

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Audited Financial Statements

Years Ended August 31, 2014 and 2013

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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, 2014, and the related statements of activities, functional expenses 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 *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 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 Public Allies, Inc. as of August 31, 2014, 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 and State 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 08, 2015 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 2013 financial statements, and our report dated January 27, 2014 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 08, 2015
Milwaukee, Wisconsin

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Statements of Financial Position
August 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets:		
Current Assets:		
Cash	\$ 239,840	\$ 263,929
Accounts receivable	147,799	20,207
Government grants receivable	473,519	147,499
Pledges receivable	1,002,500	1,000,000
Prepaid expenses	14,568	13,766
Total current assets	1,878,226	1,445,401
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	283,122	283,122
Less - Accumulated depreciation and amortization	(267,819)	(263,912)
Net property and equipment	15,303	19,210
Other Assets:		
Deposits	7,000	9,744
Total assets	\$ 1,900,529	\$ 1,474,355
 Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable	\$ 502,954	\$ 115,722
Accrued vacation	37,369	40,453
Accrued liabilities	6,715	5,688
Line of credit	300,000	-
Accrued payroll	41,986	43,483
Post-service retirement benefits	5,029	5,029
Deferred rent	172,224	119,404
Deferred income	147,210	180,318
Total current liabilities	1,213,487	510,097
Net Assets:		
Unrestricted	(543,993)	(187,342)
Temporarily restricted	1,231,035	1,151,600
Total net assets	687,042	964,258
Total liabilities and net assets	\$ 1,900,529	\$ 1,474,355

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, 2014
With Summarized Information for the Year Ended August 31, 2013

	2014			Memorandum Only 2013
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenue:				
Grants and contributions:				
Major gifts	\$ 100,000	\$ 1,000,000	\$ 1,100,000	\$ 1,130,000
Project grants	264,210	208,535	472,745	143,500
Grassroots giving	10,373	-	10,373	26,653
Donor's circle	92,106	20,000	112,106	74,527
Sponsorships	9,478	2,500	11,978	45,408
Government	7,765,151	-	7,765,151	6,935,762
Other income	95,804	-	95,804	51,622
In-kind contributions	524,814	-	524,814	264,644
Partner organizations	1,696,311	-	1,696,311	1,471,108
Events	20,395	-	20,395	15,800
Total revenues	10,578,642	1,231,035	11,809,677	10,159,024
Net assets released from restrictions	1,151,600	(1,151,600)	-	-
	11,730,242	79,435	11,809,677	10,159,024
Expenses:				
Program services	11,090,368	-	11,090,368	9,908,070
Supporting services:				
Administrative	645,275	-	645,275	593,308
Development	351,250	-	351,250	535,643
Total supporting services	996,525	-	996,525	1,128,951
Total expenses	12,086,893	-	12,086,893	11,037,021
Change in net assets	(356,651)	79,435	(277,216)	(877,997)
Net assets, beginning of year	(187,342)	1,151,600	964,258	1,842,255
Net assets (deficit), end of year	\$ (543,993)	\$ 1,231,035	\$ 687,042	\$ 964,258

