

ALTERNATIVES INCORPORATED OF MADISON COUNTY

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2021 and 2020



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Donovan CPAs

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, 2021 and 2020 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.

www.cpadonovan.com

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

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

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, 2021 and 2020, 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.

DONOVAN

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Indianapolis, Indiana
September 29, 2021

ALTERNATIVES INCORPORATED OF MADISON COUNTY
STATEMENTS OF FINANCIAL POSITION
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 489,677	\$ 609,304
Short-term investments	543,323	506,274
Accounts receivable	186,055	101,368
Prepaid expenses	<u>19,300</u>	<u>9,444</u>
<i>Total current assets</i>	1,238,355	1,226,390
PROPERTY AND EQUIPMENT, NET	2,011,665	2,099,388
OTHER ASSETS		
Long-term investments	<u>20,180</u>	<u>15,286</u>
TOTAL ASSETS	<u><u>\$ 3,270,200</u></u>	<u><u>\$ 3,341,064</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Loan payable - Paycheck Protection Program	\$ -	\$ 170,767
Accounts payable	23,183	12,135
Accrued expenses	103,174	98,578
Deferred revenue	<u>12,130</u>	<u>20,355</u>
<i>Total current liabilities</i>	<u>138,487</u>	<u>301,835</u>
NET ASSETS		
Without donor restrictions	3,088,136	2,996,560
With donor restrictions	<u>43,577</u>	<u>42,669</u>
<i>Total net assets</i>	<u>3,131,713</u>	<u>3,039,229</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,270,200</u></u>	<u><u>\$ 3,341,064</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, 2021 and 2020

	<u>2021</u>			<u>2020</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT						
Federal funding	\$ 626,358	\$ -	\$ 626,358	\$ 485,668	\$ -	\$ 485,668
State and local funding	204,333	-	204,333	194,704	-	194,704
Foundation and other grants	82,874	-	82,874	59,152	-	59,152
Contributions:						
United Way of Central Indiana	113,386	-	113,386	237,840	-	237,840
United Way of Madison County	22,432	-	22,432	38,082	-	38,082
Other cash contributions	162,010	7,887	169,897	155,086	40,500	195,586
In-kind contributions	80,240	-	80,240	142,560	-	142,560
Service revenue	33,760	-	33,760	66,863	-	66,863
Fundraising revenue	105,243	-	105,243	43,124	-	43,124
Investment income, net	63,044	5,444	68,488	10,709	(760)	9,949
Net assets released from restrictions	12,423	(12,423)	-	17,465	(17,465)	-
<i>Total revenue and support</i>	<u>1,506,103</u>	<u>908</u>	<u>1,507,011</u>	<u>1,451,253</u>	<u>22,275</u>	<u>1,473,528</u>
EXPENSES						
Program services	1,413,109	-	1,413,109	1,335,954	-	1,335,954
Management and general	125,656	-	125,656	118,956	-	118,956
Fundraising	46,529	-	46,529	53,692	-	53,692
<i>Total expenses</i>	<u>1,585,294</u>	<u>-</u>	<u>1,585,294</u>	<u>1,508,602</u>	<u>-</u>	<u>1,508,602</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(79,191)	908	(78,283)	(57,349)	22,275	(35,074)
Paycheck Protection Program loan forgiveness	170,767	-	170,767	-	-	-
CHANGE IN NET ASSETS	91,576	908	92,484	(57,349)	22,275	(35,074)
NET ASSETS, BEGINNING OF YEAR	<u>2,996,560</u>	<u>42,669</u>	<u>3,039,229</u>	<u>3,053,909</u>	<u>20,394</u>	<u>3,074,303</u>
NET ASSETS, END OF YEAR	<u>\$ 3,088,136</u>	<u>\$ 43,577</u>	<u>\$ 3,131,713</u>	<u>\$ 2,996,560</u>	<u>\$ 42,669</u>	<u>\$ 3,039,229</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, 2021

