

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Audited Financial Statements

Years Ended August 31, 2016 and 2015

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Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Public Allies, Inc. (Organization), which comprise the statement of financial position as of August 31, 2016, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2016, 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 accompanying Schedule Expenditures of Federal and State Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 06, 2017 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 2015 financial statements, and our report dated January 22, 2016 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, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

January 06, 2017
Milwaukee, Wisconsin

PUBLIC ALLIES, INC.

Milwaukee, Wisconsin

Statements of Financial Position

August 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets:		
Current Assets:		
Cash	\$ 973,228	\$ 557,067
Accounts receivable	426,173	234,617
Government grants receivable	199,838	369,210
Pledges receivable	1,000,000	1,001,250
Prepaid expenses	20,950	7,462
Total current assets	<u>2,620,189</u>	<u>2,169,606</u>
Property and Equipment:		
Furniture and fixtures	38,556	32,866
Computer equipment	176,575	176,575
Software	79,197	79,197
Total property and equipment	<u>294,328</u>	<u>288,638</u>
Less - Accumulated depreciation and amortization	<u>(277,291)</u>	<u>(272,054)</u>
Net property and equipment	<u>17,037</u>	<u>16,584</u>
Other Assets:		
Deposits	15,131	15,131
Total assets	<u>\$ 2,652,357</u>	<u>\$ 2,201,321</u>
Liabilities and Net Assets:		
Current Liabilities:		
Accounts payable	\$ 341,819	\$ 351,722
Accrued vacation	55,175	60,422
Accrued liabilities	11,208	142,959
Line of credit	500,000	500,000
Accrued payroll	45,194	48,689
Post-service retirement benefits	5,029	5,029
Deferred rent	278,038	234,782
Deferred income	94,040	18,734
Total current liabilities	<u>1,330,503</u>	<u>1,362,337</u>
Net Assets:		
Unrestricted	(504,899)	(371,410)
Temporarily restricted	1,826,753	1,210,394
Total net assets	<u>1,321,854</u>	<u>838,984</u>
Total liabilities and net assets	<u>\$ 2,652,357</u>	<u>\$ 2,201,321</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, 2016
With Summarized Information for the Year Ended August 31, 2015

	2016			Memorandum Only 2015
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Total</u>
Revenue:				
Grants and contributions:				
Major gifts	\$ -	\$ 750,000	\$ 750,000	\$ 1,550,000
Project grants	586,250	811,753	1,398,003	155,000
Grassroots giving	31,991	-	31,991	32,016
Donor's circle	111,850	15,000	126,850	114,310
Sponsorships	5,000	-	5,000	10,000
Government	7,346,462	-	7,346,462	7,718,424
Interest income	196	-	196	87
Other income	42,327	-	42,327	47,502
In-kind contributions	467,465	-	467,465	628,685
Partner organizations	2,642,439	-	2,642,439	2,347,533
Events	13,658	-	13,658	8,700
Total revenues	11,247,638	1,576,753	12,824,391	12,612,257
Net assets released from restrictions	960,394	(960,394)	-	-
	12,208,032	616,359	12,824,391	12,612,257
Expenses:				
Program services	10,927,610	-	10,927,610	11,255,686
Supporting services:				
Administrative	959,366	-	959,366	853,393
Development	454,545	-	454,545	351,236
Total supporting services	1,413,911	-	1,413,911	1,204,629
Total expenses	12,341,521	-	12,341,521	12,460,315
Change in net assets	(133,489)	616,359	482,870	151,942
Net assets (deficit), beginning of year	(371,410)	1,210,394	838,984	687,042
Net assets (deficit), end of year	\$ (504,899)	\$ 1,826,753	\$ 1,321,854	\$ 838,984

