

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

**AUDITED FINANCIAL STATEMENTS AND
OFFICE OF MANAGEMENT AND BUDGET
CIRCULAR A-133 REPORTS**

**FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2013**

IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
 AUDITED FINANCIAL STATEMENTS AND
 OMB CIRCULAR A-133 REPORTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

TABLE OF CONTENTS

<u>Audited Financial Statements</u>	<u>Page</u>
Independent Auditor's Report	1-2
Statement of Financial Position.....	3
Statement of Activities	4
Statement of Functional Expense	5
Statement of Cash Flows	6
Notes to Financial Statements	7-11
<u>Supplementary Information</u>	
Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133.....	12
Schedule of Expenditures of Federal Awards.....	13
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	14-15
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	16-17
Schedule of Findings and Questioned Costs	18-20
Summary Schedule of Prior Year Audit Findings	21

INDEPENDENT AUDITOR'S REPORT

Board of Directors
California Foundation for Independent Living Centers
Sacramento, California

Report on Financial Statements

We have audited the accompanying financial statements of California Foundation for Independent Living Centers, which comprise the statement of financial position as of December 31, 2014, 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.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the California Foundation for Independent Living Centers' 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 California Foundation for Independent Living Centers' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Foundation for Independent Living Centers as of December 31, 2014, 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2015, on our consideration of California Foundation for Independent Living Centers' 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 California Foundation for Independent Living Centers' internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the California Foundation for Independent Living Centers' 2013 financial statements, and our report dated June 6, 2014, 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, 2013, is consistent, in all material respects, with the audited financial statements from which it was derived.



San Francisco, California
July 24, 2015

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

	2014	2013
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 142,634	\$ 149,018
Cash - Loan Guarantee Fund - AFP	871,057	865,847
Subtotal Cash	1,013,691	1,014,865
Grants and Contracts Receivable (Note B)	397,526	329,536
Other Receivables	2,483	963
Prepaid Expenses	8,415	13,315
Deposits	14,686	13,009
Total Current Assets	1,436,801	1,371,688
Fixed Assets:		
Furniture and Equipment less accumulated depreciation of \$115,910 (Note C)	3,476	12,079
TOTAL ASSETS	1,440,277	1,383,767
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	74,554	50,794
Accrued Liabilities	81,015	70,936
Line of Credit (Note E)	85,000	0
Deferred Revenue	4,909	61,000
Loan Guarantee Fund - AFP	865,000	865,000
Capital Lease Payable	1,994	7,633
Total Current Liabilities	1,112,472	1,055,363
Net Assets:		
Unrestricted	304,724	297,406
Temporarily Restricted	23,081	30,998
Total Net Assets	327,805	328,404
TOTAL LIABILITIES AND NET ASSETS	\$ 1,440,277	\$ 1,383,767

See notes to the financial statements

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014 WITH SUMMARIZED
COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013

	2014			2013
	Unrestricted	Temporarily Restricted	Total	Total
<u>PUBLIC SUPPORT AND REVENUES</u>				
Government Grant & Contract Revenue	\$ 1,508,473	0	\$ 1,508,473	\$ 1,367,390
Foundation & Corporate Grants	136,143	46,162	182,305	126,138
Individual Donations	27,338	0	27,338	26,013
Membership Dues	88,750	0	88,750	93,750
Conferences & Event Fees	24,772	0	24,772	27,374
Other Income	27,288	0	27,288	17,724
Net Assets released from restrictions	54,079	(54,079)	0	0
Total Support and Revenues	1,866,843	(7,917)	1,858,926	1,658,389
<u>EXPENSES</u>				
Program Services:				
System Change Network	388,473	0	388,473	363,369
Ability Tools	1,145,004	0	1,145,004	1,004,381
Youth Organizing	116,080	0	116,080	98,124
Membership	127,125	0	127,125	99,783
Management and General	52,439	0	52,439	70,298
Fundraising	27,439	0	27,439	28,340
Total Expenses	1,856,560	0	1,856,560	1,664,295
CHANGES IN NET ASSETS	10,283	(7,917)	2,366	(5,906)
Net Assets - Beginning of Year	297,406	30,998	328,404	337,275
Depreciation on Fixed Assets Purchased with Grant Funds	(2,965)	0	(2,965)	(2,965)
NET ASSETS - AT END OF YEAR	\$ 304,724	\$ 23,081	\$ 327,805	\$ 328,404

