

# **Positive Alternatives, Inc.**

Financial Statements and  
Supplementary Information

December 31, 2020 and 2019

# Positive Alternatives, Inc.

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December 31, 2020 and 2019

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## Independent Auditors' Report

To the Board of Directors of  
Positive Alternatives, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Positive Alternatives, Inc. (the Organization), which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 the Organization as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information as identified in the table of contents, as required by the *Department of Health Services Audit Guide*, issued by the Wisconsin Department of Health Services, and the *Provider Agency Audit Guide*, 2019 revision, issued by the Wisconsin Department of Children and Families, are presented for purposes of additional analysis and are 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2021 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*Baker Tilly US, LLP*

Eau Claire, Wisconsin  
June 2, 2021

**Positive Alternatives, Inc.**

Statements of Financial Position

December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 358,652	\$ 440,918
Restricted cash, donor-restricted	14,149	57,400
Restricted cash, board-designated	-	10,000
Accounts receivable	347,407	317,643
Prepaid expenses	27,251	30,393
	<u>747,459</u>	<u>856,354</u>
<b>Noncurrent Assets</b>		
Net property and equipment	1,489,118	1,558,729
	<u>\$ 2,236,577</u>	<u>\$ 2,415,083</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt	\$ 45,777	\$ 292,748
Current portion of deferred lease incentive	-	6,594
Accounts payable	21,329	117,795
Accrued wages	42,599	124,769
Accrued paid time off	98,464	63,998
Deferred revenue	14,149	26,979
	<u>222,318</u>	<u>632,883</u>
<b>Noncurrent Liabilities</b>		
Noncurrent portion of long-term debt	618,179	409,137
	<u>618,179</u>	<u>409,137</u>
Total liabilities	<u>840,497</u>	<u>1,042,020</u>
<b>Net Assets</b>		
Net assets without donor restrictions	1,396,080	1,263,563
Net assets with donor restrictions	-	109,500
	<u>1,396,080</u>	<u>1,373,063</u>
Total liabilities and net assets	<u>\$ 2,236,577</u>	<u>\$ 2,415,083</u>

See notes to financial statements

**Positive Alternatives, Inc.**

## Statements of Activities

Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Support</b>						
Governmental grants	\$ 581,180	\$ -	\$ 581,180	\$ -	\$ -	\$ -
Non-governmental grants	6,562	-	6,562	-	107,500	107,500
County service fees, DCF regulated rates	2,755,501	-	2,755,501	2,832,083	-	2,832,083
County service fees, non-DCF regulated rates	263,017	-	263,017	518,457	-	518,457
Other county payments	9,161	-	9,161	54,968	-	54,968
Contributions	25,191	-	25,191	10,836	2,000	12,836
Private pay fees	4,672	-	4,672	25,531	-	25,531
Interest income	59	-	59	132	-	132
Other income	8,906	-	8,906	10,638	-	10,638
Total revenue and support	<u>3,654,249</u>	<u>-</u>	<u>3,654,249</u>	<u>3,452,645</u>	<u>109,500</u>	<u>3,562,145</u>
<b>Expenses</b>						
Program services	2,937,780	-	2,937,780	2,802,845	-	2,802,845
Management and general	693,452	-	693,452	667,817	-	667,817
Total expenses	<u>3,631,232</u>	<u>-</u>	<u>3,631,232</u>	<u>3,470,662</u>	<u>-</u>	<u>3,470,662</u>
<b>Net Assets Released From Restrictions</b>	<u>109,500</u>	<u>(109,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	132,517	(109,500)	23,017	(18,017)	109,500	91,483
<b>Net Assets, Beginning</b>	<u>1,263,563</u>	<u>109,500</u>	<u>1,373,063</u>	<u>1,281,580</u>	<u>-</u>	<u>1,281,580</u>
<b>Net Assets, Ending</b>	<u>\$ 1,396,080</u>	<u>\$ -</u>	<u>\$ 1,396,080</u>	<u>\$ 1,263,563</u>	<u>\$ 109,500</u>	<u>\$ 1,373,063</u>

