

**CALIFORNIA FOUNDATION FOR
INDEPENDENT LIVING CENTERS**

Audited Financial Statements

December 31, 2021 and 2020

(This page intentionally left blank.)

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

AUDITED FINANCIAL STATEMENTS

December 31, 2021 and 2020

TABLE OF CONTENTS

Independent Auditor’s Report.....	1
<u>Financial Statements</u>	
Statements of Financial Position.....	4
Statement of Activities - 2021	5
Statement of Activities - 2020	6
Statement of Functional Expenses - 2021.....	7
Statement of Functional Expenses - 2020.....	8
Statements of Cash Flows.....	9
Notes to Financial Statements.....	10
<u>Compliance Reports</u>	
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 <i>Government Auditing Standards</i>	17
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	19
Schedule of Findings and Questioned Costs.....	22
Schedule of Expenditures of Federal Awards - 2021.....	27
Notes to Schedule of Expenditures of Federal Awards	28

(This page intentionally left blank.)



550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of California Foundation for Independent Living Centers (the Foundation) (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and

To the Board of Directors of
California Foundation for Independent Living Centers

therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Foundation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

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, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 other 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.

To the Board of Directors of
California Foundation for Independent Living Centers

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2022, on our consideration of the Foundation's 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Foundation's 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 the Foundation's internal control over financial reporting and compliance.

Richardson & Company, LLP

November 28, 2022

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

STATEMENTS OF FINANCIAL POSITION

December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 603,836	\$ 853,507
Restricted cash - Loan Guarantee Fund	856,463	95,512
Subtotal Cash	<u>1,460,299</u>	<u>949,019</u>
Grants and contracts receivable	2,185,935	2,739,316
Other receivables	18,596	21,771
Prepaid expenses	1,397	1,370
Deposits	15,002	9,886
Total Current Assets	<u>3,681,229</u>	<u>3,721,362</u>
Loans receivable	11,991	27,079
Furniture and equipment, net	<u>9,374</u>	
TOTAL ASSETS	<u><u>\$ 3,702,594</u></u>	<u><u>\$ 3,748,441</u></u>
LIABILITIES AND NET ASSETS		
Accounts payable	\$ 1,731,172	\$ 1,719,714
Accrued payroll	53,457	33,186
Accrued vacation	32,975	37,221
Deferred revenue and refundable advances	139,040	352,087
Deferred revenue-Loan Guarantee Fund	796,013	796,013
TOTAL LIABILITIES	<u>2,752,657</u>	<u>2,938,221</u>
NET ASSETS		
Without donor restrictions	935,121	795,854
With donor restrictions	14,816	14,366
TOTAL NET ASSETS	<u>949,937</u>	<u>810,220</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,702,594</u></u>	<u><u>\$ 3,748,441</u></u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

	2021		Total
	Without Donor Restrictions	With Donor Restrictions	
PUBLIC SUPPORT AND REVENUES			
Government grant and contract revenue	\$ 1,486,004		\$ 1,486,004
Foundation and corporate grants	6,398,346		6,398,346
Individual donations	2,604	\$ 450	3,054
Membership dues	109,625		109,625
Conferences and event fees	12,952		12,952
Other income	13,199		13,199
Donated materials and services	7,896		7,896
TOTAL SUPPORT AND REVENUES	8,030,626	450	8,031,076
EXPENSES			
Program Services:			
DoNetwork	383,613		383,613
Ability Tools Assistive Technology	1,118,767		1,118,767
Disability Disaster Access and Resources	5,784,979		5,784,979
Public Health COVID-19	548,501		548,501
Youth Organizing	20,903		20,903
Membership	23,314		23,314
Total Program Services	7,880,077	-	7,880,077
Supporting Services:			
Management and general	5,652		5,652
Fundraising and development	5,630		5,630
Total Supporting Services	11,282	-	11,282
TOTAL EXPENSES	7,891,359	-	7,891,359
CHANGE IN NET ASSETS	139,267	450	139,717
Net assets at beginning of year	795,854	14,366	810,220
NET ASSETS AT END OF YEAR	\$ 935,121	\$ 14,816	\$ 949,937

The accompanying notes are an integral part of these financial statements.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2020

