

**LOS ANGELES NEIGHBORHOOD  
INITIATIVE, INC.**  
*(A California not-for-profit corporation)*

**AUDITED FINANCIAL STATEMENTS  
AND SINGLE AUDIT REPORTS  
SEPTEMBER 30, 2018**

**LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.**  
*(A California not-for-profit corporation)*

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# **HILL, MORGAN AND ASSOCIATES, LLP**

## ***Certified Public Accountants***

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Partners  
Jeffrey Hill, CPA  
Raymond Morgan, CPA

To the Board of Directors  
**Los Angeles Neighborhood Initiative, Inc.**  
Los Angeles, California

### **INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the **Los Angeles Neighborhood Initiative, Inc.**, (a California not-for-profit corporation) which comprise the statement of financial position as of September 30, 2018 and the related statements of activities, functional expenditures and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the organization's 2017 financial statements and in our report dated June 25, 2018 an unqualified opinion was expressed on those financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk of material misstatement of the financial statements 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 statement 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriated to provide a basis for our opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Los Angeles Neighborhood Initiative, Inc.**, as of September 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2019 on our consideration of **Los Angeles Neighborhood Initiative, Inc.'s**, internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Hill, Morgan and Associates, LLP

Carson, California  
June 14, 2019

**LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
 At September 30, 2018  
 (With comparative totals for the year ended September 30, 2017)

	2018	2017 Restated
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 521,673	\$ 309,239
Cash and cash equivalents-restricted to program use	427,077	419,145
Cash held as fiscal agent	690,776	1,208,054
Accounts receivable-government grants	158,457	569,687
	<b>1,797,983</b>	<b>2,506,125</b>
<b>OTHER ASSETS:</b>		
Security deposit	5,175	5,175
	<b>\$ 1,803,158</b>	<b>\$ 2,511,300</b>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 180,739	\$ 318,992
Cash held as fiscal agent	690,776	1,208,054
Accrued vacation	44,428	36,738
Line of credit (Note 2)	56,038	64,569
	<b>971,981</b>	<b>1,628,353</b>
	<b>971,981</b>	<b>1,628,353</b>
<b>NET ASSETS</b>		
<b>NET ASSETS:</b>		
Unrestricted	831,177	882,947
	<b>831,177</b>	<b>882,947</b>
	<b>\$ 1,803,158</b>	<b>\$ 2,511,300</b>

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

**LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.**  
**STATEMENT OF ACTIVITIES**  
For the year ended September 30, 2018  
(With comparative totals for the year ended September 30, 2017)

	<u>2018</u>	<u>2017</u> Restated
<b>SUPPORT AND REVENUES:</b>		
Support:		
Grants and contracts-administration	\$ 106,473	\$ 67,428
Grants and contracts-program services	2,480,916	3,072,402
Investment income	<u>11</u>	<u>8</u>
<b>Total support and revenues</b>	<u>2,587,400</u>	<u>3,139,838</u>
<b>EXPENDITURES:</b>		
Program services	2,252,269	3,032,121
Administrative	<u>386,901</u>	<u>377,841</u>
<b>Total expenditures</b>	<u>2,639,170</u>	<u>3,409,962</u>
<b>CHANGES IN NET ASSETS</b>	(51,770)	(270,124)
Net assets, beginning of the year	<u>882,947</u>	<u>1,153,071</u>
<b>Net assets, end of the year</b>	<u>\$ 831,177</u>	<u>\$ 882,947</u>

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

**LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENDITURES**  
For the year ended September 30, 2018  
(With comparative totals for the year ended September 30, 2017)

