

CENTER FOR INDEPENDENT LIVING, INC.

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2018**

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INTRODUCTORY SECTION

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CENTER FOR INDEPENDENT LIVING, INC.
Financial Statements
For the Year Ended June 30, 2018

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Center for Independent Living, Inc.
Alameda, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Center for Independent Living, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The prior year financial statements were audited by another auditor who issued an unmodified opinion dated August 10, 2017.

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 audits to obtain reasonable assurance about whether the financial statements are free of 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 Organization's 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 Organization's 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.

Emphasis of a Matter

As discussed in Note 2M, management recorded a prior period adjustment resulting in a decrease in beginning net assets of \$476,510.

The emphasis of this matter does not constitute a modification to our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center for Independent Living, Inc. as of June 30, 2018, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018, on our consideration of the Organization'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 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 the Organization's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
December 5, 2018

CENTER FOR INDEPENDENT LIVING, INC.

**STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2018**

ASSETS

Current Assets:

Cash and cash equivalents (Note 2C)	\$264,557
Investments (Note 3)	36,550
Accounts receivable (Note 4)	285,531
Grants receivable (Note 5)	1,270,802
Prepays and deposits	98,384
Total Current Assets	<u>1,955,824</u>

Non Current Assets:

Property and equipment, net (Note 6)	<u>177,299</u>
Total Non-Current Assets	<u>177,299</u>
Total Assets	<u><u>\$2,133,123</u></u>

LIABILITIES

Current Liabilities:

Accounts payable	\$17,050
Accrued expenses	<u>82,056</u>
Total Current Liabilities	<u>99,106</u>

Non Current Liabilities:

Deferred revenue (Note 7)	<u>970,322</u>
Total Liabilities	<u>1,069,428</u>

NET ASSETS (Note 2A)

Unrestricted:

Operations	886,396
Plant and equipment	<u>177,299</u>
Total Unrestricted Net Assets	<u>1,063,695</u>
Total Liabilities and Net Assets	<u><u>\$2,133,123</u></u>

See accompanying notes to financial statements

CENTER FOR INDEPENDENT LIVING, INC.

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Government grants	\$1,932,381		\$1,932,381
Foundations and funds	13,066		\$13,066
Endowment	279,572		\$279,572
Bequests	300,000		\$300,000
Contributions	95,478		95,478
Services and sales	15,305		15,305
Interest and dividends	7,015		7,015
In-kind rent (Note 9)	60,000		60,000
Other revenue	2,023		2,023
Total Support and Revenue	2,704,840		2,704,840
OPERATING EXPENSES			
Program service	1,767,019		1,767,019
General and administration	751,363		751,363
Fundraising	104,916		104,916
Total Expenses	2,623,298		2,623,298
Changes in net assets	81,542		81,542
Net Assets at Beginning of Year	982,153	\$476,510	1,458,663
Prior period adjustment (Note 2M)		(476,510)	(476,510)
Net Assets at End of Year	\$1,063,695		\$1,063,695

See accompanying notes to financial statements

CENTER FOR INDEPENDENT LIVING, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Services			Supporting Services			
	Core Services	IL Training	Deinstitution	Total Program Services	Administration	Fundraising	Total
FUNCTIONAL EXPENSES							
Salaries	\$622,176	\$292,290		\$914,466	\$300,948	\$11,951	\$1,227,365
Payroll taxes and employee benefits	128,712	62,256		190,968	73,263	1,316	265,547
Subtotals	750,888	354,546		1,105,434	374,211	13,267	1,492,912
Consultants and outside services	146,991	107,463	\$10,800	265,254	117,751	37,855	420,860
Supplies	8,961	8,881		17,842	13,386	6,473	37,701
Equipment purchases	16,857			16,857	22,476	1,414	40,747
Parts and materials	14,219			14,219			14,219
Travel and transportation	3,674	10,493		14,167	5,652	368	20,187
Participant support		160		160			160
Hosting	1,988	7,782		9,770	14,932	23,421	48,123
Rent	167,584	71,597		239,181	133,562	2,600	375,343
Staff training	969	653		1,622	3,523	986	6,131
Repairs and maintenance	1,965	636		2,601	617		3,218
Telephone	12,495	7,405		19,900	3,170		23,070
Postage	1,236	645		1,881	745	1,187	3,813
Printing and copying	11,618	8,509		20,127	2,361	7,641	30,129
Indirect and administration costs	6,731	744		7,475	1,723	590	9,788
Dues and memberships	1,795			1,795	1,720	100	3,615
Insurance	9,724	5,079		14,803	3,556		18,359
Payroll processing	5,158	2,715		7,873	3,744		11,617
Interest and service charges	1,115			1,115	1,172		2,287
Depreciation (Note 6)				41,730			41,730
Miscellaneous and other	1,605	3,338		4,943	5,332	9,014	19,289
Total Expenses	\$1,165,573	\$590,646	\$10,800	\$1,767,019	\$751,363	\$104,916	\$2,623,298

