

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED COMPARATIVE TOTALS FOR 2014**

IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
 AUDITED FINANCIAL STATEMENTS
 AND SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2015**

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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, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2016, 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' 2014 financial statements, and our report dated July 24, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014, is consistent, in all material respects, with the audited financial statements from which it was derived.



San Francisco, California
September 12, 2016

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
WITH SUMMARIZED COMPARATIVE TOTALS
FOR THE YEAR ENDED DECEMBER 31, 2014

	2015	2014
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 145,274	\$ 142,634
Cash - Loan Guarantee Fund - AFP	875,587	871,057
Subtotal Cash	1,020,861	1,013,691
Grants and Contracts Receivable	312,385	397,526
Other Receivables	5,232	2,483
Prepaid Expenses	8,362	8,415
Deposits	14,843	14,686
Total Current Assets	1,361,683	1,436,801
Fixed Assets:		
Furniture and Equipment, net	67,997	3,476
TOTAL ASSETS	1,429,680	1,440,277
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	125,877	74,554
Accrued Liabilities	90,590	81,015
Line of Credit	0	85,000
Deferred Revenue	17,589	4,909
Loan Guarantee Fund - AFP	865,000	865,000
Capital Lease Payable	0	1,994
Total Current Liabilities	1,099,056	1,112,472
Net Assets:		
Unrestricted	311,814	304,724
Temporarily Restricted	18,810	23,081
Total Net Assets	330,624	327,805
TOTAL LIABILITIES AND NET ASSETS	\$ 1,429,680	\$ 1,440,277

See notes to the financial statements

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015 WITH SUMMARIZED
COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
<u>PUBLIC SUPPORT AND REVENUES</u>				
Government Grant & Contract Revenue	\$ 1,607,826	0	\$ 1,607,826	\$ 1,508,473
Foundation & Corporate Grants	53,319	50,292	103,611	182,305
Individual Donations	14,427	7,230	21,657	27,338
Membership Dues	84,208	0	84,208	88,750
Conferences & Event Fees	25,995	9,840	35,835	24,772
Other Income	17,583	2,023	19,606	27,288
Net Assets released from restrictions	73,656	(73,656)	0	0
Total Support and Revenues	<u>1,877,014</u>	<u>(4,271)</u>	<u>1,872,743</u>	<u>1,858,926</u>
<u>EXPENSES</u>				
Program Services:				
System Change Network	438,340	0	438,340	388,473
Ability Tools	1,026,222	0	1,026,222	1,145,004
Digital Access Project	156,857	0	156,857	0
Youth Organizing	68,146	0	68,146	116,080
Membership	103,102	0	103,102	127,125
Management and General	52,094	0	52,094	52,439
Fundraising	23,735	0	23,735	27,439
Total Expenses	<u>1,868,496</u>	<u>0</u>	<u>1,868,496</u>	<u>1,856,560</u>
CHANGES IN NET ASSETS	8,518	(4,271)	4,247	2,366
Net Assets - Beginning of Year	304,724	23,081	327,805	328,404
Depreciation on Fixed Assets Purchased with Grant Funds	(1,428)	0	(1,428)	(2,965)
NET ASSETS - AT END OF YEAR	<u>\$ 311,814</u>	<u>\$ 18,810</u>	<u>\$ 330,624</u>	<u>\$ 327,805</u>

