

**KAMALI'I FOSTER FAMILY AGENCY, INC.**

**Financial Statements**

**For the Year Ended December 31, 2014  
(With Comparative Financials for the  
Year Ended December 31, 2013)**

**KAMALI'I FOSTER FAMILY AGENCY, INC.**

**FINANCIAL STATEMENTS**

**For the Years Ended December 31, 2014 and 2013**

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
KAMALI'I FOSTER FAMILY AGENCY, INC.

**Report on the Financial Statements**

We have audited the accompanying financial statements of KAMALI'I FOSTER FAMILY AGENCY, INC which comprise the statement of financial position as of December 31, 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.

**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 the financial statements of the program 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KAMALI'I FOSTER FAMILY AGENCY, INC. for the year ended December 31, 2014 and the statement of activities, functional expenses and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

The financial statements of Kamali'i Foster Family Agency, Inc. as of December 31, 2013 were audited by other auditors whose report dated August 5, 2014, expressed an unqualified opinion on those statements. In our opinion, the summarized comparative information presented here in as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited information from which it has been derived.

### **Other Matters**

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 May 26, 2015, on our consideration of Kamali'i Foster Family Agency'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 Kamali'i Foster Family Agency's internal control over financial reporting and compliance.



Garden Grove, California  
May 26, 2015

**KAMALI'I FOSTER FAMILY AGENCY, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**December 31, 2014 and 2013**

<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
<b>Current assets:</b>		
Cash in bank	\$ 315,311	\$ 234,538
Cash - restricted	14,000	\$ -
Accounts receivable	170,243	169,376
<b>Total current assets</b>	<b>499,554</b>	<b>403,914</b>
<b>Fixed assets:</b>		
Property and equipment	37,733	37,733
Accumulated depreciation	(27,615)	(24,725)
<b>Total fixed assets</b>	<b>10,118</b>	<b>13,008</b>
<b>Other assets:</b>		
Deposits	7,137	7,137
<b>Total other assets</b>	<b>7,137</b>	<b>7,137</b>
<b>Total assets</b>	<b>\$ 516,809</b>	<b>\$ 424,059</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
Accounts payable	\$ 118,688	\$ 85,408
Accrued payroll	40,954	38,491
Accrued payroll taxes	21,151	19,962
Accrued vacation liability	21,198	-
Deferred revenue	14,000	-
<b>Total current liabilities</b>	<b>215,991</b>	<b>143,861</b>
<b>Net Assets</b>		
Unrestricted net assets	300,818	280,198
<b>Total unrestricted net assets</b>	<b>300,818</b>	<b>280,198</b>
<b>Total liabilities and net assets</b>	<b>\$ 516,809</b>	<b>\$ 424,059</b>

See accompanying notes to financial statements

**KAMALI'I FOSTER FAMILY AGENCY, INC.**

**STATEMENTS OF ACTIVITIES**

**Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Revenue and support		
County fees	\$ 2,178,456	\$ 2,127,476
Grant income	14,704	-
Rent income	6,600	4,500
Miscellaneous	4,240	25
Interest income	38	286
Return of county support	(27,973)	-
Total revenue and support	<u>2,176,065</u>	<u>2,132,287</u>
Expenses		
Foster care program expense	2,003,082	1,974,347
Management and general expense	<u>152,363</u>	<u>102,627</u>
Total expenses	<u>2,155,445</u>	<u>2,076,974</u>
Increase (decrease) in unrestricted net assets	20,620	55,313
Unrestricted net assets, beginning of year	280,198	278,426
Prior period adjustment	<u>-</u>	<u>(53,541)</u>
Unrestricted net assets, end of year	<u>\$ 300,818</u>	<u>\$ 280,198</u>

