



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B35252

STATE BOARD OF ACCOUNTS
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November 30, 2009

Board of Directors
Alternatives Incorporated
of Madison County
1309 Monticello Dr.
Anderson, IN 46011

We have reviewed the audit report prepared by Fitzgerald/Isaac, PC, Independent Public Accountants, for the period July 1, 2007 to June 30, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Alternatives Incorporated of Madison County, as of June 30, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the finding in the report. The management letter contains one comment.

STATE BOARD OF ACCOUNTS

ALTERNATIVES INCORPORATED
OF MADISON COUNTY

Financial Statements

June 30, 2008 and 2007

Fitzgerald | **Isaac** p.c.
Certified Public Accountants

ALTERNATIVES INCORPORATED OF MADISON COUNTY

Table of Contents

| | <u>Page</u> |
|---|-------------|
| Independent Auditors' Report | 1 |
| Statements of Financial Position | 2 |
| Statements of Activities | 3 |
| Statements of Functional Expenses | |
| Year Ending June 30, 2008 | 4 |
| Year Ending June 30, 2007 | 5 |
| Statements of Cash Flows | 6 |
| Notes to Financial Statements | 7-13 |
| Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 14-15 |

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Alternatives Incorporated of Madison County

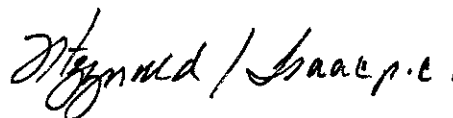
We have audited the accompanying statements of financial position of **Alternatives Incorporated of Madison County** ("Alternatives") as of June 30, 2008 and 2007 and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Alternatives' management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our 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, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2008 on our consideration of Alternatives' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Indianapolis, IN
September 12, 2008



ALTERNATIVES INCORPORATED OF MADISON COUNTY

Statements of Financial Position

| | Year Ended June 30 | |
|---|--------------------|-----------|
| Assets | 2008 | 2007 |
| Current assets: | | |
| Cash | \$ 423,377 | 575,437 |
| Short-term investments | 42,472 | 42,472 |
| Accounts receivable: | | |
| Grants | 102,585 | 145,078 |
| Other | 14,498 | 9,183 |
| Unconditional promises to give | - | 6,018 |
| Prepaid expenses | 8,793 | 8,984 |
| Total current assets | 591,725 | 787,172 |
| Long-term investments | 15,721 | 15,721 |
| Property and equipment, net of accumulated depreciation | 3,083,456 | 3,197,213 |
| | \$ 3,690,902 | 4,000,106 |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities: | | |
| Note payable | \$ 28,590 | 252,090 |
| Accounts payable | 10,545 | 19,286 |
| Accrued expenses | 40,781 | 44,191 |
| Total current liabilities | 79,916 | 315,567 |
| Net assets: | | |
| Unrestricted | 3,576,379 | 3,657,942 |
| Temporarily restricted | 18,886 | 10,876 |
| Permanently restricted | 15,721 | 15,721 |
| Total net assets | 3,610,986 | 3,684,539 |
| | \$ 3,690,902 | 4,000,106 |

See accompanying notes to financial statements.

