



AUDIT REPORT

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED DECEMBER 31, 2014

PUBLIC HEALTH INSTITUTE

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FINANCIAL STATEMENTS



**FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013**

PUBLIC HEALTH INSTITUTE

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Public Health Institute
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Public Health Institute (the Institute), which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities and changes in net assets 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.

Auditor's Responsibility

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

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Institute as of December 31, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards on pages I-(15 - 18), as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2015 on our consideration of the Institute'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 Institute's internal control over financial reporting and compliance.



June 2, 2015

PUBLIC HEALTH INSTITUTE
STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2014 AND 2013

ASSETS

	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,991,904	\$ 5,389,645
Grants and contracts receivable, net of allowance for doubtful accounts of \$75,000 in 2014 and 2013 (Note 2)	15,663,139	24,114,020
Prepaid expenses	1,205,458	1,016,490
Other assets	<u>247,355</u>	<u>63,160</u>
Total current assets	<u>28,107,856</u>	<u>30,583,315</u>
FURNITURE, EQUIPMENT AND COMPUTER SOFTWARE		
Furniture, equipment and computer software, net of accumulated depreciation and amortization of \$538,075 and \$472,903 for 2014 and 2013, respectively (Note 3)	<u>829,214</u>	<u>195,715</u>
TOTAL ASSETS	<u>\$ 28,937,070</u>	<u>\$ 30,779,030</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 3,531,448	\$ 6,890,459
Accrued salaries and related leave	7,075,784	6,875,680
Other accrued liabilities	-	19,920
Contract advances	<u>4,200,274</u>	<u>4,198,731</u>
Total current liabilities	<u>14,807,506</u>	<u>17,984,790</u>

NET ASSETS

Unrestricted:		
Undesignated	5,538,218	4,708,019
Designated (Note 4)	<u>940,728</u>	<u>1,028,537</u>
Total unrestricted	6,478,946	5,736,556
Temporarily restricted (Note 5)	<u>7,650,618</u>	<u>7,057,684</u>
Total net assets	<u>14,129,564</u>	<u>12,794,240</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 28,937,070</u>	<u>\$ 30,779,030</u>

PUBLIC HEALTH INSTITUTE

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014			2013		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE						
Grants and contracts (Notes 2 and 9)	\$ 91,436,749	\$ 14,036,326	\$ 105,473,075	\$ 100,990,139	\$ 12,990,706	\$ 113,980,845
Contributions	1,447,166	-	1,447,166	-	-	-
Other revenue (Note 7)	172,009	-	172,009	239,729	-	239,729
Net assets released from donor restrictions	13,443,392	(13,443,392)	-	13,791,810	(13,791,810)	-
Total support and revenue	106,499,316	592,934	107,092,250	115,021,678	(801,104)	114,220,574
EXPENSES						
Direct expenses:						
Salaries, wages and benefits (Note 8)	55,640,785	-	55,640,785	56,915,924	-	56,915,924
Professional services	6,550,777	-	6,550,777	5,364,551	-	5,364,551
Travel	5,823,108	-	5,823,108	5,542,479	-	5,542,479
Occupancy (Note 7)	3,482,140	-	3,482,140	3,306,041	-	3,306,041
Supplies	935,192	-	935,192	2,459,795	-	2,459,795
Training and professional development	2,227,396	-	2,227,396	1,756,153	-	1,756,153
Publications and printing	1,244,032	-	1,244,032	3,871,023	-	3,871,023
Temporary help	236,309	-	236,309	333,588	-	333,588
Communications	995,978	-	995,978	978,780	-	978,780
Postage and delivery	460,600	-	460,600	530,376	-	530,376
Subcontracts and grants	13,771,579	-	13,771,579	18,029,554	-	18,029,554
Other	511,507	-	511,507	852,676	-	852,676
Total direct expenses	91,879,403	-	91,879,403	99,940,940	-	99,940,940
Indirect expenses:						
Allocated	13,781,552	-	13,781,552	14,155,784	-	14,155,784
Unallocated	95,971	-	95,971	73,317	-	73,317
Total indirect expenses	13,877,523	-	13,877,523	14,229,101	-	14,229,101
Total expenses	105,756,926	-	105,756,926	114,170,041	-	114,170,041
Changes in net assets	742,390	592,934	1,335,324	851,637	(801,104)	50,533
Net assets at beginning of year	5,736,556	7,057,684	12,794,240	4,884,919	7,858,788	12,743,707
NET ASSETS AT END OF YEAR	\$ 6,478,946	\$ 7,650,618	\$ 14,129,564	\$ 5,736,556	\$ 7,057,684	\$ 12,794,240

See accompanying notes to financial statements.

