

**THE ILLUMINATION FOUNDATION**  
**CERTIFIED PUBLIC ACCOUNTANT'S**  
**AUDITED FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2016**

**THE ILLUMINATION FOUNDATION**

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## **Independent Auditor's Report**

To the Board of Directors  
The Illumination Foundation

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Illumination Foundation, (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Illumination Foundation as of June 30, 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 Matters**

### Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 December 8, 2016 on our consideration of The Illumination Foundation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Illumination Foundation's internal control over financial reporting and compliance.

*Stephen, Reidinger + Beller LLP*

Newport Beach, California  
December 8, 2016

THE ILLUMINATION FOUNDATION  
**STATEMENT OF FINANCIAL POSITION**

June 30, 2016

**ASSETS**

Current Assets	
Cash and cash equivalents	\$ 533,160
Accounts receivable	437,544
Prepaid expenses	33,994
Total current assets	<u>1,004,698</u>
Property and Equipment	
Furniture, equipment & improvements, net of accumulated depreciation of \$288,576	1,308,839
Deposits and other assets	<u>22,202</u>
Total assets	<u><u>\$ 2,335,739</u></u>

**LIABILITIES AND NET ASSETS**

Current Liabilities	
Accounts payable	\$ 264,245
Accrued liabilities	626,700
Deferred revenue	13,523
Current portion of long-term liability	158,333
Total current liabilities	<u>1,062,801</u>
Long Term Liabilities	
Line of credit and notes payable	608,334
Net assets	
Unrestricted	590,180
Temporarily restricted	74,424
Total net assets	<u>664,604</u>
Total liabilities and net assets	<u><u>\$ 2,335,739</u></u>

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

THE ILLUMINATION FOUNDATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and other support			
Program service fees	\$ 4,150,111	\$ -	\$ 4,150,111
Contributions	760,779	78,000	838,779
Special events	870,042	-	870,042
In-kind contributions	986,185	-	986,185
Other income	72,988	-	72,988
Net assets released from restrictions	113,940	(113,940)	-
Total revenue and other support	<u>6,954,045</u>	<u>(35,940)</u>	<u>6,918,105</u>
Expenses			
Program services	5,207,684	-	5,207,684
Management & general	655,706	-	655,706
Fundraising	542,502	-	542,502
Total expenses	<u>6,405,892</u>	<u>-</u>	<u>6,405,892</u>
Increase in net assets	548,153	(35,940)	512,213
Net assets at beginning of year	<u>42,027</u>	<u>110,364</u>	<u>152,391</u>
Net assets at end of year	<u>\$ 590,180</u>	<u>\$ 74,424</u>	<u>\$ 664,604</u>

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

THE ILLUMINATION FOUNDATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2016

	Program Services	Management & General	Fundraising	Total
Conference, convention & meetings	\$ 1,893	\$ 2,410	\$ 558	\$ 4,861
Advertising	3,656	-	20,410	24,066
Bad debt expense	10,950	-	800	11,750
Depreciation	75,708	9,347	8,412	93,467
Direct client care	1,307,338	-	-	1,307,338
Donated services, materials and facilities	649,095	-	131,553	780,648
Dues, fees & taxes	16,643	2,542	799	19,984
Employee benefits	204,197	54,928	22,391	281,516
Equipment rental and maintenance	20,596	1,229	4,793	26,618
Fundraising direct expenses & fees	5,410	-	148,214	153,624
Insurance	91,587	19,931	8,868	120,386
Interest expense	4,891	14,625	-	19,516
License & permits	2,448	502	129	3,079
Miscellaneous	7,979	5,710	11,589	25,278
Payroll processing fee	-	3,190	-	3,190
Payroll taxes	164,734	42,486	8,235	215,455
Postage, shipping, mailing	1,076	718	2,363	4,157
Printing & copying	5,850	2,965	10,811	19,626
Professional services	72,712	120,530	48,101	241,343
Salaries	1,930,849	309,134	88,622	2,328,605
Rent, parking and other occupancy	245,157	16,173	10,243	271,573
Repairs and maintenance	71,990	4,568	-	76,558
Staff development	25,270	10,613	2,062	37,945
Supplies	47,145	5,999	10,736	63,880
Telephone	46,596	4,915	1,661	53,172
Temporary help	101,885	445	-	102,330
Travel	41,577	18,279	1,152	61,008
Utilities	50,452	4,467	-	54,919
Total Expenses	<u>\$ 5,207,684</u>	<u>\$ 655,706</u>	<u>\$ 542,502</u>	<u>\$ 6,405,892</u>

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

THE ILLUMINATION FOUNDATION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2016

