

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, 2011
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2010**

**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, 2011**

TABLE OF CONTENTS

<u>Audited Financial Statements</u>	<u>Page</u>
Independent Auditors' Report.....	1
Statement of Financial Position.....	2
Statement of Activities.....	3
Statement of Functional Expense.....	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6-10
<u>Supplementary Information</u>	
Independent Auditors' Report on Schedule of Expenditures Of Federal Awards.....	11
Schedule of Expenditures of Federal Awards.....	12
Report on Internal Control Over Financial Reporting And on Compliance Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	13-14
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	15-16
Schedule of Findings and Questioned Costs.....	17
Summary Schedule of Prior Year Audit Findings.....	18

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of financial position of California Foundation for Independent Living Centers as of December 31, 2011 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of California Foundation for Independent Living Centers' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's 2010 financial statements and, in the report dated July 26, 2011 we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provide a reasonable basis for our 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, 2011 and the changes in net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Accounting Standards*, we have also issued a report dated June 22, 2012 on our consideration of California Foundation for Independent Living Centers' 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 considered in assessing the results of our audit.



San Francisco, California
June 22, 2012

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2011

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010

	2011	2010
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 233,280	\$ 2,477
Grants and Contracts Receivable (Note B)	449,306	530,282
Other Receivables	7,239	24,840
Prepaid Expenses	14,487	10,611
Deposits	12,173	13,677
Total Current Assets	716,485	581,887
Fixed Assets:		
Furniture and Equipment less accumulated depreciation of \$311,583 (Note C)	64,123	99,014
TOTAL ASSETS	\$ 780,608	\$ 680,901
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 130,282	\$ 95,264
Accrued Liabilities	93,339	98,794
Line of Credit (Note E)	95,000	0
Deferred Revenue (Note D)	69,761	95,056
Current portion of Capital Lease Payable	38,307	38,307
Total Current Liabilities	426,689	327,421
Long-Term Liabilities:		
Capital Lease Payable	52,005	82,704
Less: Current portion of Capital Lease Payable	(38,307)	(38,307)
Total Long-Term Liabilities	13,698	44,397
Total Liabilities	440,387	371,818
Net Assets:		
Unrestricted	340,221	309,083
Temporarily Restricted	0	0
Total Net Assets	340,221	309,083
TOTAL LIABILITIES AND NET ASSETS	\$ 780,608	\$ 680,901

See notes to the financial statements

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF ACTIVITIES**

FOR THE YEAR ENDED DECEMBER 31, 2011

WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>2011</u>			<u>2010</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<u>PUBLIC SUPPORT AND REVENUES</u>				
Government Contract Revenue	\$ 2,165,614	0	\$ 2,165,614	\$ 2,183,799
Contributions and Grants	66,029	0	66,029	257,099
Membership Dues	97,868	0	97,868	90,541
Conference Fees	20,155	0	20,155	37,353
Other Income	14,378	0	14,378	7,674
Net Assets released from restrictions	0	0	0	0
Total Support and Revenues	<u>2,364,044</u>	<u>0</u>	<u>2,364,044</u>	<u>2,576,466</u>
<u>EXPENSES</u>				
System Change Network	708,639	0	708,639	770,744
Assistive Tech Network	1,219,374	0	1,219,374	1,203,635
Youth Organizing	209,298	0	209,298	210,000
Consumers Settlement Fund	30,567	0	30,567	240,935
Membership	44,445	0	44,445	75,891
Management and General	65,598	0	65,598	32,319
Fundraising	52,020	0	52,020	24,003
Total Expenses	<u>2,329,941</u>	<u>0</u>	<u>2,329,941</u>	<u>2,557,527</u>
CHANGES IN NET ASSETS	34,103	0	34,103	18,939
Net Assets - Beginning of Year	309,083	0	309,083	276,803
Fixed Assets Purchased with Grant Funds	0	0	0	13,341
Depreciation on Fixed Assets Purchased with Grant Funds	(2,965)	0	(2,965)	0
NET ASSETS - AT END OF YEAR	<u>\$ 340,221</u>	<u>\$ 0</u>	<u>\$ 340,221</u>	<u>\$ 309,083</u>