PUBLIC HEALTH INSTITUTE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 1,335,324	\$ 50,533
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	65,172	62,390
(Increase) decrease in:		
Grants and contracts receivable	8,450,881	(7,250,288)
Prepaid expenses	(188,968)	(54,741)
Other assets	(184,195)	30,645
Increase (decrease) in:		
Accounts payable	(3,359,011)	2,952,942
Accrued salaries and related leave	200,104	103,150
Other accrued liabilities	(19,920)	123
Contract advances	<u>1,543</u>	<u>370,790</u>
Net cash provided (used) by operating activities	<u>6,300,930</u>	<u>(3,734,456)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture, equipment and computer software	<u>(698,671)</u>	<u>(31,406)</u>
Net cash used by investing activities	<u>(698,671)</u>	<u>(31,406)</u>
Net increase (decrease) in cash and cash equivalents	5,602,259	(3,765,862)
Cash and cash equivalents at beginning of year	<u>5,389,645</u>	<u>9,155,507</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 10,991,904</u>	<u>\$ 5,389,645</u>

PUBLIC HEALTH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Public Health Institute (the Institute) is an independent, not-for-profit organization dedicated to promoting health, well-being and quality of life for people throughout California, across the nation and around the world. As one of the largest and most comprehensive public health organizations in the nation, the Institute is at the forefront of research and innovation to improve the efficacy of public health statewide, nationally and globally.

The Institute's mission is to generate and promote research, leadership and partnerships to build capacity for strong public health policy, programs, systems and practices. The Institute believes that health is a fundamental human right and just societies ensure equitable health outcomes for everyone. The Institute is guided by the following key principles:

- Accountability
- Leadership and creativity in individuals and institutions
- Cross-sector thinking
- Diverse partnerships throughout the world
- Innovation
- Evidence-based public health

The Institute has adopted a five-year strategic framework for fiscal years 2010 through 2014. Following are the strategic framework's six overarching goals:

- Strengthen public health engagement and leadership
- Advance sustainable global health solutions
- Strengthen public health systems, services and research
- Advance policy to improve social determinants of health
- Diversify and strengthen funding base to ensure long-term impact
- Deliver operational excellence to the Institute's programs

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

The Institute considers all cash and other highly liquid investments with initial maturities of three months or less when purchased to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, the Institute maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Furniture, equipment and computer software -

Furniture, equipment and computer software in excess of \$5,000 are capitalized and stated at cost if purchased, or at fair value if donated.

PUBLIC HEALTH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Furniture, equipment and computer software (continued) -

Furniture, equipment and computer software are depreciated/amortized on a straight-line basis over the estimated useful lives of the related assets, generally five to seven years. The cost of maintenance and repairs is recorded as expenses are incurred.

Compensated absences -

The Institute's current policy is to allow employees to accrue up to a maximum of 640 hours of paid time off. As of December 31, 2014 and 2013, the liability for accrued compensated absences aggregated \$6,497,655 and \$6,337,941, respectively, and is included in accrued salaries and related leave in the accompanying Statements of Financial Position.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Institute and include both internally designated (Note 4) and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Institute and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Institute. There were no permanently restricted net assets as of December 31, 2014 and 2013.

Grants and contracts -

Grants are recognized as temporarily restricted when deemed to be a purpose or time restricted contribution. Temporarily restricted grants received in excess of qualifying direct and indirect expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Contracts are recorded as unrestricted revenue as reimbursable costs are incurred or on a percentage of completion method (if a fixed price agreement). Contract funding received in advance of incurring the related expenses is recorded as a contract advance.

