



Community Technology Alliance

Financial Statements and Supplementary Information
Year Ended June 30, 2015 With Comparative Totals
For the Year Ended June 30, 2014



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SECTION I
FINANCIAL SECTION
FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Community Technology Alliance
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of Community Technology Alliance (a California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government 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 Organization'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 Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Technology Alliance as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

The financial statements as of and for the year ended June 30, 2014, were audited by Berger Lewis Accountancy Corporation, whose practice became part of Armanino^{LLP} as of January 1, 2015, and whose report dated November 18, 2014, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by 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 May 4, 2016, on our consideration of Community Technology Alliance'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Community Technology Alliance's internal control over financial reporting and compliance.



Armanino^{LLP}
San Jose, California

May 4, 2016

COMMUNITY TECHNOLOGY ALLIANCE
Statement of Financial Position
June 30, 2015
(With Comparative Totals as of June 30, 2014)

ASSETS

	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 35,586	\$ 15,525
Accounts receivable	46,562	61,169
Grants receivable	104,619	83,602
Pledged inventory receivable	-	393,809
Inventory	144,929	1,929
Prepaid expenses and other assets	<u>9,854</u>	<u>20,245</u>
Total current assets	<u>341,550</u>	<u>576,279</u>
Property and equipment, net	<u>137,483</u>	<u>157,246</u>
Total assets	<u>\$ 479,033</u>	<u>\$ 733,525</u>

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 47,126	\$ 12,486
Accrued liabilities	473	82,402
Deferred revenue	25,000	13,121
Line of credit	<u>125,264</u>	<u>103,752</u>
Total current liabilities	<u>197,863</u>	<u>211,761</u>
Net assets		
Unrestricted net assets	256,170	87,657
Temporarily restricted net assets	<u>25,000</u>	<u>434,107</u>
Total net assets	<u>281,170</u>	<u>521,764</u>
Total liabilities and net assets	<u>\$ 479,033</u>	<u>\$ 733,525</u>

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

COMMUNITY TECHNOLOGY ALLIANCE
Statement of Activities
Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	Total
Support and revenue				
Support				
Government grants	\$ 846,244	\$ -	\$ 846,244	\$ 836,858
Contributions	197,180	25,000	222,180	193,323
Contributions in-kind	22,760	-	22,760	515,587
Total support	<u>1,066,184</u>	<u>25,000</u>	<u>1,091,184</u>	<u>1,545,768</u>
Revenue				
Program service revenue	622,546	-	622,546	549,515
Other income	17,973	-	17,973	220
Loss on valuation of inventory	(179,144)	-	(179,144)	-
Loss on disposal of property and equipment	(2,874)	-	(2,874)	(59)
Total revenue	<u>458,501</u>	<u>-</u>	<u>458,501</u>	<u>549,676</u>
Total support and revenue	1,524,685	25,000	1,549,685	2,095,444
Net assets released from restrictions	<u>434,107</u>	<u>(434,107)</u>	<u>-</u>	<u>-</u>
Total support, revenue and net assets released from restrictions	<u>1,958,792</u>	<u>(409,107)</u>	<u>1,549,685</u>	<u>2,095,444</u>
Expenses				
Program services	<u>1,524,721</u>	<u>-</u>	<u>1,524,721</u>	<u>1,533,532</u>
Supporting services				
Management and general	226,425	-	226,425	196,283
Fundraising	39,133	-	39,133	86,957
Total supporting services	<u>265,558</u>	<u>-</u>	<u>265,558</u>	<u>283,240</u>
Total expenses	<u>1,790,279</u>	<u>-</u>	<u>1,790,279</u>	<u>1,816,772</u>
Change in net assets (see Note 3 and Note 15)	168,513	(409,107)	(240,594)	278,672
Net assets, beginning of year	<u>87,657</u>	<u>434,107</u>	<u>521,764</u>	<u>243,092</u>
Net assets, end of year	<u>\$ 256,170</u>	<u>\$ 25,000</u>	<u>\$ 281,170</u>	<u>\$ 521,764</u>

