ALTERNATIVES INCORPORATED OF MADISON COUNTY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2020 and 2019

Donovan
CPAs

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Independent Auditors' Report

The Board of Trustees
Alternatives Incorporated of Madison County

Report on the Financial Statements

We have audited the accompanying financial statements of Alternatives Incorporated of Madison County, which comprise the statements of financial position as of June 30, 2020 and 2019 and the related statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Alternatives Incorporated of Madison County as of June 30, 2020 and 2019, and the changes in its net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Donovan

Indianapolis, Indiana
September 30, 2020

ALTERNATIVES INCORPORATED OF MADISON COUNTY

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 609,304	$ 371,433
Short-term investments	506,274	503,646
Grants receivable	98,906	72,667
Other receivables	2,462	16,330
Prepaid expenses	9,444	9,543
Total current assets	1,226,390	973,619
PROPERTY AND EQUIPMENT, NET	2,099,388	2,188,147
OTHER ASSETS		
Long-term investments	15,286	16,717
TOTAL ASSETS	$ 3,341,064	$ 3,178,483
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Loan payable - Paycheck Protection Program	$ 170,767	$ -
Accounts payable	12,135	10,556
Accrued expenses	98,578	83,374
Deferred revenue	20,355	10,250
Total current liabilities	301,835	104,180
NET ASSETS		
Without donor restrictions	2,996,560	3,053,909
With donor restrictions	42,669	20,394
Total net assets	3,039,229	3,074,303
TOTAL LIABILITIES AND NET ASSETS	$ 3,341,064	$ 3,178,483

See independent auditors' report and accompanying notes to the financial statements

ALTERNATIVES INCORPORATED OF MADISON COUNTY

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS

For the Years Ended June 30, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Federal funding	$ 485,668	$ -	$ 485,668	$ 458,280	$ -	$ 458,280
State and local funding	194,704	-	194,704	222,395	-	222,395
Foundation and other grants	59,152	-	59,152	66,435	-	66,435
Contributions:						
United Way of Central Indiana	237,840	-	237,840	119,689	-	119,689
United Way of Madison County	38,082	-	38,082	22,118	-	22,118
Other cash contributions	155,086	40,500	195,586	126,861	-	126,861
In-kind contributions	142,560	-	142,560	127,977	-	127,977
Service revenue	66,863	-	66,863	45,524	-	45,524
Fundraising revenue	43,124	-	43,124	90,493	-	90,493
Investment income, net	10,709	(760)	9,949	21,610	96	21,706
Net assets released from restrictions	17,465	(17,465)	-	1,182	(1,182)	-
Total revenue and support	1,451,253	22,275	1,473,528	1,302,564	(1,086)	1,301,478
EXPENSES						
Program services	1,335,954	-	1,335,954	1,191,704	-	1,191,704
Management and general	118,956	-	118,956	128,910	-	128,910
Fundraising	53,692	-	53,692	52,900	-	52,900
Total expenses	1,508,602	-	1,508,602	1,373,514	-	1,373,514
CHANGE IN NET ASSETS	(57,349)	22,275	(35,074)	(70,950)	(1,086)	(72,036)
NET ASSETS, BEGINNING OF YEAR	3,053,909	20,394	3,074,303	3,124,859	21,480	3,146,339
NET ASSETS, END OF YEAR	$ 2,996,560	$ 42,669	$ 3,039,229	$ 3,053,909	$ 20,394	$ 3,074,303

ALTERNATIVES INCORPORATED OF MADISON COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

	Program Services									
	Crisis Residential	Transitional Housing	Sexual Assault	Children's Advocacy	Family Violence Outreach	Prevention	Total	Management and General	Fundraising	Total
Salaries	$ 364,926	$ 83,336	$ 3,266	$ 71,071	$ 127,300	$ 55,616	$ 705,515	$ 71,934	$ 24,857	$ 802,306
Employee benefits	74,293	15,802	841	15,034	27,225	12,052	145,247	13,945	4,757	163,949
Professional fees	13,966	3,022	118	2,286	4,044	1,809	25,245	2,714	4,613	32,572
Insurance	9,839	2,995	1,018	1,615	486	166	16,119	2,153	205	18,477
Supplies	100,847	11,565	256	8,913	26,970	970	149,521	1,352	14,824	165,697
Telephone	9,445	1,121	53	1,067	1,906	862	14,454	1,140	330	15,924
Postage and delivery	781	194	5	138	293	110	1,521	156	443	2,120
Occupancy	60,349	14,231	4,580	8,176	9,884	956	98,176	10,005	1,012	109,193
Maintenance and repairs	2,637	1,142	19	271	469	208	4,746	288	89	5,123
Printing	1,009	129	12	125	2,012	204	3,491	126	36	3,653
Travel	5,587	322	853	1,067	3,492	1,587	12,908	517	424	13,849
Training and registration	1,115	365	30	429	385	100	2,424	207	25	2,656
Direct client assistance	49,567	10,263	1,021	503	8,582	-	69,936	-	-	69,936
Dues and fees	919	-	-	-	457	-	1,376	-	-	1,376
Depreciation	50,929	14,562	4,639	7,993	3,449	1,308	82,880	10,380	1,347	94,607
Miscellaneous	217	42	2	36	2,069	29	2,395	4,039	730	7,164
	$ 746,426	$ 159,091	$ 16,713	$ 118,724	$ 219,023	$ 75,977	$ 1,335,954	$ 118,956	$ 53,692	$ 1,508,602