ALTERNATIVES INCORPORATED OF MADISON COUNTY

Statements of Activities

| | Year Ended June 30, 2008 | | | Year Ended June 30, 2007 | | |
|--|--------------------------|---------------|---------------|--------------------------|---------------|------------------|
| | Unrestricted | Temporarily | Permanently | Unrestricted | Temporarily | Permanently |
| | | Restricted | Restricted | | Restricted | Restricted |
| Total | Total | Total | Total | Total | Total | |
| Revenue and Public Support | | | | | | |
| Federal grants | \$ 501,891 | - | - | 474,955 | - | - |
| State and local grants | 204,372 | 2,195 | - | 196,513 | 4,854 | - |
| Foundation and other grants | 63,455 | - | - | 68,256 | - | - |
| Contributions: | | | | | | |
| Cash | 300,635 | 13,955 | - | 429,281 | 6,022 | - |
| In-kind | 80,437 | - | - | 67,837 | - | - |
| Service revenue | 7,239 | - | - | 10,916 | - | - |
| Fundraising income | 55,444 | - | - | 30,437 | - | - |
| Investment income | 7,208 | - | - | 15,178 | - | 959 |
| Realized and unrealized gains on investments | - | - | - | 1,617 | - | 989 |
| Net assets released from restriction | 8,140 | (8,140) | - | - | - | - |
| Total revenue and public support | <u>1,228,821</u> | <u>8,010</u> | <u>-</u> | <u>1,294,990</u> | <u>10,876</u> | <u>1,948</u> |
| | | | | | | <u>1,307,814</u> |
| Expenses | | | | | | |
| Program services: | | | | | | |
| Crisis residential | 488,198 | - | - | 464,027 | - | - |
| Transitional housing | 110,037 | - | - | 108,601 | - | - |
| Sexual assault | 26,841 | - | - | 23,579 | - | - |
| Child abuse prevention | - | - | - | 29,792 | - | - |
| Children's advocacy | 55,952 | - | - | 66,106 | - | - |
| Children's outreach | 169,830 | - | - | 173,891 | - | - |
| Family violence outreach | 275,121 | - | - | 270,555 | - | - |
| Community education | 13,980 | - | - | 12,757 | - | - |
| Total program services | <u>1,139,959</u> | <u>-</u> | <u>-</u> | <u>1,149,308</u> | <u>-</u> | <u>-</u> |
| Administrative and general | 146,316 | - | - | 133,249 | - | - |
| Fundraising | 24,109 | - | - | 11,839 | - | - |
| Total expenses | <u>1,310,384</u> | <u>-</u> | <u>-</u> | <u>1,294,396</u> | <u>-</u> | <u>-</u> |
| Increase (decrease) in net assets | (81,563) | 8,010 | - | 594 | 10,876 | 1,948 |
| Net assets, beginning of year | 3,657,942 | 10,876 | 15,721 | 3,657,348 | - | 13,773 |
| Net assets, end of year | <u>\$ 3,576,379</u> | <u>18,886</u> | <u>15,721</u> | <u>3,657,942</u> | <u>10,876</u> | <u>15,721</u> |
| | | | | | | <u>3,684,539</u> |

See accompanying notes to financial statements.