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

COMMUNITY TECHNOLOGY ALLIANCE
Statement of Functional Expenses
Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	Supporting Services				Total	
	Program Services	Management and General	Fundraising	Total	2015	2014
Expenses						
Salaries and wages	\$ 846,371	\$ 37,713	\$ 28,606	\$ 66,319	\$ 912,690	\$ 1,133,644
Employee benefits	53,854	41,832	1,330	43,162	97,016	72,903
Payroll taxes	<u>61,842</u>	<u>22,815</u>	<u>1,819</u>	<u>24,634</u>	<u>86,476</u>	<u>106,681</u>
Total salaries and related expenses	962,067	102,360	31,755	134,115	1,096,182	1,313,228
Professional fees	128,691	84,274	891	85,165	213,856	116,977
Technical expenses	198,182	-	-	-	198,182	156,087
Donated inventory distributed	67,071	1,914	-	1,914	68,985	1,585
Rent	60,419	6,059	833	6,892	67,311	49,203
Depreciation	37,609	4,006	2,418	6,424	44,033	43,617
Co-location and other services	32,652	4,447	677	5,124	37,776	35,784
Training and conference transportation	13,948	12,915	2,000	14,915	28,863	52,023
Communications	10,027	-	126	126	10,153	5,886
Supplies	6,481	2,841	193	3,034	9,515	13,417
Miscellaneous	1,881	7,036	55	7,091	8,972	13,863
Insurance	4,843	573	185	758	5,601	10,147
Bad debt expense	850	-	-	-	850	-
Direct client services - telecommunications	-	-	-	-	-	<u>4,955</u>
Total functional expenses	<u>\$ 1,524,721</u>	<u>\$ 226,425</u>	<u>\$ 39,133</u>	<u>\$ 265,558</u>	<u>\$ 1,790,279</u>	<u>\$ 1,816,772</u>
Percentage of total	<u>85%</u>	<u>13%</u>	<u>2%</u>	<u>15%</u>	<u>100%</u>	

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

COMMUNITY TECHNOLOGY ALLIANCE
Statement of Cash Flows
Year Ended June 30, 2015
(With Comparative Totals for the Year Ended June 30, 2014)

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (240,594)	\$ 278,672
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Loss on valuation of inventory	179,144	-
Depreciation	44,033	43,617
Donated computer hardware received	(22,760)	(121,434)
Donated inventory distributed	69,985	1,585
Loss on disposal of property and equipment	2,874	59
Change in operating assets and liabilities		
Accounts receivable	14,607	(61,169)
Grants receivable	(21,017)	46,470
Pledged inventory receivable	-	(393,809)
Prepaid expenses and other assets	10,391	(3,906)
Accounts payable	34,640	1,535
Accrued liabilities	(81,929)	25,907
Deferred revenue	11,879	(5,579)
Cash provided by (used in) operating activities	1,253	(188,052)
Cash flows from investing activities		
Purchase of property and equipment	(2,704)	(2,365)
Cash used in investing activities	(2,704)	(2,365)
Cash flows from financing activities		
Proceeds from line of credit	21,512	103,752
Cash used in financing activities	21,512	103,752
Net increase (decrease) in cash and cash equivalents	20,061	(86,665)
Cash and cash equivalents, beginning of year	15,525	102,190
Cash and cash equivalents, end of year	\$ 35,586	\$ 15,525
Supplemental disclosure of cash flow information		
Interest paid	\$ 5,473	\$ 3,990

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

COMMUNITY TECHNOLOGY ALLIANCE
Notes to Financial Statements
June 30, 2015

1. Organization

Community Technology Alliance (the "Organization"), founded in 1991, is a nonprofit agency with a mission of harnessing technologies to empower communities to develop data-driven solutions to poverty and homelessness. In partnership with nonprofits, local government agencies and regional planning bodies, Community Technology Alliance accomplishes this mission by:

- Building and maintaining reliable data and systems
- Developing technologies that promote seamless service coordination
- Avoiding duplication and streamlining service
- Facilitating local and regional collaboration
- Providing technical solutions, technical assistance and training to agencies in order to optimize their efficiency and utilization of client data

2. Program Services

Homeless Management Information Systems

The Organization is best known for its expertise in technology and policy related to Homeless Management Information Systems (HMIS). HMIS is a shared data collection and case management tool that streamlines the delivery of shelter and supportive services to homeless and at-risk populations, while also reducing the duplication of cost and effort among nonprofits and public agencies that serve these populations. The Organization also provides ongoing HMIS technical support to four counties in the Bay Area and regularly supports the communities across the United States on short-term projects. The data maintained in HMIS is used by the Organization and its partners to develop tools and strategies to end and prevent homelessness by supporting homeless and at-risk individuals and families on the road to self-sufficiency. The Organization has been providing HMIS services, including database management, software training, comprehensive reports, and data analysis since early 2004.

