses, including deferred rent, incurred for the years ended June 30, 2018 and 2017 was \$974,709 and \$637,000, respectively.

Access Services also leases various office equipment.

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

<i>For the years ending</i> <b>June 30,</b>	<b>Amount</b>
2019	\$ 848,793
2020	856,263
2021	863,950
2022	871,866
2023	880,022
Thereafter	3,441,582
	<u>\$ 7,762,476</u>

***Purchase commitments:***

As of June 30, 2018, Access Services had open commitments to acquire 101 new vehicles for a cost of approximately \$5,177,813.

SUPPLEMENTAL INFORMATION FOR  
STATEMENT OF ACTIVITIES

**ACCESS SERVICES**  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
SUPPLEMENTAL SCHEDULE OF EXPENSES

<i>For the years ended June 30,</i>	<b>2018</b>	<b>2017</b>
<b>Paratransit operations expenses:</b>		
Purchased transportation services (net of lease and liquidated damages)	\$ 123,575,229	\$ 117,976,386
Depreciation	7,107,777	7,365,211
Insurance and claims	5,891,979	6,328,038
Contracted customer services	2,243,122	2,127,938
Salaries and related benefits	2,123,289	3,089,421
Communications	1,898,263	1,873,505
Network and telecom maintenance	862,104	803,629
Promotions/events	227,366	274,745
Security	200,000	200,000
Office and equipment rent	194,113	246,139
Vehicle costs	114,690	154,507
Printed materials	106,125	125,502
Temporary personnel	34,130	9,028
Travel and conference	29,467	70,353
Postage/mailing	19,644	26,996
Office supplies	14,364	13,667
Professional services	8,175	13,551
Other expenses	4,418	2,061
Business meetings and meals	870	-
Other related employee expense	816	-
Repairs and maintenance	433	-
<b>Total paratransit operations expenses</b>	<b>\$ 144,656,374</b>	<b>\$ 140,700,677</b>

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

**ACCESS SERVICES**  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
SUPPLEMENTAL SCHEDULE OF EXPENSES - CONTINUED

<i>For the years ended June 30,</i>	<b>2018</b>	<b>2017</b>
<b>Other activities</b>		
<b>Eligibility determination expenses:</b>		
Eligibility determination	\$ 4,754,953	\$ 6,477,224
Purchased transportation services (net of lease and liquidated damages)	1,283,102	1,287,150
Travel training	617,465	588,569
Salaries and related benefits	467,772	452,280
Printed materials	459,811	366,086
Office and equipment rent	421,285	98,315
Depreciation	281,656	3,120
Postage/mailing	202,484	160,209
Communications	131,582	165,107
Tether pilot program	81,807	268,375
Insurance and claims	68,252	70,570
Promotions/events	32,050	22,531
Professional services	17,780	205,603
Office supplies	5,804	5,492
Repairs and maintenance	3,400	34,527
Other expenses	1,123	2,658
Network and telecom maintenance	568	-
Travel and conference	560	726
Business meetings and meals	287	432
<b>Total eligibility determination expenses</b>	<b>\$ 8,831,741</b>	<b>\$ 10,208,974</b>
<b>CTSA function expenses:</b>		
Salaries and related benefits	\$ 52,723	\$ 231,689
Office and equipment rent	16,901	13,187
Other expenses	7,377	30,043
Postage/mailing	3,929	5,399
Communications	3,713	4,130
Promotions/events	2,541	1,776
Office supplies	1,787	1,774
Other related employee expense	600	690
Business meetings and meals	590	416
Insurance and claims	482	707
Printed materials	69	2,342
Temporary personnel	-	8,904
<b>Total CTSA function expenses</b>	<b>90,712</b>	<b>301,057</b>
<b>Total other activities</b>	<b>\$ 8,922,453</b>	<b>\$ 10,510,031</b>

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



**ACCESS SERVICES**  
(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)  
SUPPLEMENTAL SCHEDULE OF EXPENSES - CONTINUED

