



Annual Financial Report
June 30, 2019

Alternatives In Action

ALTERNATIVES IN ACTION

JUNE 30, 2019

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FINANCIAL SECTION



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 Alternatives 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, 2019, 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 *2018-19 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, 2019 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.

Emphasis of Matter

As discussed in Notes 1 and 12 to the financial statements, the Organization has adopted the provisions of FASB Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Net assets at June 30, 2018 have been restated to combine temporarily restricted and permanently restricted net assets into a single category of net assets with donor restrictions. Our opinion is not modified with respect to this matter.

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 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 16, 2019, 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

The financial statements of Alternatives in Action as of and for the year ended June 30, 2018, were audited by Vavrinek, Trine, Day, & Co, LLP, who joined Eide Bailly LLP on July 22, 2019, and whose report dated April 10, 2019, 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, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eide Bailly LLP

San Ramon, California
December 16, 2019

ALTERNATIVES IN ACTION

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2019

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

ASSETS	2019	2018
Current Assets		
Cash and cash equivalents	\$ 604,949	\$ 128,537
Grants receivable	169,630	95,229
Accounts receivable	399,771	2,289,746
Total current assets	<u>1,174,350</u>	<u>2,513,512</u>
Property and equipment, net of accumulated depreciation	702,661	712,545
Other assets, deposits	14,322	29,272
Total Assets	<u>\$ 1,891,333</u>	<u>\$ 3,255,329</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 239,904	\$ 289,695
Accrued payroll and leave	5,012	193,901
Line of credit	300,000	405,000
Current portion of notes payable	5,606	15,520
Total current liabilities	<u>550,522</u>	<u>904,116</u>
Long Term Liabilities		
Notes payable, net of current portion	-	6,563
Total Liabilities	<u>550,522</u>	<u>910,679</u>
NET ASSETS		
Without donor restrictions	1,171,181	1,457,167
With donor restrictions	169,630	887,483
Total net assets	<u>1,340,811</u>	<u>2,344,650</u>
Total Liabilities and Net Assets	<u>\$ 1,891,333</u>	<u>\$ 3,255,329</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, 2019 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total 2019	Total 2018
PUBLIC SUPPORT AND REVENUE				
PUBLIC SUPPORT				
Grants	\$ -	\$ 765,002	\$ 765,002	\$ 3,640,174
Contributions	-	55,748	55,748	194,062
In-kind donations	-	-	-	192,046
REVENUE				
Local Control Funding Formula	2,075,822	-	2,075,822	1,990,443
Federal revenue	85,351	-	85,351	62,404
Other state income	497,614	-	497,614	405,449
Other local income	394	-	394	637
Program service fees	24,612	-	24,612	16,393
Events	1,020	-	1,020	-
Satisfaction of program restrictions	1,538,603	(1,538,603)	-	-
Total Public Support and Revenue	<u>4,223,416</u>	<u>(717,853)</u>	<u>3,505,563</u>	<u>6,501,608</u>
EXPENSES				
Program services				
Charter school	1,843,950	-	1,843,950	2,205,667
Childcare	168,408	-	168,408	227,518
Community programs	2,080,089	-	2,080,089	2,235,953
Total Program Expenses	<u>4,092,447</u>	<u>-</u>	<u>4,092,447</u>	<u>4,669,138</u>
Supporting services				
Management and general	355,372	-	355,372	782,852
Fundraising	61,583	-	61,583	298,518
Total Supporting Services	<u>416,955</u>	<u>-</u>	<u>416,955</u>	<u>1,081,370</u>
Total Expenses	<u>4,509,402</u>	<u>-</u>	<u>4,509,402</u>	<u>5,750,508</u>
Change in net assets	(285,986)	(717,853)	(1,003,839)	751,100
Net assets, beginning of year	<u>1,457,167</u>	<u>887,483</u>	<u>2,344,650</u>	<u>1,593,550</u>