Technology Development and Training

The Organization engages in short-term consulting projects related to training, technology planning and development, and collective impact measurement with entities from across the country. Topics include the development of data standards, data collection and integration tools, policies and procedures, confidentiality and security, and performance measurement plans. The Organization has also designed numerous web and mobile applications to streamline services to at-risk populations and improve opportunities for outcome evaluation.

Telecommunications Services

The Organization provided direct telecommunication services to homeless and at risk populations through its Mobile4All and StreetConnect programs. Mobile4All provides phone service for homeless and extremely low income individuals. StreetConnect provides a means for case managers and service providers to send broadcast text messages to their clients. The Organization also provides a mobile app called HOME – an outreach and homeless encampment survey tool used by outreach workers, which is also used for HUD's required Point in Time counts.

COMMUNITY TECHNOLOGY ALLIANCE
Notes to Financial Statements
June 30, 2015

2. Program Services (continued)

National Homeless Data Fellowship

A new program has been launched in 2015 by which the Organization provides technical expertise and training in reporting and data visualization to communities working with homeless and at-risk populations. The Fellowship brings together executives and management level professionals to work collectively on developing a gallery of reports and dashboards for use in their respective communities and in communities nationwide.

3. Change in Net Assets Excluding Donated Inventory Related Transactions

Changes in net assets excluding donated inventory related transactions in the "Total" column of the Statement of Activities for the years ended June 30, 2015 and 2014 is as follow:

	<u>2015</u>	<u>2014</u>
Change in net assets	\$ (240,594)	\$ 278,672
Less: pledged for donated inventory	-	(393,809)
Add: loss on valuation of inventory	179,144	-
Add: inventory distributed	<u>68,985</u>	<u>1,585</u>
Change in net assets excluding inventory related transactions	<u>\$ 7,535</u>	<u>\$ (113,552)</u>

4. Summary of Significant Accounting Policies

Basis of accounting

The financial statements of Community Technology Alliance have been prepared on the accrual basis of accounting.

Basis of presentation

In accordance with accounting principles generally accepted in the United States of America, the Organization reports its financial position and operating activities in three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted net assets include those assets over which the Board of Directors has discretionary control in carrying out the operations of the Organization. Under this category, the Organization maintains an operating fund, any net assets designated by the Board for specific purposes, and a property and equipment fund.

Temporarily restricted net assets include those assets which are subject to donor restriction and for which the applicable restriction was not met as of the year end of the current reporting period.

Permanently restricted net assets include those assets which are subject to a non-expiring donor restriction, such as endowments. There are currently no permanently restricted net assets.

COMMUNITY TECHNOLOGY ALLIANCE
Notes to Financial Statements
June 30, 2015

4. Summary of Significant Accounting Policies (continued)

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or functional expense categories. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

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

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments and investments with a maturity of three months or less, and exclude donor restricted receipts and amounts designated for long-term purposes. The Organization maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant risk on cash accounts.

Fair value measurement

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Organization. Unobservable inputs reflect the Organization's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

COMMUNITY TECHNOLOGY ALLIANCE
Notes to Financial Statements
June 30, 2015

4. Summary of Significant Accounting Policies (continued)

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The carrying amounts reported in the statement of financial position for the following items approximate fair value because of the short maturity value of these instruments: cash and cash equivalents, accounts receivable, grants receivable, pledged inventory receivable, inventory, accounts payable, accrued liabilities, deferred revenue and the line of credit.

Grants, pledged inventory and accounts receivable

The Organization considers all grants, pledged inventory and accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Inventory

Donated inventory as of June 30, 2015 consists of 832 Nexus 5 Google phones and 29 Nexus 7 Google tablets and are stated at the lower of cost or market value.

