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FAME Assistance Corporation

**Report on the Audit of
Rider Relief Transportation Program (RRTP)
by FAME Assistance Corporation under
its Memorandum of Understanding No. MOU.R2TPFAC2
with the Los Angeles County Metropolitan Transportation Authority**

**As of and for the Years Ended June 30, 2015 and 2014
with Report of Independent Auditors**

An Independently Owned Member
McGLADREY ALLIANCE



 **Vasquez**
& Company LLP
Certified Public Accountants and Business Consultants

**FAME Assistance Corporation
Rider Relief Transportation Program
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FINANCIAL SECTION

Report of Independent Auditors

To FAME Assistance Corporation and the Los Angeles County Metropolitan Transportation Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Rider Relief Transportation Program (the Program) by the FAME Assistance Corporation (FAC), a not-for-profit organization, funded by the Los Angeles County Metropolitan Transportation Authority (LACMTA) which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, and cash flows for the years then ended, and the related notes to 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.

Auditors' 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.



Emphasis of Matter

As discussed in Note 3, the financial statements present only the Rider Relief Transportation Program, and do not purport to, and do not present fairly FAC's financial position as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rider Relief Transportation Program by the FAME Assistance Corporation as of June 30, 2015 and 2014 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of coupon distribution to agency providers (Schedule) for the year ended June 30, 2015 is presented for purposes of additional analysis and is not a required part of the financial statements. The Schedule has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2016 on our consideration of FAC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering FAC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Vazquez & Company LLP". The signature is written in a cursive, flowing style.

**Los Angeles, California
May 23, 2016**

FAME Assistance Corporation
Rider Relief Transportation Program
Statements of Financial Position
June 30, 2015 and 2014

		June 30	
		2015	2014
ASSETS			
Accounts receivable		\$ <u>81,746</u>	\$ <u>44,097</u>
Total assets		\$ <u>81,746</u>	\$ <u>44,097</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts payable and accrued expenses		\$ -	\$ 785
Advances from FAC		<u>81,746</u>	<u>43,312</u>
Total liabilities		<u>81,746</u>	<u>44,097</u>
Net assets		-	-
Total liabilities and net assets		\$ <u>81,746</u>	\$ <u>44,097</u>

See notes to financial statements.

FAME Assistance Corporation
Rider Relief Transportation Program
Statements of Activities
Years ended June 30, 2015 and 2014

	Years ended June 30	
	2015	2014
Revenues		
Grant revenues	\$ 382,958	\$ 272,575
Contributions from FAC	32,254	15,545
Total revenues	415,212	288,120
Expenses		
Program expenses		
Printing	87,579	15,636
Total program expenses	87,579	15,636
Administrative expenses		
Salaries and wages	179,362	157,844
Employee benefits	30,635	20,477
Allocated general and administrative costs	24,621	37,406
Facilities cost	16,427	16,241
Payroll taxes	15,914	13,761
Consultants and purchased services	14,720	690
Printing and postage	13,111	10,198
Allocated depreciation	12,956	4,431
Supplies	5,535	1,145
Utilities	3,085	2,196
Insurance	2,799	1,366
Purchased/leased equipment	2,460	1,559
Travel, conferences and dues	1,934	1,085
Interest	1,631	1,654
Security	1,031	454
Office expense	953	1,487
Repairs and maintenance	445	360
Advertising and promotion	14	130
Total administrative expenses	327,633	272,484
Total expenses	415,212	288,120
Change in net assets	-	-
Net assets at beginning of year	-	-
Net assets at end of year	\$ -	\$ -

See notes to financial statements.

**FAME Assistance Corporation
Rider Relief Transportation Program
Statements of Cash Flows
Years ended June 30, 2015 and 2014**

	Years ended June 30	
	2015	2014
Cash flows from operating activities		
Change in net assets	\$ -	\$ -
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in operating assets and liabilities		
Accounts receivable	(37,649)	(42,435)
Accounts payable and accrued expenses	(785)	785
Net cash used in operating activities	(38,434)	(41,650)
Cash flows provided by financing activities		
Advances from FAC	38,434	41,650
Change in cash	-	-
Cash		
Beginning of year	-	-
End of year	\$ -	\$ -

See notes to financial statements.