The Institute receives funding under grants and contracts from the U.S. Government for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered to be exchange transactions and are recorded as unrestricted income to the extent that related direct and indirect expenses are incurred in compliance with the criteria stipulated in the grant agreements.

PUBLIC HEALTH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)

Grants and contracts (continued) -

Grants and contracts receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the related agreements. Grants and contracts receivable approximate fair value.

The allowance for doubtful accounts is determined based upon an annual review of account balances, including the age of the balance and the historical experience with the funder.

Income taxes -

The Institute is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and from state income and franchise taxes under Section 23701d of the California Revenue and Taxation Code, except to the extent of unrelated business taxable income as defined under Internal Revenue Code Sections 511 through 515. A provision for income taxes has not been recorded in the accompanying financial statements. The Institute is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2014 and 2013, the Institute has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

The Federal Form 990, *Return of Organization Exempt from Income Tax*, is subject to examination by the Internal Revenue Service, generally for three years after it is filed.

Use of estimates -

The preparation of the 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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. CONCENTRATION OF REVENUE AND RECEIVABLES

Approximately 76% and 76% of the Institute's total support and revenue for the years ended December 31, 2014 and 2013, respectively, was derived from various agencies of the U.S. Government; approximately 30% and 29% of the Institute's total support and revenue for the years ended December 31, 2014 and 2013, respectively, was received under a single cooperative agreement from the United States Agency for International Development.

PUBLIC HEALTH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

2. CONCENTRATION OF REVENUE AND RECEIVABLES (Continued)

Approximately 17% and 47% of grants and contracts receivable for the years ended December 31, 2014 and 2013, respectively, was due under contracts with the State of California Department of Public Health.

The Institute has no reason to believe that the relationship with these agencies will be discontinued in the foreseeable future. However, any interruption of these relationships (i.e., the failure to renew grant agreements or withholding of funds) may adversely affect the Institute's ability to finance ongoing operations.

3. FURNITURE, EQUIPMENT AND COMPUTER SOFTWARE

Furniture, equipment and computer software consisted of the following at December 31, 2014 and 2013:

	2014	2013
Furniture and equipment	\$ 153,275	\$ 135,996
Computer software	<u>1,214,014</u>	<u>532,622</u>
 Total furniture, equipment and computer software	 1,367,289	 668,618
Less: Accumulated depreciation and amortization	<u>(538,075)</u>	<u>(472,903)</u>
 NET FURNITURE, EQUIPMENT AND COMPUTER SOFTWARE	 <u>\$ 829,214</u>	 <u>\$ 195,715</u>

Total depreciation and amortization expense for the years ended December 31, 2014 and 2013 was \$65,172 and \$62,390, respectively.

4. DESIGNATED NET ASSETS

As of December 31, 2014 and 2013, net assets have been designated for the following purposes:

	2014	2013
Adeline Hackett Innovations Initiative Program Designated Funds	\$ - <u>940,728</u>	\$ 6,498 <u>1,022,039</u>
 TOTAL DESIGNATED NET ASSETS	 <u>\$ 940,728</u>	 <u>\$ 1,028,537</u>

PUBLIC HEALTH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

5. TEMPORARILY RESTRICTED NET ASSETS

As of December 31, 2014 and 2013 temporarily restricted net assets consisted of funds set aside for specific programs, as stipulated by the following donors providing the restricted support:

	<u>2014</u>	<u>2013</u>
The California Endowment	\$ 1,342,583	\$ 2,146,942
The Kresge Foundation	1,394,860	900,572
The Bill and Melinda Gates Foundation	529,118	1,636,570
David and Lucile Packard Foundation	492,625	253,035
The Health Trust	476,611	-
The Nike Foundation	435,967	-
Robert Wood Johnson Foundation	411,848	239,163
California Healthcare Foundation	402,878	273,337
Kaiser Permanente	309,944	87,626
CNET	284,351	-
The Summit Foundation	280,291	129,471
The Flight Attendant Medical Research Institute	183,373	183,952
The United Nations Foundation	161,297	126,418
Springcreek Foundation	153,763	-
NoVo Foundation	116,882	166,017
CRGC Core Support	109,644	107,050
Westwind Foundation	100,549	-
The California Wellness Foundation	94,252	-
Ford Foundation	37,242	237,810
Other	<u>332,540</u>	<u>569,721</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	<u>\$ 7,650,618</u>	<u>\$ 7,057,684</u>

