

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Audited Financial Statements

Years Ended August 31, 2013 and 2012

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Independent Auditors' Report

To the Board of Directors
Public Allies, Inc.
Milwaukee, Wisconsin

We have audited the accompanying financial statements of Public Allies, Inc. (Organization), which comprise the statement of financial position as of August 31, 2013, and the related statements of activities, and cash flows for the year 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 and the standards applicable to financial audits contained 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.

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 financial position of Public Allies, Inc. as of August 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Income Statement by Site 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 audit 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 27, 2014 on our consideration of Public Allies, Inc.'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 Public Allies, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Public Allies, Inc.'s 2012 financial statements, and our report dated January 8, 2013, expressed an unmodified opinion on those audited statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

January 27, 2014
Milwaukee, Wisconsin

PUBLIC ALLIES, INC.

Milwaukee, Wisconsin

Statements of Financial Position

August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Assets:		
Current Assets:		
Cash	\$ 263,929	\$ 954,838
Accounts receivable	20,207	7,658
Government grants receivable	147,499	876,085
Pledges receivable	1,000,000	1,104,602
Prepaid expenses	13,766	28,157
Other current assets	-	2,469
Total current assets	<u>1,445,401</u>	<u>2,973,809</u>
Property and Equipment:		
Furniture and fixtures	27,350	27,350
Computer equipment	176,575	176,575
Software	79,197	79,197
Total property and equipment	<u>283,122</u>	<u>283,122</u>
Less - Accumulated depreciation and amortization	<u>(263,912)</u>	<u>(260,004)</u>
Net property and equipment	19,210	23,118
Other Assets:		
Deposits	9,744	7,942
Total assets	<u>\$ 1,474,355</u>	<u>\$ 3,004,869</u>
Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable	\$ 115,722	\$ 811,369
Accrued vacation	40,453	56,532
Accrued liabilities	5,688	7,071
Accrued payroll	43,483	49,249
Post-service retirement benefits	5,029	5,029
Deferred rent	119,404	62,987
Deferred income	180,318	170,377
Total current liabilities	<u>510,097</u>	<u>1,162,614</u>
Net Assets:		
Unrestricted	(187,342)	353,955
Temporarily restricted	<u>1,151,600</u>	<u>1,488,300</u>
Total net assets	<u>964,258</u>	<u>1,842,255</u>
Total liabilities and net assets	<u>\$ 1,474,355</u>	<u>\$ 3,004,869</u>

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

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Statement of Activities
Year Ended August 31, 2013
With Summarized Information for the Year Ended August 31, 2012

	<u>2013</u>			<u>Memorandum Only 2012</u>
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenue:				
Grants and contributions:				
Major gifts	\$ 30,900	\$ 1,099,100	\$ 1,130,000	\$ -
Project grants	111,000	32,500	143,500	-
Grassroots giving	26,653	-	26,653	-
Donor's circle	54,527	20,000	74,527	-
Sponsorships	45,408	-	45,408	-
Foundations	-	-	-	516,119
Government	6,935,762	-	6,935,762	7,530,314
Corporations	-	-	-	410,485
Individuals	-	-	-	1,237,430
Interest income	-	-	-	2,157
Other income	51,622	-	51,622	18,847
In-kind contributions	264,644	-	264,644	987,413
Partner organizations	1,471,108	-	1,471,108	973,714
Events	15,800	-	15,800	11,400
Total revenues	<u>9,007,424</u>	<u>1,151,600</u>	<u>10,159,024</u>	<u>11,687,879</u>
Net assets released from restrictions	<u>1,488,300</u>	<u>(1,488,300)</u>	<u>-</u>	<u>-</u>
	10,495,724	(336,700)	10,159,024	11,687,879
Expenses:				
Program services	9,908,070	-	9,908,070	10,820,301
Supporting services:				
Administrative	593,308	-	593,308	632,895
Development	535,643	-	535,643	575,738
Total supporting services	<u>1,128,951</u>	<u>-</u>	<u>1,128,951</u>	<u>1,208,633</u>
Total expenses	<u>11,037,021</u>	<u>-</u>	<u>11,037,021</u>	<u>12,028,934</u>
Change in net assets	(541,297)	(336,700)	(877,997)	(341,055)
Net assets, beginning of year	<u>353,955</u>	<u>1,488,300</u>	<u>1,842,255</u>	<u>2,183,310</u>
Net assets (deficit), end of year	<u>\$ (187,342)</u>	<u>\$ 1,151,600</u>	<u>\$ 964,258</u>	<u>\$ 1,842,255</u>

