



**INFO LINE OF SAN DIEGO COUNTY DBA  
2-1-1 SAN DIEGO**

**Financial Statements and Supplemental Information**

*Years Ended June 30, 2013 and 2012*



**AKT**

CPAs AND BUSINESS CONSULTANTS

# INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO

## Financial Statements and Supplemental Information

Years Ended June 30, 2013 and 2012

---

### Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Financial Statements	9
Supplemental Information:	
Independent Auditors' 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>	13
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	15
Schedule of Expenditures of Federal Awards	17
Notes to Schedule of Expenditures of Federal Awards	18
Schedule of Findings and Questioned Costs	19



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
INFO LINE of San Diego County dba 2-1-1 San Diego

### **Report on the Financial Statements**

We have audited the accompanying financial statements of INFO LINE of San Diego County dba 2-1-1 San Diego (a nonprofit organization) which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, 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.

### ***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 audits 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 auditors' 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 INFO LINE of San Diego dba 2-1-1 San Diego as of June 30, 2013 and 2012, 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 12, 2013, on our consideration of INFO LINE of San Diego dba 2-1-1 San Diego'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 INFO LINE of San Diego dba 2-1-1 San Diego's internal control over financial reporting and compliance.

AKT LLP

San Diego, California  
December 12, 2013

**INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO**  
**Statements of Financial Position**  
June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current Assets:		
Cash	\$ 1,300,020	\$ 455,536
Accounts receivable	1,045,864	601,412
Food Stamp program receivable	258,705	112,945
Current portion of promises to give	20,000	300,000
Prepaid expenses	<u>24,820</u>	<u>22,427</u>
Total Current Assets	2,649,409	1,492,320
Non-current Assets:		
Promises to give, net of current portion	-	45,000
Property and equipment, net of accumulated depreciation	506,515	535,078
Deposits and other assets	<u>19,130</u>	<u>19,130</u>
Total Assets	<u>\$ 3,175,054</u>	<u>\$ 2,091,528</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities:		
Accounts payable	\$ 70,598	\$ 57,523
Food Stamp program payable	258,705	112,945
Accrued expenses	302,592	221,830
Current portion deferred rent	<u>36,281</u>	<u>39,579</u>
Total Current Liabilities	668,176	431,877
Long-term Liabilities - deferred rent, net of current portion	<u>69,263</u>	<u>105,544</u>
Total Liabilities	737,439	537,421
Net Assets:		
Unrestricted	2,149,038	1,195,049
Temporarily restricted	<u>288,577</u>	<u>359,058</u>
Total Net Assets	<u>2,437,615</u>	<u>1,554,107</u>
Total Liabilities and Net Assets	<u>\$ 3,175,054</u>	<u>\$ 2,091,528</u>

See accompanying notes to financial statements.

**INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO****Statement of Activities**

Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Grants and contracts	\$ 6,640,504	\$ -	\$ 6,640,504
Contributions	482,024	195,824	677,848
Miscellaneous	171,209	-	171,209
Special event, net of expenses of \$53,832	132,958	-	132,958
Fee for service	59,615	-	59,615
In-kind donations	2,623	-	2,623
Net assets released from restrictions, satisfaction of program restrictions	<u>266,305</u>	<u>(266,305)</u>	<u>-</u>
Total Support and Revenue	7,755,238	(70,481)	7,684,757
Program and Supporting Expenses:			
Program services	6,071,573	-	6,071,573
Supporting services:			
General and administrative	561,881	-	561,881
Fundraising	<u>167,795</u>	<u>-</u>	<u>167,795</u>
Total Program and Supporting Expenses	<u>6,801,249</u>	<u>-</u>	<u>6,801,249</u>
Increase (Decrease) in Net Assets	953,989	(70,481)	883,508
Net Assets, beginning	<u>1,195,049</u>	<u>359,058</u>	<u>1,554,107</u>
Net Assets, ending	<u>\$ 2,149,038</u>	<u>\$ 288,577</u>	<u>\$ 2,437,615</u>

See accompanying notes to financial statements.

**INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO****Statement of Activities**

Year Ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Grants and contracts	\$ 4,742,386	\$ -	\$ 4,742,386
Contributions	460,755	359,058	819,813
Fee for service	6,158	-	6,158
In-kind donations	10,678	-	10,678
Special event, net of expenses of \$51,524	136,926	-	136,926
Miscellaneous	21,382	-	21,382
Net assets released from restrictions, satisfaction of program restrictions	<u>220,293</u>	<u>(220,293)</u>	<u>-</u>
Total Support and Revenue	5,598,578	138,765	5,737,343
Program and Supporting Expenses:			
Program services	4,680,437	-	4,680,437
Supporting services:			
General and administrative	446,269	-	446,269
Fundraising	<u>261,477</u>	<u>-</u>	<u>261,477</u>
Total Program and Supporting Expenses	<u>5,388,183</u>	<u>-</u>	<u>5,388,183</u>
Increase in Net Assets	210,395	138,765	349,160
Net Assets, beginning	<u>984,654</u>	<u>220,293</u>	<u>1,204,947</u>
Net Assets, ending	<u>\$ 1,195,049</u>	<u>\$ 359,058</u>	<u>\$ 1,554,107</u>

See accompanying notes to financial statements.

**INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO****Statement of Functional Expenses**

Year Ended June 30, 2013

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and benefits	\$ 3,598,193	\$ 354,604	\$ 30,118	\$ 3,982,915
CalFresh subrecipients	1,282,284	-	-	1,282,284
Consultants	398,177	125,946	67,592	591,715
Telephone	229,801	2,679	360	232,840
Occupancy	168,038	11,901	2,465	182,404
Depreciation	155,781	13,716	2,840	172,337
Travel	55,750	6,498	3,881	66,129
Minor equipment and maintenance	58,004	2,630	545	61,179
Bad debt	-	-	45,000	45,000
Office supplies	15,417	19,311	270	34,998
Dues, licenses and permits	26,674	3,132	3,511	33,317
Staff development	19,443	200	444	20,087
Insurance	18,517	-	-	18,517
Employee and volunteer recognition	3,621	10,613	2,270	16,504
Printing and duplicating	7,840	4,896	3,583	16,319
Postage	14,187	1,617	135	15,939
Food and catering	6,234	2,996	2,894	12,124
In-kind donations	9,998	-	1,644	11,642
Generator	3,614	-	-	3,614
Bank fees	-	747	193	940
Advertising	-	395	50	445
Total Program and Supporting Expenses	<u>6,071,573</u>	<u>561,881</u>	<u>167,795</u>	<u>6,801,249</u>
Special events	-	-	53,832	53,832
Total Expenses	<u>\$ 6,071,573</u>	<u>\$ 561,881</u>	<u>\$ 221,627</u>	<u>\$ 6,855,081</u>

See accompanying notes to financial statements.



**INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO**

**Statement of Functional Expenses**

Year Ended June 30, 2012

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and benefits	\$ 2,775,758	\$ 212,377	\$ 168,028	\$ 3,156,163
CalFresh subrecipients	856,980	-	-	856,980
Consultants	291,823	181,394	26,082	499,299
Telephone	219,600	14,667	11,524	245,791
Occupancy	149,813	10,846	6,559	167,218
Depreciation	148,527	11,124	6,728	166,379
Travel	65,976	630	8,711	75,317
Minor equipment and maintenance	33,964	2,683	274	36,921
Staff development	22,889	9,710	4,195	36,794
Office supplies	29,945	1,424	2,122	33,491
Meetings	18,151	1,344	2,287	21,782
Printing and duplicating	13,972	231	6,676	20,879
Dues, licenses and permits	6,330	576	12,289	19,195
Insurance	14,616	313	189	15,118
Postage	11,602	864	273	12,739
Employee and volunteer recognition	9,342	1,402	284	11,028
Bad debt	5,286	-	1,100	6,386
Miscellaneous	1,382	2,051	2,563	5,996
Relocation consulting	4,104	307	187	4,598
Advertising	377	-	1,406	1,783
Interest	-	488	-	488
Gain on sale of property and equipment	-	(6,162)	-	(6,162)
Total Program and Supporting Expenses	<u>4,680,437</u>	<u>446,269</u>	<u>261,477</u>	<u>5,388,183</u>
Special events	-	-	51,524	51,524
Total Expenses	<u>\$ 4,680,437</u>	<u>\$ 446,269</u>	<u>\$ 313,001</u>	<u>\$ 5,439,707</u>

**INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO****Statements of Cash Flows**

Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 883,508	\$ 349,160
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	172,337	166,379
Gain on sale of property and equipment	-	(6,162)
Donated property and equipment	-	(6,000)
Change in allowance for doubtful accounts receivable	-	(67,425)
Changes in operating assets and liabilities:		
Accounts receivable	(444,452)	(7,353)
Food Stamp program receivable	(145,760)	198,565
Promises to give	325,000	(195,000)
Prepaid expenses	(2,393)	14,128
Accounts payable	13,075	(19,662)
Food Stamp program payable	145,760	(198,565)
Accrued expenses	80,762	(13,803)
Deferred rent	(39,579)	(34,632)
Net Cash Provided by Operating Activities	<u>988,258</u>	<u>179,630</u>
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	-	6,162
Purchases of property and equipment	(143,774)	(82,348)
Net Cash Used by Investing Activities	<u>(143,774)</u>	<u>(76,186)</u>
Net Increase in Cash	844,484	103,444
Cash, beginning	<u>455,536</u>	<u>352,092</u>
Cash, ending	<u>\$ 1,300,020</u>	<u>\$ 455,536</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	<u>\$ -</u>	<u>\$ 1,563</u>

See accompanying notes to financial statements.

## **INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO**

### **Notes to Financial Statements**

Years Ended June 30, 2013 and 2012

---

#### **Note 1 – Organization and Summary of Significant Accounting Policies**

##### Nature of Activities

Serving the entire population of its region, INFO LINE of San Diego County dba 2-1-1 San Diego (Organization) is a California nonprofit organization formed in 2003 that connects people with community, health and disaster services through a free, 24/7 stigma-free phone service and searchable online database. The Organization's mission is to help people by connecting them efficiently to the service delivery system, and by providing vital trend information for community planning. The Organization's support and revenue comes primarily from contracts and grants.

##### Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent expendable funds available for operations, which are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for the purpose of generating investment income to fund current operations.

The Organization had no permanently restricted net assets during the years ended June 30, 2013 and 2012.

##### Accounts Receivable

The accounts receivable arise in the normal course of operations. It is the policy of management to review the outstanding accounts receivable at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. No allowance was considered necessary at June 30, 2013 and 2012 because management believes all amounts are collectible.

##### Promises to Give

Unconditional written pledges to the Organization are recorded as promises to give and revenue in the year promised at the present value of expected cash flows. Conditional pledges, including intentions to pledge, are recognized as revenue when the funds are actually received. After pledges are originally recorded, an allowance for uncollectible pledges may be established based on specific circumstances.

##### Property and Equipment

Acquisitions of property and equipment of \$5,000 or more are capitalized. Property and equipment are recorded at cost, or if donated, at the approximate fair market value at the date of donation. Expenditures for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of three to ten years.

##### Support and Revenue

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period.

Grants and other revenues which are considered contracts for services, are not recorded as restricted contributions. Prepaid grants are recorded as deferred revenue.

## **INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO**

### **Notes to Financial Statements**

Years Ended June 30, 2013 and 2012

---

#### **Note 1 – Organization and Summary of Significant Accounting Policies, continued**

##### Contributed Materials and Services

Contributed goods are recorded at their estimated fair market value at the time of donation. Such items are capitalized or charged to operations as appropriate. The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed.

The Organization receives donated services from a variety of unpaid volunteers. No amounts have been recognized in the financial statements because the criteria for recognition as contributions of such volunteer effort have not been satisfied.

##### Advertising

The Organization expenses the cost of advertising as incurred.

##### Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. The Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. The Organization may be subject to tax on income which is not related to its exempt purpose. For the years ended June 30, 2013 and 2012, no such unrelated business income was reported and, therefore, no provision for income taxes has been made.

The Organization follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification. The Organization recognizes accrued interest and penalties associated with uncertain tax positions as part of the income tax provision, when applicable. There are no amounts accrued in the financial statements related to uncertain tax positions for the years ended June 30, 2013 and 2012.

The Organization files informational and income tax returns in the United States and various state and local jurisdictions. The Organization's Federal income tax and informational returns for the years ended June 30, 2013, 2012 and 2011 are subject to examination by the Internal Revenue Service, generally for 3 years after the returns were filed. State and local jurisdictions have statutes of limitation that generally range from 3 to 5 years.

##### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### Subsequent Events

The Organization has evaluated subsequent events through December 12, 2013 which is the date the financial statements were available to be issued.

#### **Note 2 – Concentrations of Credit Risk**

##### Cash

The Organization maintains its cash in bank deposit accounts that are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000 per depositor. At June 30, 2013, the Organization had \$1,314,494 that was exposed to uninsured deposit risk.

**INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO**

**Notes to Financial Statements**

Years Ended June 30, 2013 and 2012

**Note 2 – Concentrations of Credit Risk, continued**

Customers

During the year ended June 30, 2013 the Organization received funding of \$5,533,377 (72%) from two sources and during the year ended June 30, 2012 the Organization received funding of \$4,149,440 (73%) from three sources. At June 30, 2013 and 2012, amounts due from these funding sources included in accounts receivable and Food Stamp program receivable were \$1,167,279 (89%) and \$442,074 (62%), respectively.

**Note 3 – Promises to Give**

Promises to give consist of the following:

	<u>2013</u>	<u>2012</u>
Due in one year or less	\$ 20,000	\$ 300,000
Due after one year through five years	-	45,000
Total promises to give	<u>\$ 20,000</u>	<u>\$ 345,000</u>

No allowance was considered necessary at June 30, 2013 and 2012 because management believes that all amounts are collectible. No discount was imputed because management determined the amounts to be insignificant.

**Note 4 – Property and Equipment**

Property and equipment consist of the following:

	<u>2013</u>	<u>2012</u>
Computers	\$ 363,616	\$ 317,870
Leasehold improvements	400,655	302,628
Furniture and equipment	216,376	216,376
Generator	120,536	120,536
Website upgrade	86,890	86,890
Telecommunications system	54,296	54,296
Vehicle	10,566	10,566
	<u>1,252,935</u>	<u>1,109,162</u>
Less accumulated depreciation	<u>(746,420)</u>	<u>(574,084)</u>
	<u>\$ 506,515</u>	<u>\$ 535,078</u>

**Note 5 – Restrictions on Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<u>2013</u>	<u>2012</u>
Purpose and Time Restrictions:		
Community Information Exchange	\$ 97,467	\$ 19,058
Regional support	92,753	-
Research and data specialist	50,000	-
Health navigation	20,000	45,000
Generator costs	8,357	-
Time Restrictions:		
Promises to give	<u>20,000</u>	<u>295,000</u>
	<u>\$ 288,577</u>	<u>\$ 359,058</u>

## INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO

### Notes to Financial Statements

Years Ended June 30, 2013 and 2012

---

#### Note 6 – Line of Credit

The Organization has a \$400,000 unsecured line of credit with Union Bank, N.A. at a variable rate of interest equal to the Wall Street Journal West Coast Edition prime rate plus 3.25% (6.5% at June 30, 2013). The line matures on May 25, 2014. No amounts were drawn on the line of credit during the years ended June 30, 2013 and 2012.

#### Note 7 – Commitments

The Organization leases facilities in San Diego for office space. The lease term is from January 1, 2011 to March 31, 2016. The current lease provides for a security deposit of \$19,130 and a monthly lease payment in the first month of \$17,019 followed by six discounted payments of \$8,246. Future payments return to the first month's amount and increase from 2.8% to 3.2% annually. The payments are being amortized over the life of the leases on a straight-line basis. The Organization also contracted with service providers for telephone services and support. The contract terms expire on various dates through 2017 with minimum monthly lease payments totaling \$18,153.

Rent expense for the years ended June 30, 2013 and 2012 was \$372,677 and \$361,515, respectively.

Minimum future lease payments at June 30, 2013 are due as follows:

Year Ending <u>June 30,</u>	
2014	\$ 237,183
2015	227,099
2016	176,042
2017	4,400
Thereafter	-
	<u>\$ 644,724</u>

#### Note 8 – Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**SUPPLEMENTAL INFORMATION**



**AKT**<sup>®</sup>

CPAS AND BUSINESS CONSULTANTS

Personal. Local. Global.