See notes to financial statements

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2010

	2011						2010 Total Expenses	2010 Total Expenses		
	Program Services			Supporting Services						
System Change Network	Assistive Tech Network	Youth Organizing	Consumers Settlement Fund	Membership	Program Services Total	Management and General	Fund Raising	Supporting Services Total	2011 Total Expenses	2010 Total Expenses
Salaries & Wages	\$ 333,715	\$ 340,377	\$ 75,751	\$ 0	\$ 2,559	\$ 752,402	\$ 0	\$ 26,400	\$ 778,802	\$ 750,206
Payroll Taxes	29,390	29,735	7,884	0	2,829	69,838	2,470	2,193	74,501	59,743
Fringe Benefits	35,489	41,129	11,085	0	2,956	90,659	6,959	1,897	99,515	87,319
Rent	66,827	70,547	3,431	208	89	141,102	27	3,658	144,787	157,746
Travel	22,530	30,153	7,603	1,913	979	63,178	1,424	6,204	70,806	99,152
Insurance	3,773	3,683	0	19	0	7,475	0	415	7,890	9,080
Conference & Conventions	963	1,518	163	0	13,219	15,863	854	4,868	21,585	36,166
Postage & Printing	7,923	20,678	4,525	0	63	33,189	312	302	33,803	31,584
Depreciation	9,449	16,256	2,864	407	592	29,568	1,664	693	31,925	25,780
Donations	0	391,628	259	25,000	0	416,887	0	0	416,887	480,819
Professional Fees	7,082	11,443	857	986	0	20,368	17,576	200	38,144	48,807
Advertising	0	550	0	0	0	550	250	0	800	1,817
Supplies	6,123	6,710	4,444	0	797	18,074	26,164	748	44,986	69,582
Consultants	144,514	210,861	80,205	0	18,000	453,580	272	4,256	458,108	547,851
Repairs & Maintenance	7,110	8,163	997	23	0	16,293	816	0	17,109	16,989
Accommodations	4,772	10,156	2,562	0	0	17,490	199	0	17,689	36,237
Telephone	20,055	17,194	4,921	2,011	1,834	46,015	243	0	46,258	55,866
Staff Development	4,304	758	519	0	0	5,581	0	0	5,581	30,233
Dues & Subscriptions	1,527	750	854	0	0	3,131	5,524	0	8,655	10,690
Miscellaneous	2,991	3,915	0	0	0	6,906	(248)	0	6,658	42
Interest	102	3,170	374	0	528	4,174	1,092	186	5,452	1,818
TOTAL EXPENSES	\$ 708,639	\$ 1,219,374	\$ 209,298	\$ 30,567	\$ 44,445	\$ 2,212,323	\$ 65,598	\$ 52,020	\$ 2,329,941	\$ 2,557,527

See notes to financial statements

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2011
WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 34,103	\$ 18,939
Fixed Assets Purchased with Grant Funds	0	14,824
<i>Adjustments to reconcile change to net operating cash flows:</i>		
Depreciation	31,925	25,780
<i>Decrease/(increase) in assets:</i>		
Grants and Contracts Receivable	80,976	(325,238)
Other Receivables	17,601	190
Prepaid Expenses	(3,876)	(2,204)
Deposits	1,504	6,945
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	35,018	(25,463)
Accrued Liabilities	(5,455)	44,244
Deferred Revenue	(25,295)	58,743
Lease Payable	0	0
Net Cash Provided by Operating Activities	166,501	(183,240)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Asset Acquisitions	0	(119,386)
Net Cash Used by Investing Activities	0	(119,386)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Line of Credit	95,000	0
Capital Lease Obligation	0	104,563
Principal Payments on Capital Lease	(30,698)	(23,662)
Net Cash Used by Investing Activities	64,302	80,901
Net Increase/(Decrease) in Cash and Cash Equivalents	230,803	(221,725)
CASH AND CASH EQUIVALENTS		
Beginning of year	2,477	224,202
END OF YEAR	\$ 233,280	\$ 2,477

See notes to financial statements

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011.

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, 2011

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, 2010, from which the summarized information was derived.

Note B: GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable as of December 31, 2011 consist of the following:

VIIB – Diversity	\$ 53,730
DoR Grants	88,899
DoR Contracts	284,625
Government Grants	22,052
Total	\$ <u>449,306</u>

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011 are as follows:

Furniture and Equipment		\$	375,706
Less: Accumulated Depreciation			<u>(311,583)</u>
Total		\$	<u>64,123</u>

Depreciation expense for the year ended December 31, 2011 was \$31,925.

Note D: DEFERRED REVENUE

Deferred revenue represents the excess of receipts over expenditures for the year ended December 31, 2011 to be expended in future periods and consists of the following:

CAP Action Day		\$	37,734
Other			<u>32,027</u>
Total		\$	<u>69,761</u>

Note E: 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 prime rate plus 1.25%. The maturity date of the line of credit is October 20, 2012. At December 31, 2011, the outstanding balance on the line of credit was \$95,000.

Note F: CONDITIONAL GRANT

The Foundation received a \$500,000 30-month grant during 2008 to increase access to food pantries and other emergency food distribution sites for lower income individuals with disabilities in California. The grantor has conditioned future payments on satisfactory progress on achieving the goals of the grant, as well as various administrative requirements. In addition, \$200,000 of the grant is to be distributed to food banks and local partners only upon approval by the grantor.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

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 \$108,847.

