



**Harrington Group**  
CERTIFIED PUBLIC ACCOUNTANTS, LLP

J. Joseph Harrington  
Emeritus

Job M. Quesada  
Sean E. Cain  
Tonetta L. Conner

**ALDEA, INC.**  
**DBA ALDEA CHILDREN AND FAMILY SERVICES**

---

**FINANCIAL STATEMENTS,  
SUPPLEMENTAL SCHEDULE,  
and  
ADDITIONAL INFORMATION**

**JUNE 30, 2013**

## CONTENTS

---

Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14
Supplemental Schedule:	
Schedule of Expenditures of Federal Awards	15
Additional Information:	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	16
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	17-18
Schedule of Findings and Questioned Costs	19



J. Joseph Harrington  
Emeritus

**Harrington Group**  
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Job M. Quesada  
Sean E. Cain  
Tonetta L. Conner

## INDEPENDENT AUDITORS' REPORT

---

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Aldea, Inc. dba Aldea Children and Family Services (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2013, and the related Statements of Activities, Functional Expenses, and Cash Flows for the year then ended and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## INDEPENDENT AUDITORS' REPORT

continued

---

### Other Matters

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements of Aldea, Inc. dba Aldea Children and Family Services as a whole. The accompanying Schedule of Expenditures of Federal and Non-federal Awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* is presented for purposes of additional analysis 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 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.

#### *Summarized Comparative Information*

We have previously audited Aldea, Inc. dba Aldea Children and Family Services' 2012 financial statements, and our report dated September 14, 2012 expressed an unmodified opinion on those financial statements. In our opinion the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2013 on our consideration of Aldea, Inc. dba Aldea Children and Family Services' 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 Aldea, Inc. dba Aldea Children and Family Services' internal control over financial reporting and compliance.

*Harrington Group*

San Francisco, California

August 26, 2013

**ALDEA, INC.**  
**DBA ALDEA CHILDREN AND FAMILY SERVICES**

STATEMENT OF FINANCIAL POSITION

June 30, 2013

With comparative totals at June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013</u>	<u>2012</u>
<b>Assets</b>				
Cash and cash equivalents (Note 2)	\$ 838,621	\$ 43,416	\$ 882,037	\$ 983,399
Accounts receivable	1,108,024		1,108,024	947,301
Pledges receivable (Note 3)		123,450	123,450	225,950
Prepaid expenses and deposits	276,320		276,320	156,907
Property and equipment (Note 4)	3,907,499		3,907,499	3,960,371
Property held for sale (Note 5)	220,000		220,000	375,000
	<u>6,350,464</u>	<u>166,866</u>	<u>6,517,330</u>	<u>6,648,928</u>
<b>Total assets</b>	<b>\$ 6,350,464</b>	<b>\$ 166,866</b>	<b>\$ 6,517,330</b>	<b>\$ 6,648,928</b>
<b>Liabilities and net assets</b>				
<b>Liabilities</b>				
Accounts payable	\$ 154,350	\$ -	\$ 154,350	\$ 104,088
Accrued liabilities (Note 6)	637,762		637,762	518,581
Accrued unemployment liability (Note 7)	16,794		16,794	16,212
Notes payable (Note 9)	1,241,663		1,241,663	1,450,352
	<u>2,050,569</u>	<u>-</u>	<u>2,050,569</u>	<u>2,089,233</u>
<b>Total liabilities</b>	<b>2,050,569</b>	<b>-</b>	<b>2,050,569</b>	<b>2,089,233</b>
<b>Net assets</b>				
Unrestricted	4,299,895		4,299,895	4,290,329
Temporarily restricted (Note 11)		166,866	166,866	269,366
	<u>4,299,895</u>	<u>166,866</u>	<u>4,466,761</u>	<u>4,559,695</u>
<b>Total net assets</b>	<b>4,299,895</b>	<b>166,866</b>	<b>4,466,761</b>	<b>4,559,695</b>
<b>Total liabilities and net assets</b>	<b>\$ 6,350,464</b>	<b>\$ 166,866</b>	<b>\$ 6,517,330</b>	<b>\$ 6,648,928</b>

