

ALTERNATIVES, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

For the Year Ended June 30, 2013

ALTERNATIVES, INC.

Annual Financial Report

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Desmond & Ahern, Ltd.

CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Independent Auditor's Report

To the Board of Directors
Alternatives, Inc.
Chicago, Illinois

We have audited the accompanying financial statements of Alternatives, Inc. (a not-for-profit organization), which comprise the statement of financial position as of June 30, 2013 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Organization's 2012 financial statements and, in our report dated March 15, 2013; we expressed an unqualified opinion on those 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's 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 auditor considers 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alternatives, Inc. as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information, as listed in the accompanying table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Desmond & Ahern, Ltd

January 3, 2014
Chicago, IL

ALTERNATIVES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2013 (with comparative totals for 2012)

	<u>2013</u>	<u>2012</u>
<u>Assets</u>		
Current Assets		
Cash and equivalents	\$ 256,542	\$ 81,987
Government contributions and grants receivable	322,509	229,058
Unconditional promises to give, net of allowance of \$4,518	329,336	177,469
Other receivables	-	2,824
Prepaid expenses	13,178	34,782
Total current assets	<u>921,565</u>	<u>526,120</u>
Property and Equipment		
Land	269,500	269,500
Building and improvements	1,272,198	1,272,198
Furniture and equipment	335,526	329,520
Vehicles	35,983	35,983
	<u>1,913,207</u>	<u>1,907,201</u>
Less accumulated depreciation	<u>(724,712)</u>	<u>(609,320)</u>
Net property and equipment	<u>1,188,495</u>	<u>1,297,881</u>
Unconditional promises to give, net of current portion	270,000	113,000
Debt financing costs, net of amortization	610	981
Permanently restricted cash	138,000	136,000
Total Assets	<u>\$ 2,518,670</u>	<u>\$ 2,073,982</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Current portion of long-term debt	\$ 20,837	\$ 20,212
Accounts payable	69,941	31,124
Accrued payroll expenses	70,107	70,309
Refundable advance	75,209	55,906
Total current liabilities	<u>236,094</u>	<u>177,551</u>
Long term debt, net of current portion	<u>827,867</u>	<u>847,978</u>
Total liabilities	<u>1,063,961</u>	<u>1,025,529</u>
Net Assets		
Unrestricted	428,209	432,250
Temporarily restricted	888,500	480,203
Permanently restricted	138,000	136,000
Total net assets	<u>1,454,709</u>	<u>1,048,453</u>
Total Liabilities and Net Assets	<u>\$ 2,518,670</u>	<u>\$ 2,073,982</u>

See independent auditor's report and notes to financial statements.

