

INNER CITY LAW CENTER

**FINANCIAL STATEMENTS
and
ADDITIONAL INFORMATION**

DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Inner City Law Center

Report on the Financial Statements

We have audited the accompanying financial statements of Inner City Law Center (a nonprofit organization), which comprise the Statement of Financial Position as of December 31, 2015, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 opinion.

INDEPENDENT AUDITORS' REPORT

continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inner City Law Center as of December 31, 2015, 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 Matter

Summarized Comparative Information

We have previously audited Inner City Law Center's 2014 financial statements, and our report dated March 17, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2016 on our consideration of Inner City Law Center'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 Inner City Law Center's internal control over financial reporting and compliance.

Harrington Group

Pasadena, California

March 17, 2016

INNER CITY LAW CENTER

STATEMENT OF FINANCIAL POSITION

December 31, 2015

With comparative totals at December 31, 2014

	Unrestricted	Temporarily Restricted	2015	2014
ASSETS				
Cash	\$ 508,934	\$ -	\$ 508,934	\$ 324,284
Client's trust deposits	412,470		412,470	174,976
Accounts receivable	181,716		181,716	187,023
Grants receivable (Note 2)	476,526		476,526	305,691
Prepaid expenses	35,541		35,541	18,422
Deposits and other assets	5,985		5,985	5,985
Investments (Note 3)	589,716	134,039	723,755	731,899
Property and equipment (Note 4)	703,502		703,502	731,366
	\$ 2,914,390	\$ 134,039	\$ 3,048,429	\$ 2,479,646
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 11,617	\$ -	\$ 11,617	\$ 17,636
Accrued liabilities (Note 5)	603,963		603,963	336,431
Deferred revenue	842		842	1,692
	616,422	-	616,422	355,759
NET ASSETS				
Unrestricted (Note 2)				
Undesignated	1,428,243		1,428,243	1,043,798
Board designated	869,725		869,725	841,184
Temporarily restricted (Note 7)		134,039	134,039	238,905
	2,297,968	134,039	2,432,007	2,123,887
TOTAL NET ASSETS	2,297,968	134,039	2,432,007	2,123,887
TOTAL LIABILITIES AND NET ASSETS	\$ 2,914,390	\$ 134,039	\$ 3,048,429	\$ 2,479,646

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

INNER CITY LAW CENTER

STATEMENT OF ACTIVITIES

For the year ended December 31, 2015

With comparative totals for the year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2015</u>	<u>2014</u>
REVENUE AND SUPPORT				
In-kind contributions (Note 2)	\$ 14,215,778	\$ -	\$ 14,215,778	\$ 9,957,331
Grants	1,287,000		1,287,000	1,151,239
Special events, net of expenses of \$85,052	1,080,038	6,625	1,086,663	710,149
Contributions	430,870	330,192	761,062	787,595
Legal fees	189,183		189,183	355,294
Interest and dividends	28,316		28,316	36,787
(Loss) on investments	(29,320)		(29,320)	(16,979)
Net assets released from program restrictions	441,683	(441,683)	-	-
TOTAL REVENUE AND SUPPORT	<u>17,643,548</u>	<u>(104,866)</u>	<u>17,538,682</u>	<u>12,981,416</u>
EXPENSES				
Program services	16,483,272		16,483,272	12,495,421
Management and general	427,905		427,905	372,069
Fundraising	319,385		319,385	286,389
TOTAL EXPENSES	<u>17,230,562</u>	<u>-</u>	<u>17,230,562</u>	<u>13,153,879</u>
CHANGE IN NET ASSETS	412,986	(104,866)	308,120	(172,463)
NET ASSETS, BEGINNING OF YEAR	<u>1,884,982</u>	<u>238,905</u>	<u>2,123,887</u>	<u>2,296,350</u>
NET ASSETS, END OF YEAR	<u>\$ 2,297,968</u>	<u>\$ 134,039</u>	<u>\$ 2,432,007</u>	<u>\$ 2,123,887</u>