ALTERNATIVES INCORPORATED OF MADISON COUNTY

Statement of Functional Expenses

Year Ended June 30, 2008

| | Program Services | | | | | | | | | | Administrative and General | | Total |
|------------------------------------|--------------------|----------------------|----------------|---------------------|---------------------|--------------------------|---------------------|------------------|---------------|------------------|----------------------------|------------------|-------|
| | Crisis Residential | Transitional Housing | Sexual Assault | Children's Advocacy | Children's Outreach | Family Violence Outreach | Community Education | Total | Fundraising | Total | General | Total | |
| | | | | | | | | | | | | | |
| Salaries | \$ 211,684 | 29,818 | 7,444 | 27,841 | 95,542 | 140,932 | 4,139 | 517,400 | 15,585 | 611,480 | 78,495 | 611,480 | |
| Employee benefits | 58,731 | 8,027 | 1,723 | 7,749 | 26,223 | 39,146 | 1,190 | 142,789 | 3,818 | 168,886 | 22,279 | 168,886 | |
| Professional fees | 8,813 | 537 | 1,972 | 584 | 2,204 | 48,630 | 467 | 63,207 | 168 | 65,151 | 1,776 | 65,151 | |
| Insurance | 1,323 | 166 | 28 | 187 | 615 | 869 | 24 | 3,212 | 34 | 3,847 | 601 | 3,847 | |
| Supplies | 72,574 | 8,629 | 2,781 | 2,845 | 17,487 | 6,575 | 2,239 | 113,130 | 777 | 115,102 | 1,195 | 115,102 | |
| Telephone | 2,365 | 315 | 70 | 359 | 2,857 | 5,328 | 44 | 11,338 | 136 | 12,375 | 901 | 12,375 | |
| Postage | 1,227 | 126 | 29 | 125 | 435 | 1,017 | 472 | 3,431 | 158 | 3,947 | 358 | 3,947 | |
| Occupancy | 45,744 | 25,093 | 4,838 | 6,187 | 7,167 | 13,296 | 846 | 103,171 | 1,290 | 116,663 | 12,202 | 116,663 | |
| Interest | 3,409 | 1,955 | 388 | 420 | 195 | 185 | 63 | 6,615 | 79 | 7,629 | 935 | 7,629 | |
| Equipment, maintenance and repairs | 3,253 | 380 | 71 | 464 | 1,969 | 2,693 | 63 | 8,893 | 143 | 10,388 | 1,352 | 10,388 | |
| Printing | 1,947 | 141 | 41 | 174 | 729 | 1,668 | 1,635 | 6,335 | 91 | 7,003 | 577 | 7,003 | |
| Travel | 711 | - | 180 | 351 | 6,700 | 9,434 | 37 | 17,413 | 135 | 18,448 | 900 | 18,448 | |
| Training and registration | 90 | - | 290 | 1,150 | 1,670 | 1,767 | 524 | 5,491 | 60 | 5,987 | 436 | 5,987 | |
| Direct client assistance | 20,942 | - | - | - | 2,322 | - | - | 23,264 | - | 23,264 | - | 23,264 | |
| Dues and fees | 1,726 | 28 | 82 | 35 | 116 | 260 | 1,062 | 3,309 | 232 | 3,792 | 251 | 3,792 | |
| Depreciation | 52,215 | 34,822 | 6,904 | 7,481 | 3,471 | 3,296 | 1,115 | 109,304 | 1,403 | 125,305 | 14,598 | 125,305 | |
| Loss on asset disposal | - | - | - | - | - | - | - | - | - | - | 7,115 | 7,115 | |
| Miscellaneous | 1,444 | - | - | - | 128 | 25 | 60 | 1,657 | - | 4,002 | 2,345 | 4,002 | |
| | <u>\$ 488,198</u> | <u>110,037</u> | <u>26,841</u> | <u>55,952</u> | <u>169,830</u> | <u>275,121</u> | <u>13,980</u> | <u>1,139,959</u> | <u>24,109</u> | <u>1,310,384</u> | <u>146,316</u> | <u>1,310,384</u> | |

See accompanying notes to financial statements.

