

**ALTERNATIVES IN
ACTION**

FINANCIAL STATEMENTS

JUNE 30, 2016

WITH

INDEPENDENT AUDITOR'S REPORT

ALTERNATIVES IN ACTION

JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Alternatives in Action
Oakland, California

Report on the Financial Statements

We have audited the accompanying statement of financial position of Alternative in Action (a nonprofit corporation) and the related statements of activities and changes in net assets, functional expenses, and cash flows as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Alternative in Action's basic financial statements as listed in the table of contents.

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; and *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Alternatives in Action as of June 30, 2016 and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alternatives in Action's basic financial statements. The accompanying supplementary information such as the schedule of expenditures of federal awards, as required by *Title 2, U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other information, as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic 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 December 15, 2016, on our consideration of the Alternative in Action'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 Alternative in Action's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Alternatives in Action's 2015 financial statements, and our report dated December 15, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Varinek, Ture, Day & Co LLP

Pleasanton, California
December 15, 2016

ALTERNATIVES IN ACTION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

ASSETS	2016	2015
Current Assets		
Cash and cash equivalents	\$ 136,047	\$ 275,168
Grants receivable	730,000	571,000
Accounts receivable	852,458	709,448
Total current assets	<u>1,718,505</u>	<u>1,555,616</u>
Property and equipment, net of accumulated depreciation	499,209	458,670
Other assets, deposits	<u>21,772</u>	<u>12,714</u>
Total Assets	<u>\$ 2,239,486</u>	<u>\$ 2,027,000</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 365,092	\$ 273,820
Unearned revenue	185	-
Accrued payroll	88,217	113,342
Accrued leave	85,228	53,750
Line of credit	-	199,900
Current portion of notes payable	14,680	13,877
Total current liabilities	<u>553,402</u>	<u>654,689</u>
Long Term Liabilities		
Notes payable, net of current portion	<u>42,638</u>	<u>52,282</u>
Total Liabilities	<u>596,040</u>	<u>706,971</u>
NET ASSETS		
Unrestricted	913,446	584,029
Temporarily restricted	<u>730,000</u>	<u>736,000</u>
Total net assets	<u>1,643,446</u>	<u>1,320,029</u>
Total Liabilities and Net Assets	<u>\$ 2,239,486</u>	<u>\$ 2,027,000</u>

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

ALTERNATIVES IN ACTION

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total 2016	Total 2015
PUBLIC SUPPORT AND REVENUE				
PUBLIC SUPPORT				
Grants	\$ -	\$ 2,869,837	\$ 2,869,837	\$ 2,973,367
Contributions	-	160,819	160,819	321,139
In-kind donations	4,500	-	4,500	83,418
REVENUE				
Local Control Funding Formula	1,549,521	-	1,549,521	1,299,315
Federal revenue	52,638	-	52,638	144,205
Other state income	477,691	-	477,691	201,574
Other local income	1,638	-	1,638	92,771
Program service fees	76,875	-	76,875	305,909
Interest and dividends	-	-	-	-
Events	9,042	-	9,042	500
Other income	4,210	-	4,210	517
Satisfaction of program restrictions	3,036,656	(3,036,656)	-	-
Total Public Support and Revenue	<u>5,212,771</u>	<u>(6,000)</u>	<u>5,206,771</u>	<u>5,422,715</u>
EXPENSES				
Program services				
Charter school	1,983,659	-	1,983,659	1,590,498
Reach	-	-	-	92,836
Childcare	9,309	-	9,309	280,570
Community programs	2,583,917	-	2,583,917	2,097,225
Total Program Expenses	<u>4,576,885</u>	<u>-</u>	<u>4,576,885</u>	<u>4,061,129</u>
Supporting services				
Management and general	98,149	-	98,149	134,098
Fundraising	208,320	-	208,320	206,850
Total Supporting Services	<u>306,469</u>	<u>-</u>	<u>306,469</u>	<u>340,948</u>
Total Expenses	<u>4,883,354</u>	<u>-</u>	<u>4,883,354</u>	<u>4,402,077</u>
Change in net assets	329,417	(6,000)	323,417	1,020,638
Net assets, beginning of year	584,029	736,000	1,320,029	299,391
Net assets, end of year	<u>\$ 913,446</u>	<u>\$ 730,000</u>	<u>\$ 1,643,446</u>	<u>\$ 1,320,029</u>