See accompanying notes to financial statements

CENTER FOR INDEPENDENT LIVING, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Changes in net assets	<u>(\$394,968)</u>
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:	
Depreciation	41,730
Unrealized (gains)/losses on investments	(6,164)
(Increase) decrease in operating assets:	
Accounts receivable	(265,791)
Grants receivable	(941,514)
Promises to give	491,675
Prepaid expenses and deposits	(32,119)
Rent reserve	134,457
Increase (decrease) in operating liabilities:	
Accounts payable	(69,088)
Accrued expenses	26,117
Deferred revenue	<u>970,322</u>
Total Adjustments	<u>349,625</u>
Net Cash (Used) by Operating Activities	<u>(45,343)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Capital asset purchases	(10,633)
Proceeds from sale of investments	<u>63,355</u>
Net Cash Provided by Investing Activities	<u>52,722</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,379
Cash and Cash Equivalents, Beginning of Year	<u>257,178</u>
Cash and Cash Equivalents, End of Year	<u>\$264,557</u>

SUPPLEMENTARY INFORMATION:

Non-cash activities:	
In-kind rent	<u>\$60,000</u>

No taxes or interest were paid in 2018

See accompanying notes to financial statements

CENTER FOR INDEPENDENT LIVING, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2018

NOTE 1 – ORGANIZATION AND ACTIVITIES

Reporting Entity

Center for Independent Living, Inc. (CIL), a not-for-profit California Corporation, was established in March 1972. CIL, Inc. has adopted the following Mission, Guiding Principles, and Vision Statements.

Mission

CIL's mission is to support and assist people with disabilities to live self-determined lives. We do this through intervention, involvement, support and services, strengthening the rights of consumers to live an enhanced quality of life.

Guiding Principles

- The strongest and most vibrant communities are those that include and embrace all people.
- A community-centric approach that creates targeted programming based on the needs of individual communities.
- With self-determination, advocacy and support, all those who strive can lead the life they choose.
- Individuals can be their own best advocates.

Vision

CIL's every effort, big and small, will focus attention and resources toward the goal of ending the marginalization of persons with disabilities, fortifying disability rights locally and nationally, and educating communities to be fully inclusive.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of CIL have been prepared on the accrual basis of accounting. Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of CIL and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of CIL and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

CENTER FOR INDEPENDENT LIVING, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that CIL must maintain permanently. Generally, the donors of these assets permit CIL to use all or part of the income earned on any related investments for general or specific purposes.

B. Support and Revenues

CIL relies on contracts with governmental units, grants from public and private foundations, and contributions from individuals and corporations. Public contributions are recorded upon receipt. All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Contributions received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. CIL considers that all contributions for long-lived assets have implied time restrictions and classifies this support as temporarily restricted until the purpose restriction is met.

C. Cash and Cash Equivalents

CIL considers all highly liquid instruments purchased with a maturity of three months or less to be cash and cash equivalents. At June 30, 2018, CIL's cash and cash equivalents consisted of the following:

Cash in Bank	\$210,998
Money Market	<u>53,559</u>
Total	<u><u>\$264,557</u></u>

D. Concentration of Credit Risk

The Federal Deposit Insurance Corporation (FDIC) insures account balances at each insured institution up to \$250,000. At various times during the year, cash at these institutions exceeded federally insured limits, however, management believes CIL is not exposed to any significant credit risk related to cash.

CENTER FOR INDEPENDENT LIVING, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Property and Equipment

Property and equipment are recorded at cost, unless they are donated. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated assets for a specific purpose. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes. CIL capitalizes property and equipment with an original cost in excess of \$5,000. Expenses for maintenance and repairs are charged to expenses as incurred. Replacements and capital improvements of assets are capitalized. Improvements are depreciated over seven to ten years and furniture and equipment over three to five years.