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

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Statement of Functional Expenses
Year Ended August 31, 2013

With Summarized Information for the Year Ended August 31, 2012

	2013				Memorandum Only 2012	
	Program Services	Supporting Services			Total Expenses	Total Expenses
		Administrative	Development	Total Support		
Salaries	\$ 1,397,678	\$ 336,667	\$ 300,769	\$ 637,436	\$ 2,035,114	\$ 2,290,138
Fringe benefits - Taxes	100,593	24,230	23,632	47,862	148,455	179,185
Fringe benefits - Health & other	160,474	38,654	33,008	71,662	232,136	221,753
Fringe benefits - Retirement	48,437	11,667	9,963	21,630	70,067	83,956
Advertising	1,580	-	-	-	1,580	12,031
Ally expenses	2,345,968	-	-	-	2,345,968	2,727,213
Audit fees	-	18,900	-	18,900	18,900	20,500
Bank fees	-	2,135	2,804	4,939	4,939	6,160
Communications/development	-	-	20,994	20,994	20,994	19,665
Conference/meetings	91,484	11,057	6,959	18,016	109,500	144,202
Consultants	47,953	46,234	21,472	67,706	115,659	223,967
Depreciation	-	3,908	-	3,908	3,908	3,907
Equipment rental	815	-	-	-	815	-
Events	157	-	2,628	2,628	2,785	3,938
Insurance	-	8,601	-	8,601	8,601	7,414
Internet	-	-	-	-	-	854
Maintenance/repairs	6,434	38,617	899	39,516	45,950	37,165
Membership dues	1,875	622	6,625	7,247	9,122	26,078
Merchandise expenses	11,667	-	350	350	12,017	13,644
Miscellaneous	1,174	1,732	-	1,732	2,906	4,493
Office supplies	8,982	1,188	863	2,051	11,033	41,215
Payroll service	-	8,963	-	8,963	8,963	8,048
Postage and mailing	1,186	1,414	371	1,785	2,971	8,163
Printing and photocopying	11,523	932	3,978	4,910	16,433	28,293
Rent	233,501	15,657	69,066	84,723	318,224	254,407
National meetings/trainings	90,999	-	-	-	90,999	78,797
Sub-grants	5,118,519	-	-	-	5,118,519	5,384,564
Subscriptions	1,157	2,027	75	2,102	3,259	7,221
Team service project	4,034	-	-	-	4,034	7,185
Telecommunications	37,405	16,865	7,240	24,105	61,510	62,296
Travel - Airfare/hotel	83,197	557	17,720	18,277	101,474	103,091
Travel - Local	4,149	-	-	-	4,149	3,427
Utilities	16,017	1,109	6,227	7,336	23,353	12,693
Alumni relations	81,112	-	-	-	81,112	380
Loss on disposal of donated investments	-	1,157	-	1,157	1,157	2,262
Tomorrow's leaders today	-	-	-	-	-	629
Totals	\$ 9,908,070	\$ 593,308	\$ 535,643	\$ 1,128,951	\$ 11,037,021	\$ 12,028,934