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, 2013

With comparative totals for the year ended June 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2013</u>	<u>2012</u>
<b>Revenue and support</b>				
Program service fees (Note 12)	\$ 8,657,313	\$ -	<b>\$ 8,657,313</b>	\$ 7,700,600
Contributions and grants	339,673		<b>339,673</b>	424,538
Special events, net of expenses of \$41,656 and \$57,681	80,925		<b>80,925</b>	82,224
Other income	57,813		<b>57,813</b>	46,816
Rental income	6,000		<b>6,000</b>	11,200
Interest income	828		<b>828</b>	1,794
Net assets released from program restrictions	102,500	(102,500)	-	-
<b>Total revenue and support</b>	<u>9,245,052</u>	<u>(102,500)</u>	<u><b>9,142,552</b></u>	<u>8,267,172</u>
<b>Expenses</b>				
Program services	8,106,420		<b>8,106,420</b>	7,272,929
Management and general	808,994		<b>808,994</b>	806,094
Fundraising	165,072		<b>165,072</b>	219,548
<b>Total expenses</b>	<u>9,080,486</u>	<u>-</u>	<u><b>9,080,486</b></u>	<u>8,298,571</u>
<b>Change in net assets before impairment loss</b>	164,566	(102,500)	<b>62,066</b>	(31,399)
Impairment loss on assets held for sale (Note 5)	(155,000)		<b>(155,000)</b>	-
<b>Change in net assets</b>	9,566	(102,500)	<b>(92,934)</b>	(31,399)
<b>Net assets, beginning of year</b>	<u>4,290,329</u>	<u>269,366</u>	<u><b>4,559,695</b></u>	<u>4,591,094</u>
<b>Net assets, end of year</b>	<u><u>\$ 4,299,895</u></u>	<u><u>\$ 166,866</u></u>	<u><u><b>\$ 4,466,761</b></u></u>	<u><u>\$ 4,559,695</u></u>

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, 2013  
With comparative totals for the year ended June 30, 2012

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total Expenses</u>	
				<u>2013</u>	<u>2012</u>
Salaries	\$ 4,567,647	\$ 522,002	\$ 97,124	<b>\$ 5,186,773</b>	\$ 4,890,859
Employee benefits	1,228,946	98,175	20,162	<b>1,347,283</b>	1,271,352
Total personnel costs	<u>5,796,593</u>	<u>620,177</u>	<u>117,286</u>	<b>6,534,056</b>	<u>6,162,211</u>
Foster family payments	920,426			<b>920,426</b>	574,307
Facilities	315,614	38,425	1,081	<b>355,120</b>	366,777
IT and telephone	247,229	31,800	4,606	<b>283,635</b>	256,085
Program expenses	215,206			<b>215,206</b>	115,172
Other expenses	135,881	44,845	16,199	<b>196,925</b>	198,605
Depreciation expense	124,968	37,165	1,569	<b>163,702</b>	151,814
Office expenses	109,323	11,121	12,019	<b>132,463</b>	150,337
Auto and travel expenses	108,570	7,560	863	<b>116,993</b>	121,588
Professional fees	73,876	12,593	5,546	<b>92,015</b>	132,466
Training and conferences	<u>58,734</u>	<u>5,308</u>	<u>5,903</u>	<b>69,945</b>	<u>69,209</u>
<b>Total 2013 functional expenses</b>	<b><u>\$ 8,106,420</u></b>	<b><u>\$ 808,994</u></b>	<b><u>\$ 165,072</u></b>	<b><u>\$ 9,080,486</u></b>	
Total 2012 functional expenses	<u>\$ 7,272,929</u>	<u>\$ 806,094</u>	<u>\$ 219,548</u>		<u>\$ 8,298,571</u>