NOTE 1 BACKGROUND

The Rider Relief Transportation Program (RRTP) was created in 2007 upon a cooperative partnership among the FAME Assistance Corporation (FAC), Jewish Family Service of Los Angeles (JFS) and Human Services Association (HSA). The purpose of the RRTP program is to provide fare subsidy coupons to eligible Metro bus riders. The service is made available throughout Los Angeles County via a wide range of non-profit and government agencies that distribute subsidy coupons to the neediest segment of the population. The Los Angeles County Metropolitan Transportation Authority (LACMTA) provides funding for this program under separate MOUs with FAC and HSA.

RRTP offers the following transportation subsidy coupons to qualified participants: Regular Riders, Senior Citizens, Kindergarten and College-vocational students.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

FAC accounts are maintained using the accrual basis of accounting for financial reporting purposes, which recognize income in the period earned and expenses when incurred, regardless of the timing of payments.

Revenue Recognition

Revenue is recognized on an accrual basis as earned according to the provisions of its contract with LACMTA. Under the contract, LACMTA will reimburse FAC for all costs incurred by FAC in the performance of the program up to a certain amount annually approved by LACMTA (see Note 5).

NOTE 3 REPORTING ENTITY

The financial statements present only the financial position and results of operations of the Rider Relief Transportation Program, and do not purport to, and do not present fairly FAC's financial position as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

NOTE 4 ADVANCES FROM FAC

FAC advances money for the operating expenses of the RRTP. Monthly, FAC sends an invoice to LACMTA to seek reimbursement for expenses paid by FAC for operating the RRTP. At June 30, 2015 and 2014, the amounts due to FAC were \$81,746 and \$43,312, respectively.

NOTE 5 ALLOCATION FOR THE YEAR

In May 2014, MOU No. R2TPFAC2 between FAC and LACMTA authorized a not-to-exceed amount of \$3,000,000 for all costs incurred in the performance of the Program for FY 2014/2015. This amount includes administrative costs of not-to-exceed \$300,000 and transportation fare media of not-to-exceed \$2,700,000. Any costs exceeding the authorized amounts are the responsibility of FAC.

The transportation fare media is in the form of transportation subsidy coupons which are presented as supplemental information and are not recorded in the statements of activities because the actual value of redeemed subsidy coupons cannot be determined by FAC.

Expenses presented in the statements of activities represent reimbursements received from LACMTA of costs incurred by FAC on the RRTP.

NOTE 6 RRTP COMPLIANCE REQUIREMENTS

The RRTP is governed by the provisions of the MOU between LACMTA and FAC, and the RRTP Operating Guidelines (collectively, the Guidelines). The Guidelines provide, among other requirements, that transportation subsidies be made available to Los Angeles County residents living below the poverty level.

NOTE 7 GENERAL AND ADMINISTRATIVE COSTS

General and administrative costs are allocated to programs based on payroll hours of employees who worked directly on the programs.

NOTE 8 SUBSEQUENT EVENTS

FAC has evaluated subsequent events through May 23, 2016, the date the financial statements were available to be issued, and concluded no events have occurred that require disclosure or adjustment to the financial statements.

SUPPLEMENTARY INFORMATION

**FAME Assistance Corporation
Rider Relief Transportation Program
Supplementary Information
Schedule of Coupon Distribution to Agency Providers
Year ended June 30, 2015**

