CANAL ALLIANCE

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2015

Goranson and Associates, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Canal Alliance
San Rafael, California

We have audited the accompanying financial statements of the Canal Alliance (a nonprofit corporation), which comprise the statement of financial position as of June 30, 2015, 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.

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 United States of America. 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 the Canal Alliance as of June 30, 2015, 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.

Report on Summarized Comparative Information

We have previously audited the Canal Alliances financial statements for the year ended June 30, 2014, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 15, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Goranson and Associates, Inc.

November 12, 2015
Santa Rosa, California

CANAL ALLIANCE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015
(with summarized comparative totals for June 30, 2014)

	2015	2014
ASSETS		
Current assets:		
Cash	$ 813,848	$ 584,241
Short term investments	50,085	-
Grants and contracts receivable	881,257	347,196
Accounts and other receivables	88,688	89,062
Prepaid expenses and other assets	31,319	31,574
Total current assets	1,865,197	1,052,073
Fixed assets:		
Furniture and equipment	415,523	320,323
Leasehold improvements	173,866	156,498
Subtotal	589,389	476,821
Less accumulated depreciation	(424,996)	(364,702)
Net fixed assets	164,393	112,119
Other assets:		
Beneficial interest in assets held by Marin Community Foundation	73,398	72,959
Deposits	2,850	2,850
Total other assets	76,248	75,809
Total assets	$ 2,105,838	$ 1,240,001
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	$ 32,332	$ 12,160
Accrued compensation	85,364	98,417
Deferred revenue	2,350	-
Total liabilities	120,046	110,577
Net assets:		
Unrestricted	837,784	520,950
Temporarily restricted	1,087,008	547,474
Permanently restricted	61,000	61,000
Total net assets	1,985,792	1,129,424
Total liabilities and net assets	$ 2,105,838	$ 1,240,001

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(with summarized comparative totals for the year ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
SUPPORT AND REVENUE:					
Grants and awards	$ 1,325,868	$ 773,733		$ 2,099,601	$ 1,427,950
In-kind contributions	1,390,413			1,390,413	1,040,236
Contributions	1,061,880			1,061,880	998,159
Government contracts	331,461			331,461	301,630
Program fees	126,839			126,839	137,009
Administrative fees	30,000			30,000	37,389
Interest and other income	1,177			1,177	18,161
Net assets released from restriction	234,199	(234,199)		-	-
Total support and revenue	4,501,837	539,534		5,041,371	3,960,534
EXPENSES:					
Program:					
Family resources	1,706,752			1,706,752	1,405,007
Economic development	684,693			684,693	529,933
Children and youth services	572,304			572,304	520,031
Immigration	379,615			379,615	244,752
Volunteers	-			-	177,987
Total program services	3,343,364			3,343,364	2,877,710
Supporting services:					
Management and general	528,203			528,203	432,417
Fundraising	313,436			313,436	348,583
Total supporting services	841,639			841,639	781,000
Total expenses	4,185,003			4,185,003	3,658,710
CHANGE IN NET ASSETS	316,834	539,534		856,368	301,824
NET ASSETS, BEGINNING	520,950	547,474	$ 61,000	1,129,424	327,703
NET ASSETS, ENDING	$ 837,784	$ 1,087,008	$ 61,000	$ 1,985,792	$ 629,527

The accompanying notes are an integral part of these financial statements

CANAL ALLIANCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2015
(with summarized comparative totals for the year ended June 30, 2014)