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, 2016

With Summarized Information for the Year Ended August 31, 2015

	2016					Memorandum Only 2015
	Supporting Services			Total Support	Total Expenses	Total Expenses
	Program Services	Administrative	Development			
Salaries	\$ 1,551,454	\$ 535,284	\$ 299,755	\$ 835,039	\$ 2,386,493	\$ 2,258,756
Fringe benefits - Taxes	95,958	35,176	12,715	47,891	143,849	162,815
Fringe benefits - Health & other	167,623	62,304	22,521	84,825	252,448	213,703
Fringe benefits - Retirement	42,789	15,904	5,749	21,653	64,442	64,523
Advertising	1,089	374	-	374	1,463	2,198
Ally expenses	4,045,685	-	-	-	4,045,685	3,943,963
Audit fees	-	17,500	-	17,500	17,500	17,000
Bank fees	-	9,900	1,659	11,559	11,559	12,537
Communications/development	2,931	25	22,237	22,262	25,193	25,734
Conference/meetings	15,886	17,346	2,353	19,699	35,585	60,946
Consultants	55,489	60,880	577	61,457	116,946	159,369
Depreciation	-	5,237	-	5,237	5,237	4,236
Events	594	-	542	542	1,136	121
Insurance	-	21,680	-	21,680	21,680	18,558
Interest expense	-	16,010	-	16,010	16,010	11,754
Maintenance/repairs	7,740	4,553	39	4,592	12,332	20,399
Membership dues	4,610	20,840	4,098	24,938	29,548	27,457
Merchandise expenses	-	604	-	604	604	7,549
Miscellaneous	2,828	921	-	921	3,749	2,545
Office supplies	12,305	1,758	653	2,411	14,716	11,498
Payroll service	-	14,819	-	14,819	14,819	13,282
Postage and mailing	412	1,357	582	1,939	2,351	2,166
Printing and photocopying	20,642	3,757	147	3,904	24,546	21,987
Program evaluation	8,384	-	-	-	8,384	41,667
Rent	276,127	52,648	57,419	110,067	386,194	347,422
National meetings/trainings	179,748	-	-	-	179,748	98,893
Sub-grants	4,300,146	-	-	-	4,300,146	4,685,000
Subscriptions	1,267	10	417	427	1,694	1,948
Team service project	4,961	-	-	-	4,961	3,104
Telecommunications	53,653	9,854	7,014	16,868	70,521	65,629
Travel - Airfare/hotel	48,250	48,624	12,206	60,830	109,080	89,510
Travel - Local	-	-	50	50	50	45
Utilities	25,110	2,001	3,812	5,813	30,923	40,502
Alumni relations	1,929	-	-	-	1,929	23,499
Totals	\$ 10,927,610	\$ 959,366	\$ 454,545	\$ 1,413,911	\$ 12,341,521	\$ 12,460,315

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Increase in net assets	\$ 482,870	\$ 151,942
Adjustments to reconcile decrease in net assets to net cash provided (used) by operating activities:		
Depreciation	5,237	4,236
Changes in assets and liabilities:		
Accounts receivable	(191,556)	(86,818)
Government grants receivable	169,372	104,309
Prepaid expenses	(13,488)	7,106
Pledges receivable	1,250	1,250
Deposits	-	(8,131)
Accounts payable	(9,903)	(151,233)
Accrued expenses	(5,247)	23,053
Accrued liabilities	(131,751)	136,244
Benefits payable	(3,495)	6,703
Deferred rent	43,256	62,558
Deferred income	75,306	(128,476)
Total adjustments	<u>(61,019)</u>	<u>(29,199)</u>
Net cash provided by operating activities	421,851	122,743
Cash Flows from Investing Activities:		
Purchase of property and equipment	<u>(5,690)</u>	<u>(5,516)</u>
Net cash used by investing activities	(5,690)	(5,516)
Cash Flows from Financing Activities:		
Line of credit proceeds	<u>-</u>	<u>200,000</u>
Net cash provided by financing activities	-	200,000
Net increase in cash	416,161	317,227
Cash, Beginning of Year	<u>557,067</u>	<u>239,840</u>
Cash, End of Year	\$ <u><u>973,228</u></u>	\$ <u><u>557,067</u></u>
Supplemental Disclosure:		
Interest paid	\$ <u><u>16,010</u></u>	\$ <u><u>11,754</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, 2016 and 2015

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, 2016 or 2015.

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
August 31, 2016 and 2015
(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 \$5,237 and \$4,236 for the years ended August 31, 2016 and 2015, 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 years' returns. Generally, for Wisconsin income taxes, the Organization is only subject to examinations for current year's tax return and the preceding four years' returns.