See notes to financial statements

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013

	2014						2014				2013 Total Expenses
	Program Services				Program Services Total		Management and General	Fundraising and Development	Supporting Services Total		
	System Change Network	Ability Tools	Youth Organizing	Membership	Program Services Total		Management and General	Fundraising and Development	Supporting Services Total	2014 Total Expenses	2013 Total Expenses
Salaries & Wages	\$ 215,568	\$ 442,557	\$ 53,177	\$ 66,030	\$ 777,332	\$	21,394	\$ 15,513	\$ 36,907	\$ 814,239	\$ 693,508
Payroll Taxes	19,317	39,728	5,082	8,167	72,294		1,998	1,320	3,318	75,612	64,222
Employee Benefits	27,178	57,860	4,896	7,961	97,895		4,039	1,363	5,402	103,297	100,703
Rent	43,197	80,201	7,031	5,841	136,270		2,587	3,137	5,724	141,994	135,988
Travel	15,423	33,665	9,763	1,934	60,785		5,746	1,922	7,668	68,453	61,995
Insurance	3,832	7,051	0	0	10,883		155	0	155	11,038	11,038
Conference & Conventions	12,087	870	7,269	4,586	24,812		1,950	776	2,726	27,538	23,549
Postage & Printing	4,718	13,322	3,982	3,297	25,319		2,684	650	3,334	28,653	19,105
Depreciation	1,990	1,330	0	1,130	4,450		1,188	0	1,188	5,638	10,859
Donations & Program Funding	0	297,372	16,004	5,206	318,582		0	0	0	318,582	250,953
Professional Fees	6,674	10,288	232	1,072	18,266		1,042	28	1,070	19,336	8,567
Advertising	0	195	0	1,650	1,845		0	0	0	1,845	959
Supplies	1,891	3,877	2,302	3,158	11,228		1,784	42	1,826	13,054	50,742
Consultants/Outside Services	3,041	110,943	4,361	7,702	126,047		6,194	1,365	7,559	133,606	127,406
Repairs & Maintenance	8,255	14,450	0	0	22,705		0	0	0	22,705	15,539
Accommodations	5,847	2,436	230	562	9,075		288	0	288	9,363	28,058
Telephone & Internet	8,809	19,536	54	148	28,547		196	619	815	29,362	30,006
Staff Development	8,382	7,015	887	1,371	17,655		921	0	921	18,576	20,451
Dues & Subscriptions	2,264	595	279	7,271	10,409		0	0	0	10,409	7,304
Interest & Bank Charges	0	1,713	531	39	2,283		273	704	977	3,260	3,343
TOTAL EXPENSES	\$ 388,473	\$ 1,145,004	\$ 116,080	\$ 127,125	\$ 1,776,682	\$	52,439	\$ 27,439	\$ 79,878	\$ 1,856,560	\$ 1,664,295

See notes to financial statements

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 2,366	\$ (5,906)
<i>Adjustments to reconcile change to net operating cash flows:</i>		
Depreciation	5,638	10,859
<i>Decrease/(increase) in assets:</i>		
Grants and Contracts Receivable	(67,990)	2,568
Other Receivables	(1,520)	(271)
Prepaid Expenses	4,900	3,468
Deposits	(1,677)	(509)
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	23,760	(18,491)
Accrued Liabilities	10,079	968
Deferred Revenue	(56,091)	61,000
Net Cash Provided/(Used) by Operating Activities	<u>(80,535)</u>	<u>53,686</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan Guarantee	0	865,000
Proceeds from Line of Credit	85,000	0
Principal Payments on Capital Lease	(5,639)	(10,345)
Net Cash Provided/(Used) by Investing Activities	<u>79,361</u>	<u>854,655</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,174)	908,341
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>1,014,865</u>	<u>106,524</u>
END OF YEAR	<u>\$ 1,013,691</u>	<u>\$ 1,014,865</u>