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

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Statements of Cash Flows
Years Ended August 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash Flows from Operating Activities:		
Decrease in net assets	\$ (877,997)	\$ (341,055)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation	3,908	3,907
In-kind contributions of fixed assets	-	-
Changes in assets and liabilities:		
Accounts receivable	(12,549)	100,745
Government grants receivable	728,586	129,119
Prepaid expenses	14,391	(12,989)
Pledges receivable	104,602	639,066
Other assets	2,469	(29)
Deposits	(1,802)	24,199
Accounts payable	(695,647)	(183,751)
Accrued expenses	(16,079)	9,523
Accrued liabilities	(1,383)	2,565
Benefits payable	(5,766)	4,992
Deferred rent	56,417	62,987
Deferred income	9,941	107,602
Total adjustments	<u>187,088</u>	<u>887,936</u>
Net cash provided (used) by operating activities	<u>(690,909)</u>	<u>546,881</u>
Cash Flows from Financing Activities:		
Line of credit proceeds	100,000	-
Payments on line of credit	<u>(100,000)</u>	<u>-</u>
Net cash provided by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash	(690,909)	546,881
Cash, Beginning of Year	<u>954,838</u>	<u>407,957</u>
Cash, End of Year	\$ <u><u>263,929</u></u>	\$ <u><u>954,838</u></u>
Supplemental Disclosure:		
Interest paid	\$ <u><u>415</u></u>	\$ <u><u>-</u></u>

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

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
August 31, 2013 and 2012

1. Organization

Public Allies, Inc. (the "Organization" and/or "Public Allies") was established in 1991 to design and implement a program for diverse young leaders, ages 18-30, to strengthen their communities through professional nonprofit apprenticeships, leadership training, and team service projects. Public Allies' mission is to advance new leadership to strengthen communities, nonprofits, and civic participation. Public Allies accomplishes this through its apprenticeship program, alumni programs, and through technical assistance and training for other organizations.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The accounting and reporting policies of the Organization are in accordance with accounting principles generally accepted in the United States of America and reflect practices appropriate to nonprofit organizations. The more significant of these policies are described below. The Organization's financial statements are presented on the accrual basis of accounting.

B. Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets:

Unrestricted net assets - Net assets not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time. The Organization has adopted the policy of lifting restrictions on contributions received for the acquisition of property and equipment when the property and equipment is acquired.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that are to be maintained permanently by the Organization.

C. Contributions

Grants and contributions are recorded as revenue in the year notification is received from the donor. They are recognized as unrestricted revenue upon satisfaction or completion of the programs in compliance with donor-imposed restriction. Amounts received prior to the satisfaction or completion of the programs, are presented as temporarily restricted net assets in the accompanying financial statements. Temporarily restricted contributions, whose restrictions are met in the year they are received, are presented as unrestricted contributions.

D. Cash

For the purposes of the financial statements, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

E. Receivables

Receivables are recorded at contract value, less management's estimate for uncollectible amounts based on their experience relative to the total population of receivables. The Organization has not accrued an allowance for doubtful accounts as of August 31, 2013 or 2012.

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
August 31, 2013 and 2012
(Continued)

2. Summary of Significant Accounting Policies (Continued)

F. Property and Equipment

The Organization capitalizes all expenditures in excess of \$5,000 for property and equipment at cost. Contributed property and equipment is recorded at estimated fair value on the date of the gift. Property and equipment is depreciated on the straight-line basis over the estimated life of the asset (three to seven years). The cost of assets sold, retired, or otherwise disposed of, and the related allowance or loss thereon is included in operations.

Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$3,908 and \$3,907 for the years ended August 31, 2013 and 2012, respectively.

G. Use of 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 could affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

H. Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization has implemented accounting for uncertainty in income taxes in accordance with accounting principles generally accepted in the United States of America. This standard describes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return and also provides guidance on various related matters such as derecognizing, interest, penalties and disclosure required. Management of the organization evaluates the uncertain tax positions taken, if any, and consults with outside counsel as deemed necessary. The Organization recognizes interest and penalties, if any, related to unrecognized tax liabilities in income tax expense.

The Organization is no longer subject to U.S. federal income tax examinations for the years ending through August 31, 2010.

I. Advertising Costs

Advertising costs are expensed as incurred. For the year ended August 31, 2013 and 2012, advertising costs totaled \$1,580 and \$12,031.

3. Promises to Give

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. All pledges receivable at August 31, 2013 will be received during the 2014 fiscal year so no pledge discount is necessary. All pledges receivable at August 31, 2012 were also to be collected within one year, so no pledge discount was necessary.

