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August 29, 2017

Board of Directors
Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network
4606-C E. State Boulevard
Suite 102
Fort Wayne, IN 46815

We have reviewed the audit report prepared by Katz, Sapper & Miller, LLP, for the period January 1, 2016 to December 31, 2016. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network, as of December 31, 2016, and the results of its operations for the period then ended, on the basis of accounting described in the report.

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

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner



**ALLIANCE FOR COMMUNITY INCLUSION, INC.
d/b/a FIFTH FREEDOM NETWORK**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

December 31, 2016 and 2015

**ALLIANCE FOR COMMUNITY INCLUSION, INC.
d/b/a FIFTH FREEDOM NETWORK**

CONTENTS

	Page
Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5-6
Statements of Cash Flows	7
Notes to Financial Statements	8-12

Independent Auditors' Report

Board of Directors
Alliance for Community Inclusion, Inc.
d/b/a Fifth Freedom Network

We have audited the accompanying financial statements of Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network, which comprise the statements of financial position as of December 31, 2016 and 2015, 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 *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts. Those standards and guidelines 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Katz, Sapper & Miller, LLP

Fort Wayne, Indiana
August 15, 2017

**ALLIANCE FOR COMMUNITY INCLUSION, INC.
d/b/a FIFTH FREEDOM NETWORK**

**STATEMENTS OF FINANCIAL POSITION
December 31, 2016 and 2015**

ASSETS

	2016	2015
CURRENT ASSETS		
Cash	\$ 4,728	\$ 11,069
Accounts receivable - GPC claims	59,701	43,952
Accounts receivable - other	1,016	
Prepaid expenses and deposits	<u>3,902</u>	<u>14,397</u>
Total Current Assets	<u>69,347</u>	<u>69,418</u>
FURNITURE AND EQUIPMENT, net	3,886	3,402
SOFTWARE AND WEBSITE COSTS, net	13,097	17,206
OTHER ASSETS	<u>1,200</u>	<u>1,200</u>
TOTAL ASSETS	<u><u>\$ 87,530</u></u>	<u><u>\$ 91,226</u></u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Funds held on behalf of others	\$ 2,149	\$ 2,323
Accrued wages, taxes and withholdings	5,671	10,272
Line of credit borrowings	<u>22,000</u>	
Total Current Liabilities	<u>29,820</u>	<u>12,595</u>
NET ASSETS		
Unrestricted	56,840	63,646
Temporarily restricted	<u>870</u>	<u>14,985</u>
Total Net Assets	<u>57,710</u>	<u>78,631</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 87,530</u></u>	<u><u>\$ 91,226</u></u>

See accompanying notes.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.
d/b/a FIFTH FREEDOM NETWORK**

**STATEMENTS OF ACTIVITIES
Years Ended December 31, 2016 and 2015**

	2016			2015		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE, GAINS AND OTHER SUPPORT						
Grants - G.P.C.	\$ 200,903		\$ 200,903	\$ 213,211		\$ 213,211
Grants and contributions - other	3,759		3,759	10,275	\$ 14,985	25,260
Special events	17,951		17,951	17,211		17,211
In-kind contributions	2,625		2,625	911		911
Other income				88		88
Loss on disposal of furniture and equipment	(91)		(91)			
Net assets released from prior year restrictions	14,115	\$ (14,115)				
Total Revenue, Gains and Other Support	<u>239,262</u>	<u>(14,115)</u>	<u>225,147</u>	<u>241,696</u>	<u>14,985</u>	<u>256,681</u>
EXPENSES						
Program	180,453		180,453	163,355		163,355
Management and general	47,441		47,441	41,472		41,472
Fundraising	18,174		18,174	17,698		17,698
Total Expenses	<u>246,068</u>		<u>246,068</u>	<u>222,525</u>		<u>222,525</u>
CHANGE IN NET ASSETS	(6,806)	(14,115)	(20,921)	19,171	14,985	34,156
NET ASSETS						
Beginning of Year	63,646	14,985	78,631	44,475		44,475
End of Year	<u>\$ 56,840</u>	<u>\$ 870</u>	<u>\$ 57,710</u>	<u>\$ 63,646</u>	<u>\$ 14,985</u>	<u>\$ 78,631</u>

See accompanying notes.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.
d/b/a FIFTH FREEDOM NETWORK**

**STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2016**

EXPENSES	Programs				Management and General	Fundraising	Total
	ACT	Communication	Coalition	Total			
Consumable supplies			\$ 2,694	\$ 2,694	\$ 688	\$ 47	\$ 3,429
Depreciation and amortization	\$ 2,699	\$ 1,471	1,947	6,117	2,697	180	8,994
Enrichment fund expense			13,593	13,593			13,593
Equipment expense		133	501	634	110		744
Insurance	374	374	428	1,176	2,143	165	3,484
Interest			6	6	696		702
Marketing			10,440	10,440			10,440
Occupancy		2,400	4,800	7,200	2,420		9,620
Personnel - wages and taxes	63,275	13,355	30,643	107,273	27,126	16,851	151,250
Professional fees			12,000	12,000	10,305		22,305
Staff training / conferences		325	1,670	1,995		25	2,020
Telephone	903	1,083	1,541	3,527	1,128	520	5,175
Travel			12,364	12,364	103		12,467
Website maintenance	977		457	1,434	25	386	1,845
TOTAL EXPENSES	\$ 68,228	\$ 19,141	\$ 93,084	\$ 180,453	\$ 47,441	\$ 18,174	\$ 246,068

See accompanying notes.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.
d/b/a FIFTH FREEDOM NETWORK**

**STATEMENT OF FUNCTIONAL EXPENSES
Year Ended December 31, 2015**

EXPENSES	Programs			Total	Management and General	Fundraising	Total
	ACT	Communication	Coalition				
Consumable supplies	\$ 85		\$ 2,392	\$ 2,477	\$ 574	\$ 65	\$ 3,116
Depreciation and amortization	1,021	\$ 1,021	272	2,314	1,021	68	3,403
Enrichment fund expense			12,796	12,796			12,796
Equipment expense	83	83	658	824	154		978
Insurance	426	426	718	1,570	2,212	166	3,948
Interest					729		729
Marketing			393	393			393
Occupancy	160	2,360	4,580	7,100	2,037	160	9,297
Personnel - wages and taxes	58,159	20,946	33,242	112,347	24,860	14,611	151,818
Professional fees	358	308	12,473	13,139	8,072	308	21,519
Staff training / conferences	100		2,416	2,516	60		2,576
Telephone	1,143	1,022	1,162	3,327	1,103	555	4,985
Travel	391	238	3,152	3,781	433	40	4,254
Website maintenance	494		277	771	217	1,725	2,713
TOTAL EXPENSES	\$ 62,420	\$ 26,404	\$ 74,531	\$ 163,355	\$ 41,472	\$ 17,698	\$ 222,525

See accompanying notes.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.
d/b/a FIFTH FREEDOM NETWORK**

**STATEMENTS OF CASH FLOWS
Years Ended December 31, 2016 and 2015**

	2016	2015
OPERATING ACTIVITIES		
Change in net assets	\$ (20,921)	\$ 34,156
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and amortization	8,994	3,403
Loss on disposal of furniture and equipment	91	
(Increase) decrease in certain assets:		
Receivables	(16,765)	802
Prepaid expenses and deposits	10,495	(4,045)
Increase (decrease) in certain liabilities:		
Funds held on behalf of others	(174)	2,323
Deferred revenue		(88)
Accrued wages, taxes and withholdings	(4,601)	8,377
Net Cash Provided (Used) Operating Activities	<u>(22,881)</u>	<u>44,928</u>
INVESTING ACTIVITIES		
Purchase of furniture and equipment	(460)	(155)
Purchase of software and website costs	(5,000)	(11,125)
Net Cash Used by Investing Activities	<u>(5,460)</u>	<u>(11,280)</u>
FINANCING ACTIVITIES		
Net borrowings (payments) on line of credit and note payable	<u>22,000</u>	<u>(30,000)</u>
Net Cash Provided (Used) by Financing Activities	<u>22,000</u>	<u>(30,000)</u>
NET INCREASE (DECREASE) IN CASH	(6,341)	3,648
CASH		
Beginning of Year	<u>11,069</u>	<u>7,421</u>
End of Year	<u>\$ 4,728</u>	<u>\$ 11,069</u>
SUPPLEMENTAL DISCLOSURES		
Cash paid for interest	\$ 702	\$ 729