6. LINE OF CREDIT

In December 2012, the Institute opened a revolving bank line of credit for \$4,000,000 that has the option to renew annually, and currently is set to expire in February 1, 2016. Amounts borrowed under this agreement bear interest equal to LIBOR Daily Floating rate plus 2% (2.25% and 2.10% at December 31, 2014 and 2013, respectively). The line is secured by the cash and accounts receivable of the Institute. As of December 31, 2014 and 2013, there were no outstanding borrowings on the line of credit.

Additionally, the line of credit agreement contains various covenants, which requires the Institute to maintain certain financial ratios and submit various financial reports throughout its fiscal year. As of the date of the report, the Institute was in compliance with the reporting covenants.

7. LEASE COMMITMENTS

The Institute leases office space under several agreements, expiring in various years through 2022. The Institute generally attempts to include a clause in its lease agreements which enables the lease to be terminated should support from a funding agency be terminated.

PUBLIC HEALTH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

7. LEASE COMMITMENTS (Continued)

Future minimum lease payments under operating leases with remaining terms in excess of one year as of December 31, 2014 are as follows:

Year Ending December 31,

2015		\$ 4,569,424
2016		2,769,489
2017		1,741,791
2018		1,103,805
2019		1,115,598
Thereafter		<u>2,311,026</u>
		<u>\$ 13,611,133</u>

The following is a summary of rent expense under all operating leases during the years ended December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Rental expense	\$ 4,499,359	\$ 4,657,943
Less: Sublease rentals	<u>(19,210)</u>	<u>(340,368)</u>
NET RENTAL EXPENSE	<u>\$ 4,480,149</u>	<u>\$ 4,317,575</u>

Rent expense, included in direct occupancy expense in the accompanying Statements of Activities and Changes in Net Assets for the years ended December 31, 2014 and 2013, totaled \$3,158,484 and \$2,943,460, respectively. During the same periods, \$1,321,665 and \$1,374,115, respectively, was included in allocated indirect expenses. Sublease revenue for the years ended December 31, 2014 and 2013 was \$19,210 and \$340,368, respectively, and has been presented as a reduction of rent expense in the accompanying Statements of Activities and Changes in Net Assets. As of December 31, 2014, the Institute did not have any active sub-leasing arrangements.

8. TAX SHELTERED ANNUITY PLAN

In lieu of a standard retirement plan, the Institute offers participation in a tax sheltered annuity plan. Employees who work a minimum of 20 hours per week, after six full months of employment, are eligible to participate. The Institute contributes 10% of gross wages to the tax sheltered annuity plan. An employee's minimum contribution is \$25 per month. The maximum combined contributions are determined by limits set under Federal law.

During the years ended December 31, 2014 and 2013, the Institute contributed \$4,341,017 and \$4,332,703, respectively, to the tax sheltered annuity plan. The aforementioned contributions are fully vested and are administered by TIAA/CREF.

PUBLIC HEALTH INSTITUTE
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013

9. CONTINGENCY

The Institute receives assistance from various agencies of the United States Government; such awards are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under United States Government awards is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2014. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

10. SUBSEQUENT EVENTS

In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through June 2, 2015, the date the financial statements were issued.