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
August 31, 2013 and 2012
(Continued)

4. In-Kind Contributions

The Organization forms partnerships with other organizations which provide service opportunities to the allies (participants in the Organization's community involvement program). The amounts paid to the allies, for both stipends and payroll taxes by partner organizations, and amounts paid for other expenses benefiting allies totaled \$232,524 and \$971,008 for the years ended August 31, 2013 and 2012 respectively.

For the years ended August 31, 2013 and 2012, the Organization received in-kind donations of equipment, materials, and services totaling \$32,120 and \$16,405, respectively.

5. Borrowings

The Organization has a line of credit in the maximum amount of \$700,000, which bears interest at the prime rate. The line expires on May 1, 2014. The balance as of August 31, 2013 and 2012 on the line of credit was \$0. The line of credit agreement gives the creditor the right of offset against any deposits, securities and other property, and bank debt of the Organization which are held by or owed to the creditor.

The Organization also has a standby letter of credit with the same lender in the amount of \$46,375. This standby letter of credit reduces the available amount of draws on the line of credit to \$633,625. The letter of credit was established in the favor of one of the Organization's office space lessors. The lessor is allowed to draw on the letter of credit pursuant to the terms of their lease with the Organization.

Total interest expense was \$415 and \$0 in 2013 and 2012, respectively.

6. Operating Leases

The Organization leases office space under noncancelable operating leases in a variety of locations and with various terms.

Future minimum lease payments are as follows:

	<u>National Office</u>	<u>New York</u>	<u>Chicago</u>	<u>Washington D.C.</u>	<u>Total</u>
2014	\$ 90,585	\$ 126,056	\$ 64,289	\$ 28,865	\$ 309,795
2015	93,330	129,503	66,218	2,415	291,466
2016	96,136	133,055	68,205	-	297,396
2017	99,003	137,986	70,251	-	307,240
2018	101,992	155,803	72,358	-	330,153
Thereafter	382,074	727,413	105,964	-	1,215,451
Total	<u>\$ 863,120</u>	<u>\$ 1,409,816</u>	<u>\$ 447,285</u>	<u>\$ 31,280</u>	<u>\$ 2,751,501</u>

Rent expense totaled \$318,224 and \$254,407 for the years ended August 31, 2013 and 2012, respectively.

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
August 31, 2013 and 2012
(Continued)

6. Operating Leases (Continued)

The Organization also leases various pieces of office equipment. Expenses under these leases totaled \$9,448 and \$12,498 for the years ended August 31, 2013 and 2012, respectively. Future minimum lease payments for these leases are as follows:

<u>Year</u>	<u>Total</u>
2014	\$ 9,448
2015	8,028
2016	4,080
2017	3,000
Total	\$ <u>24,556</u>

7. Temporarily Restricted Net Assets

The following is a summary of net assets which were released from donor restrictions by incurring expenses satisfying the restricted purposes specified by donors:

Purpose Restriction Accomplished:

	<u>Year Ended</u> <u>August 31, 2013</u>
Pledges receivable collected	\$ 1,104,602
Conditions of contributions satisfied	268,080
Net Assets Released from Restrictions	\$ <u>2,011,748</u>

Temporarily restricted net assets consisted of the following amounts restricted by time or purpose:

	<u>August 31, 2013</u>	<u>August 31, 2012</u>
Contributions restricted for future years	\$ 52,500	\$ 383,698
Contributions restricted by purpose	99,100	-
Pledges receivable	<u>1,000,000</u>	<u>1,104,602</u>
Total	\$ <u>1,151,600</u>	\$ <u>1,488,300</u>

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
August 31, 2013 and 2012
(Continued)

8. Concentration of Credit Risk

Cash and cash equivalents are maintained at financial institutions and, at times, balances may exceed federally insured limits. The Organization has never experienced any losses related to these balances. All of the Organization's non-interest bearing cash balances were fully insured at December 31, 2010 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there was no limit to the amount of insurance for eligible accounts. Beginning on January 1, 2013, insurance coverage reverted to \$250,000 per depositor at each financial institution, and the Organization's non-interest bearing cash balances may have exceeded federally insured limits.