Net assets, end of year	<u>\$ 1,171,181</u>	<u>\$ 169,630</u>	<u>\$ 1,340,811</u>	<u>\$ 2,344,650</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, 2019 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	Program Services					Total 2019	Total 2018
	Charter School	Childcare	Community Programs	Management and General	Fund- raising		
Salaries and benefits	\$ 1,062,037	\$ 136,865	\$ 1,416,716	\$ 351,269	\$ 56,325	\$3,023,212	\$ 3,941,844
Books and reference materials	70,119	85	140	-	-	70,344	37,628
Materials and supplies	14,522	(258)	72,027	-	42	86,333	120,292
Food	1,841	806	63,464	-	-	66,111	87,075
Travel and entertainment	19,250	70	13,333	-	58	32,711	54,745
Dues and memberships	209	-	4,101	-	197	4,507	7,307
Insurance	7,631	872	13,300	-	-	21,803	20,710
Operations expenses	31,324	855	60,621	4,103	1,008	97,911	466,613
Rent, leases, repairs and noncapital equipment	232,596	19,614	48,718	-	1,198	302,126	323,269
Professional fees and other expenses	57,972	700	310,304	-	2,405	371,381	414,672
Special education expenses	187,932	-	-	-	-	187,932	143,547
Communications	12,533	719	14,168	-	350	27,770	17,100
Interest expense	17,224	-	4,332	-	-	21,556	9,752
Depreciation	48,477	8,080	58,865	-	-	115,422	95,595
Disposal of Equipment	59,533	-	-	-	-	59,533	-
Transfers to other agencies	20,750	-	-	-	-	20,750	10,359
	<u>\$ 1,843,950</u>	<u>\$ 168,408</u>	<u>\$ 2,080,089</u>	<u>\$ 355,372</u>	<u>\$ 61,583</u>	<u>\$4,509,402</u>	<u>\$ 5,750,508</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, 2019 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,003,839)	\$ 751,100
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	115,422	95,595
Disposal of capital assets	59,533	-
 (Increase) decrease in		
Grants receivable	(74,401)	57,771
Accounts receivable	1,889,975	(1,553,531)
Other assets, deposits	14,950	(7,685)
Increase (decrease) in		
Accounts payable	(49,791)	(17,929)
Accrued payroll	(188,889)	(8,759)
Accrued leave	-	(30,832)
Net cash provided (used) by operating activities	<u>762,960</u>	<u>(714,270)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	<u>(165,072)</u>	<u>(119,957)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from/ payments of line of credit	(105,000)	405,000
Payments on loan	<u>(16,476)</u>	<u>(16,322)</u>
Net cash provided (used) by financing activities	<u>(121,476)</u>	<u>388,678</u>
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	476,412	(445,549)
 CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>128,537</u>	<u>574,086</u>
 CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 604,949</u>	<u>\$ 128,537</u>
 Noncash Items		
Donated goods and services	<u>\$ -</u>	<u>\$ 10,635</u>
 Cash		
Interest Paid	<u>\$ 21,556</u>	<u>\$ 9,752</u>

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

ALTERNATIVES IN ACTION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

New Accounting Pronouncement

In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. This ASU modified the current guidance over several criteria of which the following affected the Center’s financial statements:

- Net assets are to be segregated into two categories, “with donor restrictions” and “without donor restrictions”, as opposed to the previous requirement of three classes of net assets.
- Disclosure of qualitative and quantitative information relating to management of liquidity and the availability of financial assets to cover short-term cash needs within one year from the consolidated statement of financial position date.
- Presentation of expenses by both their natural classification and their functional classification.
- Presentation of the indirect method reconciliation of operating cash flows on the consolidated statements of cash flows is no longer required when the direct method of reporting is used.
- Disclosure of the methods used to allocate costs among program and supporting (general and administrative and fundraising) functions.
- Presenting investment return net of external and direct internal investment expenses.

The Organization has implemented the provisions of this ASU as of June 30, 2019.