Program Services

	Crisis		Off-Site	Sexual	Children's	Family			Management		
	<u>Residential</u>	<u>On-Site TH</u>	<u>SSTH/RRH</u>	<u>Assault</u>	<u>Advocacy</u>	<u>Violence</u>	<u>Prevention</u>	<u>Total</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 369,493	\$ 67,601	\$ 51,035	\$ 1,747	\$ 73,800	\$ 135,086	\$ 47,115	\$ 745,877	\$ 76,671	\$ 25,748	\$ 848,296
Employee benefits	76,317	15,345	8,244	399	14,536	26,893	10,368	152,102	14,295	5,413	171,810
Professional fees	11,645	3,353	3,186	61	2,032	4,384	1,656	26,317	2,321	1,928	30,566
Insurance	11,019	3,339	114	1,141	1,809	544	186	18,152	2,411	230	20,793
Supplies	57,829	6,149	11,051	223	5,043	3,710	4,437	88,442	1,153	9,698	99,293
Telephone	11,395	1,399	784	55	1,329	2,428	928	18,318	1,332	471	20,121
Postage and delivery	1,182	130	43	2	110	209	82	1,758	103	415	2,276
Occupancy	59,107	16,006	1,407	5,319	8,445	8,342	874	99,500	11,255	1,073	111,828
Maintenance and repairs	3,682	1,790	134	12	240	434	167	6,459	241	83	6,783
Printing	604	21	33	-	-	1,210	-	1,868	-	-	1,868
Travel	3,493	142	254	-	81	152	88	4,210	504	41	4,755
Training and registration	99	33	-	-	625	50	-	807	302	8	1,117
Direct client assistance	39,762	5,936	102,642	-	153	14,688	-	163,181	-	-	163,181
Dues and fees	919	-	-	-	-	332	-	1,251	-	-	1,251
Depreciation	50,688	14,644	1,026	5,264	8,350	2,513	860	83,345	11,130	1,059	95,534
Miscellaneous	22	-	-	-	-	1,500	-	1,522	3,938	362	5,822
<i>Total functional expenses</i>	<u>\$ 697,256</u>	<u>\$ 135,888</u>	<u>\$ 179,953</u>	<u>\$ 14,223</u>	<u>\$ 116,553</u>	<u>\$ 202,475</u>	<u>\$ 66,761</u>	<u>\$ 1,413,109</u>	<u>\$ 125,656</u>	<u>\$ 46,529</u>	<u>\$ 1,585,294</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, 2020

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>	Management <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
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
<i>Total functional expenses</i>	<u>\$ 746,426</u>	<u>\$ 159,091</u>	<u>\$ 16,713</u>	<u>\$ 118,724</u>	<u>\$ 219,023</u>	<u>\$ 75,977</u>	<u>\$ 1,335,954</u>	<u>\$ 118,956</u>	<u>\$ 53,692</u>	<u>\$ 1,508,602</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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 92,484	\$ (35,074)
Paycheck Protection Program loan forgiveness	(170,767)	-
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	95,534	94,607
Unrealized gain on investments	(67,776)	(5,751)
Changes in certain assets and liabilities:		
Accounts receivable	(84,687)	(12,371)
Prepaid expense	(9,856)	99
Accounts payable	11,048	1,579
Accrued expenses	4,596	15,204
Deferred revenue	<u>(8,225)</u>	<u>10,105</u>
<i>Net cash provided by (used in) operating activities</i>	<u>(137,649)</u>	<u>68,398</u>
INVESTING ACTIVITIES		
Purchases of property and equipment	(7,811)	(5,848)
Proceeds from sale of investments, net of purchases	<u>25,833</u>	<u>4,554</u>
<i>Net cash provided by (used in) investing activities</i>	<u>18,022</u>	<u>(1,294)</u>
FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	<u>-</u>	<u>170,767</u>
NET CHANGE IN CASH	(119,627)	237,871
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>609,304</u>	<u>371,433</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 489,677</u>	<u>\$ 609,304</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, 2021 and 2020

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.

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.

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Taxes on Income – Alternatives 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, 2021 and 2020, 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 2017 are open to audit for both federal and state purposes.

