

REAL ALTERNATIVES
FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2016 AND 2015
AND
INDEPENDENT AUDITOR'S REPORT



McKONLY & ASBURY

REAL ALTERNATIVES

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Real Alternatives
Harrisburg, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of Real Alternatives (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's 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 audits 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.

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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 Real Alternatives as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal 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 other supplementary information on pages 18 through 30 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 November 3, 2016, on our consideration of Real Alternatives' 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 Real Alternatives' internal control over financial reporting and compliance.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
November 3, 2016

REAL ALTERNATIVES

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2016 AND 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 2,243,438	\$ 1,701,182
Accounts receivable	368,012	318,393
Accounts receivable - Service Provider advances	-	33,500
Prepaid expenses and other receivables	8,603	4,546
Inventories	<u>53,878</u>	<u>61,890</u>
Total current assets	<u>2,673,931</u>	<u>2,119,511</u>
Equipment, furniture, and fixtures (net of accumulated depreciation of \$175,502 and \$217,300)	<u>51,859</u>	<u>79,749</u>
Total assets	<u>\$ 2,725,790</u>	<u>\$ 2,199,260</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 1,426,577	\$ 1,562,036
Line of credit	29,080	22,150
Accrued expenses	27,610	28,215
Refundable advance - DHS Grant	590,603	-
Operating advance payable - MDCH Grant	<u>116,666</u>	<u>116,666</u>
Total current liabilities	<u>2,190,536</u>	<u>1,729,067</u>
Net assets		
Temporarily restricted	253	-
Unrestricted	<u>535,001</u>	<u>470,193</u>
Total net assets	<u>535,254</u>	<u>470,193</u>
Total liabilities and net assets	<u>\$ 2,725,790</u>	<u>\$ 2,199,260</u>

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

REAL ALTERNATIVES
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support			
Contributions	\$ 25,181	\$ 929	\$ 26,110
Pennsylvania Program Revenue			
Pregnancy & Parenting Support Services			
Program - DHS Grant	6,672,397	-	6,672,397
Program Development and Advancement Agreement	156,783	-	156,783
Michigan Program Revenue			
Pregnancy & Parenting Support Services			
Program - MDCH Grant	676,676	-	676,676
Program Development and Advancement Agreement	8,138	-	8,138
Indiana Program Revenue			
Pregnancy & Parenting Support Services			
Program - ISDH Grant	2,023,520	-	2,023,520
Program Development and Advancement Agreement	40,764	-	40,764
National Division Revenue			
Program Use Fee	-	-	-
Contracted Services Revenue	345	-	345
Interest income	1,306	3,220	4,526
Other income	4,425	-	4,425
Net assets released from restrictions	3,896	(3,896)	-
Total revenues, gains, and other support	9,613,431	253	9,613,684
Expenses			
Program Services			
Pennsylvania Pregnancy and Parenting Support Services			
Program			
DHS Grant, net of PA Program fundraising expense of \$70	6,697,035	-	6,697,035
Michigan Pregnancy and Parenting Support Services			
Program			
MDCH Grant - Michigan Program	680,540	-	680,540
Indiana Pregnancy and Parenting Support Services			
Program			
ISDH Grant - Indiana Program	2,004,339	-	2,004,339
National Division			
Services to Other State Programs	37,138	-	37,138
Prevention Programs	49,763	-	49,763
Supporting Services, Management & General Fundraising	78,092	-	78,092
	1,716	-	1,716
Total expenses	9,548,623	-	9,548,623
Change in net assets	64,808	253	65,061
Net assets, beginning of year	470,193	-	470,193
Net assets, end of year	<u>\$ 535,001</u>	<u>\$ 253</u>	<u>\$ 535,254</u>

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

REAL ALTERNATIVES

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

	Unrestricted	Temporarily Restricted	Total
Revenues, gains, and other support			
Contributions	\$ 12,680	\$ 4,551	\$ 17,231
Pennsylvania Program Revenue			
Pregnancy & Parenting Support Services Programs - DHS Grant	6,694,000	-	6,694,000
Program Development & Advancement Agreement	174,792	-	174,792
Michigan Program Revenue			
Pregnancy & Parenting Support Services Program - MDCH Grant	340,917	-	340,917
Program Development and Advancement Agreement	4,702	-	4,702
Indiana Program Revenue			
Pregnancy & Parenting Support Services Program- ISDH Grant	701,049	-	701,049
Program Development and Advancement Agreement	18,033	-	18,033
National Division Revenue			
Program Use Fee	10,000	-	10,000
Contracted Services Revenue	10,048	-	10,048
Interest income	5,009	-	5,009
Other income	2,992	-	2,992
Net assets released from restrictions	4,551	(4,551)	-
Total revenues, gains, and other support	7,978,773	-	7,978,773
Expenses			
Program Services			
Pennsylvania Pregnancy and Parenting Support Services Program			
DHS Grant, net of PA Program fundraising expense of \$267	6,740,369	-	6,740,369
Michigan Pregnancy and Parenting Support Services Program			
MDCH Grant - Michigan Program	344,034	-	344,034
Indiana Pregnancy and Parenting Support Services Program			
ISDH Grant - Indiana Program	688,042	-	688,042
National Division			
Services to Other State Programs	58,495	-	58,495
Prevention Programs	53,511	-	53,511
Supporting Services, Management & General	80,029	-	80,029
Fundraising	791	-	791
Total expenses	7,965,271	-	7,965,271
Change in net assets	13,502	-	13,502
Net assets, beginning of year	456,691	-	456,691
Net assets, end of year	<u>\$ 470,193</u>	<u>\$ -</u>	<u>\$ 470,193</u>