**INDEPENDENT AUDITORS' 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 of  
INFO LINE of San Diego County dba 2-1-1 San Diego

We have audited, in accordance with the auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issues by the Comptroller General of the United States, the financial statements of INFO LINE of San Diego County dba 2-1-1 San Diego (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 12, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered INFO LINE of San Diego County dba 2-1-1 San Diego'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 INFO LINE of San Diego County dba 2-1-1 San Diego's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 INFO LINE of San Diego County dba 2-1-1 San Diego's financial statements are free of 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 audits, 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*.

7676 HAZARD CENTER DRIVE, SUITE 1300, SAN DIEGO, CA 92108  
PHONE: 619.810.4940 FAX: 619.810.4941

PORTLAND, OR | SALEM, OR | CARLSBAD, CA | ESCONDIDO, CA | SAN DIEGO, CA | ANCHORAGE, AK  
AKT LLP



## **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.

AKT LLP

San Diego, California  
December 12, 2013



**AKT**<sup>®</sup>

CPAS AND BUSINESS CONSULTANTS

Personal. Local. Global.

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

To the Board of Directors of  
INFO LINE of San Diego County dba 2-1-1 San Diego

**Report on Compliance for Each Major Federal Program**

We have audited INFO LINE of San Diego County dba 2-1-1 San Diego's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on INFO LINE of San Diego County dba 2-1-1 San Diego's major federal program for the year ended June 30, 2013. INFO LINE of San Diego County dba 2-1-1 San Diego's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for INFO LINE of San Diego County dba 2-1-1 San Diego's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about INFO LINE of San Diego County dba 2-1-1 San Diego's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of INFO LINE of San Diego County dba 2-1-1 San Diego's compliance.

***Opinion on Each Major Federal Program***

In our opinion, INFO LINE of San Diego County dba 2-1-1 San Diego complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2013-2. Our opinion on the major federal program is not modified with respect to these matters.

7676 HAZARD CENTER DRIVE, SUITE 1300, SAN DIEGO, CA 92108

PHONE: 619.810.4940 FAX: 619.810.4941

PORTLAND, OR | SALEM, OR | CARLSBAD, CA | ESCONDIDO, CA | SAN DIEGO, CA | ANCHORAGE, AK

AKT LLP

INFO LINE of San Diego County dba 2-1-1 San Diego's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. INFO LINE of San Diego County dba 2-1-1 San Diego'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 INFO LINE of San Diego County dba 2-1-1 San Diego 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 INFO LINE of San Diego County dba 2-1-1 San Diego's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of INFO LINE of San Diego County dba 2-1-1 San Diego's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2013-1 and 2013-2 that we consider to be significant deficiencies.

INFO LINE of San Diego County dba 2-1-1 San Diego's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. INFO LINE of San Diego County dba 2-1-1 San Diego's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

AKT LLP

San Diego, California  
December 12, 2013

**INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO**  
**Schedule of Expenditures of Federal Awards**  
Year Ended June 30, 2013

<u>Federal/Pass-Through Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass-Through Grantor No.</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Pass-through County of San Diego:			
Medical Assistance Program	93.778	MAA 128	73,791
 <u>U.S. Department of Agriculture</u>			
Pass-through California Department of Public Health:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	12-10125	<u>2,652,227</u>
			<u>\$ 2,726,018</u>

**INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO**  
**Notes to Schedule of Expenditures of Federal Awards**  
Year Ended June 30, 2013

---

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of INFO LINE of San Diego County dba 2-1-1 San Diego and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**Note 2 – Amounts Provided to Subrecipients**

The following amounts were provided to subrecipients, other 211 organizations in California, from the CalFresh Program during the year ended June 30, 2013:

211 Alameda County	\$	38,680
211 Contra Costa		5,000
211 Fresno		65,931
211 Kern County		56,986
211 Kings County		7,745
211 Los Angeles		428,155
211 Monterey		31,810
211 Nevada-Sierra Regional HSS		1,530
211 Orange County		183,895
211 Riverside County		54,587
211 Sacramento		84,127
211 San Bernardino.		77,201
211 San Francisco		59,420
211 Santa Barbara		5,466
211 Santa Clara County		65,310
211 Shasta/United Way of Northern of CA		2,110
211 Sonoma County		13,717
211 Stanislaus		17,920
211 Tulare County		19,394
211 United Way of the Wine Country		12,919
211 Ventura County		50,381
	\$	<u><u>1,282,284</u></u>

**INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO**  
**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2013

---

**Section I – Summary of Auditors’ Results**

**Financial Statements**

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:  
Significant deficiency(ies) identified?  yes  no  
Material weakness(es) identified?  yes  no

Noncompliance material to the financial statements noted?  yes  no

**Federal Awards**

Internal control over major programs:  
Significant deficiency(ies) identified?  yes  no  
Material weakness(es) identified?  yes  no

Type of auditors’ report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?  yes  no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee under OMB Circular A-133, Section 530?  yes  no

**Section II – Financial Statement Findings**

None

**INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO**  
**Schedule of Findings and Questioned Costs, continued**  
Year Ended June 30, 2013

---

**Section III – Federal Award Findings**

**Finding 2013-1**

*Program:* U.S. Department of Agriculture, Pass-Through California Department of Public Health, State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, CFDA 10.561.

*Criteria:* The Organization has established a policy requiring employee time to be approved, electronically, prior to processing payroll. This ensures that hours charged to federal programs are valid and accurately recorded.

*Condition:* The Organization did not follow its policies and procedures requiring employee time to be approved by a supervisor prior to processing payroll.

*Cause:* The online payroll system used by the Organization does not prevent payroll from being processed without supervisor approvals. Furthermore, the Organization has not established a review process to ensure supervisors have approved all employee time prior to processing payroll.

*Effect:* During our audit, we noted that 4 of the 60 time sheets tested had not been properly approved by the appropriate supervisor prior to payroll being processed. The effects cannot be quantified.

*Recommendations:* The Organization should follow its established policies and procedures to ensure that employee time is reviewed and approved prior to payroll processing. The Organization should consider enhancing its current procedures to ensure that (1) payroll cannot be electronically processed without supervisor approvals, or (2) a review process is established prior to processing payroll to ensure all employee time has been approved.

*Management Response:* 2-1-1 implemented a new, online payroll and time keeping solution from ADP during FY2013. The solution allows for employee and supervisor approval but did not require it to process payroll. There were two situations that resulted in the electronic system not recording approvals. The first involved staff making adjustments to time that had already been approved. Any change to the time entry resulted in all approvals being removed. In some cases, new approvals were not created. The second involved some salaried staff whose time was not signed off but was reviewed by the contracts department.

**Finding 2013-2**

*Program:* U.S. Department of Agriculture, Pass-Through California Department of Public Health, State Administrative Matching Grants for the Supplemental Nutrition Assistance Program, CFDA 10.561.

*Criteria:* Section 400(d) of OMB Circular A-133 requires that pass-through entities ensure that sub-recipients expending \$500,000 or more in federal awards during the sub-recipient's fiscal year have met the audit requirements of Circular A-133 for that fiscal year.

*Condition:* During our audit, we noted that the Organization did not track sub-recipients' federal expenditures.

*Cause:* The Organization has not established a procedure to ensure sub-recipients are complying with the audit requirements of OMB Circular A-133.

**INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO**  
**Schedule of Findings and Questioned Costs, continued**  
Year Ended June 30, 2013

---

**Finding 2013-2, continued**

*Effect:* Although the Organization does not pass-through \$500,000 or more to any one sub-recipient, it is required to comply with Section 400(d) of OMB Circular A-133. The OMB requires that the pass-through entity establish procedures, such as inquiry, written questionnaires or other methods to track sub-recipient federal expenditures and audit requirements. Section 400(d) also requires the pass-through entity to issue a management decision on audit findings within six months after receipt of the sub-recipient's audit report and ensure that the sub-recipient takes timely corrective action. Without the knowledge of sub-recipient audit requirements, the Organization may not be able to carry out its responsibilities as a pass-through entity.

*Recommendations:* We recommend that the organization establish a policy to ensure that it complies with Section 400(d) of the OMB Circular A-133.

*Management Response:* Although we maintain regular contact with the sub-recipients, meet with them during the year and perform programmatic desk reviews on selected sub-recipients, we did not obtain information on all sub-recipients regarding whether they were subject to a single audit. We are implementing a process whereby we ask each sub-recipient if they are subject to a single audit and the results of that audit.