<u>ALIVE!, INC.</u>

<u>REPORT ON AUDIT OF FINANCIAL STATEMENTS</u>

<u>for the year ended June 30, 2011</u>

Renner & Company
Certified
Public
Accountants

- C O N T E N T S -

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A PROFESSIONAL CORPORATION

INDEPENDENT AUDITORS' REPORT

The Board of Directors
ALIVE!, Inc.
Alexandria, Virginia 22302

We have audited the accompanying statement of financial position of ALIVE!, Inc. (a non-profit organization) as of June 30, 2011, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ALIVE!, Inc. as of June 30, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Renner and Company, CPA, P.C.

May 31, 2012

ALIVE!, INC.

STATEMENT OF FINANCIAL POSITION
June 30, 2011

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 839,637
Client custodial account	6,719
Investments	202,324
Receivables	17,971
Promises to give	38,317
Inventory	9,177
Prepaid expenses	12,562
TOTAL CURRENT ASSETS	$ 1,126,707
PROPERTY, at cost	
Building	$ 650,334
Furniture and equipment	171,532
Land	28,039
	$ 849,905
Accumulated depreciation	(390,065)
TOTAL PROPERTY, net	$ 459,840
TOTAL ASSETS	$ 1,586,547

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 25,337
Accrued wages and leave	22,660
Client custodial	4,219
Retirement payable	1,296
Unearned parent fees	4,821
TOTAL LIABILITIES	$ 58,333
NET ASSETS	
Unrestricted	
Operating	$ 1,033,374
Fixed asset fund	459,840
Temporarily restricted	35,000
TOTAL NET ASSETS	$ 1,528,214
TOTAL LIABILITIES AND NET ASSETS	$ 1,586,547

The accompanying Independent Auditors' Report and Notes are an integral part of the financial statements.

ALIVE!, INC.

STATEMENT OF ACTIVITIES
for the year ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND REVENUE			
Contributions	$ 981,873	$ -	$ 981,873
Foundation grants	226,698	15,000	241,698
United Way funding	61,387	-	61,387
Special events	41,482	-	41,482
Expenses of special events	(18,929)	-	(18,929)
Government reimbursements	294,034	20,000	314,034
Program service fees	84,629	-	84,629
Investment income	9,446	-	9,446
Non-cash donations	613,697	-	613,697
Non-cash use of facilities	24,624	-	24,624
Net assets released from restrictions	56,244	(56,244)	-
TOTAL SUPPORT AND REVENUE	$ 2,375,185	$ (21,244)	$ 2,353,941
EXPENSES			
Program Services			
Assistance to individuals	$ 1,034,461	$ -	$ 1,034,461
Child Development Center	541,237	-	541,237
Alive! House	109,316	-	109,316
Total Program Services	$ 1,685,014	$ -	$ 1,685,014
Supporting Services			
Management and general	$ 142,096	$ -	$ 142,096
Fund-raising	31,088	-	31,088
Total Supporting Services	$ 173,184	$ -	$ 173,184
TOTAL EXPENSES	$ 1,858,198	$ -	$ 1,858,198
CHANGE IN NET ASSETS	$ 516,987	$ (21,244)	$ 495,743
NET ASSETS, beginning of year	976,227	56,244	1,032,471
NET ASSETS, end of year	$ 1,493,214	$ 35,000	$ 1,528,214

The accompanying Independent Auditor's Report and Notes are an integral part of the financial statements.

ALIVE!, INC.

STATEMENT OF CASH FLOWS
for the year ended June 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from operations	
Support and revenue	$ 1,718,287
Interest and dividends	5,786
Total cash received from operations	$ 1,724,073
Cash disbursed by operations	
Payments to employees and suppliers	$ 1,183,282
Total cash disbursed by operations	$ 1,183,282
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 540,791
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of property	$ (3,069)
Purchase of investments	(30,486)
Proceeds from sale of investments	30,000
NET CASH USED BY INVESTING ACTIVITIES	$ (3,555)
NET INCREASE IN CASH	$ 537,236
CASH AND CASH EQUIVALENTS, beginning of year	302,401
CASH AND CASH EQUIVALENTS, end of year	$ 839,637
NON-CASH INVESTING ACTIVITIES	
Increase in value of investment	$ 3,660
Unrealized gain on investment	(3,660)
	$ -

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ALIVE!, INC.

