CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

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

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

IZABAL, BERNACIAK & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
## TABLE OF CONTENTS

**Audited Financial Statements**
- Independent Auditor’s Report ................................................................. 1-2
- Statement of Financial Position .............................................................. 3
- Statement of Activities ........................................................................... 4
- Statement of Functional Expense .......................................................... 5
- Statement of Cash Flows ........................................................................ 6
- Notes to Financial Statements ................................................................. 7-11

**Supplementary Information**
- Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 .......................................................... 12
- Schedule of Expenditures of Federal Awards ........................................... 13
- Independent Auditor’s Report on Internal Control and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards ........................................ 14-15
- Independent Auditor’s Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 .............................................................. 16-17
- Schedule of Findings and Questioned Costs ........................................... 18-20
- Summary Schedule of Prior Year Audit Findings ................................... 21
INDEPENDENT AUDITOR’S REPORT

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

Report on Financial Statements
We have audited the accompanying financial statements of California Foundation for Independent Living Centers, which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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

Auditor’s Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the California Foundation for Independent Living Centers’ preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the California Foundation for Independent Living Centers’ internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

-1-
Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Foundation for Independent Living Centers as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards
In accordance with Government Auditing Standards, we have also issued our report dated July 24, 2015, on our consideration of California Foundation for Independent Living Centers’ internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering California Foundation for Independent Living Centers’ internal control over financial reporting and compliance.

Report on Summarized Comparative Information
We have previously audited the California Foundation for Independent Living Centers’ 2013 financial statements, and our report dated June 6, 2014, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it was derived.

San Francisco, California
July 24, 2015
<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$142,634</td>
<td>$149,018</td>
</tr>
<tr>
<td>Cash - Loan Guarantee Fund - AFP</td>
<td>871,057</td>
<td>865,847</td>
</tr>
<tr>
<td><strong>Subtotal Cash</strong></td>
<td>1,013,691</td>
<td>1,014,865</td>
</tr>
<tr>
<td>Grants and Contracts Receivable (Note B)</td>
<td>397,526</td>
<td>329,536</td>
</tr>
<tr>
<td>Other Receivables</td>
<td>2,483</td>
<td>963</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>8,415</td>
<td>13,315</td>
</tr>
<tr>
<td>Deposits</td>
<td>14,686</td>
<td>13,009</td>
</tr>
<tr>
<td><strong>Total Current Assets</strong></td>
<td>1,436,801</td>
<td>1,371,688</td>
</tr>
<tr>
<td><strong>Fixed Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Furniture and Equipment less accumulated depreciation of $115,910 (Note C)</td>
<td>3,476</td>
<td>12,079</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>1,440,277</td>
<td>1,383,767</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES AND NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current Liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>74,554</td>
<td>50,794</td>
</tr>
<tr>
<td>Accrued Liabilities</td>
<td>81,015</td>
<td>70,936</td>
</tr>
<tr>
<td>Line of Credit (Note E)</td>
<td>85,000</td>
<td>0</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>4,909</td>
<td>61,000</td>
</tr>
<tr>
<td>Loan Guarantee Fund - AFP</td>
<td>865,000</td>
<td>865,000</td>
</tr>
<tr>
<td>Capital Lease Payable</td>
<td>1,994</td>
<td>7,633</td>
</tr>
<tr>
<td><strong>Total Current Liabilities</strong></td>
<td>1,112,472</td>
<td>1,055,363</td>
</tr>
<tr>
<td><strong>Net Assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>304,724</td>
<td>297,406</td>
</tr>
<tr>
<td>Temporarily Restricted</td>
<td>23,081</td>
<td>30,998</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>327,805</td>
<td>328,404</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND NET ASSETS</strong></td>
<td>$1,440,277</td>
<td>$1,383,767</td>
</tr>
</tbody>
</table>

See notes to the financial statements
CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014 WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Unrestricted</td>
<td>Temporarily</td>
</tr>
<tr>
<td></td>
<td>Restricted</td>
<td>Total</td>
</tr>
<tr>
<td>PUBLIC SUPPORT AND REVENUES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Grant &amp; Contract Revenue</td>
<td>$1,508,473</td>
<td>0   $1,508,473</td>
</tr>
<tr>
<td>Foundation &amp; Corporate Grants</td>
<td>136,143</td>
<td>46,162</td>
</tr>
<tr>
<td>Individual Donations</td>
<td>27,338</td>
<td>0   27,338</td>
</tr>
<tr>
<td>Membership Dues</td>
<td>88,750</td>
<td>0   88,750</td>
</tr>
<tr>
<td>Conferences &amp; Event Fees</td>
<td>24,772</td>
<td>0   24,772</td>
</tr>
<tr>
<td>Other Income</td>
<td>27,288</td>
<td>0   27,288</td>
</tr>
<tr>
<td>Net Assets released from restrictions</td>
<td>54,079</td>
<td>(54,079)</td>
</tr>
<tr>
<td>Total Support and Revenues</td>
<td>1,866,843</td>
<td>(7,917)</td>
</tr>
</tbody>
</table>