SUPPLEMENTAL INFORMATION

PUBLIC HEALTH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

Federal Granting Agency/ Name of Program	Pass-Through Entity	CFDA Number	Grant/Contract Number	Expenditures
Research and Development Cluster:				
U.S. Department of Justice (US DOJ):				
National Institute of Justice Research, Evaluation, and Development Project Grants	-	16.560	2011-MU-MU-0023	\$ 256,941
Environmental Protection Agency (EPA):				
Science to Achieve Results (STAR) Research Program	U.C. San Francisco	66.509	7954SC	294
U.S. Department of Education (US DOE):				
National Institute on Disability and Rehabilitation Research	-	84.133A	H133A110024	1,048,556
National Institute on Disability and Rehabilitation Research	University of New Hampshire	84.133B	14-043	115,308
National Institute on Disability and Rehabilitation Research	Institute for Rehabilitation	84.133A	ADA.PHI-3-13	91,095
National Institute on Disability and Rehabilitation Research	Transcen, Inc.	84.133A	None	6,147
National Institute on Disability and Rehabilitation Research	U.C. San Francisco	84.133B	5811SC	4,330
Subtotal CFDA #84.133				1,265,436
Special Education Technology and Media Services for Individuals with Disabilities	FHI Development 360, LLC	84.327	3057	5,722
Subtotal - US DOE Programs				1,271,158
Department of Health and Human Services (DHHS):				
Environmental Public Health and Emergency Response	Centers for Disease Control and Prevention	93.070	2U38EH000953-04	367,564
Environmental Health	National Institutes of Health	93.113	1R01ES022722-01A1	450,783
Environmental Health	National Institutes of Health	93.113	1U01ES019471-04	409,070
Environmental Health	University of California - Davis	93.113	201300414-01	105,329
Environmental Health	U.C. San Francisco	93.113	7923SC	294
Environmental Health	U.C. San Francisco	93.113	8049SC	147
Subtotal CFDA #93.113				965,623
Health Program for Toxic Substances and Disease Registry	McKing Consulting Corporation	93.161	4560	99,791
Disabilities Prevention	Centers for Disease Control and Prevention	93.184	1U50DD001008-01	347,225
Mental Health Research Grants	Brown University	93.242	00000487 PO# P275877	76,371
Mental Health Research Grants	Temple University	93.242	360762-PHI	52,014
Subtotal CFDA #93.242				128,385
Substance Abuse and Mental Health Services Projects of Regional and National Significance	National Institutes of Health	93.243	1U79SP017379-01	325,432
Substance Abuse and Mental Health Services Projects of Regional and National Significance	National Institutes of Health	93.243	1U79SP015000-01	3,234
Subtotal CFDA #93.243				328,666
Occupational Safety and Health Programs	Centers for Disease Control and Prevention	93.262	5 U60 OH008468-04	1,071,374
Alcohol Research Programs	National Institutes of Health	93.273	2P50AA005595-31	1,419,867
Alcohol Research Programs	National Institutes of Health	93.273	1R01AA021742-01	651,717
Alcohol Research Programs	National Institutes of Health	93.273	1 R21 AA018365-01	502,256
Alcohol Research Programs	National Institutes of Health	93.273	1R01AA020328-01A1	489,422
Alcohol Research Programs	National Institutes of Health	93.273	1R01AA018119-02	277,816
Alcohol Research Programs	National Institutes of Health	93.273	1R01AA017954-02	248,215
Alcohol Research Programs	National Institutes of Health	93.273	1R01AA022668-01	172,669
Alcohol Research Programs	National Institutes of Health	93.273	1R01AA020474-01	149,796
Alcohol Research Programs	National Institutes of Health	93.273	1R01AA022791-01	124,007
Alcohol Research Programs	National Institutes of Health	93.273	1R01AA022857-01A1	88,569
Alcohol Research Programs	National Institutes of Health	93.273	2R01AA013750-08A1	86,023
Alcohol Research Programs	Board of Regents of the University of California	93.273	0350GRA729	31,103
Alcohol Research Programs	National Institutes of Health	93.273	1R01AA021448-01A1	29,606
Alcohol Research Programs	National Institutes of Health	93.273	1R34AA022697-01A1	17,061
Alcohol Research Programs	National Institutes of Health	93.273	1R03AA019791-01A1	2,722
Subtotal CFDA #93.273				4,290,849
Drug Abuse and Addiction Research Programs	National Institutes of Health	93.279	1R01DA034973-01A1	671,420
Drug Abuse and Addiction Research Programs	National Institutes of Health	93.279	1 R01 DA024714-01A1	164,256
Drug Abuse and Addiction Research Programs	National Institutes of Health	93.279	1R21DA033869-01A1	135,175
Drug Abuse and Addiction Research Programs	National Institutes of Health	93.279	1R03DA034961-01A1	70,711
Drug Abuse and Addiction Research Programs	National Institutes of Health	93.279	1R01DA036606-01A1	29,176
Drug Abuse and Addiction Research Programs	U.C. San Francisco	93.279	7281SC	28,144
Drug Abuse and Addiction Research Programs	National Institutes of Health	93.279	1R03DA035175-01A1	12,663
Subtotal CFDA #93.279				1,111,545
Cancer Cause and Prevention research	Northeastern University	93.393	500117 P1001942	4,694
Cancer Detection and Diagnosis Research	University of Southern California	93.394	47354313	9,997
Cancer Detection and Diagnosis Research	University of Southern California	93.394	44873956	4,919
Subtotal CFDA #93.394				14,916