See notes to financial statements

**Positive Alternatives, Inc.**

## Statements of Functional Expenses

Years Ended December 31, 2020 and 2019

	2020				2019			
	Program Services	Fundraising	Management and General	Total	Program Services	Fundraising	Management and General	Total
Salaries and wages	\$ 2,206,472	\$ -	\$ 357,121	\$ 2,563,593	\$ 2,021,578	\$ -	\$ 345,489	\$ 2,367,067
Employee benefits; full-time employees	223,375	-	65,717	289,092	181,721	-	49,024	230,745
Payroll tax expense	233,804	-	28,880	262,684	222,197	-	27,052	249,249
Insurance	-	-	46,940	46,940	-	-	39,019	39,019
Mortgage and auto loan interest	30,227	-	-	30,227	33,507	-	323	33,830
Rent	29,030	-	-	29,030	30,300	-	-	30,300
Utilities	29,115	-	9,799	38,914	39,251	-	11,571	50,822
Depreciation and amortization	37,518	-	61,596	99,114	70,484	-	66,656	137,140
Minor equipment and building improvements	33,381	-	13,042	46,423	47,639	-	12,862	60,501
Transportation and travel	4,384	-	26,465	30,849	17,771	-	42,969	60,740
Contract payments	2,225	-	6,267	8,492	2,369	-	1,717	4,086
Maintenance and supplies	14,445	-	1,102	15,547	13,215	-	1,518	14,733
Household and resources	66,676	-	-	66,676	83,599	-	-	83,599
Telephone and internet	15,521	-	4,603	20,124	18,671	-	5,146	23,817
Printing and postage	4,804	-	1,060	5,864	7,687	-	1,301	8,988
Audit, accounting and legal fees	-	-	16,500	16,500	-	-	15,965	15,965
Office, computer and supplies	2,719	-	33,214	35,933	5,910	-	20,463	26,373
Staff recruitment	-	-	1,431	1,431	75	-	1,163	1,238
Professional memberships	-	-	5,558	5,558	-	-	4,592	4,592
Staff development	3,034	-	10,494	13,528	5,263	-	12,725	17,988
Fundraising/other nonallowable	1,050	-	3,663	4,713	1,608	-	6,594	8,202
Prior year payback	-	-	-	-	-	-	1,668	1,668
<b>Total expenses</b>	<b>\$ 2,937,780</b>	<b>\$ -</b>	<b>\$ 693,452</b>	<b>\$ 3,631,232</b>	<b>\$ 2,802,845</b>	<b>\$ -</b>	<b>\$ 667,817</b>	<b>\$ 3,470,662</b>

See notes to financial statements

**Positive Alternatives, Inc.**

## Statements of Cash Flows

Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 23,017	\$ 91,483
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	99,114	137,140
Contributions restricted for purchase of property and equipment	-	(107,500)
Changes in operating assets and liabilities:		
Accounts receivable	(29,764)	92,904
Prepaid expenses	3,142	16,449
Accounts payable	(9,904)	(5,203)
Accrued wages	(82,170)	25,092
Accrued paid time off	34,466	(3,029)
Deferred lease incentive	(6,594)	(39,559)
Deferred revenue	(12,830)	26,979
Net cash flows from operating activities	<u>18,477</u>	<u>234,756</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of property and equipment	<u>(116,065)</u>	<u>(121,689)</u>
Net cash flows from investing activities	<u>(116,065)</u>	<u>(121,689)</u>
<b>Cash Flows From Financing Activities</b>		
Payments of principal on long-term debt	(37,929)	(45,400)
Contributions received restricted for purchase of property and equipment	<u>-</u>	<u>107,500</u>
Net cash flows from financing activities	<u>(37,929)</u>	<u>62,100</u>
Net change in cash, cash equivalents and restricted cash	(135,517)	175,167
<b>Cash, Cash Equivalents and Restricted Cash, Beginning</b>	<u>508,318</u>	<u>333,151</u>
<b>Cash, Cash Equivalents and Restricted Cash, Ending</b>	<u>\$ 372,801</u>	<u>\$ 508,318</u>
<b>Supplemental Cash Flow Information</b>		
Cash paid during the year for:		
Interest	<u>\$ 30,227</u>	<u>\$ 33,830</u>
<b>Noncash Capital and Related Financing Activities</b>		
Property acquired via accounts payable	<u>\$ -</u>	<u>\$ 86,562</u>
<b>Reconciliation of Cash, Cash Equivalents and Restricted Cash to the Statements of Financial Position</b>		
Cash and cash equivalents	\$ 358,652	\$ 440,918
Restricted cash, donor-restricted funds	14,149	57,400
Restricted cash, board-designated funds	<u>-</u>	<u>10,000</u>
Cash, cash equivalents and restricted cash	<u>\$ 372,801</u>	<u>\$ 508,318</u>

See notes to financial statements

# Positive Alternatives, Inc.

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Notes to Financial Statements

December 31, 2020 and 2019

## 1. Summary of Significant Accounting Policies

### Reporting Entity

Through a continuum of family and strength-based services, Positive Alternatives, Inc. strives to equip at-risk youth and young adults with the social, emotional and development skills needed to flourish.

Positive Alternatives, Inc. (the Organization) provides group home and community based services to assist in conflict resolution and interpersonal skill development for youth and families.

