

ALTERNATIVES INCORPORATED OF MADISON COUNTY

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2018 and 2017



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Donovan CPAs

Independent Auditors' Report

The Board of Directors
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, 2018 and 2017 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

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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, 2018 and 2017, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2018 on our consideration of Alternatives Incorporated of Madison County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 Alternatives Incorporated of Madison County's internal control over financial reporting and compliance.

DONOVAN

A handwritten signature in black ink that reads "DONOVAN". The signature is written in a cursive style with a large, prominent "D" at the beginning.

Indianapolis, Indiana
September 26, 2018

ALTERNATIVES INCORPORATED OF MADISON COUNTY
STATEMENTS OF FINANCIAL POSITION
June 30, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|---|----------------------------|----------------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 506,727 | \$ 557,110 |
| Short-term investments | 330,484 | 318,107 |
| Grants receivable | 112,648 | 73,657 |
| Other receivables | 8,742 | 11,803 |
| Prepaid expenses | <u>4,813</u> | <u>4,899</u> |
| <i>Total current assets</i> | 963,414 | 965,576 |
| PROPERTY AND EQUIPMENT, NET | 2,277,995 | 2,329,687 |
| OTHER ASSETS | | |
| Long-term investments | <u>17,268</u> | <u>16,480</u> |
| TOTAL ASSETS | <u><u>\$ 3,258,677</u></u> | <u><u>\$ 3,311,743</u></u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 23,548 | \$ 18,173 |
| Accrued expenses | 80,090 | 76,815 |
| Deferred revenue | <u>8,700</u> | <u>6,550</u> |
| <i>Total current liabilities</i> | <u>112,338</u> | <u>101,538</u> |
| NET ASSETS | | |
| Unrestricted | | |
| Undesignated | 846,864 | 860,224 |
| Invested in property and equipment | <u>2,277,995</u> | <u>2,329,687</u> |
| <i>Total unrestricted</i> | 3,124,859 | 3,189,911 |
| Temporarily restricted | 4,212 | 3,814 |
| Permanently restricted | <u>17,268</u> | <u>16,480</u> |
| <i>Total net assets</i> | <u>3,146,339</u> | <u>3,210,205</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 3,258,677</u></u> | <u><u>\$ 3,311,743</u></u> |