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

ALTERNATIVES IN ACTION

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	Program Services				Fund-raising	Total 2016	Total 2015
	Charter School	Childcare	Community Programs	Management and General			
Salaries and benefits	\$ 1,065,563	\$ -	\$ 1,823,662	\$ 77,042	\$ 190,295	\$ 3,156,562	\$ 2,938,747
Books and reference materials	7,973	-	23	-	-	7,996	5,515
Materials and supplies	30,924	-	65,957	-	-	96,881	84,663
Food	69,612	-	43,910	-	555	114,077	119,916
Travel and entertainment	24,741	-	38,656	-	195	63,592	34,586
Dues and memberships	6,055	21	1,209	-	40	7,325	7,014
Insurance	9,086	-	9,836	-	-	18,922	19,174
Operations and housekeeping	44,756	83	77,528	7,697	2,253	132,317	93,709
Rent, leases, repairs and noncapital equipment	138,486	2,115	38,047	(5)	-	178,643	72,987
Professional fees and other expenses	277,716	263	465,759	13,760	14,982	772,480	697,866
Special education expenses	98,564	-	-	-	-	98,564	92,000
Communications	11,057	134	9,635	(345)	-	20,481	18,389
Interest expense	16,070	-	-	-	-	16,070	12,443
Depreciation	78,601	6,693	9,695	-	-	94,989	94,912
Transfers to other agencies	104,455	-	-	-	-	104,455	110,156
	<u>\$ 1,983,659</u>	<u>\$ 9,309</u>	<u>\$ 2,583,917</u>	<u>\$ 98,149</u>	<u>\$ 208,320</u>	<u>\$ 4,883,354</u>	<u>\$ 4,402,077</u>

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

ALTERNATIVES IN ACTION

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2016 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2015

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 323,417	\$ 1,020,638
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	94,989	94,912
(Increase) decrease in		
Grants receivable	(159,000)	(425,752)
Accounts receivable	(143,010)	(100,005)
Other assets, deposits	(9,058)	-
Increase (decrease) in		
Accounts payable	91,272	(158,828)
Unearned revenue	185	(64,034)
Accrued payroll	(25,125)	29,594
Accrued leave	31,478	(6,328)
Net cash provided (used) by operating activities	<u>205,148</u>	<u>390,197</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(135,528)</u>	<u>(401,192)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from/ payments of line of credit	(199,900)	74,900
Proceeds from loan	-	75,000
Payments on loan	(8,841)	(8,841)
Net cash provided (used) by financing activities	<u>(208,741)</u>	<u>141,059</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(139,121)	130,064
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>275,168</u>	<u>145,104</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 136,047</u>	<u>\$ 275,168</u>
Noncash Items		
Donated goods and services	<u>\$ 4,500</u>	<u>\$ 83,418</u>

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

ALTERNATIVES IN ACTION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Alternatives in Action (the Organization), is a 501(c) (3) non-profit organization that serves over 1,300 East Bay children, youth and families. Alternatives in Action envisions generations of young adults inspired and prepared to take meaningful action that positively transforms their lives and their communities. Towards this vision, Alternatives in Action provides a number of programs to the community.

Basis of Accounting

The financial statements of Alternatives in Action have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

Financial Statement Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a Statement of Cash Flows. The Organization has chosen to continue its use of fund accounting and has reclassified its financial statements (including fund balances) to present the required three classes of net assets. The Organization has no permanently restricted funds.