Group Homes include five, eight bed adolescent group homes in Amery, Menomonie and River Falls (the Western Group Homes) and in Wood County and Marathon County. The Wood County Group Home was renamed "Wisconsin Rapids" group home in 2020. Each home provides a therapeutic group home environment that delivers 24-hour structure, support and supervision to youth.

Community Based Services works with youth and families to improve family, community and school relationships as well as to prevent out of home placement. The program delivers three services:

**Positive Alternatives Support Services (PASS)** delivers individualized, community-based service with the goal of supporting youth with delinquency, mental health, AODA or family instability concerns. The service has been renamed "Mentoring" in 2020.

**Supervised Visitation** provides a court ordered, supervised and documented face-to-face visitation of a child by a non-custodial parent in a safe environment.

**Day Supervision** offers a supervised and structured environment for youth outside a school setting during daytime, evening or weekend hours.

### Basis of Accounting

The financial statements of the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Support received under grants with various state agencies is recorded when the related costs are incurred. Accounts receivable are recorded for amounts due for revenues earned prior to year-end. All expenses are recorded when incurred.

### Donated Services, Materials and Supplies

Donated services valued over \$500 and meeting the requirements for recognition (i.e., requiring a specialized skill or creating or enhancing nonfinancial assets that would otherwise have to be purchased), if any, are reflected in the financial statements. The value of these services is determined objectively using the market value for similar services. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization with its various programs and fundraising efforts. These services have not been reflected in the financial statements.

Donated materials and supplies valued over \$500 are recorded at fair value.

## Positive Alternatives, Inc.

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Notes to Financial Statements  
December 31, 2020 and 2019

### Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

### Net Assets

Net assets are classified based on the existence or absence of donor restrictions or board designations. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

**Net Assets Without Donor Restrictions** - Net assets that are not subject to donor-imposed stipulations, but can be designated by the board of directors. Donated long-lived assets are recorded as net assets without donor restrictions when received.

**Net Assets With Donor Restrictions** - Net assets that are subject to donor-imposed stipulations that either expire by actions of the Organization or the passage of time or that they be maintained permanently by the Organization. Cash donations for the purchase of long-lived assets are treated as net assets with donor restrictions until the designated asset is purchased and placed in service.

### Revenue Recognition

Client service revenues are recognized at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing client care. These amounts are due from clients, third-party payors (including governmental entities) and others. Generally, the Organization bills the clients and third-party payors on a monthly basis, which may be several days after the services are performed and/or the client is discharged from the facility. Revenue is recognized as performance obligations are satisfied and reported as increases in net assets without donor restrictions.

The Organization has elected the practical expedient allowed under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-32-18 and does not adjust the promised amount of consideration from clients and third-party payors for the effects of a significant financing component due to the Organization's expectation that the period between the time the service is provided to a client and the time that the client or third-party payor pays for that service will be one year or less.

### Accounts Receivable

No uncollectible accounts receivable are known of or adjusted. No allowance for doubtful accounts is considered necessary as of December 31, 2020 and 2019.

### Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions are met or expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When restrictions are met or expire, net assets with donor restrictions are reclassified to net assets without donor restrictions. There were no unconditional promises to give as of December 31, 2020 and 2019.

## **Positive Alternatives, Inc.**

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Notes to Financial Statements

December 31, 2020 and 2019

### **Grants and Contributions**

Revenues from grants are considered contributions if the transactions are non-reciprocal in nature and contain a right of return. As such, revenues from grants are recognized when conditions are met, that is as allowable expenditures are incurred, and reported as increases in net assets with or without donor restrictions.

### **Functional Expense Allocation**

Functional expenses are charged to the Organization's various programs based on actual costs incurred or management's estimate of the area of operation that benefits from the expenses. Expenses not directly related to a specific program are tracked through an administration account and a percentage is assessed to all agency programs based on the number of hours worked by employees in each program.

### **Use of Estimates**

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

### **Cash Equivalents**

For the purposes of the statement of cash flows, all highly liquid instruments with a maturity of three months or less when purchased are considered to be cash equivalents.

### **Restricted Cash**

Amounts included in restricted cash represent cash received from donors that is restricted and amounts internally-designated by the board of directors.

### **Income Tax Status**

The Organization is a not-for-profit organization exempt from paying income tax under Section 501(c)(3) of the Internal Revenue Code. The tax-exempt status is based upon the stated purpose of the operations and supporting evidence presented to the Internal Revenue Service with the application for tax-exempt status. Such status is subject to reevaluation should there be changes in operations, character or purpose of the Organization. The Organization is also exempt from Wisconsin franchise or income taxes.

