



**IRIDESCENT**  
FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT  
DECEMBER 31, 2012

**IRIDESCENT  
FINANCIAL STATEMENTS AND COMPLIANCE AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2012**

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Certified Public Accountants

# Zuehls, Legaspi & Company

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Iridescent

We have audited the accompanying statement of financial position of Iridescent (the "Foundation"), a California nonprofit corporation, as of December 31, 2012, and the related statements of activities and changes in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Foundation as of December 31, 2012, and the changes in its net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we also issued our reports dated July 8, 2013, on our consideration of the 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 the reports is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. The reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Foundation taken as a whole. The accompanying schedule of expenditures of federal awards and schedule of findings and questioned costs are presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Los Angeles, California  
July 8, 2013

**IRIDESCENT  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2012**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents (Note 2c)	\$ 540,471
Grants receivable, net (Note 4)	113,281
Prepaid expenses	15,459

TOTAL CURRENT ASSETS	669,211
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Property and equipment, net (Notes 2d and 5)	519,749
Deposits (Note 6)	26,190

TOTAL ASSETS	\$ 1,215,150
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**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable	\$ 7,841
Accrued expenses	43,876

TOTAL LIABILITIES	51,717
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COMMITMENT (Note 7)

**NET ASSETS**

Unrestricted net assets	1,163,433
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TOTAL NET ASSETS	1,163,433
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TOTAL LIABILITIES AND NET ASSETS	\$ 1,215,150
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The accompanying notes are an integral part of these financial statements.

**IRIDESCENT  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**CHANGES IN UNRESTRICTED NET ASSETS**

Revenue	
Grants	\$ 2,240,657
Contributions	59,817
Program revenue	34,792
	<hr/>
TOTAL REVENUE	2,335,266
Expenses	
Program services	1,929,106
Management and general	264,947
Fundraising	136,032
	<hr/>
TOTAL EXPENSES	2,330,085
<b>INCREASE IN NET ASSETS</b>	5,181
<b>NET ASSETS, BEGINNING OF YEAR</b>	1,158,252
	<hr/>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 1,163,433</u></u>

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

**IRIDESCENT  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<b>PROGRAM SERVICES</b>	<b>MANAGEMENT AND GENERAL</b>	<b>FUND RAISING</b>	<b>TOTAL</b>
Contract services	\$ 183,147	\$ 59,001	\$ -	\$ 242,148
Education materials	94,628	-	-	94,628
Employee benefits	57,198	8,800	7,333	73,331
Equipment expense	3,087	3,978	209	7,274
Insurance	9,078	238	-	9,316
Office expenses	26,867	13,454	1,777	42,098
Printing and copying	3,595	391	56	4,042
Professional development	7,162	796	660	8,618
Professional fees	72,607	17,812	76	90,495
Promotion	79,584	-	-	79,584
Rent	105,304	-	-	105,304
Repairs and maintenance	6,475	-	-	6,475
Research	86,970	-	-	86,970
Salaries	994,990	151,835	124,179	1,271,004
Taxes	311	1,568	-	1,879
Travel	51,693	4,647	1,742	58,082
Utilities	25,087	-	-	25,087
Total before amortization and depreciation	<u>1,807,783</u>	<u>262,520</u>	<u>136,032</u>	<u>2,206,335</u>
Amortization and depreciation	121,323	2,427	-	123,750
<b>TOTAL EXPENSES</b>	<u><u>\$ 1,929,106</u></u>	<u><u>\$ 264,947</u></u>	<u><u>\$ 136,032</u></u>	<u><u>\$ 2,330,085</u></u>

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

**IRIDESCENT  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 5,181
Adjustment to reconcile changes in net assets to net cash provided by (used in) operating activities:	
Amortization and depreciation	123,750
Changes in operating assets and liabilities:	
(Increase) Decrease in:	
Grants receivable	(97,371)
Other receivable	10,985
Prepaid expenses	49,579
Deposits	400
Increase (Decrease) in:	
Accounts payable	(608)
Accrued expenses	43,876
Payroll liabilities	(3,305)
	<hr/>
NET CASH PROVIDED BY OPERATING ACTIVITIES	132,487

