

**ALTERNATIVES, INC.**

**FINANCIAL STATEMENTS**

**For the Year Ended June 30, 2016**

# 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, 2016, and the related statements of activities, functional expenses and cash flows for the year 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.

### ***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 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 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, 2016, 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.

***Report on Summarized Comparative Information***

We have previously audited Alternatives, Inc.'s 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 14, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Desmond & Ahern, Ltd*

November 14, 2016  
Chicago, IL

**ALTERNATIVES, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**June 30, 2016 (with comparative totals for 2015)**

	<u>2016</u>	<u>2015</u>
<b><u>Assets</u></b>		
Current Assets		
Cash and equivalents	\$ 491,196	\$ 306,695
Government contributions and grants receivable, net of allowance of \$5,000	524,909	348,842
Unconditional promises to give	45,943	147,673
Prepaid expenses	41,068	45,883
Total current assets	<u>1,103,116</u>	<u>849,093</u>
Property and Equipment		
Land	269,500	269,500
Building and improvements	1,276,298	1,272,198
Furniture and equipment	296,834	214,968
Software development and website	168,656	172,971
Vehicles	35,983	35,983
	<u>2,047,271</u>	<u>1,965,620</u>
Less accumulated depreciation	<u>(996,005)</u>	<u>(914,672)</u>
Net property and equipment	<u>1,051,266</u>	<u>1,050,948</u>
Debt financing costs, net of amortization	10,627	448
Permanently restricted funds	138,000	138,000
<b>Total Assets</b>	<b><u><u>\$ 2,303,009</u></u></b>	<b><u><u>\$ 2,038,489</u></u></b>
<b><u>Liabilities and Net Assets</u></b>		
Current Liabilities		
Current portion of long-term debt	\$ 35,257	\$ 796,245
Current portion of capital lease obligations	13,567	-
Line of credit	-	250,000
Accounts payable	40,948	88,325
Accrued payroll expenses	136,886	85,782
Refundable advance	39,980	28,250
Total current liabilities	<u>266,638</u>	<u>1,248,602</u>
Long term debt, net of current portion	761,842	-
Long-term portion of capital lease obligations	45,312	-
Total liabilities	<u>1,073,792</u>	<u>1,248,602</u>
Net Assets		
Unrestricted	670,508	334,529
Temporarily restricted	420,709	317,358
Permanently restricted	138,000	138,000
Total net assets	<u>1,229,217</u>	<u>789,887</u>
<b>Total Liabilities and Net Assets</b>	<b><u><u>\$ 2,303,009</u></u></b>	<b><u><u>\$ 2,038,489</u></u></b>

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

**ALTERNATIVES, INC.**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016 (with comparative totals for 2015)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
<b><u>Public Support and Revenue</u></b>					
Illinois Department of Human Services	\$ -	\$ 1,105,033	\$ -	\$ 1,105,033	934,555
Chicago Department of Family and Supportive Services	-	334,703	-	334,703	271,509
Chicago Public Schools	219,633	-	-	219,633	219,189
County of Cook	-	31,480	-	31,480	24,546
Medicaid	5,178	-	-	5,178	24,402
Other contributions	569,175	1,281,328	-	1,850,503	1,292,517
<b>Special Events</b>					
Contributions and ticket revenue	64,427	-	-	64,427	62,670
Auction and event revenue	5,421	-	-	5,421	7,901
Less costs of direct benefits to donors	(19,496)	-	-	(19,496)	(24,485)
Net revenues from special events	<u>50,352</u>	<u>-</u>	<u>-</u>	<u>50,352</u>	<u>46,086</u>
Program fees	5,255	-	-	5,255	7,698
Donated services	104,255	-	-	104,255	120,700
Donated goods	5,584	-	-	5,584	-
Miscellaneous	19,325	-	-	19,325	18,908
Net assets released from restrictions - Satisfaction of program restrictions	<u>2,649,193</u>	<u>(2,649,193)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Public Support and Revenue	<u>3,627,950</u>	<u>103,351</u>	<u>-</u>	<u>3,731,301</u>	<u>2,960,110</u>
<b><u>Expenses</u></b>					
Clinical Services	1,005,465	-	-	1,005,465	1,040,679
Youth Development	1,670,212	-	-	1,670,212	1,363,665
Total program services	<u>2,675,677</u>	<u>-</u>	<u>-</u>	<u>2,675,677</u>	<u>2,404,344</u>
Management and general	396,157	-	-	396,157	416,387
Fundraising	220,137	-	-	220,137	310,547
Total Expenses	<u>3,291,971</u>	<u>-</u>	<u>-</u>	<u>3,291,971</u>	<u>3,131,278</u>
<b>Change in Net Assets</b>	335,979	103,351	-	439,330	(171,168)
<b>Net Assets, Beginning of Year</b>	<u>334,529</u>	<u>317,358</u>	<u>138,000</u>	<u>789,887</u>	<u>961,055</u>
<b>Net Assets, End of Year</b>	<u>\$ 670,508</u>	<u>\$ 420,709</u>	<u>\$ 138,000</u>	<u>\$ 1,229,217</u>	<u>\$ 789,887</u>