Cash flows from operating activities	
Increase in net assets	\$ 512,213
Adjustments to reconcile change in net assets	
Depreciation	93,467
(Increase) decrease in operating assets	
Accounts receivable	220,476
Inventory	46,779
Prepaid expenses	8,055
Deposits	4,950
Increase (decrease) in operating liabilities	
Accounts payable	(102,280)
Accrued liabilities	480,396
Deferred revenue	7,523
Net cash provided in operating activities	<u>1,271,579</u>
Cash flows from investments activities	
Acquisition of property and equipment	<u>(1,092,435)</u>
Net cash used in investment activities	<u>(1,092,435)</u>
Cash flows from financing activities:	
Increase of notes payable	314,279
Repayment of notes payable	<u>(5,749)</u>
Net cash provided from financing activities	<u>308,530</u>
Net increase in cash and cash equivalents	487,674
Cash and cash equivalents at beginning of year	<u>45,486</u>
Cash and cash equivalents at end of year	<u>\$ 533,160</u>

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

THE ILLUMINATION FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: NATURE OF ORGANIZATION**

The Illumination Foundation (“IF”) is a non-profit organization established to provide housing and social services to homeless individuals and families. The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and Section 23701 of the California Revenue and Taxation Code.

IF combines housing and social services with healthcare and behavioral mental health services to, reduce the impacts of homelessness and reduce people's vulnerability to future homelessness.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Financial Statement Presentation**

The financial statements are prepared on the accrual basis of accounting. IF reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets based on the following criteria:

- Unrestricted net assets represent expendable funds available for operations that are not otherwise limited by donor restrictions.
- Temporarily restricted net assets consist of contributed funds subject to specific donor restrictions contingent upon specific performance of a future event or a specific passage of time before IF may spend the funds.
- Permanently restricted net assets are subject to irrevocable donor restrictions requiring that the assets be maintained in perpetuity usually for generating investment income to fund current operations. IF has no permanently restricted net assets at June 30, 2016.

**Contributions**

Contributions received as well as unconditional promises to give are recognized in the period received. Contributions with donor-imposed restrictions are reported as temporarily or permanently restricted revenues. Temporarily restricted net assets are reclassified to unrestricted net assets when the donor restrictions are satisfied.

Contributions received with donor-imposed restrictions that are satisfied within the same reporting period are reported as unrestricted support in that period.

THE ILLUMINATION FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2016

**NOTE 2: SUMMARY OF SIGIFICANT ACCOUNTING POLICIES (continued)**

**Estimates**

The preparation of the financial statements in accordance with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

**Cash Equivalents**

For purposes of the statement of cash flows, the Organization considers all cash and other highly liquid investments with maturities of three months or less to be cash equivalents.

**Concentration of Credit Risk**

IF places its cash deposits with high-credit quality financial institutions. At times, balances in the organization's cash accounts may exceed the Federal Deposit Insurance Corporation's (FDIC) insurance limit. IF has not incurred losses related to carrying cash balances in excess of the FDIC insurance limit.

**Functional Allocation of Expenses**

The costs of providing the various programs have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Donated Services and Material and Facilities**

Donated noncash assets are recorded at estimated fair values at the date received. Donated property and equipment that was capitalized during the year ended June 30, 2016 totaled \$205,537. Other donated materials and noncash assets received totaled \$280,969. Donated services are recognized when a nonfinancial asset is created or specialized skills are required and the Foundation would otherwise need to purchase the services. Donated services of \$295,791 were received during the year ended June 30, 2016. Donated facilities are reported as support income and rental expense. The total of donated facilities was \$203,888 during the year ended June 30, 2016.

THE ILLUMINATION FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2016

**NOTE 2: SUMMARY OF SIGIFICANT ACCOUNTING POLICIES (continued)**

**Allowance for Doubtful Accounts**

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. Illumination Foundation provides for losses on accounts receivable using the allowance method. The allowance is based on experience, third-party contracts and other circumstances, which may affect the collectability of the various accounts receivables. In the opinion of management, all receivables for the year ended June 30, 2016 are collectable. Therefore, no allowance for doubtful accounts has been provided.

**Property and Equipment**

Property and equipment purchased by IF are carried at cost. Major renewals and betterments are capitalized. IF's capitalization threshold is \$1,000. Maintenance, repairs and minor renewals are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the accounts and gains or losses are credited or charged to income.

Contributed property and equipment are reported as support and carried at fair value at the time of donation. Assets donated with restrictions regarding their use and contributions of cash that must be used for property or equipment are reported as restricted support. Absent donor stipulations regarding how long their donated assets must be maintained, IF reports expirations of restrictions when the donated or acquired assets are placed into service.

Depreciation is recorded on the straight-line basis over the estimated useful lives of the related assets.

**Compensated Absences**

Vacation benefits are allowed to accumulate and upon an employee's termination or retirement is paid out at the individual's regular payroll rate. The balance of accumulated vacation benefits at June 30, 2016 was \$66,173.