F. Income Tax Status

CIL is exempt from income tax under Section 501(c)(3) of U.S. the Internal Revenue Code. Accordingly, no provision for income taxes has been provided in these financial statements. In addition, CIL qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(1). Unrelated business income, if any, may be subject to income tax. CIL paid no taxes on unrelated business income in the year ended June 30, 2018.

Generally accepted accounting principles require the recognition, measurement, classification, and disclosure in the financial statements of uncertain tax positions taken or expected to be taken in the organization's tax returns. Management has determined that CIL does not have any uncertain tax positions and associated unrecognized benefits that materially impact the financial statements or related disclosures. Since tax matters are subject to some degree of uncertainty, there can be no assurance that CIL's tax returns will not be challenged by the taxing authorities and that CIL will not be subject to additional tax, penalties, and interest as a result of such challenge. Generally, CIL's tax returns remain open for federal income tax examination for three years from the date of filing.

G. Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Those expenses which cannot be specifically identified by function type have been allocated to functions based upon management's best estimate of usage.

H. Advertising Costs

Advertising costs, if any, are expensed as incurred.

I. Estimates

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

CENTER FOR INDEPENDENT LIVING, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2018

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Accrued Vacation

Accrued vacation is comprised of unused vacation leave and certain compensated time off, which are accrued as earned. The liability is determined monthly. Management has determined that all balances are classified as current.

K. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accounting standards set a framework for measuring fair value using a three tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or inputs (interest rates, currency exchange rates, commodity rates and yield curves) that are observable or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Inputs that are not observable in the market and reflect the management's judgment about the assumptions that market participants would use in pricing the asset or liability.

L. Concentration

For the year ended June 30, 2018, government grants accounted for 71% of CIL's revenue.

M. Prior Period Adjustment

During fiscal year June 30, 2018, management determined that revenue for government contracts in previous years were recognized before they were earned. As a result, revenues in previous years were overstated. CIL recorded a prior period adjustment reducing beginning net assets by \$476,510.

NOTE 3 – INVESTMENTS

Investments consist of the following as of June 30, 2018:

Stocks	\$23,325
Mutual fund	13,225
Total	<u>\$36,550</u>

All investments are valued at Level 1 identical assets (see Note 2K).

CENTER FOR INDEPENDENT LIVING, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2018

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2018 consists of the following:

CIL/Haas Supporting Foundation	\$282,370
Other	<u>3,161</u>
Total accounts receivable	<u><u>\$285,531</u></u>

NOTE 5 – GRANTS RECEIVABLE

Grants receivable as of June 30, 2018 consists of amounts due from the following agencies:

California Department of Rehabilitation	\$184,111
California Department of Transportation	818,960
United States Department of Health and Human Services	132,413
United States Department of Housing and Urban Development	35,000
Alameda County Transportation Commission	40,510
Metropolitan Transportation Commission	48,119
Other	<u>11,689</u>
Total grants receivable	<u><u>\$1,270,802</u></u>

NOTE 6 – PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2018 consists of the following:

	Balance Beginning of Year	Additions	Balance End of Year
Depreciable assets:			
Leasehold improvements	\$173,312		\$173,312
Furniture and equipment	50,163		50,163
Computer hardware	59,490	\$10,633	70,123
Computer software	12,364		12,364
Total depreciable assets	295,329	10,633	305,962
Less accumulated depreciation	(86,933)	(41,730)	(128,663)
Total property and equipment, net	<u>\$208,396</u>	<u>(\$31,097)</u>	<u>\$177,299</u>

CENTER FOR INDEPENDENT LIVING, INC.

NOTES TO FINANCIAL STATEMENTS **For the Year Ended June 30, 2018**

NOTE 7 – DEFERRED REVENUE

CIL obtains cost-reimbursement government grants and contracts from various government agencies. Under the terms of these agreements, funds are advanced to finance program expenditures and are conditional on performance of the agreement. Deferred revenue constitutes the amount of government contracts and grants awarded in which allowable program expenditures have not been incurred. As of June 30, 2018, deferred revenue consists of the following:

California Department of Rehabilitation	\$107,457
California Department of Transportation	726,223
United States Department of Health and Human Services	<u>136,642</u>
Total deferred revenue	<u><u>\$970,322</u></u>