	Family Resources	Economic Development	Children and Youth Services	Immigration	Total Program Expense	Management and General	Fundraising	Shared costs	2015 Total	2014 Total
Salaries and benefits	$ 333,002	$ 310,878	$ 259,315	$ 279,794	$ 1,182,989	$ 351,402	$ 198,281	$ 128,048	$ 1,860,720	1,897,721
Direct assistance (In-kind)	1,169,130	204,344	15,722	-	1,389,196	1,217	-	-	1,390,413	1,040,236
Client support	19,271	-	742	1,884	21,897	-	-	-	21,897	15,036
Occupancy	51,547	51,172	98,487	36,121	237,327	31,523	35,782	8,604	313,236	277,308
Professional and contract services	22,315	21,076	52,518	500	96,409	21,074	1,015	1,014	119,512	173,400
Scholarships	-	-	44,500	-	44,500	-	-	-	44,500	62,111
Staff development and travel	3,871	1,166	9,503	3,286	17,826	12,799	8,584	1,624	40,833	36,499
Dues, fees and charges	250	-	292	2,701	3,243	7,662	251	847	12,003	8,980
Program books, equipment and supplies	4,428	28,871	5,257	958	39,514	23	244	(5)	39,776	33,559
Program snacks and meals	4,259	762	897	-	5,918	312	-	84	6,314	10,634
Program costs	(533)	256	183	2,640	2,546	25,987	-	-	28,533	(5,728)
Stipends	30,216	-	-	-	30,216	300	-	200	30,716	39,014
Equipment leases and maintenance	-	-	-	-	-	-		23,836	23,836	29,624
Interest expense	-	-	-	-	-	182	-	76	258	2,737
Supplies and equipment	124	172	5,452	416	6,164	2,397	3,741	50,988	63,290	57,122
Insurance	-	-	-	-	-	15,311	-	-	15,311	12,121
Advertising	-	-	-	-	-	-	-	1,502	1,502	18,552
Field trips	-	-	-	-	-	-	-	-	-	634
Postage and printing	666	1,246	53	411	2,376	226	10,546	2,399	15,547	18,113
Operating costs	44,707	41,251	55,884	24,515	166,357	34,289	31,493	(222,323)	9,816	-
Technical support	23,499	23,499	23,499	26,389	96,886	23,499	23,499	(57,188)	86,696	-
Subtotal	1,706,752	684,693	572,304	379,615	3,343,364	528,203	313,436	(60,294)	4,124,709	3,727,673
Depreciation	-	-	-	-	-	-	-	60,294	60,294	51,745
Total expenses	$ 1,706,752	$ 684,693	$ 572,304	$ 379,615	$ 3,343,364	$ 528,203	$ 313,436	$ -	$ 4,185,003	$ 3,779,418

The accompanying notes are an integral part of these financial statement

CANAL ALLIANCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015
(with summarized comparative totals for the year ended June 30, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 856,368	$ 181,116
Adjustments to reconcile change in net assets to cash from operations		
Depreciation	60,294	51,745
Net unrealized gain on investments	(27)	(7,245)
(Increase) decrease in:		
Grants and contracts receivable	(534,061)	67,770
Accounts and other receivables	374	5,790
Prepaid expenses and other assets	255	5,086
Increase (decrease) in:		
Accounts payable and accrued expenses	20,172	(6,110)
Accrued compensation	(13,053)	(2,931)
Due to pass-through agencies	-	(134,862)
Deferred revenue	2,350	-
Total cash provided (used) by operations	392,672	160,359
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(50,497)	-
Purchase of fixed assets	(112,568)	(31,250)
Total cash provided (used) by investing	(163,065)	(31,250)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt		(66,361)
Total cash provided (used) by financing activities		(66,361)
NET CHANGE IN CASH	229,607	62,748
CASH, beginning of year	584,241	521,493
CASH, end of year	$ 813,848	$ 584,241

The accompanying notes are an integral part of these financial statement

NOTE 1 ORGANIZATION

Canal Alliance (Organization) was founded in 1982. For more than three decades, the Organization has been the leading service provider and community advocate for Marin's low-income, Spanish-speaking immigrants. The Organization annually reaches more than 3,000 young people, families and individuals who face multiple challenges. By effectively collaborating with at least 30 other agencies and 400 volunteers, the Organization delivers education services; improves access to community resources; and provides business training and job-seeking support. Programs are successful in moving vulnerable immigrants, who fled their home countries to escape poverty and/or persecution, from crisis to stability and finally to thriving.

Public officials and community caregivers view the Organization as the "go-to" organization to reach the Spanish-speaking, immigrant population of greater Marin County to address immigration integration issues. The Organization and its partners are proud to empower Spanish-speaking, immigrant community members to be fully engaged and participate in our community.

The Organization provides an array of services to address the basic survival, educational and economic development needs of low-income, Spanish-speaking immigrants. The Organization's core services include: Youth Scholarship Program for students, Family Services and Referrals to increase stability, ESL Classes, Immigration Legal Services, Computer Classes, and Healthy Food Distribution.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The accompanying financial statements have been prepared on the accrual basis of the accounting in accordance with accounting principles generally accepted in the United States of America. Under these guidelines, balances and transactions have been presented according to the existence or absence of donor-imposed restrictions.

Unrestricted – Net assets that are not subject to donor-imposed restrictions. These also may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted – Net Assets subject to donor-imposed stipulations that may or will be met by actions of the Organization to meet the stipulations or that become unrestricted at the date specified by the donor.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Permanently Restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. The income from these assets is available for either general operations or specific programs as specified by the donor.

Net assets released from restriction – Temporarily restricted net assets are released to unrestricted net assets when the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed.

Other basis of presentation policies – Revenues or support are reported as increases in unrestricted net assets unless subject to donor-imposed restrictions. If temporary restrictions are fulfilled in the same time period the revenue or support is received, the Organization reports the revenue or support as unrestricted. Expenses are reported as decreased in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless restricted by explicit donor stipulation or by law.

Cash and Cash Equivalents - The Organization considers highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk - The Organization maintains cash balances at local financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At times during the year, the Organization held cash and cash equivalent balances in excess of federally insured limits. The amount in excess of the FDIC limit totaled $621,581 from one institution at June 30, 2015.