ALTERNATIVES, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013 (with comparative totals for 2012)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2013 Total	2012 Total
<u>Public Support and Revenue</u>					
Illinois Department of Human Services	\$ -	835,445	\$ -	\$ 835,445	\$ 759,653
Chicago Department of Family and Supportive Services	-	69,344	-	69,344	14,997
Chicago Public Schools	125,630	-	-	125,630	93,665
Illinois States Attorney	-	40,309	-	40,309	37,917
U.S. Department of Health and Human Services	-	366,240	-	366,240	329,771
Other contributions	238,079	1,206,633	2,000	1,446,712	1,430,473
Special Events					
Contributions and ticket revenue	52,229	-	-	52,229	52,669
Auction and raffle revenue	8,396	-	-	8,396	5,688
Donated rent	-	-	-	-	10,000
Less costs of direct benefits to donors	(7,963)	-	-	(7,963)	(11,105)
Less in-kind costs of direct benefits to donors	-	-	-	-	(10,000)
Net revenues from special events	<u>52,662</u>	<u>-</u>	<u>-</u>	<u>52,662</u>	<u>47,252</u>
Program fees	22,535	-	-	22,535	19,349
Donated services	97,421	-	-	97,421	131,033
Donated materials and rent	10,222	-	-	10,222	6,171
Donated capital equipment	750	-	-	750	75,261
Miscellaneous	12,929	-	-	12,929	29,375
Net assets released from restrictions - Satisfaction of program restrictions	<u>2,109,674</u>	<u>(2,109,674)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>2,669,902</u>	<u>408,297</u>	<u>2,000</u>	<u>3,080,199</u>	<u>2,974,917</u>
<u>Expenses</u>					
Girl World	104,503	-	-	104,503	129,301
After-School Enrichment	354,359	-	-	354,359	302,424
Family Intervention Services	381,351	-	-	381,351	278,399
Clinical Services	846,307	-	-	846,307	1,100,458
Career and Employment Services	226,769	-	-	226,769	214,307
Restorative Justice Program	214,617	-	-	214,617	217,977
Total program services	<u>2,127,906</u>	<u>-</u>	<u>-</u>	<u>2,127,906</u>	<u>2,242,866</u>
Management and general	348,293	-	-	348,293	251,902
Fundraising	197,744	-	-	197,744	202,875
Total Expenses	<u>2,673,943</u>	<u>-</u>	<u>-</u>	<u>2,673,943</u>	<u>2,697,643</u>
Change in Net Assets	(4,041)	408,297	2,000	406,256	277,274
Net Assets, Beginning of Year	<u>432,250</u>	<u>480,203</u>	<u>136,000</u>	<u>1,048,453</u>	<u>771,179</u>
Net Assets, End of Year	<u>\$ 428,209</u>	<u>\$ 888,500</u>	<u>\$ 138,000</u>	<u>\$ 1,454,709</u>	<u>\$ 1,048,453</u>

See independent auditor's report and notes to financial statements.

ALTERNATIVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2013 (with comparative totals for 2012)

	Program Services	Management and General	Fundraising	2013 Total	2012 Total
<u>Functional Expenses</u>					
Salaries and wages	\$ 1,177,074	\$ 132,208	\$ 122,232	\$ 1,431,514	\$ 1,671,103
Employee benefits and related taxes	243,436	28,319	25,375	297,130	276,743
Total salary and related expenses	1,420,510	160,527	147,607	1,728,644	1,947,846
Professional fees	131,524	149,412	9,480	290,416	170,933
Donated services	93,618	-	3,803	97,421	131,033
Stipends	60,965	960	60	61,985	15,427
Sub-recipients	98,112	-	-	98,112	41,786
Program expenses	1,885	-	-	1,885	18,289
Supplies	23,118	1,702	1,850	26,670	29,625
Occupancy	42,270	4,933	4,495	51,698	35,296
Insurance	22,307	250	2,506	25,063	26,217
Utilities and telephone	44,015	4,273	3,913	52,201	47,619
Equipment maintenance and rental	20,271	2,319	2,167	24,757	23,222
In-kind contributions and donated facilities	10,222	750	-	10,972	7,600
Postage and printing	1,024	1,748	5,440	8,212	7,492
Staff development and training	3,032	721	-	3,753	5,028
Travel	17,233	386	76	17,695	27,005
Meetings and Conferences	79	777	1	857	634
Interest	40,661	4,665	5,501	50,827	50,446
Bank and credit card fees	60	-	690	750	762
Dues and subscriptions	2,034	407	158	2,599	2,724
Miscellaneous	324	3,295	47	3,666	4,980
Depreciation and amortization	94,642	11,168	9,950	115,760	103,679
	<u>\$ 2,127,906</u>	<u>\$ 348,293</u>	<u>\$ 197,744</u>	<u>\$ 2,673,943</u>	<u>\$ 2,697,643</u>

See independent auditor's report and notes to financial statements.