NOTE 8 – ENDOWMENT FUND

During the 2010-2011 fiscal year, CIL and the UC Berkeley Haas School of Business formed a nonprofit supporting organization, the CIL/Haas Supporting Foundation (Foundation). The mission of the Foundation is to support the charitable and educational work of CIL and the Haas School of Business at the University of California Berkeley by holding and stewarding investments valued at approximately \$4,135,969 and using these assets to fund charitable and education activities at CIL with the participation of faculty, alumni and the students of the Haas School as part of their educational and public service activities. In particular, the Haas School of Business Center for Nonprofit and Public Leadership students receive hands-on fieldwork opportunities so that they can come to understand and grapple with the issues facing the non-profit and public sectors.

CIL contributed \$2,866,662 of its investments previously categorized by the Board and donors of CIL as the Endowment Fund to the CIL/Haas Supporting Foundation on June 29, 2011. Because neither CIL or the Haas School of Business has a controlling interest in the Foundation, the activities of the Foundation are not consolidated in either CIL's or Haas' financial statements, in accordance with consolidation rules contained in Accounting Research Bulletin (ARB) No. 51 and amended by Financial Accounting Standards Board (FASB) Statement No. 94.

The activity of the CIL/Haas Supporting Foundation endowment for the year ended June 30, 2018 is as follows:

Beginning balance at July 1, 2017	\$5,846,327
Interest and dividends	126,936
Realized gain	12,317
Unrealized gain	283,362
Fees and other expenses	(2,698)
Appropriation of endowment for expenditure	<u>(279,572)</u>
Ending Balance at June 30, 2018	<u><u>\$5,986,672</u></u>

CENTER FOR INDEPENDENT LIVING, INC.

NOTES TO FINANCIAL STATEMENTS For the Year Ended June 30, 2018

NOTE 8 – ENDOWMENT FUND (Continued)

The controlling board of the CIL/Haas Supporting Foundation consists of three members appointed by CIL and three members appointed by the Dean of the Haas School of Business. Neither CIL, Inc., the Haas School of Business, nor the CIL/Haas Supporting Foundation are related parties.

NOTE 9 – ALAMEDA COUNTY PROGRAMS

The County of Alameda requires contractors who receive funding through the County to identify all County programs in accordance with County audit requirements. For the year ended June 30, 2018, CIL received \$250,000 in funding for the Community Connections: A Mobility Management Partnership (Coco) Project.

NOTE 10 – LEASE COMMITMENTS

A. *Ed Roberts Campus Lease*

On June 30, 2009, CIL entered into a lease agreement with the Ed Roberts Campus for its Berkeley office. The length of term is for 20 years with a commencement date of November 15, 2010. The lease is for 7,951 rentable square feet starting at \$1.00 per square foot plus \$0.90 per square foot for common area expenses, for a starting monthly rent expense of \$14,853. On September 1, 2016, the lease was amended to cover 3,597 square feet over the same 20 year term with a new monthly rent expense of \$4,029.

The market value of the rented space has been determined to be \$3.40 per square foot. CIL recorded the difference between the rent charged and the market rent, which was \$60,000 in fiscal year 2018, in the accompanying financial statements.

B. *Alameda Office Lease*

On July 27, 2016, CIL entered into a lease agreement with Alameda Center Owner, LLC for its Alameda office. The length of term is for 126 months following the commencement date of November 21, 2016. The lease is for 6,829 rentable square feet starting at \$2.45 per square foot for a starting monthly rent expense of \$16,731.

CENTER FOR INDEPENDENT LIVING, INC.

NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2018

NOTE 10 – LEASE COMMITMENTS (Continued)

C. Minimum Lease Payments

Minimum lease payments, on an annual basis for both leases above are as follows:

Year Ending June 30	Amount
2019	\$258,763
2020	265,072
2021	271,575
2022	278,275
2023	285,174
2024-2028	1,239,752
2029-2030	<u>80,580</u>
	<u><u>\$2,679,191</u></u>

Total rent expense for the fiscal year ended June 30, 2018 was \$375,343.

NOTE 11 – SUBSEQUENT EVENTS

CIL evaluated subsequent events for recognition and disclosure through December 5, 2018, the date which these financial statements were available to be issued. Management concluded that no material subsequent events occurred since June 30, 2018 that requires recognition or disclosure in such financial statements.