Future minimum operating lease payments that have remaining terms in excess of one year as of December 31, 2011 are as follows:

December 31, 2012	\$	105,050
December 31, 2013		108,050
December 31, 2014		111,050
December 31, 2015		65,800
Total	\$	<u>389,950</u>

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		42,557
Subtotal		<u>104,563</u>
Less: Accumulated Depreciation		<u>(52,583)</u>
Capital Lease Fixed Assets	\$	<u>52,005</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, 2011:

Year ending,		
December 31, 2012	\$	38,307
December 31, 2013		12,421
December 31, 2014		6,409
December 31, 2015		1,602
Total minimum lease payments		<u>58,739</u>
Less: Amount representing interest		<u>(6,734)</u>
Present value of minimum lease payments	\$	<u>52,005</u>

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Note H: SUBSEQUENT EVENTS

The Foundation's management has evaluated its subsequent events through June 22, 2012, the date the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the general purpose financial statements of California Foundation for Independent Living Centers for the year ended December 31, 2011, and have issued our report thereon dated June 22, 2012. These general purpose financial statements are the responsibility of California Foundation for Independent Living Centers' management. 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, *Government Auditing Standards* and Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. 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 in accordance with these standards includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of California Foundation for Independent Living Centers taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



San Francisco, California
June 22, 2012

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Grantor Number	Expenditures
U.S. Department of Education			
Pass-through programs from:			
State of California, Department of Rehabilitation, Independent Living State Grants:			
System Change Network	84.169A	27328	\$ 431,758
Technical Assistance	84.169A	28184	4,000
Diversity Leadership Institute	84.169A	27356	78,234
Subtotal CFDA # 84.169A			<u>513,992</u>
Independent Living State Grants, Recovery Act:			
ARRA - Youth Outreach and Transition Program	84.398A	27581A	164,742
ARRA - Public Policy Grant	84.398A	27589A	63,257
ARRA - Training and Technical Assistance	84.398A	27589A	122,409
Subtotal CFDA # 84.398A			<u>350,408</u>
Assistive Technology	84.224A	27585-AT	<u>985,038</u>
Total U.S. Department of Education			<u>1,849,438</u>
U.S. Department of Health and Human Services			
Pass-through programs from:			
San Diego State University, Research Foundation California Health Incentives Improvement Project			
	93.768	55655B P2699 7804213	<u>97,484</u>
Total U.S. Department of Health and Human Services			<u>97,484</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,946,922</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.

**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 the financial statements of California Foundation for Independent Living Centers as of and for the year ended December 31, 2011 and have issued our report thereon dated June 22, 2012. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered California Foundation for Independent Living Centers' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of California Foundation for Independent Living Centers' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of California Foundation for Independent Living Centers' internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether California Foundation for Independent Living Centers' 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Directors, federal awarding agencies and pass-through entities and is not intended and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Isabel Bernick" followed by a flourish.

San Francisco, California
June 22, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR 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

Compliance

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, 2011. 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. Compliance with the requirements of law, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of California Foundation for Independent Living Centers' management. Our responsibility is to express an opinion on California Foundation for Independent Living Centers' compliance based on our audit.

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. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about 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. Our audit does not provide a legal determination of California Foundation for Independent Living Centers' compliance with those requirements.

In our opinion, California Foundation for Independent Living Centers complied, in all material respects, with the 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, 2011.

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 requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered California Foundation for Independent Living Centers' internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 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.

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*, as defined above.

This report is intended solely for the information and use of management, Board of Directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "James Bernard".

San Francisco, California
June 22, 2012

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

A. SUMMARY OF AUDITOR'S RESULTS	
1. Type of Financial Statement Report	UNQUALIFIED
2. Significant Deficiencies in Internal Control Disclosed by Audit of Financial Statements	NONE
3. Noncompliance Disclosed by Audit Which Is Material to Financial Statements	NONE
4. Significant Deficiencies in Internal Control over Major Programs Disclosed by Audit	NONE
5. Type of Compliance Report Major Programs	UNQUALIFIED
6. OMB A-133 Subpart E.510a Audit Finding Disclosed by Audit	NONE
7. Major Programs:	Cluster: 84.169A Independent Living State Grants 84.398A ARRA - Independent Living State Grants
8. Dollar Threshold for Type A Programs	\$300,000
9. Auditee Qualification	LOW RISK
B. Findings Relating to the Financial Statements Which Are Required to Be Reported in Accordance with GAGAS	NONE
C. Findings and Questioned Costs for Federal Awards Including Audit Findings Defined in OMB A-133 Subpart E.510a	NONE

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2011**

There were no prior year audit findings.