Harrington Group
Certified Public Accountants, LLP

COMMUNITY INITIATIVES

FINANCIAL STATEMENTS
and
ADDITIONAL INFORMATION

JUNE 30, 2017 and 2016

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CONTENTS

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 Statement of Financial Position as of June 30, 2017 and 2016, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditor considers internal control relevant to the entity'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 entity'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.

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INDEPENDENT AUDITORS' REPORT
continued

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, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2018, 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 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 effectiveness of Community Initiatives' 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
March 26, 2018

COMMUNITY INITIATIVES

STATEMENTS OF FINANCIAL POSITION

June 30, 2017 and 2016

	2017	2016
ASSETS		
Cash and cash equivalents	$ 16,750,369	$ 19,528,811
Accounts receivable	41,804	53,553
Government grants receivable	271,417	477,703
Pledges receivable (Note 3)	3,126,601	2,902,396
Prepaid expenses	257,550	406,156
Property and equipment, net (Note 5)	616,986	495,450
TOTAL ASSETS	$ 21,064,727	$ 23,864,069
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 264,818	$ 566,967
Accrued liabilities (Note 6)	613,290	630,515
Deferred revenue (Note 7)	116,374	244,163
Capital leases obligations	3,306	4,971
TOTAL LIABILITIES	997,788	1,446,616
NET ASSETS		
Unrestricted - CI operations	1,993,121	1,761,498
Temporarily restricted - FSP	18,073,818	20,655,955
TOTAL NET ASSETS	20,066,939	22,417,453
TOTAL LIABILITIES AND NET ASSETS	$ 21,064,727	$ 23,864,069

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

COMMUNITY INITIATIVES

STATEMENTS OF ACTIVITIES
For the years ended June 30, 2017 and 2016

	June 30, 2017			June 30, 2016		
	Unrestricted	**Temporarily Restricted**	**Total**	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT						
Grants and contribution revenue	$ 653	$ 22,470,436	**$ 22,471,089**	$ -	$ 23,681,813	$ 23,681,813
Other income	7,815	1,995,324	**2,003,139**		1,907,965	1,907,965
In-kind (Note 11)		123,542	**123,542**		345,885	345,885
Interest income	16,594		**16,594**	32,019		32,019
Net assets released from program restrictions	27,171,439	(27,171,439)	**-**	25,738,761	(25,738,761)	-
TOTAL REVENUE AND SUPPORT	27,196,501	(2,582,137)	**24,614,364**	25,770,780	196,902	25,967,682
EXPENSES						
FSP - Program services	22,020,511		**22,020,511**	21,062,404		21,062,404
FSP - Fundraising	2,437,279		**2,437,279**	2,332,701		2,332,701
CI - Management and general	2,507,088		**2,507,088**	2,412,414		2,412,414
TOTAL EXPENSES	26,964,878	-	**26,964,878**	25,807,519	-	25,807,519
CHANGE IN NET ASSETS	231,623	(2,582,137)	**(2,350,514)**	(36,739)	196,902	160,163
NET ASSETS, BEGINNING OF YEAR	1,761,498	20,655,955	**22,417,453**	1,798,237	20,459,053	22,257,290
NET ASSETS, END OF YEAR	$ 1,993,121	$ 18,073,818	**$ 20,066,939**	$ 1,761,498	$ 20,655,955	$ 22,417,453

