ALIVE!, INC.

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

JUNE 30, 2016 AND 2015

Halt Buzas & Powell, LTD
CERTIFIED PUBLIC ACCOUNTANTS • MANAGEMENT CONSULTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
ALIVE!, Inc.
Alexandria, Virginia

We have audited the accompanying financial statements of ALIVE!, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 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 auditors' 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 financial position of the Organization as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses (pages 16-17) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Halt, Buzas & Powell, Ltd.

Alexandria, Virginia
December 15, 2016

ALIVE!, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Cash	$ 92,862	$ 119,308
Accounts receivable, net	15,323	11,830
Contributions receivable	41,875	41,250
Inventory	27,666	25,276
Prepaid expenses	16,853	16,087
Investments	718,411	828,683
Property and equipment, net	388,907	413,072
Total assets	$ 1,301,897	$ 1,455,506

	2016	2015
LIABILITIES AND NET ASSETS		
Accounts payable	$ 405	$ 9,201
Accrued expenses	44,732	46,793
Liability related to residents of ALIVE! House	3,572	3,587
Deferred revenue, program service fees	894	100
Total liabilities	49,603	59,681
Net assets:		
Unrestricted	1,252,294	1,359,475
Temporarily restricted	-	36,350
Total net assets	1,252,294	1,395,825
Total liabilities and net assets	$ 1,301,897	$ 1,455,506

See accompanying notes to the financial statements.

ALIVE!, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues:			
In-kind contributions	$ 1,073,829	$ -	$ 1,073,829
Contributions	490,815	-	490,815
Foundation grants	240,607	-	240,607
Government reimbursements	235,344	-	235,344
Special fundraising events	99,886	-	99,886
Program service fees	98,047	-	98,047
United Way	54,229	-	54,229
Investment income	7,832	-	7,832
Net assets released from restrictions:			
Satisfaction of donor restrictions	36,350	(36,350)	-
Total revenues	2,336,939	(36,350)	2,300,589
Expenses:			
Program services:			
Family Assistance	1,521,245	-	1,521,245
Child Development Center	591,543	-	591,543
ALIVE! House	108,558	-	108,558
Total program services	2,221,346	-	2,221,346
Support services:			
Management and general	181,021	-	181,021
Fundraising	41,753	-	41,753
Total support services	222,774	-	222,774
Total expenses	2,444,120	-	2,444,120
Change in net assets	(107,181)	(36,350)	(143,531)
Net assets, beginning of year	1,359,475	36,350	1,395,825
Net assets, end of year	$ 1,252,294	$ -	$ 1,252,294

See accompanying notes to the financial statements.

ALIVE!, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues:			
In-kind contributions	$ 689,428	$ -	$ 689,428
Contributions	437,275	30,000	467,275
Government reimbursements	349,908	-	349,908
Foundation grants	176,220	-	176,220
Special fundraising events	95,120	-	95,120
United Way	83,239	-	83,239
Program service fees	64,789	-	64,789
Investment income	22,609	-	22,609
Net assets released from restrictions:			
Satisfaction of donor restrictions	21,373	(21,373)	-
Total revenues	1,939,961	8,627	1,948,588
Expenses:			
Program services:			
Family Assistance	1,134,259	-	1,134,259
Child Development Center	675,106	-	675,106
ALIVE! House	112,883	-	112,883
Total program services	1,922,248	-	1,922,248
Support services:			
Management and general	177,092	-	177,092
Fundraising	37,218	-	37,218
Total support services	214,310	-	214,310
Total expenses	2,136,558	-	2,136,558
Change in net assets	(196,597)	8,627	(187,970)
Net assets, beginning of year	1,556,072	27,723	1,583,795
Net assets, end of year	$ 1,359,475	$ 36,350	$ 1,395,825

See accompanying notes to the financial statements.

ALIVE!, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	$ (143,531)	$ (187,970)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	26,141	25,554
Net realized and unrealized gains on investments	(411)	(12,163)
Donated securities	(22,052)	(22,122)
(Decrease) increase in allowance for doubtful accounts	(3,735)	3,735
Decrease (increase) in assets:		
Accounts receivable, net	242	(5,171)
Contributions receivable	(625)	(2,756)
Inventory	(2,390)	(6,439)
Prepaid expenses	(766)	(2,693)
Increase (decrease) in liabilities:		
Accounts payable	(8,796)	(27,341)
Accrued expenses	(2,061)	15,364
Liability related to residents of ALIVE! House	(15)	(8,290)
Deferred revenue, program service fees	794	(32)
Total adjustments	(13,674)	(42,354)
Net cash used in operating activities	(157,205)	(230,324)
Cash flows from investing activities:		
Purchases of property and equipment	(1,976)	(6,543)
Proceeds from sales of investments	242,201	160,945
Purchases of investments	(109,466)	(106,299)
Net cash provided by investing activities	130,759	48,103
Net decrease in cash	(26,446)	(182,221)
Cash, beginning of year	119,308	301,529
Cash, end of year	$ 92,862	$ 119,308

See accompanying notes to the financial statements.