Property and equipment

Property and equipment are recorded at cost or estimated fair value for donated items. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from 3 to 10 years. Equipment purchases over \$1,000 are capitalized. Depreciation is recorded as a decrease in unrestricted net assets and the expense is charged to the activity benefiting from the use of the facilities or equipment. Amounts expended for maintenance and repairs are charged to operations as incurred.

Accrued vacation

Accrued vacation represents vacation earned, but not taken as of June 30, 2015 and 2014, and is included in "accrued liabilities" in the statement of financial position. The accrued vacation balance as of June 30, 2015 and 2014 was \$0 and \$38,242, respectively.

Deferred revenue

Deferred revenue consists of revenue received for services to be performed in the subsequent period and will be recognized when the service is performed.

Revenue recognition

The Organization recognizes support and revenue on the accrual basis of accounting. Revenue from grants which have been classified as "exchange transactions" and program fees are recognized as revenue in the period in which the service is provided.

Contributions

Contributions are recognized when the donor makes a pledge to give that is, in substance, an unconditional promise. Contributions are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the nature of donor restrictions. Restricted contributions are reported as increases in restricted net assets. When the restriction is met on a contribution received, the amount is shown as a reclassification of restricted net assets to unrestricted net assets.

COMMUNITY TECHNOLOGY ALLIANCE
Notes to Financial Statements
June 30, 2015

4. Summary of Significant Accounting Policies (continued)

Contributions in-kind

Donated inventory, equipment and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which the Organization would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. The Organization also receives donated services that do not require specific expertise but which are nonetheless central to the Organization's operations.

Functional expense allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salary allocations are based on time sheets and management's estimates. Other indirect costs are allocated based on personnel costs in each function.

Income taxes

Community Technology Alliance is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes under Section 23701(d) of the California Revenue Taxation Code. Accordingly, no provision for income taxes has been made in the accompanying statements. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Uncertainty in income taxes

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Organization in its federal and state exempt organization tax returns are more-likely-than-not to be sustained upon examination.

The Organization's federal returns for the years ended June 30, 2014, 2013 and 2012 could be subject to examination by federal taxing authorities, generally for 3 years after they are filed. The Organization's state returns for the years ended June 30, 2014, 2013, 2012 and 2011 could be subject to examination by state taxing authorities, generally for 4 years after they are filed.

Reclassifications

Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation.

Subsequent events

Management of the Organization has evaluated events and transactions subsequent to June 30, 2015 for potential recognition or disclosure in the financial statements. The Organization has subsequent events that required recognition or disclosure in the financial statements for the fiscal year ended June 30, 2015 (see Note 14). Subsequent events have been evaluated through the date the financial statements became available to be issued, May 4, 2016.

COMMUNITY TECHNOLOGY ALLIANCE
Notes to Financial Statements
June 30, 2015

5. Pledged Inventory Receivable

Pledged inventory receivable as of June 30, 2014 consisted of 1,000 Nexus 5 Google phones and 50 Nexus 7 Google tablets. These items were recorded at their estimated fair value as of the date of the donation based on online pricing at the date of the contribution. During the year ended June 30, 2015, the Organization received the inventory items and some of the items were distributed for program purposes in the year ending June 30, 2015. Pledged inventory receivable as of June 30, 2015 and 2014 was \$0 and \$393,809, respectively.

6. Property and Equipment

The cost and related accumulated depreciation of the property and equipment at June 30, consisted of the following:

	<u>2015</u>	<u>2014</u>
Office equipment	\$ 241,027	\$ 266,904
Software	<u>192,139</u>	<u>167,675</u>
	433,166	434,579
Less: accumulated depreciation	<u>(295,683)</u>	<u>(277,333)</u>
Property and equipment, net	<u>\$ 137,483</u>	<u>\$ 157,246</u>

Depreciation expense for the years ended June 30, 2015 and 2014 was \$44,033 and \$43,617, respectively.

7. Line of Credit

The Organization has a \$180,000 unsecured line of credit with Wells Fargo Bank with a rate set at the lower of prime plus 2% or 5%. The interest rate on June 30, 2015 was 5.25%. This line of credit is callable at any time at the discretion of Wells Fargo Bank. As of June 30, 2015 and 2014 the amount outstanding was \$125,264 and \$103,752, respectively.