<i>For the years ended June 30,</i>	<b>2018</b>	<b>2017</b>
<b>Management and general expenses:</b>		
Salaries and related benefits	\$ 4,097,410	\$ 4,900,337
Professional services	1,542,795	1,258,083
Insurance and claims	406,014	193,233
Network and telecom maintenance	384,271	976,516
Office and equipment rent	342,410	279,359
Depreciation	234,981	365,497
Other related employee expense	111,265	97,551
Travel and conference	86,117	45,653
Communications	77,173	70,555
Other expenses	55,863	87,054
Promotions/events	49,352	16,863
Postage/mailing	45,875	63,396
Business meetings and meals	28,411	21,575
Office supplies	27,020	24,662
Repairs and maintenance	19,891	17,827
Board and Advisory Committee compensation	17,182	19,766
Printed materials	13,884	37,889
Provision for income tax	5,862	-
Temporary personnel	5,428	7,423
Vehicle costs	-	1,047
<b>Total management and general expenses</b>	<b>\$ 7,551,204</b>	<b>\$ 8,484,286</b>

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

SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2018  
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, 2018</i>	<b>Federal CFDA number</b>	<b>Grant number</b>	<b>Effective dates</b>	<b>Program or award amount</b>	<b>Expenditures</b>
<b><u>Federal grantor program title</u></b>					
<u>U.S. Department of Transportation:</u>					
Surface Transportation Program Local Regional Section 5310 Grant	20.513	Note D	July 1, 2017	\$ 64,600,000	\$ 64,600,000 *
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	271,101 *
FTA - Services for Adults/Tether Strap Program Section 5317 - New Freedom Funds	20.521	Note F	April 1, 2011	1,405,980	67,444 *
FTA - Access to Work Program - Job Access and Reverse Commute Program Section 5316 Funds	20.516	Note G	April 1, 2011	10,393,763	875,256 *
Service Area Expansion Section 5317 - New Freedom	20.521	Note H	July 29, 2014	740,500	142,420 *
<b><u>Pass-through grantor program title</u></b>					
<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	10,906 *
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	- *
<b>Total</b>				<b>\$ 99,145,858</b>	<b>\$ 65,967,127</b>

\* These Grants are Identified as Part of the Transit Services Program Cluster. Total Federal Awards Expended for the Cluster are \$65,967,127.

## ACCESS SERVICES

(A CALIFORNIA NONPROFIT PUBLIC BENEFIT CORPORATION)

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, 2018. 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-2017-047-00 for the total cost reimbursement of \$72,969,615 with an 11.47% local match, netting to \$64,600,000 federal share of the award. During the fiscal year ending June 30, 2018, all of the funds were expended on contract number CA-2017-047-00.
- 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. During the fiscal year ending June 30, 2018, Access Services expended \$271,101 of the fund.
- 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, 2018, Access Services had expended \$1,393,752 of the fund of which, \$67,444 was expended during the year ended June 30, 2018.
- 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, 2018, Access Services had expended \$9,714,259 of the fund of which, \$875,256 was expended during the year ended June 30, 2018.

## 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, 2018, Access Services had expended \$258,770 of the fund of which, \$142,420 was expended during the year ended June 30, 2018.
- 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, 2018, 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, 2018, Access Services had expended \$18,896 of the fund of which, \$10,906 was expended during the year ended June 30, 2018.
- 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, 2018, Access Services had expended zero balance.
- 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. As of June 30, 2018, Access Services had expended zero balance.



**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, 2018, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2018.

***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  
December 14, 2018

**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, 2018. 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, 2018.

***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  
December 14, 2018

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

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***For the year ended June 30, 2018***

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**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 \$ 1,979,014

Auditee qualified as low-risk auditee?  Yes  No

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

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***For the years ended June 30, 2018 and 2017***

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**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**

U.S. Department of Transportation

**2017-001 – Surface Transportation Program Local Regional Section 5310 Grant**

**Condition and Criteria:**

The auditor noted the following when testing whether Access Services had followed its policy of approval of payments made to service providers:

- a. Five checks were issued without proper approval from either the Treasurer, Chairman, or Vice Chairman of the Board.
- b. One check had only one authorized approval.

The Organization's internal control policy over disbursements states that, cash disbursements in excess of \$50,000 be approved by either the Treasurer, Chairman, or Vice Chairman of the Board and either the Executive Director, Director of Finance, or Director of Operations.

**Recommendation:**

The auditor recommended that the Organization reviewed its current disbursement policy and procedures and revised as necessary to ensure that proper approvals of disbursements were obtained, without compromising any checks and balances necessary for a sound system of internal control or causing vendor payments to not be issued in a timely manner.

**Current Status:**

The recommendation was adopted in January 2018. No similar findings were noted in the June 30, 2018 audit.