**SCHEDULE 1
(Continued)**

**PUBLIC HEALTH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Granting Agency/ Name of Program	Pass-Through Entity	CFDA		Expenditures
		Number	Grant/Contract Number	
Research and Development Cluster (Continued):				
Department of Health and Human Services (DHHS) (continued):				
Cancer Treatment Research	The Children's Hospital	93.395	9500080215-02C	\$ 3,639,674
Cancer Treatment Research	University of Florida	93.395	UFDSP00010187	3,169,046
Cancer Treatment Research	The Children's Hospital	93.395	9400200000	909,184
Cancer Treatment Research	The Children's Hospital	93.395	FP17458_SUB01_01	273,964
Cancer Treatment Research	University of Florida	93.395	UFDSP00010389	92,346
Cancer Treatment Research	The Children's Hospital	93.395	9500090215-05	68,688
Cancer Treatment Research	University Southern California	93.395	45555513	24,772
Cancer Treatment Research	The Children's Hospital	93.395	9500080215-S5	11,302
Cancer Treatment Research	The Childrens Hospital	93.395	9500020513	864,573
Cancer Treatment Research	University of Nebraska	93.395	34-5410-2003-002	639,133
Cancer Treatment Research	The Childrens Hospital	93.395	9500060715-02C	1,083,761
Cancer Treatment Research	The Childrens Hospital	93.395	9500020513	357,531
Subtotal CFDA #93.395				11,133,974
Cardiovascular Diseases Research	University of Utah	93.837	10028784-01	77,256
Arthritis, Musculoskeletal and Skin Diseases Research	Georgetown University	93.846	U01AR057971-01	27,656
Allergy, Immunology and Transplantation Research	U.C. San Francisco	93.855	7406SC	19,173
Center for Research for Mothers and Children	Columbia University	93.865	GG004992	60,594
Center for Research for Mothers and Children	Stanford University	93.865	60520239-107774	56,640
Subtotal CFDA #93.865				117,234
International Research and Research Training	National Institutes of Health	93.989	R01TW009295	311,399
Childrens Health and Development Studies	National Cancer Institute	N/A	HHSN261201300014I	3,170,630
Childrens Health and Development Studies	National Institutes of Health	N/A	HHSN275201100020C	338,736
Subtotal CFDA Unknown				3,509,366
Subtotal - DHHS Programs				23,926,690
Total Research and Development Cluster				25,455,083
Other Programs:				
U.S. Agency for International Development (USAID):				
USAID Foreign Assistance for Programs Overseas	-	98.001	AID-OAA-A-11-00025	31,582,441
USAID Foreign Assistance for Programs Overseas	Program for Appropriate Technology in Health	98.001	AID.1659-05454-SUB	410,988
USAID Foreign Assistance for Programs Overseas	-	98.001	GPO-A-00-06-00005-00	(235,348)
Subtotal - CFDA 98.001				31,758,081
Department of Agriculture (USDA):				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Department of Public Health	10.561	08-85554	12,640,728
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Department of Public Health	10.561	14-10306	1,082,804
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Department of Public Health	10.561	13-20938	308,620
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Department of Public Health	10.561	13-20936	271,371
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	County of Fresno	10.561	13-721	266,208
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Department of Public Health	10.561	08-85554	76,457
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Department of Public Health	10.561	08-85554	5,298
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	Department of Public Health	10.561	08-85554	660
Subtotal CFDA #10.561				14,652,146
Department of Housing and Urban Development (HUD):				
Sustainable Communities Regional Planning Grant Program	Metropolitan Transportation Commission	14.703	None	46,365
Environmental Protection Agency (EPA):				
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	-	66.034	83575801	34,266
Department of Health and Human Services (DHHS):				
Telehealth Programs	Health Resources and Services Administration	93.211	G22RH24746-01-00	302,550
Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	National Institutes of Health	93.531	1U58DP003677-01	5,068,213
Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	American Public Health Association	93.531	1U58DP003757-01	2,591
Subtotal CFDA #93.531				5,070,804

