Aldea, Inc.
dba Aldea Children and Family Services

Financial Statements
and Single Audit Reports and Schedules

June 30, 2016
(With Comparative Totals for 2015)

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Aldea, Inc.
dba Aldea Children and Family Services
Napa, California

We have audited the accompanying financial statements of Aldea, Inc. dba Aldea Children and Family Services (a California nonprofit corporation) (the "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.

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 (the "U.S."); 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the U.S. and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the U.S. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aldea, Inc. dba Aldea Children and Family Services as of June 30, 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 U.S.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2016, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

The financial statements of Aldea, Inc. dba Aldea Children and Family Services as of June 30, 2015, were audited by other auditors whose report dated September 16, 2015, expressed an unmodified opinion on those statements. Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Armanino LLP

ArmaninoLLP
San Ramon, California

August 31, 2016

Aldea, Inc.
dba Aldea Children and Family Services
Statement of Financial Position
June 30, 2016
(With Comparative Totals for 2015)

	2016	2015
ASSETS		
Cash and cash equivalents	$ 1,567,442	$ 1,730,275
Accounts receivable	1,434,644	1,746,550
Contributions receivable	405,239	-
Prepaid expenses and deposits	203,473	294,788
Property and equipment, net	7,400,061	6,749,119
Construction in progress	17,924	-
Total assets	$ 11,028,783	$ 10,520,732
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$ 187,448	$ 157,709
Accrued liabilities	645,423	625,560
Accrued unemployment liability	24,291	48,853
Notes payable	1,582,248	1,069,837
Total liabilities	2,439,410	1,901,959
Net assets		
Unrestricted net assets	8,115,588	8,472,677
Temporarily restricted net assets	473,785	146,096
Total net assets	8,589,373	8,618,773
Total liabilities and net assets	$ 11,028,783	$ 10,520,732

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

Aldea, Inc.
dba Aldea Children and Family Services
Statement of Activities
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	2016	2015
Unrestricted net assets		
Revenues, gains and other support		
Program service fees	$ 9,734,584	$ 9,924,011
Contributions and grants	1,107,159	1,326,609
Gains on disposal of assets	-	1,194,720
Other income	3,877	15,066
Rental income	18,103	6,550
Interest income	2,135	3,137
Special events, net of expenses of $6,692	(2,200)	(5,207)
Net assets released from restrictions	98,550	5,901
Total unrestricted revenues, gains and other support	10,962,208	12,470,787
Expenses		
Program Services	9,797,174	10,002,465
Management and General	1,177,424	1,097,315
Fundraising	344,699	237,939
Total expenses	11,319,297	11,337,719
Change in unrestricted net assets	(357,089)	1,133,068
Temporarily restricted net assets		
Contributions and grants	426,239	40,000
Net assets released from restrictions	(98,550)	(5,901)
Change in temporarily restricted net assets	327,689	34,099
Change in net assets	(29,400)	1,167,167
Net assets, beginning of year	8,618,773	7,451,606
Net assets, end of year	$ 8,589,373	$ 8,618,773

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

Aldea, Inc.
dba Aldea Children and Family Services
Statement of Functional Expenses
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	Program Services	Management and General	Fundraising	2016 Total	2015 Total
Personnel expenses					
Salaries and wages	$ 5,200,310	$ 760,243	$ 204,280	$ 6,164,833	$ 6,251,958
Employee benefits	1,660,613	175,671	54,627	1,890,911	1,858,184
Total personnel expenses	6,860,923	935,914	258,907	8,055,744	8,110,142
Foster family payments	1,225,937	-	-	1,225,937	1,200,395
Facilities	380,877	51,508	4,271	436,656	460,951
IT and telephone	268,378	38,344	8,938	315,660	333,966
Depreciation and amortization	224,697	56,923	3,858	285,478	261,930
Program	160,532	-	11,124	171,656	241,177
Office	128,346	9,115	14,222	151,683	140,231
Training and conferences	114,117	6,812	9,341	130,270	127,648
Transportation and auto	95,903	9,800	1,463	107,166	124,023
Professional fees	179,810	26,883	5,038	211,731	117,864
Other	157,654	42,125	27,537	227,316	219,392
	$ 9,797,174	$ 1,177,424	$ 344,699	$ 11,319,297	$ 11,337,719

