Harrington Group
Certified Public Accountants, LLP

COMMUNITY INITIATIVES

FINANCIAL STATEMENTS, SUPPLEMENTAL SCHEDULE, and ADDITIONAL INFORMATION

JUNE 30, 2014 and 2013

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Harrington Group
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Community Initiatives

Report on the Financial Statements

We have audited the accompanying financial statements of Community Initiatives (a nonprofit organization), which comprise the Statements of Financial Position as of June 30, 2014 and 2013, and the related Statements of Activities, Functional Expenses, and Cash Flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 auditors consider internal control relevant to Community Initiatives' 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 Community Initiatives' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Initiatives as of June 30, 2014 and 2013, 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 Matter

Other 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2015 on our consideration of Community Initiatives' 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 Community Initiatives' internal control over financial reporting and compliance.

Harrington Group

San Francisco, California
January 8, 2015

COMMUNITY INITIATIVES

STATEMENTS OF FINANCIAL POSITION
June 30, 2014 and 2013

	2014	2013
Assets		
Cash and cash equivalents	**$ 18,468,974**	$ 17,937,239
Accounts receivable	**129,543**	647,492
Government grants receivable	**553,978**	129,135
Pledges receivable (Note 3)	**2,963,000**	1,855,848
Prepaid expenses	**162,340**	141,797
Property and equipment, net (Note 5)	**282,715**	125,513
Total assets	**$ 22,560,550**	$ 20,837,024
Liabilities and net assets		
Liabilities		
Accounts payable	**$ 1,083,672**	$ 481,686
Accrued liabilities (Note 6)	**618,571**	560,783
Deferred revenue (Note 7)	**19,556**	-
Capital leases obligations (Note 8)	**45,115**	-
Total liabilities	**1,766,914**	1,042,469
Net assets		
Unrestricted - CI operations	**1,800,510**	1,552,753
Temporarily restricted - FSP	**18,993,126**	18,241,802
Total net assets	**20,793,636**	19,794,555
Total liabilities and net assets	**$ 22,560,550**	$ 20,837,024

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

COMMUNITY INITIATIVES

STATEMENTS OF ACTIVITIES
For the years ended June 30, 2014 and 2013

	Year ended June 30, 2014			Year ended June 30, 2013		
	Unrestricted	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
Revenue and support						
Grants and contribution revenue	$ -	$ 22,164,316	**$ 22,164,316**	$ -	$ 18,206,657	$ 18,206,657
Other income	400	1,684,965	**1,685,365**		1,941,151	1,941,151
In-kind (Note 12)		78,303	**78,303**		37,499	37,499
Interest income	27,713	63	**27,776**	24,715	3,158	27,873
Net assets released from program restrictions	23,176,323	(23,176,323)	**-**	17,907,524	(17,907,524)	-
Total revenue and support	23,204,436	751,324	**23,955,760**	17,932,239	2,280,941	20,213,180
Expenses						
Program services	19,487,493		**19,487,493**	14,542,405		14,542,405
Management and general	1,855,249		**1,855,249**	1,674,921		1,674,921
Fundraising	1,613,937		**1,613,937**	1,580,403		1,580,403
Total expenses	22,956,679	-	**22,956,679**	17,797,729	-	17,797,729
Change in net assets	247,757	751,324	**999,081**	134,510	2,280,941	2,415,451
Net assets, beginning of year	1,552,753	18,241,802	**19,794,555**	1,418,243	15,960,861	17,379,104
Net assets, end of year	$ 1,800,510	$ 18,993,126	**$ 20,793,636**	$ 1,552,753	$ 18,241,802	$ 19,794,555

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

COMMUNITY INITIATIVES

STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended June 30, 2014 and 2013