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

**ALTERNATIVES, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**For the Year Ended June 30, 2016 (with comparative totals for 2015)**

	Clinical Services	Youth Development	Total Program Services	Management and General	Fundraising	2016 Total	2015 Total
<b>Functional Expenses</b>							
Salaries and wages	\$ 622,317	\$ 880,540	\$ 1,502,857	\$ 199,980	\$ 126,630	\$ 1,829,467	\$ 1,707,618
Employee benefits and related taxes	116,024	160,319	276,343	47,299	26,589	350,231	301,435
Total salary and related expenses	738,341	1,040,859	1,779,200	247,279	153,219	2,179,698	2,009,053
Professional fees	35,977	146,408	182,385	78,007	16,591	276,983	458,121
Donated services	19,101	83,025	102,126	2,129	-	104,255	120,700
Stipends	-	155,072	155,072	-	-	155,072	50,421
Sub-recipients	81,995	70,110	152,105	-	-	152,105	81,380
Program expenses	11,699	3,615	15,314	1,989	1,016	18,319	684
Supplies	8,450	28,871	37,321	1,892	9,328	48,541	50,065
Occupancy	17,083	15,693	32,776	5,544	9,885	48,205	27,149
Insurance	6,680	10,084	16,764	2,871	1,942	21,577	35,521
Utilities and telephone	21,975	21,628	43,603	5,391	3,362	52,356	53,997
Equipment maintenance and rental	7,883	6,465	14,348	-	1,910	16,258	26,754
In-kind contributions and donated facilities	-	-	-	250	5,334	5,584	-
Postage and printing	948	2,637	3,585	516	4,005	8,106	5,256
Staff development and training	2,225	2,902	5,127	921	132	6,180	2,668
Travel	5,488	24,138	29,626	211	90	29,927	57,597
Meetings and Conferences	454	1,844	2,298	277	4	2,579	2,107
Interest	15,002	20,281	35,283	5,823	3,622	44,728	49,168
Bank and credit card fees	312	71	383	-	525	908	3,148
Dues and subscriptions	-	-	-	1,675	-	1,675	4,700
Bad debt	-	-	-	32,420	-	32,420	4,037
Miscellaneous	-	-	-	1,481	-	1,481	205
Depreciation and amortization	31,852	36,509	68,361	7,481	9,172	85,014	88,957
	<u>\$ 1,005,465</u>	<u>\$ 1,670,212</u>	<u>\$ 2,675,677</u>	<u>\$ 396,157</u>	<u>\$ 220,137</u>	<u>\$ 3,291,971</u>	<u>\$ 3,131,688</u>

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

**ALTERNATIVES, INC.**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2016 (with comparative totals for 2015)**

	<u>2016</u>	<u>2015</u>
<b><u>Reconciliation of Change in Net Assets to Net Cash Provided by (Used by) Operating Activities</u></b>		
Change in net assets	\$ 439,330	\$ (171,168)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	85,014	88,957
Decrease (increase) in assets		
Government receivables and unconditional promises to give	(74,337)	72,402
Prepaid expenses	4,815	13,542
Increase (decrease) in liabilities		
Accounts payable	(47,377)	(9,515)
Accrued expenses	51,104	8,222
Refundable advance	11,730	(52,807)
Net cash provided (used) by operating activities	<u>\$ 470,279</u>	<u>\$ (50,367)</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Acquisition of property and equipment	(12,693)	(9,384)
Acquisition of debt financing costs	(10,721)	-
Net cash used by investing activities	<u>(23,414)</u>	<u>(9,384)</u>
<b><u>Cash Flows from Financing Activities</u></b>		
Net (reductions) additions of long-term debt	(262,364)	228,541
Net cash provided (used) by financing activities	<u>(262,364)</u>	<u>228,541</u>
<b>Net increase in cash and cash equivalents</b>	184,501	168,790
<b>Cash and cash equivalents, beginning of year</b>	<u>306,695</u>	<u>137,905</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 491,196</u>	<u>\$ 306,695</u>

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



**ALTERNATIVES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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, the Organization 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, 2016**

**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, 2016**

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

Alternatives has adopted the requirements for accounting for uncertain tax positions and management has determined that Alternatives was not required to record a liability related to uncertain tax positions as of June 30, 2016 and 2015.