Approximately 68% and 64% of Public Allies, Inc.'s support and revenues were provided by government grants and contracts in both of the years ended August 31, 2013 and 2012, respectively.

Approximately 10% of Public Allies, Inc.'s support and revenues were provided by a board member for the years ended August 31, 2013 and 2012. Approximately 100% and 91% of Public Allies, Inc.'s pledges receivable were pledged by this board member for the years ended August 31, 2013 and 2012, respectively.

9. Retirement Plan

The Organization sponsors a profit-sharing plan for its employees. The Organization makes matching contributions one-for-one up to 5% during the year. The Organization's contributions to this plan for the years ended August 31, 2013 and 2012 were \$64,753 and \$68,717, respectively.

10. Related Party Transactions

The Organization received \$1,000,000 and \$1,200,000 in contribution and pledge payments from a board member for the years ended August 31, 2013 and 2012, respectively. Outstanding pledge amounts from this same board member were \$1,000,000 and \$1,000,000 at August 31, 2013 and 2012, respectively.

11. Prior-Year Summarized Information

The financial information shown for 2012 in the accompanying financial statements is included to provide a basis of comparison with 2013 and presents summarized totals only.

12. Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (January 27, 2014). There were no subsequent events that required recognition or disclosure.

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Income Statement by Site
Year Ended August 31, 2013

	<u>National Office</u>	<u>Washington D.C.</u>	<u>Chicago</u>	<u>New York</u>	<u>Affiliate Activity</u>	<u>Total</u>
Revenue:						
Grants and contributions:						
Major gifts	\$ 1,100,000	\$ 30,000	\$ -	\$ -	\$ -	\$ 1,130,000
Project grants	100,000	-	30,000	13,500	-	143,500
Grassroots giving	11,710	1,480	13,393	70	-	26,653
Donor's circle	21,127	25,000	23,400	5,000	-	74,527
Sponsorships	42,908	-	2,500	-	-	45,408
Government	513,871	340,413	445,091	541,368	5,095,019	6,935,762
Other income	51,622	-	-	-	-	51,622
In-kind contributions	264,644	-	-	-	-	264,644
Partner organizations	-	351,319	493,027	626,762	-	1,471,108
Events	15,800	-	-	-	-	15,800
Total revenues	<u>2,121,682</u>	<u>748,212</u>	<u>1,007,411</u>	<u>1,186,700</u>	<u>5,095,019</u>	<u>10,159,024</u>
Expenses:						
Salaries	\$ 1,397,797	\$ 183,634	\$ 218,042	\$ 235,641	\$ -	\$ 2,035,114
Fringe benefits - Taxes	100,601	15,202	15,693	16,959	-	148,455
Fringe benefits - Health & other	160,488	19,559	25,034	27,055	-	232,136
Fringe benefits - Retirement	48,441	5,904	7,556	8,166	-	70,067
Advertising	465	-	285	830	-	1,580
Ally expenses	246,715	521,708	722,781	854,764	-	2,345,968
Audit fees	18,900	-	-	-	-	18,900
Bank fees	4,939	-	-	-	-	4,939
Communications/development	20,994	-	-	-	-	20,994
Conference/meetings	96,893	3,415	5,108	4,084	-	109,500
Consultants	92,181	-	17,778	5,700	-	115,659
Depreciation	3,908	-	-	-	-	3,908
Events	-	-	1,267	1,518	-	2,785
Insurance	8,601	-	-	-	-	8,601
Maintenance/repairs	40,687	962	452	3,849	-	45,950
Membership dues	6,852	900	695	675	-	9,122
Merchandise expenses	9,601	97	326	1,993	-	12,017
Miscellaneous	666	-	2,240	-	-	2,906
Office supplies	5,657	1,430	2,297	1,649	-	11,033
Payroll service	1,407	1,988	2,701	2,867	-	8,963
Postage and mailing	2,545	81	274	71	-	2,971
Printing and photocopying	7,962	1,780	4,332	2,359	-	16,433
Rent	137,101	27,110	62,417	91,596	-	318,224
National meetings/trainings	90,125	49	649	176	-	90,999
Sub-grants	23,500	-	-	-	5,095,019	5,118,519
Subscriptions	2,367	364	528	-	-	3,259
Team service project	-	-	3,842	192	-	4,034
Telecommunications	35,447	2,452	15,701	7,910	-	61,510
Travel - Airfare/hotel	92,595	2,277	5,512	1,090	-	101,474
Travel - Local	-	-	3,760	389	-	4,149
Utilities	11,224	-	3,210	8,919	-	23,353
Alumni relations	79,520	39	-	1,553	-	81,112
Loss on disposal of investments	1,157	-	-	-	-	1,157
Tomorrow's leaders today	-	-	-	-	-	-
Total expenses	<u>2,749,751</u>	<u>788,951</u>	<u>1,123,295</u>	<u>1,280,005</u>	<u>5,095,019</u>	<u>11,037,021</u>
Net surplus/(deficit)	<u>\$ (628,069)</u>	<u>\$ (40,739)</u>	<u>\$ (115,884)</u>	<u>\$ (93,305)</u>	<u>\$ -</u>	<u>\$ (877,997)</u>