The Organization follows ASC Topic 740-10, *Accounting for Uncertainty in Income Taxes*. ASC Topic 740-10 requires entities to determine whether it is more likely than not that a tax position will be sustained upon examination of the technical merits of the position, assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements.

The Organization recorded no liabilities for uncertain tax positions or unrecognized tax benefits during the years ended December 31, 2020 and 2019.

## Positive Alternatives, Inc.

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Notes to Financial Statements

December 31, 2020 and 2019

### Paycheck Protection Program

On April 9, 2020, the Organization received proceeds in the amount of \$513,300 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying non-profit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying non-profit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. The Organization initially recorded the funds as a refundable advance and recorded the forgiveness in accordance with guidance for conditional contributions when there was no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived.

As of December 31, 2020, the Organization had expended all of the PPP funds received on qualified expenses and believes that it met all of the conditions attached to the PPP. Therefore, the Organization has recorded governmental grant revenue of \$513,300 within its statement of activities for the year ended December 31, 2020.

The SBA approved forgiveness of the Organization's PPP loan on January 13, 2021. The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the financial statements.

### New Accounting Pronouncements

In February 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases*. ASU No. 2016-02 was issued to increase transparency and comparability among entities. Lessees will need to recognize nearly all lease transactions (other than leases that meet the definition of a short-term lease) on the statements of financial position as a lease liability and a right-of-use asset (as defined). Lessor accounting under the new guidance will be similar to the current model. ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021. Early application is permitted. Upon adoption, lessees and lessors will be required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach, which includes a number of optional practical expedients that entities may elect to apply.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for fiscal years beginning after June 15, 2021. Early adoption is permitted.

The Organization is assessing the impact these standards will have on its financial statements.

## Positive Alternatives, Inc.

Notes to Financial Statements  
December 31, 2020 and 2019

### 2. Account Receivable

Accounts receivable at December 31, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
County contracts	\$ 345,282	\$ 316,621
Other	2,125	1,022
Total	<u>\$ 347,407</u>	<u>\$ 317,643</u>

### 3. Property and Equipment

Property and equipment acquisitions are recorded at cost. Donated capital assets are recorded at their fair value at the time they are received. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Property and equipment acquisitions are capitalized for individual acquisitions over \$5,000. Depreciation expense totaled \$99,114 and \$137,140 for the years ended December 31, 2020 and 2019, respectively. Vehicles and buildings and improvements are subject to liens. The useful lives of the Organization's property and equipment are as follows:

Building and improvements	5 to 39 years
Equipment	5 to 10 years
Vehicles	3 years
Leasehold improvements	5 years

A summary of property and equipment by major category is as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 168,741	\$ 168,741
Buildings and improvements	1,648,596	1,492,315
Vehicles	238,040	232,585
Leasehold improvements	194,000	194,000
Remodeling in progress	-	145,179
Total	2,249,377	2,232,820
Less accumulated depreciation	<u>(760,259)</u>	<u>(674,091)</u>
Net property and equipment	<u>\$ 1,489,118</u>	<u>\$ 1,558,729</u>

## Positive Alternatives, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

### 4. Long-Term Debt

Long-term debt is comprised of the following:

	<u>2020</u>	<u>2019</u>
Bremer Bank mortgage payable, interest at 3.48 percent, payable in monthly installments of \$858, including interest, with a balloon payment due on November 2, 2030, secured by real estate.	\$ 98,913	\$ 112,455
Bremer Bank mortgage payable, interest at 3.48 percent, payable in monthly installments of \$832, including interest, with a balloon payment due on November 2, 2030, secured by real estate.	96,970	100,683
Bremer Bank mortgage payable, interest at 3.48 percent, payable in monthly installments of \$2,183, including interest, with a balloon payment due on November 2, 2030, secured by real estate.	254,577	265,649
Bremer Bank mortgage payable, interest at 3.48 percent, payable in monthly installments of \$1,838, including interest, with a balloon payment due on November 2, 2030, secured by real estate.	<u>213,496</u>	<u>223,098</u>
Total long-term debt	663,956	701,885
Less current portion of long-term debt	<u>(45,777)</u>	<u>(292,748)</u>
Net long-term debt	<u>\$ 618,179</u>	<u>\$ 409,137</u>

The Organization expects to refinance obligations with balloon payments at the end of note terms.

Interest expense totaled \$30,227 during 2020 and \$33,830 during 2019 and is included in mortgage and auto loan interest on the Statements of Functional Expenses.

Scheduled payments on long-term debt as of December 31, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 45,777	\$ 22,762	\$ 68,539
2022	47,418	21,121	68,539
2023	49,119	19,420	68,539
2024	50,880	17,659	68,539
2025	52,705	15,834	68,539
2026-2030	<u>418,057</u>	<u>44,519</u>	<u>462,576</u>
Total	<u>\$ 663,956</u>	<u>\$ 141,315</u>	<u>\$ 805,271</u>

All mortgage payable long-term debt issues require that the Organization maintain a minimum debt service coverage ratio of 1.2 to 1.