Description of Program and Supporting Services

The following program and supporting services are included in the accompanying financial statements:

Charter School – Alternatives in Action High School (Formerly the Bay Area School of Enterprise)

Alternatives in Action High School (formerly the Bay Area School of Enterprise) is a public charter school serving youth with leadership potential, the majority of whom have been unsuccessful in previous school settings, and strives to prepare these youth for college, career, and community. It was launched as a community impact project by Alternatives in Action and opened in 2001 as the first youth-initiated charter high school in the country. Located in the Seminary Neighborhood of East Oakland, our high school serves 165 culturally, ethnically, and academically diverse youth by providing an environment where youth take ownership of their learning and partner with caring adults to transform their lives as they change the community around them.

Reach Program

The Reach Institute for School Leadership coaches, develops and credentials individuals committed to serving as innovative, effective teachers and educational leaders within small, diverse schools. Using research that has found a recurring positive relationship between student learning and teachers' flexibility, creativity, or adaptability all Reach Institute programs employ six central Program Practices in a focused effort to develop flexible and dynamic teachers. These are: Job Embedded Coaching, Personalized Professional Development, Need to Know Content Knowledge, Coaching & Mentoring, Collaborative Work and Reflection. There are four sequential programs that educators may enter for a sequence of components or for a single segment: an Intern

ALTERNATIVES IN ACTION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Credential Program for starting teachers seeking a Preliminary Credential, a Professional Teacher Induction Program for teachers currently holding a Preliminary Credential, working towards their Professional Clear Credential, a Coaching Academy for experienced teachers who seek to serve as school leaders inside and outside of the classroom and School Leadership Coaching for educators moving into positions of administrative leadership. It is committed to addressing major problems facing schools and school reform such as No Child Left Behind Highly Qualified Teacher Requirements, teacher shortages, the failure of traditional programs, and the lack of diversity in the teaching corps.

Childcare: HOME Sweet HOME (HSH) Child Care Center:

At Alternatives in Action's **Home Sweet Home Preschool**, 30 preschool children are served daily through a child-centered learning approach inspired by Reggio-Emilia theories. Home Sweet Home offers its community of parents educational opportunities through dynamic workshops and opportunities for engagement. Home Sweet Home also serves 40 youth annually through an intensive early childhood development training experience.

Community Programs

Life, MYFC, MACK and the Seminary Neighborhood

Through our Community Programs, we partner with school staff, youth, parents and organizations to create powerful, real-world learning opportunities for over 1,300 high school youth in our “Six Pillars of Collaborative Programming”. These include After School Community Projects, Academic Support and College Preparation, Career Development, Parent Engagement, Health and Wellness, and Cascading Leadership. Our comprehensive after-school and school-linked services take place at four Oakland public schools, including Fremont High, Life Academy, McClymonds and our own charter high school, Alternatives in Action High. Through our programs and partnerships, we offer a place and supports that meet the needs of the whole child, from leadership development to tutoring to physical check-ups. As youth progress and grow, they may take on roles of greater influence in the school and in their communities as mentors and Youth Coaches, co-leading programs with adults for their peers.

Management and General

Alternatives in Action is managed by an executive director working in close collaboration with the directors of the three programs to ensure an adequate working environment; provide coordination and articulation of the Organization’s program strategy, secure proper administrative functioning of the Board of Directors; and to manage the financial and budgetary responsibilities of the Organization.

Fundraising

Provides the structure necessary to encourage and secure financial support from individuals, foundations, and corporations.

ALTERNATIVES IN ACTION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Donated Assets

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Property and Equipment

Donations of property and equipment are recorded as donations at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted net assets unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Donated Services and Goods

Donated services, rent, and materials are reflected in the financial statements at the fair value of the services received. Donations of services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donations during the current year were allocated between program and administrative support based on payroll allocations and consisted of the following:

<i>In-kind donations</i>	2016	2015
Construction labor - charter school	\$ 3,000	\$ 83,418
Equipment - charter school	1,500	-
	<u>\$ 4,500</u>	<u>\$ 83,418</u>

Income Taxes

The Organization is exempt from Federal and State income taxes under Internal Revenue Code Section 501(c)(3) and therefore has made no provision for Federal or State income taxes. Income tax returns for 2012 and forward may be audited by regulatory agencies, however, the Organization is not aware of any such actions at this time.

