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February 6, 2018

Board of Directors
Aids Ministries/Aids Assist of North Indiana, Inc.
201 South Williams Street
South Bend, IN 46601

We have reviewed the report prepared by Aids Ministries/Aids Assist of North Indiana, Inc. and opined upon by Insight Accounting Group, PC, Independent Public Accountants, for the period July 1, 2015 to June 30, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Aids Ministries/Aids Assist of North Indiana, Inc. as of June 30, 2016 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Insight Accounting Group, PC prepared all required independent auditor's reports in accordance with generally accepted auditing standards and guidelines established by the State Board of Accounts.

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


Paul D. Joyce, CPA
State Examiner



AIDS MINISTRIES / AIDS ASSIST OF NORTH INDIANA, INC.

FINANCIAL REPORT

June 30, 2016 and 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors

AIDS Ministries / AIDS Assist of North Indiana, Inc.
South Bend, IN

We have audited the accompanying financial statements of AIDS Ministries / AIDS Assist of North Indiana, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 AIDS Ministries / AIDS Assist of North Indiana, 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.

Prior Period Financial Statements

The financial statements of AIDS Ministries / AIDS Assist of North Indiana, Inc. as of June 30, 2015, were audited by other auditors whose report dated December 3, 2015, expressed an unmodified opinion on those statements.

Insight Accounting Group, P.C.

Insight Accounting Group, PC

South Bend, IN
October 21, 2016

AIDS MINISTRIES / AIDS ASSIST OF NORTH INDIANA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 100,770	\$ 34,994
Grants and contributions receivable	88,931	94,709
Prepaid expenses	9,124	4,456
Total current assets	<u>198,825</u>	<u>134,159</u>
Property and equipment		
Land	52,025	52,025
Office equipment	51,487	46,183
Vehicles	25,183	25,183
Buildings	1,130,360	1,117,466
Furniture and fixtures in housing units	5,717	5,717
Improvements	74,160	22,564
	<u>1,338,932</u>	<u>1,269,138</u>
Less accumulated depreciation	<u>(609,592)</u>	<u>(571,176)</u>
Net property and equipment	<u>729,340</u>	<u>697,962</u>
TOTAL ASSETS	<u><u>\$ 928,165</u></u>	<u><u>\$ 832,121</u></u>

The accompanying notes to financial statements are an integral part of these statements.

AIDS MINISTRIES / AIDS ASSIST OF NORTH INDIANA, INC.
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
LIABILITIES AND NET ASSETS		
Current liabilities		
Current portion of long-term debt	\$ 7,609	\$ 16,445
Accrued expenses	31,029	32,924
Total current liabilities	38,638	49,369
Long-term liabilities		
Notes payable - bank	237,405	152,121
	237,405	152,121
Less current portion of long-term debt	(7,609)	(16,445)
Total long-term liabilities	229,796	135,676
Total liabilities	268,434	185,045
Net assets		
Unrestricted	641,799	630,496
Temporarily restricted	17,932	16,580
Total net assets	659,731	647,076
TOTAL LIABILITIES AND NET ASSETS	\$ 928,165	\$ 832,121

The accompanying notes to financial statements are an intergral part of these statements.

AIDS MINISTRIES/ AIDS ASSIST OF NORTH INDIANA, INC.
STATEMENTS OF ACTIVITES AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2016 and 2015

	2016			2015		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenue and support						
Government grants	\$ 648,080	-	\$ 648,080	\$ 645,983	-	\$ 645,983
United Way grant	9,334	-	9,334	11,386	80	11,466
Other contributions and memorials	26,047	-	26,047	26,863	-	26,863
Other grants	-	40,075	40,075	26,000	16,500	42,500
Fund raisers, gross revenue	14,003	750	14,753	33,024	-	33,024
Fund raisers, direct expenses	(4,395)	-	(4,395)	(13,251)	-	(13,251)
Rent income	25,075	-	25,075	21,800	-	21,800
Other income	33	-	33	12,562	-	12,562
Net assets released from restrictions satisfied by service	39,473	(39,473)	-	1,783	(1,783)	-
Total revenues and other support	<u>757,650</u>	<u>1,352</u>	<u>759,002</u>	<u>766,150</u>	<u>14,797</u>	<u>780,947</u>
Expenses						
Program services:						
Direct services	513,359	-	513,359	565,817	-	565,817
Preventative services	140,272	-	140,272	142,372	-	142,372
Supporting services:						
General and administrative	92,716	-	92,716	55,807	-	55,807
Total expenses	<u>746,347</u>	<u>-</u>	<u>746,347</u>	<u>763,996</u>	<u>-</u>	<u>763,996</u>
CHANGE IN NET ASSETS	11,303	1,352	12,655	2,154	14,797	16,951
Net assets , beginning of year	<u>630,496</u>	<u>16,580</u>	<u>647,076</u>	<u>628,342</u>	<u>1,783</u>	<u>630,125</u>
Net assets, end of year	<u>\$ 641,799</u>	<u>\$ 17,932</u>	<u>\$ 659,731</u>	<u>\$ 630,496</u>	<u>\$ 16,580</u>	<u>\$ 647,076</u>

The accompanying notes to financial statements are an intergral part of these statements.