ALTERNATIVES, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2013 (with comparative totals for 2012)

	<u>2013</u>	<u>2012</u>
<u>Cash Flows from Operating Activities</u>		
Cash received - funding organizations and contributions	\$ 2,498,665	\$ 2,605,900
Cash received - special events	52,662	47,252
Cash received - program fees	22,535	19,349
Cash received - miscellaneous income	12,929	29,375
Payments for interest	(50,827)	(50,446)
Payments for wages and other operating activities	(2,336,670)	(2,498,445)
Net cash provided by operating activities	<u>199,294</u>	<u>152,985</u>
<u>Cash Flows from Investing Activities</u>		
Acquisition of property and equipment	(5,253)	(39,582)
Net cash used by investing activities	<u>(5,253)</u>	<u>(39,582)</u>
<u>Cash Flows from Financing Activities</u>		
Reduction of long-term debt	(19,486)	(18,441)
Net change in short-term borrowing	-	(107,096)
Net cash used by financing activities	<u>(19,486)</u>	<u>(125,537)</u>
Net (decrease) increase in cash and cash equivalents	174,555	(12,134)
Cash and cash equivalents, beginning of year	<u>81,987</u>	<u>94,121</u>
Cash and cash equivalents, end of year	<u>\$ 256,542</u>	<u>\$ 81,987</u>
<u>Reconciliation of Change in Net Assets to Net Cash Provided by Operating Activities</u>		
Change in net assets	\$ 406,256	\$ 277,274
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	115,760	103,679
Donated capital items	(750)	(75,261)
Contributions restricted for permanent investment	(2,000)	(126,000)
Decrease (increase) in assets		
Government receivables and unconditional promises to give	(402,318)	69,373
Other receivable	2,824	(2,720)
Prepaid expenses	21,604	(27,661)
Increase (decrease) in liabilities		
Accounts payable	38,817	8,070
Accrued expenses	(202)	(69,820)
Refundable advance	19,303	(3,949)
Net cash provided by operating activities	<u>\$ 199,294</u>	<u>\$ 152,985</u>

See independent auditor's report and notes to financial statements.

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Organization

Alternatives, Inc. is a not-for-profit Illinois corporation founded in 1971 to provide comprehensive youth and family services facilitating personal development, strengthen family relationships, and enhance community well-being for Chicago's north side.

Income Tax Status

Alternatives, Inc. was granted an exemption from federal income taxes by the Internal Revenue Service pursuant to the provisions of Internal Revenue Code Section 501(c)(3). The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization that is not a private foundation under Section 509(a)(1). The tax exempt purpose of the Organization and the nature in which it operates is described in the first paragraph of Note 1. The Organization continues to operate in compliance with its tax exempt purpose.

The Organization's annual information and income tax returns filed with the federal and state governments are subject to examination for the statutory period. The open years are June 30, 2011, 2012, and 2013.

Program Descriptions

After-School Enrichment Programs (including Girl World) provides educational, recreational, and prevention programs for youth ages 10 through 18 in Uptown, Edgewater and Rogers Park. Both in the classroom and after-school, program staff and volunteers facilitate evidence-based life skills workshops and innovative programming, including tutoring, literacy activities, arts programs, exploration opportunities, and gender specific programming. In addition to providing programs and services directly to youth, staff also offer training, technical assistance, and other resources to community partners, enhancing the larger community's capacity to serve youth. Program goals are:

- to provide quality academic, enrichment, and prevention programming for youth
- to foster relevant learning opportunities inside and outside of school
- to empower youth, youth workers, and parents to impact the systems that affect their lives
- to increase self-esteem and team building
- to create a diverse community of women and girls that encourages cultural exchanges and understanding

Family Intervention Services (FIS) provides behavioral health services for young people ages 11 to 17 experiencing homelessness for a multitude of reasons such as parents not allowing youth back in the home (a "lock-out" situation), a psychiatric lock-out (parents refusing to pick up a youth from a

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

psychiatric facility), parents who have lost control of their child, runaway youth, or youth refusing to return to the home due to emotional and/or physical abuse. In response to these difficult and potentially dangerous situations, FIS provides comprehensive, intensive services including a 24-hour crisis response and temporary placement. FIS serves youth and families from Chicago's Northeast communities.