## Positive Alternatives, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

### 5. Net Assets

Net assets at December 31, 2020 and 2019, consisted of the following:

	<u>2020</u>	<u>2019</u>
Without donor restrictions:		
Operations	\$ 570,918	\$ 396,719
Net investment in property and equipment	825,162	856,844
Board designated for capital projects	-	10,000
Total without donor restrictions	<u>1,396,080</u>	<u>1,263,563</u>
With donor restrictions:		
Purpose and time restricted:		
Menomonie group home remodeling project	-	107,500
Community based services supplies and training	-	2,000
Total with donor restrictions	<u>-</u>	<u>109,500</u>
Total net assets	<u>\$ 1,396,080</u>	<u>\$ 1,373,063</u>

### 6. Retirement Plan

The Organization has a 403(b) retirement plan that covers all employees. All employees become eligible to participate beginning with the first hour of service. In addition to employee pay deferrals, the Organization may elect to match eligible participant contributions. Reduction of participant eligibility requirements were approved during 2019 and were effective in 2020.

### 7. Line of Credit

The Organization has \$200,000 available through a line of credit which expires on October 30, 2021. There was no outstanding balance as of December 31, 2020 and 2019. The line of credit is secured by real estate. The interest rate is calculated at 0.75 percent over the lender's Index Rate, and will be no lower than 5.00 percent.

### 8. Concentrations

The Organization's primary sources of support are counties located in central and western Wisconsin. The level of support is partly determined by the state of the economy in the area and also by funding for programs that are provided to youth and families from the state and federal governments.

During 2020 and 2019, a number of the Organization's contracts represented a significant revenue source. The following represents the amount and the percentage of total revenue and support relating to the Organization's concentrations:

Source	2020		2019	
	Amount	Percentage	Amount	Percentage
Marathon County	\$ 625,795	17.13 %	\$ 542,245	15.27 %
Chippewa County	382,487	10.47	394,569	11.11
Wood County	172,956	4.73	438,656	12.35

Individual amounts due at December 31, 2020 and 2019 from three of the Organization's contractors comprised 54 percent and 47 percent, respectively, of the total year-end accounts receivable balance.

## Positive Alternatives, Inc.

Notes to Financial Statements

December 31, 2020 and 2019

### 9. Contingencies

The Organization contracts with various county units of government to provide fee-based group home services. If the Organization's revenues exceed expenses by contracted service above a calculated 5 percent reserve, the contracting county may request return of its allocated share of the excess. Requests must be made within six months of receiving the Organization's audited financial statements. The total amount that could be requested from the contracting counties is \$0 as of December 31, 2020 and 2019.

### 10. Concentration of Credit Risk

The Organization maintains depository relationships with local financial institutions. Operating cash balances typically exceed Federal Depository Insurance Corporation limits. Management believes that these financial institutions have strong credit ratings and that credit risk related to these deposits is minimal. Concentrations of credit risk with respect to accounts receivable are limited because most accounts receivable are due from governmental and social service agencies.

### 11. Liquidity and Availability of Funds

Financial assets available for general expenditure within one year of the statement of financial position date consist of the following as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 358,652	\$ 440,918
Accounts receivable	<u>347,407</u>	<u>317,643</u>
Financial assets available to meet cash needs for general purposes within one year	<u>\$ 706,059</u>	<u>\$ 758,561</u>

With available liquid assets and anticipated collections for service and expenses, the Organization believes adequate resources will be available for the next year of operation.

The Organization follows a formal liquidity policy to structure its financial assets to be available as expenditures, liabilities and other obligations become due. The Organization invests cash in excess of obligations in a money market account. To help manage unanticipated liquidity needs, the Organization maintains a line of credit.

In 2019, a policy was established that any net assets with donor restrictions or board designated net assets without donor restrictions in the form of cash are to be placed in a separate, designated money market or savings account until expended. The cash and cash equivalents included above as available to meet cash needs does not include cash that is restricted by either a donor or the board of directors.

A cash flow projection is included with annual financial budgets to ensure adequate cash needs for future operations.

## **12. Subsequent Events**

Subsequent events have been evaluated through June 2, 2021, which is the date the financial statements were approved and available to be issued.