See notes to financial statements

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2014

	2015					Program Services Total	Supporting Services			2015 Total Expenses	2014 Total Expenses
	System Change Network	Ability Tools	Digital Access Project	Youth Organizing	Membership		Management and General	Fundraising and Development	Supporting Services Total		
Salaries & Wages	\$ 209,566	\$ 472,164	\$ 85,058	\$ 26,232	\$ 49,857	\$ 842,877	\$ 13,806	\$ 953	\$ 14,759	\$ 857,636	\$ 693,508
Payroll Taxes	20,113	44,211	8,143	2,501	5,158	80,126	1,310	77	1,387	81,513	64,222
Employee Benefits	28,544	63,177	14,612	3,422	5,941	115,696	2,000	154	2,154	117,850	100,703
Rent	49,520	71,627	37	1,431	2,100	124,715	1,235	0	1,235	125,950	135,988
Travel	27,993	26,875	1,214	11,948	9,279	77,309	11,950	3,200	15,150	92,459	61,995
Insurance	3,846	6,699	0	0	208	10,753	108	92	200	10,953	11,038
Conference & Conventions	575	603	0	1,882	6,818	9,878	2,785	11,713	14,498	24,376	23,549
Postage & Printing	5,978	18,409	9,669	1,317	542	35,915	565	1,421	1,986	37,901	19,105
Depreciation	736	1,262	0	0	0	1,998	0	0	0	1,998	10,859
Donations & Program Funding	0	207,347	25,300	0	0	232,647	0	0	0	232,647	250,953
Professional Fees	6,279	16,347	708	164	0	23,498	492	0	492	23,990	8,567
Advertising	269	749	0	0	0	1,018	0	0	0	1,018	959
Supplies	1,010	5,790	458	103	843	8,204	920	1,993	2,913	11,117	50,742
Consultants/Outside Services	54,440	43,766	7,922	10,407	15,179	131,714	10,873	973	11,846	143,560	127,406
Repairs & Maintenance	8,945	13,923	0	0	0	22,868	0	0	0	22,868	15,539
Accommodations	4,558	5,187	0	4,245	2,940	16,930	0	0	0	16,930	28,058
Telephone & Internet	9,578	16,768	2,392	102	0	28,840	0	0	0	28,840	30,006
Staff Development	3,831	7,035	1,344	4,026	35	16,271	3,780	0	3,780	20,051	20,451
Dues & Subscriptions	2,559	286	0	0	3,656	6,501	1,403	2,344	3,747	10,248	7,304
Interest & Bank Charges	0	3,997	0	366	546	4,909	867	815	1,682	6,591	3,343
TOTAL EXPENSES	\$ 438,340	\$ 1,026,222	\$ 156,857	\$ 68,146	\$ 103,102	\$ 1,792,667	\$ 52,094	\$ 23,735	\$ 75,829	\$ 1,868,496	\$ 1,664,295

See notes to financial statements

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ 4,247	\$ 2,366
<i>Adjustments to reconcile change to net operating cash flows:</i>		
Depreciation	1,998	5,638
<i>Decrease/(increase) in assets:</i>		
Grants and Contracts Receivable	85,141	(67,990)
Other Receivables	(2,749)	(1,520)
Prepaid Expenses	53	4,900
Deposits	(157)	(1,677)
<i>Increase/(decrease) in liabilities:</i>		
Accounts Payable	51,323	23,760
Accrued Liabilities	9,575	10,079
Deferred Revenue	12,680	(56,091)
Net Cash Provided/(Used) by Operating Activities	162,111	(80,535)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Asset Acquisitions	(67,947)	0
Net Cash Used by Investing Activities	(67,947)	0
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Line of Credit	0	85,000
Payment of Line of Credit	(85,000)	0
Principal Payments on Capital Lease	(1,994)	(5,639)
Net Cash Provided/(Used) by Investing Activities	(86,994)	79,361
Net Increase/(Decrease) in Cash and Cash Equivalents	7,170	(1,174)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,013,691	1,014,865
END OF YEAR	\$ 1,020,861	\$ 1,013,691

See notes to financial statements

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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, 2015.

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, 2015

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, 2014, from which the summarized information was derived.

Reclassification

Certain reclassifications have been made to the 2014 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, 2015

Note B: GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable as of December 31, 2015 consist of the following:

DoR Contracts	\$	256,057
The Regents of the University of California		2,076
California Emerging Technology Fund		50,252
YO! Disabled & Proud		4,000
Total	\$	<u>312,385</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, 2015 are as follows:

		Balance 12/31/14	Additions	Disposals	Balance 12/31/15
Furniture and Equipment	\$	119,386	\$ 67,997	\$ (119,386)	\$ 67,997
Accumulated Depreciation		<u>(115,910)</u>	<u>(3,476)</u>	<u>119,386</u>	<u>(0)</u>
Net Fixed Assets	\$	<u>3,476</u>	\$ <u>64,521</u>	\$ <u>-</u>	\$ <u>67,997</u>

Depreciation expense for the year ended December 31, 2015 was \$1,998.

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, 2015, temporarily restricted net assets consist of the following:

DCAD	\$	18,810
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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, 2015

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, 2016. At December 31, 2015, the outstanding balance on the line of credit was \$0.