**Deferred Revenue**

Funds received in advance of program services or activities to be performed or delivered in future periods are recorded as deferred revenue in the accompanying Statement of Financial Position. Revenues relating to such advance payments are recognized as the required services or activities are performed and related exchange transaction is completed.

THE ILLUMINATION FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2016

**NOTE 2: SUMMARY OF SIGIFICANT ACCOUNTING POLICIES (continued)**

**Income Taxes**

The Organization is exempt from Federal and California income tax under Internal Revenue Code (IRC) Section 501(c)(3) and Section 23701 of the California Revenue and Taxation Code. Therefore no provision for income taxes has been included in the accompanying financial statements.

**Subsequent Events**

Management has evaluated subsequent events through December 8, 2016, the date when the financial statements were available for issue.

**NOTE 3: PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2016 for IF are comprised of:

Computers & equipment	\$ 211,657
Furniture & fixtures	213,714
Buildings & leasehold improvements	237,081
Vehicles	67,238
Accumulated depreciation	<u>(288,576)</u>
Subtotal	441,114
Land	475,000
Construction in progress	<u>392,725</u>
Total	<u><u>\$ 1,308,839</u></u>

Depreciation expense for the year ended June 30, 2016 was \$93,467.

**NOTE 4: FUNDING SOURCES**

IF is funded through government, corporate, foundations and individuals grants and contributions and fees for services from hospitals discharging homeless patients. For the year ended June 30, 2016, IF received \$1,134,135 from Brilliant Corners under the Greater Los Angeles Recuperative Care Program. IF also received \$175,000 from the Children and Families Commission of Orange County, \$51,939 for services provided at the Buena Park Community Clinic, and \$844,921 from the Department of Housing and Urban Development for the year ended June 30, 2016.

THE ILLUMINATION FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2016

**NOTE 5: LINE OF CREDIT**

IF has a \$450,000 line of credit. The line of credit expires on September 1, 2021 with no principal or interest payments required until the expiration date. Interest accrues on the outstanding balance at 3.25% per year until the expiration date at which time all outstanding principal and interest is due. The line of credit is secured by substantially all assets of the Foundation. The outstanding balances on this credit line as of June 30, 2016 was \$450,000.

**NOTE 6: LONG-TERM DEBT**

On January 25, 2016, IF obtained real property located in Stanton, CA valued at \$475,000. The property was obtained through a donation of \$158,333 and the execution of a promissory note in the amount of \$316,667. The promissory note is secured by the property. The note accrues interest at 3.25% per annum and is due in two installments. The first payment of \$158,333 plus accrued interest due on January 25, 2017, and the second payment of \$158,334 plus accrued interest is due on January 25, 2018. The outstanding balance on the note as of June 30, 2016 is \$316,667. The current portion of the note is \$158,333.

The principal amount due until the loan is paid in full are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 158,333
2018	<u>158,334</u>
Total	<u>\$ 316,667</u>

The donation to obtain the property was received from a member of IF's board of directors, and the promissory note secured by the property is payable to the same board member.

**NOTE 7: LEASES**

IF leases various facilities for its programs with terms from monthly to three years. On May 3, 2016 IF extended their operating lease for office space for an additional two years. The base office rent of \$2,878 is adjusted annually for cost of living adjustments.

In December 2013, IF entered into a new lease agreement for a housing facility in Los Angeles County. The facility will be utilized for homeless clients being discharged from hospitals and will also serve as IF's base location for other Los Angeles County programs. IF took occupancy in February 2014 with payments due monthly in the amount of \$16,134. The lease agreement expires in February 2017. IF has the option to renew the lease for an additional twelve months.

THE ILLUMINATION FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

June 30, 2016

**NOTE 7: LEASES (continued)**

In October 2015, IF assumed ownership of a thrift store in San Clemente, CA. Lease payments are due monthly in the amount of \$3,500. The lease is on a month-to-month basis for the first year of occupancy. After one year, IF and the property owner will discuss a longer term agreement.

In February 2016, IF entered into a lease agreement jointly with another non-profit organization for additional office space expiring in January 2019. IF's share of this lease obligation is \$605 per month.

Lease and rental facilities expense for the year ended June 30, 2016 was \$271,573.

Minimum future lease obligations for all facilities are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 160,052
2018	\$ 42,475
2019	4,235
Total	<u>\$ 206,762</u>

**NOTE 8: TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of contributions restricted for a specific purpose which are expected to be satisfied during fiscal year ending June 30, 2017.

Temporarily restricted net assets consist of the following as of June 30, 2016:

Change A Life	8,298
Mobile Outreach	15,000
Housing	18,000
Data/IT	33,126
Total	<u>\$ 74,424</u>

THE ILLUMINATION FOUNDATION

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

June 30, 2016

**NOTE 9: RELATED PARTY TRANSACTIONS**

During the year ended June 30, 2016, IF provided services to a related party non-profit community clinic and recognized program service fee income of \$51,939. Two members of the community clinic's six board of director's are also members of IF's board of directors.