See independent auditors' report and accompanying notes to the financial statements

ALTERNATIVES INCORPORATED OF MADISON COUNTY

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2019

	Program Services									
	Crisis Residential	Transitional Housing	Sexual Assault	Children's Advocacy	Family Violence Outreach	Prevention	Total	Management and General	Fundraising	Total
Salaries	$ 325,274	$ 53,544	$ 3,539	$ 65,866	$ 128,914	$ 48,185	$ 625,322	$ 79,257	$ 23,866	$ 728,445
Employee benefits	65,912	9,567	1,318	12,952	24,837	9,025	123,611	16,200	5,007	144,818
Professional fees	14,269	1,206	122	2,082	3,825	1,344	22,848	2,430	3,744	29,022
Insurance	8,513	2,680	911	1,445	435	149	14,133	1,926	183	16,242
Supplies	92,243	11,317	366	4,298	4,019	4,612	116,855	580	15,581	133,016
Telephone	8,611	664	84	972	1,876	673	12,880	1,195	378	14,453
Postage and delivery	779	90	32	144	280	88	1,413	180	517	2,110
Occupancy	56,540	15,318	5,153	7,899	9,799	658	95,367	10,602	961	106,930
Maintenance and repairs	2,124	1,049	16	141	279	95	3,704	183	56	3,943
Printing	395	7	3	18	4,814	64	5,301	18	5	5,324
Travel	4,972	163	150	542	5,351	2,148	13,326	1,014	793	15,133
Training and registration	520	-	267	1,295	627	55	2,764	179	25	2,968
Direct client assistance	50,812	1,700	-	362	10,182	-	63,056	-	-	63,056
Dues and fees	875	-	-	-	357	-	1,232	-	-	1,232
Depreciation	50,355	15,329	5,210	8,265	2,487	851	82,497	11,017	1,050	94,564
Miscellaneous	1,445	286	97	154	5,397	16	7,395	4,129	734	12,258
	$ 683,639	$ 112,920	$ 17,268	$ 106,435	$ 203,479	$ 67,963	$ 1,191,704	$ 128,910	$ 52,900	$ 1,373,514

See independent auditors' report and accompanying notes to the financial statements

ALTERNATIVES INCORPORATED OF MADISON COUNTY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2020 and 2019

	2020	2019
OPERATING ACTIVITIES		
Change in net assets	$ (35,074)	$ (72,036)
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Depreciation	94,607	94,564
Unrealized gain on investments	(5,751)	(17,990)
Loss on disposal of property and equipment	-	1,764
Changes in certain assets and liabilities:		
Grants receivable	(26,239)	39,981
Other receivables	13,868	(7,588)
Prepaid expense	99	(4,730)
Accounts payable	1,579	(12,992)
Accrued expenses	15,204	3,284
Deferred revenue	10,105	1,550
Net cash provided by operating activities	68,398	25,807
INVESTING ACTIVITIES		
Purchases of property and equipment	(5,848)	(6,480)
Proceeds from sale of investments	4,554	49,727
Purchases of investments	-	(204,348)
Net cash used in investing activities	(1,294)	(161,101)
FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	170,767	-
NET CHANGE IN CASH	237,871	(135,294)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	371,433	506,727
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 609,304	$ 371,433

See independent auditors' report and accompanying notes to the financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General – Alternatives Incorporated of Madison County ("Alternatives") is a not-for-profit organization incorporated under the laws of the State of Indiana. Alternatives' purpose is to eradicate domestic and sexual violence through education, prevention, and intervention. Alternatives serves residents of Madison, Hamilton, Hancock, Henry, Tipton, and Marion counties in Indiana. Alternatives' foundation program is an emergency shelter and transitional housing for victims of domestic and sexual violence and homelessness. Prevention and education services include collaborative projects with law enforcement organizations, healthcare providers, employers, governmental agencies, and schools. Outreach services concentrate on rural communities and underserved populations. Children's services include in-shelter preschool and an after school and summer tutoring and activity program for elementary aged children.