See accompanying notes to financial statements

**KAMALI'I FOSTER FAMILY AGENCY, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended December 31, 2014**

	<u>Foster Care Program Expense</u>	<u>Management and General Expense</u>	<u>Total Expense</u>
Salaries	\$ 574,620	\$ 99,260	\$ 673,880
Payroll taxes	51,323	6,733	58,056
Employee benefits	78,104	10,124	88,228
Total salaries and benefits	<u>704,047</u>	<u>116,117</u>	<u>820,164</u>
Accounting	-	7,000	7,000
Accreditation expense	-	2,027	2,027
Advertising and promotion	20,590	-	20,590
Board of directors expense	-	2,166	2,166
Automobile expense	19,300	-	19,300
Clothing allowance	32,053	-	32,053
Computer and internet expense	1,994	-	1,994
Depreciation	2,168	722	2,890
Dues and subscriptions	-	231	231
Foster parent fees	1,085,956	-	1,085,956
Foster family activities	18,328	-	18,328
Grant funded programs			
Independent living skills	14,634		14,634
Substance abuse education	1,690		1,690
Insurance expense	18,270	5,763	24,033
License and permits	5,439	676	6,115
Meals and entertainment	-	87	87
Miscellaneous	5,992	1,590	7,582
Office expense	14,371	2,135	16,506
Outside services	800	2,519	3,319
Postage and delivery	2,517	280	2,797
Property tax expense	-	650	650
Rent expense	37,509	7,800	45,309
Repairs and maintenance	-	210	210
Security and alarm	534	178	712
Telephone and telecom expense	14,167	1,531	15,698
Utilities	2,723	681	3,404
Total	<u>\$ 2,003,082</u>	<u>\$ 152,363</u>	<u>\$ 2,155,445</u>

See accompanying notes to financial statements

**KAMALI'I FOSTER FAMILY AGENCY, INC.**

**STATEMENTS OF CASH FLOWS**

**Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Net income (loss)	\$ 20,620	\$ 55,313
Adjustments to reconcile net income to net cash provided (used) by operating activities		
Depreciation expense	2,890	2,438
Decrease (Increase) in accounts receivable	(867)	14,400
Decrease (increase) in prepaid expenses	-	2,386
Increase (decrease) in accounts payable	33,280	(927)
Increase (decrease) in accrued payroll	2,463	1,921
Increase (decrease) in accrued payroll	1,189	1,732
Increase (decrease) in accrued vacation	21,198	-
Increase (decrease) in deferred revenue	14,000	-
Net cash provided by operating activities	<u>94,773</u>	<u>77,263</u>
Cash flows from investing activities:		
Purchase of equipment	<u>-</u>	<u>(14,453)</u>
Net cash provided (used) by investing activities	<u>-</u>	<u>(14,453)</u>
Cash flows from financing activities:		
Decrease (increase) in restricted cash	<u>(14,000)</u>	<u>-</u>
Net cash provided (used) by financing activities	<u>(14,000)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	80,773	62,810
Cash and cash equivalents at beginning of year	<u>234,538</u>	<u>171,728</u>
Cash and cash equivalents at end of year	<u>\$ 315,311</u>	<u>\$ 234,538</u>

See accompanying notes to financial statements



**KAMALI'I FOSTER FAMILY AGENCY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**December 31, 2014 and 2013**

**Organization and Nature of Services**

Kamali'i Foster Family Agency (the "Organization") is a nonprofit corporation organized under the laws of the State of California. The Organization was incorporated on January 23, 1998. The purpose of the Organization is to provide a safe, nurturing and predictable environment for children and teens that have been displaced from their natural families. Kamali'i Foster Family Agency provides counseling, crisis intervention, teaches independent living skills for teenagers and treatment foster care services to families and children in Southern California: including monthly training and support meetings for certified foster families. The Organization, as stipulated in its contract with the counties, is deemed to be an independent contractor and shall be wholly responsible for the manner in which it performs the services required of it by the terms of the agreement.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following is a summary of the significant accounting policies of the Organization:

**Basis of Presentation**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Organization has adopted Financial Accounting Standards Codification section 958-205 Financial Statements of not-for-profit Organizations. Under SFAS No. 117, the Organization is required to report 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. In addition, the Organization is required to present a statement of cash flows.

Contributions received are recorded as restricted, temporarily restricted or permanently restricted depending on the existence of and the nature of any donor restrictions. Support that is restricted is reported as an increase in Restricted Net Assets until the restrictions expire or the funds are used for the intended purpose.

**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 the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**KAMALI'I FOSTER FAMILY AGENCY**

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

**December 31, 2014 and 2013**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, management considers all unrestricted highly liquid investments with an initial maturity of one year or less to be cash equivalents.

**Property**

The Organization follows the practice of capitalizing all material expenditures for fixed assets, while maintenance and repairs are expensed as incurred. Property and equipment are carried at cost. Depreciation is recorded on the straight-line method. The useful lives used to depreciate assets are as follows:

Furniture and Equipment	5 years
Vehicles	5 years
Leasehold Improvements	7-10 years

**Income Taxes**

The Organization is exempt from Federal and State income taxes under Section 501(c) (3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision has been made for income taxes in these financial statements. The Organization has reviewed its position for all open tax years and has determined that no provision for uncertain tax positions is necessary.