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, 2013

With comparative totals for the year ended June 30, 2012

	2013	2012
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ (92,934)	\$ (31,399)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	163,702	151,814
Impairment loss on assets held for sale	155,000	-
Changes in operating assets and liabilities:		
(Increase) in accounts receivable	(160,723)	(196,957)
Decrease in pledges receivable	102,500	109,025
(Increase) in prepaid expenses and deposits	(119,413)	(30,020)
Increase (decrease) in accounts payable	50,262	(3,690)
Increase in accrued liabilities	119,181	298,732
Increase in accrued unemployment liability	582	16,212
(Decrease) in deferred revenue	-	(15,800)
	<b>218,157</b>	<b>297,917</b>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	(110,830)	(195,021)
	<b>(110,830)</b>	<b>(195,021)</b>
<b>Cash flows from financing activities:</b>		
Principal payments on notes payable	(208,689)	(192,153)
	<b>(208,689)</b>	<b>(192,153)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(101,362)</b>	<b>(89,257)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>983,399</b>	<b>1,072,656</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 882,037</b>	<b>\$ 983,399</b>
<b>Supplemental Disclosure</b>		
Operating activities reflect interest paid of:	<b>\$ 62,451</b>	<b>\$ 75,959</b>

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



**ALDEA, INC.**  
**DBA ALDEA CHILDREN AND FAMILY SERVICES**

NOTES TO FINANCIAL STATEMENTS

---

**1. Organization**

Aldea, Inc. dba Aldea Children and Family Services (“Aldea”) was incorporated as a nonprofit corporation in 1972. The mission is to improve lives and create bright futures for the people it serves. The Organization provides outpatient therapy, group home, treatment foster care, child abuse treatment services, school-based programs and day treatment for children and special needs adults. Support for the Organization comes from contracts with government agencies, private foundations, fundraising events, and contributions from the general public.

**Residential.** Aldea’s residential program provides treatment services to adolescent boys with significant emotional challenges. Residents are referred by county agencies. Twenty-four hour care includes independent living and social skills training, therapy and behavior management.

**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.** Aldea’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 the 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.** Aldea matches children who cannot live with their birth family to 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 Counseling.** Aldea’s outpatient counseling services are provided to children and families by therapists, psychologists and psychiatrists and these services are either provided in the Aldea’s clinics, schools or in the home and includes individual, group and family therapy, psychological evaluation and testing, psychiatric assessment, case management and art therapy.

**Supported Living Services.** 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.

**Parent Education and Support.** Services include information, education, advocacy and support groups for parents of emotionally challenged children. A skill building component is available for the children.

**ALDEA, INC.**  
**DBA ALDEA CHILDREN AND FAMILY SERVICES**

NOTES TO FINANCIAL STATEMENTS

---

**2. Summary of Significant Accounting Policies**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

**Basis of Presentation**

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

**Accounting**

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Aldea are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

**Unrestricted.** These generally result from revenues generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

**Temporarily Restricted.** Aldea reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from program or capital restrictions.

**Permanently Restricted.** These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Aldea to expend all of the income (or other economic benefits) derived from the donated assets. Aldea has no permanently restricted net assets at June 30, 2013.

**Cash and Cash Equivalents**

Aldea has defined cash and cash equivalents as cash in banks and certificates of deposit with an original maturity of three months or less.

**Accounts Receivable**

Accounts receivable are receivables from governmental agencies. Management believes the receivables are 100% collectible. Therefore, no allowance for doubtful accounts has been provided.

**ALDEA, INC.**  
**DBA ALDEA CHILDREN AND FAMILY SERVICES**

NOTES TO FINANCIAL STATEMENTS

---

**2. Summary of Significant Accounting Policies, continued**

**Contributions and Pledges Receivable**

Unconditional promises to give that are expected to be collected within one year are recorded as net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

**Concentration of Credit Risks**

The receivable balance outstanding at June 30, 2013 consists primarily of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risks with respect to accounts receivables are limited, as the majority of Aldea's receivables consist of earned fees from contract programs granted by governmental agencies.