See notes to financial statements

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

California Foundation for Independent Living Centers (“the Foundation”) is a nonprofit organization which supports member California Independent Living Centers in advocating for systems change and in creating access and integration for people with disabilities in their community. The Foundation receives a majority of its revenue through contracts from the State of California Department of Rehabilitation.

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting. Revenue is recognized when earned and expenses are recognized when incurred.

Basis of Presentation

The Foundation’s financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, “*Financial Statements of Not-for-Profit Organizations.*” The Foundation has reported as required 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.

Tax Status

The Foundation is an exempt organization under Internal Revenue Service Code 501(c)(3) and California Franchise Tax Board code section 23701(d). No provision for income taxes has been made. Management believes the Foundation has no uncertain tax positions as of December 31, 2014.

Estimates

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

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Foundation considers all cash and time certificates of deposit to be cash equivalents.

Grants and Contracts Receivable/Other Receivable

The Foundation considers grants and contracts receivable and other receivable to be fully collectible; accordingly no allowance for doubtful accounts is required. Receivables are determined to be past due based on contractual terms. Substantially all receivables are due from governmental entities.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fixed Assets

Acquisition of property and equipment are capitalized at cost and depreciated over the life of the asset using the straight-line method.

Fixed assets purchased with restricted grants are recorded as expenses in the year of acquisition in accordance with the grantor's funding terms and conditions. State funding sources maintain equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State has a revisionary interest in those assets purchased with its funds.

Revenue Recognition

Contributions are reported in accordance with Statement of Financial Accounting Standards, *Accounting for Contributions Received and Contributions Made*. Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the nature of donor restrictions and depending on whether the restrictions are met in the current period. Restricted contributions are reported as increases in unrestricted net assets if the restrictions have been met in the current fiscal period. If the restriction has not been met by fiscal year end, the amount is reported as an increase in temporarily or permanently restricted net assets. When the restriction is finally met on a contribution received in a prior fiscal period, the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total but not by classification of revenue, expenses, functional expenses, and net assets. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

Reclassification

Certain reclassifications have been made to the 2013 financial statement presentation to correspond to the current year's format. Total net assets and net income are unchanged due to these reclassifications.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note B: GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable as of December 31, 2014 consist of the following:

DoR Contracts:	
Ability Tools	\$ 248,532
SC Network	89,827
California Emerging Technology Fund	59,167
Total	<u>\$ 397,526</u>

Note C: FIXED ASSETS

Fixed Assets are recorded at cost and depreciated using the straight-line method over estimated useful lives. Property and equipment as of December 31, 2014 are as follows:

Furniture and Equipment	\$ 119,386
Less: Accumulated Depreciation	<u>(115,910)</u>
Total	<u>\$ 3,476</u>

Depreciation expense for the year ended December 31, 2014 was \$5,638.

Note D: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent donations or grants awarded to the Foundation for which expenditures have not been incurred or for which a donor stipulation has not been met. For the year ended December 31, 2014, temporarily restricted net assets consist of the following:

YO!	\$ 4,800
DCAD	18,281
Total	<u>\$ 23,081</u>

Note E: LOAN GUARANTEE FUND - AFP

CFILC received an award of \$993,000 from U.S. Department of Education to establish and administer an Alternative Finance Program (AFP) for Assistive Technology (AT). Many individuals with disabilities do not have the private financial resources to purchase the Assistive Technology (AT) they need. The purpose of this program is to provide an alternative financing option and related financial services to enhance access to AT and assist individuals in achieving maximum independence and self-sufficiency. Individuals of all income levels are eligible for loans however; the program will focus on the needs of low to middle income persons with disabilities throughout the state who would not otherwise qualify for a traditional bank loan. Of the total award, \$865,000 is held in deposit at National Cooperative Bank and is restricted for use to guarantee loans made through this program.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note F: LINE OF CREDIT