Clinical Services pairs licensed professionals with children, teens, young adults, and their families to learn new skills. Participants address conflict, peer relationships, depression, substance abuse, violence, and loss. All services are developed with sensitivity to cultural values. Bilingual therapists are available for Spanish-speaking youth and families. Services include:

- Family and individual therapy
- Groups – on-site, schools, and other organizations
- In-home family therapy
- Outpatient substance abuse – assessment, treatment and toxicology services
- Placement stabilization services – specifically for foster parents
- Consultation services

Career and Employment Services prepares youth ages 14 through 24 for their futures with pre-employment training and career planning. All services are developed with sensitivity to cultural values. Bilingual employment specialists are available for Spanish-speaking participants. The goals for the program are to:

- provide quality work readiness training for youth
- help youth identify career opportunities and create long-term career goals
- advocate for youth employment opportunities city-wide
- build skills and apprenticeship opportunities in web-development and design through the Community Technology Center

Restorative Justice Program provides mediation, peer jury and conflict resolution services, training, peer leadership opportunities, and alternatives to school disciplinary action based on the principles of Balanced and Restorative Justice (BARJ). This approach is founded upon the belief that justice is best served when those who have experienced harm, the youth who committed the violation and the community each receive equitable attention. Three main goals of Restorative Justice are competency building, accountability, and community safety.

Method of Accounting

The accounts and financial statements are maintained on the accrual basis of accounting; consequently, revenues are recognized when earned and expenses when the obligation is incurred.

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets (when applicable), as required by Generally Accepted Accounting Principles (GAAP).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 the revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of bank deposits in federally insured accounts. At June 30, 2013, the Organization's cash and cash equivalent accounts exceeded federally insured limits by \$150,600.

The Organization considers all highly liquid investments, including savings and money market accounts, to be cash equivalents.

Fair Value of Financial Instruments

The carrying amounts of financial instruments including cash, cash equivalents, receivables, accounts payable, accrued expenses, and short-term borrowings approximate fair value due to the short maturity of these instruments. The carrying amount of long-term debt approximates fair value as the fixed interest rates are similar to current rates offered for debt with similar terms and maturities.

Contributions Receivable

Unconditional contributions receivable are recognized as revenues in the period in which the pledge is received. Contributions receivable are recognized at net realizable value. An estimated allowance of \$4,518 for uncollectible amounts has been established at June 30, 2013.

Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's audited financial statements for the year ended June 30, 2012, from which the summarized information was derived.

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

Property and Equipment

Expenditures for property, equipment, and other items, which substantially increase the useful lives of existing assets, are capitalized at cost. The Organization provides for depreciation on the straight-line method at rates designed to depreciate the costs of assets over estimated useful lives as follows:

Building and building improvements	20 - 30 years
Furniture and equipment	3 - 7 years
Vehicles	5 years

Support and Revenue

The Organization reports gifts of cash and other assets as restricted support if they are received with a donor stipulation that limits the use of the donated assets. 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.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Organization received equipment donations valued at \$750 during the year ended June 30, 2013.

Government Contributions

Support funded by government contracts, which qualify as conditional promises to give, are recognized when the condition of performing the contracted services is met. Revenue is therefore recognized as earned as the condition is met when eligible expenses are incurred. These expenditures are subject to audit and acceptance by the granting Organization and, as a result of such audit, adjustments could be required.

Donated Services

Contributions of services are required to be recognized if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. For the year ending June 30, 2013, the Organization recorded donated educational services valued at \$97,421.

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1 – Nature of Operations and Summary of Significant Accounting Policies (cont.)

A number of volunteers, including the Board of Directors, have made significant contributions of time to the Organization's policy-making, program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services contained per Generally Accepted Accounting Principles.

In-Kind Contributions and Donated facilities

In addition to receiving cash contributions, the Organization receives in-kind contributions and donated facilities from various donors. It is the policy of the Organization to record the estimated fair market value of certain in-kind donations as an expense in its financial statements, and similarly increase donations by a like amount. For the year ending June 30, 2013, the Organization received donated facilities valued at \$10,222.