ALTERNATIVES IN ACTION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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.

Childcare: Alternatives in Action Early Childhood Education Center

Alternatives in Action Early Childhood Education Center opened in August 2018 with a child centered learning approach inspired by Reggio-Emilia theories. Recruitment, program planning, hiring and trainings were offered, and youth were being educated through an intense career pathway for early childhood development. The program was expected to serve 19 infants and toddlers and eventually growing to include a preschool class of approximately 18 additional children. By January the program served 7 infants and toddlers. Not meeting enrollment numbers, the program proved to be financially unsustainable and closed in January 2019.

Community Programs

Life, McClymonds Youth & Family Center (MYFC), Fremont and Seminary

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. Due to the loss of government contracts and program cuts, the decision was made to close community programs at the end of the fiscal year.

Management and General

Alternatives in Action is managed by an executive director working in close collaboration with the directors of the 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.

ALTERNATIVES IN ACTION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

Fundraising

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

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 net assets with donor restrictions to net assets without donor restrictions 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 for 2018 were allocated between program and administrative support based on payroll allocations, there were no in kind donations for 2019.

<i>In-kind donations</i>	2019	2018
Construction labor - charter school	\$ -	\$ 181,162
Awards - fundraising	-	4,500
Equipment - charter school	-	6,384
	<u>\$ -</u>	<u>\$ 192,046</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 2015 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, 2019

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, 2018, from which the summarized information was derived.

Reclassifications

ALTERNATIVES IN ACTION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash	\$	604,949
Grants receivable		169,630
Accounts receivable		399,771
Total	\$	<u>1,174,350</u>

As part of the Organization's liquidity management, it has a policy of structuring its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3 – GRANTS RECEIVABLE

Promises to give consist of the following:

Promises to Give - Unconditional	<u>2019</u>	<u>2018</u>
<i>Time and purpose restrictions</i>		
Other organizations - community programs	\$ 169,630	\$ 90,000
Individual donors - Childcare building	-	1,080
<i>Time restricted</i>		
Other donors	-	4,149
Total unconditional grants receivable	<u>\$ 169,630</u>	<u>\$ 95,229</u>

All amounts are expected to be received within one year.

ALTERNATIVES IN ACTION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Description	Beginning of Year	Additions	Disposals	End of Year
Equipment	\$ 270,305	\$ -	\$ -	\$ 270,305
Furniture	116,858	-	-	116,858
Improvements	971,352	165,071	(124,651)	1,011,772
	1,358,515	165,071	(124,651)	1,398,935
Less: accumulated depreciation	(645,970)	(115,422)	65,118	(696,274)
	<u>\$ 712,545</u>	<u>\$ 49,649</u>	<u>\$ (59,533)</u>	<u>\$ 702,661</u>

Depreciation expense at June 30, 2019 was \$115,422.

NOTE 5 - REVOLVING LINE OF CREDIT

The Organization has a \$500,000 revolving line of credit, with an outstanding balance as of June 30, 2019 of \$300,000 due August 15, 2019. 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, 2019 was 4.5%.

NOTE 6 - 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:

2020	<u>\$ 5,606</u>
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NOTE 7 - SATISFACTION OF PROGRAM RESTRICTIONS

Temporarily restricted net assets were expended for the following purposes:

	2019	2018
Childcare	\$ -	\$ 50,471
Community programs	1,538,603	2,564,545
Other/time restrictions	-	442,623
Total satisfaction of program restrictions	<u>\$ 1,538,603</u>	<u>\$ 3,057,639</u>

ALTERNATIVES IN ACTION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

NOTE 8 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are as follows:

	<u>2019</u>	<u>2018</u>
<i>Time restrictions</i>		
<i>Time and purpose restrictions</i>		
Community programs - MYFC probation	<u>\$ 169,630</u>	<u>\$ 887,483</u>

NOTE 9 – 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.