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

COMMUNITY INITIATIVES

STATEMENTS OF FUNCTIONAL EXPENSES
For the years ended June 30, 2017 and 2016

	June 30, 2017				June 30, 2016			
	FSP Program Services	**FSP Fundraising**	**CI Management and General**	**Total Expenses**	FSP Program Services	FSP Fundraising	CI Management and General	Total Expenses
Salaries and related benefits	$ 7,936,597	$ 881,844	$ 1,687,837	**$ 10,506,278**	$ 8,462,176	$ 940,242	$ 1,434,068	$ 10,836,486
Grants made	6,122,753	680,306		**6,803,059**	3,377,597	375,289	2,500	3,755,386
Other professional services	4,277,896	475,322	333,420	**5,086,638**	5,326,034	591,782	469,326	6,387,142
Supplies	893,507	99,279	3,275	**996,061**	799,752	81,296	13,735	894,783
Travel	790,826	87,870	16,151	**894,847**	820,690	91,188	13,942	925,820
Occupancy	501,782	55,754	131,351	**688,887**	545,205	60,578	127,772	733,555
Equipment rental and maintenance	551,938	61,327	54,948	**668,213**	764,130	84,903	14,793	863,826
Office expenses	187,710	11,410	46,853	**245,973**	220,923	24,545	137,703	383,171
Conferences, conventions, and meetings	196,528	21,836	3,785	**222,149**	158,259	17,584	2,601	178,444
Depreciation and amortization	160,127	17,792	5,383	**183,302**	55,096	6,122	15,950	77,168
Insurance	36,262	4,029	130,583	**170,874**	41,688	4,632	93,391	139,711
Program activity	92,608	10,290	408	**103,306**	175,854	19,539		195,393
Telephone	81,190	9,021	11,563	**101,774**	93,903	10,434	18,702	123,039
Taxes, fees, and licenses	71,853	7,984	14,426	**94,263**	56,525	6,281	7,801	70,607
Printing and publications	81,112	9,012	2,409	**92,533**	113,937	12,660	2,675	129,272
Legal and accounting fees	13,221	1,469	56,515	**71,205**	34,195	3,799	50,409	88,403
Postage and shipping	21,712	2,413	8,181	**32,306**	14,514	1,613	6,936	23,063
Communications	2,889	321		**3,210**	1,926	214	110	2,250
TOTAL FUNCTIONAL EXPENSES	**$ 22,020,511**	**$ 2,437,279**	**$ 2,507,088**	**$ 26,964,878**	$ 21,062,404	$ 2,332,701	$ 2,412,414	$ 25,807,519

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

COMMUNITY INITIATIVES

STATEMENTS OF CASH FLOWS
For the years ended June 30, 2017 and 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (2,350,514)	$ 160,163
Adjustments to reconcile change in net assets to net cash (used) by operating activities:		
Depreciation and amortization	183,302	77,168
(Increase) decrease in operating assets:		
Accounts receivable	11,749	(20,632)
Grants and pledges receivable	(17,919)	(721,380)
Prepaid expenses	148,606	22,699
Increase (decrease) in operating liabilities:		
Accounts payable	(302,149)	(202,167)
Accrued liabilities	(17,225)	(19,522)
Deferred revenue	(127,789)	(58,703)
NET CASH (USED) BY OPERATING ACTIVITIES	(2,471,939)	(762,374)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(304,838)	(64,289)
NET CASH (USED) BY INVESTING ACTIVITIES	(304,838)	(64,289)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligations	(1,665)	(31,305)
NET CASH (USED) BY INVESTING ACTIVITIES	(1,665)	(31,305)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,778,442)	(857,968)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	19,528,811	20,386,779
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 16,750,369	$ 19,528,811
SUPPLEMENTAL DISCLOSURE:		
Operating activities reflect interest paid of:	$ -	$ 1,467

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

1. Organization

Community Initiatives ("CI") is a nonprofit fiscal sponsor that enables charitable groups to focus on their missions while unencumbered by administrative burdens. CI not only provides 501(c)(3) status to projects but efficiently offers an extensive suite of back-office services. These services include benefits, payroll, and human resource administration; financial management; tax preparation and compliance; grant support; risk management and insurance; legal counsel; donation management and crowdfunding support; and coaching on various other common nonprofit issues.

The CI Board vets potential applicants for their compliance with the IRS 501(c)(3) standard and determines its viability for securing funding. CI currently sponsors nearly 100 projects. The majority of the projects are based in the San Francisco Bay Area, though many operate programs outside the State of California. The projects represent nonprofit activities in all areas of the nonprofit sector, with current projects active in animals, arts, capacity building, education, environment, health and wellness, networks and alliances, philanthropy, social justice, and youth development. Projects may be of limited duration, incubating nonprofit organizations, public/private partnerships, or 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 FSPs (those in a comprehensive fiscal sponsorship relationship) are legally a part of CI and all their employees are employees of CI. A handful of projects are in a "pre-approved grant" fiscal sponsorship relationship and those projects are separate legal entities.

It is the nature of the business of fiscal sponsorship business to have a variable portfolio. CI's project roster can fluctuate regularly with time-limited projects completing, maturing nonprofits spinning off into their own 501(c)(3) organizations, and new start-ups signing up throughout each year (see Note 10). As a result, individual financial statement line items may vary considerably from year to year, and typical financial analyses are not always meaningful.

CI is a California Non-Profit Benefit Corporation, tax exempt under IRS 501(c)(3), established in 1996 by The San Francisco Foundation.

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.

continued

2. Summary of Significant Accounting Policies, continued

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:

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, 2017 and 2016, 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.

continued

2. Summary of Significant Accounting Policies, continued

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, 2017 and 2016 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.