STATEMENT OF CASH FLOWS
for the year ended June 30, 2011

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
CHANGE IN NET ASSETS	$ 495,743
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	$ 25,610
Contributed stock	(8,290)
Noncash contributions	638,321
Noncash expenses	(638,321)
Unrealized gain in market value of investments	(3,660)
TOTAL ADJUSTMENTS	$ 13,660
CHANGE IN NET ASSETS AND LIABILITIES AFFECTING OPERATIONS PROVIDING (USING) CASH	
ASSETS	
Accounts receivable	$ 3,076
Promises to give	17,327
Prepaid expenses	(589)
Net	$ 19,814
LIABILITIES	
Accounts payable	$ 9,605
Accrued wages and leave	(1,954)
Retirement payable	17
Unearned fees	3,906
Net	$ 11,574
NET CHANGE IN ASSETS AND LIABILITIES	$ 31,388
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 540,791

The accompanying Independent Auditors' Report and Notes are an integral part of the financial statements.

ALIVE!, INC.

STATEMENT OF FUNCTIONAL EXPENSES
for the year ended June 30, 2011

	Management and General	Fund-Raising	Total Supporting Services	Program Services	Total Expenses
Compensation	$ 36,032	$ 7,883	$ 43,915	$ 464,607	$ 508,522
Employee benefits	2,814	615	3,429	25,162	28,591
Payroll taxes	6,635	1,453	8,088	33,384	41,472
Professional fees	66,994	14,656	81,650	6,095	87,745
Office expenses	1,930	422	2,352	5,190	7,542
Operating supplies and expenses	39	9	48	38,388	38,436
Food and kitchen supplies	-	-	-	123,914	123,914
Telephone	2,365	518	2,883	5,439	8,322
Postage	1,176	257	1,433	526	1,959
Printing	57	13	70	-	70
Occupancy	7,975	1,745	9,720	14,904	24,624
Maintenance	-	-	-	11,745	11,745
Utilities	-	-	-	10,453	10,453
Transportation	9	2	11	207	218
Staff development	291	64	355	3,537	3,892
Volunteer training/recognition	146	32	178	300	478
Insurance	691	150	841	17,846	18,687
Security	-	-	-	2,140	2,140
Specific assistance	-	-	-	245,498	245,498
Medical assistance	-	-	-	21,365	21,365
Public relations	7,032	1,538	8,570	130	8,700
Depreciation	2,947	645	3,592	22,019	25,611
In-kind rent	5,051	1,105	6,156	18,468	24,624
In-kind food and furniture	-	-	-	613,697	613,697
Miscellaneous expense	(88)	(19)	(107)	-	(107)
TOTAL EXPENSES	$ 142,096	$ 31,088	$ 173,184	$ 1,685,014	$ 1,858,198

The accompanying Independent Auditors' Report and Notes are an integral part of the financial statements.

ALIVE!, INC.

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE

Organization and Purpose

ALIVE!, Inc., a nonprofit organization, is organized under the laws of the Commonwealth of Virginia to provide assistance to families in emergency situations, to provide emergency housing, and to operate a full-day preschool for children of low-income working parents. The Organization also operates a shelter for women and families in emergency situations called ALIVE! House which is located in Old Town, Alexandria. The primary sources of funding are individual, church and foundation contributions, government agencies, and United Way.

Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization are prepared on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized when incurred.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents except for money market funds held by Morgan Stanley and AG Edwards, which are considered investments.

Accounts Receivable

Accounts receivable primarily represent cost reimbursements due from agency funding agreements and parent fees. Management considers all accounts to be collectible and, accordingly, has not provided an allowance for uncollectible accounts.

Promises to Give

Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Management considers all amounts to be collectible and, accordingly, has not provided an allowance for uncollectible accounts.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)

Client Custodial Account

A separate bank account is maintained at SunTrust bank for the benefit of the residents of ALIVE! House. An initial deposit of $2,500 has been provided by the Organization to establish and maintain the account. All other funds in the account belong to residents.

Inventory

Food inventory is valued at lower of cost or market. Cost is determined through the first-in, first-out method and may include estimated value of donated items.

Investments

The Organization records investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Property and Depreciation

The Organization capitalizes purchases greater than $500 and with estimated lives of greater than one year at cost. Donated property with estimated values of greater than $500 and an estimated useful life greater than one year are capitalized at their estimated value. Depreciation is computed using the straight line method over the estimated useful lives of the assets.