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

Aldea, Inc.
dba Aldea Children and Family Services
Statement of Cash Flows
For the Year Ended June 30, 2016
(With Comparative Totals for 2015)

	2016	2015
Cash flows from operating activities		
Change in net assets	$ (29,400)	$ 1,167,167
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	285,478	261,930
Donated property and equipment	-	(21,594)
Gain on disposal of property and equipment	-	(1,194,720)
Changes in operating assets and liabilities		
Accounts receivable	311,906	(328,840)
Contribution receivable	(405,239)	-
Prepaid expenses and deposits	56,311	1,221
Accounts payable	29,739	(103,664)
Accrued liabilities	19,863	37,374
Accrued unemployment liability	(24,562)	14,998
Deferred revenue	-	(166,667)
Net cash provided by (used in) operating activities	244,096	(332,795)
Cash flows from investing activities		
Purchase of property and equipment	(350,090)	(332,256)
Net proceeds from sale of property	-	1,591,153
Net cash provided by (used in) investing activities	(350,090)	1,258,897
Cash flows from financing activities		
Principal payments on notes payable	(56,839)	(194,550)
Net cash used in financing activities	(56,839)	(194,550)
Net increase (decrease) in cash and cash equivalents	(162,833)	731,552
Cash and cash equivalents, beginning of year	1,730,275	998,723
Cash and cash equivalents, end of year	$ 1,567,442	$ 1,730,275

Supplemental disclosure of cash flow information

Cash paid during the year interest	$ 52,263	$ 42,462

Supplemental schedule of noncash investing and financing activities

Property purchased with notes payable	$ 569,250	$ 341,250

Aldea, Inc.
dba Aldea Children and Family Services
Notes to Financial Statements
June 30, 2016

1. NATURE OF OPERATIONS

Aldea, Inc. dba Aldea Children and Family Services (the "Organization") was incorporated as a nonprofit corporation in 1972. The mission is to improve lives and create bright futures for the people it serves by providing professional mental health, child welfare, and support services in a manner that respects dignity and individuality of each person. The Organization provides outpatient and community-based therapy, treatment foster care, adoption services, and school-based programs and treatment for youth and their families, as well as support services for adults with developmental disabilities. Support for the Organization comes from contracts with government agencies, private foundations, fundraising events, and contributions from the general public.

Intensive Treatment Foster Care - Specialized therapeutic and behavioral support services are provided to severely neglected and abused foster children to help them live successfully in an Aldea foster home.

Treatment Foster Care - The Organization's treatment foster care program includes long-term and emergency foster care. Services provided by social workers include clinical assessment in placement, comprehensive case management, group therapy, in-home counseling, supervised visits, and family therapy with their birth family. Other specialized augmented services include respite care, psychological and psychiatric treatment, nonpublic school and additional educational services such as tutoring and mentoring.

Adoption Services - If children from the Organization foster care programs cannot live with their birth family, the Organization matches them with a "forever family" by recruiting potential adoptive families and supporting them for a successful long-term outcome.

School-Based Day Treatment Program - This program provides a therapeutic educational setting for emotionally challenged adolescents who cannot function in a public school setting. The academic program is supplemented with substantial mental health services such as comprehensive psychiatric, psychological, social, educational, and neurological evaluation. Other services include, direct treatment services to children and families and consultation and liaison to community agencies. Students are transferred by the Napa Valley Unified School District.