See accompanying notes.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.
d/b/a FIFTH FREEDOM NETWORK**

**NOTES TO FINANCIAL STATEMENTS
December 31, 2016 and 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General: Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network (the Organization) is an Indiana non-for-profit corporation which was formed in 2004. The Organization's mission was founded as a grassroots, cross-disability, and consumer organization dedicated to removing the physical and social barriers that often hold people with disabilities hostage to poverty, isolation and underachievement. Coalition members come together to learn about government processes, disability rights, and state and national legislative change initiatives. Increasing voter participation among people with disabilities and working with other groups to remove institutional barriers to disability employment, or working to improve home and community based services are typical of the issues targeted for change. The change is enacted through non-partisan political action, community events and projects, and public issues forums. The Organization receives the majority of its support from a grant through the State of Indiana, foundation grants and contributions from donors.

Basis of Presentation: The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, and the Organization's activities and net assets are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the Organization's net assets and changes therein are classified and reported as follows:

- **Unrestricted Net Assets** represent unrestricted resources available to support the Organization's operations.
- **Temporarily Restricted Net Assets** represent gifts that are subject to donor-imposed purpose or time restrictions that can be fulfilled either by actions of the Organization pursuant to those restrictions, with the passage of time, or both. Upon satisfaction of such restrictions, net assets are released from temporarily restricted net assets and recognized as unrestricted net assets.
- **Permanently Restricted Net Assets** represent gifts with donor-imposed restrictions that the original gift amounts be maintained in perpetuity as an endowment. The Organization had no permanently restricted net assets as of December 31, 2016 and 2015.

Estimates: The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash consists of cash on hand or in demand deposit accounts. The Organization maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. The Organization has not experienced any losses from its bank accounts.

Accounts Receivable represent claims due from the State of Indiana Governor's Planning Council for People with Disabilities (GPC) and other partnering organizations. Management believes the accounts receivable at December 31, 2016 and 2015 to be fully collectible and, therefore, no allowance for uncollectible accounts has been made.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pledges and Grants Receivable consist of unconditional promises to give that are expected to be collected in future years and grants classified as conditional promises to the extent that conditions have been met but reimbursement from the grantor has not yet been received. Pledges and grants receivable are reported as either temporarily or permanently restricted support unless explicit donor stipulations or circumstances surrounding the pledge make clear the donor intended it to be used to support activities of the current period.

Pledges receivable are recorded at the present value of their estimate future cash flows. The discounts on these amounts are computed using risk-adjusted rates applicable in the years in which those promises are received. Amortization of the discounts is included in contributions and grants in the statements of activities. Pledges and grants receivable are reviewed for collectability and a provision for doubtful pledges receivable is recorded based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Furniture and Equipment and Software and Website Costs: Expenditures for furniture and equipment and software and website costs are stated at cost for purchased assets, or at fair value at the date of donation for donated assets, less accumulated depreciation. Depreciation or amortization is provided on a straight-line basis over the estimated useful lives of assets as follows:

Furniture and equipment	5 - 10 years
Software and website costs	3 - 5 years

The Organization's long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. To date, no adjustments to the carrying amount of long-lived assets has been required.

Contributions and Grants are recognized as support and revenues when they are received or unconditionally pledged. The Organization reports such gifts as restricted support and revenues if they are subject to time or donor-imposed restrictions. Conditional contributions are not recorded as support and revenues until the conditions are met. Government contracts are classified as exchange transactions, which are reciprocal transfers between two entities in which goods and services of equal value are exchanged, and are not recognized until services are performed or allowable expenditures are incurred as specified in the contracts. Government contracts and certain other grants are subject to audit by the government or granting agency, and as a result of such audit, adjustments to revenue and support could be required.

In-kind Contributions: Contributions of services are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Contributions of food, equipment, and other goods are recorded at estimated fair value when received. The Organization receives a substantial amount of donated time from community-based volunteers. The value of these services, as determined by the State of Indiana Governor's Planning Council for People with Disabilities was \$387,075 and \$519,067 for the years ended December 31, 2016 and 2015, respectively. These services did not meet the requirements for revenue recognition and have not been recorded in the financial statements of the Organization.