AIDS MINISTRIES/ AIDS ASSIST OF NORTH INDIANA, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities		
Net income	\$ 12,655	\$ 16,951
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	38,387	38,001
In-kind contributions	(2,111)	-
(Increase) decrease in assets		
Grants receivable	5,778	(8,479)
Prepaid expenses	(4,668)	(4,456)
Increase (decrease) in liabilities		
Accrued liabilities	(1,895)	2,086
Net cash from operating activities	48,146	44,103
Cash flows from investing activities		
Purchase of property and equipment	(67,684)	(14,136)
Net cash from investing activities	(67,684)	(14,136)
Cash flows from financing activities		
Principal payments on long-term debt	(14,621)	(15,420)
Proceeds from long-term debt	99,935	-
Net cash from financing activities	85,314	(15,420)
Net change in cash and cash equivalents	65,776	14,547
Cash and cash equivalents, beginning of year	34,994	20,447
Cash and cash equivalents, end of year	\$ 100,770	\$ 34,994
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 8,070	\$ 7,765

The accompanying notes to financial statements are an integral part of these statements.

AIDS MINISTRIES/ AIDS ASSIST OF NORTH INDIANA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2016 and 2015

	<u>Program Costs</u>		<u>Support</u>		<u>Total 2016</u>
	<u>Direct Service</u>	<u>Preventive Service</u>	<u>General and Administrative</u>		
Personnel	\$ 258,992	\$ 99,150	\$ 9,327	\$ 367,469	
Payroll taxes	22,544	8,163	1,007	31,714	
Outside services	11,215	-	2,207	13,422	
Building expense	20,578	5,563	9,274	35,415	
Insurance	9,520	4,484	7,018	21,022	
				-	
Depreciation	-	-	38,387	38,387	
Direct service	158,064	8,785	233	167,082	
Travel	8,604	4,092	2,633	15,329	
Legal and accounting	9,150	4,050	2,273	15,473	
Professional fees	-	-	2,513	2,513	
				-	
Telephone / Yellow pages	4,816	1,127	2,266	8,209	
Office expense	7,283	3,840	6,860	17,983	
Postage	1,553	1,018	498	3,069	
Interest expense	-	-	8,070	8,070	
Training	1,040	-	150	1,190	
Total expense	<u>\$ 513,359</u>	<u>\$ 140,272</u>	<u>\$ 92,716</u>	<u>\$ 746,347</u>	

The accompanying notes to financial statements are an integral part of these statements.

AIDS MINISTRIES/ AIDS ASSIST OF NORTH INDIANA, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2016 and 2015

	<u>Program Costs</u>		<u>Support</u>		<u>Total 2015</u>
	<u>Direct Service</u>	<u>Preventive Service</u>	<u>General and Administrative</u>		
Personnel	\$ 271,390	\$ 93,684	\$ 10,585	\$ ~	375,659
Payroll taxes	20,616	9,252	736		30,604
Outside services	20,655	608	3,190		24,453
Building expense	26,777	7,910	6,310		40,997
Insurance	13,399	7,251	3,178		23,828
					-
Depreciation	22,800	5,700	9,501		38,001
Direct service	154,986	5,566	-		160,552
Travel	10,077	2,490	3,016		15,583
Legal and accounting	9,041	4,067	2,265		15,373
Professional fees	560	373	1,187		2,120
					-
Telephone / Yellow pages	5,539	1,446	1,501		8,486
Office expense	6,768	2,884	5,595		15,247
Postage	1,916	1,116	978		4,010
Interest expense	-	-	7,765		7,765
Training	303	25	-		328
Miscellaneous	990	-	-		990
Total expense	<u>\$ 565,817</u>	<u>\$ 142,372</u>	<u>\$ 55,807</u>	<u>\$</u>	<u>763,996</u>

The accompanying notes to financial statements are an integral part of these statements.

AIDS MINISTRIES/ AIDS ASSIST OF NORTH INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the accounting policies adopted by AIDS Ministries / AIDS Assist of North Indiana, Inc. (the “Organization”) that have a significant effect on the financial statements.

Nature of the Organization

The Organization is a nonprofit association organized under the laws of the State of Indiana. Through government grants and private financial support from individuals, businesses, and religious organizations, the Organization provides client services and preventive services. Client services include care coordination, housing programs, social support, medical needs assessment, and provides direct assistance and support for those infected and/or affected by HIV/AIDS in northern Indiana. Prevention programs include education, a resource center, preventive educational services, testing, and counseling for members of the community.

Income Tax Exemption

The Organization is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code whereby only unrelated business income, as defined by Section 509(a)(1) of the Code, is subject to federal income tax. The Organization currently has no unrelated business income. Accordingly, no provision for income taxes has been recorded. The Organization is also exempt from Indiana income taxes under a similar section of the state’s income tax laws.