ALTERNATIVES INCORPORATED OF MADISON COUNTY

Statement of Functional Expenses

Year Ended June 30, 2007

| | Program Services | | | | | | | | | | Administrative and General | | Total | | |
|------------------------------------|--------------------|----------------------|----------------|------------------------|---------------------|---------------------|-------------------|-----------------|---------------------|----------------|----------------------------|------------------|-------|-------------|-------|
| | Child | | | | | Family | | | | | Community Education | Total | | Fundraising | Total |
| | Crisis Residential | Transitional Housing | Sexual Assault | Child Abuse Prevention | Children's Advocacy | Children's Outreach | Violence Outreach | Family Violence | Community Education | Total | | | | | |
| Salaries | \$ 202,788 | 29,114 | 4,853 | 16,452 | 34,402 | 105,463 | 123,610 | 2,300 | 518,982 | 76,747 | 5,654 | 601,383 | | | |
| Employee benefits | 53,010 | 6,907 | 1,306 | 5,456 | 9,613 | 28,120 | 30,723 | 921 | 136,056 | 18,732 | 2,018 | 156,806 | | | |
| Professional fees | 7,875 | 443 | 2,603 | 836 | 598 | 2,045 | 53,979 | 1,345 | 69,724 | 1,394 | 117 | 71,235 | | | |
| Insurance | 8,664 | 1,967 | 379 | 714 | 1,406 | 3,720 | 4,377 | 160 | 21,387 | 3,072 | 215 | 24,674 | | | |
| Supplies | 60,232 | 5,127 | 880 | 1,938 | 3,532 | 9,874 | 21,538 | 287 | 103,408 | 1,107 | 293 | 104,808 | | | |
| Telephone | 2,971 | 379 | 69 | 306 | 497 | 3,152 | 5,872 | 86 | 13,332 | 1,035 | 79 | 14,446 | | | |
| Postage | 1,001 | 106 | 50 | 176 | 157 | 452 | 523 | 438 | 2,903 | 335 | 44 | 3,282 | | | |
| Occupancy | 38,560 | 22,701 | 4,397 | 907 | 5,982 | 5,370 | 8,319 | 707 | 86,943 | 9,473 | 904 | 97,520 | | | |
| Interest | 11,249 | 6,749 | 1,352 | 504 | 1,709 | 1,587 | 1,477 | 272 | 24,899 | 3,482 | 316 | 28,697 | | | |
| Equipment, maintenance and repairs | 4,055 | 812 | 85 | 413 | 501 | 2,342 | 2,360 | 272 | 10,840 | 890 | 278 | 12,008 | | | |
| Printing | 676 | 8 | 2 | 2 | 98 | 952 | 5,869 | 3,445 | 11,052 | 27 | 1 | 11,080 | | | |
| Travel | 454 | - | 608 | 890 | - | 4,516 | 7,651 | 6 | 14,125 | 112 | 58 | 14,295 | | | |
| Training and registration | 36 | - | - | - | 245 | 2,220 | 632 | 515 | 3,648 | 293 | 18 | 3,959 | | | |
| Direct client assistance | 19,019 | - | - | - | - | 621 | 197 | - | 19,837 | - | - | 19,837 | | | |
| Dues and fees | 2,068 | - | 175 | - | - | - | 83 | 905 | 3,231 | - | 462 | 3,693 | | | |
| Depreciation | 42,593 | 29,204 | 5,790 | 1,198 | 6,274 | 2,911 | 2,764 | 935 | 91,669 | 12,243 | 1,177 | 105,089 | | | |
| Loss on asset disposal | 7,624 | 5,084 | 1,008 | - | 1,092 | 507 | 481 | 163 | 15,959 | 2,131 | 205 | 18,295 | | | |
| Miscellaneous | 1,152 | - | 22 | - | - | 39 | 100 | - | 1,313 | 2,176 | - | 3,489 | | | |
| | <u>\$ 464,027</u> | <u>108,601</u> | <u>23,579</u> | <u>29,792</u> | <u>66,106</u> | <u>173,891</u> | <u>270,555</u> | <u>12,757</u> | <u>1,149,308</u> | <u>133,249</u> | <u>11,839</u> | <u>1,294,396</u> | | | |

ALTERNATIVES INCORPORATED OF MADISON COUNTY

Statements of Cash Flows

| | Year Ended June 30 | |
|---|--------------------|----------|
| | 2008 | 2007 |
| Operating Activities | | |
| Change in net assets | \$ (73,553) | 13,418 |
| Adjustment to reconcile change in net assets to cash flows from operating activities: | | |
| Depreciation | 125,305 | 105,089 |
| Gains on investments | - | (2,606) |
| Loss on disposal of property and equipment | 7,115 | 18,295 |
| Change in: | | |
| Accounts receivable | 37,178 | (28,292) |
| Unconditional promises to give | 6,018 | (39,948) |
| Prepaid expenses | 191 | 3,839 |
| Accounts payable | (8,741) | 6,767 |
| Accrued expenses | (3,410) | 11,174 |
| Net cash provided by operating activities | 90,103 | 87,736 |
| Investing Activities | | |
| Purchase of property and equipment | (18,663) | (32,625) |
| Purchases of investments | - | (3,951) |
| Net cash used by investing activities | (18,663) | (36,576) |
| Financing Activities | | |
| Principal payments on note payable | (223,500) | (80,125) |
| Net cash used by financing activities | (223,500) | (80,125) |
| Net decrease in cash | (152,060) | (28,965) |
| Cash, beginning of year | 575,437 | 604,402 |
| Cash, end of year | \$ 423,377 | 575,437 |
| Supplemental disclosures: | | |
| Cash paid for interest expense | 7,629 | 28,697 |

See accompanying notes to financial statements.

ALTERNATIVES INCORPORATED OF MADISON COUNTY

Notes to Financial Statements

June 30, 2008 and 2007

(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 family violence in all its facets through education, prevention and intervention. Alternatives serves residents of Madison, Hamilton, Hancock, Henry and Marion counties in Indiana. Alternatives' foundation program is an emergency shelter and transitional housing for women and children who are victims of domestic violence, homelessness and sexual assault. 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 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.