**CASH FLOWS FROM INVESTING ACTIVITIES**

Development of computer application software	(371,205)
	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(371,205)

**NET DECREASE IN CASH** (238,718)

**CASH AT BEGINNING OF YEAR** 779,189

**CASH AT END OF YEAR** \$ 540,471

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

**IRIDESCENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE I: NATURE OF ORGANIZATION**

Iridescent (the “Foundation”) was incorporated in the State of California on December 16, 2006, as a not-for-profit organization. It was formed to (a) foster curiosity and inspire self-confidence in young people with limited access – unlocking doors to their future and preparing them to help solve the world’s most pressing issues, (b) provide an exciting, high quality program that teaches science, technology, engineering and mathematics to elementary, middle and high school students, and (c) develop and disseminate Family Science and other project courses to under-served and under-represented students.

Foundation’s programs include:

- Family computer science
- Family science
- Engineers as teachers
- Technovation challenge
- Summer engineering camp
- Iridescent science studios
- High school explainers and
- Parent leadership program

The Foundation operates its programs in Los Angeles, Boston, San Francisco and New York.

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

**a. Basis of Accounting**

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

**b. Basis of Presentation**

The accompanying financial statements have been prepared in conformity with the disclosure and display requirements as set forth in FASB ASC 958-205-45 (formerly Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*). Accordingly, the net assets of the Foundation are reported in each of the following three classes: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- Unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry out the Foundation’s operations in accordance with its bylaws.
- Temporarily restricted net assets represent resources currently available for us, but expendable only for those operating purposes specified by the donor. Resources of this fund originate from gifts and grants.
- Permanently restricted net assets represent resources in which donors have placed restrictions that do not expire.

Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. The Foundation has no permanently restricted and temporarily restricted net assets.

**c. Cash and Cash Equivalents**

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.



**IRIDESCENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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

**d. Depreciation, Amortization and Property and Equipment**

Property, equipment and furniture are carried at cost or, if donated, at estimated fair value on the date of the gift. Depreciation is computed using the straight-line method over useful lives of three to ten years for equipment and furniture.

Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of the asset or the related lease term.

Computer software and video library are amortized on a straight-line method over the estimated useful lives of three years for software and ten years for the video.

The Foundation capitalizes property and equipment with a cost of over \$1,000 and estimated life of three years or more. The Foundation capitalizes expenditures or betterments that materially increase asset lives and charge ordinary repairs and maintenance to operations as incurred. When assets are sold or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in operations.

**e. Contributions and Revenue Recognition**

In accordance with FASB ASC 958-605-50 (formerly SFAS no. 116, "Accounting for Contributions Received and Contributions Made"), revenues from contributions are recognized pursuant to the terms specified by the donor. Contributions are recognized at the earlier of the date receipt of funds or the date of a formal, unconditional pledge from known donors.

Unconditional contributions are measured at fair value when received or promised and reported as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions, including inherent time restrictions. When a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same reporting periods are reported as unrestricted support.

**f. Donated Materials and Services**

The Foundation received donations of time and materials for which no objective basis is available to obtain a measure of value. Therefore, no amounts have been included in the accompanying financial statements.

**g. Functional Expenses**

The costs of providing the Foundation's programs and other activities have been summarized on a functional basis in the Statement of Activities and Statement of Functional Expenses. Costs have been allocated to program services, management and general, and fundraising. The functional classifications are defined as follows:

- Program service expenses consist of costs incurred in connection with providing services and conducting programs.
- Management and general expenses consist of costs incurred in connection with the overall activities of the Foundation, which are not allocable to another functional expense category.
- Fundraising expenses consist of costs incurred to solicit funds and other fundraising activities.

**IRIDESCENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

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

**h. Income Taxes**

The Foundation is a nonprofit corporation, under section 501(c)(3) of the Internal Revenue Code and related California law. The Foundation's revenues are derived primarily from governmental grants and contracts, and contributions and are not subject to federal or state income taxes.

The Foundation does not pay any material excise taxes nor do they earn any unrelated business income. Therefore, no provision for taxes was made.

The Foundation adopted the provisions of FASB interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109*. FIN 48 addresses the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more likely than not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, derecognition, classification, interest and penalties and disclosure. The adoption of FIN 48 did not have a material impact on the Foundation's financial position, results of operations or cash flows.

Generally Accepted Accounting Principles (GAAP) provides accounting and disclosure guidance about the position taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Foundation in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Under the general three-year statute of limitations, the Foundation's returns for years ended 2009, 2010 and 2011 are subject to examination by federal and state taxing authorities for three years after they are filed.

**i. Use of Estimates**

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

**NOTE 3: CONCENTRATION OF RISK**

The Foundation derives about 82% of its revenues from one agency of the federal government. While each federal program individually may not pose a threat of a severe impact, the group concentration on the federal government as a whole might reasonably make the Foundation vulnerable to financial risk in the event such federal funding is materially decreased.

Financial instruments, which potentially subject the Foundation to concentrations of credit risk, consist of cash and cash equivalents. The Foundation maintains its cash balances at a single financial institution. Cash accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. As per FDIC, all noninterest-bearing transaction accounts from December 31, 2010 through December 31, 2012, are fully insured, regardless of the account balance and the ownership capacity of funds.

At December 31, 2012, the Foundation did not have any uninsured cash balance.

**IRIDESCENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 4: GRANTS RECEIVABLE, NET**

Grants receivable consists of unconditional promises to give that are expected to be collected in future years and grants classified as exchange transactions to the extent that allowable expenditures have been incurred, but reimbursement from the grantor has not yet been received. Grants receivable is reviewed for collectability and reserves for uncollectible amounts are established when needed. Management believes that all grants receivable amounts are fully collectible and therefore no reserve is reflected in these financial statements.

At December 31, 2012, grants receivable, net was \$113,281.

**NOTE 5: PROPERTY AND EQUIPMENT**

Property and equipment consist of the following:

	<u>Amount</u>
Computer software	\$ 487,158
Studio build out	63,283
Video library	86,110
Studio equipment	9,390
Computer equipment	8,356
Leasehold improvements	17,029
	<u>671,326</u>
Less accumulated amortization and depreciation	(151,577)
	<u>\$ 519,749</u>

Amortization and depreciation expense for the year ended December 31, 2012 amounted to \$123,750.

**NOTE 6: DEPOSITS**

A security deposit in the amount of \$26,190 was paid by the Foundation for their studio leases and utilities. The security deposit will be refunded to the Foundation upon expiration and termination of the leases and services.

**NOTE 7: LEASE COMMITMENT**

In October 2010, the Foundation entered into a lease agreement to rent a portion of the building consisting of 2,572 sq. ft. for their New York Studio location. The term of the agreement commenced on February 1, 2011 and will end on January 31, 2016.

Future annual minimum lease payments are as follows:

2013	\$ 62,322
2014	63,568
2015	64,840
2016	5,412
	<u>\$ 196,142</u>

**IRIDESCENT  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2012**

**NOTE 7: LEASE COMMITMENT (continued)**

In May 2011, the Foundation entered into a lease agreement to rent approximately 1,438 sq. ft. of rentable space for their Los Angeles (LA) Studio location. The term of the agreement commenced on June 1, 2011 and will end on May 31, 2016.

Future annual minimum lease payments are as follows:

2013	\$	27,127
2014		27,941
2015		28,779
2016		12,139
	\$	<u>95,986</u>

In April 2012, the Foundation entered into a first amendment to the lease agreement to expand their LA Studio location premises of approximately 704 sq. ft. of rentable space. The term of the agreement commenced on May 24, 2012 and will end on May 31, 2016.