	Year ended June 30, 2014				Year ended June 30, 2013			
	FSP Program Services	**CI Management and General**	**Fundraising**	**Total Expenses**	FSP Program Services	CI Management and General	Fundraising	Total Expenses
Salaries and related benefits	$ 8,020,986	$ 1,216,593	$ 859,931	**$ 10,097,510**	$ 6,175,181	$ 1,012,795	$ 766,606	$ 7,954,582
Other professional services	5,824,555	188,613	398,966	**6,412,134**	4,216,603	237,042	311,501	4,765,146
Grants made	2,002,044			**2,002,044**	1,177,552			1,177,552
Travel	718,001	12,365	61,676	**792,042**	736,842	6,762	55,533	799,137
Occupancy	470,742	124,385	52,105	**647,232**	324,060	142,361	42,902	509,323
Program activity	340,740	5,771	90,774	**437,285**	228,681	2,322	286,342	517,345
Special events	430,135			**430,135**	442,251			442,251
Supplies	358,555	18,905	11,520	**388,980**	311,932	22,632	10,815	345,379
Equipment rental and maintenance	312,081	30,888	32,447	**375,416**	200,334	19,977	24,851	245,162
Conferences, conventions, and meetings	242,519	4,276	23,526	**270,321**	163,032	3,515	21,022	187,569
Printing and publications	203,430	6,558	20,796	**230,784**	136,550	4,470	14,069	155,089
Communications	209,960		11,824	**221,784**	117,931	10,628		128,559
Office expenses	81,477	107,475	8,846	**197,798**	66,441	41,155	8,863	116,459
Telephone	112,960	14,125	11,861	**138,946**	107,567	8,401	13,154	129,122
Insurance	34,584	55,505	3,842	**93,931**	26,745	68,063	3,541	98,349
Legal and accounting fees	50,527	32,783	4,451	**87,761**	48,332	55,096	4,542	107,970
Depreciation and amortization	39,394	24,185	4,084	**67,663**	29,664	25,786	3,451	58,901
Taxes, fees, and licenses	13,526	7,276	15,209	**36,011**	14,221	7,771	11,174	33,166
Postage and shipping	21,277	5,546	2,079	**28,902**	18,486	6,145	2,037	26,668
Total functional expenses	**$ 19,487,493**	**$ 1,855,249**	**$ 1,613,937**	**$ 22,956,679**	$ 14,542,405	$ 1,674,921	$ 1,580,403	$ 17,797,729

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

COMMUNITY INITIATIVES

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	**$ 999,081**	$ 2,415,451
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	**67,663**	58,901
Loss on disposal property and equipment	**2,611**	8,521
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable	**517,949**	(590,819)
(Increase) decrease in grants and pledges receivable	**(1,531,995)**	1,100,797
(Increase) decrease in prepaid expenses	**(20,543)**	30,730
Increase (decrease) in accounts payable	**601,986**	(138,670)
Increase in accrued liabilities	**57,788**	131,271
Increase (decrease) in deferred revenue	**19,556**	(166,997)
Net cash provided by operating activities	**714,096**	2,849,185
Cash flows from investing activities:		
Purchase of property and equipment	**(152,041)**	(55,457)
Net cash (used) by investing activities	**(152,041)**	(55,457)
Cash flows from financing activities:		
Principal payments on capital lease obligations	**(30,320)**	-
Net cash (used) by investing activities	**(30,320)**	-
Net increase in cash and cash equivalents	**531,735**	2,793,728
Cash and cash equivalents, beginning of year	**17,937,239**	15,143,511
Cash and cash equivalents, end of year	**$ 18,468,974**	$ 17,937,239
Supplemental disclosure:		
Operating activities reflect interest paid of	**$ 8,189**	$ -
Non-cash financing activities transactions:		
Purchase of property and equipment with capital lease obligations	**$ 75,435**	$ -

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

1. Organization

Community Initiatives ("CI") is a California Non-Profit Benefit Corporation, tax exempt under IRS 501(c)(3), established in 1996 by The San Francisco Foundation, to enable emerging charitable and educational projects to happen more quickly and with greater efficiency. Its services to the nonprofit and philanthropic sector focus on fiscal sponsorship and providing programmatic and financial oversight of grants and providing essential organizational, financial, and human resource services to nonprofit projects.