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

REAL ALTERNATIVES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

	Program Services										Supporting Services				
	Pennsylvania Pregnancy and Parenting Support Services Program			Michigan Pregnancy and Parenting Support Services Program			Indiana Pregnancy and Parenting Support Services Program			National Division		Support Management and General		Fundraising	Total
	DHS Adminis- trative	DHS Project Services	DHS Fund- raising	Total DHS	MDCH Adminis- trative	MDCH Project Services	Total MDCH	ISDH Adminis- trative	ISDH Project Services	Total ISDH	Services to Other State Programs	Prevention Programs and Health Education	Support Management and General		
Salaries, wages, and benefits															
Salaries and wages	\$ 234,276	\$ 230,824	\$ -	\$ 465,100	\$ 29,104	\$ 32,607	\$ 61,711	\$ 57,653	\$ 36,529	\$ 94,182	\$ 27,047	\$ 25,715	\$ 42,388	\$ 888	\$ 717,031
Unused sick leave paid	4,159	3,646	-	7,805	650	570	1,220	960	841	1,801	286	50	413	-	11,575
Payroll taxes	17,448	18,395	-	35,843	1,515	2,347	3,862	2,942	2,380	5,322	1,228	1,994	2,037	53	50,339
Health and group life insurance	57,624	33,097	-	90,721	7,119	4,074	11,193	10,115	5,762	15,877	4,252	2,409	5,887	213	130,552
Workers' compensation	1,229	1,006	-	2,235	125	103	228	178	145	323	49	192	77	6	3,110
Total salaries, wages, and benefits	314,736	286,968	-	601,704	38,513	39,701	78,214	71,848	45,657	117,505	32,862	30,360	50,802	1,160	912,607
Professional development	3,376	-	-	3,376	912	-	912	1,303	-	1,303	-	46	558	-	6,195
Consulting	19,690	13,358	-	33,048	1,235	2,853	4,088	2,398	4,875	7,273	-	101	582	-	45,092
Postage/shipping	8,474	-	-	8,474	1,231	-	1,231	940	-	940	-	523	34	247	11,449
Auditing	15,829	-	3	15,832	1,614	-	1,614	2,305	-	2,305	342	1,326	543	38	22,000
Travel/lodging	231	4,927	-	5,158	4	1,288	1,292	4	911	915	662	365	1,061	-	9,453
Office rent	48,095	-	10	48,105	4,974	-	4,974	7,164	-	7,164	1,050	4,190	1,667	137	67,287
Telephone/fax	9,667	-	2	9,669	1,242	-	1,242	1,800	-	1,800	549	771	653	29	14,713
Property/liability insurance	2,249	-	1	2,250	230	-	230	325	-	325	49	193	78	6	3,131
Directors/officers liability insurance	5,482	-	1	5,483	560	-	560	792	-	792	120	471	190	14	7,630
Office supplies	21,283	-	9	21,292	1,575	-	1,575	5,032	-	5,032	1,019	479	1,744	-	31,141
Service contracts	2,495	-	1	2,496	248	-	248	359	-	359	52	197	82	5	3,439
Information/training	-	99,312	-	99,312	-	70,362	70,362	-	87,456	87,456	-	600	-	-	257,730
Advertising	-	557,562	-	557,562	-	167,819	167,819	-	404,310	404,310	361	9,854	2,714	-	1,142,620
Meetings/seminars	-	9,084	-	9,084	-	-	-	-	-	-	-	-	7,533	-	16,617
Client services-counseling	-	5,202,336	-	5,202,336	-	337,489	337,489	-	1,357,014	1,357,014	-	-	-	-	6,896,839
Hotline referral system	-	4,373	1	4,374	-	372	372	-	608	608	72	287	114	10	5,837
Pregnancy test kits	-	32,634	-	32,634	-	2,987	2,987	-	2,006	2,006	-	-	-	-	37,627
403b contribution	9,345	6,912	-	16,257	760	798	1,558	1,701	739	2,440	-	-	6,753	-	27,008
Fundraising	-	-	42	42	-	-	-	-	-	-	-	-	-	-	42
Prior year service provider reimbursement returned to the program offices	-	(4,612)	-	(4,612)	-	-	-	-	(235)	(235)	-	-	-	-	(4,847)
Salvage value of assets disposed of	7,676	-	-	7,676	-	-	-	-	-	-	-	-	-	-	7,676
Total expenses before depreciation	468,628	6,212,854	70	6,681,552	53,098	623,669	676,767	95,971	1,903,341	1,999,312	37,138	49,763	75,108	1,646	9,521,286
Depreciation expense	15,553	-	-	15,553	203	3,570	3,773	203	4,824	5,027	-	-	2,984	-	27,337
Total functional expenses	\$ 484,181	\$ 6,212,854	\$ 70	\$ 6,697,105	\$ 53,301	\$ 627,239	\$ 680,540	\$ 96,174	\$ 1,908,165	\$ 2,004,339	\$ 37,138	\$ 49,763	\$ 78,092	\$ 1,646	\$ 9,548,623

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

REAL ALTERNATIVES

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2015

	Program Services										Supporting Services				
	Pennsylvania Pregnancy and Parenting Support Service Program				Michigan Pregnancy and Parenting Support Service Program			Indiana Pregnancy and Parenting Support Service Program			National Division		Support		
	DHS Administrative	DHS Project Services	DHS Fund-raising	Total DHS	MDCH Administrative	MDCH Project Services	Total MDCH	ISDH Administrative	ISDH Project Services	Total ISDH	Services to Other State Programs	Prevention Programs and Health Education	Support Management and General	Fundraising	Total
Salaries, wages, and benefits															
Salaries and wages	\$ 255,124	\$ 209,977	\$ -	\$ 465,101	\$ 19,093	\$ 19,615	\$ 38,708	\$ 32,671	\$ 17,986	\$ 50,657	\$ 43,065	\$ 19,895	\$ 49,167	\$ 332	\$ 666,925
Unused sick leave paid	3,662	1,801	-	5,463	516	254	770	458	225	683	310	165	457	-	7,848
Payroll taxes	21,054	18,792	-	39,846	1,125	1,570	2,695	1,851	1,213	3,064	1,665	1,580	2,461	5	51,316
Health and group life insurance	60,522	34,491	-	95,013	5,742	3,327	9,069	6,202	3,561	9,763	6,422	1,815	7,168	59	129,309
Workers' compensation	1,410	1,128	2	2,540	95	76	171	94	75	169	97	123	104	1	3,205
Employee drug screen	66	132	-	198	-	-	-	-	-	-	-	-	-	-	198
Total salaries, wages, and benefits	341,838	266,321	2	608,161	26,571	24,842	51,413	41,276	23,060	64,336	51,559	23,578	59,357	397	858,801
Professional development	4,235	-	-	4,235	210	-	210	315	-	315	118	359	77	-	5,314
Consulting	13,336	14,381	-	27,717	472	5,655	6,127	766	6,855	7,621	1,981	-	1,500	-	44,946
Postage/shipping	3,404	-	136	3,540	451	-	451	575	-	575	85	120	276	100	5,147
Auditing	16,641	-	11	16,652	1,119	-	1,119	1,108	-	1,108	634	806	677	5	21,001
Travel/lodging	21	5,504	-	5,525	-	6	6	-	1,448	1,448	140	1,242	838	-	9,199
Office rent	50,710	-	34	50,744	3,397	-	3,397	3,334	-	3,334	1,963	2,432	2,063	13	63,946
Telephone/fax	10,084	-	6	10,090	748	-	748	855	-	855	770	518	608	5	13,594
Property/liability insurance	2,454	-	2	2,456	165	-	165	165	-	165	94	119	100	1	3,100
Directors/officers liability insurance	5,862	-	4	5,866	395	-	395	396	-	396	221	284	239	2	7,403
Office supplies	15,741	-	-	15,741	1,801	-	1,801	1,328	-	1,328	29	128	1,553	-	20,580
Service contracts	2,167	-	1	2,168	144	-	144	149	-	149	68	105	83	-	2,717
Information/training	-	935	-	935	-	6,545	6,545	-	162	162	-	1,302	-	-	8,944
Advertising	-	114,482	-	114,482	-	34,888	34,888	-	54	54	702	22,355	(2,733)	-	169,748
Meetings/seminars	-	6,831	-	6,831	-	-	-	-	-	-	-	-	6,416	-	13,247
Minor equipment	-	100	-	100	-	-	-	-	-	-	-	-	-	-	100
Client services-counseling	-	5,816,808	-	5,816,808	-	231,242	231,242	-	601,112	601,112	-	-	-	-	6,649,162
Toll-free referral system	-	4,795	-	4,795	-	232	232	-	226	226	131	163	138	1	5,686
Pregnancy test kits	-	34,749	-	34,749	-	665	665	-	-	-	-	-	-	-	35,414
403b contribution	9,814	5,555	-	15,369	507	397	904	901	417	1,318	-	-	5,863	-	23,454
Fundraising	-	-	71	71	-	-	-	-	-	-	-	-	-	-	71
Prior year service provider reimbursements returned to DHS	-	(21,103)	-	(21,103)	-	-	-	-	-	-	-	-	-	-	(21,103)
Total expenses before depreciation	476,307	6,249,358	267	6,725,932	35,980	304,472	340,452	51,168	633,334	684,502	58,495	53,511	77,055	524	7,940,471
Depreciation expense	14,704	-	-	14,704	12	3,570	3,582	12	3,528	3,540	-	-	2,974	-	24,800
Total functional expenses	\$ 491,011	\$ 6,249,358	\$ 267	\$ 6,740,636	\$ 35,992	\$ 308,042	\$ 344,034	\$ 51,180	\$ 636,862	\$ 688,042	\$ 58,495	\$ 53,511	\$ 80,029	\$ 524	\$ 7,965,271