ALTERNATIVES IN ACTION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The Organization has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements. Interest and penalties related to uncertain tax positions are recorded as part of the income tax expense, if applicable.

Accounts Receivable

The Organization computes the allowance for doubtful accounts based on actual uncollectible accounts receivable. Uncollectible accounts over the history of the Organization have been considered immaterial and inconsistent. Therefore, no amounts have been included for an allowance for doubtful accounts.

Functional Allocation of Expenses

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Property and Equipment

All acquisitions of property and equipment and all expenditures for repairs, maintenance, renewals, and betterments exceeding \$2,000 that materially prolongs the useful lives of assets are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over 3 to 10 year periods depending on the type of asset.

Prior Year Summarized Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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, 2015, from which the summarized information was derived.

ALTERNATIVES IN ACTION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements.

NOTE 2 – GRANTS RECEIVABLE

Promises to give consist of the following:

Promises to Give - Unconditional	<u>2016</u>	<u>2015</u>
<i>Time and purpose restrictions</i>		
Thomas Long Foundation - community programs	\$ 225,000	\$ 450,000
Stone Foundation - community programs	50,000	100,000
Irwin Foundation - Childcare building	175,000	-
Wells Fargo Advisors - community programs	-	1,000
Oakland Small Schools Foundation - Life	10,000	-
<i>Purpose restricted</i>		
Kaiser Permanente	-	20,000
<i>Time restricted</i>		
Haas Fund	50,000	-
Hewlett Foundation	220,000	-
Total unconditional grants receivable	<u>\$ 730,000</u>	<u>\$ 571,000</u>

All amounts are expected to be received within one year.

ALTERNATIVES IN ACTION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Description	Beginning of Year	Additions / Adjustments	Disposals	End of Year
Equipment	\$ 227,074	\$ 14,642	\$ -	\$ 241,716
Furniture	116,858	-	-	116,858
Improvements	498,269	120,886	-	619,155
	842,201	135,528	-	977,729
Less: accumulated depreciation	(383,531)	(94,989)	-	(478,520)
	<u>\$ 458,670</u>	<u>\$ 40,539</u>	<u>\$ -</u>	<u>\$ 499,209</u>

Depreciation expense at June 30, 2015 was \$94,989.

NOTE 4 – REVOLVING LINE OF CREDIT

The Organization has a \$200,000 revolving line of credit, with no outstanding balance as of June 30, 2016. Bank advances on the credit line are payable on demand and carry a variable interest rate and are secured by the equipment of the organization. The current interest rate at June 30, 2016 was 5%.

NOTE 5 – LONG TERM DEBT

The Organization borrowed \$75,000 from Bank of Marin in August 2014. Monthly payments of \$1,435.38 at an interest rate of 5.5% are due. The loan matures on October 15, 2019. The loan payments are as follows:

2017	\$ 14,680
2018	15,520
2019	16,408
2020	10,710
	<u>\$ 57,318</u>

ALTERNATIVES IN ACTION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 6 - SATISFACTION OF PROGRAM RESTRICTIONS

Temporarily restricted net assets were expended for the following purposes:

	2016	2015
Charter school	\$ 76,661	\$ 14,100
Childcare	9,609	130
Community programs	2,643,917	2,097,225
Other/time restrictions	306,469	727,834
Total satisfaction of program restrictions	<u>\$ 3,036,656</u>	<u>\$ 2,839,289</u>

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are as follows:

	2016	2015
<i>Time restrictions</i>		
General operations	\$ 270,000	\$ 20,000
<i>Time and purpose restrictions</i>		
Community programs	285,000	716,000
Charter School	-	-
Capital improvements	175,000	-
Total restricted net assets	<u>\$ 730,000</u>	<u>\$ 736,000</u>

NOTE 8 – COMMITMENTS AND CONTINGENCIES

State and Federal Allowances, Awards and Grants

The charter school has received Federal and State funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, in the opinion of management any required reimbursements will not be material.