EXPENSES

Program Services:

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>System Change Network</td>
<td>388,473</td>
<td>0   388,473</td>
</tr>
<tr>
<td>Ability Tools</td>
<td>1,145,004</td>
<td>0   1,145,004</td>
</tr>
<tr>
<td>Youth Organizing</td>
<td>116,080</td>
<td>0   116,080</td>
</tr>
<tr>
<td>Membership</td>
<td>127,125</td>
<td>0   127,125</td>
</tr>
<tr>
<td>Management and General</td>
<td>52,439</td>
<td>0   52,439</td>
</tr>
<tr>
<td>Fundraising</td>
<td>27,288</td>
<td>0   27,288</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>1,856,560</td>
<td>0   1,856,560</td>
</tr>
</tbody>
</table>

CHANGES IN NET ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets - Beginning of Year</td>
<td>10,283</td>
<td>(7,917)</td>
</tr>
<tr>
<td>Depreciation on Fixed Assets Purchased with Grant Funds</td>
<td>(2,965)</td>
<td>0   (2,965)</td>
</tr>
<tr>
<td>NET ASSETS - AT END OF YEAR</td>
<td>$304,724</td>
<td>$23,081</td>
</tr>
</tbody>
</table>

See notes to financial statements

-4-
CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2014
WITH SUMMARIZED COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2013

See notes to financial statements

-5-
## CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS
### STATEMENT OF CASH FLOWS
#### FOR THE YEAR ENDED DECEMBER 31, 2014
#### WITH SUMMARIZED COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2013

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

See notes to financial statements

-6-
Note A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Presentation
The Foundation's financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards, “Financial Statements of Not-for-Profit Organizations.” The Foundation has reported as required information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

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

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

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

Grants and Contracts Receivable/Other Receivable
The Foundation considers grants and contracts receivable and other receivable to be fully collectible; accordingly no allowance for doubtful accounts is required. Receivables are determined to be past due based on contractual terms. Substantially all receivables are due from governmental entities.
Note A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

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

Reclassification
Certain reclassifications have been made to the 2013 financial statement presentation to correspond to the current year’s format. Total net assets and net income are unchanged due to these reclassifications.
Note B: GRANTS AND CONTRACTS RECEIVABLE

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

DoR Contracts:
- Ability Tools $ 248,532
- SC Network 89,827
- California Emerging Technology Fund 59,167
Total $ 397,526

Note C: FIXED ASSETS

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

Furniture and Equipment $ 119,386
Less: Accumulated Depreciation (115,910)
Total $ 3,476

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

Note D: TEMPORARILY RESTRICTED NET ASSETS

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

YO! $ 4,800
DCAD 18,281
Total $ 23,081

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.
Note F:  LINE OF CREDIT

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

Note G:  LEASES

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

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

| December 31, 2015 | $ 65,800 |

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** | **104,563** |
| Less: Accumulated Depreciation | (102,569) |
| **Capital Lease Fixed Assets** | **$ 1,994** |

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

| Year ending, December 31, 2015 | $ 2,042 |
| Less: Amount representing interest | (48) |
| **Present value of minimum lease payments** | **$ 1,994** |
Note H:  SUBSEQUENT EVENTS

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

As of the audit report date, CFILC determined not to renew the office lease noted in Note G, and is in the process of negotiating a lease for new office space.
OTHER SUPPLEMENTARY INFORMATION
REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

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

We have audited the financial statements of California Foundation for Independent Living Centers as of and for the year ended December 31, 2014, and have issued our report thereon dated July 24, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and their records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

San Francisco, California
July 24, 2015
### U.S. Department of Education

#### Direct:
- Assistive Technology Alternative Financing Program, Freedom Tech Low-Interest Loan Program
  - CFDA Number: 84.224D
  - Grant Number: H224D120009
  - Expenditures: $82,714

#### Pass-through programs from:
- State of California, Department of Rehabilitation, Independent Living State Grants:
  - System Change Network
    - CFDA Number: 84.169A
    - Grant Number: 28773-1
    - Expenditures: $291,865
  - System Change Network
    - CFDA Number: 84.169A
    - Grant Number: 28773-2
    - Expenditures: $96,606
  - Subtotal CFDA # 84.169A: $388,471

- Assitive Technology
  - CFDA Number: 84.224A
  - Grant Number: 28634-AT
  - Expenditures: $824,266

**Total U.S. Department of Education**

- $1,295,451

### TOTAL EXPENDITURES OF FEDERAL AWARDS

- $1,295,451

---

#### Note A - Basis of Presentation

The accompanying schedule or expenditures of federal awards includes the cost reimbursement contract activity of the California Foundation for Independent Living Centers and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with the auditing standards generally accepted in the
United States of America and the standards applicable to financial audits contained in
Government Auditing Standards issued by the Comptroller General of the United
States, the financial statements of California Foundation for Independent Living
Centers, which comprise the statement of financial position as of December 31, 2014,
and the related statements of activities, functional expenses and cash flows for the year
then ended, and the related notes to the financial statements, and have issued our
report thereon dated July 24, 2015.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered
Organization’s internal control over financial reporting (internal control) to determine he
audit procedures that are appropriate in the circumstances for the purpose of
expressing our opinions on the financial statements, but not for the purpose of
expressing an opinion on the effectiveness of Organization’s internal control.
Accordingly, we do not express an opinion on the effectiveness of Organization’s
internal control.