Classes of Assets

To ensure the observance of limitations and restrictions placed on the use of resources, the Organization has divided its resources into classes established according to their nature and purpose. Net assets of the Organization are classified as follows:

Unrestricted: includes net assets which are available for the general operations of the Organization as well as the Fixed Asset Fund which consists of the property of the Organization and amounts donated to assist with the acquisition, construction or renovation of property.

Temporarily Restricted: consists of assets that must be used in compliance with restrictions specified by donors or grantors. When the donor restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)

Revenue Recognition

All public support and revenue is considered to be available for unrestricted use unless specifically restricted by the donor. At its discretion, the Board of Directors may designate funds for specific purposes. Any Board-designated funds are segregated in unrestricted net assets.

The Organization records contributions with donor-imposed restrictions as restricted support; however, donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Donated Property and Equipment

Donations of property are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support 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, are reported as restricted support. In the absence of any 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.

Expense Allocation

Expenses that can be identified with a specific functional classification are charged directly to the functional classifications to which they relate. Indirect costs are allocated to program, management and fundraising functions based on level of effort.

Income Tax Status

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code, except for unrelated business income as defined by Section 511 of the Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(1). No taxable activities are conducted. Accordingly, no provision for income taxes has been included in the financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES, ORGANIZATION AND PURPOSE (Continued)

Income Taxes (Continued)

The federal income tax returns of the Organization for the fiscal years ended June 30, 2008, 2009, and 2010 are subject to examination by the Internal Revenue Service, generally for three years after they are filed.

Use of Estimates

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

The significant estimates affecting the financial statements include the estimated fair value of the in-kind support of donated food, property, household goods and rent.

2. CASH AND CASH EQUIVALENTS

Cash at June 30, 2011 consisted of the following:

Checking account	$ 462,760
Payroll account	12,861
Money market funds	364,016
Total	$ 839,637

The Organization maintains cash balances at several financial institutions. The balances are insured by the Federal Deposit Insurance Corporation. As of June 30, 2011, uninsured cash balances totalled $140,660.

3. RECEIVABLES

Receivables as of June 30, 2011 consisted of the following:

City of Alexandria	$ 14,335
USDA	2,278
Other	1,358
Total	$ 17,971

4. PROMISES TO GIVE

Unconditional promises to give at June 30, 2011 were as follows:

Receivable in less than one year	$ 38,317
Total unconditional promises to give	$ 38,317
Less discounts to net present value	-
Less allowance for uncollectible promises	-
Net unconditional promises to give at June 30, 2011	$ 38,317

Conditional promises to give at June 30, 2011 were as follows:

Conditional on inclusion in 2013 Alexandria City Budget	$ 20,000

5. INVENTORY

The major classes of inventory consisted of the following at June 30, 2011:

Food	$ 9,177

6. INVESTMENTS

Investments are recorded at market value as of June 30, 2011 as shown below:

	Cost	Fair Value
Money Market accounts	$ 175,263	$ 175,263
Balanced bond/equity mutual funds	27,166	27,061
Total	$ 202,429	$ 202,324

Investment income for the year ended June 30, 2011 consisted of the following:

Interest and dividends	$ 5,996
Unrealized gains	3,660
Investment fees	(210)
Total	$ 9,446

7. FAIR VALUE MEASUREMENTS

The Organization records investments based on fair value on a recurring basis. Financial accounting and reporting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability (i.e., the exit price) in an orderly transaction between market participants at the measurement date. The standard emphasizes that fair value is a market-based measurement, not an entity specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, the standards established a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent from the reporting entity (observable inputs that are classified within level 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within level 3 of the hierarchy).

Level 1 inputs utilize unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets or liabilities in active markets, as well as inputs that are observable for the assets or liabilities (other than quoted prices), such as interest rates, foreign exchange rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the assets or liabilities, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

	Fair Value	Level 1	Level 2	Level 3
Money Market accounts	$ 175,263	$ 175,263	$ -	$ -
Balanced bond/equity mutual funds	27,061	27,061	-	-
	$ 202,324	$ 202,324	$ -	$ -

Investments are reported at fair values as provided by the investment managers or other third-party service providers utilizing various methods dependent upon the specific type of investment. Money market account and mutual funds are based on quoted prices in active markets.

