




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

**Consolidated Financial Statements and Supplemental
Information**

Years Ended June 30, 2016 and 2015



INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO AND SUBSIDIARY
Consolidated Financial Statements and Supplemental Information
Years Ended June 30, 2016 and 2015

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	6
Consolidated Statements of Cash Flows	8
Notes to Consolidated 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>	15
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	17
Schedule of Expenditures of Federal Awards	19
Notes to Schedule of Expenditures of Federal Awards	20
Schedule of Findings and Questioned Costs	21
Schedule of Prior Year Findings and Questioned Costs	22



INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of INFO LINE of San Diego County dba 2-1-1 San Diego (a nonprofit organization) and Subsidiary which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated 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 auditors consider 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of INFO LINE of San Diego dba 2-1-1 San Diego and Subsidiary as of June 30, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 on our consideration of INFO LINE of San Diego dba 2-1-1 San Diego's and Subsidiary's internal control over consolidated 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 consolidated financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over consolidated 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 and Subsidiary's internal control over consolidated financial reporting and compliance.

AKT LLP

San Diego, California
December 14, 2016

INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO AND SUBSIDIARY
Consolidated Statements of Financial Position
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current Assets:		
Cash	\$ 2,267,177	\$ 2,616,379
Accounts receivable	730,743	1,276,017
Food stamp program receivable	16,931	27,359
Current portion of promises to give	325,567	20,000
Prepaid expenses	<u>108,649</u>	<u>74,508</u>
Total Current Assets	3,449,067	4,014,263
Non-current Assets:		
Promises to give, net of current portion	271,826	-
Property and equipment, net of accumulated depreciation	1,645,193	164,998
Deposits and other assets	<u>59,528</u>	<u>78,658</u>
Total Assets	<u>\$ 5,425,614</u>	<u>\$ 4,257,919</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 250,318	\$ 106,559
Food stamp program payable	16,931	27,359
Accrued expenses	481,842	388,951
Deferred revenue	20,888	2,109
Current portion of long term debt	55,142	-
Current portion of deferred rent	<u>13,676</u>	<u>26,386</u>
Total Current Liabilities	838,797	551,364
Long-term Liabilities		
Note payable, net of current portion	559,953	-
Deferred rent, net of current portion	<u>68,382</u>	<u>-</u>
Total Liabilities	1,467,132	551,364
Net Assets:		
Unrestricted	3,790,289	3,664,036
Temporarily restricted	<u>168,193</u>	<u>42,519</u>
Total Net Assets	<u>3,958,482</u>	<u>3,706,555</u>
Total Liabilities and Net Assets	<u>\$ 5,425,614</u>	<u>\$ 4,257,919</u>

See accompanying notes to consolidated financial statements.

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

Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Grants and contracts	\$ 8,034,722	\$ -	\$ 8,034,722
Contributions	1,988,913	168,193	2,157,106
Special event, net of expenses of \$171,697	(11,409)	-	(11,409)
Fee for service	28,255	-	28,255
In-kind donations	94,918	-	94,918
Miscellaneous	110,525	-	110,525
Net assets released from restrictions, satisfaction of program restrictions	<u>42,519</u>	<u>(42,519)</u>	<u>-</u>
Total Support and Revenue	10,288,443	125,674	10,414,117
Program and Supporting Expenses:			
Program services	9,035,003	-	9,035,003
Supporting services:			
General and administrative	1,082,306	-	1,082,306
Fundraising	<u>467,679</u>	<u>-</u>	<u>467,679</u>
Total Program and Supporting Expenses	<u>10,584,988</u>	<u>-</u>	<u>10,584,988</u>
Increase (Decrease) in Net Assets	(296,545)	125,674	(170,871)
Net Assets, beginning	3,664,036	42,519	3,706,555
Net Assets, beginning subsidiary (see Note 13)	<u>422,798</u>	<u>-</u>	<u>422,798</u>
Net Assets, ending	<u>\$ 3,790,289</u>	<u>\$ 168,193</u>	<u>\$ 3,958,482</u>

See accompanying notes to consolidated financial statements.

INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO AND SUBSIDIARY
Consolidated Statement of Activities
Year Ended June 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenue:			
Grants and contracts	\$ 8,126,856	\$ -	\$ 8,126,856
Contributions	526,645	35,930	562,575
Special event, net of expenses of \$141,825	123,695	-	123,695
Fee for service	68,536	-	68,536
In-kind donations	2,675	-	2,675
Miscellaneous	4,966	-	4,966
Net assets released from restrictions, satisfaction of program restrictions	<u>431,764</u>	<u>(431,764)</u>	<u>-</u>
Total Support and Revenue	9,285,137	(395,834)	8,889,303
Program and Supporting Expenses:			
Program services	7,429,682	-	7,429,682
Supporting services:			
General and administrative	993,586	-	993,586
Fundraising	<u>307,755</u>	<u>-</u>	<u>307,755</u>
Total Program and Supporting Expenses	<u>8,731,023</u>	<u>-</u>	<u>8,731,023</u>
Increase (Decrease) in Net Assets	554,114	(395,834)	158,280
Net Assets, beginning	<u>3,109,922</u>	<u>438,353</u>	<u>3,548,275</u>
Net Assets, ending	<u>\$ 3,664,036</u>	<u>\$ 42,519</u>	<u>\$ 3,706,555</u>

INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO AND SUBSIDIARY

Consolidated Statement of Functional Expenses

Year Ended June 30, 2016

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and benefits	\$ 6,159,611	\$ 715,347	\$ 129,872	\$ 7,004,830
Consultants	402,838	235,830	237,068	875,736
Equipment and maintenance	625,315	26,924	10,151	662,390
Subcontractor payments	394,698	-	-	394,698
Telephone	341,465	5,007	459	346,931
Occupancy	311,161	17,454	8,260	336,875
Software Licenses	164,725	3,062	-	167,787
Depreciation	134,085	7,545	3,215	144,845
Relocation consulting	134,049	7,542	3,215	144,806
Travel	84,019	4,302	4,369	92,690
Dues, licenses and permits	40,646	14,986	10,747	66,379
Loss on disposal of property and equipment	57,421	3,231	1,377	62,029
Office supplies	56,960	2,695	1,920	61,575
Insurance	42,449	3,427	856	46,732
Advertising	-	419	41,264	41,683
Staff development	18,673	8,506	60	27,239
Food and catering	19,716	3,254	4,083	27,053
Employee and volunteer recognition	9,100	13,682	3,189	25,971
Printing and duplicating	17,546	1,031	7,368	25,945
Postage	12,665	2,244	102	15,011
Bank fees	75	5,414	-	5,489
Interest	4,333	244	104	4,681
Outreach and education	2,553	-	-	2,553
Miscellaneous	900	160	-	1,060
Total Program and Supporting Expenses	<u>9,035,003</u>	<u>1,082,306</u>	<u>467,679</u>	<u>10,584,988</u>
Special events	-	-	171,697	171,697
Total Expenses	<u>\$ 9,035,003</u>	<u>\$ 1,082,306</u>	<u>\$ 639,376</u>	<u>\$ 10,756,685</u>

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

Year Ended June 30, 2015

	Program Services	Supporting Services		Total
		General and Administrative	Fundraising	
Salaries and benefits	\$ 4,943,615	\$ 840,831	\$ 88,396	\$ 5,872,842
Subcontractor payments	1,052,567	-	-	1,052,567
Consultants	359,796	101,986	186,080	647,862
Telephone	329,001	2,062	373	331,436
Occupancy	178,190	7,699	1,778	187,667
Depreciation	143,978	6,780	1,566	152,324
Travel	85,240	5,362	2,333	92,935
Dues, licenses and permits	80,334	1,231	4,038	85,603
Equipment and maintenance	65,664	975	225	66,864
Staff development	34,411	3,282	-	37,693
Relocation consulting	34,183	1,668	385	36,236
Office supplies	26,239	900	1,202	28,341
Insurance	27,086	707	163	27,956
Employee and volunteer recognition	21,159	647	5,332	27,138
Food and catering	13,846	5,175	2,498	21,519
Postage	19,283	2,044	75	21,402
Advertising	8,750	-	7,000	15,750
Outreach and education	2,606	-	5,965	8,571
Bank fees	75	6,116	346	6,537
Printing and duplicating	3,659	1,719	-	5,378
Loss on disposal of property and equipment	-	4,402	-	4,402
Total Program and Supporting Expenses	<u>7,429,682</u>	<u>993,586</u>	<u>307,755</u>	<u>8,731,023</u>
Special events	-	-	141,825	141,825
Total Expenses	<u>\$ 7,429,682</u>	<u>\$ 993,586</u>	<u>\$ 449,580</u>	<u>\$ 8,872,848</u>

See accompanying notes to consolidated financial statements.