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, 2014

With Summarized Information for the Year Ended August 31, 2013

	2013					Memorandum Only 2013
	Supporting Services			Total Support	Total Expenses	Total Expenses
	Program Services	Administrative	Development			
Salaries	\$ 1,533,643	\$ 337,364	\$ 174,867	\$ 512,231	\$ 2,045,874	\$ 2,035,114
Fringe benefits - Taxes	113,323	26,903	18,551	45,454	158,777	148,455
Fringe benefits - Health & other	186,390	44,249	30,512	74,761	261,151	232,136
Fringe benefits - Retirement	48,312	11,469	7,908	19,377	67,689	70,067
Advertising	1,399	143	-	143	1,542	1,580
Ally expenses	3,027,079	-	-	-	3,027,079	2,345,968
Audit fees	-	18,000	-	18,000	18,000	18,900
Bank fees	-	2,517	1,494	4,011	4,011	4,939
Communications/development	294	128	22,489	22,617	22,911	20,994
Conference/meetings	55,091	9,656	2,676	12,332	67,423	109,500
Consultants	118,383	73,682	16,244	89,926	208,309	115,659
Depreciation	-	3,907	-	3,907	3,907	3,908
Equipment rental	-	-	-	-	-	815
Events	2,269	-	-	-	2,269	2,785
Insurance	-	13,464	-	13,464	13,464	8,601
Interest expense	-	4,595	-	4,595	4,595	415
Maintenance/repairs	8,669	27,640	-	27,640	36,309	45,950
Membership dues	11,536	760	5,180	5,940	17,476	9,122
Merchandise expenses	12,423	-	73	73	12,496	12,017
Miscellaneous	27,731	1,602	40	1,642	29,373	2,906
Office supplies	17,094	672	688	1,360	18,454	11,033
Payroll service	86	10,422	-	10,422	10,508	8,963
Postage and mailing	880	1,208	-	1,208	2,088	2,971
Printing and photocopying	18,167	2,300	2,666	4,966	23,133	16,433
Rent	237,662	28,840	52,964	81,804	319,466	318,224
National meetings/trainings	83,083	-	-	-	83,083	90,999
Sub-grants	5,388,865	-	-	-	5,388,865	5,118,519
Subscriptions	1,334	720	-	720	2,054	3,259
Team service project	4,202	-	-	-	4,202	4,034
Telecommunications	38,682	15,638	5,049	20,687	59,369	61,510
Travel - Airfare/hotel	91,291	7,148	4,634	11,782	103,073	101,474
Travel - Local	-	-	-	-	-	4,149
Utilities	21,433	2,248	5,215	7,463	28,896	23,353
Alumni relations	41,047	-	-	-	41,047	81,112
Loss on disposal of donated investments	-	-	-	-	-	1,157
Totals	\$ 11,090,368	\$ 645,275	\$ 351,250	\$ 996,525	\$ 12,086,893	\$ 11,037,021

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, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash Flows from Operating Activities:		
Decrease in net assets	\$ (277,216)	\$ (877,997)
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation	3,907	3,908
Changes in assets and liabilities:		
Accounts receivable	(127,592)	(12,549)
Government grants receivable	(326,020)	728,586
Prepaid expenses	(802)	14,391
Pledges receivable	(2,500)	104,602
Other assets	-	2,469
Deposits	2,744	(1,802)
Accounts payable	387,232	(695,647)
Accrued expenses	(3,084)	(16,079)
Accrued liabilities	1,027	(1,383)
Benefits payable	(1,497)	(5,766)
Deferred rent	52,820	56,417
Deferred income	(33,108)	9,941
Total adjustments	<u>(46,873)</u>	<u>187,088</u>
Net cash provided (used) by operating activities	<u>(324,089)</u>	<u>(690,909)</u>
Cash Flows from Financing Activities:		
Line of credit proceeds	500,000	100,000
Payments on line of credit	<u>(200,000)</u>	<u>(100,000)</u>
Net cash provided by financing activities	<u>300,000</u>	<u>-</u>
Net increase (decrease) in cash	(24,089)	(690,909)
Cash, Beginning of Year	<u>263,929</u>	<u>954,838</u>
Cash, End of Year	\$ <u><u>239,840</u></u>	\$ <u><u>263,929</u></u>
Supplemental Disclosure:		
Interest paid	\$ <u><u>4,595</u></u>	\$ <u><u>415</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, 2014 and 2013

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, 2014 or 2013.

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
August 31, 2014 and 2013
(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 \$3,907 and \$3,908 for the years ended August 31, 2014 and 2013, 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.

Generally, for United States Federal income taxes, the Organization is only subject to examination for the current year's tax return and the preceding three year's returns. Generally, for Wisconsin income taxes, the Organization is only subject to examinations for current year's tax return and the preceding four year's returns.