**Subsequent Events**

The Organization has evaluated subsequent events through May 26, 2015, which is the date the financial statements were available to be issued.

**NOTE 2: REVENUE AND ACCOUNTS RECEIVABLE**

The Organization receives almost all of its revenue from the County of Riverside and the County of San Diego as program fees. Fees due are recorded as receivables when services is provided.

As of December 31, 2014 and 2013, the accounts receivable were composed of \$170,243 and \$169,376, respectively. Funds are due from the County of Riverside and the County of San Diego and are all deemed collectable.

The Organization received two restricted grants for the period ended December 31, 2014. The Community Foundation awarded the Organization the amount of \$2,204 to assist in funding the Substance Abuse Education program. The In-N-Out Burger Foundation awarded the Organization \$12,500 to assist in funding the Independent Living Skills program for at risk teenagers. Both grants stipulate the use of the funds and are, therefore considered as restricted contributions. The grants require all funds be utilized during the 2014 calendar. The Organization met all conditions of both grants and all restrictions have expired.

**KAMALI'I FOSTER FAMILY AGENCY**

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

**December 31, 2014 and 2013**

**NOTE 2: REVENUE AND ACCOUNTS RECEIVABLE** (continued)

The Organization also received an award from In-N-Out Burger Foundation in the amount of \$14,000 for the 2015 calendar year. The award was funded in December 2014 and, therefore is recorded as deferred revenue. The grant is restricted until utilized to support the Independent Living program.

**NOTE 3: OPERATING LEASES**

The Organization entered into a twelve month renewal of its lease for its premises in Riverside County California commencing in July 2014. The Organization is obligated under a lease for its premises in San Marcos, California commencing in November 2008 for a term of thirty-six months, and subsequently amended for two additional terms of thirty-six months through March of 2018. The lease provides increases in the monthly rent every twelve months. For the period ending December 31, 2014, lease payments totaled \$45,309 and for and for period ending December 31, 2013 total lease payments were \$44,690.

Future minimum rental commitments are as follows:

Years ending December 31,

2015	29,441
2016	14,152
2017	14,541
2018	3,671
	<u>\$ 61,805</u>

The Organization has a month to month rental agreement with an unrelated third party for the use of its San Marcos location for up to 25 hours each week for counseling services to "at risk" children. Some of their clients include children who are also placed with the Organization. The rental agreement does not require any concurrent services to clients. For the period ending December 31, 2014, Rental income for the years ended December 31, 2014 and 2013 was \$6,660 and \$4,500, respectively.

**NOTE 4: PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at December 31,

	<u>2014</u>	<u>2013</u>
Office furniture and fixtures	\$ 37,733	\$ 37,733
Less: accumulated depreciation	<u>( 27,615)</u>	<u>( 24,725)</u>
	<u>\$ 10,118</u>	<u>\$ 13,008</u>

## KAMALI'I FOSTER FAMILY AGENCY

### NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2014 and 2013

#### **NOTE 4: PROPERTY AND EQUIPMENT** (continued)

Depreciation expense for the years ended December 31, 2014 and 2013 was \$2,890 and \$2,438, respectively

#### **NOTE 5: CALIFORNIA DEPARTMENT OF SOCIAL SERVICES**

In June 2014, The California Health and Human Services Agency, Department of Social Service conducted a compliance audit of the Kamali'i Foster Family Agency operations and fiscal management for the calendar year 2012. The primary purpose of such audits is to determine whether the Organization is in substantial compliance with the applicable laws and regulations for the Aid to Families with Dependent Children – Foster Care Title IV-E and that expenditures were spent on allowable and reasonable costs and were supported with appropriate documentation.

The results of this audit determined that there were expenditures that were not adequately supported by documentation and are summarized as follows:

- \$ 970 of meal and dining charges,
- \$ 3,958 of unsupported automotive charges, and
- \$ 23,045 of disallowed employee bonus, all of which totals \$ 27,973.

The finding regarding the disallowed bonus indicated that the criteria for awarding a bonus was not sufficiently specific, the documentation informing employees of the program did not include a written acknowledgement by the employee, criteria for awarding the bonus was not included in the employee performance review, and that the Board of Directors did not discuss and approve bonuses to the senior management staff.

In accordance with the findings in the Final Management Decision Letter, Kamali'i Foster Family Agency, Inc .revised its "Staff Bonus Policy" to meet the Department's corrective action, received a signed acknowledgement from each employee and revised its evaluation procedures to include more frequent employee reviews. The Board of Directors will also review and approve all evaluations of senior management.