	2020		Total
	Without Donor Restrictions	With Donor Restrictions	
PUBLIC SUPPORT AND REVENUES			
Government grant and contract revenue	\$ 1,791,974		\$ 1,791,974
Foundation and corporate grants	5,668,469		5,668,469
Individual donations	1,787	\$ 611	2,398
Membership dues	102,500		102,500
Conferences and event fees	7,152		7,152
Other income	49,656		49,656
Donated materials and services	200		200
Net assets released from restriction	27,221	(27,221)	-
TOTAL SUPPORT AND REVENUES	7,648,959	(26,610)	7,622,349
EXPENSES			
Program Services:			
DoNetwork	371,834		371,834
Ability Tools Assistive Technology	1,445,716		1,445,716
Disability Disaster Access and Resources	5,628,099		5,628,099
Youth Organizing	28,728		28,728
Membership	16,895		16,895
Total Program Services	7,491,272	-	7,491,272
Supporting Services:			
Management and general	30,602		30,602
Total Supporting Services	30,602	-	30,602
TOTAL EXPENSES	7,521,874	-	7,521,874
CHANGE IN NET ASSETS	127,085	(26,610)	100,475
Net assets at beginning of year	668,769	40,976	709,745
NET ASSETS AT END OF YEAR	\$ 795,854	\$ 14,366	\$ 810,220

The accompanying notes are an integral part of these financial statements.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2021

	Program Services						Total Program Services	Supporting Services		Total Supporting Services	Total Expenses
	DoNetwork	Ability Tools	Disability Disaster Access and Resources	Public Health COVID-19	Youth Organizing	Membership		Management and General	Fundraising and Development		
Salaries and wages	\$ 211,708	\$ 312,546	\$ 218,388	\$ 55,871	\$ 4,030	\$ 27	\$ 802,570	\$ -	\$ -	\$ -	\$ 802,570
Payroll taxes	19,348	28,412	22,306	4,624	467	1,669	76,826	-	-	-	76,826
Employee benefits	32,298	69,675	40,044	6,405	671	7,378	156,471	-	-	-	156,471
Rent and Equipment Lease	29,079	98,271	6,927	1,671	7,374	6,155	149,477	3,314	-	3,314	152,791
Travel	-	334	374	-	41	606	1,355	-	-	-	1,355
Insurance	4,236	9,212	301	-	18	299	14,066	-	-	-	14,066
Conference and conventions	2,044	2,210	1,500	2,500	-	1,763	10,017	-	3,270	3,270	13,287
Postage and printing	511	5,785	75,926	1,415	151	433	84,221	-	-	-	84,221
Depreciation	-	-	-	-	-	-	-	1,326	-	1,326	1,326
Donations and program funding	50,857	249,228	3,406,435	180,236	11	-	3,886,767	-	-	-	3,886,767
Demo and partner center contracts	-	232,055	1,886,161	150,000	-	-	2,268,216	-	-	-	2,268,216
Professional fees	-	8,963	-	33,528	968	-	43,459	-	689	689	44,148
Advertising	-	-	-	46,741	-	-	46,741	-	-	-	46,741
Supplies	839	2,383	3,886	-	550	636	8,294	-	-	-	8,294
Consultants/outside services	13,184	20,720	111,690	58,936	4,149	1,000	209,679	1,012	-	1,012	210,691
Repairs and maintenance	6,261	26,111	768	-	813	-	33,953	-	-	-	33,953
Accomodations	3,057	1,409	3,548	5,385	568	150	14,117	-	1,671	1,671	15,788
Telephone and internet	6,521	47,573	6,687	1,189	1,063	535	63,568	-	-	-	63,568
Staff development	59	59	-	-	-	-	118	-	-	-	118
Dues and subscriptions	3,396	2,405	-	-	-	2,220	8,021	-	-	-	8,021
Interest and bank charges	215	1,416	38	-	29	443	2,141	-	-	-	2,141
TOTAL EXPENSES	\$ 383,613	\$ 1,118,767	\$ 5,784,979	\$ 548,501	\$ 20,903	\$ 23,314	\$ 7,880,077	\$ 5,652	\$ 5,630	\$ 11,283	\$ 7,891,359

The accompanying notes are an integral part of these financial statements.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2020