8. Temporarily Restricted Net Assets

The Organization's temporarily restricted net assets at June 30, consisted of the following:

	<u>2015</u>	<u>2014</u>
Purpose restriction		
Mobile outreach application	\$ 25,000	\$ 24,507
Step Up Silicon Valley	-	15,791
Time restriction		
Pledged inventory receivable	<u>-</u>	<u>393,809</u>
Total temporarily restricted net assets	<u>\$ 25,000</u>	<u>\$ 434,107</u>

COMMUNITY TECHNOLOGY ALLIANCE
Notes to Financial Statements
June 30, 2015

9. Net Assets Released from Restrictions

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	2015
Purpose restriction	
Mobile outreach application	\$ 24,507
Step Up Silicon Valley	15,791
Time restriction	
Pledged inventory receivable	393,809
Total net assets released from restrictions	\$ 434,107

10. Contributions In-Kind

For the years ended June 30, contributions in-kind included the following:

	2015	2014
Phones and tablets (see Note 5)	\$ -	\$ 393,809
Computer hardware	22,760	119,849
Other hardware	-	1,929
Total contributions in-kind	\$ 22,760	\$ 515,587

11. Retirement Plan

The Organization sponsors a 403(b) retirement plan to provide retirement benefits to all eligible employees. The Organization did not make contributions to the Plan for the years ended June 30, 2015 and 2014.

12. Contingencies

Grants and contracts awarded to Community Technology Alliance are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period.

COMMUNITY TECHNOLOGY ALLIANCE
Notes to Financial Statements
June 30, 2015

13. Operating Lease Commitments

The Organization leases its office space under a non-cancelable operating lease that began in December 2012 and runs through June 2016. Office rent expense for the years ended June 30, 2015 and 2014 under this lease totaled \$67,311 and \$49,203, respectively.

Future minimum lease payments (net of sublease and without adjustment for changes in the Consumer Price Index) are as follows:

<u>Year ending June 30,</u>	<u>Amount</u>
2016	\$ 48,654
Total future minimum lease payments	<u>\$ 48,654</u>

14. Subsequent Events

The Organization has terminated its annual recurring HMIS contract with Santa Clara County effective September 1, 2015.

In July 2015, the Organization transferred the Mobile4All program to Sparrow Communications. The transfer included all program assets (computers, marketing materials, records, websites, and physical inventory of Google phones and tablets).

15. Continuing Operations

The Organization experienced losses in the past due to:

- The Organization's largest source of revenue (grants from the U.S. Department of Housing and Urban Development (HUD)) does not fully fund their own costs, requiring the Organization to use other funding sources and its own reserves to pay for the difference.
- Many of the public sources that the Organization historically relied on for support became unavailable as a result of changing regulations.
- The Organization expanded its fee-for-service activities in an effort to generate sufficient revenue to cover these losses, hiring additional personnel and expanding its office space to support the activities, but has not yet consistently earned a profit on these projects.

During this period, the Organization covered these deficits by spending down its reserves and by accessing a line of credit.

COMMUNITY TECHNOLOGY ALLIANCE
Notes to Financial Statements
June 30, 2015

15. Continuing Operations (continued)

The Organization is implementing the following strategies to address these losses in the years ending June 30, 2015 and 2014:

- Reorganized it's operations with reductions in staff and operating budget.
- Moving to a fee-for-service model for a majority of it's revenue by the end of the year ending June 30, 2016.
- Developing new products that utilize data to end homelessness.
- Aggressively seeking new revenue opportunities nationally and strengthening the networking base locally.
- Analyzed existing contracts and declined to renew unprofitable ones.
- Drafted a written operating reserve policy to be approved by the Board of Directors.
- Adopted a fixed rate pricing model for contracts which include amounts for building a minimum reserve of 3 months operating expenses over the next 3 years and paying off the operating line of credit within one year as directed by the Board of Directors.

Management believes that its business plan for the year ending June 30, 2016 will allow the Organization to begin generating the revenue necessary to address the operational losses from previous years. With these strategies, the Organization has prepared itself to not only continue operations this year, but to also emerge better prepared to sustain the Organization in the future.

