

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, 2012
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2011**

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, 2012**

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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, 2012, 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, 2012, 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 May 16, 2013, 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.

San Francisco, California
May 16, 2013

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

	2012	2011
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 106,524	\$ 233,280
Grants and Contracts Receivable (Note B)	332,104	449,306
Other Receivables	692	7,239
Prepaid Expenses	16,783	14,487
Deposits	12,500	12,173
Total Current Assets	468,603	716,485
Fixed Assets:		
Furniture and Equipment less accumulated depreciation of \$349,803 (Note C)	25,903	64,123
TOTAL ASSETS	\$ 494,506	\$ 780,608
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 69,285	\$ 130,282
Accrued Liabilities	69,968	93,339
Line of Credit (Note E)	0	95,000
Deferred Revenue (Note D)	0	69,761
Current portion of Capital Lease Payable	12,421	38,307
Total Current Liabilities	151,674	426,689
Long-Term Liabilities:		
Capital Lease Payable	17,978	52,005
Less: Current portion of Capital Lease Payable	(12,421)	(38,307)
Total Long-Term Liabilities	5,557	13,698
Total Liabilities	157,231	440,387
Net Assets:		
Unrestricted	303,496	340,221
Temporarily Restricted	33,779	0
Total Net Assets	337,275	340,221
TOTAL LIABILITIES AND NET ASSETS	\$ 494,506	\$ 780,608

See notes to the financial statements

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011

	<u>2012</u>			<u>2011</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
<u>PUBLIC SUPPORT AND REVENUES</u>				
Government Grant & Contract Revenue	\$ 1,538,124	0	\$ 1,538,124	\$ 2,165,614
Foundation & Corporate Grants	22,715	25,872	48,587	37,422
Individual Donations	66,302	2,883	69,185	28,607
Membership Dues	92,500	0	92,500	97,868
Conferences & Event Fees	16,820	1,000	17,820	16,195
Other Income	25,938	4,024	29,962	18,338
Net Assets released from restrictions	0	0	0	0
Total Support and Revenues	<u>1,762,399</u>	<u>33,779</u>	<u>1,796,178</u>	<u>2,364,044</u>
<u>EXPENSES</u>				
System Change Network	413,909	0	413,909	708,639
Assistive Tech Network	1,062,581	0	1,062,581	1,219,374
Youth Organizing	105,949	0	105,949	209,298
Consumers Settlement Fund	0	0	0	30,567
Membership	95,493	0	95,493	44,445
Management and General	86,821	0	86,821	65,598
Fundraising	31,406	0	31,406	52,020
Total Expenses	<u>1,796,159</u>	<u>0</u>	<u>1,796,159</u>	<u>2,329,941</u>
CHANGES IN NET ASSETS	(33,760)	33,779	19	34,103
Net Assets - Beginning of Year	340,221	0	340,221	309,083
Depreciation on Fixed Assets Purchased with Grant Funds	<u>(2,965)</u>	<u>0</u>	<u>(2,965)</u>	<u>(2,965)</u>
NET ASSETS - AT END OF YEAR	<u>\$ 303,496</u>	<u>\$ 33,779</u>	<u>\$ 337,275</u>	<u>\$ 340,221</u>

See notes to financial statements

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011

	2012										2011 Total Expenses
	Program Services					Supporting Services					
	System Change Network	Assistive Tech Network	Youth Organizing	Membership	Program Services Total	Management and General	Fundraising and Development	Supporting Services Total	2012 Total Expenses	2011 Total Expenses	
Salaries & Wages	\$ 239,484	\$ 376,108	\$ 48,357	\$ 52,280	\$ 716,229	\$ 13,105	\$ 13,807	\$ 26,912	\$ 743,141	\$ 778,802	
Payroll Taxes	21,549	32,464	4,381	5,502	63,896	658	1,310	1,968	65,864	74,501	
Employee Benefits	28,743	50,901	6,764	4,182	90,590	1,098	1,159	2,257	92,847	99,515	
Rent	43,949	63,154	7,123	4,332	118,558	12,496	2,587	15,083	133,641	144,787	
Travel	15,100	19,100	4,701	801	39,702	13,850	5,746	19,596	59,298	70,806	
Insurance	2,923	5,084	576	114	8,697	247	0	247	8,944	7,890	
Conference & Conventions	2,203	758	1,579	7,002	11,542	8,156	1,950	10,106	21,648	21,585	
Postage & Printing	1,343	9,496	4,578	719	16,136	973	421	1,394	17,530	33,803	
Depreciation	8,049	20,805	2,467	2,048	33,369	1,886	0	1,886	35,255	31,925	
Donations & Program Funding	0	333,308	0	0	333,308	0	0	0	333,308	416,887	
Professional Fees	6,654	5,925	1,571	3,599	17,749	6,630	72	6,702	24,451	38,144	
Advertising	125	250	(55)	0	320	0	0	0	320	800	
Supplies	2,176	21,170	2,738	1,854	27,938	6,528	1,852	8,380	36,318	44,986	
Consultants/Outside Services	20,316	89,317	15,448	10,473	135,554	16,128	1,961	18,089	153,643	458,108	
Repairs & Maintenance	5,289	7,965	173	546	13,973	1,177	0	1,177	15,150	17,109	
Accommodations	1,355	6,088	1,263	150	8,856	1,168	392	1,560	10,416	17,689	
Telephone & Internet	12,318	16,828	3,419	642	33,207	627	62	689	33,896	46,258	
Staff Development	291	2,752	189	281	3,513	607	0	607	4,120	5,581	
Dues & Subscriptions	1,903	555	0	573	3,031	1,237	0	1,237	4,268	8,655	
Interest & Bank Charges	139	553	677	395	1,764	250	87	337	2,101	5,452	
Miscellaneous	0	0	0	0	0	0	0	0	0	6,658	
TOTAL EXPENSES	\$ 413,909	\$ 1,062,581	\$ 105,949	\$ 95,493	\$ 1,677,932	\$ 86,821	\$ 31,406	\$ 118,227	\$ 1,796,159	\$ 2,329,941	