Subsequent Events – Alternatives evaluated subsequent events through September 29, 2021, 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 - REVENUE RECOGNITION

Revenue Recognition Standard – Effective July 1, 2020, Alternatives adopted Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 replaced previous revenue recognition guidance under U.S. GAAP and requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Alternatives has applied the provisions of this ASU to the June 30, 2021 and 2020 financial statements. There was no material impact on the financial statements.

Revenue Recognition Policy – 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.

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 INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 2 - REVENUE RECOGNITION, Continued

Performance Obligations – Contributions with and without donor restrictions are not considered exchange transactions and therefore are excluded from the requirements of ASU 2014-09. Grant revenue is recognized as the performance obligations under the grants are met, generally as allowable expenses are incurred and applied. Fundraising revenue is recognized after the performance obligation of completion of the fundraising event occurs. Program service fees are recognized as the performance obligations of agreed-upon services are provided.

Disaggregation of Revenue – Revenue is disaggregated by category on the statements of activities and change in net assets.

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts 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 4 - PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Building	\$ 3,201,899	\$ 3,194,088
Equipment	117,833	117,833
Vehicles	<u>18,000</u>	<u>18,000</u>
	3,337,732	3,329,921
Less: accumulated depreciation	<u>(1,326,067)</u>	<u>(1,230,533)</u>
<i>Property and equipment, net</i>	<u>\$ 2,011,665</u>	<u>\$ 2,099,388</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.

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 5 - PAYCHECK PROTECTION PROGRAM

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act which includes the Paycheck Protection Program (“PPP”) administered through the Small Business Administration. The proceeds from the PPP notes payable were to be used for costs related to payroll, employee healthcare, rent, and utilities. If used for qualified costs, the PPP loan would be forgiven. 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. As of June 30, 2020, Alternatives recorded a loan payable for the amount of the loan.

Alternatives received notification on November 26, 2020 that the loan had been forgiven in full and reported the PPP loan forgiveness income during the year ended June 30, 2021.

NOTE 6 - 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. 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.

ALTERNATIVES INCORPORATED OF MADISON COUNTY

NOTES TO THE FINANCIAL STATEMENTS

For the Years Ended June 30, 2021 and 2020

NOTE 6 - FAIR VALUE MEASUREMENTS, Continued

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 are at net asset value.

	<u>Fair Value</u>	Fair Value Measurements Using				<u>Assets Measured at NAV ^(A)</u>
		<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>		
June 30, 2021						
Certificates of deposit	\$ 51,434	\$ 51,434	\$ -	\$ -	\$ -	-
Bonds	345,044	-	345,044	-	-	-
High-yield mutual funds	146,845	146,845	-	-	-	-
Endowment	20,180	-	-	-	-	20,180
	<u>\$ 563,503</u>	<u>\$ 198,279</u>	<u>\$ 345,044</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,180</u>
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
	<u>\$ 521,560</u>	<u>\$ 345,976</u>	<u>\$ 160,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,286</u>

^(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.

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions represent resources received from 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:

	<u>2021</u>	<u>2020</u>
Building maintenance	\$ 11,711	\$ 23,276
Truck	7,887	-
Drug use education	1,003	1,003
School uniforms	2,348	2,348
Other	448	756
Held by MCCF	20,180	15,286
	\$ 43,577	\$ 42,669

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>2021</u>	<u>2020</u>
Building maintenance	\$ 11,565	\$ 16,724
Other	308	70
Grants from net assets held at MCCF	550	671
	\$ 12,423	\$ 17,465

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.