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, 2018 and 2017

| | 2018 | | | | 2017 | | | |
|---|---------------------|----------------------------------|----------------------------------|---------------------|---------------------|----------------------------------|----------------------------------|---------------------|
| | <u>Unrestricted</u> | Temporarily <u>Restricted</u> | Permanently <u>Restricted</u> | <u>Total</u> | <u>Unrestricted</u> | Temporarily <u>Restricted</u> | Permanently <u>Restricted</u> | <u>Total</u> |
| REVENUE AND SUPPORT | | | | | | | | |
| Federal funding | \$ 441,063 | \$ - | \$ - | \$ 441,063 | \$ 419,567 | \$ - | \$ - | \$ 419,567 |
| State and local funding | 206,260 | - | - | 206,260 | 206,133 | - | - | 206,133 |
| Foundation and other grants | 90,815 | - | - | 90,815 | 129,158 | - | - | 129,158 |
| Contributions: | | | | | | | | |
| United Way of Central Indiana | 144,278 | - | - | 144,278 | 135,645 | - | - | 135,645 |
| United Way of Madison County | 22,660 | - | - | 22,660 | 23,791 | - | - | 23,791 |
| Other cash contributions | 113,505 | 3,135 | 25 | 116,665 | 131,196 | 1,575 | - | 132,771 |
| In-kind contributions | 140,444 | - | - | 140,444 | 174,296 | - | - | 174,296 |
| Service revenue | 27,022 | - | - | 27,022 | 25,072 | - | - | 25,072 |
| Fundraising revenue | 87,157 | - | - | 87,157 | 118,154 | - | - | 118,154 |
| Other revenue | 26,602 | - | - | 26,602 | - | - | - | - |
| Investment income | 1,432 | - | - | 1,432 | 1,011 | - | - | 1,011 |
| Realized and unrealized gain on investments | 11,740 | - | 763 | 12,503 | 24,638 | - | 1,535 | 26,173 |
| Net assets released from restrictions | 2,737 | (2,737) | - | - | 1,667 | (1,667) | - | - |
| <i>Total revenue and support</i> | <u>1,315,715</u> | <u>398</u> | <u>788</u> | <u>1,316,901</u> | <u>1,390,328</u> | <u>(92)</u> | <u>1,535</u> | <u>1,391,771</u> |
| EXPENSES | | | | | | | | |
| Program services: | | | | | | | | |
| Crisis residential | 710,687 | - | - | 710,687 | 720,899 | - | - | 720,899 |
| Transitional housing | 80,346 | - | - | 80,346 | 82,956 | - | - | 82,956 |
| Sexual assault | 21,163 | - | - | 21,163 | 28,371 | - | - | 28,371 |
| Children's advocacy | 113,661 | - | - | 113,661 | 116,961 | - | - | 116,961 |
| Family violence outreach | 192,182 | - | - | 192,182 | 204,834 | - | - | 204,834 |
| Prevention | 83,927 | - | - | 83,927 | 72,621 | - | - | 72,621 |
| <i>Total program services</i> | <u>1,201,966</u> | <u>-</u> | <u>-</u> | <u>1,201,966</u> | <u>1,226,642</u> | <u>-</u> | <u>-</u> | <u>1,226,642</u> |
| Management and general | 132,888 | - | - | 132,888 | 132,351 | - | - | 132,351 |
| Fundraising | 45,913 | - | - | 45,913 | 40,255 | - | - | 40,255 |
| <i>Total expenses</i> | <u>1,380,767</u> | <u>-</u> | <u>-</u> | <u>1,380,767</u> | <u>1,399,248</u> | <u>-</u> | <u>-</u> | <u>1,399,248</u> |
| CHANGE IN NET ASSETS | (65,052) | 398 | 788 | (63,866) | (8,920) | (92) | 1,535 | (7,477) |
| NET ASSETS, BEGINNING OF YEAR | <u>3,189,911</u> | <u>3,814</u> | <u>16,480</u> | <u>3,210,205</u> | <u>3,198,831</u> | <u>3,906</u> | <u>14,945</u> | <u>3,217,682</u> |
| NET ASSETS, END OF YEAR | <u>\$ 3,124,859</u> | <u>\$ 4,212</u> | <u>\$ 17,268</u> | <u>\$ 3,146,339</u> | <u>\$ 3,189,911</u> | <u>\$ 3,814</u> | <u>\$ 16,480</u> | <u>\$ 3,210,205</u> |

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, 2018

| | Program Services | | | | | | | Management and General | Fundraising | Total |
|---------------------------|-------------------------------|---------------------------------|---------------------------|--------------------------------|---|-------------------|---------------------|-----------------------------------|--------------------|---------------------|
| | Crisis Residential | Transitional Housing | Sexual Assault | Children's Advocacy | Family Violence Outreach | Prevention | Total | | | |
| Salaries | \$ 313,333 | \$ 29,454 | \$ 6,988 | \$ 64,539 | \$ 115,739 | \$ 51,490 | \$ 581,543 | \$ 79,378 | \$ 27,573 | \$ 688,494 |
| Employee benefits | 75,755 | 7,502 | 1,567 | 15,925 | 29,175 | 12,790 | 142,714 | 19,478 | 6,863 | 169,055 |
| Professional fees | 19,455 | 1,010 | 162 | 2,369 | 3,796 | 2,274 | 29,066 | 2,701 | 3,775 | 35,542 |
| Insurance | 9,765 | 2,973 | 1,010 | 1,603 | 482 | 165 | 15,998 | 2,136 | 204 | 18,338 |
| Supplies | 116,475 | 7,044 | 247 | 5,811 | 2,099 | 9,504 | 141,180 | 713 | 2,873 | 144,766 |
| Telephone | 8,274 | 573 | 76 | 973 | 1,814 | 772 | 12,482 | 1,108 | 405 | 13,995 |
| Postage and delivery | 999 | 76 | 12 | 187 | 299 | 135 | 1,708 | 195 | 266 | 2,169 |
| Occupancy | 52,841 | 13,740 | 4,533 | 7,340 | 9,998 | 740 | 89,192 | 9,585 | 914 | 99,691 |
| Maintenance and repairs | 4,468 | 2,635 | 364 | 1,364 | 1,913 | 936 | 11,680 | 1,710 | 443 | 13,833 |
| Printing | 927 | 44 | 709 | 110 | 1,519 | 805 | 4,114 | 436 | 60 | 4,610 |
| Travel | 5,456 | 123 | 392 | 2,194 | 6,325 | 2,942 | 17,432 | 646 | 376 | 18,454 |
| Training and registration | 1,846 | 81 | - | 2,896 | 1,960 | 541 | 7,324 | 33 | 95 | 7,452 |
| Direct client assistance | 50,905 | 80 | - | 256 | 1,674 | - | 52,915 | - | - | 52,915 |
| Dues and fees | 875 | - | - | - | 353 | - | 1,228 | - | - | 1,228 |
| Depreciation | 49,313 | 15,011 | 5,103 | 8,094 | 2,436 | 833 | 80,790 | 10,789 | 1,027 | 92,606 |
| Miscellaneous | - | - | - | - | 12,600 | - | 12,600 | 3,980 | 1,039 | 17,619 |
| | <u>\$ 710,687</u> | <u>\$ 80,346</u> | <u>\$ 21,163</u> | <u>\$ 113,661</u> | <u>\$ 192,182</u> | <u>\$ 83,927</u> | <u>\$ 1,201,966</u> | <u>\$ 132,888</u> | <u>\$ 45,913</u> | <u>\$ 1,380,767</u> |