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

REAL ALTERNATIVES

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ 65,061	\$ 13,502
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	27,337	24,800
Loss on disposal of assets	7,676	-
(Increase) decrease in		
Accounts receivable	(49,619)	(302,656)
Accounts receivable - Service Provider advances	33,500	-
Prepaid expenses and other receivables	(4,057)	96
Inventories	8,012	49,076
Increase (decrease) in		
Accounts payable	(135,459)	451,404
Accrued expenses	(605)	6,426
Refundable advance - DHS grant	590,603	-
Net cash provided by operating activities	<u>542,449</u>	<u>242,648</u>
Cash flows from investing activities		
Purchase of equipment, furniture and fixtures	<u>(7,123)</u>	<u>(24,274)</u>
Net cash used in investing activities	<u>(7,123)</u>	<u>(24,274)</u>
Cash flows from financing activities		
Net change in line of credit	<u>6,930</u>	<u>(11,328)</u>
Net cash provided by (used in) financing activities	<u>6,930</u>	<u>(11,328)</u>
Increase in cash	542,256	207,046
Cash and cash equivalents - beginning	<u>1,701,182</u>	<u>1,494,136</u>
Cash and cash equivalents - ending	<u>\$ 2,243,438</u>	<u>\$ 1,701,182</u>

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

REAL ALTERNATIVES

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF ACTIVITIES

Real Alternatives (the Organization) exists to provide life-affirming alternatives to abortion services throughout the nation. These compassionate support services empower women to protect their reproductive health, avoid crisis pregnancies, choose childbirth rather than abortion, receive adoption education, and improve parenting skills.

In the Pennsylvania Program, the Organization acts as the statewide administrator for the PA Alternative to Abortion Program (PATA) (also known as Pennsylvania Pregnancy and Parenting Support Service Program), funded by the Commonwealth of Pennsylvania Department of Human Services (DHS) to provide alternatives to abortion services to eligible clients to empower women to be able to choose childbirth over abortion. Under the contract, the Organization receives reimbursements on a quarterly basis for expenses incurred in carrying out the provisions of the contract. The Organization receives funding from the U.S. Department of Health and Human Services (HHS) through its Temporary Assistance for Needy Families (TANF) program. The money is passed through from HHS to DHS and then received by the Organization.

The Organization entered into a contract with the State of Michigan to administer an alternatives to abortion program funded in the amount of \$700,000 through the Michigan Department of Community Health in the central and southern part of the state, and it is known as the "Michigan Pregnancy and Parenting Support Services Program." The contract, effective October 1, 2013, was extended to December 31, 2016, by the state of Michigan and at the same time was increased by an additional \$850,000. The program is very similar to the Pennsylvania program; however, it is funded fully with state funds and no TANF money. Under the contract, the Organization receives reimbursements on a monthly basis for expenses incurred in carrying out the provisions of the contract. Start-up expenses were incurred by the Organization after the contract was signed on December 13, 2013. The first Service Provider Services Rendered Form was submitted in mid-June 2014.

The Organization also entered into a contract with the State of Indiana to administer an alternatives to abortion program funded at \$1,000,000 through the Indiana State Department of Health in the northern part of the state, and it is known as the "Indiana Pregnancy and Parenting Support Services Program." The contract was effective October 1, 2014, and it was renewed at the end of the first year in the amount of \$3,500,000 to continue through September 30, 2016. The program is very similar to the Pennsylvania and Michigan programs; however, it is funded fully with TANF money and no state funds. Under the contract, the Organization receives reimbursements on a monthly basis for expenses incurred in carrying out the provisions of the contract.

Under the National Division, pursuant to its agreements with the Texas Pregnancy Care Network (TPCN), the Organization realized revenue through the year ended June 30, 2015. For the year ended June 30, 2016, the Organization only realized revenue from TPCN related to Hotline services provided.

(continued)

REAL ALTERNATIVES

NOTES TO FINANCIAL STATEMENTS

Real Alternatives continues to consult with other states interested in starting government funded alternatives to abortion in their state.

In addition, Real Alternatives continued to publish and advertise the Concerned Parents Report website, www.concernedparents.com. Concerned Parents Report is a national internet publication of the Organization dedicated to reporting information and imparting knowledge to parents so that they can empower their children to make the healthiest choice for their reproductive health – living a chaste lifestyle. During fiscal year 2015/2016, 10,847 individuals throughout the world viewed health information and studies on 50,086 web pages.

In fiscal year 2015/2016, Real Alternatives continued to publish updated health information on its LoveFacts website. The organization promotes chastity, through the LoveFacts website, as the best way to prevent sexually transmitted diseases and unexpected pregnancies. The organization educates high school and college students about the importance of living a chaste lifestyle at many national conferences.

Real Alternatives partnered with another program of Students for Life America, Medical Students for Life, to educate medical students about the benefits of chastity in avoiding sexually transmitted diseases and unexpected pregnancies. Over 241 medical students in 6 universities across the United States received this information on the LoveFacts website. The Organization again sponsored the Love and Fidelity Network Annual Conference, “Sexuality, Integrity and the University” at Princeton University. This event was attended by nearly 300 students representing 50 colleges from around the country who received information on the LoveFacts website. The Organization again sponsored the Cardinal O’Connor Conference on Life at Georgetown University. It is the largest student run pro-life conference in the country with over 500 students attending this event.

For the LoveFacts.org website overall, in 2015/2016, 7,999 individuals viewed the health information and studies on 29,302 web pages.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Basis of Presentation

The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Accordingly, net assets of Real Alternatives and changes therein are classified and reported as follows:

Unrestricted net assets are not restricted by donors, or the donor-imposed restrictions have expired.

(continued)

REAL ALTERNATIVES

NOTES TO FINANCIAL STATEMENTS

Temporarily restricted net assets contain donor-imposed restrictions that permit the Organization to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by actions of the Organization.