	Program Services					Total Program Services	Supporting Services	Total Supporting Services	Total Expenses
	DoNetwork	Ability Tools	Disability Disaster Access and Resources	Youth Organizing	Membership		Management and General		
Salaries and wages	\$ 178,243	\$ 326,975	\$ 197,119	\$ 3,232	\$ 604	\$ 706,173	\$ -	\$ -	\$ 706,173
Payroll taxes	16,462	35,891	20,830	347	354	73,884	-	-	73,884
Employee benefits	33,375	51,681	24,325	767	147	110,295	-	-	110,295
Rent and equipment lease	37,833	89,845	-	15,664	721	144,063	-	-	144,063
Travel	2,048	9,864	1,462	131	566	14,071	-	-	14,071
Insurance	3,843	7,114	-	-	(145)	10,812	-	-	10,812
Conference and conventions	13,366	6,021	2,322	1	258	21,968	-	-	21,968
Postage and printing	556	5,950	22,615	856	600	30,577	-	-	30,577
Depreciation	-	-	-	-	-	-	28,372	28,372	28,372
Donations and program funding	3,460	507,078	3,194,225	16	(237)	3,704,542	489	489	3,705,031
Demo and partner center contracts	-	245,031	1,909,765	-	-	2,154,796	-	-	2,154,796
Professional fees	5,197	37,243	16,588	6	673	59,707	-	-	59,707
Advertising	-	-	-	-	-	-	-	-	-
Supplies	571	4,991	100,184	33	354	106,133	-	-	106,133
Consultants/outside services	56,215	19,004	58,592	3,091	1,292	138,194	1,350	1,350	139,544
Repairs and maintenance	5,423	28,997	-	2,041	171	36,632	-	-	36,632
Accommodations	6,112	6,527	2,621	2,000	84	17,344	230	230	17,574
Telephone and internet	6,816	48,785	11,893	523	481	68,498	160	160	68,658
Staff development	349	545	-	-	-	894	-	-	894
Dues and subscriptions	1,950	7,678	-	-	592	10,220	-	-	10,220
Miscellaneous	-	-	-	-	10,001	10,001	-	-	10,001
Interest and bank charges	15	6,496	65,558	20	379	72,468	1	1	72,469
TOTAL EXPENSES	\$ 371,834	\$ 1,445,716	\$ 5,628,099	\$ 28,728	\$ 16,895	\$ 7,491,272	\$ 30,602	\$ 30,602	\$ 7,521,874

The accompanying notes are an integral part of these financial statements.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

STATEMENT OF CASH FLOWS

For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 139,717	\$ 100,475
Depreciation	1,326	28,372
Changes in operating assets and liabilities		
Grants and contracts receivable	553,381	(1,264,411)
Other receivable	3,175	(21,771)
Prepaid expenses	(27)	(587)
Deposits	(5,116)	4,826
Loans receivable	15,088	11,249
Furniture and equipment	(10,700)	
Accounts payable	11,458	1,077,743
Accrued payroll	20,271	(11,309)
Accrued vacation	(4,246)	6,852
Deferred revenue and refundable advances	(213,047)	(641,085)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>511,280</u>	<u>(709,646)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	511,280	(709,646)
Cash and cash equivalents at beginning of year	<u>949,019</u>	<u>1,658,665</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,460,299</u>	<u>\$ 949,019</u>

The accompanying notes are an integral part of these financial statements.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

NOTES TO FINANCIAL STATEMENTS

December 31, 2021 and 2020

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 both government and non-government funding sources. The majority of funding comes from non-government sources. The Foundation has the following programs:

Disability Organizing Network (DONetwork) – The DONetwork calls to action the California Disability Communities and allies, through community organizing, advocacy, education, leadership development and coalition building to effect systems change in local, state and national issues. The CFILC Disability Organizing Network is a statewide disability advocacy network of 28 Independent Living Centers and the communities they serve. In each center there is a full-time staff person devoted to increasing civic participation through community organizing, education and advocacy around issues that affect the Disability Communities.

Ability Tools – Assistive Technology Network – Ability Tools is dedicated to expanding the availability of tools, resources and technology that increases independence, improves personal productivity and enhances the quality of life of Californians with disabilities. We support Device Lending Libraries, Reuse Centers, and Independent Living Centers throughout the state. We provide funding, training, and technical assistance to a network of over 1,600 organizations and individuals. We developed the FreedomTech Alternative Financing Program to provide low-interest loans to people with disabilities and their families who are seeking loan for Assistive Technologies and home or vehicle modifications.

Disability Disaster Access and Resources – Disability Disaster Access and Resources assists individuals with disabilities and older adults in disaster readiness and recovery. This program provides individuals with information and assistance, disaster readiness training, backup electricity support, personal preparedness planning assistance, public awareness, and Assistive Technology and Durable Medical Equipment reuse and loan closet referrals; before, during and after a disaster or electricity shut-off.

