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December 30, 2019

Board of Directors
Alternatives Incorporated of Madison County.
P.O. Box 1302
Anderson, IN 46015

We have reviewed the audit report of Alternatives Incorporated of Madison County, which was opined upon by Donovan CPAs, Independent Public Accountants, for the period July 1, 2018 to June 30, 2019. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Alternatives Incorporated of Madison County as of June 30, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Donovan CPAs prepared the audit report in accordance with guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner

ALTERNATIVES INCORPORATED OF MADISON COUNTY

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

For the Years Ended June 30, 2019 and 2018



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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. 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

A handwritten signature in dark ink that reads "DONOVAN". The letters are cursive and somewhat stylized, with the "D" being particularly large and the "V" having a long tail.

Indianapolis, Indiana
September 25, 2019

ALTERNATIVES INCORPORATED OF MADISON COUNTY
STATEMENTS OF FINANCIAL POSITION
June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|---|----------------------------|----------------------------|
| 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 | <u>9,543</u> | <u>4,813</u> |
| <i>Total current assets</i> | 973,619 | 963,414 |
| PROPERTY AND EQUIPMENT, NET | 2,188,147 | 2,277,995 |
| OTHER ASSETS | | |
| Long-term investments | <u>16,717</u> | <u>17,268</u> |
| TOTAL ASSETS | <u><u>\$ 3,178,483</u></u> | <u><u>\$ 3,258,677</u></u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 10,556 | \$ 23,548 |
| Accrued expenses | 83,374 | 80,090 |
| Deferred revenue | <u>10,250</u> | <u>8,700</u> |
| <i>Total current liabilities</i> | <u>104,180</u> | <u>112,338</u> |
| NET ASSETS | | |
| Without donor restrictions | 3,053,909 | 3,124,859 |
| With donor restrictions | <u>20,394</u> | <u>21,480</u> |
| <i>Total net assets</i> | <u>3,074,303</u> | <u>3,146,339</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 3,178,483</u></u> | <u><u>\$ 3,258,677</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, 2019 and 2018

| | <u>2019</u> | | | <u>2018</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 | \$ 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) | - |
| <i>Total revenue and support</i> | <u>1,302,564</u> | <u>(1,086)</u> | <u>1,301,478</u> | <u>1,315,715</u> | <u>1,186</u> | <u>1,316,901</u> |
| 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 |
| <i>Total expenses</i> | <u>1,373,514</u> | <u>-</u> | <u>1,373,514</u> | <u>1,380,767</u> | <u>-</u> | <u>1,380,767</u> |
| CHANGE IN NET ASSETS | (70,950) | (1,086) | (72,036) | (65,052) | 1,186 | (63,866) |
| NET ASSETS, BEGINNING OF YEAR | <u>3,124,859</u> | <u>21,480</u> | <u>3,146,339</u> | <u>3,189,911</u> | <u>20,294</u> | <u>3,210,205</u> |
| NET ASSETS, END OF YEAR | <u>\$ 3,053,909</u> | <u>\$ 20,394</u> | <u>\$ 3,074,303</u> | <u>\$ 3,124,859</u> | <u>\$ 21,480</u> | <u>\$ 3,146,339</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, 2019

Program Services

| | <u>Crisis</u> <u>Residential</u> | <u>Transitional</u> <u>Housing</u> | <u>Sexual</u> <u>Assault</u> | <u>Children's</u> <u>Advocacy</u> | <u>Family</u> <u>Violence</u> <u>Outreach</u> | <u>Prevention</u> | <u>Total</u> | <u>Management</u> <u>and General</u> | <u>Fundraising</u> | <u>Total</u> |
|---------------------------|-------------------------------------|---------------------------------------|---------------------------------|--------------------------------------|---|-------------------|---------------------|---|--------------------|---------------------|
| 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 |
| | <u>\$ 683,639</u> | <u>\$ 112,920</u> | <u>\$ 17,268</u> | <u>\$ 106,435</u> | <u>\$ 203,479</u> | <u>\$ 67,963</u> | <u>\$ 1,191,704</u> | <u>\$ 128,910</u> | <u>\$ 52,900</u> | <u>\$ 1,373,514</u> |

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

ALTERNATIVES INCORPORATED OF MADISON COUNTY
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018

Program Services

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

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

ALTERNATIVES INCORPORATED OF MADISON COUNTY

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| 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 |
| | <u>25,807</u> | <u>(9,469)</u> |
| <i>Net cash provided by (used in) operating activities</i> | 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) | - |
| | <u>(161,101)</u> | <u>(40,914)</u> |
| <i>Net cash used in investing activities</i> | (161,101) | (40,914) |
| NET CHANGE IN CASH | (135,294) | (50,383) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>506,727</u> | <u>557,110</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 371,433</u> | <u>\$ 506,727</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, 2019 and 2018

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.

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

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.

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 3 - PROPERTY AND EQUIPMENT

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

| | <u>2019</u> | <u>2018</u> |
|--------------------------------|--------------|--------------|
| 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.

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 5 - INVESTMENTS

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

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

Long-term investments represent a beneficial interest in assets held by Madison County Community Foundation, Inc. ("MCCF"). The assets are held in MCCF's general investment fund.

The value of Alternatives' investments as of June 30, 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:

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

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:

| | <u>2019</u> | <u>2018</u> |
|--------------------|------------------|------------------|
| Drug use education | \$ 1,003 | \$ 1,003 |
| School uniforms | 2,348 | 2,348 |
| Other | 326 | 861 |
| Held by MCCF | <u>16,717</u> | <u>17,268</u> |
| | <u>\$ 20,394</u> | <u>\$ 21,480</u> |

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

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:

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

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:

| | <u>2019</u> | <u>2018</u> |
|---|--------------------|--------------------|
| 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 | <u>25,043</u> | <u>31,324</u> |
| <i>Total federal cost reimbursement grants</i> | <u>409,523</u> | <u>402,662</u> |
| 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 | <u>12,138</u> | <u>13,137</u> |
| <i>Total federal fee for service agreements</i> | <u>48,757</u> | <u>38,401</u> |
| <i>Total federal funding</i> | <u>\$ 458,280</u> | <u>\$ 441,063</u> |

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended June 30, 2019 and 2018

NOTE 7 - GRANT FUNDING, Continued

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

| | <u>2019</u> | <u>2018</u> |
|--|------------------|------------------|
| 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 | <u>17,450</u> | <u>23,800</u> |
| <i>Total foundation and other grants</i> | <u>\$ 66,435</u> | <u>\$ 90,815</u> |

NOTE 8 - RETIREMENT PLAN

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

ALTERNATIVES INCORPORATED OF MADISON COUNTY
NOTES TO THE FINANCIAL STATEMENTS
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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 | | <u>(20,394)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | \$ | <u>960,399</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.

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.