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

Years Ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Increase (decrease) in net assets	\$ (170,871)	\$ 158,280
Adjustments to reconcile increase (decrease) in net assets to net cash provided (used) by operating activities:		
Depreciation	144,845	152,324
Loss on disposal of property and equipment	62,029	4,402
Changes in operating assets and liabilities:		
Accounts receivable	545,274	(325,510)
Food stamp program receivable	10,428	174,926
Promises to give	(577,393)	(210,000)
Prepaid expenses	(34,141)	(46,450)
Deposits and other assets	19,130	(51,213)
Accounts payable	143,759	(65,396)
Food stamp program payable	(10,428)	(185,531)
Accrued expenses	92,891	64,494
Deferred revenue	18,779	(5,608)
Deferred rent	55,672	(39,579)
Net Cash Provided (Used) by Operating Activities	299,974	(374,861)
Cash Flows from Investing Activities:		
Purchases of property and equipment	(1,058,445)	(12,308)
Acquisition of subsidiary	422,798	-
Net Cash Used by Investing Activities	(635,647)	(12,308)
Cash Flows Used by Financing Activities		
Payments on long term debt	(13,529)	-
Net Decrease in Cash	(349,202)	(387,169)
Cash, beginning	2,616,379	3,003,548
Cash, ending	\$ <u>2,267,177</u>	\$ <u>2,616,379</u>
Supplemental Disclosures of Cash Flow Information:		
Non-cash purchase of property and equipment	\$ <u>628,624</u>	\$ <u>-</u>
Cash paid for interest	\$ <u>4,681</u>	\$ <u>-</u>

See accompanying notes to consolidated financial statements.

INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO AND SUBSIDIARY

Notes to Consolidated Financial Statements

Years Ended June 30, 2016 and 2015

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 (2-1-1 San Diego) 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.

Community Information Exchange (CIE) facilitates care coordination among social service and care providers in the greater San Diego region, using technology and processes to bring together information and people across safety net organizations.

Principles of Consolidation

The consolidated financial statements include, INFO LINE of San Diego County dba 2-1-1 San Diego and its wholly owned subsidiary, Community Information Exchange (CIE) (collectively referred to as the "Organization"). INFO LINE of San Diego County dba 2-1-1 San Diego's acquisition of CIE occurred on February 11, 2016. The integration allows for a client record that includes the client's history so providers can be better informed when interacting with that client, allowing for improved service delivery, care coordination, and ultimately positive social outcomes for the client and the service delivery community. Significant inter-company transactions and balances have been eliminated in consolidation.

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, 2016 and 2015.

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, 2016 and 2015 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 conditions are met. After pledges are originally recorded, an allowance for uncollectible pledges may be established based on specific circumstances. No allowance was considered necessary at June 30, 2016 and 2015 because management believes all amounts are collectible.

INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO AND SUBSIDIARY

Notes to Consolidated Financial Statements

Years Ended June 30, 2016 and 2015

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

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 consolidated 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.

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 consolidated financial statements because the criteria for recognition as contributions of such volunteer effort have not been satisfied.

Income Taxes

2-1-1 San Diego and CIE are 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. 2-1-1 San Diego 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. CIE is a private foundation. The Organization may be subject to tax on income which is not related to its exempt purpose. For the years ended June 30, 2016 and 2015, 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 consolidated financial statements related to uncertain tax positions for the years ended June 30, 2016 and 2015.

Use of Estimates

The preparation of consolidated 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 14, 2016 which is the date the consolidated financial statements were available to be issued.

INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO AND SUBSIDIARY

Notes to Consolidated Financial Statements

Years Ended June 30, 2016 and 2015

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, 2016 and 2015, the Organization had \$2,024,202 and \$2,425,918 that was exposed to uninsured deposit risk, respectively.

Customers

During the year ended June 30, 2016 the Organization received funding of \$3,219,636 (43%) from two sources and during the year ended June 30, 2015 the Organization received funding of \$4,737,348 (53%) from two sources. At June 30, 2016 and 2015, amounts due from these funding sources included in accounts receivable and Food Stamp program receivable were \$331,999 (25%) and \$1,016,215 (79%), respectively.