Permanently restricted net assets consist of property contributed which contain donor-imposed restrictions that stipulate the resources be maintained permanently but permit the Organization to use, or expend part or all of the income derived from, the donated assets for specified purposes.

Revenue and Support Recognition

The Organization recognizes contract revenues in the statements of activities to the extent that expenses have been incurred for the purpose specified by the granting agency during the period. In applying this concept, the legal and contractual requirements of the grant are used as guidance.

Contributions received by the Organization are recorded as unrestricted, temporarily restricted, or permanently restricted support. This requirement is dependent on the existence and/or nature of any donor restrictions. All other donor-restricted support is reported as an increase in temporarily restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Cash Equivalents

Real Alternatives considers all unrestricted, highly liquid deposits to be cash equivalents.

Accounts Receivable

No allowances for uncollectible accounts receivable are deemed necessary as of June 30, 2016 and 2015.

Inventories

Inventories are stated at the lower of cost or market.

Equipment, Furniture, and Fixtures

Purchases of equipment, furniture, and fixtures having a unit cost of \$600 or more are capitalized at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to five years.

(continued)

REAL ALTERNATIVES

NOTES TO FINANCIAL STATEMENTS

Upon cancellation or termination of the PA Alternatives to Abortion contracts, disposition of personal property with a remaining useful life that was purchased with DHS funds is subject to certain contract provisions. Specifically, those provisions permit the Organization, with approval from DHS, to transfer such property to another contractor designated by DHS or to reimburse DHS for the remaining life of the property, as determined by DHS, if the Organization wishes to retain or sell such property. Net property purchased and capitalized with DHS funds amounted to \$32,221 and \$52,705 as of June 30, 2016 and 2015.

The state of Michigan reserves the right to retain or transfer title to all items of equipment having a unit acquisition cost of \$5,000 or more to the extent that Michigan's proportionate interest in such equipment supports such retention or transfer of title. Net property purchased and capitalized with Michigan funds amounted to \$3,885 and \$7,296 as of June 30, 2016 and 2015.

Equipment purchased to support the contract with Indiana was done in accordance with TANF regulations per OMB Circular A-110. Net property purchased and capitalized with Indiana funds amounted to \$8,341 and \$13,008 as of June 30, 2016 and 2015.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statements of Activities and in the Statements of Functional Expenses. The costs related to the contracts have been summarized according to budget categories established by the state agencies.

Income Taxes

The Organization's operations are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Organization adheres to the provisions of Financial Accounting Standards Board (FASB) Codification 740, *Income Taxes* (ASC 740). ASC 740 establishes rules for recognizing and measuring tax positions taken in an income tax return, including disclosures of uncertain tax positions (UTPs). ASC 740 mandates that organizations evaluate all material income tax positions for periods that remain open under applicable statutes of limitation, as well as positions expected to be taken in future returns. The UTP rules then impose a recognition threshold on each tax position. A company can recognize an income tax benefit only if the position has a "more likely than not" (i.e., more than 50 percent) chance to being sustained on the technical merits. For the years ended June 30, 2016 and 2015, the Organization has taken no material tax positions on their applicable tax filings that do not meet the more likely than not threshold. As a result, no amount for UTPs has been included in the financial statements. The Organization believes it is no longer subject to income tax examinations for the fiscal years prior to the year ended June 30, 2013.

(continued)

REAL ALTERNATIVES

NOTES TO FINANCIAL STATEMENTS

Advertising Costs

The Organization follows the policy of charging the costs of communicating advertising to expense at the time the advertising takes place. Production advertising costs, when applicable, are charged to expense the first time the advertising takes place. Advertising expense for the PA program was \$557,562 and \$114,482 for the years ended June 30, 2016 and 2015. Expense for the Michigan program was \$167,819 and \$34,888 for the years ended June 30, 2016 and 2015. Expense for the Indiana program was \$404,310 and \$54 for the year ended June 30, 2016 and 2015.

Service Provider Adjustments

In the normal course of operations, adjustments may be made to current or prior year amounts paid to service providers. These adjustments, which may be material, are the results of the application of monitoring procedures, audit procedures, government agency audits, or the results of the final close out procedures for any given contract year. For prior year periods, these adjustments may result in amounts to be returned to the program office of the state agencies. The effects of current year service provider adjustments, prior period service provider adjustments, and any amounts returned to DHS, Michigan Department of Community Health, or Indiana Department of Health are reflected in the statements of activities when determined.

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 affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Recently Issued Accounting Pronouncements

In August 2016, the FASB issued Accounting Standard Update (ASU) 2016-14, *Presentation of Financial Statement of Not-for-Profit Entities*. The amendments in this ASU include two classes of net asset classifications, options for presenting cash flow from operations, and many additional disclosure requirements. This guidance is effective for fiscal years beginning after December 15, 2017.

Subsequent Events

Management evaluated subsequent events through November 3, 2016, the date the financial statements were available to be issued.

(continued)

REAL ALTERNATIVES

NOTES TO FINANCIAL STATEMENTS

3. EQUIPMENT, FURNITURE, AND FIXTURES

Equipment, furniture, and fixtures consist of the following at June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Equipment	\$ 138,619	\$ 209,029
Furniture and fixtures	30,055	29,333
Software	<u>58,687</u>	<u>58,687</u>
	227,361	297,049
Less accumulated depreciation and amortization	<u>(175,502)</u>	<u>(217,300)</u>
Net book value	<u>\$ 51,859</u>	<u>\$ 79,749</u>

Depreciation and amortization expense for the years ended June 30, 2016 and 2015, totaled \$27,337 and \$24,800.

4. LEASE

The Organization currently leases office space under a lease that expired June 30, 2016. Future lease renewals are dependent on funding from the Commonwealth of Pennsylvania. Future minimum payments required under the lease should be \$61,476 for the year ended June 30, 2017. Total rent expense was \$66,432 and \$61,808 for the years ended June 30, 2016 and 2015.

5. CONTRACTED SERVICES REVENUE

Revenue from TPCN totaled \$345 and \$10,048 for the years ended June 30, 2016 and 2015.

6. CONCENTRATION OF RISK

Cash

The Organization maintains its cash in bank accounts held by high credit quality institutions. Deposits at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000. The balance of the cash was not insured or collateralized in the Organization's name, but was collateralized in accordance with Commonwealth of Pennsylvania Act 72 which requires the credit institution to pool collateral for all deposits and have the collateral held by an approved custodian in the institution's name.

(continued)

REAL ALTERNATIVES

NOTES TO FINANCIAL STATEMENTS

Contract Revenue

The Organization receives a substantial amount of its support from DHS. A significant reduction in the level of this support, if it were to occur, would have a significant effect on the Organization's program and activities. Grant support from the DHS amounted to \$7,263,000 and \$6,694,000 for the years ended June 30, 2016 and 2015. During those years, \$1,000,000 each year was from the Health and Human Services TANF block grant to the Commonwealth of Pennsylvania.