To accept a project for fiscal sponsorship, CI's Board vets each applicant's nonprofit purpose to the IRS 501(c)(3) standard and determines its viability for securing funding. At any given time, CI is sponsoring roughly 100 projects, the majority of which reside in the San Francisco Bay Area. The projects represent nonprofit activities in all areas of the nonprofit sector, e.g., arts and culture, education, environment, health and human services, and public affairs. These include projects of limited duration, start-up nonprofit organizations, public/private partnerships, and multiple funder collaborations.

All the financial activity of CI's fiscally sponsored projects ("FSPs") is aggregated for financial statement purposes. Their funds, however, are kept strictly segregated in individual fund accounts. The majority of its FSP's (those in a comprehensive fiscal sponsorship relationship) are legally a part of CI and all of their employees are employees of CI. A handful are in a "pre-approved grant" fiscal sponsorship relationship and those projects are separate legal entities.

By the nature of the business of fiscal sponsorship, CI's portfolio of fiscally sponsored projects is volatile with time-limited projects completing, with maturing nonprofits spinning off into their own 501(c)(3) organizations, and with new start-ups signing up throughout each year. As a result, individual budget line items may vary considerably from year to year, and typical financial analyses are not always meaningful.

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of CI are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

continued

2. Summary of Significant Accounting Policies, continued

Unrestricted. These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Temporarily Restricted. CI reports grants and contributions, investments and other income as temporarily restricted support if they are received with donor stipulations that limit the use to a fiscally sponsored project. All funds for a newly sponsored project transferred into CI are temporarily restricted for the sponsored project. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit CI and the fiscally sponsored projects to expend all of the income (or other economic benefits) derived from the donated assets. CI had no permanently restricted net assets at June 30, 2014 and 2013, respectively.

Cash and Cash Equivalents

CI has defined cash and cash equivalents as cash in banks and money market fund accounts.

Contributions and Pledges Receivable

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 future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Concentration of Credit Risks

CI places its temporary cash investments with high-credit quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. CI has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2014 and 2013 consists of government contract receivables due from county, state, federal granting agencies, and contributions from foundations. Concentrations of credit risks with respect to receivables are limited, as the management believes grants and contributions receivable are collectible.

Approximately 29% and 35% of total revenue and support of $23,955,760 and $20,213,180 for the years ended June 30, 2014 and 2013 was generated for six and five specific projects, respectively.

continued

2. Summary of Significant Accounting Policies, continued

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets
Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets
Level 3 inputs - estimates using the best information available when there is little or no market

CI is required to measure pledged contributions and non-cash contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to one thousand dollars.

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received (see Note 12).

Grants Made

Grant expense for restricted grants is recognized in the period in which the grant recipient meets the terms of the restrictions. In situations where a sponsored project attains status as an independent entity and ends the fiscal sponsorship relationship with CI, the respective project's funds are granted out to a newly created entity.

Functional Allocation of Expenses

Costs of providing fiscal sponsorship by CI have been presented in the Statement of Functional Expenses. All expenses paid on behalf of CI's projects are recorded as program services or fundraising expenses. Expenses incurred by CI's administrative group are recorded as management and general expenses.

continued

2. Summary of Significant Accounting Policies, continued

Income Taxes

CI is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by CI in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. CI's returns are subject to examination by federal and state taxing authorities, generally for three and four years respectively, after they are filed.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through January 8, 2015, the date which the financial statements were available.

3. Pledges Receivable

Pledges receivable are recorded as support when pledged unless designated otherwise. All pledges are valued at the estimated fair present value at June 30, 2014 and 2013 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2014 and 2013. A discount rate of .11% to .88% has been used to calculate the present value of pledges receivable at June 30, 2014. Total amount of pledges receivable is $2,963,000 and $1,855,848 as of June 30, 2014 and 2013, respectively. Total amount of pledges receivable at June 30, 2014 of $2,963,000 is expected to be collected as follows:

Year ended June 30,	
2015	$2,330,931
2016	634,865
2017	10,000
	2,975,796
Less: unamortized discount on pledges receivable	(12,796)
	$2,963,000

continued

4. Fair Value Measurements

The table below present transactions measured at fair value on a non-recurring basis during the year ended June 30, 2014 and 2013:

June 30, 2014

	Level 1	Level 2	Level 3	Total
Contributed materials	$ -	$16,320	$ -	**$ 16,320**
Contributed services		61,983		**61,983**
Pledged contributions-new			17,050,697	**17,050,697**
Fair value at June 30, 2014	$ -	$78,303	$17,050,697	**$17,129,000**

June 30, 2013

	Level 1	Level 2	Level 3	Total
Contributed materials	$ -	$30,961	$ -	$ 30,961
Contributed services		6,538		6,538
Pledged contributions-new			13,608,333	13,608,333
Fair value at June 30, 2013	$ -	$37,499	$13,608,333	$13,645,832

The fair value of contributed materials and services has been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

The fair value of pledged contributions are measured on a non-recurring basis based on the value provided by the donor at the date of pledge (Level 3 inputs).

5. Property and Equipment

Property and equipment at June 30, 2014 and 2013 consist of the following:

	2014	2013
Computer equipment and software	**$ 298,634**	$ 292,285
Furniture and fixtures	**167,098**	84,207
Construction in progress	**89,106**	-
Leasehold improvements	**75,880**	71,610
Office equipment	**60,509**	34,589
Intangible/other	**46,827**	47,959
	738,054	530,650
Less: accumulated depreciation	**(455,339)**	(405,137)
	$ 282,715	$ 125,513

Depreciation and amortization expense for the years ended June 30, 2014 and 2013 were $67,663 and $58,901, respectively.

continued

6. Accrued Liabilities

Accrued liabilities at June 30, 2014 and 2013 consist of the following:

	2014	2013
Accrued vacation	**$600,440**	$506,116
Other accrued liabilities	**18,131**	54,667
	$618,571	$560,783

7. Deferred Revenue

Deferred revenue for the years ended June 30, 2014 and 2013 were $19,556 and $0, respectively, received primarily from participants for future programs offered by one of CI's fiscally sponsored projects.

8. Capital Lease Obligations

CI leases equipment under capital leases. Terms of the leases call for monthly payments for a three to five year period at interest rates ranging between 11% and 15%. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

Year ended June 30,	
2015	$19,188
2016	24,683
2017	1,284
2018	1,284
2019	1,177
Total minimum lease payments	47,616
Less: amount representing interest	(2,501)
Present value of minimum lease payments	$45,115

The cost of equipment under capital leases at June 30, 2014 consists of the following:

Furniture and fixtures	$ 46,800
Office equipment	28,635
	75,435
Less: accumulated depreciation	(13,337)
	$ 62,098

continued

9. Commitments and Contingencies

Obligations Under Operating Leases

CI leases various facilities and equipments under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

Year ended June 30,	
2015	$405,069
2016	278,578
2017	220,249
2018	24,333
	$928,229

Rent and equipment lease expenses under operating leases for the years ended June 30, 2014 and 2013 were $621,554 and $490,304, respectively.

Contracts

CI's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, CI has no provisions for the possible disallowance of program costs on its financial statements.

10. Employee Benefit Plan

CI has a 401(k) plan available to all employees who have completed one month of service, as defined under the plan. Employees may contribute any whole percentage of annual compensation provided that it does not exceed maximum amounts as permitted by law. CI also has a deferred compensation plan under Section 457 of the Internal Revenue Code for select group of management. For the year ended June 30, 2013, CI did not make contributions to the plan.

CI amended the plan effective January 1, 2014 and instituted a Safe Harbor 401(k) which includes an employer matching contribution of 3% of salary for all plan participants. The total expense related to the matching contribution was $95,628 for the year ended June 30, 2014.

continued

11. Project Funds Granted Out

CI granted (paid) out $139,126 and $172,557 for the years ended June 30, 2014 and 2013, respectively, to projects that transferred their fiscal sponsorship relationship to another 501(c)(3) organization.