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. In addition, the Agency has a lease for a portable building with a term of May 2018 to May 2023. 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. Lease commitments for long term leases were as follows:

Year Ended <u>June 30</u>	
2020	\$ 102,116
2021	97,712
2022	97,712
2023	97,712
2023	95,529
Thereafter	71,520
	<u>\$ 562,301</u>

NOTE 10 – 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 \$20,817 were paid during the fiscal year ended June 30, 2019.

NOTE 11 - CONCENTRATIONS OF CREDIT RISK

ALTERNATIVES IN ACTION

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2019

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 uninsured amounts as of June 30, 2019.

NOTE #12 – ADOPTION OF ACCOUNTING STANDARDS UPDATE 2016-14 AND RESTATEMENT OF PRIOR YEAR NET ASSET

As of July 1, 2018, the Organization adopted the provision of ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As a result, the beginning net assets were restated as follows:

	As Previously Reported	Adoption of ASU 2016-14	As Restated
Unrestricted net assets	\$ 1,457,167	\$ (1,457,167)	\$ -
Temporarily restricted net assets	887,483	(887,483)	-
Net assets without donor restrictions	-	1,457,167	1,457,167
Net assets with donor restrictions	-	887,483	887,483
	<u>\$ 2,344,650</u>	<u>\$ -</u>	<u>\$ 2,344,650</u>

NOTE 13 – 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 16, 2019, 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.



SUPPLEMENTARY INFORMATION

ALTERNATIVES IN ACTION

COMBINING STATEMENT OF FINANCIAL POSITION JUNE 30, 2019

	Charter BASE	Childcare	Community Programs	Other	Total 2019
ASSETS					
Cash and cash equivalents	\$ 604,949	\$ -	\$ -	\$ -	\$ 604,949
Grants receivable	-	-	169,630	-	169,630
Accounts receivable	399,771	-	-	-	399,771
Due from other funds	171,770	-	-	407,388	579,158
Total current assets	<u>1,176,490</u>	<u>-</u>	<u>169,630</u>	<u>407,388</u>	<u>1,753,508</u>
Property and equipment, net of accumulated depreciation	472,831	223,947	5,883	-	702,661
Other assets, deposits	14,322	-	-	-	14,322
Total Assets	<u>\$ 1,663,643</u>	<u>\$ 223,947</u>	<u>\$ 175,513</u>	<u>\$ 407,388</u>	<u>\$ 2,470,491</u>
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 125,158	\$ -	\$ 89,180	\$ 25,566	\$ 239,904
Accrued payroll	5,012	-	-	-	5,012
Due to other funds	-	59,294	519,864	-	579,158
Line of credit	300,000	-	-	-	300,000
Long term debt	5,606	-	-	-	5,606
Total current liabilities	<u>435,776</u>	<u>59,294</u>	<u>609,044</u>	<u>25,566</u>	<u>1,129,680</u>
NET ASSETS					
Without restrictions	1,227,867	164,653	(603,161)	381,822	1,171,181
With restrictions	-	-	169,630	-	169,630
Total net assets	<u>1,227,867</u>	<u>164,653</u>	<u>(433,531)</u>	<u>381,822</u>	<u>1,340,811</u>
Total Liabilities and Net Assets	<u>\$ 1,663,643</u>	<u>\$ 223,947</u>	<u>\$ 175,513</u>	<u>\$ 407,388</u>	<u>\$ 2,470,491</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, 2019