Public Health COVID-19 – Public Health project increases access for populations CFILC currently serves including people with all types of disabilities, older adults, and families of children with disabilities under the age of 12. Barriers to vaccine access and emergency response continue to be pervasive even as pandemic and climate-related emergencies continue to persist. This project will enable CFILC to continue to grow vaccine utilization and emergency preparedness across multiple underserved communities

Youth Organizing! Disabled and Proud – Youth Organizing (YO!) develops community organizing activities to build a power base among youth with disabilities so that we can effectively work for change. We engage youth to learn about our history, the disability rights movement, disability pride, organizing and advocacy. Youth with disabilities build community with each other, develop a sense of leadership, a positive disability identity and organize and mobilize each other on issues that affect our lives. We provide opportunities, resources, and information for young adults with disabilities. Disabled youth are able to volunteer with local independent living centers, work on advocacy issues and campaigns that are important to them and find mentors within the disability community. YO! works with teens and young adults with disabilities ages 16 to 28.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Membership – California Foundation for Independent Living Centers (CFILC) started as a peer support mechanism for executive directors of the fledgling Independent Living Centers in California (ILC) in 1976. Originally the directors were the usual representatives who went to Sacramento to educate public policy makers on issues affecting persons with disabilities. Since 1978, CFILC members have been meeting to determine how best to provide critical services, and advocate for freedom, choice and equality. Building strong and sustainable Independent Living Centers is one way we have proven our strength. CFILC moderates a series of communication listservs for ILC Executives, Management and Staff so that they may access and share information and expertise quickly and throughout the state. ILCs regularly share resources, materials and "know how," which fosters collaboration and innovation. CFILC produces statewide meetings for members to develop our Public Policy Agenda and actions plan for systems and social change. Our meetings include presentations from funders, foundations, and government agencies and ILC Executives sharing expertise, best practices and resources.

Basis of Accounting and Financial Statement Presentation: The financial statements are prepared on the accrual basis of accounting and in conformity with professional standards applicable to not-for-profit entries. The Center reports information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Revenue Recognition: Revenue is derived primarily from grants, contracts, membership dues, contributions and event fees. A portion of revenues is derived from contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when expenditures have been incurred in compliance with specific contract or grant provisions. Contracts and grants deemed exchange transactions are recognized at the time expenses are incurred or the service is performed. Any excess of expenses incurred over cash received is recorded as grants receivable; any excess of cash received over expenses incurred is recorded as deferred grant revenue. Grant revenues considered revenues from contracts with customers are recognized for services transferred at a point in time and for services transferred over time, which totaled \$6,464,771 and \$417,296 for the years ended December 31, 2021 and 2020, respectively. Grants and contracts receivables at December 31, 2021 and 2020, totaling \$2,148,274 and \$3,750, respectively, represents receivables related to contracts with customers. Deferred revenue related to contracts with customers for the year ended December 31, 2021 totaled \$80,000. There were no deferred revenue related to contracts with customers for the year ended December 31, 2020.

Contributions are recognized when cash, other assets or an unconditional promise to give is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return are not recognized until the conditions on which they depend have been substantially met. Conditional contributions received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. Unconditional contributions received are recorded with or without donor restrictions depending on the existence and/or nature of any donor restrictions. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions with donor restrictions are classified as net assets without donor restrictions if the restriction expires in the reporting period in which the revenue is recognized.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured as the present value of their future cash flows.

Net Assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates those resources be maintained in perpetuity. The Foundation reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

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.

The Foundation minimizes credit risk associated with cash by periodically evaluating the credit quality of its primary financial institution. The balance at times may exceed federally insured limits. As of December 31, 2021, the balance of cash held by the Foundation exceeded the federally insured limits by \$996,728. As of December 31, 2020, the balance of cash held by the Foundation exceeded the federally insured limits by \$1,522,689. The Foundation has not experienced any losses in such accounts and management believes the Foundation is not exposed to any significant credit risk related to cash.

Grants and Contracts Receivable/Other Receivable/Loans 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.

Furniture and Equipment: Furniture and equipment is stated at cost, or if donated, fair market value at the time of donation. Provision is made for depreciation by the straight-line method over the estimated useful life of the property (generally two to forty years). Expenditures for maintenance and repairs are charged to expense as incurred. Additions, major renewals and replacements that increase the property's useful life and exceed \$1,000 are capitalized.

Expense Allocation: Expenses of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021 and 2020

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Some categories of expense are attributable to more than one function and are allocated on a consistent basis. Depreciation for leasehold improvements and other assets, utilities and rent are allocated based on square footage and estimated function. Salaries, benefits and payroll tax allocation are based on a percentage associated with an employee function and imputed time.