Note G: LEASES

The Foundation had an operating lease for office space beginning on September 1, 2015, for 103 months terminating on March 31, 2024, with two (2) five (5) year options to renew the lease. Rental expense for the office leases during the year amounted to \$103,211.

Future minimum operating lease payments that have remaining terms in excess of one year as of December 31, 2015 are as follows:

December 31, 2016	\$118,629
December 31, 2017	118,629
December 31, 2018	118,629
December 31, 2019	118,629
December 31, 2020	118,629
Thereafter,	<u>385,554</u>
Total future minimum lease payments	<u>\$978,689</u>

Note H: SUBSEQUENT EVENTS

The Foundation's management has evaluated its subsequent events through September 12, 2016, the date the financial statements were available to be issued.

OTHER SUPPLEMENTARY INFORMATION

REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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, 2015, and have issued our report thereon dated September 12, 2016, 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 the Uniform Guidance 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
September 12, 2016

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Grant Number	Grant Award Amount	Expenditures	Expenditures to Subrecipients
U.S. Department of Education					
Direct:					
Assistive Technology Alternative Financing Program, Freedom Tech Low-Interest Loan Program	84.224D	H224D120009	\$ 993,000	\$ 1,415	\$ 0
Pass-through programs from:					
State of California, Department of Rehabilitation, Independent Living State Grants:					
System Change Network	84.169A	28773-2	375,000	269,552	0
System Change Network	84.169A	28773-3	375,000	98,859	0
Tech Assistance Capacity Building	84.169A	29457	20,000	20,000	0
Tech Assistance Leadership	84.169A	29465	50,000	50,000	0
Subtotal CFDA # 84.169A				<u>438,411</u>	<u>0</u>
Assistive Technology - Ability Tools	84.224A	28634-AT ACT	2,336,343	413,305	0
Assistive Technology - Ability Tools	84.224A	29673-AT ACT	788,781	363,100	0
Subtotal CFDA # 84.224A				<u>776,405</u>	<u>0</u>
Total U.S. Department of Education				<u>1,214,816</u>	<u>0</u>
U.S. Department of Agriculture					
Pass-through programs from:					
The Regents of the University of California	10.500	201403528-01	11,250	8,958	0
The Regents of the University of California	10.500	201403528-01	17,250	4,095	0
Total U.S. Department of Agriculture				<u>13,053</u>	<u>0</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 1,229,284</u>	<u>\$ 0</u>

Note A: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of California Foundation for Independent Living Centers. under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of California Foundation for Independent Living Centers., it is not intended to and does not present the financial position, changes in net assets, or cash flows of California Foundation for Independent Living Centers.

Note B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Circular A-122, Cost Principles for Non-profit Organizations, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) California Foundation for Independent Living Centers. has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**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 (CFILC), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 12, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CFILC'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 CFILC's internal control. Accordingly, we do not express an opinion on the effectiveness of CFILC'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 CFILC'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.

A handwritten signature in cursive script that reads "Gabriel Bernauk & Pinyon".

San Francisco, California
September 12, 2016

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

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' (CFILC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CFILC's major federal programs for the year ended December 31, 2015. CFILC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with 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 CFILC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 a major federal programs occurred. An audit includes examining, on a test basis, evidence about CFILC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major program. However, our audit does not provide a legal determination of CFILC's compliance.

Opinion on Each Major Federal Program

In our opinion CFILC 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, 2015.

Report on Internal Control Over Compliance

Management of CFILC 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 CFILC's 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 *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of CFILC's 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



San Francisco, California
September 12, 2016

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015**

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 REPORTED 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 REPORTED NONE REPORTED
2. Type of Compliance Report Major Programs	UNMODIFIED
3. Uniform Guidance Audit Finding Disclosed by Audit	NONE REPORTED
4. Major Program:	84.169A – INDEPENDENT LIVING STATE GRANTS
5. Dollar Threshold for Type A Programs	\$750,000
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 the Uniform Guidance	NONE REPORTED

**CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Finding – Financial Statement Audit

Significant Deficiency

Finding 2014-001

Condition:

During the 2014 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.

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.

Current Status:

During our 2015 audit, no similar findings were noted.