ALTERNATIVES INCORPORATED OF MADISON COUNTY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Accounting Estimates

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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 restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Property and Equipment

Purchases of these 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 |

ALTERNATIVES INCORPORATED OF MADISON COUNTY

Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

Property and Equipment, Continued

Under the terms of Alternatives' grants, its Federal grantors and the State of Indiana reserve the right to approve any sale, transfer or disposition of property or equipment having a unit acquisition cost of \$5,000 or more purchased with grant funds. Furthermore, this equipment is eligible to be transferred at the discretion of the State to a program which is being, or has been, transferred to another grantee, to ensure continued use of the equipment if Alternatives can no longer meet the terms of the grant agreement.

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.

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. Accordingly, no provision has been made in the accompanying financial statements for federal or state income taxes.

(2) Investments

Short-term investments represent resources in excess of normal operating needs invested to generate a higher return. All amounts at June 30, 2008 and 2007 were invested in a high-yield mutual fund.

Long-term investments represent funds held by the Madison County Community Foundation, Inc. Income from the investments is available to support Alternatives' activities. Under terms of the agreement, the Foundation has been granted variance authority related to the fund assets and earnings.

ALTERNATIVES INCORPORATED OF MADISON COUNTY

Notes to Financial Statements

(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 has been made for doubtful accounts.

(4) Property and Equipment

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

| | <u>2008</u> | <u>2007</u> |
|------------------------------------|--------------------|------------------|
| Building | \$3,143,314 | 3,139,451 |
| Equipment..... | 270,914 | 266,910 |
| Vehicles | <u>47,822</u> | <u>47,822</u> |
| | 3,462,050 | 3,454,183 |
| Less accumulated depreciation..... | <u>(378,594)</u> | <u>(256,970)</u> |
| | <u>\$3,083,456</u> | <u>3,197,213</u> |

Alternatives leases the land underneath its housing facility from Community Hospital of Anderson and Madison County, Inc. under a 35-year lease, which 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 Financial Statements

(5) Restricted Net Assets

Temporarily restricted net assets represent resources that have been received from grantors and donors but had not been expended for donor purposes as of June 30, 2008. Temporarily restricted net assets as of June 30, 2008 and 2007 were available for the following purposes:

| | <u>2008</u> | <u>2007</u> |
|-------------------------------------|-----------------|---------------|
| Drug use education | \$ 2,195 | 4,854 |
| Playground construction | 3,191 | 6,022 |
| Storage building construction | 8,785 | - |
| School uniforms | 3,719 | - |
| Other | <u>996</u> | <u>-</u> |
| | <u>\$18,886</u> | <u>10,876</u> |

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

| | <u>2008</u> |
|-------------------------|----------------|
| Drug use education | \$4,854 |
| Playground construction | <u>3,286</u> |
| | <u>\$8,140</u> |

ALTERNATIVES INCORPORATED OF MADISON COUNTY

Notes to Financial Statements

(6) Grant Funding

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

| | <u>2008</u> | <u>2007</u> |
|--|------------------|----------------|
| Federal grants: | | |
| Title XX..... | \$ 41,638 | 41,638 |
| Communities Against Rape Education..... | 15,105 | 16,514 |
| Family Violence and Prevention Services..... | 58,885 | 48,566 |
| Indiana Housing and Community Development Authority | 34,600 | 32,500 |
| Department of Education..... | 80,346 | 55,810 |
| Indiana Criminal Justice Institute..... | 77,942 | 77,942 |
| Office of Violence Against Women..... | 64,417 | 73,911 |
| Housing and Urban Development | 77,503 | 90,518 |
| Other | <u>51,455</u> | <u>37,556</u> |
| Total..... | <u>\$501,891</u> | <u>474,955</u> |
| State grants: | | |
| Madison County Dept. of Child Service..... | \$102,999 | 98,699 |
| Domestic Violence Prevention and Treatment | 64,418 | 64,418 |
| Indiana Coalition Against Domestic Violence | <u>39,150</u> | <u>38,250</u> |
| Total..... | <u>\$206,567</u> | <u>201,367</u> |
| Foundations and others: | | |
| Community Hospital Anderson Foundation... | \$ - | 10,000 |
| Madison County Community Foundation | 6,740 | 5,000 |
| Legacy Fund | 500 | 7,000 |
| Christ Church Cathedral | 20,000 | 18,000 |
| Episcopal Diocese of Indianapolis..... | 12,000 | 11,000 |
| Citigroup Foundation..... | - | 5,000 |
| Henry County Community Foundation | 8,785 | - |
| Other | <u>15,430</u> | <u>12,256</u> |
| Total..... | <u>\$63,455</u> | <u>68,256</u> |