**Property and Equipment**

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to five-thousand dollars and the useful life is greater than one year.

**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, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

**Donated Materials and Services**

Contributions of donated non-cash assets are measured on a non-recurring basis and are recorded at fair value on a non-recurring basis in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value on a non-recurring basis in the period received. For the year ended June 30, 2013, Aldea did not receive any contributed services or materials which met the criteria for recognition.

**ALDEA, INC.**  
**DBA ALDEA CHILDREN AND FAMILY SERVICES**

NOTES TO FINANCIAL STATEMENTS

---

**2. Summary of Significant Accounting Policies, continued**

**Income Taxes**

Aldea is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Aldea in their federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Aldea's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

**Functional Allocation of Expenses**

Costs of providing Aldea's programs and other activities have been presented 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. Aldea uses relative payroll dollars to allocate indirect costs.

**Fair Value Measurements**

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets.

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets.

Level 3 inputs - estimates using the best information available when there is little or no market.

Aldea is required to measure property held for sale at fair value. The specific techniques used to measure fair value for each element is described in the related notes below.

**Comparative Totals**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. 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 Aldea's financial statements for the year ended June 30, 2012 from which the summarized information was derived.

**Reclassification**

Certain amounts from the June 30, 2012 financial statements have been reclassified to conform to the June 30, 2013 presentation.

continued

**ALDEA, INC.**  
**DBA ALDEA CHILDREN AND FAMILY SERVICES**

NOTES TO FINANCIAL STATEMENTS

---

**2. Summary of Significant Accounting Policies, continued**

**Subsequent Events**

On July 18, 2013, Aldea sold its property held for sale for a net proceeds that is approximately equal to the fair value of the property. Management has evaluated subsequent events through August 26, 2013, the date which the financial statements were available.

**3. Pledges Receivable**

Pledges receivable are recorded as support when pledged unless designated otherwise. All pledges are valued at the estimated fair present value and are deemed fully collectible. Accordingly no allowance for uncollectible pledges has been recorded as of June 30, 2013. A discount rate of 3% has been used to calculate the present value of pledges receivable. Total amount of pledges receivable at June 30, 2013, of \$123,450, is expected to be collected as follows:

<u>Year ended June 30,</u>	
2014	\$100,000
2015	<u>38,450</u>
	138,450
Less: unamortized discount on pledges receivable	<u>(15,000)</u>
	<u>\$123,450</u>

**4. Property and Equipment**

Property and equipment at June 30, 2013 consist of the following:

Buildings	\$ 3,212,217
Land	1,318,602
Leasehold improvements	224,064
Work in progress	61,873
Equipment, furniture, and fixtures	131,948
Vehicles	<u>149,007</u>
	5,097,711
Less: accumulated depreciation	<u>(1,190,212)</u>
	<u>\$ 3,907,499</u>

**5. Property Held for Sale**

Aldea is holding for sale a property located in Vallejo, CA. The net book value for the property prior to the recognition of the impairment loss of \$155,000 was \$375,000. The fair value of the property held for sale was \$220,000.

continued

**ALDEA, INC.**  
**DBA ALDEA CHILDREN AND FAMILY SERVICES**

NOTES TO FINANCIAL STATEMENTS

---

**6. Accrued Liabilities**

Accrued liabilities at June 30, 2013 consist of the following:

Accrued salaries	\$289,755
Accrued vacation	272,448
Other accrued liabilities	<u>75,559</u>
	<u>\$637,762</u>

**7. Accrued Unemployment Liability**

Aldea has elected to be self-insured for the purposes of California State Unemployment Insurance. Estimated accrued unemployment liability at June 30, 2013 of \$16,794 represents estimated future claims arising from payroll paid to June 30, 2013. Unemployment expense accrued for the year ended June 30, 2013 was \$25,753.