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, 2017

| | Program Services | | | | | | | | | |
|---------------------------|------------------------------|--------------------------------|--------------------------|-------------------------------|---------------------------------------|-------------------|---------------------|-----------------------------------|--------------------|---------------------|
| | Crisis <u>Residential</u> | Transitional <u>Housing</u> | Sexual <u>Assault</u> | Children's <u>Advocacy</u> | Family Violence <u>Outreach</u> | <u>Prevention</u> | <u>Total</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
| Salaries | \$ 302,905 | \$ 33,467 | \$ 10,326 | \$ 68,344 | \$ 134,349 | \$ 52,805 | \$ 602,196 | \$ 77,938 | \$ 18,831 | \$ 698,965 |
| Employee benefits | 70,962 | 6,471 | 2,281 | 15,305 | 31,791 | 11,575 | 138,385 | 21,486 | 4,823 | 164,694 |
| Professional fees | 13,740 | 947 | 1,036 | 1,719 | 3,561 | 1,920 | 22,923 | 2,156 | 10,309 | 35,388 |
| Insurance | 10,352 | 3,151 | 1,071 | 1,699 | 511 | 175 | 16,959 | 2,265 | 216 | 19,440 |
| Supplies | 152,698 | 7,076 | 1,677 | 10,578 | 9,803 | 1,215 | 183,047 | 1,715 | 922 | 185,684 |
| Telephone | 7,282 | 479 | 129 | 804 | 2,369 | 630 | 11,693 | 1,076 | 246 | 13,015 |
| Postage and delivery | 1,063 | 71 | 36 | 181 | 396 | 124 | 1,871 | 211 | 469 | 2,551 |
| Occupancy | 64,689 | 15,878 | 5,350 | 9,988 | 10,239 | 872 | 107,016 | 11,490 | 1,079 | 119,585 |
| Maintenance and repairs | 2,830 | 1,105 | 95 | 331 | 497 | 172 | 5,030 | 421 | 76 | 5,527 |
| Printing | 836 | 37 | 13 | 80 | 509 | 121 | 1,596 | 96 | 107 | 1,799 |
| Travel | 10,240 | 4 | 735 | 211 | 4,507 | 2,109 | 17,806 | 1,009 | 429 | 19,244 |
| Training and registration | 1,606 | - | - | - | 404 | 99 | 2,109 | 562 | 310 | 2,981 |
| Direct client assistance | 34,806 | 362 | 894 | 190 | 3,202 | - | 39,454 | - | - | 39,454 |
| Dues and fees | 900 | - | - | - | 353 | - | 1,253 | - | - | 1,253 |
| Depreciation | 45,627 | 13,890 | 4,721 | 7,489 | 2,254 | 771 | 74,752 | 9,982 | 951 | 85,685 |
| Miscellaneous | 363 | 18 | 7 | 42 | 89 | 33 | 552 | 1,944 | 1,487 | 3,983 |
| | <u>\$ 720,899</u> | <u>\$ 82,956</u> | <u>\$ 28,371</u> | <u>\$ 116,961</u> | <u>\$ 204,834</u> | <u>\$ 72,621</u> | <u>\$ 1,226,642</u> | <u>\$ 132,351</u> | <u>\$ 40,255</u> | <u>\$ 1,399,248</u> |