ALTERNATIVES INCORPORATED OF MADISON COUNTY

Notes to Financial Statements

(7) Leases

Alternatives leases an office copier under an agreement accounted for as an operating lease. Rent expense for the year ended June 30, 2008 and 2007 was \$4,709 and \$4,748, respectively.

Minimum future lease obligations as of June 30, 2008 were:

Year Ending June 30:

| | |
|------------|---------|
| 2009 | \$4,991 |
| 2010 | 1,248 |

(8) Retirement Plan

In 2006, Alternatives adopted a defined contribution plan, which 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 total compensation of each individual. Expense recognized under the plan for 2008 and 2007 was \$29,088 and \$27,163, respectively.

(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 the majority of its cash deposits at First Merchants Bank of Central Indiana. Accounts at this institution are insured by the Federal Deposit Insurance Corporation up to \$100,000 per institution. Cash deposits frequently exceed the insured balance.

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 the financial statements of **Alternatives Incorporated of Madison County**, ("Alternatives") as of and for the year ended June 30, 2008 and have issued our report thereon dated September 12, 2008. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Alternatives' internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Alternatives' internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

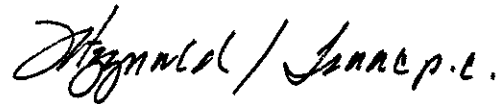
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of Alternatives 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*.

This report is intended for the information of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Indianapolis, IN
September 12, 2008

September 12, 2008

To the Board of Directors
Alternatives Incorporated of Madison County

We have audited the financial statements of **Alternatives Incorporated of Madison County** ("Alternatives") for the year ended June 30, 2008, and have issued our report thereon dated September 12, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

As stated in our engagement letter dated June 9, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Alternatives. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of Alternatives' compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Alternatives are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies is consistent with the preceding year. We noted no transactions entered into by Alternatives during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance and/or the possibility that future results may vary materially from those expected. There are no estimates in Alternatives financial statements that are considered significant for purposes of this letter.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing or completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial and communicate them to the appropriate level of management. Management has corrected all such misstatements. Adjustments made during the course of our audit include:

- An entry to record depreciation expense in the amount of \$125,300.
- Entries to record additional revenue from grants and fundraising events in the amount of \$17,000.
- Entry to record loss on disposal of property and equipment in the amount of \$7,000.
- An entry to write off uncollectible pledge balances in the amount of \$6,000.
- An entry to capitalize equipment purchases in the amount of \$18,600.
- Entry to adjust net assets, which decreased revenue by \$7,000.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 12, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Alternatives' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to communicate with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Alternatives' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During an audit, we frequently become aware of conditions where internal control or operating efficiency can be improved. Following is one such matter and our recommendation.

Annual Reporting

Each year, Alternatives must file an annual report with the Internal Revenue Service (IRS). This filing normally takes place on a Form 990, which is used by the IRS to monitor Alternatives and by the public to obtain information regarding Alternatives' purpose and means of achieving its purpose. In recent years, the IRS has expanded the reporting requirements. Effective for the year ended December 31, 2008, the Form 990 mandates significantly more disclosure with regard to governance, compensation, program service accomplishments, lobbying activities, and affiliated organizations. It will also be necessary for the Board of Directors to review and approve the Form 990 before filing.

We recommend that management consider what implications these requirements have for Alternatives, and initiate necessary changes. In addition, it may be necessary for the Board of Directors to adopt new policies with regard to such matters as governance, conflicts of interest, and management compensation.

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

Very truly yours,

Stymrod / Hancock