ALTERNATIVES INCORPORATED OF MADISON COUNTY

FINANCIAL STATEMENTS
Together with Independent Auditors' Report

For the Years Ended June 30, 2019 and 2018

Donovan CPAs

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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, 2019 and 2018 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, 2019 and 2018, 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

Donovan

Indianapolis, Indiana
September 25, 2019

ALTERNATIVES INCORPORATED OF MADISON COUNTY

STATEMENTS OF FINANCIAL POSITION

June 30, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 371,433	$ 506,727
Short-term investments	503,646	330,484
Grants receivable	72,667	112,648
Other receivables	16,330	8,742
Prepaid expenses	9,543	4,813
Total current assets	973,619	963,414
PROPERTY AND EQUIPMENT, NET	2,188,147	2,277,995
OTHER ASSETS		
Long-term investments	16,717	17,268
TOTAL ASSETS	$ 3,178,483	$ 3,258,677
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 10,556	$ 23,548
Accrued expenses	83,374	80,090
Deferred revenue	10,250	8,700
Total current liabilities	104,180	112,338
NET ASSETS		
Without donor restrictions	3,053,909	3,124,859
With donor restrictions	20,394	21,480
Total net assets	3,074,303	3,146,339
TOTAL LIABILITIES AND NET ASSETS	$ 3,178,483	$ 3,258,677

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, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT						
Federal funding	$ 458,280	$ -	$ 458,280	$ 441,063	$ -	$ 441,063
State and local funding	222,395	-	222,395	206,260	-	206,260
Foundation and other grants	66,435	-	66,435	90,815	-	90,815
Contributions:						
United Way of Central Indiana	119,689	-	119,689	144,278	-	144,278
United Way of Madison County	22,118	-	22,118	22,660	-	22,660
Other cash contributions	126,861	-	126,861	113,505	3,160	116,665
In-kind contributions	127,977	-	127,977	140,444	-	140,444
Service revenue	45,524	-	45,524	27,022	-	27,022
Fundraising revenue	90,493	-	90,493	87,157	-	87,157
Other revenue	-	-	-	26,602	-	26,602
Investment income, net	21,610	96	21,706	13,172	763	13,935
Net assets released from restrictions	1,182	(1,182)	-	2,737	(2,737)	-
Total revenue and support	1,302,564	(1,086)	1,301,478	1,315,715	1,186	1,316,901
EXPENSES						
Program services	1,191,704	-	1,191,704	1,201,966	-	1,201,966
Management and general	128,910	-	128,910	132,888	-	132,888
Fundraising	52,900	-	52,900	45,913	-	45,913
Total expenses	1,373,514	-	1,373,514	1,380,767	-	1,380,767
CHANGE IN NET ASSETS	(70,950)	(1,086)	(72,036)	(65,052)	1,186	(63,866)
NET ASSETS, BEGINNING OF YEAR	3,124,859	21,480	3,146,339	3,189,911	20,294	3,210,205
NET ASSETS, END OF YEAR	$ 3,053,909	$ 20,394	$ 3,074,303	$ 3,124,859	$ 21,480	$ 3,146,339

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

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2018

	Program Services									
	Crisis Residential	Transitional Housing	Sexual Assault	Children's Advocacy	Family Violence Outreach	Prevention	Total	Management and General	Fundraising	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
	$ 710,687	$ 80,346	$ 21,163	$ 113,661	$ 192,182	$ 83,927	$ 1,201,966	$ 132,888	$ 45,913	$ 1,380,767

ALTERNATIVES INCORPORATED OF MADISON COUNTY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

	2019	2018
OPERATING ACTIVITIES		
Change in net assets	$ (72,036)	$ (63,866)
Adjustments to reconcile change in net assets		
to net cash provided by (used in) operating activities:		
Depreciation	94,564	92,606
Unrealized gain on investments	(17,990)	(13,165)
Loss on disposal of property and equipment	1,764	-
Changes in certain assets and liabilities:		
Grants receivable	39,981	(38,991)
Other receivables	(7,588)	3,061
Prepaid expense	(4,730)	86
Accounts payable	(12,992)	5,375
Accrued expenses	3,284	3,275
Deferred revenue	1,550	2,150
Net cash provided by (used in) operating activities	25,807	(9,469)
INVESTING ACTIVITIES		
Purchases of property and equipment	(6,480)	(40,914)
Proceeds from sale of investments	49,727	-
Purchases of investments	(204,348)	-
Net cash used in investing activities	(161,101)	(40,914)
NET CHANGE IN CASH	(135,294)	(50,383)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	506,727	557,110
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 371,433	$ 506,727

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 – Effective with the 2019 fiscal year end, Alternatives adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires changes to the financial reporting model for not-for-profit entities, including changing from three classes of net assets to two classes: net assets without donor restrictions and net assets with donor restrictions. ASU 2016-14 also requires additional disclosures regarding the liquidity of financial assets. ASU 2016-14 must be applied on a retrospective basis, therefore the net assets as of and for the year ended June 30, 2018 have been restated to comply with ASU 2016-14.

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, 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 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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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, 2019 and 2018, 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 2015 are open to audit for both federal and state purposes.

Subsequent Events – Alternatives evaluated subsequent events through September 25, 2019, 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:

	2019	2018
Building	$ 3,194,088	$ 3,195,844
Equipment	111,985	117,947
Vehicles	18,000	18,000
	3,324,073	3,331,791
Less: accumulated depreciation	(1,135,926)	(1,053,796)
Net property and equipment	$ 2,188,147	$ 2,277,995

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.