In February 2021, the Organization applied, and was approved for a Paycheck Protection Program (PPP) Second Draw Loan through the Small Business Administration (SBA) in the amount of \$528,430. The loan has a five-year term at 1.00 percent interest and is guaranteed by the SBA. PPP Second Draw Loans are eligible for loan forgiveness on the same terms and conditions as PPP First Draw Loans. All, or a portion, of the loan and related accrued interest will be forgiven should the loan proceeds be used during a 24-week covered period, ending July 29, 2021, for approved payroll and certain other non-payroll costs. A loan forgiveness application must be submitted to the lender within 10 months after the end of the covered period. The Organization believes a large portion of the loan will be forgiven; however, is unable at the present time to determine the potential forgiven portion of the loan or the actual net liability. The Organization is not obligated to make any payments of principal or interest before the date on which the SBA remits the loan forgiveness amount to the lender or notifies lender that no loan forgiveness is allowed.

**Independent Auditors' Report on Internal Control  
Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of  
Financial Statements Performed in Accordance  
With *Government Auditing Standards*, the *Provider Agency  
Audit Guide* and the *Department of Health Services Audit Guide***

To the Board of Directors of  
Positive Alternatives, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the *Provider Agency Audit Guide*, 2019 revision, issued by the Wisconsin Department of Children and Families, and the *Department of Health Services Audit Guide*, issued by the Wisconsin Department of Health Services, the financial statements of Positive Alternatives, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 2, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, the *Provider Agency Audit Guide* or the *Department of Health Services Audit Guide*.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards*, the *Provider Agency Audit Guide* and the *Department of Health Services Audit Guide* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Eau Claire, Wisconsin  
June 2, 2021

## **SUPPLEMENTARY INFORMATION**

**Positive Alternatives, Inc.**

Schedule of Contract Expenditures

Year Ended December 31, 2020

<u>Contract</u>	<u>Contract Number</u>	<u>U.S. Department of Health and Human Services</u>	<u>Wisconsin Department of Health Services</u>	<u>Wisconsin Department of Children &amp; Families</u>	<u>Wisconsin Department of Public Instruction</u>	<u>Totals</u>
Adams County	20-2815	\$ -	\$ -	\$ 20,594	\$ -	\$ 20,594
Ashland County	2020	1,702	-	73,552	-	75,254
Barron County	2020-100	-	2,155	108,511	-	110,666
Buffalo County	2020-056	9,316	-	53,130	-	62,446
Burnett County	2020-0003	-	-	55,733	-	55,733
Calumet County	2020	413	-	16,589	-	17,002
Chippewa County	2020-2022	-	57,500	93,304	-	150,804
Clark County	2020	-	-	62,797	-	62,797
Douglas County	20-YS-14	612	-	24,563	-	25,175
Dunn County	2020	-	26,351	59,689	-	86,040
Eau Claire County	2020-0101	-	-	179,274	-	179,274
Human Service Center (Oneida County)	BH 20054	-	-	958	-	958
Jackson County	20-6730	-	-	20,594	-	20,594
Jefferson County	2020	26,239	-	25,206	-	51,445
Kenosha County	CFS-AH-PLC-GH-20	-	-	6,789	-	6,789
La Crosse County	7139-1903-01	-	-	49,600	-	49,600
Langlade County	N/A	-	-	958	-	958
Manitowoc County	N/A	-	-	5,268	-	5,268
Marathon County	2016-2021	-	-	625,795	-	625,795
Monroe County	20-312	-	-	68,508	-	68,508
Pepin County	2020	-	-	3,095	-	3,095
Pierce County	20-33, 20-34	-	-	88,613	-	88,613
Polk County	20-37	-	7,184	40,813	-	47,997
Portage County	1409	-	-	18,438	-	18,438
Price County	2020	-	-	45,050	-	45,050
Racine County	20-127	-	-	50,926	-	50,926
Rock County	HSD_2020_0140	-	-	35,341	-	35,341
St. Croix County	2020	-	-	207,354	-	207,354
Sawyer County	2020	-	4,789	-	-	4,789
Taylor County	20-CFS-14	-	-	61,001	-	61,001
Vilas County	206	-	-	68,996	-	68,996
Washburn County	2020-138801	-	-	77,138	-	77,138
Wood County	2020	-	-	172,956	-	172,956
Ellsworth Community School District	N/A	-	-	-	2,274	2,274
<b>Total</b>		<b>\$ 38,282</b>	<b>\$ 97,979</b>	<b>\$ 2,421,133</b>	<b>\$ 2,274</b>	<b>\$ 2,559,668</b>

See notes to schedule of contract expenditures

## **Positive Alternatives, Inc.**

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Notes to Schedule of Contract Expenditures  
December 31, 2020

### **1. Basis of Presentation**

The accompanying schedule of contract expenditures (the schedule) includes the vendor relationship activity of Positive Alternatives, Inc. for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of the *Provider Agency Audit Guide*, 2019 revision, issued by the Wisconsin Department of Children and Family and the *Department of Health Services Audit Guide*, issued by the Wisconsin Department of Health Services. Because the schedule presents only a selected portion of the operations of Positive Alternatives, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Positive Alternatives, Inc.