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 11).

continued

2. Summary of Significant Accounting Policies, continued

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.

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.

Reclassification

Certain accounts from the June 30, 2016 financial statements have been reclassified for comparative purposes to conform to the June 30, 2017 presentation.

Subsequent Events

Management has evaluated subsequent events through March 26, 2018, the date which the financial statements were available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure on the financial statements.

continued

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, 2017 and 2016 and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2017 and 2016. Discount on pledges receivable is immaterial at June 30, 2017, accordingly unamortized discount on pledges receivable is not recorded. Total amount of pledges receivable is $3,126,601 and $2,902,396 as of June 30, 2017 and 2016, respectively. Total amount of pledges receivable at June 30, 2017 of $3,126,601 is expected to be collected as follows:

Year ended June 30,	
2018	$2,701,214
2019	390,879
2020	34,508
	$3,126,601

4. Fair Value Measurements

The table below present transactions measured at fair value on a non-recurring basis during the year ended June 30, 2017 and 2016:

	Level 1	**Level 2**	**Level 3**	**Total**
June 30, 2017				
Contributed materials	$ -	$123,542	$ -	**$ 123,542**
Pledged contributions-new			3,393,482	**3,393,482**
Fair value at June 30, 2017	$ -	$123,542	$ 3,393,482	**$ 3,517,024**
June 30, 2016				
Contributed materials	$ -	$345,885	$ -	$ 345,885
Pledged contributions-new			10,835,390	10,835,390
Fair value at June 30, 2016	$ -	$345,885	$10,835,390	$11,181,275

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).

continued

5. Property and Equipment

Property and equipment at June 30, 2017 and 2016 consist of the following:

	2017	2016
Leasehold improvements	**$ 740,668**	$ 250,641
Computer equipment and software	**216,632**	347,281
Furniture and fixtures	**130,765**	170,157
Intangible/other	**46,827**	55,938
Office equipment	**31,673**	52,804
Vehicles	**21,843**	21,843
Construction in progress	**-**	169,229
	1,188,408	1,067,893
Less: accumulated depreciation	**(571,422)**	(572,443)
	$ 616,986	$ 495,450

Depreciation and amortization expense for the years ended June 30, 2017 and 2016 were $183,302 and $78,534, respectively.

6. Accrued Liabilities

Accrued liabilities at June 30, 2017 and 2016 consist of the following:

	2017	2016
Accrued vacation	**$506,906**	$576,649
Other accrued liabilities	**106,384**	53,866
	$613,290	$630,515

7. Deferred Revenue

Deferred revenue for the years ended June 30, 2017 and 2016 were $116,374 and $244,163, respectively, received primarily from participants for future programs offered by one of CI's fiscally sponsored projects.

continued

8. Commitments and Contingencies

Obligations Under Operating Leases

CI leases various facilities and equipment 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,	
2018	$281,821
2019	143,428
2020	63,975
2021	63,975
2022	63,975
Thereafter	79,968
	$697,142

Rent and equipment lease expenses under operating leases for the years ended June 30, 2017 and 2016 were $550,511 and $656,907, 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.

9. 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. Effective January 1, 2014, CI amended the plan to incorporate a Safe Harbor employer matching contribution of 3% of salary for all plan participants. CI also has a deferred compensation plan under Section 457 of the Internal Revenue Code for select group of management. For the years ended June 30, 2017 and 2016, total expense related to the matching contribution was $237,769 and $241,668, respectively.

continued

10. New and Departing Projects

The net assets of new projects coming to CI for fiscal sponsorship are recorded as grants and contributions revenue. The net assets of projects that are departing CI or are otherwise discontinued are recorded as program services expenses. Following is a schedule of the net assets of new and departing projects for the fiscal years ending June 30, 2017 and 2016:

	2017		2016	
	Number of Projects	**Amount**	Number of Projects	Amount
New projects	4	**$259,693**	14	$430,689
Departing or discontinued projects	18	**$3,558,768**	12	$304,593

11. In-Kind Contributions

In-kind contributions at June 30, 2017 and 2016 consist of the following:

	2017	2016
Other goods	**$123,542**	$318,285
Use of facilities	**-**	27,600
	$123,542	$345,885

ADDITIONAL INFORMATION

Harrington Group
Certified Public Accountants, LLP

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, 2017, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2018.

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

Purpose of this Report

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

Harrington Group

Pasadena, California
March 26, 2018