	Charter BASE	Childcare	Community Programs	Other	Total 2019
PUBLIC SUPPORT AND REVENUE					
PUBLIC SUPPORT					
Grants	\$ -	\$ -	\$ 765,002	\$ -	\$ 765,002
Contributions	-	-	4,071	51,677	55,748
REVENUE					
Local Control Funding Formula	2,075,822	-	-	-	2,075,822
Federal revenue	85,351	-	-	-	85,351
Other state income	497,614	-	-	-	497,614
Other local income	315	-	79	-	394
Program service fees	100	24,512	-	-	24,612
Events	-	-	-	1,020	1,020
Total Public Support and Revenue	<u>2,659,202</u>	<u>24,512</u>	<u>769,152</u>	<u>52,697</u>	<u>3,505,563</u>
EXPENSES					
Certificated salaries	657,707	-	37,703	-	695,410
Noncertificated salaries	251,910	111,758	1,538,606	-	1,902,274
Employee benefits	169,617	27,072	221,649	7,190	425,528
Books and reference materials	70,119	85	140	-	70,344
Materials and supplies	14,522	(258)	72,027	42	86,333
Food	1,841	806	63,464	-	66,111
Travel and entertainment	19,250	70	13,333	58	32,711
Dues and memberships	209	-	4,101	197	4,507
Insurance	7,631	872	13,300	-	21,803
Operations expenses	31,324	855	60,621	5,111	97,911
Rent, leases, repairs and noncapital equipment	232,596	19,614	48,718	1,198	302,126
Professional fees and other expenses	57,972	700	310,304	2,405	371,381
Special education expenses	187,932	-	-	-	187,932
Communications	12,533	719	14,168	350	27,770
Interest expense	17,224	-	4,332	-	21,556
Depreciation	48,477	8,080	58,865	-	115,422
Disposal of Equipment	59,533	-	-	-	59,533
Transfers to other agencies	20,750	-	-	-	20,750
Total Expenses	<u>1,861,147</u>	<u>170,373</u>	<u>2,461,331</u>	<u>16,551</u>	<u>4,509,402</u>
OTHER SOURCES AND USES					
Transfers in	-	20,000	1,136,182	-	1,156,182
Transfer out	(635,508)	(49,584)	(471,090)	-	(1,156,182)
Total Other Sources and Uses	<u>(635,508)</u>	<u>(29,584)</u>	<u>665,092</u>	<u>-</u>	<u>-</u>
Change in Net Assets	162,547	(175,445)	(1,027,087)	36,146	(1,003,839)
Net Assets, Beginning of Year	1,065,320	340,098	593,556	345,676	2,344,650
Net Assets, End of Year	<u>\$ 1,227,867</u>	<u>\$ 164,653</u>	<u>\$ (433,531)</u>	<u>\$ 381,822</u>	<u>\$ 1,340,811</u>

See accompanying note to supplementary information.

ALTERNATIVES IN ACTION

COMBINING STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2019

	Charter BASE	Childcare	Community Programs	Other	Total 2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ 162,547	\$ (175,445)	\$(1,027,087)	\$ 36,146	\$ (1,003,839)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities					
Depreciation	48,477	8,080	58,865	-	115,422
Disposal of equipment	59,533	-	-	-	59,533
(Increase) decrease in					
Grants receivable	-	26,080	(104,630)	4,149	(74,401)
Accounts receivable	156,055	-	1,730,093	3,827	1,889,975
Other assets	(14,137)	-	-	29,087	14,950
Due from/to	295,941	276,986	(520,046)	(52,881)	-
Increase (decrease) in					
Accounts payable	(35,370)	(1,207)	(2,486)	(10,728)	(49,791)
Accrued payroll	(77,018)	(7,009)	(95,262)	(9,600)	(188,889)
Net cash provided by operating activities	596,028	127,485	39,447	-	762,960
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property and equipment	(28,589)	(136,483)	-	-	(165,072)
CASH FLOWS FROM FINANCING ACTIVITIES					
Line of credit	-	-	(105,000)	-	(105,000)
Payments on loan	(16,476)	-	-	-	(16,476)
Net cash used by financing activities	(16,476)	-	(105,000)	-	(121,476)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	550,963	(8,998)	(65,553)	-	476,412
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	53,986	8,998	65,553	-	128,537
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 604,949	\$ (0)	\$ 0	\$ -	\$ 604,949

See accompanying note to supplementary information.