1. Organization

ALIVE!, Inc. (ALexandrians InVolved Ecumenically, referred to as the Organization) is a nonprofit organization that was incorporated in 1969 under the laws of the Commonwealth of Virginia to help people faced with emergency situations or long-term needs become capable of assuming self-reliant roles in the community. The Organization serves thousands of Alexandrians monthly with shelter; low-cost early childhood education and childcare; financial help for rent, utilities, medical care and other critical needs; emergency food; and deliveries of donated furniture and housewares.

2. Summary of significant accounting policies

Basis of presentation

The Organization's financial statements are presented in accordance with generally accepted accounting principles for nonprofit organizations. Under those principles, the Organization is required to report information regarding its financial position and activities according to three classes of net assets:

Unrestricted Net Assets represent resources that are not subject to donor imposed stipulations and are available for operations at management's discretion.

Temporarily Restricted Net Assets represent resources restricted by donors as to purpose or by the passage of time.

Permanently Restricted Net Assets represent resources whose use by the Organization is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by action of the Organization. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

The Organization had no permanently restricted net assets at June 30, 2016 and 2015.

Basis of accounting

The Organization's financial statements are prepared on the accrual basis of accounting. Accordingly, revenues are recognized when earned and expenses when obligations are incurred.

Use of estimates

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

Fair value measurements

The Organization reports its fair value measures using a three-level hierarchy that prioritizes the inputs used to measure fair value. The objective of a fair value measurement is to determine the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Accordingly, the fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs used to measure fair value are categorized as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities.
- Level 2 - inputs, other than quoted prices, that are observable for the asset or liability either directly or indirectly, including inputs from markets that are not considered to be active.
- Level 3 - unobservable inputs which are typically based on the Organization's own assumptions, as there is little, if any, related market activity.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are subject to the standard. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3. There were no Level 3 inputs for any assets or liabilities held by the Organization at June 30, 2016 and 2015.

Income taxes

The Organization is exempt from federal and local income taxes under Section 501(c)(3) of the Internal Revenue Code on income derived from activities related to its exempt purpose. This code section enables the Organization to accept donations that qualify as charitable contributions to the donor. The Organization is subject to income taxes on taxable income from unrelated business activities. For the years ended June 30, 2016 and 2015, the Organization did not recognize income tax expense in the accompanying financial statements as there was no unrelated business taxable income.

The Organization is not aware of any activities that would jeopardize its tax-exempt status that would require recognition in the accompanying financial statements. Generally, tax returns are subject to examination by taxing authorities for up to three years from the date a completed return is filed. If material omissions of income exist, tax returns may be subject to examination for up to six years. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in the accompanying financial statements. As of June 30, 2016 and 2015, the Organization had no uncertain tax positions which should be recognized as a liability.

Accounts receivable, net

Accounts receivable are due in less than one year and stated at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. At June 30, 2016, there was no such allowance for doubtful accounts as management believed that all receivables were fully collectible. At June 30, 2015, the allowance for doubtful accounts totaled $3,735.

Contributions receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. All contributions receivable are expected to be collected in less than one year and are reported at their net realizable value. Reserves are established for receivables that are delinquent and considered uncollectible based on periodic reviews by management. Management estimates that all receivables are fully collectible; therefore, no allowance for doubtful contributions receivable has been recognized.

Inventory

Inventory is comprised of donated food and is valued using an estimated market valuation rate.

Investments

Investments are reported at fair value and realized and unrealized gains and losses are reported in the statements of activities as increases or decreases in unrestricted net assets, unless the income is restricted temporarily by donor restrictions. The Organization purchases investment instruments that are exposed to risks, such as fluctuations in market value and credit risk. It is reasonably possible that changes in risks in the near term could materially affect investment balances and amounts reported in the accompanying financial statements.

Included in the definition of investments are high interest bearing deposit accounts. (i.e., money market accounts).

Donated securities are recorded at their fair value on the date of the donation.

Property and equipment, net

Property and equipment that was purchased is recorded in the financial statements at cost, net of accumulated depreciation. Property and equipment that was donated is recorded at fair value at the date of donation, net of accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	40 years
Furniture and equipment	3 -15 years
Vehicles	5 years

The Organization's Property and Equipment Policy is to capitalize: 1) purchased property and equipment with costs greater than $500 and estimated useful lives greater than one year, and 2) donated property and equipment with estimated values greater than $500 and estimated useful lives greater than one year. Repairs and maintenance that do not significantly add to the value of assets are expensed as incurred.

