

**Human Services Association**

**Report on the Low Income Fare is Easy (LIFE)  
by Human Services Association under  
its Memorandum of Understanding No. MOULIFEHSA20000  
with the Los Angeles County Metropolitan Transportation Authority**

**As of and for the Years Ended December 31, 2019 and June 30, 2019  
with Report of Independent Auditors**



Simpson & Simpson, LLP  
Certified Public Accountants

**Human Services Association**  
Low Income Fare is Easy (LIFE)  
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## **FINANCIAL SECTION**

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BRAINARD C. SIMPSON, CPA  
MELBA W. SIMPSON, CPA

## Independent Auditor's Report

To Human Services Association and the  
Los Angeles County Metropolitan Transportation Authority

### Report on the Financial Statements

We have audited the accompanying financial statements of the **Low Income Fare is Easy (LIFE) by Human Services Association (HSA)**, a not-for-profit organization, funded by the Los Angeles County Metropolitan Transportation Authority (LACMTA), which comprise the statements of financial position as of December 31, 2019 and June 30, 2019, and the related statements of activities, and cash flows for the six-month period ended December 31, 2019 and the year ended June 30, 2019, 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.

### 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.





## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Low Income Fare is Easy by the Human Services Association as of December 31, 2019 and June 30, 2019, and the changes in its net assets and its cash flows for the six-month period ended December 31, 2019 and the years ended June 30, 2018 in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 3, the financial statements present only the Low Income Fare is Easy, and do not purport to, and do not present fairly HSA's financial position as of December 31, 2019 and June 30, 2019, and the changes in its net assets and its cash flows for the six-month period ended December 31, 2019 and the year ended June 30, 2018 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated January 17, 2020 on our consideration of HSA'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 HSA's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Simpson &amp; Simpson".

January 17, 2020  
Los Angeles, California

**Human Services Association  
Low Income Fare is Easy (LIFE)  
Statement of Financial Position**

		December 31		June 30
		2019		2019
<b>ASSETS</b>				
Due from LACMTA	\$	36,397	\$	22,820
<b>Total assets</b>	<b>\$</b>	<b>36,397</b>	<b>\$</b>	<b>22,820</b>
 <b>LIABILITIES AND NET ASSETS</b>				
<b>Liabilities</b>				
Advances from HSA (Note 4)	\$	29,148	\$	19,437
Accounts payable		-		336
Accrued vacation		922		1,372
Accrued payroll tax		362		117
Accrued wages and salaries		5,965		1,558
<b>Total liabilities</b>		<b>36,397</b>		<b>22,820</b>
<b>Net assets</b>		-		-
<b>Total liabilities and net assets</b>	<b>\$</b>	<b>36,397</b>	<b>\$</b>	<b>22,820</b>

The accompanying notes are an integral part of the financial statements

**Human Services Association  
Low Income Fare is Easy (LIFE)  
Statement of Activities**

	<u>Six Months Ended December 31</u>	<u>Years Ended June 30</u>
	<u>2019</u>	<u>2019</u>
<b>REVENUES</b>		
Grant revenue	\$ 91,884	\$ 155,833
<b>Total revenues</b>	<u>91,884</u>	<u>155,833</u>
 <b>EXPENSE</b>		
<b>Program expenses</b>		
Printing	99	213
<b>Total program expenses</b>	<u>99</u>	<u>213</u>
<b>Administrative expenses</b>		
Salaries and wages	62,984	99,523
Employee benefits	13,866	24,542
Allocated indirect costs	10,000	18,909
Supplies and materials	-	1,776
Office rent	229	169
Office supplies	794	3,608
Staff mileage	1,925	4,048
Auditing expenses	-	336
Utilities	1,086	1,419
Telephone	701	960
Building and grounds maintenance	200	56
Dues and subscriptions	-	149
Staff training/development	-	125
<b>Total administrative expenses</b>	<u>91,785</u>	<u>155,620</u>
<b>Total expenses</b>	<u>91,884</u>	<u>155,833</u>
Change in net assets	-	-
Net assets at beginning of year	<u>-</u>	<u>-</u>
Net assets at end of year	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the financial statements

**Human Services Association  
Low Income Fare is Easy (LIFE)  
Statements of Cash Flows**

	Six Months Ended December 31	Years Ended June 30
	<u>2019</u>	<u>2019</u>
<b>Cash from operating activities</b>		
Change in net assets	\$ -	\$ -
Adjustment to reconcile change in net asset to net cash provided by (used in) operating activities:	-	-
Change in operating assets and liabilities		
Due from LACMTA	(13,577)	43,350
Accounts payable	(336)	(1,664)
Accrued vacation	(451)	(1,893)
Accrued payroll tax	244	(87)
Accrued wages and salaries	4,408	(1,113)
<b>Net cash (used in) provided by operating activities</b>	<u>(9,712)</u>	<u>38,593</u>
 <b>Cash from financing activities</b>		
Advances from HSA	9,712	(38,593)
<b>Net cash provided by (used in) financing activities</b>	<u>9,712</u>	<u>(38,593)</u>
 <b>Change in cash</b>	-	-
 <b>Cash</b>		
Beginning of year	<u>-</u>	<u>-</u>
 End of year	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of the financial statements



**Human Services Association  
Low Income Fare is Easy (LIFE)  
Notes to Financial Statements  
For the Six Month Period Ended December 31, 2019 and Year Ended June 30, 2019**

**NOTE 1 – BACKGROUND**

In May 2017, the Los Angeles County Metropolitan Transportation Authority (LACMTA) Board of Directors approved the Low Income Fare is Easy (LIFE) program to assist patrons with resources to utilize the transit system. LIFE offers fare subsidies that may be applied towards the purchase of LACMTA or any LIFE participating operator pass and regional ride options.

