

ALTERNATIVES, INC.

FINANCIAL STATEMENTS

For the Year Ended June 30, 2015

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, 2015 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 2014 financial statements and, in our report dated March 13, 2015; we expressed an unmodified 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, 2015, 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.

Desmond & Akers, Ltd

January 14, 2016
Chicago, IL

ALTERNATIVES, INC.
STATEMENT OF FINANCIAL POSITION
June 30, 2015 (with comparative totals for 2014)

	<u>2015</u>	<u>2014</u>
<u>Assets</u>		
Current Assets		
Cash and equivalents	\$ 306,695	\$ 137,905
Government contributions and grants receivable, net of allowance of \$5,000	348,842	233,917
Unconditional promises to give	147,673	260,000
Prepaid expenses	45,883	59,425
Total current assets	<u>849,093</u>	<u>691,247</u>
Property and Equipment		
Land	269,500	269,500
Building and improvements	1,272,198	1,272,198
Furniture and equipment	214,968	207,091
Software development and website	172,971	171,465
Vehicles	35,983	35,983
	<u>1,965,620</u>	<u>1,956,237</u>
Less accumulated depreciation	<u>(914,672)</u>	<u>(825,797)</u>
Net property and equipment	<u>1,050,948</u>	<u>1,130,440</u>
Unconditional promises to give, net of current portion	-	75,000
Debt financing costs, net of amortization	448	529
Permanently restricted funds	138,000	138,000
Total Assets	<u>\$ 2,038,489</u>	<u>\$ 2,035,216</u>
<u>Liabilities and Net Assets</u>		
Current Liabilities		
Current portion of long-term debt	\$ 796,245	\$ 21,486
Line of credit	250,000	-
Accounts payable	88,325	97,840
Accrued payroll expenses	85,782	77,560
Refundable advance	28,250	81,057
Total current liabilities	<u>1,248,602</u>	<u>277,943</u>
Long term debt, net of current portion	-	796,218
Total liabilities	<u>1,248,602</u>	<u>1,074,161</u>
Net Assets		
Unrestricted	334,529	293,584
Temporarily restricted	317,358	529,471
Permanently restricted	138,000	138,000
Total net assets	<u>789,887</u>	<u>961,055</u>
Total Liabilities and Net Assets	<u>\$ 2,038,489</u>	<u>\$ 2,035,216</u>

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

ALTERNATIVES, INC.
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015 (with comparative totals for 2014)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
<u>Public Support and Revenue</u>					
Illinois Department of Human Services	\$ -	\$ 934,555	\$ -	\$ 934,555	\$ 836,106
Chicago Department of Family and Supportive Services	-	271,509	-	271,509	238,634
Chicago Public Schools	219,189	-	-	219,189	189,214
Illinois States Attorney	-	-	-	-	28,977
County of Cook	-	24,546	-	24,546	240,000
U.S. Department of Health and Human Services	-	-	-	-	38,650
Medicaid	24,402	-	-	24,402	-
Other contributions	508,709	783,808	-	1,292,517	760,582
Special Events					
Contributions and ticket revenue	62,670	-	-	62,670	61,301
Auction and raffle revenue	7,901	-	-	7,901	6,014
Less costs of direct benefits to donors	(24,485)	-	-	(24,485)	(12,123)
Net revenues from special events	46,086	-	-	46,086	55,192
Program fees	7,698	-	-	7,698	5,894
Donated services	120,700	-	-	120,700	88,615
Donated materials and rent	-	-	-	-	10,222
Miscellaneous	18,908	-	-	18,908	19,842
Net assets released from restrictions - Satisfaction of program restrictions	2,226,531	(2,226,531)	-	-	-
Total Public Support and Revenue	3,172,223	(212,113)	-	2,960,110	2,511,928
<u>Expenses</u>					
Clinical	1,040,679	-	-	1,040,679	1,128,116
Youth Development	1,363,665	-	-	1,363,665	1,223,685
Total program services	2,404,344	-	-	2,404,344	2,351,801
Management and general	416,387	-	-	416,387	386,478
Fundraising	310,547	-	-	310,547	267,303
Total Expenses	3,131,278	-	-	3,131,278	3,005,582
Change in Net Assets	40,945	(212,113)	-	(171,168)	(493,654)
Net Assets, Beginning of Year	293,584	529,471	138,000	961,055	1,454,709
Net Assets, End of Year	\$ 334,529	\$ 317,358	\$ 138,000	\$ 789,887	\$ 961,055