Certain Vulnerabilities and Concentrations

The Organization's total revenue for the year ended June 30, 2013 amounted to \$3,080,199. Of this amount, 27% and 12% were received from seven different contracts with the Illinois Department of Human Services and an award from the U.S. Department of Health and Human Services, respectively. Additionally, these funding sources represent 58% and 25%, respectively, of the government contribution revenue and 33% and 23%, respectively, of the government receivables at June 30, 2013. Furthermore, the Organization received 22% of its funding from two non-government funders which represents 78% of the unconditional promises to give at June 30, 2013.

Negative changes in the economy could have an impact on contributions, fundraising efforts as well as government grants.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Note 2 – Lines of Credit

The Organization is obligated for credit cards issued in its name. At June 30, 2013, the Organization's total available line of credit related to these credit cards is \$35,000, of which \$7,662 is outstanding and included in accounts payable.

The Organization maintains a \$250,000 revolving line of credit expiring June 19, 2014. At June 30, 2013, there were no borrowings against this line. Interest varies with the higher of the bank's prime rate, plus 1.5% or 4%, causing interest to be 4.75% at June 30, 2013. This line of credit is collateralized by all general assets and an assignment of all grants and monetary awards of the Organization and a second mortgage on the property at 4730 N. Sheridan Road, which has a net book value of \$1,104,544 at June 30, 2013.

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 3 – Long Term Debt

At June 30, 2013, long-term debt consists of the following:

Promissory note maturing March 22, 2016, payable to Associated Bank. Interest at 5.49%, is included and payable in the monthly payments of \$5,420. The note is collateralized by the property at 4730 N. Sheridan Road, which has a net book value of \$1,104,544 at June 30, 2013.	\$ 845,090
Promissory note maturing February 1, 2015 payable to Illinois Facilities Fund. Interest at 5% is included and payable in the monthly payments of \$189. The loan is collateralized by the Organization's phone system, which has a net book value of \$13,458 at June 30, 2013.	3,614
	<u>848,704</u>
Less current portion	(20,837)
Net long-term debt	<u><u>\$ 827,867</u></u>

Anticipated principal loan repayments of notes payable at June 30, are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2014	\$ 20,837
2015	22,147
2016	805,720
	<u><u>\$ 848,704</u></u>

Note 4 – Lease Commitments

The Organization has an operating lease for the use of copiers. The lease for the copiers calls for monthly rent in the amount of \$1,618 and expires in June 2016. Rental expense for this lease included in the statement of activities for the fiscal year ended June 30, 2013 amounted to \$19,410.

Future annual lease obligation payments are as follows:

<u>Year Ended June 30</u>	<u>Amount</u>
2014	\$ 19,410
2015	19,410
2016	19,410
	<u><u>\$ 58,230</u></u>

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 5 – Conditional Promises to Give

The Organization has received the following conditional promises to give which are not recognized as assets in the Statement of Financial Position as of June 30, 2013:

Recognition of specific program expenditures	\$ 193,388
Upon reporting and approval of required reports	<u>310,000</u>
	<u><u>\$ 503,388</u></u>

Note 6 – Unconditional Promises to Give

Unconditional promises to give, net of allowance of \$4,518 as of June 30, 2013 are as follows:

Due within one year	\$ 329,336
Due in 1-5 years	<u>270,000</u>
	<u><u>\$ 599,336</u></u>

Contributions receivable designated for specific purposes are as follows:

Temporarily Restricted	
General and administrative	\$ 7,500
Resource Development	<u>240,000</u>
	247,500
Unrestricted	<u>351,836</u>
Total unconditional promises to give	<u><u>\$ 599,336</u></u>

Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2013 are available for the following purposes or periods:

Girl World	\$ 22,500
Restorative Justice	218,000
Clinical Services	54,000
General and administrative	10,500
Resource development	240,000
Levi's Memorial	18,500
Future periods	<u>325,000</u>
	<u><u>\$ 888,500</u></u>

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 8 – Board Designated Net Assets

The Organization has two board designated funds, the Cash Reserve Fund and the Opportunity Fund which are included in unrestricted net assets.