Income Taxes: The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code but is subject to income taxes from activities unrelated to its tax-exempt purpose.

The Foundation's federal returns for the years ended December 2020, 2019, and 2018 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Foundation's state returns for the years ended December 31, 2020, 2019, 2018 and 2017 could be subject to examination by state taxing authorities, generally for four years after they are filed.

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.

Recent Accounting Pronouncements: In February 2016, the FASB issued ASU 2016-02, Leases Topic 842. The new accounting standard requires lessees to recognize a lease liability measured on a discounted basis and a right-of-use asset for all leases with terms longer than 12 months. Application of this statement is effective for the year ending December 31, 2022. The Foundation is currently evaluating the impact this pronouncement will have on the financial statements.

In September 2020, the FASB issued ASU 2020-07, Topic 958, Presentation and Disclosures by Not-for Profit Entities for Contributed Nonfinancial Assets. The new accounting standard increases transparency of the measurement of contributed nonfinancial assets as well as the amount of those contributions used in programs and activities. Application of this statement is effective for the year ended December 31, 2022. The Foundation is currently evaluating the impact this pronouncement will have on the financial statements.

NOTE B – GRANTS AND CONTRACTS RECEIVABLE

Grants and contracts receivable as of December 31, 2021 and 2020 consist of the following:

	2021	2020
DoR Contracts	\$ 429,737	\$ 1,114,417
PG&E	1,681,521	1,603,553
American National Red Cross	35,145	
Sacramento County Office of Education	20,000	
UCD Regents	19,532	17,596
DREDF		3,750
	\$ 2,185,935	\$ 2,739,316

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021 and 2020

NOTE C – FURNITURE AND EQUIPMENT

Furniture and equipment are recorded at cost and depreciated using the straight-line method over estimated useful lives. Depreciation expense for the years ended December 31, 2021 and 2020 was \$1,326 and \$28,372 respectively. Property and equipment as of December 31 are as follows:

	<u>2021</u>	<u>2020</u>
Furniture and equipment	\$ 152,560	\$ 141,859
Accumulated depreciation	<u>(143,186)</u>	<u>(141,859)</u>
Net	<u>\$ 9,374</u>	<u>\$ -</u>

NOTE D – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions 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, 2021 and 2020, net assets with donor restrictions consisted of the following:

	<u>2021</u>	<u>2020</u>
Contributions for Disability Capital Action Day (DCAD)	\$ 14,816	\$ 14,366

Net assets were released from restrictions by incurring expenses satisfying the purpose as follows at December 31:

	<u>2021</u>	<u>2020</u>
Disability Capital Action Day (DCAD)	\$ -	\$ 27,221

NOTE E – LOAN GUARANTEE FUND – AFP

The Foundation 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, \$856,463 and \$95,512 at December 31, 2021 and 2020, respectively, are held in deposit at Beneficial State Bank and are restricted for use to guarantee loans made through this program. At December 31, 2021 and 2020 the outstanding loans receivable to the Foundation for these loans amounted to \$11,991 and \$27,079, respectively. The amount of grant funds not yet loaned out are reported as deferred revenue and totals \$796,013 at both December 31, 2021 and 2020. The Foundation borrowed funds from the account restricted for loans, so the restricted cash balances at December 31, 2020 is lower than the amount of deferred revenue. These amounts were repaid during the year ended December 31, 2021.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021 and 2020

NOTE F – LEASES

The Foundation had an operating lease for office and parking spaces beginning on September 1, 2017 through March 31, 2024, with two (2) five (5) year options to renew the lease. The Foundation also has a lease for a postage meter through December 2021. Rent expense during 2021 and 2020 amounted to \$151,889 and \$141,966, respectively.

As of December 31, 2021, future minimum lease payments under the noncancellable operating leases are as follows:

Year Ending December 31	
2022	\$ 155,278
2023	158,667
2024	<u>39,879</u>
Total	<u>\$ 353,824</u>

NOTE G – LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Foundation’s financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Donor-restricted amounts that are available for use within one year:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 603,836	\$ 853,507
Cash restricted for loan guarantee fund - AFP	856,463	95,512
Receivables	<u>2,204,531</u>	<u>2,761,087</u>
Total financial assets	3,664,830	3,710,106
Less those unavailable for general expenditures due within one year:		
Unexpended AFP loan funds	796,013	796,013
Cash restricted by donor for specific uses	<u>14,816</u>	<u>14,366</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,854,001</u>	<u>\$ 2,899,727</u>

At December 31, 2021 and 2020 the Foundation has \$2,854,001 and \$2,899,727 respectively of financial assets available within one year of the balance sheet date to meet cash needs for general expenditures including cash of \$603,836 and \$853,507 respectively. Receivables are subject to implied time restrictions but are expected to be collected within one year.