See Independent Auditors' Report

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Schedule of Expenditures of Federal Awards
Year Ended August 31, 2013

<u>Federal Grantor (Grant Title)</u>	<u>Federal CFDA #</u>	<u>Program Title</u>	<u>Expenditures</u>
Corporation for National and Community Service (Grant No. 12EDHWI001)	94.006	AmeriCorps	\$ 5,864,250
Corporation for National and Community Service (Grant No. 09NDHWI001)	94.006	AmeriCorps	186,405
Corporation for National and Community Service passed through: Illinois Department of Human Services (Contract Nos. 3FCSRE01343 and 3FCSRE02054)	94.006	AmeriCorps	468,502
Corporation for National and Community Service passed through: Indiana Office of Faith-Based and Community Initiatives (Contract No. F20-3-12-AES-021)	94.006	AmeriCorps	386,905
Corporation for National and Community Service passed through: Iowa Commission on Volunteer Service (Contract No.12-AP-01)	94.006	AmeriCorps	<u>29,700</u>
Total Federal Awards			\$ <u>6,935,762</u>

See Independent Auditors' Report

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Schedule of Expenditures of Federal Awards
Year Ended August 31, 2013

Notes to Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying "Schedule of Expenditures of Federal Awards" includes the federal grant activity of Public Allies, Inc. and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirement of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2: Sub-recipients

The Organization made grants to sub-recipients under the following federal programs:

<u>Federal Grantor</u>	<u>Program Title</u>	<u>Sub-recipient</u>	<u>Federal CFDA #</u>	<u>Amount provided to sub-recipients</u>
Corporation for National and Community Service	AmeriCorps	Alamo Colleges	94.006	\$ 157,671
Corporation for National and Community Service	AmeriCorps	Arizona State University	94.006	487,332
Corporation for National and Community Service	AmeriCorps	Bay Area Community Resources Inc.	94.006	377,579
Corporation for National and Community Service	AmeriCorps	Bridges for a Just Community	94.006	415,372
Corporation for National and Community Service	AmeriCorps	Catalyst Miami	94.006	254,415
Corporation for National and Community Service	AmeriCorps	Community Based Care of Central Florida	94.006	318,359
Corporation for National and Community Service	AmeriCorps	Community Development Technologies Inc.	94.006	349,096
Corporation for National and Community Service	AmeriCorps	CORO Center for Civic Leadership	94.006	326,556
Corporation for National and Community Service	AmeriCorps	New Mexico Forum for Youth in Community	94.006	176,418
Corporation for National and Community Service	AmeriCorps	North Carolina Institute for Minority & Economics	94.006	142,909
Corporation for National and Community Service	AmeriCorps	Pillsbury United Communities	94.006	271,700

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Schedule of Expenditures of Federal Awards
Year Ended August 31, 2013

Notes to Schedule of Expenditures of Federal Awards (continued)

Note 2: Sub-recipients (continued)