ALTERNATIVES IN ACTION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Operating Leases

The Organization leases a school facility with a term of July 2014 to June 2024, with an option to extend an additional ten years. Amounts may vary from the lease agreement amounts listed below typically based on ongoing agreements for payments of costs associated with the location. The administration offices are leased under an annual lease. Other program locations are leased on a short term basis for nominal amounts. Lease commitments for long term leases were as follows:

Year Ended	
June 30	
2017	\$ 61,500
2018	61,500
2019	61,500
2020	61,500
Thereafter	246,000
	<u>\$ 492,000</u>

NOTE 9 – RELATED PARTY TRANSACTIONS

Bay Area School of Enterprise reports average daily attendance to Alameda Unified School District. The District in turn, reports these average daily attendance amounts to the State of California for funding through the District's local control funding formula (LCFF). The District remits the in-lieu property tax to the School and the State of California remits the balance through the Alameda County Office of Education. The School pays a fee to the District for supervisory oversight equal to 1 percent of the state revenue. Supervisory oversight fees in the amount of \$15,394 were paid during the fiscal year ended June 30, 2016.

During the year, Bay Area School of Enterprise paid \$75,879 to Trumbo Associates which is owned by the husband of a board member.

NOTE 10 - CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash balances in excess of federally insured limits. There were no amounts uninsured as of June 30, 2016.

NOTE 11 – SUBSEQUENT EVENTS

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements from the balance sheet date through December 15, 2016, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

SUPPLEMENTAL INFORMATION

ALTERNATIVES IN ACTION

COMBINING STATEMENT OF FINANCIAL POSITION JUNE 30, 2016

	Charter BASE	Reach	Childcare	Community Programs	Other	Total 2016
ASSETS						
Cash and cash equivalents	\$ 57,140	\$ -	\$ 9,523	\$ 69,384	\$ -	\$ 136,047
Grants receivable	-	-	175,000	335,000	220,000	730,000
Accounts receivable	342,720	-	3,835	450,766	55,137	852,458
Due from other funds	342,267	-	-	-	-	342,267
Total current assets	<u>742,127</u>	<u>-</u>	<u>188,358</u>	<u>855,150</u>	<u>275,137</u>	<u>2,060,772</u>
Property and equipment, net of accumulated depreciation	466,676	-	32,533	-	-	499,209
Other assets, deposits	-	-	-	-	21,772	21,772
Total Assets	<u>\$ 1,208,803</u>	<u>\$ -</u>	<u>\$220,891</u>	<u>\$ 855,150</u>	<u>\$ 296,909</u>	<u>\$ 2,581,753</u>
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts payable	\$ 199,926	\$ -	\$ 531	\$ 155,290	\$ 9,345	\$ 365,092
Accrued payroll	30,373	-	-	51,790	6,054	88,217
Accrued leave	29,344	-	-	50,035	5,849	85,228
Due to other funds	-	-	8,395	217,128	116,744	342,267
Long term debt	57,318	-	-	-	-	57,318
Total current liabilities	<u>316,962</u>	<u>-</u>	<u>9,111</u>	<u>474,243</u>	<u>137,991</u>	<u>938,307</u>
NET ASSETS						
Unrestricted	891,841	-	36,780	(174,093)	158,918	913,446
Temporarily restricted	-	-	175,000	555,000	-	730,000
Total net assets	<u>891,841</u>	<u>-</u>	<u>211,780</u>	<u>380,907</u>	<u>158,918</u>	<u>1,643,446</u>
Total Liabilities and Net Assets	<u>\$ 1,208,803</u>	<u>\$ -</u>	<u>\$220,891</u>	<u>\$ 855,150</u>	<u>\$ 296,909</u>	<u>\$ 2,581,753</u>

See accompanying note to supplementary information.