Revenue recognition

Grants and contributions

Contributions are recognized as revenue when received or promised and are recorded net of any current year allowance or discount. The Organization reports gifts of cash and other assets as temporarily restricted support if they are received or promised with donor stipulations that limit the use of the donated assets to the Organization's programs or to a future year. When a donor restriction expires, that is, when a purpose restriction is accomplished or time restriction has elapsed, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as unrestricted if the restriction expires in the same reporting period in which the contribution is recognized.

Government reimbursements

The Organization receives government monies to reimburse the Organization for tuition and food costs for children of some families enrolled in its Child Development Center and to subsidize the rent of some families living at ALIVE! House. Government reimbursements are recorded as revenue in the same period that goods and services are provided.

Program service fees

Program service fees are recognized as revenue in the period in which services are provided. Fees received relating to future periods are recorded as deferred revenue in the accompanying statements of financial position.

In-kind contributions

Donated materials, services, use of facilities and property and equipment are recorded at fair value when an unconditional commitment is received and are recognized as in-kind contributions revenue and expense, or capitalized, in the accompanying financial statements.

Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The value of such services is recorded based on the estimated fair value of services provided and is classified as in-kind contributions revenue and expense charged to programs and supporting services based on the program or support services directly benefited. The Organization received no in-kind contributions of services for the years ended June 30, 2016 and 2015, respectively.

The Organization received in-kind contributions of materials and facilities valued at $1,073,829 and $689,428 for the years ended June 30, 2016 and 2015, respectively. Such amounts are classified as in-kind contribution revenue and expense and are allocated to the various programs and supporting services based on the program or support services directly benefited.

Special fundraising events

Special fundraising events revenue consists of various fundraisers held throughout the year. Revenue from such events is recognized when the event takes place. Funds received relating to future periods is recorded as deferred revenue in the accompanying financial statements.

<u>Functional allocation of expenses</u>

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

3. Investments and fair value measurements

Investments are comprised of the following at June 30:

	2016 Cost	2016 Fair Value	2015 Cost	2015 Fair Value
Equity funds	$ 135,210	$ 180,171	$ 154,702	$ 205,069
Certificates of deposit	216,269	216,269	213,695	213,695
Money market accounts	321,971	321,971	409,919	409,919
Total investments	$ 673,450	$ 718,411	$ 778,316	$ 828,683

Investment income is comprised of the following for the years ended June 30:

	2016	2015
Interest and dividends	$ 7,421	$ 10,446
Net realized and unrealized gains on investments	411	12,163
Total investment income	$ 7,832	$ 22,609

The table below presents the Organization's fair value hierarchy for those assets measured at fair value at June 30, 2016:

	Level 1	Level 2	Total
Equity funds	$ 180,171	$ -	$ 180,171
Certificates of deposit	-	216,269	216,269
Money market accounts	321,971	-	321,971
Total investments	$ 502,142	$ 216,269	$ 718,411

The table below presents the Organization's fair value hierarchy for those assets measured at fair value at June 30, 2015:

	Level 1	Level 2	Total
Equity funds	$ 205,069	$ -	$ 205,069
Certificates of deposit	-	213,695	213,695
Money market accounts	409,919	-	409,919
Total investments	$ 614,988	$ 213,695	$ 828,683

4. Property and equipment, net

The following is a summary of property and equipment held at June 30:

	2016	2015
Building	$ 656,912	$ 656,912
Furniture and equipment	120,283	118,307
Vehicles	92,119	92,119
Land	28,039	28,039
Property and equipment	897,353	895,377
Accumulated depreciation	(508,446)	(482,305)
Total property and equipment, net	$ 388,907	$ 413,072

Depreciation expense for the years ended June 30, 2016 and 2015 was $26,141 and $25,554, respectively.

5. Liability related to the residents of ALIVE! House

A separate bank account is maintained for the benefit of the Organization's residents. An initial deposit of $2,500 was provided by the Organization to establish and maintain the account. All other funds in the account belong to residents.

6. Retirement plan

The Organization provides a retirement plan for its employees through a Section 403(b) defined contribution plan. The plan covers all eligible employees upon completion of one year of service. The Organization contributes an amount equal to 2% of salaries for those employees with one to five years of service and 5% thereafter for each eligible employee. Retirement plan contributions for the years ended June 30, 2016 and 2015 were $14,712 and $18,532, respectively.

7. Temporarily restricted net assets

During the years ended June 30, 2016 and 2015 temporarily restricted net assets of $36,350 and $21,373, respectively, were released from donor restrictions by incurring expenses satisfying the Family Emergency purpose restriction.