### **2. Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Allowable Cost Policy Manuals and applicable state statutes, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Contract numbers are presented where available.

**Positive Alternatives, Inc.**Schedule of Detailed Revenue and Support and Expenses  
Year Ended December 31, 2020

	<u>Group Homes</u>	<u>Community Based Services</u>	<u>Administration, Fundraising and Other</u>	<u>Total</u>
<b>Revenue and Support</b>				
Governmental grants	\$ 470,259	\$ 107,282	\$ 3,639	\$ 581,180
Non-governmental grants	6,562	-	-	6,562
County service fees, DCF regulated rates	2,755,501	-	-	2,755,501
County service fees, non-DCF regulated rates	-	263,017	-	263,017
Other county payments	6,593	-	2,568	9,161
Contributions	13,684	-	11,507	25,191
Private pay fees	1,676	2,996	-	4,672
Interest income	-	-	59	59
Other income	-	-	8,906	8,906
Total revenue and support	<u>3,254,275</u>	<u>373,295</u>	<u>26,679</u>	<u>3,654,249</u>
<b>Expenses</b>				
Salaries and wages	1,993,555	212,917	357,121	2,563,593
Employee benefits; full-time employees	201,405	21,970	65,717	289,092
Payroll tax expense	211,644	22,160	28,880	262,684
Insurance	-	-	46,940	46,940
Mortgage and auto loan interest	28,656	1,571	-	30,227
Rent	29,030	-	-	29,030
Utilities	27,935	1,180	9,799	38,914
Depreciation	33,858	3,660	61,596	99,114
Minor equipment and building improvements	32,688	693	13,042	46,423
Transportation and travel	2,706	1,678	26,465	30,849
Contract payments	2,225	-	6,267	8,492
Maintenance and supplies	13,989	456	1,102	15,547
Household and resources	66,224	452	-	66,676
Telephone and internet	12,542	2,979	4,603	20,124
Printing and postage	4,601	203	1,060	5,864
Audit, accounting and legal fees	-	-	16,500	16,500
Office, computer and supplies	2,669	50	33,214	35,933
Staff recruitment	-	-	1,431	1,431
Professional memberships	-	-	5,558	5,558
Staff development	2,998	36	10,494	13,528
Non-allowable costs	998	52	3,663	4,713
Administrative allocation	590,746	105,896	(696,642)	-
Total expenses	<u>3,258,469</u>	<u>375,953</u>	<u>(3,190)</u>	<u>3,631,232</u>
Revenue over expenses	<u>\$ (4,194)</u>	<u>\$ (2,658)</u>	<u>\$ 29,869</u>	<u>\$ 23,017</u>

**Positive Alternatives, Inc.**

Reserve Supplemental Schedule  
Year Ended December 31, 2020

	<u>Total Group Homes</u>
1. Total days/hours of costs	10,724
2. Allowable expenses for rate-based service:	
2a. Expenses allowable for reimbursement from the IV-E program	\$ 3,240,851
2b. Expenses allowable for reimbursement from the XIX program	-
2c. Other allowable expenses	-
2d. Allowable expenses for rate-based service	3,240,851
3. Total revenue for rate-based service	2,755,501
4. Excess revenue over expenses	(485,350)
5. Surplus retention per WI Statutes (5%)	-