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, 2018 and 2017

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| OPERATING ACTIVITIES | | |
| Change in net assets | \$ (63,866) | \$ (7,477) |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation | 92,606 | 85,685 |
| Unrealized gain on investments | (13,165) | (26,536) |
| Changes in certain assets and liabilities: | | |
| Grants receivable | (38,991) | (5,170) |
| Other receivables | 3,061 | (889) |
| Prepaid expense | 86 | (508) |
| Accounts payable | 5,375 | (10,285) |
| Accrued expenses | 3,275 | 10,571 |
| Deferred revenue | <u>2,150</u> | <u>(3,547)</u> |
| <i>Net cash provided by (used in) operating activities</i> | (9,469) | 41,844 |
| INVESTING ACTIVITIES | | |
| Purchases of property and equipment | <u>(40,914)</u> | <u>(26,644)</u> |
| NET CHANGE IN CASH | (50,383) | 15,200 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>557,110</u> | <u>541,910</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 506,727</u> | <u>\$ 557,110</u> |

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

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

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 three classes of net assets as follows:

- Unrestricted net assets, which represent assets that the Board of Directors has discretionary control to use in carrying on the operations of the corporation in accordance with its articles of incorporation and by-laws.
- Temporarily restricted net assets, which represent assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.
- Permanently restricted net assets, which represent assets that are subject to restriction by gift instruments requiring that the principal be invested in perpetuity and only the income be expended, or assets donated with the provision that they not be sold.

Accounting 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 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

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.

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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 |

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, 2018 and 2017, 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 2014 are open to audit for both federal and state purposes.

Subsequent Events – Alternatives evaluated subsequent events through September 26, 2018, 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.

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 3 - PROPERTY AND EQUIPMENT

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

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|---------------------|---------------------|
| Building | \$ 3,195,844 | \$ 3,184,285 |
| Equipment | 117,947 | 113,491 |
| Vehicles | 18,000 | 26,301 |
| | <u>3,331,791</u> | <u>3,324,077</u> |
| Less: accumulated depreciation | <u>(1,053,796)</u> | <u>(994,390)</u> |
| Net property and equipment | <u>\$ 2,277,995</u> | <u>\$ 2,329,687</u> |

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.

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.

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 5 - INVESTMENTS

Short-term investments represent resources in excess of normal operating needs invested to generate a higher return. Short-term investments were comprised of the following as of June 30:

| | <u>2018</u> | | <u>2017</u> |
|-------------------------|--------------------|-----------|--------------------|
| Certificates of deposit | \$ 124,440 | \$ | 125,270 |
| High-yield mutual fund | <u>206,044</u> | <u>\$</u> | <u>192,837</u> |
| | <u>\$ 330,484</u> | <u>\$</u> | <u>318,107</u> |

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 value of Alternatives’ investments as of June 30, 2018 and 2017 are based on the fair value hierarchy described in Note 4. The fair value of the mutual fund is based on the quoted net asset value of the shares held (Level 1). 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 are Level 3, shown as follows:

| | <u>2018</u> | | <u>2017</u> |
|-------------------------------------|--------------------|-----------|--------------------|
| Fair value at beginning of the year | \$ 16,480 | \$ | 14,945 |
| Contributions | 25 | | - |
| Investment return | <u>763</u> | <u>\$</u> | <u>1,535</u> |
| Fair value at end of the year | <u>\$ 17,268</u> | <u>\$</u> | <u>16,480</u> |