I. Advertising Costs

Advertising costs are expensed as incurred. For the years ended August 31, 2016 and 2015, advertising costs totaled \$1,463 and \$2,198, 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, 2016 will be received during the 2017 fiscal year so no pledge discount is necessary. All pledges receivable at August 31, 2015 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, 2016 and 2015
(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 \$467,465 and \$628,685 for the years ended August 31, 2016 and 2015, 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, 2017. The balance as of August 31, 2016 and 2015 on the line of credit was \$500,000 and \$500,000, 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 line of credit is secured by a member of the board of directors.

The Organization also has a standby letter of credit with the same lender in the amount of \$60,000. This standby letter of credit reduces the available amount of draws on the line of credit to \$640,000. 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 \$16,010 and \$11,754 for the years ended August 31, 2016 and 2015, 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>
2017	\$ 99,003	\$ 137,986	\$ 56,201	\$ 93,064	\$ 386,254
2018	101,992	155,803	57,400	95,624	410,819
2019	105,042	160,144	63,837	98,253	427,276
2020	108,214	164,614	65,145	100,955	438,928
2021	111,447	169,218	66,453	103,731	450,849
Thereafter	57,371	244,567	213,133	473,611	988,682
Total	<u>\$ 583,069</u>	<u>\$ 1,032,332</u>	<u>\$ 522,169</u>	<u>\$ 965,238</u>	<u>\$ 3,102,808</u>

Rent expense totaled \$386,194 and \$347,422 for the years ended August 31, 2016 and 2015, respectively.

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
August 31, 2016 and 2015
(Continued)

6. Operating Leases (Continued)

The Organization also leases various pieces of office equipment. Expenses under these leases totaled \$12,098 and \$12,139 for the years ended August 31, 2016 and 2015, respectively. Future minimum lease payments for these leases are as follows:

<u>Year</u>	<u>Total</u>
2017	\$ 7,020
2018	1,895
Total	\$ <u>8,915</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:

Restriction Accomplished:

	<u>Year Ended</u> <u>August 31, 2016</u>
Pledges receivable collected	\$ 750,000
Conditions of contributions satisfied	210,394
Net Assets Released from Restrictions	\$ <u>960,394</u>

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

	<u>August 31, 2016</u>	<u>August 31, 2015</u>
Contributions restricted for future years	\$ -	\$ 109,000
Contributions restricted by purpose	826,753	100,144
Pledges receivable	<u>1,000,000</u>	<u>1,001,250</u>
Total	\$ <u>1,826,753</u>	\$ <u>1,210,394</u>

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Notes to Financial Statements
August 31, 2016 and 2015
(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 57% and 61% of Public Allies, Inc.'s support and revenues were provided by government grants and contracts in both of the years ended August 31, 2016 and 2015, respectively.

Approximately 6% and 10% of Public Allies, Inc.'s support and revenues were provided by a board member for the years ended August 31, 2016 and 2015, respectively. Approximately 100% of Public Allies, Inc.'s pledges receivable were pledged by this board member for the years ended August 31, 2016 and 2015.

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, 2016 and 2015 were \$64,442 and \$64,523, respectively.

10. Related Party Transactions

The Organization received \$750,000 and \$1,250,000 in contribution and pledge payments from a board member for the years ended August 31, 2016 and 2015, respectively. Outstanding pledge amounts from this same board member were \$1,000,000 and \$1,000,000 at August 31, 2016 and 2015, respectively.

11. Prior-Year Summarized Information

The financial information shown for 2015 in the accompanying financial statements is included to provide a basis of comparison with 2016 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 06, 2017). There were no subsequent events that required recognition or disclosure.

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Income Statement by Site
Year Ended August 31, 2016