Note 3 – Promises to give

Promises to give consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Due in less than one year	\$ 325,567	\$ 20,000
Due in one to five years	276,133	-
	<u>601,700</u>	<u>20,000</u>
Discount to net present value (1.01% rate)	(4,307)	-
	<u>597,393</u>	<u>20,000</u>
Less: current portion	<u>(325,567)</u>	<u>(20,000)</u>
	<u>\$ 271,826</u>	<u>\$ -</u>

Note 4 – Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2016</u>	<u>2015</u>
Computers	\$ 271,656	\$ 216,377
Leasehold improvements	1,362,655	400,656
Furniture and equipment	186,074	186,652
Generator	248,102	120,536
Website upgrade	101,064	86,890
Telecommunications system	54,295	54,295
	<u>2,223,846</u>	<u>1,065,406</u>
Less accumulated depreciation	<u>(578,653)</u>	<u>(900,408)</u>
	<u>\$ 1,645,193</u>	<u>\$ 164,998</u>

INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO AND SUBSIDIARY**Notes to Consolidated Financial Statements**

Years Ended June 30, 2016 and 2015

Note 5 – Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes at June 30:

	<u>2016</u>	<u>2015</u>
Purpose and Time Restrictions:		
Generator costs	\$ 75,963	\$ 6,589
Disaster preparedness	47,532	-
Community Information Exchange	25,000	-
Komen breast health	15,774	-
Headsets for fire disaster call center	3,924	-
Breast cancer education for African Americans	-	32,857
Health navigation	-	3,073
	<u>\$ 168,193</u>	<u>\$ 42,519</u>

Note 6 – Long-Term Debt

Long-term debt consists of the following at June 30:

	<u>2016</u>	<u>2015</u>
Note payable for tenant improvements, due to Lessor, due in monthly payments of \$6,080, including interest at 3%, matures March 2026.	\$ 615,095	\$ -
Less current portion	<u>(55,142)</u>	<u>-</u>
	<u>\$ 559,953</u>	<u>\$ -</u>

Following is a summary of future principal payments as of June 30, 2016:

Year Ending <u>June 30,</u>		
2017	\$	55,142
2018		56,819
2019		58,547
2020		60,328
2021		62,163
Thereafter		<u>322,096</u>
	\$	<u>615,095</u>

INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO AND SUBSIDIARY

Notes to Consolidated Financial Statements

Years Ended June 30, 2016 and 2015

Note 7 – Line of Credit

The Organization had a \$750,000 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% (5.25% at June 30, 2016). The line matures on December 19, 2016. No amounts were drawn on the line of credit during the years ended June 30, 2016 and 2015.

Note 8 – Commitments

The Organization leased facilities in San Diego for office space. The lease term was from January 1, 2011 to March 31, 2016. The lease provided 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 returned to the first month's amount and increase from 2.8% to 3.2% annually. The payments were 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 \$18,197.

The Organization has signed a new lease in San Diego for office space. The lease term is from March 1, 2016 to May 31, 2026. The new lease provides for a security deposit of \$52,428 and a monthly lease payment in the first month of \$43,133 followed by two months of rent abatement, and a third month of rent abatement occurring on the thirteenth month of the lease. Future payments return to the first month's amount and increase biannually by 5%. The three months of rent abatement are being amortized over the life of the lease on a straight-line basis.

Rent expense for the years ended June 30, 2016 and 2015 was \$567,384 and \$452,236, respectively.

Minimum future lease payments at June 30, 2016 are due as follows:

Year Ending <u>June 30,</u>	
2017	\$ 511,149
2018	530,088
2019	542,580
2020	556,860
2021	571,140
Thereafter	<u>3,003,265</u>
	<u>\$ 5,715,082</u>

Note 9 – Functional Allocation of Expenses

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

Note 10 – Contingencies

The Organization may periodically be a party in litigation cases incidental to its business activities. While any litigation or investigation has an element of uncertainty, management believes that the outcome of any of these matters will not have a materially adverse effect on its financial position, results of operations or liquidity.

INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO AND SUBSIDIARY

Notes to Consolidated Financial Statements

Years Ended June 30, 2016 and 2015

Note 11 – Reclassification

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Note 12 – Related Party Transactions

During the year ended June 30, 2016, the Organization received pledges totaling \$224,000 from members of the board of directors.

Note 13 – Net Financial Impact due to Consolidation of Financial Statements

2-1-1 San Diego acquired CIE on February 11, 2016, as outlined in an affiliation agreement. These financial statements consolidate all activity of both entities for the year-ended June 30, 2016, and the consolidated financial position of the entities as of June 30, 2016.