8. PROPERTY DEPRECIATION

A summary of information related to property depreciation for the year ended June 30, 2011 is as follows:

	Accumulated Depreciation	Depreciation Expense	Estimated useful life (years)
Building	$ 245,364	$ 13,641	40
Furniture and equipment	144,701	11,970	3 - 15
Land	-	-	
Totals	$ 390,065	$ 25,611	

9. DONATED MATERIALS AND SERVICES

The following material, equipment and use of space have been included in the financial statements as contributions and expenses or assets for the year ended June 30, 2011:

Item/Service	Assistance to Individuals	Child Development Center	Management and General	Total
Food	$ 533,697	$ -	$ -	$ 533,697
Household items	80,000	-	-	80,000
Rent	6,156	12,312	6,156	24,624
Totals	$ 619,853	$ 12,312	$ 6,156	$ 638,321

In addition to the amounts included in the financial statements, recorded volunteer hours for ALIVE! totaled 22,179. The administration of the Organization is performed primarily by volunteers. A substantial number of volunteers donated significant amounts of their time to the distribution of food, clothing and household items.

10. FUND-RAISING

The Organization does not utilize telephone solicitation for its promotional activities. All fund-raising is provided by special events or contributions from individuals, congregations, businesses and foundations.

11. PENSION PLAN

The Organization has established a 403(b) plan to which employees can elect to contribute. ALIVE!, Inc. contributes 2 percent of salary for those employees with 1-5 years of service and 5 percent thereafter for each eligible employee. The pension expense to ALIVE!, Inc. for the year ended June 30, 2011, was $10,560.

12. TEMPORARILY RESTRICTED NET ASSETS

A summary of activity in temporarily restricted net assets for the years ended June 30, 2011 is as follows:

	For the year ended June 30, 2011			
	Balance June 30, 2010	Support and revenue	Net assets released from restriction	Balance June 30, 2011
Time restrictions	$ 56,244	$ 35,000	$ (56,244)	$ 35,000

13. COMMITMENTS AND CONTINGENCIES

Lease Agreement

Alive!, Inc. leases a wing of the First Christian Church of Alexandria for the Child Development Center and space for offices and the family assistance program. The one-year leases were entered into in May 2001, and may be renewed for additional terms if mutually agreed upon by the landlord and tenant. Currently, there is no formal agreement.

The annual rents paid for the year ended June 30, 2011, were $12,312 for the Child Development Center, $6,156 for the office and $6,156 for the family assistance program. It is estimated that the value of this space in excess of the rent paid is $12,312 for the Child Development Center, $6,156 for the office, and $6,156 for the family assistance program. Accordingly, $24,624 has been recognized as a contribution from the First Christian Church of Alexandria and as rental expense to the various programs.

14. MAJOR SOURCE OF SUPPORT

The Organization received $175,156 from the City of Alexandria which represents 7.49% of its total support and revenue.

15. SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through May 31, 2012, the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

The Board of Directors
ALIVE! Inc.
Alexandria, VA

Our report on our audit of the basic financial statements of ALIVE!, Inc. (a not-for-profit organization) as of June 30, 2011, is presented in the preceding section of this report. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Renner and Company, CPA, P.C.

May 31, 2012

ALIVE!, INC.

PROGRAM SERVICES
for the year ended June 30, 2010

	Assistance to Individuals	Child Development Center	ALIVE! House	Total Program
Compensation	$ 42,803	$ 361,949	$ 59,855	$ 464,607
Employee benefits	-	21,063	4,099	25,162
Payroll taxes	-	28,220	5,164	33,384
Professional fees	-	6,095	-	6,095
Office expense	-	4,942	248	5,190
Operating supplies and expense	4,154	31,777	2,457	38,388
Food and kitchen supplies	82,085	41,829	-	123,914
Telephone	1,465	1,922	2,052	5,439
Postage	264	82	180	526
Occupancy	2,592	12,312	-	14,904
Maintenance	-	8,011	3,734	11,745
Utilities	-	-	10,453	10,453
Transportation	-	207	-	207
Staff development	-	2,683	854	3,537
Volunteer training/recognition	-	280	20	300
Insurance	14,552	1,669	1,625	17,846
Security	-	-	2,140	2,140
Specific assistance	245,328	-	170	245,498
Medical assistance	21,365	-	-	21,365
Public relations	-	130	-	130
Depreciation	-	5,754	16,265	22,019
In-kind rent	6,156	12,312	-	18,468
In-kind food and household items	613,697	-	-	613,697
TOTAL EXPENSES	$ 1,034,461	$ 541,237	$ 109,316	$ 1,685,014

See Independent Auditors' Report on Additional Information.