ALTERNATIVES IN ACTION

COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS FOR THE YEAR ENDED JUNE 30, 2016

	Charter BASE	Reach	Childcare	Community Programs	Other	Total 2016
PUBLIC SUPPORT AND REVENUE						
PUBLIC SUPPORT						
Grants	\$ 147,030	\$ -	\$ 175,000	\$ 2,174,795	\$ 373,012	\$ 2,869,837
Contributions	96,334	-	-	5,450	59,035	160,819
In-kind donations	4,500	-	-	-	-	4,500
REVENUE						
Local Control Funding Formula	1,549,521	-	-	-	-	1,549,521
Federal revenue	52,638	-	-	-	-	52,638
Other state income	477,691	-	-	-	-	477,691
Other local income	1,550	-	-	-	88	1,638
Program service fees	-	-	76,875	-	-	76,875
Events	-	-	-	-	9,042	9,042
Other income	-	-	-	-	4,210	4,210
Total Public Support and Revenue	<u>2,329,264</u>	<u>-</u>	<u>251,875</u>	<u>2,180,245</u>	<u>445,387</u>	<u>5,206,771</u>
EXPENSES						
Certificated salaries	587,910	-	-	9,000	-	596,910
Noncertificated salaries	297,433	-	-	1,500,604	176,455	1,974,492
Employee benefits	180,220	-	-	314,058	90,882	585,160
Books and reference materials	7,973	-	-	23	-	7,996
Materials and supplies	30,924	-	-	65,957	-	96,881
Food	69,612	-	-	43,910	555	114,077
Travel and entertainment	24,741	-	-	38,656	195	63,592
Dues and memberships	6,055	-	21	1,209	40	7,325
Insurance	9,086	-	-	9,836	-	18,922
Operations and housekeeping	44,756	-	83	77,528	9,950	132,317
Rent, leases, repairs and noncapital equipment	138,486	-	2,115	38,047	(5)	178,643
Professional fees and other expenses	277,716	-	263	465,759	28,742	772,480
Special education expenses	98,564	-	-	-	-	98,564
Communications	11,057	-	134	9,635	(345)	20,481
Interest expense	16,070	-	-	-	-	16,070
Depreciation	78,601	-	6,693	9,695	-	94,989
Transfers to other agencies	104,455	-	-	-	-	104,455
Total Expenses	<u>1,983,659</u>	<u>-</u>	<u>9,309</u>	<u>2,583,917</u>	<u>306,469</u>	<u>4,883,354</u>
OTHER SOURCES AND USES						
Transfers in	1,318	-	-	60,000	-	61,318
Transfer out	(60,000)	(1,318)	-	-	-	(61,318)
Total Other Sources and Uses	<u>(58,682)</u>	<u>(1,318)</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>-</u>
Change in Net Assets	286,923	(1,318)	242,566	(343,672)	138,918	323,417
Net Assets, Beginning of Year	604,918	1,318	(30,786)	724,579	20,000	1,320,029
Net Assets, End of Year	<u>\$ 891,841</u>	<u>\$ -</u>	<u>\$ 211,780</u>	<u>\$ 380,907</u>	<u>\$ 158,918</u>	<u>\$ 1,643,446</u>

See accompanying note to supplementary information.

ALTERNATIVES IN ACTION

COMBINING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2016

	Charter BASE	Reach	Childcare	Community Programs	Other	Total 2016
CASH FLOWS FROM OPERATING ACTIVITIES						
Change in net assets	\$ 286,923	\$ (1,318)	\$ 242,566	\$ (343,672)	\$ 138,918	\$ 323,417
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities						
Depreciation	78,601	-	6,693	9,695	-	94,989
(Increase) decrease in						
Grants receivable	-	-	(175,000)	21,000	(5,000)	(159,000)
Accounts receivable	21,489	-	2,596	(118,955)	(48,140)	(143,010)
Other assets	-	-	-	-	(9,058)	(9,058)
Due from/to	(334,174)	1,318	(70,461)	460,403	(57,086)	-
Increase (decrease) in						
Accounts payable	28,930	-	(3,404)	81,330	(15,584)	91,272
Unearned revenue	-	-	185	-	-	185
Accrued payroll	(7,307)	-	(8,760)	(4,292)	(4,766)	(25,125)
Accrued leave	11,475	-	(4,154)	23,440	717	31,478
Net cash provided (Used) by operating activities	85,938	-	(9,739)	128,949	0	205,148
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchases of property and equipment	(135,528)	-	-	-	-	(135,528)
CASH FLOWS FROM FINANCING ACTIVITIES						
Line of credit	-	-	-	(199,900)	-	(199,900)
Payments on loan	(8,841)	-	-	-	-	(8,841)
Net cash provided by financing activities	(8,841)	-	-	(199,900)	-	(208,741)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(58,431)	-	(9,739)	(70,951)	0	(139,121)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	115,571	-	19,262	140,335	-	275,168
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 57,140	\$ -	\$ 9,523	\$ 69,384	\$ 0	\$ 136,047