I. Advertising Costs

Advertising costs are expensed as incurred. For the year ended August 31, 2014 and 2013, advertising costs totaled \$1,542 and \$1,580, respectively.

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, 2014 will be received during the 2015 fiscal year so no pledge discount is necessary. All pledges receivable at August 31, 2013 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, 2014 and 2013
(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 \$454,595 and \$232,524 for the years ended August 31, 2014 and 2013, respectively.

For the years ended August 31, 2014 and 2013, the Organization received in-kind donations of equipment, materials, and services totaling \$70,219 and \$32,120, 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, 2015. The balance as of August 31, 2014 and 2013 on the line of credit was \$300,000 and \$0, respectively. 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 \$4,595 and \$415 in 2014 and 2013, 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:

	National Office	New York	Chicago	Washington D.C.	Total
2015	\$ 93,330	\$ 129,503	\$ 53,803	\$ 2,415	\$ 279,051
2016	96,136	133,055	55,002	-	284,193
2017	99,003	137,986	56,201	-	293,190
2018	101,992	155,803	57,400	-	315,195
2019	105,042	160,144	63,837	-	329,023
Thereafter	277,032	578,399	344,731	-	1,200,162
Total	<u>\$ 772,535</u>	<u>\$ 1,294,890</u>	<u>\$ 630,974</u>	<u>\$ 2,415</u>	<u>\$ 2,700,814</u>

Rent expense totaled \$319,466 and \$318,224 for the years ended August 31, 2014 and 2013, respectively.

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
August 31, 2014 and 2013
(Continued)

6. Operating Leases (Continued)

The Organization also leases various pieces of office equipment. Expenses under these leases totaled \$9,448 for the years ended August 31, 2014 and 2013. Future minimum lease payments for these leases are as follows:

<u>Year</u>	<u>Total</u>
2015	\$ 8,028
2016	4,080
2017	3,000
Total	\$ <u>15,108</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, 2014</u>
Pledges receivable collected	\$ 1,000,000
Conditions of contributions satisfied	151,600
Net Assets Released from Restrictions	\$ <u>1,151,600</u>

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

	<u>August 31, 2014</u>	<u>August 31, 2013</u>
Contributions restricted for future years	\$ 95,714	\$ 52,500
Contributions restricted by purpose	132,821	99,100
Pledges receivable	<u>1,002,500</u>	<u>1,000,000</u>
Total	\$ <u>1,231,035</u>	\$ <u>1,151,600</u>

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
August 31, 2014 and 2013
(Continued)

8. Concentration of Credit Risk

The Company maintains its cash balances at a Milwaukee area financial institution. The Company's deposits at the financial institution are insured by the Federal Deposit Insurance Corporation up to the prescribed limits.

Approximately 66% and 68% of Public Allies, Inc.'s support and revenues was provided by government grants and contracts in both of the years ended August 31, 2014 and 2013, respectively.

Approximately 8% and 10% of Public Allies, Inc.'s support and revenues was provided by a board member for the years ended August 31, 2014 and 2013, respectively. Approximately 100% of Public Allies, Inc.'s pledges receivable was pledged by this board member for the years ended August 31, 2014 and 2013, 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, 2014 and 2013 were \$63,983 and \$64,753, respectively.

10. Related Party Transactions

The Organization received \$1,000,000 in contribution and pledge payments from a board member for each of the years ended August 31, 2014 and 2013. Outstanding pledge amounts from this same board member were \$1,000,000 and \$1,000,000 at August 31, 2014 and 2013, respectively.

11. Prior-Year Summarized Information

The financial information shown for 2013 in the accompanying financial statements is included to provide a basis of comparison with 2014 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 08, 2015). There were no subsequent events that required recognition or disclosure.