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

ALTERNATIVES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015 (with comparative totals for 2014)

	Clinical Services	Youth Development	Total Program Services	Management and General	Fundraising	2015 Total	2014 Total
Functional Expenses							
Salaries and wages	\$ 563,581	\$ 736,268	\$ 1,299,849	\$ 200,920	\$ 206,849	\$ 1,707,618	\$ 1,634,693
Employee benefits and related taxes	118,380	106,644	225,024	35,786	40,625	301,435	261,598
Total salary and related expenses	681,961	842,912	1,524,873	236,706	247,474	2,009,053	1,896,291
Professional fees	119,430	183,575	303,005	133,980	21,136	458,121	544,271
Donated services	25,816	94,884	120,700	-	-	120,700	88,615
Stipends	40	49,926	49,966	455	-	50,421	3,973
Sub-recipients	81,380	-	81,380	-	-	81,380	72,994
Program expenses	684	-	684	-	-	684	3,420
Supplies	13,004	27,113	40,117	2,636	3,636	46,389	49,643
Occupancy	10,110	10,436	20,546	2,930	3,673	27,149	25,883
Insurance	12,605	14,102	26,707	4,236	4,578	35,521	23,656
Utilities and telephone	24,352	18,605	42,957	4,964	6,076	53,997	61,840
Equipment maintenance and rental	10,330	9,809	20,139	3,042	3,573	26,754	29,407
In-kind contributions and donated facilities	-	-	-	-	-	-	10,222
Postage and printing	707	779	1,486	1,301	2,469	5,256	5,253
Staff development and training	669	1,320	1,989	329	350	2,668	5,134
Travel	3,108	53,098	56,206	862	529	57,597	22,228
Meetings and Conferences	1,198	502	1,700	303	104	2,107	923
Interest	18,261	18,745	37,006	5,571	6,591	49,168	48,591
Bank and credit card fees	2,745	-	2,745	403	-	3,148	2,388
Dues and subscriptions	802	725	1,527	2,948	225	4,700	2,175
Bad debt	-	-	-	4,037	-	4,037	1,592
Miscellaneous	373	722	1,095	2,149	227	3,471	5,918
Depreciation and amortization	33,104	36,412	69,516	9,535	9,906	88,957	101,165
	<u>\$ 1,040,679</u>	<u>\$ 1,363,665</u>	<u>\$ 2,404,344</u>	<u>\$ 416,387</u>	<u>\$ 310,547</u>	<u>\$ 3,131,278</u>	<u>\$ 3,005,582</u>

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

ALTERNATIVES, INC.
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015 (with comparative totals for 2014)

	<u>2015</u>	<u>2014</u>
<u>Cash Flows from Operating Activities</u>		
Cash received - funding organizations and contributions	\$ 2,761,911	\$ 2,690,939
Cash received - special events	46,086	55,192
Cash received - program fees	7,698	5,894
Cash received - Medicaid	24,402	-
Cash received - miscellaneous income	18,908	19,842
Payments for interest	(49,168)	(48,591)
Payments for wages and other operating activities	<u>(2,860,204)</u>	<u>(2,767,884)</u>
Net cash used by operating activities	<u>(50,367)</u>	<u>(44,608)</u>
<u>Cash Flows from Investing Activities</u>		
Acquisition of property and equipment	<u>(9,384)</u>	<u>(43,029)</u>
Net cash used by investing activities	<u>(9,384)</u>	<u>(43,029)</u>
<u>Cash Flows from Financing Activities</u>		
Net additions (reductions) of long-term debt	<u>228,541</u>	<u>(31,000)</u>
Net cash provided (used) by financing activities	<u>228,541</u>	<u>(31,000)</u>
Net increase (decrease) in cash and cash equivalents	168,790	(118,637)
Cash and cash equivalents, beginning of year	<u>137,905</u>	<u>256,542</u>
Cash and cash equivalents, end of year	<u><u>\$ 306,695</u></u>	<u><u>\$ 137,905</u></u>
<u>Reconciliation of Change in Net Assets to Net Cash Used by Operating Activities</u>		
Change in net assets	\$ (171,168)	\$ (493,654)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	88,957	101,165
Decrease (increase) in assets		
Government receivables and unconditional promises to give	72,402	352,928
Prepaid expenses	13,542	(46,247)
Increase (decrease) in liabilities		
Accounts payable	(9,515)	27,899
Accrued expenses	8,222	7,453
Refundable advance	<u>(52,807)</u>	<u>5,848</u>
Net cash (used) provided by operating activities	<u><u>\$ (50,367)</u></u>	<u><u>\$ (44,608)</u></u>