See accompanying note to supplementary information.

ALTERNATIVES IN ACTION

ORGANIZATIONAL STRUCTURE JUNE 30, 2016

ALTERNATIVES IN ACTIONS INCLUDING
CHARTER GRANTING AUTHORITY:
CHARTER NUMBER:
CHARTER DATE:

BAY AREA SCHOOL OF ENTERPRISE
ALAMEDA UNIFIED SCHOOL DISTRICT
01611190130625
RENEWED 2/14/06; ORIGINAL 2001

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Rita Trumbo	President	Indefinite
Mike Patten	Treasurer	Indefinite
Nduka Nwankwo	Assistant Treasurer	Indefinite
Alex Salinsky	Secretary	Indefinite
Kita Grinberg	Member	Indefinite
Patricial Murillo	Member	Indefinite
Joe Feldman	Member	Indefinite
Justin Marcoux	Member	Indefinite
Beatriz Rojas	Member	Indefinite
Donna Fletcher	Member	Indefinite
Jay Ryder	Member	Indefinite
Abigail Garcia	Member	Indefinite
Ime Ekanem	Member	Indefinite
Marcos Lopez	Student Member	Indefinite

ADMINISTRATION

Patricia Murillo	Executive Director
Oriana Obligacion	Director of Operations and Finance

See accompanying note to supplementary information.

ALTERNATIVES IN ACTION

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass Through Number	Federal Expenditures
U.S. Department of Education			
Passed through Alameda County Office of Education			
NCLB: Title I, Part A, Basic Grants Low Income and Neglected	84.027	13379	\$ 51,490
Passed through Reach Institute for School Leadership			
NCLB: Title II-Improving Teacher Quality Local Grant	84.367	14341	1,148
Total U.S. Department of Education			<u>52,638</u>
Total Expenditures of Federal Awards			<u>\$ 52,638</u>

See accompanying note to supplementary information.

ALTERNATIVES IN ACTION

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2016

Bay Area School of Enterprise reports average daily attendance to Alameda Unified School District. The District in turn, reports these average daily attendance amounts to the State of California for funding through the District's LCFF. The District remits the in-lieu property tax of the School's LCFF and the State of California remits the balance through the Alameda County Office of Education. The District receives a fee from the School for supervisory oversight equal to 1 percent of the state revenue. The average daily attendance for the period ended June 30, 2016, was as follows:

	Second Period Report			Annual		
	Average daily attendance	Classroom Based	Non-Classroom Based	Average daily attendance	Classroom Based	Non-Classroom Based
Reported Grades 9 to 12	<u>147.39</u>	<u>147.08</u>	<u>-</u>	<u>144.67</u>	<u>144.45</u>	<u>-</u>

See accompanying note to supplementary information.

ALTERNATIVES IN ACTION

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2016

Grade Level	1986-1987	2015-2016	Number of Days		Status
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grade 9	64,800	66,100	n/a	n/a	Complied
Grade 10	64,800	66,100	n/a	n/a	Complied
Grade 11	64,800	66,100	n/a	n/a	Complied
Grade 12	64,800	66,100	n/a	n/a	Complied

See accompanying note to supplementary information.