LIFE offers subsidy discounts towards a purchase of a pass or 20 regional rides. During the fiscal year, subsidy discounts are only provided to the following classified qualified participants: Regular Riders, Senior or Disabled, Kindergarten through twelfth grade (K-12), and College-vocational students.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

HSA 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 HSA for all costs incurred by HSA 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 LIFE, and do not purport to, and do not present fairly the HSA's financial position as of December 31, 2019 and June 30, 2019, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**NOTE 4 – ADVANCES FROM HSA**

HSA advances money for the operating expenses of the LIFE. HSA sends an invoice to LACMTA on a monthly basis to seek reimbursement for expenses paid by HSA for operating the LIFE. At December 31, 2019 and June 30, 2019, the amounts due to HSA were \$29,148 and \$19,437, respectively.

**Human Services Association  
Low Income Fare is Easy (LIFE)  
Notes to Financial Statements  
For the Six Month Period Ended December 31, 2019 and Year Ended June 30, 2019**

**NOTE 5 – ALLOCATION FOR THE YEAR**

Per the Memorandum of Understanding (MOULIFEHSA20000) dated July 1, 2019, for the period covering July 1, 2019 to December 31, 2019, LACMTA will reimburse HSA in an amount not to exceed one hundred thousand dollars (\$100,000) for administrative costs. Any expenditures exceeding the total contract amount for any fiscal year shall be the sole responsibility of HSA.

Expenses presented in the Statement of Activities represent reimbursements received from LACMTA of the total expenses incurred by HSA on the LIFE.

**NOTE 6 – LIFE COMPLIANCE REQUIREMENTS**

The LIFE is governed by the provisions of the Memorandum of Understanding between LACMTA and HSA, and the LIFE Operating Manual (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 – INDIRECT COSTS**

Indirect costs are allocated to the program based on direct salaries and wages of those who worked directly on the program. Indirect costs incurred that were in excess of the amount authorized by LACMTA of \$10,000 were not billed to LACMTA.

**NOTE 8 – LIFE PROGRAM FARE SUBSIDY PROGRAM ENDED**

Per the Memorandum of Understanding (MOULIFEHSA20000) dated July 1, 2019, LACMTA's contract with HSA for LIFE program ended on December 31, 2019.

**NOTE 9 – SUBSEQUENT EVENTS**

HSA has evaluated events through January 17, 2020, 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 of LIFE.



SIMPSON & SIMPSON  
CERTIFIED PUBLIC ACCOUNTANTS

FOUNDING PARTNERS  
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MELBA W. SIMPSON, CPA

## 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 Human Services Association 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 **Low Income Fare is Easy (the Program), by the Human Services Association (HSA)**, a not-for-profit organization, funded by the Los Angeles County Metropolitan Transportation Authority (LACMTA) which comprise the financial position as of December 31, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 17, 2020.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered HSA'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 HSA's internal control. Accordingly, we do not express an opinion on the effectiveness of HSA'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 preceding paragraph 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 considered 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 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.

A handwritten signature in cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
January 17, 2020

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## **COMPLIANCE SECTION**

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SIMPSON & SIMPSON  
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FOUNDING PARTNERS  
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MELBA W. SIMPSON, CPA

## Independent Auditor's Report on Compliance

To Human Services Association and the  
Los Angeles County Metropolitan Transportation Authority

### Report on Compliance

We have audited the compliance of the **Human Services Association (HSA)** with the Memorandum of Understanding No. MOULIFEHSA20000 and LIFE Operating Guidelines (collectively, the Guidelines) for the year ended December 31, 2019.

### Management's Responsibility

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

### Auditor's Responsibility

Our responsibility is to express an opinion on HSA's compliance based on our audit. We conducted our audit of compliance 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 referred to in the preceding paragraph. Those standards and the Guidelines 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 the LIFE occurred. An audit includes examining, on a test basis, evidence about HSA'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 HSA's compliance with the Guidelines.

### Opinion

In our opinion, Human Services Association complied, in all material respects, with the compliance requirements of the Guidelines for the year ended December 31, 2019.



## Report on Internal Control over Compliance

Management of HSA 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 HSA'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 HSA's internal control over compliance.

*A deficiency in internal control over compliance* 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 in internal control over compliance* 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 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, 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we considered 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 cursive script that reads "Simpson &amp; Simpson".

Los Angeles, California  
January 17, 2020

**Human Services Association  
Low Income Fare is Easy (LIFE)  
Schedule of Findings and Recommendations  
Year ended December 31, 2019**

There were no findings identified as a result of the procedures performed during the audit.



**Human Services Association  
Low Income Fare is Easy (LIFE)  
Schedule of Prior Year Findings and Recommendations  
Year ended December 31, 2019**

There were no findings identified as a result of the procedures performed during the prior year audit.

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## **EXIT CONFERENCE**

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**Human Services Association  
Low Income Fare is Easy (LIFE)  
Exit Conference  
Year ended December 31, 2019**

An exit conference was held on January 17, 2020 with HSA representatives. Those in attendance were:

**Simpson & Simpson CPAs representatives:**

Mark Frishwasser, Audit Senior  
Katherine Gao, Audit Staff  
Yiduo “Bridgette” Dong, Audit Staff

**HSA representatives:**

Alfredo Hernandez, Accounting Manager  
Deysy Saquic, Program Coordinator

**Matters discussed:**

Results of the audit disclosed no significant control deficiencies and no non-compliance issue with the Guidelines.

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

Alfredo Hernandez, Accounting Manager  
Deysy Saquic, Program Coordinator