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Income Statement by Site
Year Ended August 31, 2014

	<u>National Office</u>	<u>Washington D.C.</u>	<u>Chicago</u>	<u>New York</u>	<u>Cincinnati</u>	<u>Affiliate Activity</u>	<u>Total</u>
Revenue:							
Grants and contributions:							
Major gifts	\$ 1,100,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,100,000
Project grants	279,500	-	80,745	75,000	37,500	-	472,745
Grassroots giving	5,063	4,115	985	210	-	-	10,373
Donor's circle	16,194	40,000	42,912	-	13,000	-	112,106
Sponsorships	6,978	-	5,000	-	-	-	11,978
Government	529,452	393,720	446,255	603,294	403,565	5,388,865	7,765,151
Other income	80,929	-	14,375	-	500	-	95,804
In-kind contributions	217,797	219	70,000	-	236,798	-	524,814
Partner organizations	-	423,086	470,695	737,734	64,796	-	1,696,311
Events	18,500	-	1,895	-	-	-	20,395
Total revenues	<u>2,254,413</u>	<u>861,140</u>	<u>1,132,862</u>	<u>1,416,238</u>	<u>756,159</u>	<u>5,388,865</u>	<u>11,809,677</u>
Expenses:							
Salaries	\$ 1,154,602	\$ 187,208	\$ 272,982	\$ 301,774	\$ 129,308	\$ -	\$ 2,045,874
Fringe benefits - Taxes	92,686	16,565	18,634	22,654	8,238	-	158,777
Fringe benefits - Health & other	152,447	27,245	30,649	37,261	13,549	-	261,151
Fringe benefits - Retirement	39,513	7,062	7,944	9,658	3,512	-	67,689
Advertising	673	80	789	-	-	-	1,542
Ally expenses	237,467	595,612	685,229	1,023,596	485,175	-	3,027,079
Audit fees	18,000	-	-	-	-	-	18,000
Bank fees	4,011	-	-	-	-	-	4,011
Communications/development	22,617	-	-	-	294	-	22,911
Conference/meetings	41,016	2,001	6,984	15,236	2,186	-	67,423
Consultants	123,020	-	82,500	2,789	-	-	208,309
Depreciation	3,907	-	-	-	-	-	3,907
Events	-	-	2,269	-	-	-	2,269
Insurance	13,464	-	-	-	-	-	13,464
Interest expense	4,595	-	-	-	-	-	4,595
Maintenance/repairs	14,216	70	18,915	44	3,064	-	36,309
Membership dues	16,675	750	15	-	36	-	17,476
Merchandise expenses	10,366	-	-	58	2,072	-	12,496
Miscellaneous	19,701	795	3,267	5,196	414	-	29,373
Office supplies	13,150	815	980	2,510	999	-	18,454
Payroll service	1,189	2,280	2,721	3,602	716	-	10,508
Postage and mailing	1,743	145	82	81	37	-	2,088
Printing and photocopying	10,802	1,068	8,079	3,064	120	-	23,133
Rent	111,714	28,750	60,405	116,341	2,256	-	319,466
National meetings/trainings	81,478	49	231	973	352	-	83,083
Sub-grants	-	-	-	-	-	5,388,865	5,388,865
Subscriptions	1,070	294	690	-	-	-	2,054
Team service project	-	133	984	2,708	377	-	4,202
Telecommunications	30,746	2,514	13,340	10,313	2,456	-	59,369
Travel - Airfare/hotel	90,555	2,489	5,112	2,828	2,089	-	103,073
Utilities	9,768	-	1,490	17,638	-	-	28,896
Alumni relations	35,928	-	93	4,912	114	-	41,047
Total expenses	<u>2,357,119</u>	<u>875,925</u>	<u>1,224,384</u>	<u>1,583,236</u>	<u>657,364</u>	<u>5,388,865</u>	<u>12,086,893</u>
Net surplus/(deficit)	<u>\$ (102,706)</u>	<u>\$ (14,785)</u>	<u>\$ (91,522)</u>	<u>\$ (166,998)</u>	<u>\$ 98,795</u>	<u>\$ -</u>	<u>\$ (277,216)</u>