Outpatient and Community Based Mental Health Services - The Organization's outpatient and community based mental health services are provided to children and families by therapists, psychologists, and psychiatrists. Services are provided at the Organization clinics, local schools and partner agencies or in the home and include individual, group and family therapy, psychological evaluation and testing, psychiatric assessment and case management. The Organization also offers support groups, education and advocacy groups for parents of children with emotional challenges.

1. NATURE OF OPERATIONS (continued)

Supported Living Services - The Organization provides supportive services to adults with developmental disabilities who require long-term, organized assistance to live safely and independently in their own homes. Services include daily living skills and community access training, case management, job support, groups, and recreational activities.

Substance Abuse Prevention and Treatment - The Organization educates the community about youth substance abuse issues and provides school-based substance abuse prevention and early or brief intervention services; substance abuse screening, assessment, counseling, and treatment services; family education and parental support; aftercare services for youth following their completion of the program; and tattoo removal services through a partnership with Queen of the Valley Medical Center.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

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

Net assets and changes therein are classified as follows:

- *Permanently restricted net assets* - net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The Organization has no permanently restricted net assets at June 30, 2016.
- *Temporarily restricted net assets* - net assets subject to donor-imposed stipulations that may or will be met by actions of the Organization and/or the passage of time.
- *Unrestricted net assets* - net assets not subject to donor-imposed stipulations.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on assets and liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor restriction or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

Cash and cash equivalents

The Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. The Organization places its cash and temporary cash investments with high credit quality institutions. Periodically, such investments may be in excess of federally insured limits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts receivable

Accounts receivables represent billed and uncollected service revenues provided under government and private company contracts.

The Organization uses the allowance method to account for uncollectible tuition and fees. Based on historical write-offs, and the current aging status of its receivables, the Organization has established an allowance for doubtful accounts at a level considered adequate to cover anticipated credit losses on outstanding account receivable. Accounts are monitored by management on an ongoing basis and are written off by the Organization when it has been determined that all available collection avenues have been exhausted. Management believes that all of its accounts are collectible; accordingly, no allowance for doubtful accounts is recorded at June 30, 2016.

Contributions receivable

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Donated services are recorded as contributions at their estimated fair value only in those instances where the services create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing those skills, and would need to be purchased if not provided by donation. Contributions to be received after one year are recorded at the present value of their estimated future cash flows. The discount on these amounts is computed using risk adjusted market interest rates applicable to the years in which the promise was received. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is established based upon management's judgment including such factors as prior collection history and current age status of the contribution receivable. At June 30, 2016, management has determined that no allowance for uncollectible contributions was required.

Property and equipment

The Organization capitalizes all property and equipment with a cost greater than $5,000 with an estimated useful life greater than 5 years. Property and equipment is carried at cost or, if donated, at the estimated fair value on the date of the gift. Depreciation is computed on the straight-line basis over the estimated useful lives of related assets. Maintenance and repair costs are charged to expenses as incurred.

Construction in progress is not depreciated until the assets are placed in service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization has characterized the fair value of its assets, based on the priority of the inputs used to value the assets, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities [Level 1], and the lowest priority to unobservable inputs [Level 3]. If the inputs used to measure the assets fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the asset.

Assets recorded in the statements of financial position are categorized based on the inputs to valuation techniques as follows:

Level 1 inputs - These are assets or liabilities where values are based on unadjusted quoted prices for identical assets in an active market that the Organization has the ability to assess.

Level 2 inputs - These are assets or liabilities where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investment.

Level 3 inputs - These are assets or liabilities where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments.

The Organization has no assets or liabilities recorded at fair value on a recurring basis at June 30, 2016.

Revenue recognition

Program revenue is recognized when the related service has been rendered.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

Income tax status

The Organization is a qualified organization exempt from Federal income and California franchise taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax status (continued)

The Organization's recognizes the effects of its income tax positions only if those positions are more likely than not of being sustained. The Organization has evaluated its tax positions and has concluded as of June 30, 2016, the the Organization does not have any significant uncertain tax positions for which a reserve would be necessary.