At July 1, 2015, CIE's net assets were \$422,798, which is reflected on the Consolidated Statement of Activities as "Net Assets, beginning subsidiary". At this time, CIE had \$491,343 in cash and cash equivalents, \$4,849 in prepaid expenses and \$73,395 in short-term liabilities.

The beginning net assets were primarily a result of grants received in the previous year. During the year-end June 30, 2016, CIE received additional funding of \$564,568 and expended funds of \$960,271, a decrease in net assets of \$395,704.

The net impact of the \$422,798 in "Net Assets, beginning subsidiary" less the decrease in net assets of \$395,704 during the year ended June 30, 2016 was an increase in consolidated net assets of \$27,094 as of June 30, 2016.

SUPPLEMENTAL INFORMATION



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**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 and Subsidiary

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 consolidated financial statements of INFO LINE of San Diego County dba 2-1-1 San Diego and Subsidiary (collectively referred to as the Organization), which comprise the consolidated statement of financial position as of June 30, 2016, and the related consolidated 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 November 1, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization'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 consolidated 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 Organization's consolidated 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 consolidated 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 14, 2016



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Programs

We have audited INFO LINE of San Diego County dba 2-1-1 San Diego's and Subsidiary's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of INFO LINE of San Diego County dba 2-1-1 San Diego's and Subsidiary's major federal programs for the year ended June 30, 2016. INFO LINE of San Diego County dba 2-1-1 San Diego's and Subsidiary's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 each of INFO LINE of San Diego County dba 2-1-1 San Diego's and Subsidiary'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about INFO LINE of San Diego County dba 2-1-1 San Diego's and Subsidiary'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 each 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 and Subsidiary.

Opinion on Each Major Federal Program

In our opinion, INFO LINE of San Diego County dba 2-1-1 San Diego and Subsidiary complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of INFO LINE of San Diego County dba 2-1-1 San Diego and Subsidiary 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 and Subsidiary's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of INFO LINE of San Diego County dba 2-1-1 San Diego's and Subsidiary'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Grant Guidance. Accordingly, this report is not suitable for any other purpose

AKT LLP

San Diego, California
December 14, 2016

INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO AND SUBSIDIARY
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

<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	08-85128	\$ 50
<u>U.S. Department of Agriculture</u>			
Pass-through California Department of Public Health:			
State Administration Matching Grants for the Supplemental Nutrition Assistance Program	10.561	14-3036 and 12-3058	1,963,229
<u>Department of Transportation</u>			
Pass-through County of San Diego:			
Veterans Transportation and Community Living Initiative	20.500	5001939	165,596
<u>Department of Housing and Urban Development</u>			
Pass-through County of San Diego:			
Housing Opportunities for Persons with Aids	14.241		<u>52,851</u>
			<u>\$ 2,181,726</u>

INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO AND SUBSIDIARY
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2016

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 Subsidiary and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 – Summary of Significant Accounting Policies

INFO LINE of San Diego County dba 2-1-1 San Diego and Subsidiary did not elect to use the 10% de minimus cost rate as covered in the Uniform Guidance 2.CFR.200.414 Indirect costs

Note 3 – Amounts Provided to Sub-recipients

The following amounts were provided to sub-recipients, other 211 organizations in California, from the CalFresh and Covered California Programs during the year ended June 30, 2016:

	<u>CalFresh</u>		<u>Covered CA</u>		<u>Total</u>
211 Kern County	\$ 15,438	\$	-	\$	15,438
211 Orange County	37,282		-		37,282
211 Riverside County-Community Connect	27,970		-		27,970
211 San Bernardino	51,380		-		51,380
San Diegans Healthcare Coverage (SDHCC)	<u>-</u>		<u>108,500</u>		<u>108,500</u>
	<u>\$ 132,070</u>	<u>\$</u>	<u>108,500</u>	<u>\$</u>	<u>240,570</u>

INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO AND SUBSIDIARY
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:
Significant deficiency(ies) identified? yes none identified
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 none identified
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 the Uniform Guidance, 2.CFR.200.516(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 Program

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee with the Uniform Guidance, 2.CFR.200.516(a)? yes no

Section II – Financial Statement Findings

None

Section III – Federal Award Finding and Questioned Costs

None

INFO LINE OF SAN DIEGO COUNTY DBA 2-1-1 SAN DIEGO AND SUBSIDIARY
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2016

Section II – Financial Statement Findings

None

Section III – Federal Award Finding and Questioned Costs

None