At June 30, 2016, unreimbursed payments and expenses due to one of the Organization's officers totaling \$73,376 are included in accounts payable.

A donation and a promissory note involving a member of IF's board of directors are described in Note 6.

**ILLUMINATION FOUNDATION**  
**Single Audit Report on Federal Awards**  
**Year Ended June 30, 2016**

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
The Illumination Foundation

We have audited, 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, the financial statements of The Illumination Foundation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 8, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Illumination Foundation'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 The Illumination Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of The Illumination Foundation's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 The Illumination Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Stephens, Reidinger + Beller LLP*

Newport Beach, California  
December 8, 2016

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

To the Board of Directors  
The Illumination Foundation

**Report on Compliance for Each Major Federal Program**

We have audited The Illumination Foundation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of The Illumination Foundation's major federal programs for the year ended June 30, 2016. The Illumination Foundation'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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of The Illumination Foundation'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 The Illumination Foundation'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 The Illumination Foundation's compliance.

## Opinion on Each Major Federal Program

In our opinion, The Illumination Foundation 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, 2016.

## Report on Internal Control over Compliance

Management of The Illumination Foundation 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 The Illumination Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The Illumination Foundation'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 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 deficiencies. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Stephens, Reidinger + Beller LLP*

Newport Beach, California

December 8, 2016

THE ILLUMINATION FOUNDATION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For Fiscal Year Ended June 30, 2016

<u>Name of Agency or Department</u>	<u>Name of Program</u>	<u>CFDA No.</u>	<u>Name of Pass-through Entity</u>	<u>Identifying Number</u>	<u>Awards Expended</u>
U.S. Department of Housing and Urban Development	Continuum of Care	14.267		CA1121L9D021301	\$ 121,104
U.S. Department of Housing and Urban Development	Continuum of Care	14.267		CA1121L9D021402	297,479
					<u>418,582</u>
U.S. Department of Housing and Urban Development	Community Development Block Grants	14.218	City of Anaheim	00017093 00018060	10,000
U.S. Department of Housing and Urban Development	Community Development Block Grants	14.218	City of Santa Ana	A-2015-076	30,000
					<u>40,000</u>
U.S. Department of Housing and Urban Development	Emergency Solutions Grant	14.231	City of Anaheim	00017166 00017165 00018011	70,192
U.S. Department of Housing and Urban Development	Emergency Solutions Grant	14.231	City of Santa Ana	A-2013-048-03 A-2014-088 002	87,611
					<u>157,803</u>
U.S. Department of Housing and Urban Development	Home Investment Partnerships Program	14.239	City of Anaheim	00018037	228,536
					<u>228,536</u>
				Total Expenditures of Federal Awards	<u>\$ 844,921</u>

THE ILLUMINATION FOUNDATION

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2016

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of The Illumination Foundation under programs of federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of The Illumination Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of The Illumination Foundation.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES APPLICABLE TO THE SCHEDULE OF FEDERAL AWARDS**

**Scope of Presentation**

The accompanying schedule presents the expenses incurred by The Illumination Foundation that are reimbursable under federal programs of federal financial assistance.

**Basis of Accounting**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

THE ILLUMINATION FOUNDATION  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

June 30, 2016

**PRIOR PERIOD AUDIT REPORT**

There were no audit findings in the previous year.

THE ILLUMINATION FOUNDATION  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

June 30, 2016

**SUMMARY OF AUDITOR'S RESULTS**

1. An unqualified report was issued by the auditors on the financial statements of the auditee.
2. There were no material weaknesses in internal control nor were there any significant deficiencies based upon our audit of the financial statements of the auditee.
3. The audit disclosed no noncompliance which is material to the financial statements of the auditee.
4. There were no material weaknesses nor were there any significant deficiencies in internal control over major programs of the auditee.
5. An unqualified report was issued by the auditors on compliance for major programs.
6. The audit disclosed no audit findings required by the auditor's to be reported in accordance with 2 CFR Section 200.516(a).
7. The major program of the auditee was the Continuum of Care Program from the U.S. Department of Housing and Urban Development, CFDA # 14.267.
8. The dollar threshold used to distinguish Type A and Type B programs was \$750,000.
9. The auditee did not meet the requirements of a low risk auditee for the year ended June 30, 2016 for purposes of major program determination.

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

There were no auditor's findings required to be reported in accordance with GAGAS.

**FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS AS DEFINED IN PARAGRAPH .510(a) AT OMB CIRCULAR A-133**

There were no auditor's findings or questioned costs to be reported in accordance with 2 CFR Section 200.516(a).