For the year ended June 30, 2016, the money received was for the fourth year of a five year grant agreement with The Department of Human Services totaling \$30,216,440. The term of the grant is for July 1, 2012, through June 30, 2017, with two additional optional one-year renewal periods.

Additional grant support from the Michigan Department of Community Health amounted to \$850,000 for the period ending December 31, 2016, of state funds, along with the \$700,000 for the period ending September 30, 2015.

Grant support from Indiana Department of Health amounted to \$3,500,000 of TANF funds for the year ending September 30, 2016.

7. AUDIT

The grants received by the Organization are subject to audit and verification by grantor agencies, principally DHS, MDCH and IDH. Any disallowed costs, including costs for which the Organization has already received payment, may result in a liability of the applicable funds. The amount, if any, of costs which may be disallowed by the grantor cannot be determined at this time. However, as of the date of this report, management is unaware of any material adjustments that would be required as a result of such an audit.

The Organization was audited by the Pennsylvania Department of Human Services, Bureau of Financial Operations (BFO). The audit covered the period from July 1, 2012, to June 30, 2015. As of November 3, 2016, the BFO final audit report has been submitted to the office of Special Programs, but has not been finalized by the Department of Human Services.

8. LINE OF CREDIT

Real Alternatives has engaged FNB (formerly Metro Bank) as the organization's main depository. A line of credit with FNB (formerly Metro Bank) was obtained on April 10, 2014, using the funds received under the Commonwealth of Pennsylvania Department of Human Services Grant #4100060934 as security for the line of credit. As of June 30, 2016, there was a balance of \$29,080 on the \$500,000 line of credit. Interest on the line of credit with FNB (formerly Metro Bank) is 4%, per annum. The line of credit is reviewed annually for renewals and extensions.

(continued)

REAL ALTERNATIVES

NOTES TO FINANCIAL STATEMENTS

9. EMPLOYEE BENEFITS

Real Alternatives sponsors a 403(b) retirement savings plan to which all eligible employees of the Organization may contribute up to the maximum allowed by law. The Organization matches these contributions dollar for dollar up to 4% of the employee's salary contributed to the plan. The Organization's contribution was \$27,008 and \$23,454 for the years ended June 30, 2016 and 2015.

SUPPLEMENTARY INFORMATION

REAL ALTERNATIVES

PENNSYLVANIA PREGNANCY & PARENTING SUPPORT SERVICES PROGRAM
DHS CONTRACT NO. 4100060934

INVOICED REVENUE AND EXPENDITURES

YEAR ENDED JUNE 30, 2016

	State Actual	State Budget	State Over (Under)	TANF Actual	TANF Budget	TANF Over (Under)	Total Actual	Total Budget	Total Over (Under)
Administrative Personnel									
President & CEO	\$ 85,604	\$ 85,604	\$ -	\$ 13,655	13,655	\$ -	\$ 99,259	\$ 99,259	\$ -
Vice President of Administration	72,970	72,970	-	11,672	11,672	-	84,642	84,642	-
Accountant	29,863	29,863	-	4,770	4,770	-	34,633	34,633	-
Bookkeeper	13,574	13,574	-	2,168	2,168	-	15,742	15,742	-
Unused sick	3,587	3,587	-	572	572	-	4,159	4,159	-
Payroll taxes	15,045	15,045	-	2,402	2,402	-	17,447	17,447	-
Workers' compensation insurance	1,060	1,060	-	169	169	-	1,229	1,229	-
Employee group insurance	49,689	49,689	-	7,935	7,935	-	57,624	57,624	-
Pension contribution	8,058	8,058	-	1,287	1,287	-	9,345	9,345	-
Professional development and training	2,911	2,911	-	465	465	-	3,376	3,376	-
Total personnel	282,361	282,361	-	45,095	45,095	-	327,456	327,456	-
Operating expenses									
Consulting	16,979	16,979	-	2,711	2,711	-	19,690	19,690	-
Postage/shipping	7,307	7,307	-	1,167	1,167	-	8,474	8,474	-
Auditing	13,649	13,649	-	2,180	2,180	-	15,829	15,829	-
Travel/lodging	199	199	-	32	32	-	231	231	-
Rent	41,472	41,472	-	6,624	6,624	-	48,096	48,096	-
Telephone service	8,335	8,335	-	1,331	1,331	-	9,666	9,666	-
General business liability insurance	1,940	1,940	-	310	310	-	2,250	2,250	-
Directors/owners liability insurance	4,727	4,727	-	755	755	-	5,482	5,482	-
Office expense	17,877	17,877	-	2,031	2,031	-	19,908	19,908	-
Computer upgrades	2,366	2,366	-	378	378	-	2,744	2,744	-
Resources Development	70	70	-	-	-	-	70	70	-
Total operating expenses	114,921	114,921	-	17,519	17,519	-	132,440	132,440	-
Equipment									
Equipment service contracts	2,152	2,152	-	344	344	-	2,496	2,496	-
Total administrative expenditures	399,434	399,434	-	62,958	62,958	-	462,392	462,392	-

(continued)

REAL ALTERNATIVES

PENNSYLVANIA PREGNANCY & PARENTING SUPPORT SERVICES PROGRAM DHS CONTRACT NO. 4100060934

INVOICED REVENUE AND EXPENDITURES (Cont'd)

YEAR ENDED JUNE 30, 2016

	State Actual	State Budget	State Over (Under)	TANF Actual	TANF Budget	TANF Over (Under)	Total Actual	Total Budget	Total Over (Under)
Services									
Personnel									
Vice President of Operations	111,564	111,564	-	17,829	17,829	-	129,393	129,393	-
Contract Compliance Services	10,162	10,162	-	1,611	1,611	-	11,773	11,773	-
Services Coordinator	36,665	36,665	-	5,859	5,859	-	42,524	42,524	-
Billing Coordinator	5,752	5,752	-	919	919	-	6,671	6,671	-
Outreach Coordinator	11,321	11,321	-	1,798	1,798	-	13,119	13,119	-
Special Projects Coordinator	2,272	2,272	-	362	362	-	2,634	2,634	-
Services Assistant	9,394	9,394	-	1,501	1,501	-	10,895	10,895	-
LifeAid Hotline Counselors	11,819	11,819	-	1,888	1,888	-	13,707	13,707	-
Overtime	94	94	-	15	15	-	109	109	-
Unused sick	3,144	3,144	-	502	502	-	3,646	3,646	-
Payroll taxes	15,862	15,862	-	2,532	2,532	-	18,394	18,394	-
Workers' compensation insurance	867	867	-	139	139	-	1,006	1,006	-
Employee group insurance	28,539	28,539	-	4,557	4,557	-	33,096	33,096	-
Pension contribution	5,961	5,961	-	952	952	-	6,913	6,913	-
Total personnel	253,416	253,416	-	40,464	40,464	-	293,880	293,880	-
Operating									
Information and training materials	85,636	85,636	-	13,675	13,675	-	99,311	99,311	-
Services advertising	474,352	474,352	-	75,749	75,749	-	550,101	550,101	-
Travel	4,249	4,249	-	678	678	-	4,927	4,927	-
Services database consulting and development	11,519	11,519	-	1,840	1,840	-	13,359	13,359	-
Meetings/seminars	7,833	7,833	-	1,251	1,251	-	9,084	9,084	-
Counseling reimbursement	4,404,211	4,994,810	(590,599)	798,125	798,129	(4)	5,202,336	5,792,939	(590,603)
Hotline referral system	3,771	3,771	-	602	602	-	4,373	4,373	-
Total operating	4,991,571	5,582,170	(590,599)	891,920	891,924	(4)	5,883,491	6,474,094	(590,603)
Equipment									
Pregnancy test kits	27,980	27,980	-	4,654	4,654	-	32,634	32,634	-
Total services expenditures	5,272,967	5,863,566	(590,599)	937,038	937,042	(4)	6,210,005	6,800,608	(590,603)
Total administrative and services expenditures	\$ 5,672,401	\$ 6,263,000	\$ (590,599)	\$ 999,996	* \$ 1,000,000	\$ (4)	* \$ 6,672,397	\$ 7,263,000	\$ (590,603) *