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

INNER CITY LAW CENTER

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended December 31, 2015

With comparative totals for the year ended December 31, 2014

	Program Services	Management and General	Fundraising	2015	2014
Salaries	\$ 1,460,559	\$ 246,465	\$ 220,485	\$ 1,927,509	\$ 2,130,753
Employee benefits	218,297	45,952	52,097	316,346	318,380
Payroll taxes	125,365	18,620	16,861	160,846	168,974
Total personnel costs	1,804,221	311,037	289,443	2,404,701	2,618,107
In-kind expenses	14,215,778			14,215,778	9,957,331
Client legal expenses	101,616			101,616	145,506
Rent	80,842	8,379	5,779	95,000	101,503
Accounting and audit expenses	6,485	51,881	6,485	64,851	51,087
Depreciation	39,313	4,727	3,202	47,242	47,061
Professional services	29,987	12,342		42,329	16,791
Information technology	25,724	3,094	2,095	30,913	19,276
Equipment	23,863	2,870	1,944	28,677	28,336
Telephone	22,088	2,656	1,799	26,543	19,174
Travel	18,778	2,501	1,607	22,886	23,172
Insurance	17,493	2,104	1,425	21,022	19,101
Repair and maintenance	16,583	1,994	1,351	19,928	18,597
Training and conferences	11,166	7,600	1,048	19,814	9,777
Office and printing	13,270	1,596	1,081	15,947	14,186
Utilities	12,601	1,516	1,026	15,143	16,816
Postage and shipping	12,285	1,477	1,001	14,763	12,951
Meetings, outreach, and community education	12,433			12,433	3,203
Other expenses	578	11,480	99	12,157	10,039
Dues and publications	11,087			11,087	12,227
Client holiday event	7,081			7,081	2,731
Bank charges		501		501	6,628
Taxes and licenses		150		150	279
Total non-personnel costs	14,679,051	116,868	29,942	14,825,861	10,535,772
TOTAL 2015 FUNCTIONAL EXPENSES	\$ 16,483,272	\$ 427,905	\$ 319,385	\$ 17,230,562	
TOTAL 2014 FUNCTIONAL EXPENSES	\$ 12,495,421	\$ 372,069	\$ 286,389		\$ 13,153,879

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

INNER CITY LAW CENTER

STATEMENT OF CASH FLOWS

For the year ended December 31, 2015

With comparative totals for the year ended December 31, 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 308,120	\$ (172,463)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	47,242	47,061
Loss on investments	29,320	16,979
Reinvested interest and dividends	(28,316)	(36,787)
Changes in operating assets and liabilities:		
(Increase) in client's trust deposits	(237,494)	(7,436)
Decrease in accounts receivable	5,307	111,864
(Increase) decrease in grants receivable	(170,835)	47,192
(Increase) decrease in prepaid expenses	(17,119)	27,056
(Decrease) in accounts payable	(6,019)	(30,711)
Increase (decrease) in accrued liabilities	267,532	(61,642)
(Decrease) in deferred revenue	(850)	(15,750)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>196,888</u>	<u>(74,637)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(217,586)	(5,169)
Proceeds from sale of investments	224,726	99,962
Purchase of property and equipment	(19,378)	(6,060)
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(12,238)</u>	<u>88,733</u>
NET INCREASE IN CASH	184,650	14,096
CASH, BEGINNING OF YEAR	<u>324,284</u>	<u>310,188</u>
CASH, END OF YEAR	<u>\$ 508,934</u>	<u>\$ 324,284</u>

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

INNER CITY LAW CENTER

NOTES TO FINANCIAL STATEMENTS

1. Organization

Mission:

Since 1980, Inner City Law Center (“ICLC”) has provided legal services to the poorest and most vulnerable residents of Los Angeles. ICLC's mission is to ensure access to decent, safe and fully habitable housing for the enormous number of homeless and working poor families and individuals residing in Los Angeles' inner city neighborhoods. From its inception, housed in a rusty trailer behind a soup kitchen, ICLC has been guided by the fundamental principle that every person should always be treated with dignity and respect. ICLC is the only legal-services provider located on Skid Row in downtown Los Angeles, and its staff of 40 provides quality legal representation for people who have nowhere else to turn. ICLC fights for justice for low-income tenants, working poor families, veterans, people living with HIV/AIDS, immigrants, and people who are homeless or disabled.