The Foundation established a \$100,000 unsecured line of credit with a local bank. The unpaid principal balance will bear interest at an annual rate equal to the 30 day LIBOR rate plus 4.00%. The maturity date of the line of credit is January 20, 2015. At December 31, 2014, the outstanding balance on the line of credit was \$85,000.

Note G: LEASES

The Foundation had an operating lease for office space beginning on May 1, 2010, for 63 months terminating on July 31, 2015, with one (1) five (5) year option to renew the lease. Rental expense for the office leases during the year amounted to \$112,675.

Future minimum operating lease payments that have remaining terms in excess of one year as of December 31, 2014 are as follows:

December 31, 2015	\$	65,800
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The Foundation also leases office equipment under capital leases. The economic substance of the leases is that the Foundation is financing the acquisition of the assets through the leases, and, accordingly, they are recorded in the Foundation's assets and liabilities. The leases also contain bargain purchase options at the end of the lease term.

The following is an analysis of the leased assets included in Fixed Assets:

Telephone System	\$	40,247
Projectors and Screen		21,759
Computers, Monitors, & Server		<u>42,557</u>
Subtotal		104,563
Less: Accumulated Depreciation		<u>(102,569)</u>
Capital Lease Fixed Assets	\$	<u>1,994</u>

The following is a schedule by years of future minimum payments required under the leases together with their present value as of December 31, 2014:

Year ending,		
December 31, 2015	\$	2,042
Less: Amount representing interest		<u>(48)</u>
Present value of minimum lease payments	\$	<u>1,994</u>

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Note H: SUBSEQUENT EVENTS

The Foundation's management has evaluated its subsequent events through July 24, 2015, the date the financial statements were available to be issued.

As of the audit report date, CFILC determined not to renew the office lease noted in Note G, and is in the process of negotiating a lease for new office space.

OTHER SUPPLEMENTARY INFORMATION

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

Board of Directors

California Foundation for Independent Living Centers
Sacramento, California

We have audited the financial statements of California Foundation for Independent Living Centers as of and for the year ended December 31, 2014, and have issued our report thereon dated July 24, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 their 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Isabel Bernaciak - Company

San Francisco, California
July 24, 2015

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Grant Number	Expenditures
U.S. Department of Education			
Direct:			
Assistive Technology Alternative Financing Program, Freedom Tech Low-Interest Loan Program	84.224D	H224D120009	\$ <u>82,714</u>
Pass-through programs from:			
State of California, Department of Rehabilitation, Independent Living State Grants:			
System Change Network	84.169A	28773-1	291,865
System Change Network	84.169A	28773-2	<u>96,606</u>
Subtotal CFDA # 84.169A			<u>388,471</u>
Assistive Technology	84.224A	28634-AT	<u>824,266</u>
Subtotal CFDA # 84.224A			<u>824,266</u>
Total U.S. Department of Education			<u>1,295,451</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,295,451</u>

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the cost reimbursement contract activity of the California Foundation for Independent Living Centers and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**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**

Board of Directors
California Foundation for Independent Living Centers
Sacramento, California

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 California Foundation for Independent Living Centers, which comprise the statement of financial position as of December 31, 2014, 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 July 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control.

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

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

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies – Finding 2014-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2014-001.

Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



San Francisco, California

July 24, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Board of Directors
California Foundation for Independent Living Centers
Sacramento, California

Report on Compliance for Each Major Federal Program

We have audited California Foundation for Independent Living Centers' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of California Foundation for Independent Living Centers' major federal programs for the year ended December 31, 2014. California Foundation for Independent Living Centers' 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 the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of California Foundation for Independent Living Centers' 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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about California Foundation for Independent Living Centers' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major program. However, our audit does not provide a legal determination of California Foundation for Independent Living Centers' compliance.