* See unused contract revenue returned to DHS (#5) of the reconciliation of cash received by Pennsylvania Pregnancy & Parenting Support Services Program to Statement of Functional Expense (page 20).

REAL ALTERNATIVES

RECONCILIATION OF CASH RECEIVED BY PENNSYLVANIA PREGNANCY & PARENTING SUPPORT SERVICES PROGRAM TO STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2016

Cash received from PA Dept. of Human Services (DHS) by the Pennsylvania Pregnancy & Parenting Support Services Program Contract No. 4100060934	\$ 7,263,000
Adjustments due to financial records being kept according to accounting principles generally accepted in the United States of America (GAAP) per contract with DHS, Contract No. 4100060934	
1. Expenses classified as assets and liabilities not accounted for as functional expenses under GAAP	6,091
2. Depreciation expense	15,553
3. Salvage value of assets disposed of	7,676
4. Service provider funds from prior years returned to DHS	(4,612)
5. Unused contract revenue returned to DHS	<u>(590,603)</u>
Total functional expenses for Program Services - Pennsylvania Pregnancy & Parenting Support Services Program, in accordance with GAAP	<u>\$ 6,697,105</u>

REAL ALTERNATIVES

**PENNSYLVANIA PREGNANCY & PARENTING SUPPORT SERVICES PROGRAM
DHS CONTRACT NO. 4100060934**

STATEMENT OF PROGRAM GENERATED INCOME AND INTEREST EARNED

YEAR ENDED JUNE 30, 2016

	<u>Additional Cash Earned Available for Program Use</u>	<u>Total Expended for Counseling Reimbursement</u>	<u>Unused Balance</u>
Interest earned	\$ 2,967	\$ -	\$ 2,967
Other funds - contributions	929	-	929
	<u>\$ 3,896</u>	<u>\$ -</u>	<u>\$ 3,896</u>

REAL ALTERNATIVES

MICHIGAN PREGNANCY AND PARENTING SUPPORT SERVICES PROGRAM MDCH CONTRACT NO. 20142043

INVOICED REVENUE AND EXPENDITURES

	October 1, 2013 to June 30, 2016			July 1, 2015 to June 30, 2016	JULY 1, 2014 to JUNE 30, 2015	OCTOBER 1, 2013 to JUNE 30, 2014
	State Actual	State Budget	State Over (Under)	State Actual	State Actual	State Actual
Administrative Personnel						
President & CEO	\$ 49,833	\$ 56,413	\$ (6,580)	\$ 20,328	\$ 12,175	\$ 17,330
VP - Administration	14,094	18,289	(4,195)	7,137	5,366	1,592
Assistant Director of Finance	1,777	1,777	-	-	37	1,740
Accountant	3,803	5,372	(1,569)	1,314	1,123	1,366
Bookkeeper	1,987	3,831	(1,844)	974	908	104
Professional Development	940	1,412	(472)	730	210	-
Accrued Vacation & Sick	-	-	-	-	-	-
Payroll Taxes	4,047	5,583	(1,536)	1,514	1,125	1,408
Workers Compensation Insurance	299	433	(134)	125	95	79
Pension	1,834	2,883	(1,049)	760	506	567
Employee Group Insurance	16,559	21,000	(4,441)	7,120	5,742	3,698
Job Advertising	-	1,000	(1,000)	-	-	-
New Employee Screening	-	500	(500)	-	-	-
Total Personnel	95,173	118,493	(23,320)	40,002	27,287	27,884
Operating Expenses						
Consulting	3,276	5,205	(1,929)	1,071	472	1,733
Legal	164	1,000	(836)	164	-	-
Postage/Shipping	1,802	3,105	(1,303)	1,231	451	119
Auditing	3,580	5,199	(1,619)	1,614	1,119	848
Travel/Lodging	313	813	(500)	4	-	309
Rent	10,840	18,071	(7,231)	4,974	3,397	2,470
Telephone Service	2,496	2,746	(250)	1,243	748	504
General Business Liability Insurance	504	884	(380)	230	165	109
Insurance-Directors & Officers	1,238	1,944	(706)	559	395	284
Office Expense	4,928	13,105	(8,177)	1,666	2,267	995
Computer Resources	11,899	13,399	(1,500)	-	-	11,899
Total Operating	41,040	65,471	(24,431)	12,756	9,014	19,270
Equipment						
Equipment Service Contracts	488	834	(346)	248	144	95
Total administrative expenditures	136,701	184,798	(48,097)	53,006	36,445	47,249
Michigan YTD Jun-2016 Administrative Expenses per June 2016 FSR submitted on 7/27/2016	136,701	184,798	(48,097)			

(continued)

REAL ALTERNATIVES

MICHIGAN PREGNANCY AND PARENTING SUPPORT SERVICES PROGRAM MDCH CONTRACT NO. 20142043

INVOICED REVENUE AND EXPENDITURES (Cont'd)