The Organization's annual information and income tax returns filed with the federal and state governments are subject to examination generally for three years after they are filed.

No cash was paid for taxes for the year ended June 30, 2016.

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. The account may, at times, exceed the federally insured limit of \$250,000.

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.

**ALTERNATIVES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

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, 2016, as they are deemed to be fully collectible.

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, 2015, 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, 2016 was \$85,014.

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, 2016.

**ALTERNATIVES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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, 2016, the Organization recorded donated educational services valued at \$104,255.

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 may receive in-kind contributions and donated facilities from various donors. It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contributions by a like amount. For the year ending June 30, 2016, the Organization received in-kind donations of \$5,584.

Certain Vulnerabilities and Concentrations

The Organization's total revenue for the year ended June 30, 2016 amounted to \$3,731,301. Of this amount, approximately 30% was received from the Illinois Department of Human Services. Additionally, this funding source represented approximately 68% of the government contribution receivables.

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

Reclassifications

Certain amounts in the 2015 financial statements have been reclassified to conform to the current presentation.

**ALTERNATIVES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

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

Subsequent Events

The Organization has evaluated subsequent events through November 14, 2016, the date these financial statements were available to be issued. There were no subsequent events required to be recognized or disclosed in these financial statements.

**Note 2 – Long Term Debt**

At June 30, 2016, long-term debt consists of the following:

Promissory note maturing May 31, 2031, payable to Illinois Facilities Fund (IFF). Interest at 5.375%, is included and payable in the monthly payments of \$6,484. Fixed rate is recalculated in May 2021 and May 2026 based on future Treasury yields. The note is collateralized by the property at 4730 N. Sheridan Road, which has a net book value of \$966,717 at June 30, 2016.	\$ 797,099
	<u>797,099</u>
Less current portion	(35,257)
Net long-term debt	<u><u>\$ 761,842</u></u>

Future maturities of long-term debt at June 30, 2016 are estimated as follows:

<u>June 30,</u>	<u>Amount</u>
2017	\$ 35,257
2018	37,641
2019	39,713
2020	41,901
2021	44,214
Thereafter	598,373
	<u><u>\$ 797,099</u></u>

For the year ended June 30, 2016, the Organization incurred \$44,728 in interest expense related to these loans.

**Note 3 – Lines of Credit**

The Organization maintains a \$200,000 promissory note with the IFF that serves as a revolving line of credit expiring May 31, 2031. At June 30, 2016, there were no borrowing against this loan Interest is fixed at 5% through May 31, 2021. At May 31, 2021 and then again at May 31, 2026, the interest rate on the note is recalculated and adjusted based on future treasure yields. This note is collateralized by the property at 4730 N. Sheridan Road, which has a net book value of \$966,717 at June 30, 2016.

**ALTERNATIVES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**Note 4 – Lease Commitments**

The Organization entered into a lease for the use of copiers during the year that qualifies as a capital lease under GAAP. The gross amount of the machine and related accumulated depreciation recorded under this capital leases and included in property and equipment are as follows:

Cost of machine	\$ 72,097
Accumulated depreciation	(13,218)
	<u>\$ 58,879</u>

Future minimum capital lease payments are as follows:

2017	\$ 16,476
2018	16,476
2019	16,476
2020	16,443
Total minimum lease payments	<u>65,871</u>
Amount representing interest	(6,992)
Present value of net minimum capital lease payments	<u>58,879</u>
Current installments of obligations under capital leases	<u>(13,567)</u>
Long-term capital lease obligations	<u>\$ 45,312</u>

**Note 5 – Conditional Promises to Give**

The Organization has received \$431,452 of conditional promises to give which are not recognized as assets in the Statement of Financial Position as of June 30, 2016. These promises to give are conditional upon the recognition of specific program expenditures.

**Note 6 – Unconditional Promises to Give**

Unconditional promises to give of \$45,943 as of June 30, 2016 are all due within one year.

**Note 7 – Temporarily Restricted Net Assets**

Temporarily restricted net assets at June 30, 2016 are available for the following purposes or periods:

Clinical programs	\$ 17,500
Youth Development programs	255,209
Capacity Building	40,000
Levi's Memorial	18,000
Future periods	90,000
	<u>\$ 420,709</u>

**ALTERNATIVES, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2016**

**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, 2016 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, 2016 was \$10,000.

**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.



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**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 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.

The endowment net asset composition by type of fund at June 30, 2016 is as follows:

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

Changes in endowment net assets for the fiscal year ending June 30, 2016, 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>

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**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, 2016.

**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.