The Cash Reserve Fund is funded with contributions that are designated as such. The Board of Directors may from time to time direct that a specific source of unrestricted revenue (such as one-time gifts, special grants, or special appeals) or surplus unrestricted operating funds be set aside for the Cash Reserve Fund. The sole purpose of this fund is to temporarily fund operations on the basis of outstanding accounts receivable. The Cash Reserve Fund balance at June 30, 2013 was \$84,950.

The Opportunity Fund is a Board-designated fund that enables the Organization to act efficiently and strategically on opportunities to innovate, collaborate, and adapt programming in crucial ways. It is intended to provide funds to meet special targets of opportunity or needs that further the mission of the Organization and which might have specific expectation of incremental or long-term increased income. The Opportunity Fund is also intended as a source of internal funds for organizational capacity building such as staff development or investment in infrastructure that will build long-term viability. The Opportunity Fund is funded with contributions that are designated to be set aside for this purpose. The Board of Directors may from time to time direct that a specific source of unrestricted revenue (such as one-time gifts, special grants, or special appeals) or surplus unrestricted operating funds be set aside for the Opportunity Fund. The Opportunity Fund balance at June 30, 2013 was \$110,000.

Note 9 – Permanently Restricted Net Assets

The Organization's permanently restricted net assets consist of a donor-restricted "Wallace Cash Reserve" endowment fund. The fund must be used solely to support activities that help to ensure the quality of Alternatives' program or the stability of the agency. Any amounts drawn from the fund will be repaid no later than the close of the fiscal year following the year in which they were withdrawn.

The Organization accounts for endowment net assets by preserving the fair value of the original donation as of the gift date to the donor-restricted endowment fund absent explicit donor stipulations to the contrary. As a result, the Organization classifies as endowment net assets (1) the original value of gifts donated to the permanent endowment, (2) the original value of subsequent gifts donated to the permanent endowment and (3) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the endowment fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by Illinois UPMIFA.

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 9 – Permanently Restricted Net Assets (cont.)

The Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund.
2. The purposes of the Organization and the donor-restricted endowment fund.
3. General economic conditions.
4. The possible effects of inflation and deflation.
5. The expected total return from income and the appreciation of investments.
6. Other resources of the Organization.
7. The investment policies of the Organization.

It is the policy of the Organization to manage the endowment fund in a manner that will, at a minimum, preserve and maintain the real purchasing power of the principal while allowing for annual distributions to the operating budget. The Organization's investment policies specify a the funds be maintained in U.S. Treasury Bills or an FDIC-insured certificate of deposit, checking or savings account or a money market mutual fund that is registered under the Investment Company Act of 1940. The Board of Directors meets regularly to ensure that the objectives of the investment policy are being met, and that the strategies used to meet the objectives are in accordance with the investment policy.

The endowment net asset composition by type of fund at June 30, 2013 is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 138,000	\$ 138,000

Changes in endowment net assets for the fiscal year ending June 30, 2013, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
year	\$ -	\$ -	\$ 136,000	\$ 136,000
Investment Return				
Investment income	-	-	-	-
Net depreciation (realized/unrealized)	-	-	-	-
Contributions	-	-	2,000	2,000
Appropriation of endowment assets for expenditure	-	-	-	-
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 138,000</u>	<u>\$ 138,000</u>

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 10 – Retirement Plan

The Organization maintains a 403(b) defined contribution plan for the benefit of substantially all of its employees over twenty-one years of age and with at least one year of service. The Plan allows both employee and employer contributions. Employer contributions are at the discretion of the Board of Directors. The Organization did not make a contribution to the plan during the year ended June 30, 2013.