	<u>National Office</u>	<u>Washington D.C.</u>	<u>Chicago</u>	<u>New York</u>	<u>Cincinnati</u>	<u>Milwaukee</u>	<u>Affiliate Activity</u>	<u>Total</u>
Revenue:								
Grants and contributions:								
Major gifts	\$ 750,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 750,000
Project grants	1,058,003	-	155,000	75,000	-	110,000	-	1,398,003
Grassroots giving	3,187	5,950	12,935	1,565	4,860	3,494	-	31,991
Donor's circle	6,500	63,850	35,500	-	10,000	11,000	-	126,850
Sponsorships	-	2,500	2,500	-	-	-	-	5,000
Government	859,823	336,082	536,653	524,058	314,393	465,119	4,310,334	7,346,462
Interest income	196	-	-	-	-	-	-	196
Other income	25,927	-	-	16,400	-	-	-	42,327
In-kind contributions	228,261	-	-	-	148,719	90,485	-	467,465
Partner organizations	-	500,664	710,730	767,516	165,148	480,431	17,950	2,642,439
Events	9,350	560	3,748	-	-	-	-	13,658
Total revenues	<u>2,941,247</u>	<u>909,606</u>	<u>1,457,066</u>	<u>1,384,539</u>	<u>643,120</u>	<u>1,160,529</u>	<u>4,328,284</u>	<u>12,824,391</u>
Expenses:								
Salaries	1,303,900	191,165	286,082	301,695	119,486	164,646	19,519	2,386,493
Fringe benefits - Taxes	82,728	5,261	13,174	20,822	6,693	13,852	1,319	143,849
Fringe benefits - Health & other	146,530	9,318	23,333	36,879	11,854	24,534	-	252,448
Fringe benefits - Retirement	37,404	2,379	5,956	9,414	3,026	6,263	-	64,442
Advertising	748	90	400	-	-	225	-	1,463
Ally expenses	253,722	601,051	893,491	994,445	470,107	790,826	42,043	4,045,685
Audit fees	17,500	-	-	-	-	-	-	17,500
Bank fees	11,559	-	-	-	-	-	-	11,559
Communications/development	24,537	336	320	-	-	-	-	25,193
Conference/meetings	26,737	1,414	3,104	2,962	1,057	311	-	35,585
Consultants	99,665	3,068	8,538	4,054	-	1,621	-	116,946
Depreciation	5,237	-	-	-	-	-	-	5,237
Events	542	-	-	594	-	-	-	1,136
Insurance	21,645	-	35	-	-	-	-	21,680
Interest expense	16,010	-	-	-	-	-	-	16,010
Maintenance/repairs	4,552	922	2,723	386	979	2,770	-	12,332
Membership dues	25,729	-	2,737	260	147	675	-	29,548
Merchandise expenses	604	-	-	-	-	-	-	604
Miscellaneous	1,221	52	950	322	174	1,030	-	3,749
Office supplies	10,247	1,619	338	1,027	528	867	90	14,716
Payroll service	2,588	2,062	3,374	3,291	1,087	2,240	177	14,819
Postage and mailing	2,021	84	62	138	8	38	-	2,351
Printing and photocopying	4,920	3,641	7,370	6,657	244	1,714	-	24,546
Program evaluation	8,384	-	-	-	-	-	-	8,384
Rent	109,380	53,932	59,674	133,567	8,469	21,172	-	386,194
National meetings/trainings	178,870	415	323	101	-	39	-	179,748
Sub-grants	50,000	-	-	-	-	-	4,250,146	4,300,146
Subscriptions	938	-	420	-	336	-	-	1,694
Team service project	-	113	1,722	2,229	668	229	-	4,961
Telecommunications	31,161	7,594	13,943	12,784	1,744	3,295	-	70,521
Travel - Airfare/hotel	93,490	4,271	2,349	3,993	2,861	2,116	-	109,080
Travel - Local	50	-	-	-	-	-	-	50
Utilities	6,035	-	4,396	18,585	-	1,907	-	30,923
Alumni relations	-	-	-	1,929	-	-	-	1,929
Total expenses	<u>2,578,654</u>	<u>888,787</u>	<u>1,334,814</u>	<u>1,556,134</u>	<u>629,468</u>	<u>1,040,370</u>	<u>4,313,294</u>	<u>12,341,521</u>
Net surplus/(deficit)	<u>\$ 362,593</u>	<u>\$ 20,819</u>	<u>\$ 122,252</u>	<u>\$ (171,595)</u>	<u>\$ 13,652</u>	<u>\$ 120,159</u>	<u>\$ 14,990</u>	<u>\$ 482,870</u>