<u>Federal Grantor</u>	<u>Program Title</u>	<u>Sub-recipient</u>	<u>Federal CFDA #</u>	<u>Amount provided to sub-recipients</u>
Corporation for National and Community Service	AmeriCorps	RYASAP, Inc.	94.006	\$ 417,346
Corporation for National and Community Service	AmeriCorps	University of Delaware	94.006	340,172
Corporation for National and Community Service	AmeriCorps	University of Maryland, Baltimore	94.006	314,647
Corporation for National and Community Service	AmeriCorps	University of Wisconsin-Milwaukee	94.006	377,886
Corporation for National and Community Service	AmeriCorps	Indianapolis Neighborhood Resource Center	94.006	<u>367,558</u>
Total sub-recipients of federal funds				5,095,016
<u>Other Sub-recipients:</u>				
Public Allies, Inc.	New Leaders for New Times	Aquil Charlton	N/A	5,000
Public Allies, Inc.	Service Pathways Initiative	Community Development Technologies, Inc.	N/A	23,500
Public Allies, Inc.	Service Pathways Initiative	Neighborhood Ministries	N/A	3,000
Public Allies, Inc.	Service Pathways Initiative	One n Ten	N/A	3,000
Public Allies, Inc.	Service Pathways Initiative	Young Women United	N/A	3,000
Public Allies, Inc.	Service Pathways Initiative	Metropolitan Wilming	N/A	3,000
Public Allies, Inc.	Service Pathways Initiative	Community Initiative	N/A	3,000
Public Allies, Inc.	Service Pathways Initiative	University of Delaware	N/A	3,000
Public Allies, Inc.	Service Pathways Initiative	Bay Area Community Resources, Inc.	N/A	<u>3,000</u>
Total other sub-recipients				<u>49,500</u>
Total sub-recipients				<u>\$ 5,144,516</u>

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Schedule of Expenditures of Federal Awards
Year Ended August 31, 2013

Notes to Schedule of Expenditures of Federal Awards (continued)

Note 3: Other Matters

For the year ended August 31, 2013 there was no non-cash assistance awarded. The amount of Federal insurance in effect at August 31, 2013 was \$0. There were also no loans or loan guarantees outstanding at August 31, 2013.

Steven R. Volz
Thomas G. Wieland
David A. Grotkin
Joel A. Joyce



Brian J. Mechenich
Carrie A. Gindt
Patrick G. Hoffert
Jason J. Wrasse

**INDEPENDENT AUDITORS' 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**

Board of Directors
Public Allies, Inc.
Milwaukee, Wisconsin

We have audited, in accordance with the 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, the financial statements of Public Allies, Inc., which comprise the statement of financial position as of August 31, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Public Allies, Inc.'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 Public Allies, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Public Allies, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

January 27, 2014
Milwaukee, Wisconsin

Steven R. Volz
Thomas G. Wieland
David A. Grotkin
Joel A. Joyce



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Carrie A. Gindt
Patrick G. Hoffert
Jason J. Wrasse

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
Public Allies, Inc.
Milwaukee, Wisconsin

Report on Compliance for Each Major Federal Program

We have audited Public Allies, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Public Allies, Inc.'s major federal programs for the year ended August 31, 2013. Public Allies, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Public Allies, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Public Allies, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Public Allies, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Public Allies, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

Management of Public Allies, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Public Allies, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Public Allies, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

January 27, 2014
Milwaukee, Wisconsin

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended August 31, 2013

The Organization has no prior audit findings.

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended August 31, 2013

A. Summary of Auditors' Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Significant deficiencies identified not considered material weaknesses? | None Noted |
| b. Material weaknesses identified? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 4. Internal control over major programs: | |
| a. Significant deficiencies identified not considered material weaknesses? | None Noted |
| b. Material weaknesses identified? | No |
| 5. Type of auditors' report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No |
| 7. Identification of major programs: | |
| > 94.006 – AmeriCorps | |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 9. Auditee qualified as low-risk auditee? | Yes |

B. Financial Statement Findings

No matters were reported

C. Federal Award Findings and Questioned Costs

No matters were reported