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

Our consideration of internal control was for the limited purpose described in the first
paragraph of this section and was not designed to identify all deficiencies in internal
control that might be material weaknesses or significant deficiencies. Given these
limitations, during our audit we did not identify any deficiencies in internal control that
we consider to be material weaknesses. However, material weaknesses may exist that
have not been identified.
We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies – Finding 2014-001.

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

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

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

San Francisco, California
July 24, 2015
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Report on Compliance for Each Major Federal Program
We have audited California Foundation for Independent Living Centers’ compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of California Foundation for Independent Living Centers’ major federal programs for the year ended December 31, 2014. California Foundation for Independent Living Centers’ major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor’s Responsibility
Our responsibility is to express an opinion on compliance for each of California Foundation for Independent Living Centers’ major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types compliance requirements referred to above that could have a direct and material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about California Foundation for Independent Living Centers’ compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance with each major program. However, our audit does not provide a legal determination of California Foundation for Independent Living Centers’ compliance.
Opinion on Each Major Federal Program
In our opinion, California Foundation for Independent Living Centers complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Report on Internal Control Over Compliance
Management of California Foundation for Independent Living Centers is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered California Foundation for Independent Living Centers’ internal control over compliance with the types of requirements that could have a direct and material effect on each major program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with the OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of California Foundation for Independent Living Centers’ internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirements of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

San Francisco, California
July 24, 2015
## A. SUMMARY OF AUDITOR’S RESULTS

### Financial Statements

1. **Type of Financial Statement Report**
   - UNMODIFIED

2. **Internal Control over Financial Reporting:**
   - Material Weakness(es) Identified: NONE
   - Significant Deficiency(ies) Identified: 2014-001

3. **Noncompliance Disclosed by Audit Which is Material to Financial Statements**
   - NONE

### Federal Awards

1. **Internal Control Over Major Programs:**
   - Material Weakness(es) Identified: NONE
   - Significant Deficiency(ies) Identified: NONE REPORTED

2. **Type of Compliance Report Major Programs**
   - UNMODIFIED

3. **OMB A-133 Subpart E.510a Audit Finding Disclosed by Audit**
   - NONE REPORTED

4. **Major Programs:**
   - 84.224 Cluster:
     - 84.224A – Assistive Technology
     - 84.224D – AT-Alternative Financing Program

5. **Dollar Threshold for Type A Programs**
   - $300,000

6. **Auditee Qualification**
   - LOW RISK

## B. Findings Relating to the Financial Statements Which Are Required to Be Reported in Accordance with GAGAS

- 2014-001

## C. Findings and Questioned Costs for Federal Awards Including Audit Findings Defined in OMB A-133 Subpart E.510a

- NONE REPORTED
CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2014

Finding – Financial Statement Audit

Significant Deficiency

Finding 2014-001

Improve Internal Controls over Journal Entries

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

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

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

Questioned Costs:
None.

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

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

Recommendation:
We recommend that management develop and follow effective policies and procedures that ensure that the proper preparation of journal entry forms, strengthen controls over the journal entry review and approval process to ensure that all journal entries are complete accurate, properly supported and approved prior to posting in the general ledger; and ensure that all routine or recurring journal entries are properly prepared and posted each month and that all journal entries are properly maintained.
Management’s Response:
CFILC acknowledges the deficiency described. As a result we are adding a General Ledger Accounting Control Procedure. We are confident that by following our existing and enhanced control procedures we will have the proper controls in place to ensure entries are prepared, allocated to correct general ledger accounts and posted on monthly basis with supporting documentation and approval.

CFILC has also added the following to Accounting Controls Procedures:

General Ledger Journal Entries
Journal Spread Sheets will be prepared for recurring and routine entries into the MIP fund accounting software by the Bookkeeper on a monthly basis. These will be reviewed with supporting documentation by the Administrative and Accounting Director who will enter them directly into MIP. If the Journal entries are related to direct program expenses the documentation will be signed by the management level staff overseeing the specific program, and the Executive Director. If the Entry is related to CFILC General Fund or Indirect Costs then it will be signed by the Administrative and Accounting Director and the Executive Director.
There were no prior year audit findings.