	October 1, 2013 to June 30, 2016			July 1, 2015 to June 30, 2016	JULY 1, 2014 to JUNE 30, 2015	OCTOBER 1, 2013 to JUNE 30, 2014
	State Actual	State Budget	State Over (Under)	State Actual	State Actual	State Actual
Services						
Personnel						
Vice President	40,969	47,041	(6,072)	15,947	11,749	13,273
Services Coordinator	6,925	6,937	(12)	4,176	2,750	-
Services Assistance	2,820	1,363	1,457	2,572	247	-
Service Provider Approval	5,852	10,749	(4,897)	2,312	1,028	2,512
Billing Coordinator	5,209	7,697	(2,488)	2,497	2,607	104
Service Provider Monitoring	6,433	9,431	(2,998)	5,224	1,210	-
Toll Free Counselor	910	1,552	(642)	449	278	183
Accrued Vacation & Sick	-	-	-	-	-	-
Payroll Taxes	5,110	6,502	(1,392)	2,347	1,570	1,192
Workers Compensation Insurance	241	338	(97)	103	76	64
Pension	1,562	2,469	(907)	798	397	365
Employee Group Insurance	10,272	13,224	(2,952)	4,075	3,327	2,871
Total Personnel	86,303	107,303	(21,000)	40,500	25,239	20,564
Operating						
Client Education Materials	76,907	106,642	(29,735)	70,362	6,545	-
Services Advertising	202,707	234,068	(31,361)	167,819	34,888	-
Meetings/Seminars	-	5,000	(5,000)	-	-	-
Travel	3,082	8,082	(5,000)	1,288	6	1,788
Srvcs Database Consulting & Dev	15,393	24,203	(8,810)	2,853	5,655	6,885
Client Services	571,816	874,140	(302,324)	337,489	231,242	3,084
Toll Free Referral System	772	1,053	(281)	372	232	168
Contract Closeout Cost	-	-	-	-	-	-
Total Operating	870,677	1,253,188	(382,511)	580,183	278,568	11,925
Equipment						
Pregnancy Test Kits	3,662	4,711	(1,049)	2,987	665	11
Total services expenses	960,642	1,365,202	(404,560)	623,670	304,472	32,500
Total administrative and services expenditures	\$ 1,097,343	\$ 1,550,000	\$ (452,657)	\$ 676,676	\$ 340,917	\$ 79,749
Michigan YTD Jun-2016 Services Expenses per June 2016 FSR submitted on 7/27/2016	960,642	1,365,202	(404,560)			
Michigan YTD Jun-2016 Administrative and Services Expenses per June 2016 FSR submitted on 7/27/2016	1,097,343	1,550,000	(452,657)			

REAL ALTERNATIVES

MICHIGAN PREGNANCY AND PARENTING SUPPORT SERVICES PROGRAM
MDCH CONTRACT NO. 20142043

INVOICED REVENUE AND EXPENDITURES:
START-UP ADMINISTRATIVE & SERVICES EXPENSES

OCTOBER 1, 2013 TO DECEMBER 31, 2016, ADVERTISING EXPENSE THROUGH APRIL 30, 2016

Administrative		Services	
Personnel	\$ 71,294	Personnel	\$ 67,152
Operating	33,171.03	Operating	526,338.19
Equipment	<u>333.04</u>	Equipment	<u>1,711.30</u>
Total administrative expenditures	<u>\$ 104,798</u>	Total services expenses	<u>\$ 595,202</u>
Administrative Cost Ratio	<u>14.97%</u>	Total administrative and services expenditures	<u>\$ 700,000</u>

Expenditures reported through June 30, 2016.

REAL ALTERNATIVES

**MICHIGAN PREGNANCY AND PARENTING SUPPORT SERVICES PROGRAM
MDCH CONTRACT NO. 20142043**

**RECONCILIATION OF CASH RECEIVED BY MICHIGAN PREGNANCY AND PARENTING SUPPORT
SERVICES TO STATEMENT OF FUNCTIONAL EXPENSES**

PERIOD JULY 1, 2015 TO JUNE 30, 2016

Cash received from MDCH by the Michigan Pregnancy & Parenting Support Services Grant Agreement 20142043	\$	517,756
Adjustments due to financial records being kept according to generally accepted accounting principles accepted in the United States of America (GAAP) per contract with MDCH, Contract No. 20142043		
1. Expenses classified as assets and liabilities not accounted for as functional expenses under GAAP		(361)
2. Depreciation expense		3,773
3. Expenses incurred but not reimbursed		<u>159,372</u>
Total functional expenses for Program Services - Michigan Pregnancy & Parenting Support Services Program, in accordance with GAAP	\$	<u><u>680,540</u></u>

REAL ALTERNATIVES

MICHIGAN PREGNANCY & PARENTING SUPPORT SERVICES PROGRAM
MDCH CONTRACT NO. 20142043

STATEMENT OF PROGRAM GENERATED INCOME AND INTEREST EARNED

PERIOD JULY 1, 2015 TO JUNE 30, 2016

	<u>Additional Cash Earned Available for Program Use</u>	<u>Total Expended for Counseling Reimbursement</u>	<u>Unused Balance</u>
Interest earned	\$ 171	\$ -	\$ 171
Other funds	-	-	-
	<u>\$ 171</u>	<u>\$ -</u>	<u>\$ 171</u>

REAL ALTERNATIVES

INDIANA PREGNANCY AND PARENTING SUPPORT SERVICES PROGRAM ISDH CONTRACT NO. A70-5-041137 & 0000000000000000000014694

INVOICED REVENUE AND EXPENDITURES

OCTOBER 1, 2015 TO JUNE 30, 2016

	State Actual	State Budget	State Over (Under)	July 1, 2015 to June 30, 2016 State Actual	JULY 1, 2015 to SEPTEMBER 30, 2015 State Actual
Administrative					
Personnel					
President & CEO	\$ 35,277	\$ 58,000	\$ (22,723)	\$ 42,703	\$ 7,426
VP of Administration	10,402	13,000	(2,598)	11,621	1,220
Senior Accountant	3,465	3,000	465	3,476	10
Junior Accountant	-	2,000	(2,000)	-	-
Bookkeeper	597	3,000	(2,403)	813	216
Professional Development	1,062	2,000	(938)	1,120	58
Payroll Taxes	2,746	6,500	(3,754)	2,942	196
Workers Compensation Insurance	153	300	(147)	178	25
Pension	1,326	3,750	(2,424)	1,701	375
Employee Group Insurance	8,423	13,000	(4,577)	10,115	1,692
Job Advertising	-	500	(500)	-	-
New Employee Screening	-	250	(250)	-	-
Total Personnel	63,451	105,300	(41,849)	74,669	11,218
Operating Expenses					
Accounting/IT/Legal/Consulting	2,398	20,000	(17,602)	2,397	-
Postage/Shipping	792	15,000	(14,208)	940	148
Auditing	1,997	3,500	(1,503)	2,305	308
Travel/Lodging	-	500	(500)	5	5
Rent	6,243	46,000	(39,757)	7,164	921
Telephone Service	1,577	3,500	(1,923)	1,800	223
General Business Liability Insurance	279	750	(471)	325	46
Insurance-Directors & Officers	681	1,250	(569)	793	112
Office Expense	3,716	91,700	(87,984)	4,186	470
Computer Resources	-	25,000	(25,000)	-	-
Total Operating	17,683	207,200	(189,517)	19,915	2,233
Equipment					
Equipment Service Contracts	311	500	(189)	359	48
Total administrative expenditures	81,445	313,000	(231,555)	94,943	13,499
ISDH Administrative Expenses - July 1, 2015 to September 30, 2015				13,498	
October 1, 2015 to June 30, 2016				81,445	
Total Administrative Expenses July 1, 2015 to June 30, 2016				94,943	
Administrative Expenses as reported to ISDH for June 2016 on 7/26/2016	81,445	313,000	(231,555)		

REAL ALTERNATIVES

INDIANA PREGNANCY AND PARENTING SERVICES SUPPORT PROGRAM ISDH CONTRACT NO. A70-5-041137 & 0000000000000000000014694

INVOICED REVENUE AND EXPENDITURES (Cont'd)