12. In-Kind Contributions

In-kind contributions at June 30, 2014 and 2013 consist of the following:

	2014	2013
Other services	**$61,983**	$ 6,538
Other goods	**16,320**	30,961
	$78,303	$37,499

SUPPLEMENTAL SCHEDULE

COMMUNITY INITIATIVES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the years ended June 30, 2014

Program Name	Contract Number	Federal CFDA No.	Contract Term	Program Award	Federal Program Expenditure
Federal Awards					
Department of Health and Human Services ("DHHS"):					
Centers for Medicare and Medicaid Services, Health Care Innovation Awards ("HCIA")					
Pass-through, Ravenswood Community Health Center **(a)**	1C1CMS330972-02-00	93.610	7/01/13 – 6/30/14	$ 227,075	$ 219,871
Centers for Disease Control and Prevention, Adult Viral Hepatitis Prevention and Control **(a)**	1U51PS004287-03	93.270	9/29/13 – 9/28/14	150,000	105,653
Prevention Public Health Fund 2012: Viral Hepatitis Prevention					
Pass-through, City and County of San Francisco	DPHC13000901	93.736	3/01/13 – 9/29/13	33,120	22,865
	DPHC14000621	93.736	9/30/13 – 9/29/14	38,000	24,621
Administration for Children and Families, Temporary Assistance for Needy Families					
Pass-through, Scotts Valley Band of Pomo Indians Tribal TANF		93.558	5/01/13 – 4/30/14	15,600	12,115
Administration for Children and Families, Child Abuse and Neglect Discretionary Activities					
Pass-through, County of Alameda		93.670	2/03/12 – 2/27/15	10,000	10,000
Total DHHS				473,795	**395,125**
Corporation for National Community Service ("CNCS"):					
Capacity Building and Technical Assistance	11CBHCA001	94.022	10/01/11 – 9/30/13	200,000	70,703
Total CNCS				200,000	**70,703**
Department of Education ("ED"):					
Office of Elementary and Secondary Education, Title I Grants to Local Educational Agencies					
Pass-through, Ravenswood School District		84.010	9/03/13 – 5/29/14	15,718	15,718
Office of Elementary and Secondary Education, Twenty-First Century Community Learning Centers					
Pass-Through, San Francisco Unified School District		84.287	9/11/13 – 0/30/15	105,600	10,600
Total ED				121,318	**26,318**
Department of Energy ("DOE"):					
Conservation Research and Development					
Pass-through, City and County of San Francisco, Department of Environment	2011-BAA-05	81.086	3/11/13 – 10/25/13	50,000	25,000
Total DOE				50,000	**25,000**
Total Federal Awards				**$ 845,113**	**$ 517,146**

(a) Audited as a major program

Summary of Significant Accounting Policies:

1) Basis of Accounting - The Schedule of Expenditures of Federal Awards has been reported on the accrual basis of accounting.
2) CI is exempt from income taxation under Internal Revenue Code Section 501(c)(3) and California Revenue Taxation Code Section 23701d.

See independent auditors' report.

ADDITIONAL INFORMATION

Independent Auditors' 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
Community Initiatives

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 Community Initiatives ("CI"), which comprise the Statement of Financial Position as of June 30, 2014, and the related Statements of Activities, Functional Expenses and Cash Flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 8, 2015.

Internal Control Over Financial Reporting

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CI's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Harrington Group

San Francisco, California
January 8, 2015

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of Directors
Community Initiatives

Report on Compliance for Each Major Federal Program

We have audited Community Initiatives' ("CI") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of CI's major federal programs for the year ended June 30, 2014 CI's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, CI complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of CI is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, of compliance we considered CI's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness on internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the CI's internal control over compliance.

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Harrington Group

San Francisco, California
January 8, 2015

COMMUNITY INITIATIVES
Schedule of Findings and Questioned Costs
For the year ended June 30, 2014

Section I – Summary of Auditors' Results

<u>Financial Statements:</u>	
Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No
<u>Federal Awards:</u>	
Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified?	None reported
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No
Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	No
<u>Identification of Major Programs:</u>	
U.S. Department of Health and Human Services:	
Centers for Medicare and Medicaid Services, Health Care Innovation Awards	93.610
Centers for Disease Control and Prevention, Adult Viral Hepatitis Prevention and Control	93.270

Section II – Financial Statements Findings

There are no findings required to be reported in accordance with *Generally Accepted Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

There are neither findings nor questioned costs for Federal Awards as defined in OMB Circular A-133.

Section IV – Summary Schedule of Prior Year Findings

None