The Foundation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$200,000. The Foundation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

December 31, 2021 and 2020

NOTE H – RETIREMENT PLANS

The Foundation sponsors a Section 401(k) retirement plan that covers all employees who are at least 18 years of age and have completed one month of service. Under the terms of the plan, employees can elect to contribute a portion of their salary up to the limits imposed by the Internal Revenue Code. The Foundation may make nonelective or matching contributions but is not required to do so. Such contributions would be subject to a six-year vesting schedule. No contributions were made by the Foundation during the years ended December 31, 2021 and 2020.

NOTE I – CONTINGENCIES

The Foundation receives grants for specific purposes that are subject to review and audit by the funding source. Such audits could result in the funding source's request for reimbursement for expenditures disallowed under the terms and conditions of the contracts. Management is of the opinion that no material liabilities will result from such potential audits.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. The extent of the impact of COVID-19 on the Council operation and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the grantors, employees and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition or results of operations is uncertain.

COMPLIANCE REPORTS

(This page intentionally left blank.)



550 Howe Avenue, Suite 210
Sacramento, California 95825

Telephone: (916) 564-8727
FAX: (916) 564-8728

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

To the 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 the California Foundation for Independent Living Centers (the Foundation) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 November 28, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation'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 a 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation'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

To the Board of Directors of
California Foundation for Independent Living Centers

financial statements. 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 findings 2021-001 and 2021-002.

The Foundation's Response to Findings

Governmental Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 Foundation'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 Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Richardson & Company, LLP

November 28, 2022



550 Howe Avenue, Suite 210
Sacramento, California 95825
Telephone: (916) 564-8727
FAX: (916) 564-8728

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited California Foundation for Independent Living Center's (the Foundation) compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Foundation's major federal programs for year ended December 31, 2021. The Foundation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Foundation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Foundation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Foundation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Foundation's federal programs.

To the Board of Directors of
California Foundation for Independent Living Centers

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Foundation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Foundation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Foundation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Foundation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Foundation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all

To the Board of Directors of
California Foundation for Independent Living Centers

deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-001 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Foundation's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Richardson & Company, LLP

November 28, 2022

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 2021

A. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

- | | |
|--|---------------|
| 1. Type of auditor's report issued: | Unmodified |
| 2. Internal controls over financial reporting: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|--|---------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | None reported |
| 2. Type of auditor's report issued on compliance for major programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR, Section 200.516(a)? | Yes |

4. Identification of major programs:

CFDA Number

93.464

Name of Federal Program

ACL Assistive Technology

- | | |
|---|-----------|
| 5. Dollar Threshold used to distinguish between Type A and Type B programs? | \$750,000 |
| 6. Auditee qualified as a low-risk auditee under 2 CFR, Section 200.516(a)? | No |

B. FINDINGS – FINANCIAL STATEMENT AUDIT

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended December 31, 2021

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

Finding 2021-001: Material Weakness – Record retention

Federal Grantor: All Federal Programs

Compliance Requirement: Record maintenance and retention

Condition: Records were not maintained to support that the grant requirements we met, and the Foundation's policies were followed.

Criteria: Procurement requirements of the grants require grant-qualified expenses to be reviewed by a knowledgeable person. Documentation of bid processes reasons for award or reasons for single source contract awards need to be maintained. Vendors disbarment status needs to be verified prior to purchase or contract, and documentation of this verification needs to be retained.

Cause: We noted review of invoices was not documented on many of the federal expenditures, to document review of invoices by a person knowledgeable to the grant and its allowable costs. This review should be documented to support the Foundation is in compliance with grant requirements. It was indicated to us that items were approved by the Finance Director but this review was not documented. All invoices should include documentation as to approval. Additionally, there was no documentation maintained for the approval from the state that the Foundation uses to verify a vendor has not been disbarred, which is a requirement of federal awards. Sometimes this approval was done via e-mail and others by phone per the Foundation, but no record of this approval was maintained. No documentation was maintained to support quotes or bids and the process for selecting a vendor.

Effect: Compliance with grant requirements were un-auditable as documents were not maintained.