Functional expenses

Costs of providing the Organization's programs and activities have been summarized in the statement of functional expenses. During the year, such costs are accumulated into separate groupings as either direct or indirect. Indirect or shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. The Organization uses relative payroll dollars or square feet occupied to allocate indirect costs.

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

Uses of estimates include, but are not limited to, accounting for allowances for doubtful accounts and contributions receivable, depreciation and the allocation of certain indirect costs.

Advertising costs

The Organization expenses advertising costs as incurred. Advertising costs for the year ended June 30, 2016 totaled $73,198.

Comparative financial information

The financial statements include certain prior-year summarized comparative information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015, from which the summarized information was derived. Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Organization has evaluated subsequent events through August 31, 2016, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

3. CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are scheduled to be fully collected in less than one year. Contributions receivable totaled $405,239 at June 30, 2016.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Buildings	$ 5,442,144
Land	2,652,302
Leasehold improvements	233,927
Equipment, furniture, and fixtures	221,452
Vehicles	108,526
	8,658,351
Accumulated depreciation	(1,258,290)
	$ 7,400,061

Depreciation expense for the year ended June 30, 2016 was $ 250,474.

5. ACCRUED LIABILITIES

Accrued liabilities consist of the following:

Accrued salaries	$ 326,379
Accrued vacation	247,300
Other accrued liabilities	71,744
	$ 645,423

6. ACCRUED UNEMPLOYMENT LIABILITY

The Organization has elected to be self-insured for the purposes of California State Unemployment Insurance. Accrued unemployment liability at June 30, 2016 of $24,291 represents estimated future claims arising from payroll paid as of June 30, 2016. In management's opinion, the reserve is considered to be adequate to cover any potential claims. Unemployment expenses for the year ended June 30, 2016 was $27,083.

7. LINE OF CREDIT

On April 5, 2016, the Organization entered into a line of credit agreement with Bank of Napa, to borrow up to $500,000. The line of credit, which expires on April 14, 2017, bears interest at the Wall Street Journal Prime plus 1.50% per annum (4.75% at June 30, 2016). There were no amounts outstanding as of June 30, 2016.

8. NOTES PAYABLE

Notes payable are detailed as follows:

Note payable to California Health Facilities Financing Authority, payable in monthly principal and interest payments of $5,387, bearing interest at 3%, secured by real property, maturing in May 2029.	$ 691,459
Note payable to Mechanics Bank, payable in monthly principal and interest payments of $1,855, bearing interest at 4.22%, secured by real property, maturing in September 2024.	327,155
Note payable to Bank of Napa, payable in monthly principal and interest payments of $2,907, bearing interest at 4.5%, secured by real property, maturing in November 2030.	563,634
	1,582,248
Current portion	(62,651)
	$ 1,519,597

8. NOTES PAYABLE (continued)

The future maturities of the notes payable are as follows:

Year ending June 30,		
2017	$	62,651
2018		64,819
2019		67,065
2020		69,356
2021		71,799
Thereafter		1,246,558
	$	1,582,248

Under the terms of the notes payable, the Organization has agreed to maintain specific financial covenants for which the Organization was in compliance at June 30, 2016.

Interest expense for the year ended June 30, 2016 was $52,263.

9. COMMITMENTS AND CONTINGENCIES

The Organization leases various facilities, vehicles, and equipment under operating leases with various terms.

The scheduled minimum lease payments under the lease terms are as follows:

Year ending June 30,		
2017	$	253,630
2018		266,452
2019		270,222
2020		275,804
2021		293,047
	$	1,359,155

10. EMPLOYEE BENEFIT PLAN

The Organization sponsors a 403(b) Thrift Plan (the "Plan") for all eligible employees. The Organization makes discretionary contributions and matching contributions up to 5% of the eligible employees' annual compensation. During the year ended June 30, 2016, the Organization contributed $225,434 to the Plan.

11. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

Lillian Foster scholarship fund	$	43,416
Peer court		21,539
All others		3,591
	$	68,546

Temporarily restricted net assets released from restriction during the year were as follows:

Evening reporting center	$	56,050
Taboo tattoo		20,000
All others		22,500
	$	98,550

The Organization is the trustee of the Lillian Foster Scholarship Fund (the "Scholarship Fund"). The Scholarship Fund is to be used only for post high school education of Hispanic residents of Napa County. With an initial contribution of $50,000, three specific beneficiaries were named. However, after the expiration of the time under which these original beneficiaries may receive distributions, the Organization will continue to administer the trust to qualifying beneficiaries of their choosing until July 2018, after which the Organization may determine the practicality of maintaining the fund, or use the principal and income for other purposes.

12. CONCENTRATIONS

The receivable balance outstanding at June 30, 2016 consists primarily of government contract receivables due from county, state, and federal granting agencies. Concentrations of credit risks with respect to accounts receivable are limited, as the majority of the Organization's receivables consist of earned fees from contract programs granted by governmental agencies.

SINGLE AUDIT REPORTS AND SCHEDULES

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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*

To the Board of Directors
Aldea, Inc.
dba Aldea Children and Family Services
Napa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America (the "U.S.") 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 Aldea, Inc. dba Aldea Children and Family Services (a California nonprofit corporation) (the "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 August 31, 2016.

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 opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies 2016-001.

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*.

The Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Armanino LLP

Armanino LLP
San Ramon, California

August 31, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Aldea, Inc.
dba Aldea Children and Family Services
Napa, California

Report on Compliance for Each Major Federal Program

We have audited Aldea, Inc. dba Aldea Children and Family Services (a California nonprofit corporation) (the "Organization")'s 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 June 30, 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.

Auditor's 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 "U.S."); the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the U.S.; 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* (the "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 June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-002. Our opinion on each major federal program is not modified with respect to these matters.

The Organization's response to the noncompliance findings identified in our audit are described in the accompanying schedules of findings and questioned costs. The Organization's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-002, that we consider to be a significant deficiency.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the Organization's financial statements as of and for the year ended June 30, 2016, and have issued our report thereon dated August 31, 2016, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 U.S. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Armanino LLP

ArmaninoLLP
San Ramon, California

August 31, 2016

Aldea, Inc.
dba Aldea Children and Family Services
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Federal Expenditures
Expenditures of Federal Awards			
U.S. Department of Health and Human Services ("DHHS")			
Pass-through program from the State of California Department of Social Services ("CDSS"):			
Foster Care Title IV-E	93.658	Unknown	$ 1,554,767
Adoption Assistance	93.659	Unknown	40,000
Substance Abuse and Mental Health Services	93.243	Unknown	37,190
Total Program Name			1,631,957
Pass-through program from Chabot Las Positas Community College District:			
Foster Care Title IV-E	93.658	Unknown	169,593
Total Program Name			169,593
Pass-through program from Napa County Health and Human Services Agency:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Unknown	15,432
Total Program Name			15,432
Pass-through program from Child Start Inc.:			
Head Start	93.600	Unknown	6,200
Total Program Name			6,200
Total U.S. Department of Health and Human Services ("DHHS")			1,823,182
U.S. Department of Education			
Pass-through program from Napa County Office of Education:			
Title I Grants to the Local Education Agencies	84.010	Unknown	4,000
Total U.S. Department of Education			4,000
Total Expenditures of Federal Awards			$ 1,827,182

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

Aldea, Inc.
dba Aldea Children and Family Services
Notes to Schedule of Expenditures of Federal Awards
June 30, 2016

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Aldea, Inc. dba Aldea Children and Family Services (the "Organization") under programs of the federal government 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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 for limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable.