Financial Statement Presentation – Alternatives reports its financial position and activities according to two classes of net assets:

- net assets without donor restrictions, which include unrestricted resources that are available for the operating objectives of Alternatives; and
- net assets with donor restrictions, which represent resources restricted by donors for specific time or purpose.

Basis of Accounting and Use of Estimates – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Contributions – Contributions received are measured at their fair values and are reported as an increase in net assets. Alternatives reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

Revenue Recognition – A portion of Alternatives' revenue is the product of cost reimbursement grants. Accordingly, Alternatives recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Revenue under fee for service arrangements is recognized at the time the service delivery requirements are met.

Alternatives has elected to defer implementation of Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 replaces most existing revenue recognition guidance under U.S. GAAP and requires disclosure relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 was to take effect for fiscal years beginning after December 15, 2018, but in May 2020, the Financial Accounting Standards Board allowed for a one-year deferral. Management believes implementation of ASU 2014-09 will not significantly affect how Alternatives recognizes revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Cash and Cash Equivalents – Alternatives considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets.

Property and Equipment – Purchases of assets and expenditures that materially increase value or extend useful lives are capitalized and are included in the accounts at cost. Routine maintenance and repairs, minor replacement costs, and equipment purchases with a unit cost of less than $1,000 are charged to expense as incurred.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives are as follows:

Building	40 years
Equipment	5 to 10 years
Vehicles	7 years

Deferred Revenue – Deferred revenue consists of fees and sponsorships received for events held after the end of the fiscal year.

Taxes on Income – Alternatives Incorporated of Madison County has received a determination from the U.S. Treasury Department stating that it qualifies under the provisions of Section 501(c)(3) of the Internal Revenue Code as a tax exempt organization; however, Alternatives is subject to tax on income unrelated to its exempt purpose. For the years ended June 30, 2020 and 2019, no accounting for federal or state income taxes was required to be included in the accompanying financial statements.

Professional accounting standards require Alternatives to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. Alternatives has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. The tax years ending after 2016 are open to audit for both federal and state purposes.

Subsequent Events – Alternatives evaluated subsequent events through September 30, 2020, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

NOTE 2 - GRANTS RECEIVABLE

Grants receivable are primarily related to grants due from state and federal governmental agencies. Alternatives believes that all claims are within the terms of the grant agreements. As such, no allowance for doubtful accounts has been provided.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment was comprised of the following as of June 30:

	2020	2019
Building	$ 3,194,088	$ 3,194,088
Equipment	117,833	111,985
Vehicles	18,000	18,000
	3,329,921	3,324,073
Less: accumulated depreciation	(1,230,533)	(1,135,926)
Property and equipment, net	$ 2,099,388	$ 2,188,147

Alternatives leases the land underneath its housing facility from Community Hospital of Anderson and Madison County, Inc. under a 35-year lease that terminates on June 30, 2038. The agreement provides for an annual lease payment of $1. Alternatives has the option to extend the lease for three additional 5-year terms.

NOTE 4 - FAIR VALUE MEASUREMENTS

Alternatives reports certain assets at fair value using a three-level hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- *Level 1.* Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

- *Level 2.* Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

  - quoted prices for similar assets or liabilities in active markets;
  - quoted prices for identical or similar assets in markets that are not active;
  - observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
  - inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

- *Level 3.* Unobservable inputs for the asset or liability. Unobservable inputs are used to measure the fair value to the extent that observable inputs are not available.

NOTE 4 - FAIR VALUE MEASUREMENTS, Continued

When available, Alternatives measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.

The primary uses of fair value measures in Alternatives' financial statements are for the recurring measurement of short-term and long-term investments and the valuation of contributions received. Short-term investments represent resources in excess of normal operating needs invested to generate a higher return. Long-term investments represent a beneficial interest in assets held by Madison County Community Foundation, Inc. ("MCCF"). The assets are held in MCCF's general investment fund.

The fair values of the corporate bonds are valued using Level 2 inputs and mutual funds are based on Level 1 inputs. The fair value of the certificates of deposit is estimated to approximate the carrying value due to the short duration of the investment. The fair value of the assets held by MCCF is based on Alternatives' pro rata share of the underlying assets. Because the assets are under the control of MCCF which exercises variance authority, and because the assets cannot be redeemed, there are no observable market transactions for similar assets. As such, the inputs used by Alternatives to value this investment at net asset value.

		Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Assets Measured at NAV [(A)]
June 30, 2020					
Certificates of deposit	$ 102,464	$ 102,464	$ -	$ -	$ -
Bonds	160,298	-	160,298	-	-
High-yield mutual funds	243,512	243,512	-	-	-
Endowment	15,286		-	-	15,286
June 30, 2019					
Certificates of deposit	$ 197,442	$ 197,442	$ -	$ -	$ -
Bonds	89,252	-	89,252	-	-
High-yield mutual funds	216,952	216,952	-	-	-
Endowment	16,717	-	-	-	16,717

[(A)] As noted above, Alternative's assets held by MCCF are measured at fair value using the net asset value per share (or its equivalent) practical expedient. These assets have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

NOTE 5 - PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act which includes a Small Business Paycheck Protection Program (“PPP”) administered through the Small Business Administration. The proceeds from PPP notes payable can be used for costs related to payroll, employee healthcare, rent, and utilities. On April 18, 2020, Alternatives was granted a note payable from First Merchants Bank in the amount of $170,767 pursuant to the PPP under Division A, Title I of the CARES Act. The note matures on April 18, 2022 and bears interest at a rate of 1.00%. To the extent the funds are used for qualifying expenses under the program during the 24-week period beginning on the date of the loan origination, Alternatives may apply for loan forgiveness. Alternatives has determined the PPP note payable represents a financial liability and has accounted for it in accordance with FASB ASC 470, *Simplifying the Classification of Debt*, until forgiveness is obtained. Management believes the funds will be used for qualified expenses and will be fully forgiven. Accordingly, the note payable is included as a current liability on the statement of financial position.

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent resources received from grantors and contributors that had not been expended for donor-restricted purposes or were held in perpetuity. Net assets with donor restrictions were available for the following purposes as of June 30:

	2020	2019
Building maintenance	$ 23,276	$ -
Drug use education	1,003	1,003
School uniforms	2,348	2,348
Other	756	326
Held by MCCF	15,286	16,717
	$ 42,669	$ 20,394

Net assets were released from donor restrictions by incurring expenses or purchasing assets satisfying the restricted purpose. The following purpose restrictions were accomplished during the years ended June 30:

	2020	2019
Building maintenance	$ 16,724	$ -
Other	70	535
Grants from net assets held at MCCF	671	647
	$ 17,465	$ 1,182

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS, Continued

Net assets with donor restrictions held by MCCF represent investment assets permanently held by MCCF. Income from the investments is available to support Alternatives' activities. Under terms of the agreement, MCCF has been granted variance authority related to the fund assets and earnings.

NOTE 7 - GRANT FUNDING

Grant funding was provided through the following sources for the years ended June 30:

	2020	2019
Federal cost reimbursement grants:		
Victims of Crime Act	$ 211,240	$ 180,202
Family Violence and Prevention Services	77,842	70,600
Services-Training-Officers-Prosecutors	51,063	54,309
Emergency Solutions Grant	45,699	45,736
Education for Homeless Children	39,922	33,633
Other	27,310	25,043
Total federal cost reimbursement grants	453,076	409,523
Federal fee for service agreements:		
Title XX	18,600	23,864
Child and Adult Care Food Program	13,992	12,138
Community Development Block Grant	-	12,755
Total federal fee for service agreements	32,592	48,757
Total federal funding	$ 485,668	$ 458,280
State and local funding:		
Domestic Violence Prevention and Treatment	$ 181,092	$ 195,815
Sexual Assault Victims Assistance Fund	8,112	16,709
Other	5,500	9,871
Total state and local funding	$ 194,704	$ 222,395
Foundation and other grants:		
Tipton County Foundation	$ 16,430	$ 12,500
Hendricks County Community Foundation	15,750	-
Central Indiana Women's Fund	8,500	20,000
Christ Church Cathedral	-	12,700
Other	18,472	21,235
Total foundation and other grants	$ 59,152	$ 66,435

NOTE 8 - RETIREMENT PLAN

Alternatives has adopted a defined contribution retirement plan that covers all employees over the age of 21 who work at least 1,000 hours per year and have completed one year of service. Under the plan, Alternatives makes elective contributions based on the amount of compensation of each participant. The contribution rate was 6% in each of the years ended June 30, 2020 and 2019. Expense recognized under the plan was $37,457 and $26,893 during the years ended June 30, 2020 and 2019, respectively.

NOTE 9 - RISKS AND UNCERTAINTIES

The majority of revenues relate directly or indirectly to programs sponsored by federal and state legislation. Changes in government sponsored programs may significantly affect Alternatives.