**PUBLIC HEALTH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Granting Agency/ Name of Program	Pass-Through Entity	CFDA		Expenditures
		Number	Grant/Contract Number	
Other Programs (Continued):				
Department of Health and Human Services (DHHS) (continued):				
Special Projects of National Significance	Health Resources and Services Administration	93.928	1 H97HA24970-01-00	\$ 441,549
Block Grants for Prevention and Treatment of Substance Abuse	Sacramento County	93.959	7206000-14-085	120,164
Department of Health and Human Services (DHHS) - Centers for Disease Control:				
Applied Leadership for Community Health Improvement	Centers for Disease Control and Prevention	93.055	1U38OT000106-01	1,115,800
Applied Leadership for Community Health Improvement	Centers for Disease Control and Prevention	93.055	3U38OT000106-02W1	28,478
Subtotal CFDA #93.055				1,144,278
Disabilities Prevention	University of Alabama at Birmingham	93.184	000433099-008	61,085
Centers for Disease Control and Prevention Investigations and Technical Assistance	National Network of Public Health Institutes	93.283	C196	652,665
Centers for Disease Control and Prevention Investigations and Technical Assistance	Department of Public Health	93.283	1U58DP001488-01	119,000
Centers for Disease Control and Prevention Investigations and Technical Assistance	Department of Public Health	93.283	12-10251	74,274
Centers for Disease Control and Prevention Investigations and Technical Assistance	Department of Public Health	93.283	12-10247	58,207
Centers for Disease Control and Prevention Investigations and Technical Assistance	Department of Public Health	93.283	12-10249	33,219
Centers for Disease Control and Prevention Investigations and Technical Assistance	Department of Public Health	93.283	12-10246	29,572
Centers for Disease Control and Prevention Investigations and Technical Assistance	Department of Public Health	93.283	12-10250	20,267
Centers for Disease Control and Prevention Investigations and Technical Assistance	Department of Public Health	93.283	12-10248	16,233
Centers for Disease Control and Prevention Investigations and Technical Assistance	National Network of Public Health Institutes	93.283	C673	16,227
Centers for Disease Control and Prevention Investigations and Technical Assistance	National Network of Public Health Institutes	93.283	C217	(13,999)
Subtotal CFDA #93.283				1,005,665
National Public Health Improvement Initiative	National Network of Public Health Institutes	93.292	C769	2,848
Affordable Care Act - Building Epidemiology, Laboratory, and Health Information Systems Capacity	Public Health Foundation Enterprises	93.521	0235.015.930	691
Building Capacity of the Public Health System to Improve Population Health through National, Non-Profit Organizations - Financed in part by 2013 Prevention and Public Health Funds	National Network of Public Health Institutes	93.524	C663	298,925
Building Capacity of the Public Health System to Improve Population Health through National, Non-Profit Organizations - Financed in part by 2013 Prevention and Public Health Funds	National Network of Public Health Institutes	93.524	C522	76,731
Building Capacity of the Public Health System to Improve Population Health through National, Non-Profit Organizations - Financed in part by 2013 Prevention and Public Health Funds	Association of State and Territorial Health Officials	93.524	74-10041	228,858
Subtotal CFDA #93.524				604,514
Affordable Care Act - National Environmental Public Health Tracking Program	National Institutes of Health	93.538	IU38EH000953-01	668,196
Racial and Ethnic Approaches to Community Health Program financed solely by 2012 Public Prevention and Health Funds	National REACH Coalition	93.738	2012 Reach	29,922
Racial and Ethnic Approaches to Community Health Program financed solely by 2012 Public Prevention and Health Funds	Centers for Disease Control and Prevention	93.738	1U58DP005859-01	349
Subtotal CFDA #93.738				30,271
HIV Prevention Activities - Health Department Based	Public Health Foundation Enterprises	93.940	None	114,487
Preventive Health and Health Services Block Grant	Department of Public Health	93.991	08-85554	98,842
No CFDA #, No Title Available	Centers for Disease Control and Prevention	N/A	200-2013-M-56428	14,381
No CFDA #, No Title Available	Centers for Disease Control and Prevention	N/A	200-2013-M-57376	7,516
Subtotal CFDA Unknown				21,897
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 81,633,782