<u>Provider</u>	<u>Amount</u>
Angelus Plaza	\$ 45,780
Bancroft Middle School	6,060
Bradley Milken Family Source Center	39,000
CALO Youth Build	2,760
Children's Institute	46,080
Chinatown Senior Citizen Service Center	9,720
Cienega Elementary School	11,940
Coalition for Responsible Community Development	50,400
Coalition of Mental Health Professionals Inc.	10,620
Communities Actively Living Independent and Free	22,800
Downtown Women's Center	56,700
El Centro del Pueblo	57,600
Exodus Recovery Inc.	39,840
FASGI Community Wellness Center	382,272
Force of Hope Economic Development Center	6,300
Guidance Community Development Center	48,900
Healthy Start/ 92nd Street Elementary School	29,400
Healthy Start Le Conte / Queen Anne Elementary School	11,700
Healthy Start Los Angeles High School / John Burroughs Middle School	10,140
Healthy Start Sun Valley Middle School / Fair Avenue Elementary School	13,200
Healthy Start Westchester	16,920
Home Sweet Home	5,400
Housing Authority City of Los Angeles - Union Towers	1,980
Innercity Community Network	6,960
Korean American Volunteer Corps.	93,408
Koreatown Youth and Community Center	6,600
LA CAUSA	4,200
Latino Resource Organization	7,260
LIFT Communities	1,320
Living Praise Community Center	15,900
Los Angeles Conservation Corp.	17,160
LRO - West Angeles Family Source Center	13,200
LSS Community Care Centers	147,000
Lucille Beserra Roybal Family Source Center	277,800
Metro North WorkSource Center	158,964
Mount Aaron Christian Center Church	9,636
New Economics for Women	29,340
Ninth Street School	42,000
People Assisting the Homeless	9,900
PF Bresee Foundation	69,600
Plasencia Elementary School	66,420
Poly High School	24,300
Sal Castro Middle School	28,320
Santa Clarita WorkSource	42,000
Service Employees International Union Local 99	22,680
St. Agatha Catholic Church	147,000
St. Joseph Center	32,400
St. Vincent de Paul	3,360
Step Up on Second	15,900
The Actor's Fund	3,420
Tom Bradley Family Source Center / Grayson's Awareness Outreach	85,200
Vermont Village CDC	56,100
Vista Del Mar Home Safe	2,388
Weber Community Center	14,700
Weingart Center Association	3,360
West Angeles Community Development Corp.	42,600
WLCAC Family Source Center	52,260
Women of Color	2,940
Women Organizing Resources Knowledge and Services	13,140
YNOT Foundation	157,800
Youth Justice Coalition	12,720
Youth Policy Institute	156,000
Total \$	<u>2,820,768</u>

Note:

This schedule is compiled by FAC based on its coupon distribution record by agency covering the period July 1, 2014 to June 30, 2015.

See report of independent auditors.

**Report of Independent Auditors 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 FAME Assistance Corporation and the
Los Angeles County Metropolitan Transportation Authority**

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 the Rider Relief Transportation Program (the Program) by the FAME Assistance Corporation (FAC), a not-for-profit organization, funded by the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the statement of financial position as of June 30, 2015, and the related statement of activities, and cash flows for the year then ended, and the related notes to financial statements, and have issued our report thereon dated May 23, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered FAC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of FAC's internal control. Accordingly, we do not express an opinion on the effectiveness of FAC's internal control.

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

Our consideration of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vaqueria & Company LLP". The signature is written in a cursive, flowing style.

Los Angeles, California
May 23, 2016

Report of Independent Auditors on Compliance

To FAME Assistance Corporation and the Los Angeles County Metropolitan Transportation Authority

Report on Compliance

We have audited the compliance of the FAME Assistance Corporation (FAC) with the Memorandum of Understanding No. MOU.R2TPFAC2 and RRTP Operating Guidelines (collectively, the Guidelines) for the year ended June 30, 2015.

Management's Responsibility

Management is responsible for FAC's compliance with the Guidelines.

Auditors' Responsibility

Our responsibility is to express an opinion on FAC's compliance based on our audit. We conducted our audit in accordance with the 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 Guidelines. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the Guidelines referred to above that could have a direct and material effect on the RRTP occurred. An audit includes examining, on a test basis, evidence about FAC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with the Guidelines. However, our audit does not provide a legal determination on FAC's compliance with the Guidelines.

Opinion

In our opinion, the FAME Assistance Corporation complied, in all material respects, with the compliance requirements of the Guidelines for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the Guidelines, which is required to be reported in accordance with the Guidelines and which is described as Finding No. 2015-001 in the accompanying Schedule of Findings and Recommendations. Our opinion is not modified with respect to this matter.



FAC's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations. FAC's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of FAC is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered FAC's internal control over compliance to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance, 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 FAC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance 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 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. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Vaqueria & Company LLP".

Los Angeles, California
May 23, 2016

Finding 2015-001 – Unallowable Expenses

Criteria or Specific Requirement

OMB Circular A-122 provides the principles for determining the cost applicable to work performed by nonprofit organizations under contracts with the government. Under OMB Circular A-122, the factors affecting allowability of costs are the following:

- Be reasonable for the performance of the award and allocable.
- Conform to any limitations or exclusions set forth in the award as to types or amount of cost items.
- Be consistent with policies and procedures.
- Be accorded consistent treatment.
- Be determined in accordance with generally accepted accounting principles.
- Not be included as a cost or used to meet cost sharing or matching requirements.
- Be adequately documented.