ALTERNATIVES IN ACTION

ORGANIZATIONAL STRUCTURE JUNE 30, 2019

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

BAY AREA SCHOOL OF ENTERPRISE
ALAMEDA UNIFIED SCHOOL DISTRICT
0161190130625
RENEWED 2/14/06; ORIGINAL 2001

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Katharine Earhart	President	Indefinite
Dominic McDonald	Treasurer	Indefinite
Crystal Cheng	Secretary	Indefinite
Donna Fletcher	Member	Indefinite
Beatriz Rojas	Member	Indefinite
Jay Ryder	Member	Indefinite
Shady Shahid	Member	Indefinite
Greta Kirschenbaum Brownlow	Member	Indefinite
Jim Burke	Member	Indefinite
Abigail Edelman	Member	Indefinite
Steve Scheier	Member	Indefinite
Tracey Edwards	Member	Indefinite
Patricia Murillo	Member	Indefinite
Asia Laigo	Staff Representative	Indefinite

ADMINISTRATION

Patricia Murillo	Executive Director (through 10/31/18)
Suzanne Tan	Interim Executive Director (11/1/18-3/31/19)
Robert Vidana	Associate Executive Director (4/1/19-6/30/19)
Oriana Obligacion	Director of Operations and Finance (through 10/31/18)
Jennifer Lyle	Deputy Director (11/1/18-11/30/18)

See accompanying note to supplementary information.

ALTERNATIVES IN ACTION

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019**

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, 2019, was as follows:

	Amended 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	172.22	172.11	-	169.52	169.44	-

See accompanying note to supplementary information.

ALTERNATIVES IN ACTION

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2019

<u>Grade Level</u>	1986-1987	2018-2019	<u>Number of Days</u>		<u>Status</u>
	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grade 9	64,800	65,145	179	n/a	Complied
Grade 10	64,800	65,145	179	n/a	Complied
Grade 11	64,800	65,145	179	n/a	Complied
Grade 12	64,800	65,145	179	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, 2019**

Balance, June 30, 2019, Unaudited Actuals	\$ 466,850
Cash	499,300
Accounts receivable	(40,245)
Due from other funds	171,770
Property and equipment	109,774
Deposits	14,322
Accounts payable	11,108
Accrued payroll	(5,012)
Balance, June 30, 2019, Audited Financial Statements	<u>\$ 1,227,867</u>

*Charter school fund only.

See accompanying note to supplementary information.

ALTERNATIVES IN ACTION

NOTE TO SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2019

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 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 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***

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, 2019, and have issued our report thereon dated December 16, 2019. 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 *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. 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2019-001 to be a material weakness.

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*.

Response to Findings

Alternatives in Action's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs are included in the body of the report. Alternative in Action's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Alternative in Action's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

San Ramon, California
December 16, 2019



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 *2018-19 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, 2019.

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 *2018-19 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, 2019.

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:

	Procedures Performed
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
Apprenticeship	Not Applicable
Comprehensive School Safety Plan	Not Applicable
District of Choice	Not Applicable
SCHOOL DISTRICTS, COUNTY OFFICES AND CHARTER SCHOOLS	
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
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 Organization does not offer Independent Study Course Based Program, therefore, we did not perform any procedures related to Independent Study Course Based programs.

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.

Eide Sully LLP

San Ramon, California
December 16, 2019



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ALTERNATIVES IN ACTION

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>Yes</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, 2019

The following findings represent material weaknesses, related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

2019-001 *Code 60000 – Financial Condition*

Criteria or Specific Requirements

Strong internal controls and clear accurate reporting of results assist an organization in operating effectively and efficiently.

Condition

The Organization has significant long term promises to give that appear to be coming to a conclusion. Without continued grant funding support, or other cash flow generated, the financial condition of the organization may be challenged. In addition, the Organization has traditionally had interfund loans (due to/due from) that have not been repaid at fiscal year end.

Questioned costs

Not applicable.

Context

Clear budget information is necessary to allow the board to understand the monitor and make necessary financial decisions. As part of the budgeting and operational process, interfund loans have not historically been clearly presented to the board as such to allow for consideration in the budgeting and monitoring processes.