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 8 - GRANT FUNDING

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

	<u>2021</u>	<u>2020</u>
Federal cost reimbursement grants:		
Victims of Crime Act	\$ 277,098	\$ 211,240
Continuance of Care	104,415	-
Family Violence and Prevention Services	93,535	77,842
Services-Training-Officers-Prosecutors	11,255	51,063
Emergency Solutions Grant	47,640	45,699
Education for Homeless Children	35,146	39,922
Other	<u>34,920</u>	<u>27,310</u>
<i>Total federal cost reimbursement grants</i>	<u>604,009</u>	<u>453,076</u>
Federal fee for service agreements:		
Title XX	12,500	18,600
Child and Adult Care Food Program	<u>9,849</u>	<u>13,992</u>
<i>Total federal fee for service agreements</i>	<u>22,349</u>	<u>32,592</u>
<i>Total federal funding</i>	<u>\$ 626,358</u>	<u>\$ 485,668</u>
State and local funding:		
Domestic Violence Prevention and Treatment	\$ 196,544	\$ 181,092
Sexual Assault Victims Assistance Fund	-	8,112
Other	<u>7,789</u>	<u>5,500</u>
<i>Total state and local funding</i>	<u>\$ 204,333</u>	<u>\$ 194,704</u>
Foundation and other grants:		
Tipton County Foundation	\$ 14,915	\$ 16,430
Hamilton County Community Foundation	10,200	15,750
Women's Fund of Central Indiana	10,000	8,500
Christ Church Cathedral	8,625	-
Other	<u>39,134</u>	<u>18,472</u>
<i>Total foundation and other grants</i>	<u>\$ 82,874</u>	<u>\$ 59,152</u>

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 9 - 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, 2021 and 2020. Expense recognized under the plan was \$41,369 and \$37,457 during the years ended June 30, 2021 and 2020, respectively.

NOTE 10 - 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 as of and throughout the years ended June 30, 2021 and 2020.

NOTE 11 - LIQUIDITY

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

	<u>2021</u>	<u>2020</u>
Financial assets	\$ 1,239,235	\$ 1,232,232
Less: those unavailable due to restrictions by donor with time or purpose	<u>(43,577)</u>	<u>(42,669)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 1,195,658</u>	<u>\$ 1,189,563</u>

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.

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2021 and 2020

NOTE 12 - 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, 2021 and 2020 and have issued our report thereon dated September 29, 2021. 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 7, 2021, 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 Audits

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.

www.cpadonovan.com

Avon | 5151 E. US Hwy 36, Avon, IN 46123 | 317.745.6411

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

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. Effective July 1, 2020, Alternatives adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 replaced most existing revenue recognition guidance under accounting principles generally accepted in the United States of America and requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. There was no material impact on the way Alternatives reports revenue.

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.

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 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. 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 29, 2021.

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

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

Indianapolis, Indiana
September 29, 2021

**Alternatives Incorporated of Madison County
Proposed Adjusting Journal Entries
Audit of June 30, 2021 Financial Statements**

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 101			
PAJE <101> To propose an entry to correct net assets.			
9403	9403 Operating Expenses:Charge Card Expense	301.00	
3900	3900 Retained Earnings		301.00
Total		301.00	301.00
Adjusting Journal Entries JE # 102			
PAJE <102> Entry to correct the PNC Investment balance.			
6502	6502 Unrealized Gain/Loss	2,937.00	
1003-4	1003-4 Cash & Investments:Investment Account:PNC Investments		2,937.00
Total		2,937.00	2,937.00
Adjusting Journal Entries JE # 103			
PAJE <103> To capitalize fixed asset additions and record current year depreciation.			
1608-1	1608-1 Building Improvements:Building Improvements Cost	7,811.00	
9909	Depreciation Expense	95,534.00	
1602	1602 Equipment:Equipment Depreciation		8,922.00
1604	1604 Building and Land:Building and Land Depreciation		84,041.00
1610	1610 Vehicles:Vehicles Depreciation		2,571.00
9907	9907 Fixed asset purchases:Capital pur- building improvements		7,811.00
Total		103,345.00	103,345.00
Adjusting Journal Entries JE # 104			
PAJE <104> To record current year Madison County Endowment activity.			
1007	1007 Madison County Endowment	4,894.00	
4829	4829 Foundations:Madison County Community Foundation	550.00	
6501	6501 Interest Earned		470.00
6502	6502 Unrealized Gain/Loss		4,974.00
Total		5,444.00	5,444.00
Adjusting Journal Entries JE # 105			
PAJE <105> To adjust restricted net assets.			
3900	3900 Retained Earnings	22,097.00	
3005	3005 Permanently Restricted		2,912.00
3006	3006 Temporarily Restricted		19,185.00
Total		22,097.00	22,097.00