**PUBLIC HEALTH INSTITUTE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Notes to Schedule:

A The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of the Institute under programs of the Federal government for the year ended December 31, 2014. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Institute, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Institute.

B Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

C Of the Federal expenditures presented in the Schedule, the Institute provided Federal awards to subrecipients as follows:

Program Name	CFDA Number	Amount Provided
Community Transformation Grants and National Dissemination and Support for Community Transformation Grants	93.531	\$ 3,679,792
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 3,310,898
Research and Development Cluster	Various	\$ 2,541,651
USAID Foreign Assistance for Programs Overseas	98.001	\$ 1,286,573
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	\$ 214,584
Racial and Ethnic Approaches to Community Health Program Financed Solely by 2012 Public Prevention and Health Funds	93.738	\$ 20,697
Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	66.034	\$ 16,666
Sustainable Communities Regional Planning Grant Program	14.703	\$ 11,848
Special Projects of National Significance	93.928	\$ 1,658

PUBLIC HEALTH INSTITUTE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

Section I - Summary of Auditor's Results

Financial Statements

- 1). Type of auditor's report issued: **Unmodified**
- 2). Internal control over financial reporting:
- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported
- 3). Noncompliance material to financial statements noted? Yes No

Federal Awards

- 4). Internal control over major programs:
- Material weakness(es) identified? Yes No
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported
- 5). Type of auditor's report issued on compliance for major programs: **Unmodified**
- 6). Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

7). Identification of major programs:

<u>Federal Program Title</u>	<u>CFDA</u>	<u>Expenditures</u>
Research and Development Cluster	Various	\$ 25,455,083
United States Agency for International Development: Foreign Assistance for Programs Overseas	98.001	\$ 31,758,081
United States Department of Agriculture: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 14,652,146

- 8). Dollar threshold used to distinguish between Type A and Type B programs: **\$2,449,013**
- 9). Auditee qualified as a low-risk auditee? Yes No

PUBLIC HEALTH INSTITUTE

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Section II - Financial Statement Findings

There were no reportable findings.

Section III - Federal Award Findings and Questioned Costs (Circular A-133, Section .510)

There were no reportable findings.

Section IV - Prior Year Findings

There were no prior year audit findings.



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

Independent Auditor's Report

To the Board of Directors
Public Health Institute
Oakland, California

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 the Public Health Institute (the Institute) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Institute's basic financial statements, and have issued our report thereon dated June 2, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Institute'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Institute's internal control. Accordingly, we do not express an opinion on the effectiveness of the Institute'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 Institute'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Institute'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 result 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.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

June 2, 2015



REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

To the Board of Directors
Public Health Institute
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited the Public Health Institute's (the Institute) 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 the Institute's major federal programs for the year ended December 31, 2014. The Institute'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 the Institute'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 the Institute'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 Institute's compliance.

Opinion on Each Major Federal Program

In our opinion, the Institute 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.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Report on Internal Control Over Compliance

Management of the Institute 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 Institute'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 the Institute'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. However, material weaknesses may exist that have not been identified.

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



June 2, 2015