Special Event Revenue, including related sponsorship revenue and other contributions, is recognized upon occurrence of the event. Revenue and support received for events occurring subsequent to the statement of financial position date is reflected as deferred revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional Allocation of Expenses: The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to the specific programs and supporting services benefited. Expenses related to more than one function are allocated among program and support services based on space occupied, time spent by the Organization's staff, or other estimates made by the Organization's management. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Advertising Costs are expensed as incurred. Advertising expenses amounted to \$10,440 in 2016 and \$393 in 2015.

Income Taxes: The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision or liability for income taxes has been included in the financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the years ended December 31, 2016 and 2015.

The Organization files U.S. federal and Indiana information tax returns. The Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2013.

Reclassifications: Certain amounts in the 2015 financial statements have been reclassified to conform to the presentation of the 2016 financial statements.

Subsequent Events: Management has evaluated the financial statements for subsequent events occurring through August 15, 2017, the date the financial statements were available to be issued.

NOTE 2 - CONCENTRATION OF REVENUE SOURCES

Approximately 90% and 83% of the Organization's revenue and support and 98% and 100% of outstanding receivables was derived from the State of Indiana Governor's Planning Council for People with Disabilities/Partner's grants as of and for the years ended December 31, 2016 and 2015, respectively. A significant reduction in the level of this support, if it were to occur, may have a material effect on the operations of the Organization.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2016 and 2015:

	2016	2015
Furniture and equipment	\$ 34,710	\$ 31,947
Less: Accumulated depreciation	<u>(30,824)</u>	<u>(28,545)</u>
Total Property and Equipment, net	<u>\$ 3,886</u>	<u>\$ 3,402</u>

NOTE 4 - SOFTWARE AND WEBSITE COSTS

Software and website costs consisted of the following as of December 31, 2016 and 2015:

	2016	2015
Software and website costs	\$ 19,450	\$ 18,604
Less: Accumulated amortization	<u>(6,353)</u>	<u>(1,398)</u>
Total Software and Website Costs, net	<u>\$ 13,097</u>	<u>\$ 17,206</u>

NOTE 5 - LINE OF CREDIT

The Organization has an agreement with Lake City Bank for a revolving line of credit in the amount of \$35,000. The line of credit bears interest at the Bank’s base rate plus 1.75% (5.50% and 5.25% as of December 31, 2016 and 2015, respectively), and is secured by accounts receivable, contract rights, inventory, equipment and general intangibles. The line of credit is used to borrow funds to cover cash shortfalls when the Organization experiences delays in the receipt of reimbursements from funding sources throughout the year. Upon receipt of reimbursements, the Organization immediately pays off any outstanding balance on the line of credit. The outstanding balance was \$22,000 and \$0 as of December 31, 2016 and 2015, respectively. The line of credit expires on April 30, 2021.

NOTE 6 - OPERATING LEASES

The Organization has an agreement to lease office space. The agreement expired in 2015 and required monthly payments of \$800. The Organization is on a month-to-month lease currently with monthly payments of \$800. Rent expense for the years ended December 31, 2016 and 2015 was \$9,620 and \$9,297, respectively.

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Net assets were released from restriction for the following purposes for the years ended December 31, 2016 and 2015:

	2016	2015
BMV Project	<u>\$14,115</u>	<u>\$</u>
	<u>\$14,115</u>	<u>\$</u>

Net assets were restricted for the following purpose as of December 31, 2016 and 2015:

	2016	2015
BMV Project	<u>\$ 870</u>	<u>\$14,985</u>
	<u>\$ 870</u>	<u>\$14,985</u>

NOTE 8 - RELATED PARTY TRANSACTIONS

The Organization utilizes the services of a related party as a consultant on specific projects throughout the year. All related party transactions are reviewed and approved by the Board of Directors. During 2016 and 2015, the Organization paid \$12,000 and \$10,600, respectively, for consulting services provided by the related party.

NOTE 9 - STATE AND LOCAL GOVERNMENT GRANTS

The following is a summary of the Organization's state and local government grant expenditures for 2016 and 2015:

	2016	2015
Funder 1:		
Grant 2015-2016/Governor's Council for People with Disabilities	\$192,400	\$213,211
Funder 2:		
Grant Year 2016/Governor's Council for People with Disabilities - Partner Project	<u>8,503</u>	<u> </u>
Total	<u>\$200,903</u>	<u>\$213,211</u>