	Program Total 2018	Admin. Total 2018	Grand Total 2018	Grand Total 2017 Restated
Pre-construction costs (Note 6)	\$ 133,948	\$ -	\$ 133,948	\$ 231,390
Construction management	178,215	-	178,215	125,995
Construction costs (Note 7)	1,149,150	-	1,149,150	1,932,211
Maintenance	64,787	-	64,787	64,471
Salaries	345,581	89,383	434,964	475,647
Payroll taxes	27,335	6,575	33,910	37,676
Employee retirement	6,651	1,307	7,958	12,416
Dental	2,038	175	2,213	5,303
Employee relations	480	5,615	6,095	3,866
Events	32,236	130	32,366	-
Payroll fees	-	1,133	1,133	1,179
Bank charges	347	1,224	1,571	-
Interest	-	7,021	7,021	7,451
Subscriptions and dues	-	9,252	9,252	4,043
Publications	231	7,648	7,879	-
Equipment	-	19,205	19,205	4,265
Insurance-group medical	41,148	15,336	56,484	51,977
Insurance-general	-	11,946	11,946	12,212
Insurance-workers compensation	-	5,845	5,845	5,518
Meetings	1,501	2,186	3,687	2,931
Miscellaneous	-	-	-	6,388
Office supplies	369	4,908	5,277	4,037
Outside services	8,360	669	9,029	-
Postage	34	2,076	2,110	3,425
Repairs and maintenance	24,225	324	24,549	32,046
Rent	-	84,159	84,159	73,517
Telephone	6	6,106	6,112	6,919
Travel	4,844	4,996	9,840	9,724
LANI Forum	11,182	-	11,182	33,290
Training and seminars	5,082	3,825	8,907	5,536
Accounting and auditing fees	6,100	59,500	65,600	69,768
Legal	51	220	271	-
Consultants	147,636	4,150	151,786	129,461
Printing	5,592	6,675	12,267	7,217
Graphic Design	4,750	875	5,625	-
Transportation stipend	7,777	2,758	10,535	12,469
IT supplies	-	5,724	5,724	3,926
IT repairs and maintenance	-	3,795	3,795	1,415
Professional Services	-	12,000	12,000	-
Taxes	-	160	160	-
LANI maintenance match fund	42,613	-	42,613	32,273
<b>Total expenditures</b>	<b>\$ 2,252,269</b>	<b>\$ 386,901</b>	<b>\$ 2,639,170</b>	<b>\$ 3,409,962</b>

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

**LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.**  
**STATEMENT OF CASH FLOWS**  
For the year ended September 30, 2018  
(With comparative totals for the year ended September 30, 2017)

	2018	Restated
<b>Cash flows from operating activities:</b>		
Changes in net assets	\$ (51,770)	\$ (270,124)
<b>Adjustment to reconcile change in net assets to net cash provided by (used in) operating activities:</b>		
<b>Change in operating assets and liabilities:</b>		
(Increase) decrease in assets		
Accounts receivable-government grants	411,230	181,674
Increase (decrease) in liabilities		
Accounts payable	(138,253)	266,907
Accrued vacation	7,690	1,237
Employee retirement	-	(1,497)
	228,897	178,197
<b>Net cash provided by operating activities</b>		
<b>Cash flows from financing activities:</b>		
Net principle payments on line of credit	(8,531)	(8,364)
	(8,531)	(8,364)
<b>Net cash used in financing activities</b>		
<b>Increase in cash</b>	220,366	169,833
Cash and cash equivalents - beginning of the year	728,384	558,551
<b>Cash and cash equivalents - end of the year</b>	\$ 948,750	\$ 728,384
<b>SUPPLEMENTAL INFORMATION:</b>		
Cash paid for interest expense	\$ 7,021	\$ 7,451
<b>CASH RECONCILIATION:</b>		
Cash and cash equivalents	\$ 521,673	\$ 309,239
Cash and cash equivalents-restricted for program use	427,077	419,145
<b>Total cash and cash equivalents</b>	\$ 948,750	\$ 728,384

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

# ***LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.***

## **NOTES TO FINANCIAL STATEMENTS**

### **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES AND COMPANY BACKGROUND**

#### **ORGANIZATION AND OPERATIONS OF THE CORPORATION**

The Los Angeles Neighborhood Initiative, Inc. is organized as a not-for-profit corporation for the purpose of stimulating community-driven neighborhood revitalization in economically challenged communities. The Los Angeles Neighborhood Initiative, Inc. focuses on revitalizing transit operations, creating livable public spaces, stimulating private investments, and promoting neighborhood businesses and jobs. The Los Angeles Neighborhood Initiative, Inc. facilitates community participation and decision-making, and promotes public/private partnerships that result in catalytic main street projects.