OCTOBER 1, 2015 TO JUNE 30, 2016

	State Actual	State Budget	State Over (Under)	July 1, 2015 to June 30, 2016 State Actual	JULY 1, 2015 to SEPTEMBER 30, 2015 State Actual
Services					
Personnel					
Vice President of Operations	16,035	45,000	(28,965)	18,660	2,625
Indiana Services Director	-	40,000	(40,000)	-	-
Services Coordinator	5,307	4,000	1,307	5,741	434
Billing Coordinator	2,519	5,000	(2,481)	3,203	684
Services Assistance	2,162	3,000	(838)	2,275	113
Service Provider Approval	1,313	5,000	(3,687)	1,390	76
Service Provider Monitoring	74	5,000	(4,926)	5,156	5,081
Hotline Counselor	733	4,000	(3,267)	946	213
Payroll Taxes	2,025	9,000	(6,975)	2,380	355
Workers Compensation Insurance	125	500	(375)	145	21
Pension	623	2,000	(1,377)	739	116
Employee Group Insurance	4,800	10,000	(5,200)	5,762	963
Total Personnel	<u>35,716</u>	<u>132,500</u>	<u>(96,784)</u>	<u>46,397</u>	<u>10,681</u>
Operating					
Client Education Materials	87,313	120,000	(32,687)	87,457	144
Services Advertising	429,309	485,000	(55,691)	429,309	-
Meetings/Seminars/Conference	-	7,000	(7,000)	-	-
Travel	-	10,000	(10,000)	911	911
Srvcs Database Consulting & Dev	3,804	15,000	(11,196)	4,875	1,071
Client Services	1,084,432	2,412,500	(1,328,068)	1,357,014	272,581
Hotline Referral System	544	5,000	(4,456)	608	64
Total Operating	<u>1,605,402</u>	<u>3,054,500</u>	<u>(1,449,098)</u>	<u>1,880,174</u>	<u>274,771</u>
Equipment					
Pregnancy Test Kits	2,006	-	2,006	2,006	-
Total services expenses	<u>1,643,124</u>	<u>3,187,000</u>	<u>(1,543,876)</u>	<u>1,928,577</u>	<u>285,452</u>
Total administrative and services expenditures	<u>\$ 1,724,569</u>	<u>\$ 3,500,000</u>	<u>\$ (1,775,431)</u>	<u>\$ 2,023,520</u>	<u>\$ 298,951</u>
ISDH Services Expenses - July 1, 2015 to September 30, 2015				285,452	
October 1, 2015 to June 30, 2016				<u>1,643,124</u>	
Total Services Expenses July 1, 2015 to June 30, 2016				1,928,576	
ISDH Admin & Svcs Expenses - July 1, 2015 to September 30, 2015				298,951	
October 1, 2015 to June 30, 2016				<u>1,724,569</u>	
Total Admin & Svcs Expenses July 1, 2015 to June 30, 2016				2,023,520	
Services Expenses as reported to ISDH for June 2016 on 7/26/2016	1,643,124	3,187,000	(1,543,876)		
Administrative & Services Expenses as reported to ISDH for June 2016 on 7/26/2016	1,724,569	3,500,000	(1,775,431)		

REAL ALTERNATIVES

RECONCILIATION OF CASH RECEIVED BY INDIANA PREGNANCY & PARENTING SUPPORT SERVICES TO STATEMENT OF FUNCTIONAL EXPENSES

PERIOD JULY 1, 2015 to JUNE 30, 2016

Cash received from ISDH by the Indiana Pregnancy & Parenting Support Services Grant Agreement A70-5-041137 & 0000000000000000000014694	\$ 1,634,955
Adjustments due to financial records being kept according to generally accepted accounting principles accepted in the United States of America (GAAP) per contract with ISDH, Contract No. A70-5-041137 & 0000000000000000000014694	
1. Expenses classified as assets and liabilities not accounted for as functional expenses under GAAP	(361)
2. Depreciation expense	5,027
3. Expenses incurred but not reimbursed	364,953
4. Prior year contract revenue returned to ISDH	<u>(235)</u>
Total functional expenses for Program Services - Indiana Pregnancy & Parenting Support Services Program, in accordance with GAAP	<u>\$ 2,004,339</u>

REAL ALTERNATIVES

INDIANA PREGNANCY & PARENTING SUPPORT SERVICES PROGRAM
ISDH CONTRACT NO. A70-5-041137 & 0000000000000000000014694

STATEMENT OF PROGRAM GENERATED INCOME AND INTEREST EARNED

PERIOD JULY 1, 2015 to JUNE 30, 2016

	<u>Additional Cash Earned Available for Program Use</u>	<u>2016 Total Expended for Counseling Reimbursement</u>	<u>Unused Balance</u>
Interest earned	\$ 82	\$ -	\$ 82
Other funds	-	-	-
	<u>\$ 82</u>	<u>\$ -</u>	<u>\$ 82</u>

REAL ALTERNATIVES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services			
Passed through Pennsylvania			
Department of Human Services			
Temporary Assistance for Needy Families	93.558	4100060934	\$ 999,996
Passed through Indiana State			
Department of Health			
Temporary Assistance for Needy Families	93.558	A70-5-041137	298,950
Temporary Assistance for Needy Families	93.558	0000000000000000000014694	<u>1,724,570</u>
 Total expenditures of federal awards			 <u>\$ 3,023,516</u>

NOTES:

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedules) includes the federal grant activity of Real Alternatives for the year ended June 30, 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). Because the Schedule presents only a selected portion of the operations of Real Alternatives, it is not intended to and does not present the financial position, changes in net assets or cash flows of Real Alternatives.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

INDEPENDENT AUDITOR'S 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

The Board of Directors
Real Alternatives
Harrisburg, Pennsylvania

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 Real Alternatives (a nonprofit organization), which comprise the statement of financial position as of June 30, 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 November 3, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Real Alternatives' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Real Alternatives' 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.

(continued)

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 Real Alternatives' 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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
November 3, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Directors
Real Alternatives
Harrisburg, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited Real Alternatives' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Real Alternatives' major federal programs for the year ended June 30, 2016. Real Alternatives' 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Real Alternatives' 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 Real Alternatives' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

(continued)

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 Real Alternatives' compliance.

Opinion on Each Major Federal Program

In our opinion, Real Alternatives 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 June 30, 2016.

Report on Internal Control Over Compliance

Management of Real Alternatives 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 Real Alternatives' 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 Real Alternatives' 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.

McKonly & Asbury, LLP

Camp Hill, Pennsylvania
November 3, 2016

REAL ALTERNATIVES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2016

Prior Year Findings

None.

REAL ALTERNATIVES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2016

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Real Alternatives were prepared in accordance with GAAP.
2. No material weaknesses were identified during the audit of the financial statements and reported in the Independent Auditor's 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*.
3. No instances of noncompliance material to the financial statements of Real Alternatives, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No material weaknesses were identified during the audit of the major federal award programs and reported in the Independent auditor's Report on compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for Real Alternatives expresses an unmodified opinion on all major programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR section 200.516 (a).
7. The program tested as a major program was:

Temporary Assistance for Needy Families (CFDA #93.558)
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Real Alternatives, the auditee, was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

None.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None.

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