Programs:

ICLC's five primary programs provide essential legal services to improve the lives, health, and prospects of individuals and families. ICLC's Healthy Homes Project combines outreach, education, tenant organizing, and litigation to address housing-related health hazards that threaten vulnerable, low-income tenants. ICLC's Homelessness Prevention Project defends low income families facing eviction from rental housing. ICLC's Homeless Veterans Project serves veterans who have one or more disabilities as a result of their military service, and who live without stable housing. ICLC's HIV/AIDS project provides legal services for low income people living with HIV/AIDS, helping these vulnerable clients fight discriminatory housing practices, maintain safe and affordable housing, and enroll in public benefits programs. ICLC's Policy Advocacy Project promotes policy changes to reduce systemic barriers to safe and affordable housing.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of ICLC are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted – Undesignated. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

continued

INNER CITY LAW CENTER

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Unrestricted – Board Designated. These accounts are comprised of resources which the Board of Directors has established as being designated for future program and cash flow resources. For purposes of complying with net asset accounting, this fund is included in unrestricted net assets at December 31, 2015.

Temporarily Restricted. ICLC reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit ICLC to expend all of the income (or other economic benefits) derived from the donated assets. ICLC had no permanently restricted net assets as of December 31, 2015.

Accounts Receivable

Accounts receivable are receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided. ICLC utilizes the direct write-off method with respect to its accounts receivable.

Investments

ICLC values its investments at fair value. Unrealized gains or losses (including investments bought, sold and held during the year) are reflected in the Statement of Activities as gain (loss) on investments. Short-term highly liquid certificate of deposits and money market deposits that are not used for operations are treated as investments.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

ICLC is required to measure certain investments and donated services at fair value. The specific techniques used to measure fair value for each element is described in the notes below that relate to each element.

continued

INNER CITY LAW CENTER

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Conditional promises to give are not included as support until the conditions are substantially met.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five hundred dollars and the useful life is greater than one year.

Clients' Trust Deposits

ICLC holds funds for its clients relating to settlements awarded by the courts and deposits held for filing and other fees. The balance of such accounts included as both an asset and a liability of ICLC because ICLC has a fiduciary responsibility to account for such funds. While such amounts are included in the financial statements, they are separate from the assets and liabilities of ICLC.

Donated Services

ICLC has received significant contributions of non-cash legal services. The number of hours donated by pro bono attorneys and volunteers meeting the requirement for recognition in the financial statements was more than 28,939 hours valued at \$14,215,778 (see Note 8). The fair value of donated services has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

Concentration of Credit Risks

ICLC places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. ICLC has not incurred losses related to these investments.

The primary receivable balance outstanding at December 31, 2015, consists of government contract receivables due from county, city, state, and federal granting agencies. Concentration of credit risks with respect to trade receivables are limited, as the majority of ICLC's receivables consist of earned fees from contract programs granted by governmental agencies.

INNER CITY LAW CENTER

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Concentration of Credit Risks, continued

ICLC holds investments in the form of short-term money market investments, certificates of deposit, and preferred securities. ICLC's decisions on its investment portfolio are governed by its investment policy and the performance is periodically reviewed by management. The investment policy is reviewed periodically and approved by the Board of Directors.

Income Taxes

ICLC is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all positions taken by ICLC in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. ICLC's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they filed.

Functional Allocation of Expenses

Costs of providing ICLC's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. ICLC uses full time equivalency to allocate indirect costs.