#### **BASIS OF ACCOUNTING**

The accounts are maintained on the accrual basis of accounting. Revenue is recognized when earned and expenditures are recognized when a liability is incurred.

#### **REVENUE RECOGNITION**

Revenue from government grants are recorded as temporarily restricted net assets when received. The restriction expires when expenditures are made by the Los Angeles Neighborhood Initiative, Inc. for designated neighborhood improvement projects.

Revenue is dependent upon government policies and is subject to audit that could result in retroactive adjustments. Management believes that it has complied with the applicable criteria.

#### **FINANCIAL STATEMENT PRESENTATION**

The accompanying financial statements are prepared on the accrual basis in accordance with the AICPA's Audit and Accounting Guide, "Not-For-Profit Organizations."

#### **ACCOUNTS RECEIVABLE**

Accounts receivable is unsecured non-interest bearing amounts due from government grantors for cost reimbursement or performance based grants. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for uncollectible receivables has been provided.

#### **CONTRIBUTIONS**

Contributions are recognized when the donor makes a promise to give to the Los Angeles Neighborhood Initiative, Inc. that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

These notes are an integral part of the preceding financial statements.

***LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.***

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES AND COMPANY  
BACKGROUND (Continued)**

**ESTIMATES**

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

**NOT-FOR-PROFIT STATUS**

The Los Angeles Neighborhood Initiative, Inc. is a not-for-profit organization that is exempt from Federal and state income taxes under the Internal Revenue Code Section 501(c) (3) and the California State Revenue and Taxation Code 23701 (d) except on net income derived from unrelated business activities. The Los Angeles Neighborhood Initiative, Inc.'s management believes that it has support for any tax position taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Los Angeles Neighborhood Initiative, Inc.'s Forms 990, Return of Organization Exempt from Income Tax for the years ending September 30, 2018, 2017, 2016 and 2015 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

**CASH AND CASH EQUIVALENTS**

The Los Angeles Neighborhood Initiative, Inc. considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**OFFICE FURNITURE AND EQUIPMENT**

Office furniture and equipment acquired is considered to be owned by the Los Angeles Neighborhood Initiative, Inc. while used in the program for which it was purchased or in other future authorized programs. However, the government grantor(s) have a reversionary interest in the office furniture and equipment, its disposition as well as the ownership of any proceeds therefrom is subject to government regulations. Office furniture and equipment having a unit value of \$1,000 or more, and a useful life of two years or more were capitalized.

**COMPARATIVE FINANCIAL INFORMATION**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Los Angeles Neighborhood Initiative, Inc.'s financial statements for the year ended September 30, 2017, from which the summarized information was derived.

These notes are an integral part of the preceding financial statements.

***LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.***

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – LINE OF CREDIT**

LANI has an unsecured, \$99,000 line of credit from a bank. The terms for repayment require monthly interest only payments and the interest rate is prime plus 6.75%. The outstanding principal portion of the line of credit is due upon demand. As of September 30, 2018 and 2017, the outstanding balance for this line of credit was \$56,038 and \$64,569 respectively.

**NOTE 3 - RETIREMENT PLAN**

The Los Angeles Neighborhood Initiative, Inc. has a Simple Individual Retirement Account (Simple IRA) plan that covers all full-time employees upon being hired. Under the terms of the Simple IRA plan, all participating employees receive a matching contribution from the Los Angeles Neighborhood Initiative, Inc. of 2% of their annual salary.

Each employee is 100% vested to all contributions upon enrollment into the Simple IRA plan. The Los Angeles Neighborhood Initiative, Inc.'s total contribution to the plan for the years ended September 30, 2018 and 2017 were \$7,958 and \$12,416 respectively.