Accounts receivable – Receivables are monies due from various sources for services performed the prior month. Allowances for non-payment of receivables are provided based on management's estimates. Management believes receivables at June 30, 2015 will be fully collectible; accordingly, no allowance for uncollectible receivables is recorded.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fair Value Measures - The Organization reports its fair value measures by using a fair value hierarchy defined by generally accepted accounting principles (GAAP) that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3).

The three level of the fair value hierarchy under GAAP are:

Level 1 –Unadjusted quoted prices in active markets accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 –Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Prices for valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (inputs are supported by little or no market activity).

Investments - Investments are certificates of deposits and pooled investment funds and are reported at their fair values in the statement of financial position. The fair value of the certificates of deposits are based upon quoted prices in active markets (Level 1 measurements). The fair value of pooled investment funds is based upon quoted prices for similar securities in active markets (Level 3 measurements). Realized and unrealized gains and losses are included in the change in net assets and are included in the statement of activities as net realized and unrealized gains on investments.

Fixed Assets - The Organization capitalizes all expenditures for property and equipment in excess of $5,000. Fixed assets are carried at cost or at estimated fair market value at date of donation. Depreciation is calculated using the straight-line method over the useful life of the asset, usually five to forty years.

Income Taxes - The Organization is exempt from Federal and State Income taxes under Internal Revenue Code Section 501(c)(3) and California Franchise Tax Board Code Section 23701d. Therefore, no provision for income taxes has been made in the accompanying financial statements. In addition, the Internal Revenue Service has determined the Organization is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Income Taxes, continued - Management of the Organization considers the likelihood of changes by taxing authorities in its filed tax returns and recognizes a liability for or discloses potential significant changes if management believes it is more likely than not for a change to occur, including changes to the Organization's status as a not-for-profit entity. Management believes the Organization met the requirements to maintain its tax-exempt status and, therefore, no provision for income taxes has been provided in these financial statements. The Organization's tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Functional Allocation of Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services.

Donated Services and Items - Some people have contributed amounts of time and inventory to the activities of the Organization without compensation. The financial statements do not reflect the value of those contributed services and items, because no reliable basis exists for determining an appropriate valuation, with the exception for specialized services as allowed by generally accepted accounting principles.

Summarized Financial Information – 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 the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

NOTE 3 FAIR VALUE MEASUREMENTS AND INVESTMENTS

The following table presents the assets and liabilities recognized in the accompanying statements of financial position that are measured at fair value on a recurring basis and the level within the fair value hierarchy in which those fair value measurements fall at June 30, 2015:

	Total	Level 1	Level 3
Certificates of deposit	$ 50,085	$ 50,085	$ -
Pooled investment funds	73,398	-	73,398
Total	$ 123,483	$ 50,085	$ 73,398

Investment earnings are as follows for the year ended June 30, 2015:

Interest and dividend income	$ 1,177

NOTE 4 BENEFICIAL INTEREST IN ASSETS HELD BY MARIN COMMUNITY FOUNDATION

Assets held by the Marin Community Foundation are essentially an endowed component fund (Fund) for the benefit of the Organization. The Organization has granted the Foundation variance power which gives the Foundation's Board of Trustees (the Trustees) the power to use the Fund for other purposes in certain circumstances. The Fund is subject to the Foundation's investment and spending policies. The Trustees shall determine distributions to be made from assets of the Fund with the advice from the Organization. The recommendations of the Organization are advisory only and not binding on the Trustees. The Trustees may authorize distributions consistent with the prevailing spending rule of the Foundation at such intervals as they shall deem appropriate after having considered the recommendations for the Organization. The Organization reports the fair value of the Fund as Beneficial Interest in Assets Held by the Marin Community Foundation in the statement of financial position and reports distributions received as investment income. Changes in the value of the Fund are reported as gains or losses in the statement of activities.

Balance, beginning of year	$ 72,959
Interest, dividends, unrealized gains	439
Balance at June 30, 2015	$ 73,398

NOTE 5 LINE OF CREDIT

The Organization has a revolving line of credit for $200,000 with Bank of Marin. The line of credit expires January 2016. As of June 30, 2015, there is no outstanding balance. Interest is payable at prime rate plus 1.5 percent, which was 4.75 percent at June 30, 2015. The line of credit is secured by substantially all assets of the Organization. There are non-financial covenants related to this line of credit that the Organization must comply with.