NOTE 6 - RESTRICTED NET ASSETS

Temporarily restricted net assets represent resources received from grantors and contributors that had not been expended for donor-restricted purposes as of June 30, 2018 and 2017. Temporarily restricted net assets were available for the following purposes as of June 30:

| | <u>2018</u> | | <u>2017</u> |
|--------------------|--------------------|-----------|--------------------|
| Drug use education | \$ 1,003 | \$ | 1,146 |
| School uniforms | 2,348 | | 2,348 |
| Other | <u>861</u> | <u>\$</u> | <u>320</u> |
| | <u>\$ 4,212</u> | <u>\$</u> | <u>3,814</u> |

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 6 - RESTRICTED NET ASSETS, Continued

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:

| | <u>2018</u> | <u>2017</u> |
|--------------------|-----------------|-----------------|
| Drug use education | \$ 1,146 | \$ 1,547 |
| Other | <u>1,591</u> | <u>120</u> |
| | <u>\$ 2,737</u> | <u>\$ 1,667</u> |

Permanently restricted net assets represent investment assets 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:

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| Federal cost reimbursement grants: | | |
| Victims of Crime Act | \$ 123,713 | \$ 106,644 |
| Services-Training-Officers-Prosecutors | 84,244 | 85,117 |
| Family Violence and Prevention Services | 69,481 | 72,033 |
| Emergency Solutions Grant | 55,833 | 60,000 |
| Education for Homeless Children | 38,067 | 34,558 |
| Other | <u>31,324</u> | <u>19,881</u> |
| <i>Total federal cost reimbursement grants</i> | <u>402,662</u> | <u>378,233</u> |
| Federal fee for service agreements: | | |
| Title XX | 20,264 | 20,264 |
| Community Development Block Grant | 5,000 | 12,615 |
| Child and Adult Care Food Program | <u>13,137</u> | <u>8,455</u> |
| <i>Total federal fee for service agreements</i> | <u>38,401</u> | <u>41,334</u> |
| <i>Total federal funding</i> | <u>\$ 441,063</u> | <u>\$ 419,567</u> |

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2018 and 2017

NOTE 7 - GRANT FUNDING, Continued

| | <u>2018</u> | <u>2017</u> |
|--|-------------------|-------------------|
| State and local funding: | | |
| Domestic Violence Prevention and Treatment | \$ 182,233 | \$ 184,432 |
| SAVAF | 16,398 | 15,201 |
| Other | <u>7,629</u> | <u>6,500</u> |
| <i>Total state and local funding</i> | <u>\$ 206,260</u> | <u>\$ 206,133</u> |

| | <u>2018</u> | <u>2017</u> |
|--|------------------|-------------------|
| Foundation and other grants: | | |
| Anonymous | \$ 10,200 | \$ 42,160 |
| Christ Church Cathedral | 3,000 | 19,400 |
| Legacy Fund | 15,000 | 15,500 |
| Tipton County Foundation | 12,000 | 12,000 |
| Vectren Foundation | 5,000 | 10,000 |
| Madison County Community Foundation | 9,515 | 8,000 |
| RedRover | 17,300 | - |
| Other | <u>18,800</u> | <u>22,098</u> |
| <i>Total foundation and other grants</i> | <u>\$ 90,815</u> | <u>\$ 129,158</u> |

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, 2018 and 2017. Expense recognized under the plan for 2018 and 2017 was \$26,608 and \$23,892, 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. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Alternatives' cash accounts did not exceed FDIC limits at any time during 2018 and 2017.



Donovan CPAs

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

The Board of Directors
Alternatives Incorporated of Madison County

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 Alternatives Incorporated of Madison County ("Alternatives"), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and change in net assets, 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 September 26, 2018.

Internal Control Over Financial Reporting

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

www.cpadonovan.com

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Northside Office | 9292 N. Meridian Street, Suite 150, Indianapolis, IN 46260 | 317.844.8300

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alternatives' 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 Alternatives' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alternatives' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

A handwritten signature in black ink that reads "DONOVAN". The letters are cursive and slightly slanted to the right.

Indianapolis, Indiana
September 26, 2018



Donovan CPAs

The Board of Directors
Alternatives Incorporated of Madison County

We have audited the financial statements of Alternatives Incorporated of Madison County as of and for the year ended June 30, 2018, and have issued our report thereon dated September 26, 2018. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated August 22, 2018, 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 audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit 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 audit, we considered the internal control of Alternatives Incorporated of Madison County 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 audit 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 audit 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 Incorporated of Madison County 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 2018. 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.