Recommendation: We recommend documents be maintained to support policies and procedures are followed. A copy of the e-mail or other support should be maintained in the grant and personnel files (physical or electronic) to support that the Foundation is in compliance with grant requirements and Foundation policies.

Response: We have established new procedures for remote and hybrid work that ensures that CFILC has all required documentation in place and easily accessible by all necessary remote staff. In addition, CFILC has moved all accounts payable processes to Bill.com. This ensures proper documentation and approvals to meet compliance and CFILC policies. Currently, we have established a written tracking system to verify all vendors for grant expenditures as required by federal procurement and disbarment. When approvals for vendors are completed by email, those emails are now saved in the vendor electronic folder.

Finding 2021-002: Material Weakness - Untimely Audit Submission in Accordance with OMB Uniform Guidance

Federal Grantor: All Federal Programs

Compliance Requirement: Reporting

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended December 31, 2021

Condition: The Foundation did not electronically submit their December 31, 2021 Single Audit reporting package (Single Audit Report, Data Collection Form, Status of Prior Year Findings, and a Corrective Action Plan) within the required time period.

Recommendation: We recommended that management strengthen the related internal controls over monitoring of its year-end reconciliation of its financial statements to ensure that the general ledger accounts reflect proper and complete activity consistent with their basis of accounting. We believe that reviews, evaluations of transactions, and reconciliations of accounts should be performed on a regular basis during the year. This would expedite the year-end closing process and ensure compliance with the audit report submission requirements of OMB Uniform Guidance.

Response: The Foundation experienced technical problems with IT & Accounting software at the beginning of March 2020. Also, in March 16, 2020, the Foundation had to close the office to all staff due to COVID-19. These new challenges created a backlog in accounting along with staff shortage. We have since created new policies for remote and hybrid working environments for accounting. We have moved to a cloud-based accounting system which allows accounting staff to access remotely and has a good backup system. This has allowed us to keep up and close each month on a timely basis. The Foundation is set to have 2022 Audit done within the required timelines.

D. PRIOR YEAR FINDINGS

Finding 2019/20-001: Material Weakness – Schedule of Expenditures of Federal Awards (SEFA).

Federal Grantor: All Federal Programs

Compliance Requirement: Reporting

Condition: The expenses reported on the Schedule of Expenditures of Federal Awards (SEFA) were revised during the single audit.

Criteria: Internal controls should be in place that provide reasonable assurance that the SEFA is complete and accurate, prior to the start of the audit.

Cause: The SEFA was not fully reconciled and finalized until after the single audit began. Also, state grants were incorrectly included on the SEFA and an incorrect CFDA number was used.

Effect: The expenses included on the SEFA were revised during the audit, which could have resulted in the auditor not selecting the correct program for testing during the single audit and could have resulted in the single audit not satisfying the requirements of the Uniform Guidance.

Status: This issue was not repeated in the current year as the Foundation reconciled the SEFA to the general ledger.

Finding 2019/20-002: Material Weakness - Untimely Audit Submission in Accordance with OMB Uniform Guidance

Federal Grantor: All Federal Programs

Compliance Requirement: Reporting

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended December 31, 2021

Condition: The Foundation did not electronically submit their December 31, 2019 and 20 Single Audit reporting package (Single Audit Report, Data Collection Form, Status of Prior Year Findings, and a Corrective Action Plan) within the required time period.

Recommendation: We recommended that management strengthen the related internal controls over monitoring of its year-end reconciliation of its financial statements to ensure that the general ledger accounts reflect proper and complete activity consistent with their basis of accounting. We believe that reviews, evaluations of transactions, and reconciliations of accounts should be performed on a regular basis during the year. This would expedite the year-end closing process and ensure compliance with the audit report submission requirements of OMB Uniform Guidance.

Response: See Finding 2021-002.

Finding 2019/20-003: Material Weakness – Record retention

Federal Grantor: All Federal Programs

Compliance Requirement: Record maintenance and retention

Condition: Records were not maintained to support that the grant requirements we met, and the Foundation's policies were followed.

Criteria: Procurement requirements of the grants require grant-qualified expenses to be reviewed by a knowledge person. Documentation of bid processes reasons for award or reasons for single source contract awards need to be maintained. Vendors disbarment status needs to be verified prior to purchase or contract, and documentation of this verification needs to be retained.