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

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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.

Program Descriptions

Alternatives, Inc. facilitates peace and reconciliation among Chicago's youth, families, and communities through a combination of behavioral health services and youth development programs designed to prevent and address trauma and violence. Our staff use a range of modalities that form a continuum of care to support youth in developing the connections, confidence and knowledge they need to become empowered leaders and peace-makers within their families, schools, and communities.

By combining behavioral health through Clinical Services with the positive skill-building programs provided by Youth Development programs, Alternatives is able to engage youth in making healthy choices and developing healthy relationships; succeeding academically; building strong communication and conflict resolution skills while positioning them as leaders in their communities. Our Clinical Services department provides:

- **Individual, Group and Family Counseling:** Trained licensed master's level staff use a strength-based approach to provide short- and long-term therapy and case management emphasizing family communication, conflict resolution, discipline, and life-skills development. Individual, family and group services are offered through school-based health centers and within our Youth Center to support youth experiencing a range of issues, including family conflict, substance abuse, peer relationships, identity issues, anger management, and behavioral/emotional challenges.
- **Substance Abuse Counseling:** Our therapists use the Adolescent Community Reinforcement Approach (A-CRA) evidence-based substance abuse treatment practice. This model engages clients in three- to six-months of treatment including individual sessions and sessions engaging family members. A-CRA enables therapist to address each client's individual needs through encouragement of pro-social behaviors, analysis of substance use, training in communication and problem-solving skills, and caregiver-adolescent relationship improvement.
- **Family Intervention Services:** Abused and neglected youth experiencing homelessness due to extreme family conflict and dysfunction receive intensive behavioral health services, beginning with the most pressing issues of health and safety, shelter and care. Our crisis workers are available to respond to emergency family situations 24 hours a day, 365 days a year.

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

Alternatives' Youth Development programs build on youth's assets and are designed with input from the youth to build protective factors and reduce risk-factors associated with negative health outcomes for themselves and their peers. Our programs offer youth a safe space for self-expression, discovery, skill-building, and leadership development:

- **Girl World** addresses and develops the social, emotional and physical wellness of participants through intensive small group work focused on the needs and interests of girls and young women, including career exploration, project-based learning, and community service projects.
- **Career and Employment Services** works intensively with youth to prepare them to enter the workforce by offering individual case management, basic workforce preparation workshops, job placement, and intensive skill development (like technology, horticulture, urban design, home repair and weatherization, bicycle repair, etc.) that open the door to future job opportunities.
- Through **Urban Arts**, young people develop creative skills like dance, theater, DJing, visual arts, spoken word and rap, within a welcoming, respectful space focused on social and emotional development, conflict resolution, and positive community-building.
- The **Restorative Justice** program transforms school environments through training and technical assistance for school staff, as well as direct work with youth in schools citywide. Restorative approaches to school discipline empower students to become leaders in violence prevention, conflict resolution, and school safety while also offering positive, skill-building alternatives to suspension and detention.
- **Youth Empowerment Program (YEP!)** is a youth-led prevention program through which students create dialogue among their peers about the risks, attitudes, and behaviors related to alcohol, tobacco, and other drugs.