Alternatives maintains operating cash balances at First Merchants Bank, Star Financial Bank, and PNC Bank. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. Alternatives' cash account with First Merchants Bank exceeded FDIC limits during the year ended June 30, 2020. Alternatives' cash accounts did not exceed FDIC limits at any time during the year ended June 30, 2019.

NOTE 10 - LIQUIDITY

Financial assets for Alternatives include cash and cash equivalents, investments, and grants and other receivables. Following is a schedule of financial assets and the ability thereof to meet cash needs for general expenditures as of June 30:

	2020	2019
Financial assets	$ 1,232,232	$ 980,793
Less those unavailable for general expenditures within one year, due to restrictions by donor with time or purpose	(42,669)	(20,394)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,189,563	$ 960,399

From time to time, Alternatives receives donor restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, Alternatives must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of Alternative's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 11 - FUNCTIONAL EXPENSE REPORTING

The costs of providing activities pertaining to Alternatives' programming have been summarized on a functional basis in the statements of activities and change in net assets. Accordingly, certain expenses have been allocated between program services, management and general, and fundraising expenses.

Management allocates costs among the various functional expense categories using a combination of direct allocation and estimation. Payroll and associated costs are allocated based on employee time records. Other costs are either applied directly to the functional expense category they belong to or allocated using an appropriate basis, generally payroll percentages or square footage.

Donovan CPAs

The Board of Trustees
Alternatives Incorporated of Madison County

We have audited the financial statements of Alternatives Incorporated of Madison County ("Alternatives") as of and for the years ended June 30, 2020 and 2019 and have issued our report thereon dated September 30, 2020. Professional standards require that we advise you of the following matters relating to our audits.

Our Responsibility in Relation to the Financial Statement Audits

As communicated in our engagement letter dated July 24, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audits of the financial statements do not relieve management of its responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audits to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audits, we considered the internal control of Alternatives solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audits that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audits consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, and our firm have complied with all relevant ethical requirements regarding independence.

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Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by Alternatives is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Alternatives has elected to defer implementation of Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 replaces most existing revenue recognition guidance under accounting principles generally accepted in the United States of America and requires disclosure relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. ASU 2014-09 was to take effect for fiscal years beginning after December 15, 2018, but in May 2020 the Financial Accounting Standards Board allowed for a one-year deferral. Management believes implementation of ASU 2014-09 will not significantly affect how Alternatives recognizes revenue.

On April 18, 2020, Alternatives was granted a note payable from First Merchants Bank in the amount of $170,767 pursuant to the PPP under Division A, Title I of the CARES Act. Alternatives has determined the PPP note payable represents a financial liability and has accounted for it in accordance with FASB ASC 470, Simplifying the Classification of Debt, until forgiveness is obtained. To the extent the funds are used for qualifying expenses under the program during the 24-week period beginning on the date of the loan origination, Alternatives may apply for loan forgiveness. Management believes the loan proceeds will be used for qualifying expenses and will be forgiven.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. Estimated useful lives range from 5 to 40 years.

Significant Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. There were no such uncorrected mistatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. A schedule of all identified adjustments is included as an attachment to this letter.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to Alternatives' financial statements or the auditors' report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which were provided in a separate letter dated September 30, 2020.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with Alternatives, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating conditions affecting the entity, and operating plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as Alternatives' auditors.

This report is intended solely for the information and use of the Board of Trustees and management of Alternatives and is not intended to be and should not be used by anyone other than these specified parties.

DONOVAN

Donovan

Indianapolis, Indiana
September 30, 2020

Alternatives Incorporated of Madison County
Proposed Adjusting Journal Entries
Audit of June 30, 2020 Financial Statements

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 101			
PAJE <101> - To capitalize fixed asset purchases.			
1602-1	1602-1 Equipment:Equipment Cost	5,848.00	
9905	9905 Fixed asset purchases:Capital purchases - equipment		5,848.00
Total		**5,848.00**	**5,848.00**
Adjusting Journal Entries JE # 102			
PAJE <102> - To record current year depreciation.			
9909	Depreciation Expense	94,607.00	
1602	1602 Equipment:Equipment Depreciation		8,044.00
1604	1604 Building and Land:Building and Land Depreciation		83,992.00
1610	1610 Vehicles:Vehicles Depreciation		2,571.00
Total		**94,607.00**	**94,607.00**
Adjusting Journal Entries JE # 103			
PAJE <103> - To record current year Madison County Endowment activity.			
4829	4829 Foundations:Madison County Community Foundation	671.00	
6502	6502 Unrealized Gain/Loss	1,323.00	
1007	1007 Madison County Endowment		1,431.00
6501	6501 Interest Earned		563.00
Total		**1,994.00**	**1,994.00**