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.

We have identified depreciation expense to be a significant accounting estimate.

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. There were no such uncorrected misstatements. 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. The attached schedule summarizes material misstatements that we identified as a result of our audit procedures and were brought to the attention of, and corrected by, management.

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 Incorporated of Madison County's 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 are included in a separate letter from management dated September 26, 2018.

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 Incorporated of Madison County, 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 Incorporated of Madison County's auditors.

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

DONOVAN

A handwritten signature in black ink that reads "DONOVAN". The signature is written in a cursive style with a large, looped initial "D".

Indianapolis, Indiana
September 26, 2018

**Alternatives Incorporated of Madison County
Attachment – Audit Journal Entries
June 30, 2018**

| Adjusting Journal Entries JE # 101 | | |
|--|---|------------------|
| PAJE <101> To adjust beginning net assets to correct amount. | | |
| 9400 | Operating Expenses | 657.00 |
| 3900 | Retained Earnings | |
| Total | | 657.00 |
| | | <u>657.00</u> |
| Adjusting Journal Entries JE # 102 | | |
| PAJE <102> To adjust for the endowment balance per client's documentation. | | |
| 1007 | Madison County Endowment | 788.00 |
| 6501 | Interest Earned | |
| 6502 | Unrealized Gain/Loss | |
| Total | | 788.00 |
| | | <u>788.00</u> |
| | | <u>662.00</u> |
| | | <u>126.00</u> |
| Adjusting Journal Entries JE # 103 | | |
| PAJE <103> To adjust restricted net assets. | | |
| 3900 | Retained Earnings | 1,186.00 |
| 3005 | Permanently Restricted | |
| 3006 | Temporarily Restricted | |
| Total | | 1,186.00 |
| | | <u>1,186.00</u> |
| | | <u>788.00</u> |
| | | <u>398.00</u> |
| Adjusting Journal Entries JE # 104 | | |
| PAJE <104> To adjust for fixed asset additions and to remove from expense account. | | |
| 1602-1 | Equipment:Equipment Cost | 1,918.00 |
| 1602-1 | Equipment:Equipment Cost | 4,637.00 |
| 1602-1 | Equipment:Equipment Cost | 4,800.00 |
| 1608-1 | Building Improvements:Building Improvements Cost | 11,559.00 |
| 1610-1 | Vehicles:Vehicles Costs | 18,000.00 |
| 9905 | Fixed asset purchases:Capital purchases - equipment | |
| 9907 | Fixed asset purchases:Capital pur- building improvement | |
| 9908 | Fixed asset purchases:Capital purchases - vehicles | |
| Total | | 40,914.00 |
| | | <u>40,914.00</u> |
| | | <u>11,355.00</u> |
| | | <u>11,559.00</u> |
| | | <u>18,000.00</u> |
| Adjusting Journal Entries JE # 105 | | |
| PAJE <105> To adjust for disposals and update A/D accordingly. | | |
| 1602 | Equipment:Equipment Depreciation | 6,899.00 |
| 1610 | Vehicles:Vehicles Depreciation | 26,301.00 |
| 1602-1 | Equipment:Equipment Cost | |
| 1610-1 | Vehicles:Vehicles Costs | |
| Total | | 33,200.00 |
| | | <u>33,200.00</u> |
| | | <u>6,899.00</u> |
| | | <u>26,301.00</u> |

Adjusting Journal Entries JE # 106

PAJE <106> To adjust depreciation expense and A/D to actual for new assets FY18.

| | | | |
|--------------|--|-------------------------|-------------------------|
| 9909 | Depreciation Expense | 3,030.00 | |
| 9909 | Depreciation Expense | 89,576.00 | |
| 1602 | Equipment:Equipment Depreciation | | 386.00 |
| 1602 | Equipment:Equipment Depreciation | | 448.00 |
| 1602 | Equipment:Equipment Depreciation | | 5,481.00 |
| 1604 | Building and Land:Building and Land Depreciation | | 482.00 |
| 1604 | Building and Land:Building and Land Depreciation | | 84,095.00 |
| 1610 | Vehicles:Vehicles Depreciation | | 1,714.00 |
| Total | | <u>92,606.00</u> | <u>92,606.00</u> |