Effect

The board was not able to effectively manage the budget position of the organization.

Cause

The board did not have a clear picture of the budget position of the organization.

Recommendation

The Organization needs to comprehensively review its operational plans for the near term and determine if any changes to program operations are necessary in order to adequately fund operating programs and continue to maintain the ability to pay its obligations. The board should be routinely notified of any need for interfund loans and approve or deny them based on an understanding of the need and the ability to repay the amounts between the funds within a reasonable time period.

ALTERNATIVES IN ACTION

FINANCIAL STATEMENT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Response

The Organization secured a third party vendor for the start of the 2019-2020 year to ensure consistent and compliant fiscal management of Alternatives in Action. This third party vendor will provide regular, consistent reporting of current fiscal standings of the organization to enable effective guidance from the board of directors as the stewards of the organization. The Organization decided to close various departments/programs and is now solely focused on Alternatives in Action High School. This will provide Alternatives in Action a sustainable path forward that includes (1) a simplified organizational structure with clear delineation of funding streams and the associated expenses, (2) increased engagement from Board of Directors with the ongoing activities of the organization, (3) and a simplified fiscal management system with Alternatives in Action High School being the core operations. The organization has reviewed our Accounts Payable and developed a payment plan towards repaying the Line of Credit. The Board of Directors is also reviewing its fiscal policies and financial controls to identify areas of weaknesses and opportunities for improvement.

Additionally, Alternatives in Action responded swiftly to address the challenges in the 2018-2019 fiscal year to close with a decent financial standing and a strong budget for next fiscal year.

ALTERNATIVES IN ACTION

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

None reported.

ALTERNATIVES IN ACTION

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

2018-001 *Code 60000 – Financial Condition*

Criteria or Specific Requirements

Strong internal controls and clear accurate reporting of results assist an organization in operating effectively and efficiently.

Condition

The Organization has significant long term promises to give that appear to be coming to a conclusion. Without continued grant funding support, or other cash flow generated, the financial condition of the organization may be challenged. In addition, the Organization has traditionally had interfund loans (due to/due from) that have not been repaid at fiscal year end.

Questioned costs

Not applicable.

Context

Clear budget information is necessary to allow the board to understand the monitor and make necessary financial decisions. As part of the budgeting and operational process, interfund loans have not historically been clearly presented to the board as such to allow for consideration in the budgeting and monitoring processes.

Effect

The board was not able to effectively manage the budget position of the organization.

Cause

The board did not have a clear picture of the budget position of the organization.

Recommendation

The Organization needs to comprehensively review its operational plans for the near term and determine if any changes to program operations are necessary in order to adequately fund operating programs and continue to maintain the ability to pay its obligations. The board should be routinely notified of any need for interfund loans and approve or deny them based on an understanding of the need and the ability to repay the amounts between the funds within a reasonable time period.

ALTERNATIVES IN ACTION

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

Response

The Organization is currently in the process of outsourcing financial operations to a third party vendor by the start of the 2019 - 2020 year to ensure consistent and compliant fiscal management of Alternatives in Action. Requirement of this third party vendor to provide regular reporting of the current fiscal standings of the organization to enable effective guidance from the board of directors as stewards of the organization. Throughout the 2018-2019 school year the organization has decided to shut down various departments throughout the organization and is now solely focused on Alternatives in Action High School. This will provide Alternatives in Action a sustainable path forward that includes (1) a simplified organizational structure with clear delineation of funding streams and the associated expenses, (2) increased engagement from Board of Directors with the ongoing activities of the organization, (3) and a simplified fiscal management system with Alternatives in Action High School being our core operations. The organization is currently reviewing our Accounts Payable and our Line of Credit to develop a path forward regarding repayment. The Board of Directors is also reviewing its fiscal policies and financial controls to identify areas of weaknesses and opportunities for improvement.

Status

See 2019-001.