The Agency also revised and updated the expense report documentation requirements including the requirement for automotive mileage records to adequately assess reimbursable expenses incurred by employees.

#### **NOTE 6: CONCENTRATION OF CREDIT RISK**

As part of the Federal Government's response to the current economic climate, the Federal Deposit Insurance Corporation's insurance limits were raised to \$250,000 per depositor. As of December 31, 2014, the Organization had deposits totaling \$329,311 or \$79,311 in excess of the insurance limit.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Kamali'i Foster Family Agency

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 Kamali'i Foster Family Agency, Inc., which comprise the statement of financial position as of December 31, 2014, 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 May 26, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Kamali'i Foster Family Agency'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 Kamali'i Foster Family Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Kamali'I Foster Family Agency'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 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.



Garden Grove, California  
May 26, 2015

# **KAMALI'I FOSTER FAMILY AGENCY**

## **Schedule of Deficiency in Internal Control Federal Program For the Year Ended December 31, 2014**

### **Segregation of Duties**

The Management of Kamali'i Foster Family Agency has authority on most aspects of the cash receipts and disbursements functions that should ideally be separated among several staff members allowing for checks and balances insuring a review of record keeping and the safeguarding of assets. The size of Kamali'i Foster Family Agency makes it impracticable to achieve an optimum segregation of duties. As a compensating control, we recommend that the governing board continue to stay involved in the oversight and review of financial activities and information. This will promote the continued efficient operations of the Agency.

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH  
OMB CIRCULAR A-133**

To the Board of Directors of  
Kamali'i Foster Family Agency

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

We have audited Kamali'i Foster Family Agency's 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 Kamali'i Foster Family Agency's major federal programs for the year ended December 31, 2014. Kamali'i Foster Family Agency's major federal programs are identified in the summary of auditor's 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 KAMALI'I Foster Family Agency'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 Non-Profit 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 Kamali'i Foster Family Agency'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 Kamali'i Foster Family Agency's compliance.



### **Opinion on Each Major Federal Program**

In our opinion, Kamali'i Foster Family Agency 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 December 31, 2014.

### **Report on Internal Control over Compliance**

Management of Kamali'i Foster Family Agency 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 Kamali'i Foster Family Agency'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 OMB Circular A-133, 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 Kamali'i Foster Family Agency'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 deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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, this report is not suitable for any other purpose.



Garden Grove, California  
May 26, 2015

**KAMALI'I FOSTER FAMILY AGENCY**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2014**

Federal Grantor / Pass-Through Grantor/ Program Title	Federal CFDA Number	Federal Expenditures
State of California - Health & Human Services Agency / Department of Social Services	93.658	\$ 775.934
Total of expenditures of federal awards		\$ 775,934

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the Federal Grant activity of Kamali'i Foster Family Agency, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133 Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

**KAMALI'I FOSTER FAMILY AGENCY**

**Schedule of Findings and Questioned Costs –  
Federal Program**

**For the Year Ended December 31, 2014**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unqualified opinion on KAMALI'I FOSTER FAMILY AGENCY's basic financial statements.
2. No significant deficiencies in internal control were noted during the audit of the financial statements, as reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Kamali'i Foster Family Agency were disclosed during the audit.
4. There were no deficiencies in internal control over a major Federal program noted in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. Our audit disclosed no findings required to be reported relative to the major Federal programs under section 510(a) of OMB Circular A-133.

The program tested below is the only program that was awarded and considered to be as a major Type a program.

<u>Federal Program or Cluster</u>	<u>Federal CFDA No.</u>	<u>Year</u>
State of California – Health & Human Services Agency/Department of Social Services	93.658	2014

6. The threshold for distinguishing type A and type B programs in 2014 was \$ 500,000 for major Federal programs.
7. Kamali'i Foster Family Agency was determined to be a high risk recipient pursuant to OMB Circular A-133 as the entity was not subject to Single Audit criteria during the two most recent audit periods in which the amount funded was below the threshold,

**KAMALI'I FOSTER FAMILY AGENCY**  
**Schedule of Findings and Questioned Costs –**  
**Federal Program (Continued)**  
**For the Year Ended December 31, 2014**

**B. FINDINGS – FINANCIAL STATEMENTS**

- There were no findings noted during the audit of the financial statements.

**C. FINDINGS AND QUESTIONS COSTS –**  
**MAJOR FEDERAL PROGRAMS**

- There were not finding and questioned costs noted during the audit of the financial statements for the year ended December 31, 2014.