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:

	2019	2018
Certificates of deposit	$ 197,442	$ 85,648
Corporate bonds	89,252	38,792
High-yield mutual fund	216,952	206,044
	$ 503,646	$ 330,484

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, 2019 and 2018 are based on the fair value hierarchy described in Note 4. 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 Level 3, shown as follows:

	2019	2018
Fair value at beginning of the year	$ 17,268	$ 16,480
Contributions	-	25
Grants paid	(647)	-
Investment return	96	763
Fair value at end of the year	$ 16,717	$ 17,268

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:

	2019	2018
Drug use education	$ 1,003	$ 1,003
School uniforms	2,348	2,348
Other	326	861
Held by MCCF	16,717	17,268
	$ 20,394	$ 21,480

NOTE 6 - NET ASSETS WITH DONOR RESTRICTIONS, 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:

	2019	2018
Drug use education	$ -	$ 1,146
Other	535	1,591
Grants from net assets held at MCCF	647	-
	$ 1,182	$ 2,737

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:

	2019	2018
Federal cost reimbursement grants:		
Victims of Crime Act	$ 180,202	$ 123,713
Services-Training-Officers-Prosecutors	54,309	84,244
Family Violence and Prevention Services	70,600	69,481
Emergency Solutions Grant	45,736	55,833
Education for Homeless Children	33,633	38,067
Other	25,043	31,324
Total federal cost reimbursement grants	409,523	402,662
Federal fee for service agreements:		
Title XX	23,864	20,264
Community Development Block Grant	12,755	5,000
Child and Adult Care Food Program	12,138	13,137
Total federal fee for service agreements	48,757	38,401
Total federal funding	$ 458,280	$ 441,063

NOTE 7 - GRANT FUNDING, Continued

	2019	2018
State and local funding:		
Domestic Violence Prevention and Treatment	$ 195,815	$ 182,233
SAVAF	16,709	16,398
Other	9,871	7,629
Total state and local funding	$ 222,395	$ 206,260

	2019	2018
Foundation and other grants:		
Central Indiana Women's Fund	$ 20,000	$ -
Christ Church Cathedral	12,700	3,000
Tipton County Foundation	12,500	12,000
Madison County Community Foundation	3,785	9,515
RedRover	-	17,300
Legacy Fund	-	15,000
Anonymous	-	10,200
Other	17,450	23,800
Total foundation and other grants	$ 66,435	$ 90,815

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, 2019 and 2018. Expense recognized under the plan for 2019 and 2018 was $26,893 and $26,608, 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 accounts did not exceed FDIC limits at any time during the years ended June 30, 2019 and 2018.

NOTE 10 - LIQUIDITY

Under ASU 2016-14, Alternatives is required to disclose the assets it has available at June 30, 2019 to meet its cash needs for general expenditures within one year of the date of the statement of financial position. Financial assets for Alternatives include cash and cash equivalents, investments, and grants and other receivables.

Financial assets, June 30, 2019	$	980,793
Less those unavailable for general expenditures within one year, due to:		
Restrictions by donor with time or purpose		(20,394)
Financial assets available to meet cash needs for general expenditures within one year	$	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.

The Board of Directors
Alternatives Incorporated of Madison County

We have audited the financial statements of Alternatives Incorporated of Madison County ("Alternatives") as of and for the year ended June 30, 2019, and have issued our report thereon dated September 25, 2019. 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 June 14, 2019, 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 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.

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. During 2019, Alternatives adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires the financial reporting for not-for-profit entities to include two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. ASU 2016-14 also requires additional disclosures regarding the liquidity of financial assets and a statement of functional expenses.

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.

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 and concluded the estimates were reasonable.

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 are no such uncorrected financial statement misstatements whose effects in the current and prior periods, as determined by management, are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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' 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 by management in a separate letter dated September 25, 2019.

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 Directors and management of Alternatives and is not intended to be and should not be used by anyone other than these specified parties.

DONOVAN

Indianapolis, Indiana
September 25, 2019

Attachment

Audit Adjustments

Account	Description	Debit	Credit
Adjusting Journal Entries JE # 101			
PAJE <101> To adjust immaterial variance in net assets.			
3900	3900 Retained Earnings	454.00	
8103	8103 Supplies: Direct Program Supplies		454.00
Total		**454.00**	**454.00**
Adjusting Journal Entries JE # 102			
PAJE <102> To record fixed asset additions, disposals, and depreciation.			
1602	1602 Equipment: Equipment Depreciation	5,962.00	
1604	1604 Building and Land: Building and Land Depreciation	6,472.00	
1608-1	1608-1 Building Improvements: Building Improvements Cost	6,480.00	
9909	Depreciation Expense	94,564.00	
9910	Loss on disposal	1,764.00	
1602	1602 Equipment: Equipment Depreciation		7,752.00
1602-1	1602-1 Equipment: Equipment Cost		5,962.00
1604	1604 Building and Land: Building and Land Depreciation		84,241.00
1608-1	1608-1 Building Improvements: Building Improvements Cost		8,236.00
1610	1610 Vehicles: Vehicles Depreciation		2,571.00
9905	9905 Fixed asset purchases: Capital purchases - equipment		6,480.00
Total		**115,242.00**	**115,242.00**
Adjusting Journal Entries JE # 103			
PAJE <103> To record endowment activity per statement.			
8918	Direct Assistance Expense: Education Assistance	647.00	
1007	1007 Madison County Endowment		550.57
6501	6501 Interest Earned		96.43
Total		**647.00**	**647.00**