At June 30, 2016, there were no restrictions on net assets. At June 30, 2015, temporarily restricted net assets totalling $36,350 were available for the Family Emergency program.

8. Subsequent events

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through December 15, 2016, which is the date the financial statements were available to be issued. There were no subsequent events that are required to be recognized, or disclosed, in these financial statements.

SUPPLEMENTAL INFORMATION

ALIVE!, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

	Family Assistance	Child Development Center	ALIVE! House	Total program services	Management and general	Fundraising	Total support services	Total expenses
Compensation	$ 38,289	$ 381,562	$ 70,475	$ 490,326	$ 90,781	$ 19,281	$ 110,062	$ 600,388
Depreciation	1,307	17,514	2,614	21,435	3,882	824	4,706	26,141
Employee benefits	3,594	35,811	6,614	46,019	8,520	1,810	10,330	56,349
Financial assistance	331,590	2,253	110	333,953	-	-	-	333,953
In-kind food and furniture	745,652	-	-	745,652	-	-	-	745,652
In-kind rent	311,123	15,915	-	327,038	7,876	1,673	9,549	336,587
Insurance	8,998	5,858	5,412	20,268	300	91	391	20,659
Maintenance	758	7,559	1,396	9,713	1,798	382	2,180	11,893
Food and kitchen supplies	70,794	40,914	-	111,708	-	-	-	111,708
Occupancy	-	15,915	-	15,915	7,876	1,673	9,549	25,464
Operating supplies	867	8,639	1,596	11,102	2,055	437	2,492	13,594
Office expense	1,357	13,518	2,497	17,372	3,219	683	3,902	21,274
Payroll taxes	2,988	29,780	5,500	38,268	7,085	1,505	8,590	46,858
Postage and shipping	509	-	43	552	2,583	548	3,131	3,683
Professional fees	884	8,613	403	9,900	28,124	5,973	34,097	43,997
Public relations	-	-	-	-	14,881	3,160	18,041	18,041
Special activities	-	-	-	-	-	3,279	3,279	3,279
Security	29	292	54	375	69	15	84	459
Staff development	244	2,434	450	3,128	579	123	702	3,830
Telephone	435	4,337	801	5,573	1,032	219	1,251	6,824
Utilities	1,827	629	10,593	13,049	361	77	438	13,487
Total expenses	$ 1,521,245	$ 591,543	$ 108,558	$ 2,221,346	$ 181,021	$ 41,753	$ 222,774	$ 2,444,120

ALIVE!, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2015

	Family Assistance	Child Development Center	ALIVE! House	Total program services	Management and general	Fundraising	Total support services	Total expenses
Compensation	$ 37,860	$ 422,140	$ 70,230	$ 530,230	$ 83,063	$ 17,653	$ 100,716	$ 630,946
Depreciation	1,278	17,121	2,555	20,954	3,794	806	4,600	25,554
Employee benefits	5,147	57,390	9,548	72,085	11,292	2,400	13,692	85,777
Food and kitchen supplies	85,613	42,597	-	128,210	1,972	-	1,972	130,182
In-kind food and furniture	656,393	-	-	656,393	-	-	-	656,393
In-kind rent and services	6,156	12,312	-	18,468	5,077	1,079	6,156	24,624
Insurance	1,042	11,617	1,933	14,592	2,286	486	2,772	17,364
Maintenance	819	9,129	1,519	11,467	1,796	382	2,178	13,645
Medical assistance	13,017	-	-	13,017	-	-	-	13,017
Occupancy	1,528	17,037	2,834	21,399	3,352	712	4,064	25,463
Operating supplies	1,175	13,100	2,179	16,454	2,577	548	3,125	19,579
Office expense	972	10,855	1,807	13,634	2,136	454	2,590	16,224
Payroll taxes	3,344	37,289	6,204	46,837	7,337	1,559	8,896	55,733
Postage and shipping	104	1,162	193	1,459	229	49	278	1,737
Professional fees	281	11,521	378	12,180	36,453	7,747	44,200	56,380
Public relations	-	-	-	-	12,581	2,674	15,255	15,255
Security	35	386	64	485	76	16	92	577
Financial assistance	318,490	4,259	481	323,230	-	-	-	323,230
Staff development	306	3,416	568	4,290	672	143	815	5,105
Telephone	288	3,211	534	4,033	632	134	766	4,799
Utilities	411	564	11,856	12,831	1,767	376	2,143	14,974
Total expenses	$ 1,134,259	$ 675,106	$ 112,883	$ 1,922,248	$ 177,092	$ 37,218	$ 214,310	$ 2,136,558