Note 11 – Subsequent Events

For the fiscal year ended June 30, 2013, the Organization's management has evaluated subsequent events through January 3, 2014, which is the date the financial statements were available to be issued. There are no other events that are required to be disclosed through that date except as noted below:

- In November of 2013 the Agency signed a contract with Omni Institute, a Colorado nonprofit, to implement and customize an agency wide information system. The contract is for \$20,650 to \$24,150 and is estimated to conclude around April of 2014.
- In November of 2013 the Agency signed a five year contract with Social Solutions Global, Inc, a Maryland Corporation, for access to an online information system. The total contract is for \$86,400 and expires in November of 2018.
- In July of 2013 the Agency was awarded a \$240,000 contract from Cook County Government/Cook County Justice Advisory Council to work with youth who are re-entering communities after being incarcerated.

SUPPLEMENTARY INFORMATION

ALTERNATIVES, INC.
SCHEDULE OF EXPENDITURES BY PROGRAM
For the Year Ended June 30, 2013

	Girl World	After-School Enrichment	Family Intervention Services	Clinical Services	Career and Employment Services	Restorative Justice Program	Total Program Services	Supporting Services		
								Management and General	Fundraising	Total
Functional Expenses										
Salaries and wages	\$ 49,114	\$ 149,999	\$ 242,782	\$ 515,540	\$ 89,739	\$ 129,900	\$ 1,177,074	\$ 132,208	\$ 122,232	\$ 1,431,514
Employee benefits and related taxes	9,903	30,759	50,846	106,526	18,848	26,554	243,436	28,319	25,375	297,130
Total salary and related expenses	59,017	180,758	293,628	622,066	108,587	156,454	1,420,510	160,527	147,607	1,728,644
Professional fees	3,968	34,526	24,655	33,086	8,473	26,816	131,524	149,412	9,480	290,416
Donated services	22,935	23,630	-	27,434	19,619	-	93,618	-	3,803	97,421
Stipends	275	2,635	-	2,445	54,850	760	60,965	960	60	61,985
Sub-recipients	1,000	70,000	-	27,112	-	-	98,112	-	-	98,112
Program expenses	-	-	340	1,545	-	-	1,885	-	-	1,885
Supplies	1,992	4,242	3,446	8,060	2,774	2,604	23,118	1,702	1,850	26,670
Occupancy	1,815	5,541	8,857	19,071	3,493	3,493	42,270	4,933	4,495	51,698
Insurance	1,003	2,757	5,013	10,025	1,504	2,005	22,307	250	2,506	25,063
Utilities and telephone	1,539	4,813	10,339	21,000	2,811	3,513	44,015	4,273	3,913	52,201
Equipment maintenance and rental	870	2,696	4,298	9,147	1,559	1,701	20,271	2,319	2,167	24,757
In-kind contributions and donated facilities	-	-	-	10,222	-	-	10,222	750	-	10,972
Postage and printing	58	153	205	408	59	141	1,024	1,748	5,440	8,212
Staff development and training	185	355	500	1,422	305	265	3,032	721	-	3,753
Travel	1,222	2,606	2,067	5,092	3,604	2,642	17,233	386	76	17,695
Meetings and conferences	-	1	2	1	-	75	79	777	1	857
Interest	1,739	5,550	8,278	18,345	3,293	3,456	40,661	4,665	5,501	50,827
Books and subscriptions	-	-	60	-	-	-	60	-	690	750
Membership dues	80	211	583	793	180	187	2,034	407	158	2,599
Miscellaneous	13	185	58	54	7	7	324	3,295	47	3,666
Total expenses before depreciation expense	97,711	340,659	362,329	817,328	211,118	204,119	2,033,264	337,125	187,794	2,558,183
Depreciation and amortization	6,792	13,700	19,022	28,979	15,651	10,498	94,642	11,168	9,950	115,760
Total Expenses	\$ 104,503	\$ 354,359	\$ 381,351	\$ 846,307	\$ 226,769	\$ 214,617	\$ 2,127,906	\$ 348,293	\$ 197,744	\$ 2,673,943

See independent auditor's report and notes to financial statements.