Aldea, Inc.
dba Aldea Children and Family Services
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Identification of major programs:	

Name of Federal Program or Cluster	CFDA Number
Foster Care Title IV-E	93.658

Dollar threshold used to distinguish between Type A and Type B programs	$750,000
Auditee qualified as low-risk auditee?	Yes

Aldea, Inc.
dba Aldea Children and Family Services
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

Finding number:	**2016-001**
Criteria:	In accordance with external reporting for non-profit organizations, restricted contributions should be recorded as restricted revenue when unconditionally promised. Net assets released from restriction should be recorded when the purpose and/or time restriction related to the restricted net assets has been satisfied.
Condition:	Net assets released from restriction and restricted contributions are recorded directly to net asset accounts.
Cause:	There is a general ledger system limitation which does not allow the Organization to track the restricted revenue and releases according to the above criteria. Currently there is no mitigating manual reconciliation control as part of the close process.
Effect or potential effect:	Audit adjustments were proposed during the audit to correctly state restricted contribution revenue, net assets released from restriction and net asset balances.
Recommendation:	We recommend management work with a consultant for the general ledger system to see if the limitation can be overcome. In the absence of a system fix, we recommend management design and implement a manual reconciliation control to correctly account for restricted contribution revenue, net assets released from restriction and net assets at a recurring interval that is at least quarterly but not less than on an annual basis. The Organization should consider the time and effort with the benefit during periods where there is lower or higher volume of restricted transaction activity.
View of responsible officials:	Management acknowledges that some restricted contributions were inadvertently not recorded in the general ledger in accordance with GAAP.

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding number:	**2016-002**
CFDA number:	93.658
CFDA title:	Foster Care Title IV-E
Federal award identification number and year:	Unknown
Name of federal agency:	US Department of Health and Human Services
Name of pass-through entity:	State of California Department of Social Services
Repeat finding:	No

Aldea, Inc.
dba Aldea Children and Family Services
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016

SECTION III -SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (continued)

Criteria:	The California State Department of Social Services issues Foster Family Agency Rate (FFAR) listings for authorized foster family agencies. The FFAR provides a breakout of the federal and nonfederal rate per participant per age. The Organization should use this information to calculate the actual federal expenditures for purposes of reporting the expenditures on the Schedule of Expenditures of Federal Awards (SEFA). Additionally, there is a feature within the Assistance to Children in Emergency (ACE) system to allow the Organization to capture the federal and nonfederal expenditure calculation monthly.
Condition:	Expenditures for the program recorded on the SEFA as of the yearend are estimates based on application of the FFAR to total reimbursed revenue by participant after the fact. This calculation is not been traditionally performed until during the time of audit fieldwork.
Cause:	The Organization does utilize the ACE system to track monthly federal and nonfederal expenditures.
Possible effect:	Expenditures reported on the SEFA could be over or understated based on the lack of expenditure tracking during the year. The over or under reporting of expenditures could lead to material noncompliance with direct and material compliance requirements that would not be prevented, detected or corrected by the Organization's internal controls over compliance.
Questioned cost:	No
Recommendation:	We recommend the Organization utilize the ACE system features to track the federal portion of expenditures related to the Foster Care Program. The expenditures should be reconciled to the SEFA at least quarterly as part of the quarterly close process.
Views of responsible officials:	Management acknowledges that it has not performed regular calculations of amounts to be reported on the Schedule of Federal Awards during the fiscal year.

SECTION IV - STATUS OF PRIOR YEAR FINDINGS

There were no prior year findings.

SECTION V - CORRECTIVE ACTION PLAN

Management has installed new policies and procedures that will enable timely accurate accounting for restricted contributions. In addition management intends to engage a consultant to make permanent changes to the accounting system configuration to facilitate reporting of restricted contributions in accordance with GAAP. Management will cause the accounting department to calculate the federal award amounts received on a regular basis during the fiscal year.