SECTION II
SUPPLEMENTARY INFORMATION

COMMUNITY TECHNOLOGY ALLIANCE
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

Federal Grantor/ Pass-Through Grantor/ Program Title	CFDA Number	Pass-Through Grantor's Number/ Grant Number	Grant Period/ Period In Current Fiscal Year	Federal Expenditures
<u>U.S. Department of Housing and Urban Development</u>				
Supportive Housing Program	14.235	CA 0008L9T001306	9/1/14 - 8/31/15	\$ 22,224
Supportive Housing Program	14.235	CA 0008L9T001302	9/1/14 - 8/31/15	324,539
Supportive Housing Program	14.235	CA 0230L9T081306	10/1/14 - 9/30/15	6,917
Supportive Housing Program	14.235	CA 0230L9T001302	10/1/14 - 9/30/15	87,422
Supportive Housing Program	14.235	CA 0951B9T001101	4/1/14 - 3/31/15	117,809
Supportive Housing Program	14.235	CA 0951L9T001302	4/1/14 - 3/31/15	<u>8,404</u>
Total Supportive Housing Program				567,315
Community Development Block Grants/Entitlement Grants				
Passed through Santa Clara County	14.218	PS-15-05	7/1/14 - 6/30/15	12,971
Emergency Solutions Grant Program				
Passed through City of San Jose	14.231	ESG-12-004A	7/1/14 - 6/30/15	87,945
HOME Investment Partnerships Program				
Passed through City of Santa Clara	14.239	HOME -CTA - Homeless HMS 7/1/14	7/1/14 - 6/30/15	<u>4,750</u>
Total federal expenditures				<u>\$ 672,981</u>

See accompanying notes to schedule of expenditures of federal awards.

COMMUNITY TECHNOLOGY ALLIANCE
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Community Technology Alliance under programs of the federal government for the year ended June 30 2015. 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*. Because the Schedule presents only a selected portion of the operations of Community Technology Alliance, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Community Technology Alliance.

2. Summary of Significant Accounting Policies

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.

Pass-through entity identifying numbers are presented where available.

3. Uniform Guidance for Federal Awards

The OMB Uniform Guidance became effective on December 26, 2014. Non-federal entities that receive a federal award with terms and conditions that incorporate the Uniform Guidance on or after December 26, 2014 are required to implement the reforms to the administrative requirements and cost principles. Community Technology Alliance did not receive any federal awards on or after December 26, 2014 that is subject to the Uniform Guidance during the year ended June 30, 2015.

SECTION III
OTHER REPORTS

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

To the Board of Directors
Community Technology Alliance
San Jose, 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 Community Technology Alliance (a California nonprofit public benefit corporation), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 4, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Community Technology Alliance'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 Community Technology Alliance's internal control. Accordingly, we do not express an opinion on the effectiveness of Community Technology Alliance'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 Organization'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 Community Technology Alliance'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.



Armanino^{LLP}
San Jose, California

May 4, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors
Community Technology Alliance
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited Community Technology Alliance's (a California nonprofit public benefit corporation) 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 Community Technology Alliance's major federal programs for the year ended June 30, 2015. Community Technology Alliance'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 Community Technology Alliance'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 Community Technology Alliance'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 Community Technology Alliance's compliance.

Opinion on Each Major Federal Program

In our opinion, Community Technology Alliance complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of Community Technology Alliance 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 Community Technology Alliance'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 Community Technology Alliance'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. 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.



Armanino^{LLP}
San Jose, California

May 4, 2016

SECTION IV
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

COMMUNITY TECHNOLOGY ALLIANCE
Schedule of Findings and Questioned Costs
Year Ended June 30, 2015

Section I - Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on the financial statements of Community Technology Alliance.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Community Technology Alliance, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Community Technology Alliance expresses an unmodified opinion on all major federal programs.
6. No audit findings which would be required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The program tested as a major program was:
 - CFDA 14.235 - Supportive Housing Program
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Community Technology Alliance was determined to be a low-risk auditee.

Section II - Financial Statements Audit Findings

None

Section III - Major Federal Award Programs Audit Findings and Questioned Costs

U.S. Department of Housing and Urban Development
Name of Program - Supportive Housing Program
CFDA No. - 14.235
Grant Period - Various
None

COMMUNITY TECHNOLOGY ALLIANCE
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

None