Opinion on Each Major Federal Program

In our opinion, California Foundation for Independent Living Centers 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 December 31, 2014.

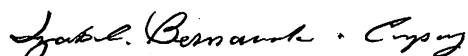
Report on Internal Control Over Compliance

Management of California Foundation for Independent Living Centers 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 California Foundation for Independent Living Centers' internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of California Foundation for Independent Living Centers' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements 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 deficiencies, significant deficiencies, or material weaknesses. 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 *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.



San Francisco, California
July 24, 2015

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

A. SUMMARY OF AUDITOR'S RESULTS	
<i>Financial Statements</i>	
1. Type of Financial Statement Report	UNMODIFIED
2. Internal Control over Financial Reporting: Material Weakness(es) Identified Significant Deficiency(ies) Identified	NONE 2014-001
3. Noncompliance Disclosed by Audit Which is Material to Financial Statements	NONE
<i>Federal Awards</i>	
1. Internal Control Over Major Programs: Material Weakness(es) Identified Significant Deficiency(ies) Identified	NONE NONE REPORTED
2. Type of Compliance Report Major Programs	UNMODIFIED
3. OMB A-133 Subpart E.510a Audit Finding Disclosed by Audit	NONE REPORTED
4. Major Programs:	84.224 Cluster: 84.224A – Assistive Technology 84.224D – AT-Alternative Financing Program
5. Dollar Threshold for Type A Programs	\$300,000
6. Auditee Qualification	LOW RISK
B. Findings Relating to the Financial Statements Which Are Required to Be Reported in Accordance with GAGAS	2014-001
C. Findings and Questioned Costs for Federal Awards Including Audit Findings Defined in OMB A-133 Subpart E.510a	NONE REPORTED

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

Finding – Financial Statement Audit

Significant Deficiency

Finding 2014-001

Improve Internal Controls over Journal Entries

Criteria:

Internal control should be in place to ensure the propriety or completeness of journal entries.

Condition:

During our audit, we recommended 10 adjusting journal entries. The effect of such entries were to decrease net income and net assets by approximately by \$11,000, respectively.

Our review of the general journal entries revealed that many entries lacked proper approval and review by a responsible employee, which resulted in errors in the following accounts: Cash, Accounts Receivable, Deferred Revenue, Salaries Expense, and Capital Asset Purchases.

Questioned Costs:

None.

Cause:

There are not effective processes in place to ensure journal entries are properly prepared, supported, approved, and monitored.

Effect:

These issues can cause the financial statement amounts to be misstated and/or not properly supported.

Recommendation:

We recommend that management develop and follow effective policies and procedures that ensure that the proper preparation of journal entry forms, strengthen controls over the journal entry review and approval process to ensure that all journal entries are complete accurate, properly supported and approved prior to posting in the general ledger; and ensure that all routine or recurring journal entries are properly prepared and posted each month and that all journal entries are properly maintained.

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

Management's Response:

CFILC acknowledges the deficiency described. As a result we are adding a General Ledger Accounting Control Procedure. We are confident that by following our existing and enhanced control procedures we will have the proper controls in place to ensure entries are prepared, allocated to correct general ledger accounts and posted on monthly basis with supporting documentation and approval.

CFILC has also added the following to Accounting Controls Procedures:

General Ledger Journal Entries

Journal Spread Sheets will be prepared for recurring and routine entries into the MIP fund accounting software by the Bookkeeper on a monthly basis. These will be reviewed with supporting documentation by the Administrative and Accounting Director who will enter them directly into MIP. If the Journal entries are related to direct program expenses the documentation will be signed by the management level staff overseeing the specific program, and the Executive Director. If the Entry is related to CFILC General Fund or Indirect Costs then it will be signed by the Administrative and Accounting Director and the Executive Director.

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014**

There were no prior year audit findings.