See Independent Auditors' Report

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2014

Federal and State Government Award Programs and Funding Agencies	CFDA Number	State ID Number	Grant Number	Expenditures
Federal Expenditures				
Corporation for National and Community Service				
AmeriCorps	94.006		12EDHWI001	\$ 5,891,581
Corporation for National and Community Service passed through:				
Connecticut Office of Higher Education				
AmeriCorps	94.006		13OHE1193AA	430,104
Illinois Department of Human Services				
AmeriCorps	94.006		4FCSRE01343	469,742
Indiana Office of Faith-Based and Community Initiatives				
AmeriCorps	94.006		F20-4-13-AES-18	334,415
Iowa Commission on Volunteer Service				
AmeriCorps	94.006		13-FX-06	274,705
Wisconsin National and Community Service Board				
AmeriCorps	94.006		AD139770	<u>362,605</u>
Total Federal Awards				<u>\$ 7,763,152</u>
State Expenditures				
Connecticut Office of Higher Education		11000-DHE66530-12200- 81001-174311-55050		<u>\$ 2,000</u>

See Independent Auditors' Report

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2014

Notes to Schedule of Expenditures of Federal and State Awards

Note 1: Basis of Presentation

The accompanying "Schedule of Expenditures of Federal and State Awards" includes the federal and state 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	\$ 158,576
Corporation for National and Community Service	AmeriCorps	Arizona State University	94.006	487,545
Corporation for National and Community Service	AmeriCorps	Bay Area Community Resources Inc.	94.006	404,780
Corporation for National and Community Service	AmeriCorps	Catalyst Miami	94.006	250,420
Corporation for National and Community Service	AmeriCorps	Community Based Care of Central Florida	94.006	352,740
Corporation for National and Community Service	AmeriCorps	Community Development Technologies Inc.	94.006	393,447
Corporation for National and Community Service	AmeriCorps	CORO Center for Civic Leadership	94.006	370,683
Corporation for National and Community Service	AmeriCorps	Indianapolis Neighborhood Resource Center	94.006	317,694
Corporation for National and Community Service	AmeriCorps	Iowa Community Action Association	94.006	260,971
Corporation for National and Community Service	AmeriCorps	New Mexico Forum for Youth in Community	94.006	214,899

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2014

Notes to Schedule of Expenditures of Federal and State 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	North Carolina Institute of Minority Economic Development	94.006	\$ 166,124
Corporation for National and Community Service	AmeriCorps	Pillsbury United Communities	94.006	283,965
Corporation for National and Community Service	AmeriCorps	RYASAP, Inc.	94.006	425,625
Corporation for National and Community Service	AmeriCorps	University of Delaware	94.006	340,896
Corporation for National and Community Service	AmeriCorps	University of Maryland	94.006	341,089
Corporation for National and Community Service	AmeriCorps	University of Michigan	94.006	274,270
Corporation for National and Community Service	AmeriCorps	University of Wisconsin-Milwaukee	94.006	345,141
Total sub-recipients of federal funds				5,388,865
<u>Other Sub-recipients:</u>				
Public Allies, Inc.	New Leaders for New Times	Community Initiative	N/A	6,100
Public Allies, Inc.	New Leaders for New Times	Christina Armstrong & Eve Tulbert	N/A	4,153
Public Allies, Inc.	New Leaders for New Times	Rysheema Dixon	N/A	6,250
Total other sub-recipients				16,503
Total sub-recipients				\$ 5,405,368

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2014

Notes to Schedule of Expenditures of Federal and State Awards (continued)

Note 3: Other Matters

For the year ended August 31, 2014 there was no non-cash assistance awarded. The amount of Federal insurance in effect at August 31, 2014 was \$0. There were also no loans or loan guarantees outstanding at August 31, 2014.

**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, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 08, 2015.

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 08, 2015
Milwaukee, Wisconsin

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY 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, 2014. 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, 2014.

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 08, 2015
Milwaukee, Wisconsin

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended August 31, 2014

The Organization has no prior audit findings.

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended August 31, 2014

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