**NOTE 4 - CONCENTRATION OF RISK**

The Los Angeles Neighborhood Initiative, Inc. maintains bank accounts at one bank. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Total cash exceeded the federally insured limits by \$1,654,841 and \$1,810,122 as of September 30, 2018 and 2017 respectively. Management believes that the Los Angeles Neighborhood Initiative, Inc. is not exposed to any significant credit risk related to cash because of the solvency of the bank in which these funds are held.

These notes are an integral part of the preceding financial statements.

**LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.**

NOTES TO FINANCIAL STATEMENTS

**NOTE 5 – LEASE COMMITMENT**

Effective on December 15, 2011 the Los Angeles Neighborhood Initiative, Inc. entered into a long-term lease agreement for office space located at 800 Figueroa Street, Suite 970, Los Angeles, CA 90017 with an expiration date of December 15, 2021. The characteristic of this lease agreement is such that it is recorded on the Los Angeles Neighborhood Initiative, Inc.'s books as an operating lease.

The future minimum obligation under this lease agreement is as follows:

<u>Year ended September 30,</u>	<u>Amount</u>
2019	\$ 75,819
2020	78,094
2021	80,436
2022	20,257
2023	-0-
Thereafter	<u>-0-</u>
Total	\$ <u>254,606</u>

**NOTE 6 – PRE-CONSTRUCTION COSTS**

The pre-construction cost consists of the following:

<u>Description</u>	<u>9/30/18</u>	<u>9/30/17</u>
Design/engineering	\$ 123,130	\$ 205,913
Permitting	<u>10,818</u>	<u>25,477</u>
Total	\$ <u>133,948</u>	\$ <u>231,390</u>

These notes are an integral part of the preceding financial statements.

**LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.**

NOTES TO FINANCIAL STATEMENTS

**NOTE 7 – CONSTRUCTION COSTS**

The construction cost consists of the following:

Description	9/30/18	9/30/17
Hardscape	\$ 125,970	\$ 73,938
Façade	134,776	23,770
General conditions/mobilization	16,036	130,280
Utility relocation	-0-	25,000
Signage/Banners/Flags	11,143	76,150
Electrical/lighting	85,136	859,344
Sidewalks	767,608	583,401
Other	2,844	-0-
Total hardscape costs	1,143,513	1,771,883
Irrigation	-0-	8,007
Tree trimming	4,637	143,112
Landscape	1,000	9,209
Total landscape costs	5,637	160,328
Total	\$ 1,149,150	\$ 1,932,211

**NOTE 8 – SUBSEQUENT EVENT**

The Los Angeles Neighborhood Initiative, Inc.'s management has evaluated subsequent events for the period from September 30, 2018 through June 14, 2019, the date the financial statements were available to be issued. Management did not identify any transactions that require disclosure or that would have an impact on the financial statements.

These notes are an integral part of the preceding financial statements.

***SUPPLEMENTARY INFORMATION SECTION REQUIRED BY  
GOVERNMENT AUDITING STANDARDS***

# **HILL, MORGAN AND ASSOCIATES, LLP**

*Certified Public Accountants*

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Partners  
Jeffrey Hill, CPA  
Raymond Morgan, CPA

To the Board of Directors  
**Los Angeles Neighborhood Initiative, Inc.**  
Los Angeles, California

**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**

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 **Los Angeles Neighborhood Initiative, Inc.** which comprise the statement of financial position as of September 30, 2018, and the related statements of activities, functional expenditures and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **Los Angeles Neighborhood Initiative, Inc.**'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 **Los Angeles Neighborhood Initiative, Inc.**'s internal control. Accordingly, we do not express an opinion on the effectiveness of **Los Angeles Neighborhood Initiative, Inc.**'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 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 **Los Angeles Neighborhood Initiative, Inc.**'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hill, Morgan and Associates, LLP