**8. Line of Credit**

Aldea has a line of credit with a bank, in the amount of \$300,000, at a variable interest rate, currently at 5.00%. At June 30, 2013, there was no outstanding balance on the line of credit.

**9. Notes Payable**

Notes payable at June 30, 2013 consist of the following:

Note payable to Rabobank, payable in monthly principal and interest payments of \$5,740, accruing interest at 4.5%, secured by real property, maturing March 2021.	\$ 848,202
Note payable to California Health Facilities Financing Authority, payable in monthly principal and interest payments of \$2,341, accruing interest at 3%, secured by real property, maturing December 2022.	231,971
Note payable to California Health Facilities Financing Authority, payable in monthly principal and interest payments of \$1,630, accruing interest at 3%, secured by real property, maturing in December 2022.	<u>161,490</u>
	<u>\$1,241,663</u>

**ALDEA, INC.**  
**DBA ALDEA CHILDREN AND FAMILY SERVICES**

NOTES TO FINANCIAL STATEMENTS

---

**9. Notes Payable, continued**

Principal payments on the notes payable are as follows:

<u>Year ended June 30,</u>	
2014	\$ 72,135
2015	70,244
2016	72,890
2017	75,639
2018	77,999
Thereafter	<u>872,756</u>
	<u>\$1,241,663</u>

**10. Commitments and Contingencies**

**Obligations Under Operating Leases**

Aldea leases various facilities, vehicles and equipment under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ended June 30,</u>	
2014	\$225,212
2015	65,725
2016	33,567
2017	<u>710</u>
	<u>\$325,214</u>

Rent expense under operating leases for the year ended June 30, 2013 was \$233,028.

**Contracts**

Aldea's grants and contracts are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously funded program costs and, accordingly, Aldea has a provision in the amount of \$18,978 for the possible disallowance of program costs on its financial statements.

**11. Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2013 consist of the following:

Building fund	\$123,450
Scholarship fund	<u>43,416</u>
	<u>\$166,866</u>

continued

**ALDEA, INC.**  
**DBA ALDEA CHILDREN AND FAMILY SERVICES**

NOTES TO FINANCIAL STATEMENTS

**11. Temporarily Restricted Net Assets, continued**

Aldea is the trustee of the Lillian Foster Scholarship fund, 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, Aldea will continue to administer the trust to qualifying beneficiaries of their choosing.

For the year ended June 30, 2013, net assets released from program restrictions were \$102,500.

**12. Program Service Fees**

Program service fees for the year ended June 30, 2013 consist of the following:

Mental health	\$3,193,388
Foster family agency	1,839,036
Supported living services	1,055,027
Residential	982,447
CARE program	766,707
ADAPT	335,000
School contracts	151,350
Parent network	95,044
First 5	94,121
Community youth services diversion program	82,016
Other program revenues	43,177
Adoption	20,000
	<u>\$8,657,313</u>

**13. Employee Benefit Plan**

Aldea sponsors a 403(b) Thrift Plan for all eligible employees. Aldea makes a discretionary contribution up to five percent of the employees' annual compensation. Pension plan expense for the year ended June 30, 2013 was \$220,608.

**14. Fair Value Measurements**

The table below presents the balances of assets or liabilities measured at fair value on a recurring basis at June 30, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Property held for sale	\$ -	\$220,000	\$ -	\$220,000
Fair value at June 30, 2013	<u>\$ -</u>	<u>\$220,000</u>	<u>\$ -</u>	<u>\$220,000</u>

The fair value of property held for sale has been measured on a recurring basis using quoted prices in active markets for the same or similar assets (Level 2 inputs).