See Independent Auditors' Report

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2016

Federal and State Government Award Programs and Funding Agencies	Pass-Through Identifying Number	CFDA Number	State ID Number	Expenditures	Amounts Provided to Subrecipients
Federal expenditures					
Corporation for National and Community Service					
AmeriCorps	12EDHWI001	94.006		\$ 438,925	\$ 195,161
AmeriCorps	15EDHWI001	94.006		5,405,932	3,560,046
Corporation for National and Community Service passed through:					
Connecticut Office of Higher Education					
AmeriCorps	15OHE1220AA	94.006		324,292	305,708.00
Illinois Department of Human Services					
AmeriCorps	67380014D	94.006		444,846	-
Iowa Commission on Volunteer Service					
AmeriCorps	15-CX-01	94.006		214,760	193,284.00
Wisconsin National and Community Service Board					
AmeriCorps	AD139770	94.006		<u>515,103</u>	<u>-</u>
Total federal awards				\$ <u>7,343,858</u>	\$ <u>4,254,199</u>
State expenditures					
Connecticut Office of Higher Education			11000-DHE66530-12200- 81001-174311-55050	\$ <u>2,000</u>	\$ <u>-</u>
Total federal and state expenditures				\$ <u>7,345,858</u>	\$ <u>4,254,199</u>

The accompanying notes are an integral part of this schedule.

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Notes to the Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2016

Note 1: Basis of Presentation

The accompanying "Schedule of Expenditures of Federal and State Awards" (the Schedule) includes the federal and state award activity of Public Allies, Inc. under programs of the federal and state governments for the year ended August 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Organization has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3: 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	\$ 184,885
Corporation for National and Community Service	AmeriCorps	Arizona State University	94.006	458,725
Corporation for National and Community Service	AmeriCorps	Bay Area Community Resources Inc.	94.006	347,022
Corporation for National and Community Service	AmeriCorps	Catalyst Miami	94.006	164,918
Corporation for National and Community Service	AmeriCorps	Community Based Care of Central Florida	94.006	275,253
Corporation for National and Community Service	AmeriCorps	Community Development Technologies Inc.	94.006	422,735
Corporation for National and Community Service	AmeriCorps	CORO Center for Civic Leadership	94.006	293,535
Corporation for National and Community Service	AmeriCorps	Indianapolis Neighborhood Resource Center	94.006	200,745

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Schedule of Expenditures of Federal and State Awards
Year Ended August 31, 2016

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

Note 3: 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	Iowa Community Action Association	94.006	\$ 193,284
Corporation for National and Community Service	AmeriCorps	New Mexico Forum for Youth in Community	94.006	172,968
Corporation for National and Community Service	AmeriCorps	North Carolina Institute of Minority Economic Development	94.006	78,941
Corporation for National and Community Service	AmeriCorps	Pillsbury United Communities	94.006	225,545
Corporation for National and Community Service	AmeriCorps	RYASAP, Inc.	94.006	305,708
Corporation for National and Community Service	AmeriCorps	University of Delaware	94.006	303,569
Corporation for National and Community Service	AmeriCorps	University of Maryland	94.006	313,612
Corporation for National and Community Service	AmeriCorps	University of Michigan	94.006	312,754
Total sub-recipients of federal funds				\$ <u><u>4,254,199</u></u>

Note 4: Other Matters

For the year ended August 31, 2016 there was no non-cash assistance awarded. The amount of Federal insurance in effect at August 31, 2016 was \$0. There were also no loans or loan guarantees outstanding at August 31, 2016.

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David A. Grotkin
Joel A. Joyce
Brian J. Mechenich



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Jason J. Wrasse
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**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. (Organization), which comprise the statement of financial position as of August 31, 2016, 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 06, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 06, 2017
Milwaukee, Wisconsin

Thomas G. Wieland
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Public Allies, Inc.
Milwaukee, Wisconsin

Report on Compliance for Each Major Federal Program

We have audited Public Allies, Inc.'s (Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended August 31, 2016. The Organization'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the Organization'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 the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2016.

Report on Internal Control Over Compliance

Management of the Organization 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 the Organization'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 the Uniform Guidance, 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 the Organization'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

January 06, 2017
Milwaukee, Wisconsin

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended August 31, 2016

The Organization has no prior audit findings.

PUBLIC ALLIES, INC.
Milwaukee, Wisconsin

Schedule of Findings and Questioned Costs
Year Ended August 31, 2016

A. Summary of Auditors' Results

Financial Statements

- | | |
|---|------------|
| 1. Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) 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 2 CFR 200.516(a)? | No |
| 7. Identification of major programs: | |
| > 94.006 – AmeriCorps | |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$ 750,000 |
| 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