See notes to financial statements

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 19	\$ 34,103
<i>Adjustments to reconcile change to net operating cash flows:</i>		
Depreciation	35,255	31,925
<i>Decrease/(increase) in assets:</i>		
Grants and Contracts Receivable	117,202	80,976
Other Receivables	6,547	17,601
Prepaid Expenses	(2,296)	(3,876)
Deposits	(327)	1,504
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	(60,997)	35,018
Accrued Liabilities	(23,371)	(5,455)
Deferred Revenue	(69,761)	(25,295)
Net Cash Provided by Operating Activities	2,271	166,501
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Line of Credit	0	95,000
Payments to Line of Credit	(95,000)	0
Principal Payments on Capital Lease	(34,027)	(30,698)
Net Cash Used by Investing Activities	(129,027)	64,302
Net Increase/(Decrease) in Cash and Cash Equivalents	(126,756)	230,803
CASH AND CASH EQUIVALENTS		
Beginning of year	233,280	2,477
END OF YEAR	\$ 106,524	\$ 233,280

See notes to financial statements

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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, 2012.

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, 2012

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, 2011, from which the summarized information was derived.

Reclassification

Certain reclassifications have been made to the 2011 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, 2012

Note B: GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable as of December 31, 2012 consist of the following:

DoR Grants	\$	15,332
DoR Contracts		298,849
Government Grants		<u>17,923</u>
Total	\$	<u>332,104</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, 2012 are as follows:

Furniture and Equipment	\$	375,706
Less: Accumulated Depreciation		<u>(349,803)</u>
Total	\$	<u>25,903</u>

Depreciation expense for the year ended December 31, 2012 was \$35,255.

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, 2012, temporarily restricted net assets consist of the following:

YO!	\$	19,483
DCAD		9,272
Other		<u>5,024</u>
Total	\$	<u>33,779</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 30 day LIBOR rate plus 4.00%. The maturity date of the line of credit is January 20, 2014. At December 31, 2012, the outstanding balance on the line of credit was \$0.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Note F: 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 \$115,118.

Future minimum operating lease payments that have remaining terms in excess of one year as of December 31, 2012 are as follows:

December 31, 2013	\$	108,050
December 31, 2014		111,050
December 31, 2015		<u>65,800</u>
Total	\$	<u>284,900</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		<u>42,557</u>
Subtotal		104,563
Less: Accumulated Depreciation		<u>(86,585)</u>
Capital Lease Fixed Assets	\$	<u>17,978</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, 2012:

Year ending,		
December 31, 2013	\$	12,421
December 31, 2014		6,409
December 31, 2015		<u>1,602</u>
Total minimum lease payments		20,432
Less: Amount representing interest		<u>(2,454)</u>
Present value of minimum lease payments	\$	<u>17,978</u>

Note G: SUBSEQUENT EVENTS

The Foundation's management has evaluated its subsequent events through May 16, 2013, the date the financial statements were available to be issued.

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, 2012, and have issued our report thereon dated May 16, 2013, 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.

San Francisco, California
May 16, 2013

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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>4,349</u>
Pass-through programs from:			
State of California, Department of Rehabilitation, Independent Living State Grants:			
System Change Network	84.169A	27328	313,556
System Change Network	84.169A	28773	<u>94,082</u>
Subtotal CFDA # 84.169A			<u>407,638</u>
Assistive Technology	84.224A	27585-AT	483,024
Assistive Technology	84.224A	28634-AT	<u>355,058</u>
Subtotal CFDA # 84.224A			<u>838,082</u>
Total U.S. Department of Education			<u>1,250,069</u>
U.S. Department of Labor			
Pass-through programs from:			
Institute for Educational Leadership, Disability Employment Policy Development	17.720	OD-16519-07-75-4-11	<u>18,000</u>
Total U.S. Department of Labor			<u>18,000</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>52,516</u>
Total U.S. Department of Health and Human Services			<u>52,516</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,320,585</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, 2012, 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 May 16, 2013.

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.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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
May 16, 2013

**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, 2012. 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, 2012.

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
May 16, 2013

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

A. SUMMARY OF AUDITOR'S RESULTS	
<i>Financial Statements</i>	
1. Type of Financial Statement Report	UNQUALIFIED
2. Internal Control over Financial Reporting: Material Weakness(es) Identified Significant Deficiency(ies) Identified	NONE NONE REPORTED
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	UNQUALIFIED
3. OMB A-133 Subpart E.510a Audit Finding Disclosed by Audit	NONE REPORTED
4. Major Programs:	84.224A - Assistive Technology
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	NONE REPORTED
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
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012**

There were no prior year audit findings.