**SUPPLEMENTAL SCHEDULE**

---

**ALDEA, INC.**  
**DBA ALDEA CHILDREN AND FAMILY SERVICES**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
June 30, 2013

<u>Program Name</u>	<u>Federal CFDA No.</u>	<u>Contract Term</u>	<u>Program Award</u>	<u>Federal Expenditures</u>
<b>Federal Awards</b>				
U.S. Department of Health and Human Services ("DHHS"):				
Pass-through the State of California Department of Social Services ("CDSS"):				
Foster Care - Title IV-E (a)	93.658	7/1/12 - 6/30/13	\$ 3,057,524	\$ 992,575
Adoption Assistance	93.659	7/1/12 - 6/30/13	20,000	10,000
<b>Sub-total pass-through CDSS</b>			<u>3,077,524</u>	<u>1,002,575</u>
Pass-through the Child Start Inc.:				
Head Start	93.600	9/1/12 - 8/31/13	5,075	5,075
<b>Total DHHS</b>			<u>3,082,599</u>	<u>1,007,650</u>
U.S. Department of Education ("ED"):				
Pass-through the Napa County Office of Education				
Title I Grants to Local Educational Agencies	84.010	7/1/12 - 6/30/13	25,000	25,000
<b>Total ED</b>			<u>25,000</u>	<u>25,000</u>
<b>Total Federal Awards</b>			<u><b>\$ 3,107,599</b></u>	<u><b>\$ 1,032,650</b></u>

(a) Audited as a major program

**Summary of Significant Accounting Policies:**

- 1) Basis of Accounting - The Schedule of Expenditures of Federal Awards has been reported on the accrual basis of accounting.
- 2) Aldea is exempt from income taxation under Internal Revenue Code Section 501(c)(3) and California Revenue Taxation Code Section 23701d.

See independent auditors' report.

**ADDITIONAL INFORMATION**

---



J. Joseph Harrington  
Emeritus

**Harrington Group**  
CERTIFIED PUBLIC ACCOUNTANTS, LLP

Job M. Quesada  
Sean E. Cain  
Tonetta L. Conner

**Independent Auditors' Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

---

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

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 Aldea, Inc. dba Aldea Children and Family Services ("Aldea"), which comprise the Statement of Financial Position as of June 30, 2013, 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 26, 2013.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

*Harrington Group*

San Francisco, California  
August 26, 2013



**Harrington Group**  
CERTIFIED PUBLIC ACCOUNTANTS, LLP

J. Joseph Harrington  
Emeritus

Job M. Quesada  
Sean E. Cain  
Tonetta L. Conner

**Independent Auditors' Report on Compliance for Each Major Program and  
on Internal Control Over Compliance Required by OMB Circular A-133**

---

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

**Report on Compliance for Each Major Federal Program**

We have audited Aldea, Inc. dba Aldea Children and Family Services' ("Aldea") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Aldea's major federal programs for the year ended June 30, 2013. Aldea's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Aldea's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Aldea'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 Aldea's compliance.

**Opinion on Each Major Federal Program**

In our opinion, Aldea complied, in all material respects, with the 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, 2013.

**Report on Internal Control Over Compliance**

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

**Independent Auditors' Report on Compliance for Each Major Program and  
on Internal Control Over Compliance Required by OMB Circular A-133**  
continued

---

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

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

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

*Harrington Group*

San Francisco, California  
August 26, 2013

**ALDEA, INC.**  
**DBA ALDEA CHILDREN AND FAMILY SERVICES**  
**Schedule of Findings and Questioned Costs**  
For the year ended June 30, 2013

---

**Section I – Summary of Auditors’ Results**

Financial Statements:

Type of auditors’ 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? No

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? No

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

Identification of Major Programs:

U.S. Department of Health and Human Services:

Foster Care – Title IV-E 93.658

**Section II – Financial Statements Findings**

There are no findings required to be reported in accordance with *Generally Accepted Government Auditing Standards*.

**Section III – Federal Award Findings and Questioned Costs**

There are neither findings nor questioned costs for Federal awards as defined in OMB Circular A-133.

**Section IV – Summary Schedule of Prior Year Findings**

None.