Condition

The following costs totaling \$20,380 are unallowable for having been charged to the program for the reasons cited below. However, FAC receives a fixed fee for the administration of RRTP and is not reimbursed based on expenses.

Depreciation - \$11,385

FAC allocated a portion of its depreciation expense to the RRTP totaling \$12,956. Based on the depreciation schedule, the amount included depreciation of FAC's buildings. However, FAC also charged facility rent to the program for the use of its office spaces in the building. This is considered a duplication of expenses charged to the program. The amount of building depreciation expense incorrectly charged to RRTP totaled \$11,385.

Indirect Costs (Management Fees) - \$7,364

FAC charged monthly fees to manage the program. However, FAC also charged directly to the program a portion of the salaries of its executive management such as the President and Chief Executive Officer, Chief Financial Officer, and the Human Resources Director. This is considered a duplication of salary charges.

Interest - \$1,631

FAC allocates 7.52% of its interest expenses to the program. Under A-122, costs incurred for interest on borrowed capital or the use of the nonprofit organization's own funds, however represented, are unallowable.

Effect

FAC incurred more administrative expenses in fiscal year 2014/2015. The net administrative expenses of \$307,253 (\$327,633 total administrative expenses identified by FAC minus \$20,380 of unallowable costs) are greater than the fixed fee for administration of \$300,000 paid by Metro. Although these costs were unallowable, FAC did not overbill LACMTA.

**FAME Assistance Corporation
Rider Relief Transportation Program
MOU.R2TPFAC2
Schedule of Findings and Recommendations
Year ended June 30, 2015**

Recommendation

FAC should determine allowability of expenses prior to billing the program to avoid being questioned or disallowed by LACMTA.

Views of Responsible Officials and Planned Corrective Action

We agree with the audit finding that our Agency incurred more administrative expenses for the fiscal year 2014/2015. Some of these expense, have been identified to be unallowable: Depreciation, indirect cost (management fees), and Interest, for a total of \$20,380. Although, this did not make any difference in total expenses that FAC billed to LACMTA, we have made the following changes for those unallowable expenses as of May 16, 2016:

- 1.) FAC no longer booked depreciation, indirect cost (management fees), and interest in the Program; and
- 2.) Any accumulated amounts for the current fiscal year have been reclassified to other cost centers.

EXIT CONFERENCE

An exit conference was held on May 23, 2016. Those in attendance were:

Vasquez & Company LLP representatives:
Roger Martinez – Partner
Marialyn Salvador – Audit Manager

FAC representatives:
Solon Escobar – Controller
Azim Popatia – Billing Manager

Matters discussed:

Results of the audit disclosed an issue of noncompliance with the Guidelines.

A copy of this report was forwarded to the following FAC representatives for comments prior to the issuance of the final report:

Solon Escobar – Controller
Azim Popatia – Billing Manager

Vasquez & Company LLP
801 S. Grand Avenue, Suite 400
Los Angeles, CA 90017

RE: ANNUAL FINANCIAL REPORT OF THE RIDER RELIEF TRANSPORTATION PROGRAM BY THE FAME ASSISTANCE CORPORATION UNDER MEMORANDUM OF UNDERSTANDING NO. R2TPFAC2 WITH THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY FOR THE YEARS ENDED JUNE 30, 2015 AND 2014.

I have received the annual financial report of the Rider Relief Transportation Program (RRTP) of FAME Assistance Corporation (FAC) for the years ended June 30, 2015 and 2014 and agreed with the contents of the report except as indicated below:

(Attach additional pages if necessary)

Very truly yours,

Name

Title

Date



www.vasquezcpa.com

Vasquez & Company LLP has over 45 years of experience in performing audit, accounting & consulting services for all types of nonprofit organizations, for-profit companies, governmental entities and publically traded companies. Vasquez is a member of the McGladrey Alliance. McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. McGladrey Alliance provides its members with access to resources of RSM US LLP (formerly known as McGladrey LLP). McGladrey Alliance member firms are separate and independent businesses and legal entities that are responsible for their own acts and omissions, and each are separate and independent from RSM US LLP. RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit <http://www.rsmus.com/aboutus> for more information regarding RSM US LLP and RSM International. McGladrey®, the McGladrey Alliance logo and the McGladrey Alliance signatures are proprietary to RSM US LLP, while RSM™ is used under license by RSM US LLP.

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