NOTE 6 UNRESTRICTED NET ASSETS

Unrestricted net assets at June 30, 2015 are as follows:

Net investment in fixed assets	$ 164,393
Undesignated	673,391
Total	$ 837,784

NOTE 7 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of June 30, 2015 are as follows:

Family resources	$ 315,000
Immigration	249,109
Economic development	205,400
UP!	172,500
General operations	145,000
Total	$ 1,087,009

NOTE 8 PERMANENTLY RESTRICTED NET ASSETS

The Organization received donations which must be invested in perpetuity and remain permanently restricted. Only the earnings from the investment may be used at the Board's discretion. Any negative changes in the fair value of these funds must come out of the Organization's unrestricted or temporarily restricted funds, and would, therefore, not change the permanently restricted amount.

NOTE 8 PERMANENTLY RESTRICTED NET ASSETS (continued)

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted California's enacted version of the *Uniform Prudent Management of Institutional Funds Act* (UPMIFA) as requiring the preservation of the fair market value of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund
(2) The purposes of the Organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the Organization
(7) The investment policies of the Organization

Funds with deficiencies: From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration.

During the year ended June 30, 2015, the Organization received investment income and appreciation of $439 which had not been appropriated for expenditure.

Changes in the Beneficial Interest in Assets Held by Marin Community Foundation for the year ended June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beneficial interest, beginning	$ 11,959	$ -	$ 61,000	$ 72,959
Investment income	439	-	-	439
Beneficial interest, June 30, 2014	$ 12,398	$ -	$ 61,000	$ 73,398

NOTE 9 NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of the other events specified by donors during the year ended June 30, 2015 as follows:

Economic development	$ 37,500
Children and youth services	5,000
Immigration	135,699
General operations – investment activity	56,000
Total	$ 234,199

NOTE 10 RETIREMENT PLAN

The Organization has established a defined contribution retirement plan for eligible employees, sponsored by the Organization through Vanguard and American Funds. Employees are eligible if they are 21 years of age or older. All eligible employees may make voluntary contributions by salary reduction to the plan, up to the limit allowed by law. The Organization does not contribute to the plan.

NOTE 11 RELATED NONPROFIT ENTITY

The Organization is related to Canal Housing Alliance through common administration, and as a mortgage guarantor. Each organization has a financial interest in the other; however, neither controls the other. Accordingly, consolidation is not permitted.

The amount of mortgages guaranteed at June 30, 2015 was $959,301, for which payments are being made from the rental income earned from the tenants residing in the housing units. Examples of events that would require the Organization to provide a cash payment pursuant to the guarantee include loan default, which would result from Canal Housing Alliance's failure to service its debt when due or noncompliance with financial covenants, and inadequacy of asset collateral.

NOTE 11 RELATED NONPROFIT ENTITY (continued)

Because the fair value of Canal Housing Alliance's asset collateral exceeds the amount of the debt obligation, significant losses are not anticipated, There is currently no recorded liability from potential losses under this guarantee, nor is there any liability for the Organization's obligation to "stand ready" to fund such guarantee. Based on information gathered as part of its monitoring of risks, the Organization believes there is only a remote possibility Canal Housing Alliance will not remain current with its debt payments and the Organization will be required un this guarantee. The latest of the three mortgages expires in March 2034.

A portion of the executive director, the finance director, and the office manager's time is spent working at Canal Housing Alliance. In exchange for the administrative service, the Organization charges an annual fee of $30,000. During the year ended June 30, 2015, Canal Housing Alliance paid $30,000 to the Organization. At June 30, 2015, Canal Housing Alliance owed the Organization $86,602.

A summary of Canal Housing Alliance's unaudited financial information as of and for the year ended June 30, 2015 is as follows:

Assets	$ 1,169,325
Liabilities	1,060,018
Net assets	$ 109,307
Revenue	$ 179,679
Expenses	173,084
Change in net assets	$ 6,595

NOTE 12 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

During the year ended June 30, 2015, the Organization paid $258 in interest.

NOTE 13 COMMITMENTS AND CONTINGENCIES

The Organization is obligated under a non-cancelable operating lease agreement for its facilities at 91 Larkspur Street and 130 Alto Street, San Rafael, California. The monthly lease payments range from $17,058 to $17,749 through the life of the lease. The lease expires in March 2016.

The following is a schedule of the minimum lease commitments for the years ending June 30:

2016	$ 160,952

Rent expense and equipment lease expense for the year ended June 30, 2015 were $213,199 and $23,386, respectively.

Conditions contained within the various contracts awarded to the Organization are subject to the funding agencies' criteria and regulations under which expenditures may be charged against and are subject to audit under such regulations and criteria. Occasionally, such audits may determine that certain costs incurred against the grants may not apply with the established criteria governing them. In such cases, the Organization could be held responsible for repayments to the funding agency for the costs or be subject to reductions of future funding in the amount of such costs. Management does not anticipate any material questioned costs for the contracts and grants administered through the year ended June 30, 2015.

NOTE 14 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through November 12, 2015, the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to June 30, 2015 that would have a material impact on the Organization's results of operations or financial position.