Use of 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 affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Comparative Totals

The 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 ICLC's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

INNER CITY LAW CENTER

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Subsequent Events

Management has evaluated subsequent events through March 17, 2016, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Investments

Significant information about investments is summarized as follows:

Mutual funds	\$717,384
Money market funds	<u>6,371</u>
	<u>\$723,755</u>

4. Property and Equipment

Property and equipment at December 31, 2015 consist of the following:

Leasehold improvements	\$ 868,933
Furniture and equipment	<u>175,520</u>
	1,044,453
Less: accumulated depreciation	<u>(340,951)</u>
	<u>\$ 703,502</u>

Depreciation expense for the year ended December 31, 2015 was \$47,242.

5. Accrued Liabilities

Accrued liabilities at December 31, 2015 consist of the following:

Client settlement trust accounts	\$412,470
Accrued vacation	74,483
Accrued salaries	59,622
Other accrued liabilities	<u>57,388</u>
	<u>\$603,963</u>

INNER CITY LAW CENTER

NOTES TO FINANCIAL STATEMENTS

6. Commitments and Contingencies

Obligations Under Operating Leases

ICLC leases various facilities under operating leases with various terms. Future minimum payments, not including payments on year-to-year leases, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ended December 31,</u>	
2016	\$50,994
2017	3,714
2018	<u>3,714</u>
	<u>\$58,422</u>

Rent expense under operating leases, which includes month-to-month leases, for the year ended December 31, 2015 was \$95,000.

The above maturities reflect rental agreements in effect as of December 31, 2015. ICLC continually renegotiates its lease agreements; therefore, future maturity amounts may change.

Contracts

ICLC's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, ICLC has no provisions for the possible disallowance of program costs on its financial statements.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2015 consist of the following:

Van Nuys Grant – CCF	\$ 37,500
Newman's Own Foundation	32,616
Rose Hills Foundation	32,616
The Ahmanson Foundation	19,176
Clients holiday party grants	10,006
The Durfee Foundation	<u>2,125</u>
	<u>\$134,039</u>

For the year ended December 31, 2015, net assets released from purpose restrictions were \$441,683.

INNER CITY LAW CENTER

NOTES TO FINANCIAL STATEMENTS

8. Fair Value Measurements

The table below presents the balances of assets measured at fair value at December 31, 2015 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual funds - Equities:				
Mutual Funds	\$ 52,119	\$ -	\$ -	\$ 52,119
Market Neutral	49,514			49,514
Fixed Income	49,057			49,057
Large Blend	35,813			35,813
Large Value	34,638			34,638
Large Growth	33,114			33,114
Foreign Large Group	21,466			21,466
Foreign Large Blend	19,043			19,043
Mid Cap Growth	18,891			18,891
Foreign Equities	15,291			15,291
Mid Cap Value	11,834			11,834
Small Blend	9,794			9,794
Emerging Markets	<u>7,625</u>			<u>7,625</u>
	<u>358,199</u>	<u>-</u>	<u>-</u>	<u>358,199</u>
Mutual funds - Bonds:				
Ultrashort Bond	73,822			73,822
Large Blend	60,224			60,224
Intermediate Term Bond	58,187			58,187
Multisector Bond	57,888			57,888
High Yield Bond	56,407			56,407
Nontraditional Bond	<u>52,657</u>			<u>52,657</u>
	<u>359,185</u>	<u>-</u>	<u>-</u>	<u>359,185</u>
	<u>\$717,384</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$717,384</u>

The fair values of preferred securities have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The table below presents transactions measured at fair value on a non-recurring basis during the year ended December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Donated services	<u>\$ -</u>	<u>\$14,215,778</u>	<u>\$ -</u>	<u>\$14,215,778</u>

The fair value of donated services has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

ADDITIONAL 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 *Government Auditing Standards***

To the Board of Directors
Inner City Law Center

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 Inner City Law Center, which comprise the Statement of Financial Position as of December 31, 2015, 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 March 17, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Inner City Law Center'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 Inner City Law Center's internal control. Accordingly, we do not express an opinion on the effectiveness of Inner City Law Center'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 Inner City Law Center'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 Inner City Law Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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***
continued

Purpose of this Report

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

Harrington Group

Pasadena, California
March 17, 2016