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Board of Directors of the  
Carpet America Recovery Effort, Inc.  
PO Box 2048  
Dalton, GA 30722-2048

## INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE REQUIREMENTS

### ***Compliance***

We have audited CARE's compliance with the requirements specified in the State of California's Code of Regulation, Title 14, Division 7, Chapter 11, Article 1 applicable to CARE's statutory requirements identified below for the year ended December 31, 2013.

We have also audited the basic financial statements of Carpet America Recovery Effort, Inc. (CARE) as of and for the year ended December 31, 2013 and have issued our report thereon dated June 20, 2014.

Both audits were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to 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 of material misstatements. 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 the 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.

CARE's management is responsible for CARE's compliance with laws and regulations. In connection with our audits referred to above, we selected and tested transactions and records to determine CARE's compliance with state laws and regulations applicable to CARE's program.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on CARE's compliance based on our audit.

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Carpet America Recovery Effort, Inc.

August 18, 2014

Page two

We conducted our compliance audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and the State of California's Code of Regulation, Title 14, Division 7, Chapter 11, Article 1 applicable to CARE's statutory requirements. Those standards and the State of California's Code of Regulations require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the statutory requirements listed below occurred. An audit included examining, on a test basis, evidence about CARE'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 CARE's compliance with those requirements.

In connection with the audit referred to above, we selected and tested transactions and records to determine CARE's compliance with state laws and regulations including, but not limited to, the following applicable items:

<b>Description</b> List each compliance requirement	<b>Audit Procedures Performed</b> (Yes/No)	<b>Complied</b> (Yes/No)
<b>Performance Goals and Activities.</b> Measurement methods accurately identify:		
a.	Amount of California carpet that is diverted from landfills	Yes
b.	Amount of California carpet that is processed into a new commodity	Yes
c.	That California carpet is managed in a manner consistent with the state's waste management hierarchy.	Yes
d.	Amount of California carpet discarded each year (estimated using a formula based on sales). Assumptions used in the formula are appropriate for California.	Yes

Carpet America Recovery Effort, Inc.

August 18, 2014

Page three

<b>Financing Mechanisms</b>			
a.	Assessments are paid to CARE on all carpet sold in the state of California at the rate indicated in the Plan (i.e., 5 cents per sq yd)	Yes	Yes
b.	The assessments collected for the AB2398 program are only spent on the AB2398 program.	Yes	Yes
c.	The payments are accurately presented by categories found in the Regulations, Section 18944 (7). Annual Report Compliance Criteria, Financing Mechanism.	Yes	Yes
d.	The annual report accurately presents information.	Yes	Yes
<b>Program Performance Measurement</b>			
a.	Applicants applying for incentive payments submit documentation as required in the Plan (and Agreed Upon Procedures) that are in place at the time documents are submitted.	Yes	Yes
b.	CARE is tracking information needed to include in Annual Report per regulations Section 18944.	Yes	Yes
c.	CARE's practices support a level playing field among those requesting AB2398 funds.	Yes	Yes
d.	CARE has a method to determine the effectiveness of educational and outreach activities that is appropriate for use in California.	Yes	Yes

**Opinion**

In our opinion, CARE complied, in all material respects, with the compliance requirements referred to above that are applicable to the statutory requirements listed above for the year ended December 31, 2013.

Carpet America Recovery Effort, Inc.

August 18, 2014

Page four

This report is intended solely for the information of the Board of Directors of the Carpet America Recovery Effort, Inc. and CalRecycle and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.