Cause: We noted review of invoices was not documented on many of the federal expenditures, to document review of invoices by a person knowledgeable to the grant and its allowable costs. This review should be documented to support the Foundation is in compliance with grant requirements. It was indicated to us that items were approved by the Finance Director but this review was not documented. All invoices should include documentation as to approval. Additionally, there was no documentation maintained for the approval from the state that the Foundation uses to verify a vendor has not been disbarred, which is a requirement of federal awards. Sometimes this approval was done via e-mail and others by phone per the Foundation, but no record of this approval was maintained. No documentation was maintained to support quotes or bids and the process for selecting a vendor. We also noted Employee Status Change forms did not contain a signature documenting approval by a supervisor. While the Foundation indicated these steps were done by past employees whose files are gone, no documentation could be provided for any of the samples selected or maintained in a grant file.

Effect: Compliance with grant requirements were un-auditable as documents were not maintained.

Recommendation: We recommend documents be maintained to support policies and procedures are followed. A copy of the e-mail or other support should be maintained in the grant and personnel files (physical or electronic) to support that the Foundation is in compliance with grant requirements and Foundation policies.

Response: Due to COVID-19 and going to a complete remote working environment in short notice without having prior remote policies in place, several accounting procedures needed to be updated to reflect remote work environment. We have now established new procedures for remote and hybrid

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

For the Year Ended December 31, 2021

work that ensures that CFILC has all required documentation in place and easily accessible by all necessary remote staff. In addition, CFILC has moved all accounts payable processes to Bill.com. This ensures proper documentation and approvals to meet compliance and CFILC policies. Currently, we have established a written tracking system to verify all vendors for grant expenditures as required by federal procurement and disbarment. When approvals for vendors are completed by email, those emails are now saved in the vendor electronic folder.

Regarding employee status change forms, we have established a process of utilizing e-signatures to ensure proper approval and documentation. In addition CFILC is in process of utilizing outside payroll vendor for online employee onboarding and status change.

Status: CFILC has moved accounts payable processes to Bill.com in 2022. This will ensure proper documentation and approvals to meet compliance and CFILC policies and have established a written tracking system to verify all vendors for grant expenditures as required by federal procurement and disbarment and has implemented record retentions procedures. As these changes were implemented after the completion of the year ender audit, we will verify these procedures were properly implemented in the 2022 audit.

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2021

<u>Federal Grantor/Pass-through Grantor, if applicable/ Program Title/Grant or Pass-through Number</u>	<u>Grant ID</u>	<u>Federal CFDA Number</u>	<u>Program or Award Amount</u>	<u>Expenditures</u>
MAJOR FEDERAL AWARDS:				
<u>U.S. Department of Health and Human Services</u>				
Passed through State of California:				
Department of Rehabilitation, Independent Living State				
ACL Assistive Technology	30833-3	93.464	\$ 850,000	\$ 667,729
ACL Assistive Technology	30833-4	93.464	850,000	169,518
TOTAL MAJOR FEDERAL AWARDS			<u>1,700,000</u>	<u>837,247</u>
NON-MAJOR FEDERAL AWARDS:				
<u>U.S. Department of Treasury</u>				
Community Development Financial Institutions	171TA022030	21.020	124,998	21,233
<u>U.S. Department of Education</u>				
Freedom Tech Low-Interest Loan Program	H224D120009	84.224D	993,000	5,198
<u>U.S. Department of Agriculture (USDA)</u>				
The Regents of the University of California	2018-41590-28720	10.500	26,000	14,936
TOTAL NON-MAJOR FEDERAL AWARDS			<u>1,143,998</u>	<u>41,367</u>
TOTAL FEDERAL AWARDS			<u>\$ 2,843,998</u>	<u>\$ 878,614</u>

CALIFORNIA FOUNDATION FOR INDEPENDENT LIVING CENTERS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2021 and 2020

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Foundation under programs of the federal government for the year ended December 31, 2021. 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 Foundation's operations, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the Foundation.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenses reported on the Schedule are reported on the accrual basis of accounting. Such expenses are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenses are not allowable or are limited as to reimbursement.

NOTE C – INDIRECT COST ALLOCATION PLAN

The Foundation has elected not to use the 10% de minimis indirect cost rate under the Uniform Guidance.

NOTE D – SUBRECIPIENTS

There were no subrecipients of the Foundation's programs during the years ended December 31, 2021.

NOTE E – PROGRAM COSTS/MATCHING CONTRIBUTIONS

The amounts shown as current year expenses represent only the federal grant portion of the program costs. Entire program costs, including the Foundation's portion, may be more than shown.

NOTE F – NONCASH AWARDS

No noncash awards existed in the current year.