ALTERNATIVES IN ACTION

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Balance, June 30, 2016, Unaudited Actuals	\$ 636,618
Cash	(44,518)
Accounts receivable	(39,424)
Due from other funds	342,267
Property and equipment	88,362
Accounts payable	(40,587)
Accrued payroll	(30,373)
Accrued leave	(29,344)
Due to other funds / Loans	8,841
Balance, June 30, 2016, Audited Financial Statements	<u>\$ 891,841</u>

*Charter school fund only.

See accompanying note to supplementary information.

ALTERNATIVES IN ACTION

NOTE TO SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Combining Statements

The accompanying financial statements report the individual programs of Alternatives in Action and are presented on the accrual basis of accounting. Management and general and fundraising expenses are allocated to programs, therefore, some amounts presented in these financial statements may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Agency Organization Structure

This schedule provides information about the Agency's members of the governing board, and members of the administration.

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the Organization and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the Charter. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The Charter has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the Charter and whether the Charter complied with the provisions of Education Code Sections 46200 through 46206.

Charters must maintain their instructional minutes at the 1986-87 requirements, as required by Education Code Section 46201.5.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of the Charter School funds reported on the Unaudited Actual Financial Report to the audited financial statements.



**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***

Governing Board
Alternatives in Action
Oakland, California

We have audited the financial statements of Alternatives in Action as of and for the year ended June 30, 2016, and have issued our report thereon dated December 15, 2016. 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

In planning and performing our audit of the financial statements, we considered Alternatives in Action'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 Alternatives in Action's internal control. Accordingly, we do not express an opinion on the effectiveness of the Alternatives in Action'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Giving 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 Alternatives in Action'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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Tine, Day & Co LLP

Pleasanton, California
December 15, 2016



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Alternatives in Action
Oakland, California

Report on State Compliance

We have audited Alternatives in Action's compliance with the types of compliance requirements as identified in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the *Alternatives in Action's* State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Alternatives in Action's State programs based on our audit of the types of compliance requirements referred to above. We conducted our 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 *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards 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 applicable government programs noted below. An audit includes examining, on a test basis, evidence about Alternatives in Action'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 opinions. Our audit does not provide a legal determination of Alternatives in Action's compliance with those requirements.

Unmodified Opinion

In our opinion, Alternatives in Action complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Alternatives in Action's compliance with the State laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance Accounting:	
Attendance Reporting	Not Applicable
Teacher Certification and Misassignments	Not Applicable
Kindergarten Continuance	Not Applicable
Independent Study	Not Applicable
Continuation Education	Not Applicable
Instructional Time:	Not Applicable
Instructional Materials:	Not Applicable
Ratios of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Not Applicable
School Accountability Report Card	Not Applicable
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Not Applicable
SCHOOL DISTRICTS, COUNTY OFFICES AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	No, See below
After School	No, See below
Before School	No, See below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study – Course Based	No, See below
Immunizations	No, See below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study	No, see below
Determination of Funding for Non Classroom-Based Instruction	No, see below
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

Alternatives in Action is a charter school therefore, Local Education Agencies Other Than Charter School Procedures do not apply, therefore the procedures for those programs were not performed.

The Organization does not offer An After or Before School Education and Safety Program; therefore, we did not perform any procedures related to the After or Before School Education and Safety Program.

The Organized does not offer Independent Study Course Based Program, therefore, we did not perform any procedures related to Independent Study Course Based programs.

The District did not have any schools listed on the immunization assessment reports, therefore, we did not perform any related procedures.

The Organization does not offer non-classroom based independent study programs or receive a charter school facility grant, therefore, we did not perform any procedures related to non-classroom based independent study programs or charter school facility grant programs.

Vavrinek, Tine, Day & Co LLP

Pleasanton, California
December 15, 2016

ALTERNATIVES IN ACTION

SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2016

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(ies) identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

STATE AWARDS

Type of auditor's report issued on compliance for all State programs:	<u>Unmodified</u>
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ALTERNATIVES IN ACTION

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

ALTERNATIVES IN ACTION

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

ALTERNATIVES IN ACTION

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None noted.

ALTERNATIVES IN ACTION

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

There were no audit findings reported in the prior year's schedule of financial statement findings.