These programs and services are highly collaborative, utilizing internal referrals and partnerships with other organizations to ensure youth receive all of the supports and resources they need to develop health and stability. Alternatives works with more than 3,000 youth each year, providing services in its Uptown Youth and Family Center, as well as in public schools throughout Chicago.

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 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 above. The Organization continues to operate in compliance with its tax exempt purpose.

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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, 2013, 2014, and 2015.

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.

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, 2015, the Organization's cash and cash equivalent accounts exceeded federally insured limits by \$118,000.

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.

Unconditional Promises to Give

Unconditional contributions receivable are recognized as revenues in the period in which the pledge is received. Contributions receivable are recognized at net realizable value. No allowance has been determined for these receivables for the year ended June 30, 2015, as they are deemed to be fully collectible.

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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, 2014, from which the summarized information was derived.

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
Software development and website	3 years
Vehicles	5 years

Depreciation expense for the year ended June 30, 2015 was \$88,957.

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 did not receive any donations of this type during the year ended June 30, 2015.

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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, 2015, the Organization recorded donated educational services valued at \$120,700.

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, 2015, the Organization did not receive any in-kind donations.

Certain Vulnerabilities and Concentrations

The Organization's total revenue for the year ended June 30, 2015 amounted to \$2,960,110. Of this amount, 31%, 9% and 7% were received from the Illinois Department of Human Services, the City of Chicago's Department of Family and Support Services, and Chicago Public Schools, respectively. Additionally, these funding sources represent 28%, 6% and 22%, respectively, of the government contribution receivables. Furthermore, the Organization's unconditional promises to give at June 30, 2015 consists of 57% from one source.

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

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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

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.

Reclassifications

Certain amounts in the 2014 financial statements have been reclassified to conform to the current presentation.

Note 2 – Long Term Debt

At June 30, 2015, 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 \$1,008,992 at June 30, 2015.

Less current portion

Net long-term debt

\$	796,245
	796,245
	(796,245)
\$	-

Note 3 – Lines of Credit

The Organization is obligated for credit cards issued in its name. At June 30, 2015, the Organization's total available line of credit related to these credit cards is \$35,000, of which \$10,736 is outstanding and included in accounts payable.

The Organization maintains a \$250,000 revolving line of credit expiring March 18, 2016. At June 30, 2015, \$250,000 was borrowed against this line. Interest varies with the higher of the bank's prime rate plus 1.5% or 4%, causing interest to be 5.49% at June 30, 2015. 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 \$1,008,992 at June 30, 2015.

Note 4 – Lease Commitments

The Organization has an operating lease for the use of copiers. The equipment lease 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, 2015 amounted to \$19,410, and lease obligation payments through June 2016 are \$19,410.

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 5 – Conditional Promises to Give

The Organization has received \$451,823 of conditional promises to give which are not recognized as assets in the Statement of Financial Position as of June 30, 2015. These promises to give are conditional upon the recognition of specific program expenditures.

Note 6 – Unconditional Promises to Give

Unconditional promises to give of \$147,673 as of June 30, 2015 are all due within one year.

Note 7 – Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 are available for the following purposes or periods:

Career and employment services	\$ 144,358
Future periods	75,000
Clinical services	60,000
Restorative justice	20,000
Levi's Memorial	18,000
	<u>\$ 317,358</u>

Note 8 – Board Designated Net Assets

The Organization has one board designated fund, the Cash Reserve Fund, which is included in unrestricted net assets.

The Cash Reserve Fund is funded with contributions that are designated. 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, 2015 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, 2015 was \$10,000.

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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.

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 that 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.

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Note 9 – Permanently Restricted Net Assets, (cont.)

The endowment net asset composition by type of fund at June 30, 2015 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, 2015, are as follows:

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

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, 2015.

Note 11 – Future Commitments

In November 2013, the Organization 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 with \$5,300 payable monthly and expires in November of 2018.

ALTERNATIVES, INC.
NOTES TO FINANCIAL STATEMENTS
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Note 12 – Subsequent Events

For the fiscal year ended June 30, 2015, the Organization's management has evaluated subsequent events through January 14, 2016, which is the date the financial statements were available to be issued. The organization entered into a capital lease for copiers in May 2015. No other events were identified to be disclosed.