Purchaser (Counties and State of Wisconsin)	Revenue From Purchaser	Purchaser's Share of Total Revenue	Purchaser's Share of Excess	Allowed 5% Retainage		
				Cap on Retainage	Retainage for This Period	Total Amount due to Purchaser
<b>Residential Services, Group Homes (DCF Regulated Rates)</b>						
Adams	\$ 20,594	0.75%	\$ -	\$ 1,030	NA	\$ -
Ashland	75,254	2.73%	-	3,763	NA	-
Barron	110,665	4.02%	-	5,533	NA	-
Buffalo	94,917	3.45%	-	4,746	NA	-
Burnett	55,733	2.02%	-	2,787	NA	-
Calumet	17,002	0.62%	-	850	NA	-
Chippewa	268,143	9.73%	-	13,407	NA	-
Clark	96,202	3.49%	-	4,810	NA	-
Dane	59,206	2.15%	-	2,960	NA	-
Douglas	25,175	0.91%	-	1,259	NA	-
Dunn	72,469	2.63%	-	3,623	NA	-
Eau Claire	179,274	6.51%	-	8,964	NA	-
Jackson	20,593	0.75%	-	1,030	NA	-
Jefferson	50,079	1.82%	-	2,504	NA	-
Kenosha	8,381	0.31%	-	419	NA	-
La Crosse	49,600	1.80%	-	2,480	NA	-
Langlade	958	0.03%	-	48	NA	-
Manitowoc	5,268	0.19%	-	263	NA	-
Marathon	625,796	22.71%	-	31,290	NA	-
Monroe	68,508	2.49%	-	3,425	NA	-
Oneida	958	0.03%	-	48	NA	-
Pepin	479	0.02%	-	24	NA	-
Pierce	41,219	1.50%	-	2,061	NA	-
Polk	47,997	1.74%	-	2,400	NA	-
Portage	18,438	0.67%	-	922	NA	-
Price	45,050	1.63%	-	2,253	NA	-
Racine	50,926	1.85%	-	2,546	NA	-
Richland	21,116	0.77%	-	1,056	NA	-
Rock	35,341	1.28%	-	1,767	NA	-
Sawyer	4,789	0.17%	-	239	NA	-
St. Croix	211,326	7.67%	-	10,566	NA	-
Taylor	61,002	2.21%	-	3,050	NA	-
Vilas	68,997	2.50%	-	3,450	NA	-
Washburn	77,138	2.80%	-	3,857	NA	-
Waukesha	3,113	0.11%	-	156	NA	-
Wood	163,795	5.94%	-	8,190	NA	-
<b>Total county service fees (DCF regulated rates)</b>	<b>\$ 2,755,501</b>	<b>100.00%</b>	<b>\$ -</b>	<b>\$ 137,776</b>	<b>\$ -</b>	<b>\$ -</b>



## Positive Alternatives, Inc.

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2020

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2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *Provider Agency Audit Guide* and the *Department of Health Services Audit Guide*:

State of Wisconsin	_____	yes	<u>  X  </u>	no
Department of Children and Families	_____	yes	<u>  X  </u>	no
Ellsworth Community School District	_____	yes	<u>  X  </u>	no
Adams County	_____	yes	<u>  X  </u>	no
Ashland County	_____	yes	<u>  X  </u>	no
Barron County	_____	yes	<u>  X  </u>	no
Buffalo County	_____	yes	<u>  X  </u>	no
Burnett County	_____	yes	<u>  X  </u>	no
Calumet County	_____	yes	<u>  X  </u>	no
Chippewa County	_____	yes	<u>  X  </u>	no
Clark County	_____	yes	<u>  X  </u>	no
Dane County	_____	yes	<u>  X  </u>	no
Douglas County	_____	yes	<u>  X  </u>	no
Dunn County	_____	yes	<u>  X  </u>	no
Eau Claire County	_____	yes	<u>  X  </u>	no
Jackson County	_____	yes	<u>  X  </u>	no
Jefferson County	_____	yes	<u>  X  </u>	no
Kenosha County	_____	yes	<u>  X  </u>	no
La Crosse County	_____	yes	<u>  X  </u>	no
Langlade County	_____	yes	<u>  X  </u>	no
Manitowoc County	_____	yes	<u>  X  </u>	no
Marathon County	_____	yes	<u>  X  </u>	no
Monroe County	_____	yes	<u>  X  </u>	no
Oneida County	_____	yes	<u>  X  </u>	no
Pepin County	_____	yes	<u>  X  </u>	no
Pierce County	_____	yes	<u>  X  </u>	no
Polk County	_____	yes	<u>  X  </u>	no
Portage County	_____	yes	<u>  X  </u>	no
Price County	_____	yes	<u>  X  </u>	no
Racine County	_____	yes	<u>  X  </u>	no
Richland County	_____	yes	<u>  X  </u>	no
Rock County	_____	yes	<u>  X  </u>	no
Sawyer County	_____	yes	<u>  X  </u>	no
St. Croix County	_____	yes	<u>  X  </u>	no
Taylor County	_____	yes	<u>  X  </u>	no
Vilas County	_____	yes	<u>  X  </u>	no
Washburn County	_____	yes	<u>  X  </u>	no
Waukesha County	_____	yes	<u>  X  </u>	no
Wood County	_____	yes	<u>  X  </u>	no

**Positive Alternatives, Inc.**

Schedule of Findings and Questioned Costs  
Year Ended December 31, 2020

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3. Was management letter or other document conveying audit comments issued as a result of this audit?

yes     no

4. Name and signature of partner

*Kimberly Shult*

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Kimberly M. Shult, CPA, Partner

5. Date of report

June 2, 2021

**Positive Alternatives, Inc.**

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Schedule of Prior Year Findings  
Year Ended December 31, 2020

The previous audit of the Organization was for the year ended December 31, 2019. There were no findings or questioned costs reported in that audit.