Carson, California  
June 14, 2019

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*Certified Public Accountants*

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Partners  
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Raymond Morgan, CPA

To the Board of Directors  
**Los Angeles Neighborhood Initiative, Inc.**  
Los Angeles, California

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

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

We have audited **Los Angeles Neighborhood Initiative, Inc.** compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **Los Angeles Neighborhood Initiative, Inc.**'s major federal programs for the year ended September 30, 2018. **Los Angeles Neighborhood Initiative, Inc.**'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of **Los Angeles Neighborhood Initiative, Inc.**'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and 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 **Los Angeles Neighborhood Initiative, Inc.**'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 **Los Angeles Neighborhood Initiative, Inc.**'s compliance.

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

In our opinion, **Los Angeles Neighborhood Initiative, Inc.** 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 September 30, 2018.

### **Report on Internal Control Over Compliance**

Management of **Los Angeles Neighborhood Initiative, Inc.** 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 **Los Angeles Neighborhood Initiative, Inc.**'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 our opinion on compliance for each major 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 **Los Angeles Neighborhood Initiative, Inc.**'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 combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Carson, California  
June 14, 2019

**LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended September 30, 2018

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grantee Number</b>	<b>Grant Term</b>	<b>Expenditures</b>
<b>United States Department of Housing and Urban Development/ City of Los Angeles</b>				
Bring Back Broadway Lights	14.218	C121878	2/1/13 - 1/31/18	162,718
CD 8 Sidewalk Reconstruction	14.218	C125266	12/1/14 - 11/30/18	698,016
CD 8 Sidewalk Reconstruction-NIF	14.218	C173903	12/18/15 - 1/31/18	229,871
Wilmington Town Square Park	14.218	C126910	11/2/15 - 12/31/18	60,366
CD 6 Sidewalk and Street Improvements	14.218	C128983	2/28/17 - 2/28/19	<u>55,626</u>
<b>Total United States Department of Housing and Urban Development</b>				<u>1,206,597</u>
<b>Total Federal awards</b>				<b>\$ <u><u>1,206,597</u></u></b>

See the accompanying note to schedule of expenditures of federal awards.

***LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.***

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Los Angeles Neighborhood Initiative, Inc. under programs of the federal government for the year ended September 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Los Angeles Neighborhood Initiative, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Los Angeles Neighborhood Initiative, Inc.

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

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported in prior years.

**NOTE 3 – INDIRECT COST RATE**

Los Angeles Neighborhood Initiative, Inc. has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**SECTION I – SUMMARY OF AUDITOR’S RESULTS**

**FINANCIAL STATEMENTS:**

Type of auditor’s report issued Unmodified

**INTERNAL CONTROL OVER FINANCIAL REPORTING:**

Material weakness identified No  
Significant deficiency identified None reported  
Noncompliance material to financial statements noted No

**FEDERAL AWARDS:**

Internal control over major federal programs:  
Material weakness identified No  
Significant deficiency identified None reported

Type of auditor’s report issued on compliance for major federal programs Unmodified

Any audit findings disclosed that are required to be Reported in accordance with 2CFR 200.516(a) No

**IDENTIFICATION OF MAJOR FEDERAL PROGRAMS:**

<b>CFDA No.</b>	<b>Name of Program</b>	<b>Expenses</b>
14.218	Community Development Block Grant	\$ 1,206,597

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

Auditee qualified as a low risk auditee No

In accordance with Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, an auditee that does not have a single audit on an annual basis cannot qualify as a low-risk auditee. LANI was not required to complete a single audit for the year ended September 30, 2016 because the level of federal expenditures was below the threshold of \$750,000, therefore LANI does not qualify as a low-risk auditee. As a result of not qualifying for low risk auditee status, LANI’s auditors had to perform single audit related testing on a greater percentage of major federal programs.

*LOS ANGELES NEIGHBORHOOD INITIATIVE, INC.*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None

**SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

None

**SECTION IV - STATUS OF PRIOR YEAR FINDINGS**

None