Future annual minimum lease payments are as follows:

2013	\$	12,894
2014		13,281
2015		13,679
2016		5,770
	\$	<u>45,624</u>

Rent expense for the year ended December 31, 2012 amounted to \$105,304.

**NOTE 8: SUBSEQUENT EVENT**

In accordance with ASC 855, subsequent events through July 8, 2013 the date of these financial statements were evaluated. There were no material subsequent events that required recognition or additional disclosure in these financial statements

**IRIDESCENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

<b>FEDERAL AGENCY / PASS-THROUGH GRANTOR / PROGRAM TITLE</b>	<b>CFDA NUMBER</b>	<b>PERIOD</b>	<b>OTHER ID NUMBER</b>	<b>FEDERAL EXPENDITURES</b>
<u>Office of Naval Research (ONR)</u>				
Iridescent Family Science in New York City	12.300	2012	N000141010961	637,905
Iridescent Family Science in Los Angeles	12.300	2012	N000141010965	631,119
Iridescent-ONR Technovation Challenge	12.300	2012	N000141010964	658,973
<u>National Science Foundation</u>				
National Science Foundation - Be A Scientist	47.076	2012	DRL-1008309	65,111
				\$ 1,993,108
				1,993,108

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

NOTE A - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Iridescent 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 preparation of the basic financial statements.

**IRIDESCENT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Section I - Summary of Auditors' Results**

Financial Statements

Type of auditors' report issued:		unqualified
Internal control over financial reporting:		
* Material weakness(es) identified?	_____ yes	<u>  x  </u> no
* Reportable condition(s) identified that are not considered to be material weaknesses?	_____ yes	<u>  x  </u> no
Noncompliance material to financial statements noted?	_____ yes	<u>  x  </u> no

Federal Awards

Internal control over major programs:		
* Material weakness(es) identified?	_____ yes	<u>  x  </u> no
* Reportable condition(s) identified that are not considered to be material weaknesses?	_____ yes	<u>  x  </u> no

Type of auditors' report issued on compliance for major programs:		unqualified
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Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	_____ yes	<u>  x  </u> no
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Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
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Auditee qualified as low-risk auditee?	<u>  x  </u> yes	_____ no
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Identification of Major Programs:  
CFDA Number(s) or Pass-  
through Number

12.300

Both are Type B

Name of Federal Program or Cluster

Department of Defense; Department of the Navy - Office of Naval  
Research - Technovation Challenge

**Section II - Financial Statements Findings**

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

**Section III - Federal award Findings and Questioned Costs**

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

**IRIDESCENT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

Recommendation

Status / Explanation

There are no prior audit findings or recommendations.

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

To the Board of Directors of  
Iridescent:

We have audited the financial statements of Iridescent (the "Foundation") as of and for the year ended December 31, 2012, and have issued our report thereon dated July 8, 2013. 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.

**Internal Control over Financial Reporting**

Management of the Foundation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Foundation's internal control over financial reporting as a basis for designing our auditing procedures 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 Foundation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

We noted no matters which were required to be reported to management of the Foundation other than clearly inconsequential matters in a meeting on July 8, 2013.



This report is intended solely for the information and use of the Board of Directors, management, others within the Foundation, federal awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than these specified parties.

*Zucchi, Legaspi & Co.*

July 8, 2013



Certified Public Accountants

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### **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of  
Iridescent:

#### **Compliance**

We have audited Iridescent's (the "Foundation") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Foundation's major federal programs for the year ended December 31, 2012. The Foundation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Foundation's management. Our responsibility is to express an opinion on the Foundation's compliance based on our audit.

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 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. Our audit does not provide a legal determination of the Foundation's compliance with those requirements.

In our opinion, the Foundation complied, in all material respects, with the 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, 2012.

#### **Internal Control Over Compliance**

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

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, others within the Foundation, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

*Zuelke, Legaspi & Co.*

July 8, 2013