Uncertain Tax Positions

The Organization has adopted the accounting for uncertainty in income tax guidance which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns. The Organization does not accrue interest or penalties associated with uncertain tax positions as part of the income tax provision. The Organization’s U.S. federal income tax returns prior to the fiscal year 2012 are closed. The State of Indiana has statutes of limitations of three years. The Organization’s tax returns are currently not under examination. An audit by the IRS could change the unrecognized tax benefit; however, it is not possible to estimate the range for such a change.

Basis of Accounting

The Organization records its transaction on the accrual basis of accounting and accordingly all significant receivables, payables, and other liabilities are reflected. The preparation of financial statements in conformity with generally accepted accounting principles also requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure notes at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Under GAAP, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows.

AIDS MINISTRIES/ AIDS ASSIST OF NORTH INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all highly liquid financial instruments available for current use with an initial maturity of three months or less to be cash equivalents.

Grants and Contributions Receivable

Grants and contributions receivable are presented at face value, net of the allowance for doubtful accounts. The allowance for doubtful account is established through provision charged against income and is maintained at a level believed adequate by management to absorb estimated bad debts based on the current economic conditions. Management considers all accounts to be collectable, therefore, has not established a provision for uncollectable accounts as of June 30, 2016 and 2015.

Property, Plant, and Equipment

Property and equipment are carried on the balance sheet at historical cost. Depreciation is calculated over the estimated useful lives of the assets by using the straight-line method. The capitalization policy requires that assets costing in excess of \$1,000 be capitalized. Depreciation was \$38,387 and \$38,001 for the years ending June 30, 2016 and 2015, respectively.

	<u>Years</u>
Buildings	39
Leasehold improvements	15
Equipment	5-7
Vehicles	5

Inventory

Inventory is carried at the estimated value of the items when donated or purchased. Inventory consists of items in the food pantry. The value is determined by the donor and adjusted as items are dispensed out or added. There was no inventory on hand as of June 30, 2016 and 2015.

Donated Property

Donated property is recorded at the estimated fair market value at date of receipt as determined by the owner.

Volunteer Services

A number of unpaid volunteers have made contributions of their time to AIDS Ministries / AIDS Assist of North Indiana, Inc. The value of this contributed time is not reflected in these statements since it is not susceptible to objective measurement or valuation. Professional services donated are valued and reflected in the statements. There were no such services received during the fiscal years ended June 30, 2016 and 2015.

In-kind Revenue

Donated materials are recorded as in-kind revenue in the accompanying statements as fair market value at date of receipt. In-kind revenue consisted of carpet and pantry items totaling \$2,561 for the year ended June 30, 2016. In-kind revenue consisted of cleaning supplies in the amount of \$737 for the year ended June 30, 2015.

AIDS MINISTRIES/ AIDS ASSIST OF NORTH INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

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 in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising

Advertising cost are charged to operations in the period in which the advertisement is placed. Advertising for the years ended June 30, 2016 and 2015 amounted to approximately \$0 and \$553, respectively.

NOTE 2 – GRANTS AND CONTRIBUTIONS RECEIVABLE

Grants and contributions receivable consist primarily of amounts due under government cost reimbursement grants. All amounts are due within one year, and no allowance for collectability is considered necessary.

At June 30, 2016 and 2015, the Organization had approximately \$88,931 and \$94,709 respectively, of conditional promises to give in excess of allowable costs incurred under government cost reimbursement grants. Such promises will be recognized as revenue when allowable costs are incurred.

NOTE 3 – BUILDING AFFORDABILITY PERIODS

All buildings except for the office building were acquired through grants and donations. Their use is restricted for housing for homeless individuals who are HIV-positive for certain “affordability” periods that expire after ten years. If the properties are converted to another use during these periods, all or a portion of the grants or donations must be returned to the funding sources.

NOTE 4 – DEBT

The terms of a line of credit agreement with a bank permit the Organization to borrow up to \$45,000 of which none was outstanding as of June 30, 2016 and 2015. Borrowings under this agreement bear interest at 4.50% as of June 30, 2016 and at 4.25% as of June 30, 2015. Borrowings are collateralized by substantially all of the assets of the Organization. The line of credit agreement expires in February 2017.

Long-term debt is as follows:

Note payable to a bank was refinanced in April 2014 and is due in monthly installments of \$1,560 (\$1,929 in 2014), including interest at a fixed rate of 4.50% (4.25% in 2014), with an estimated balloon payment of \$198,572 in April 2021 and is collateralized by certain real estate.

Less Current Portion of Long-Term Debt

	2016	2015
	\$ 237,405	\$ 152,121
	237,405	152,121
	(7,609)	(16,445)
	\$ 229,796	\$ 135,676

AIDS MINISTRIES/ AIDS ASSIST OF NORTH INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 4 – DEBT (CONTINUED)

Aggregate maturities of long-term debt are as follows for fiscal years ending June 30:

2017	\$	7,609
2018		7,979
2019		8,366
2020		8,772
2021		204,679
	\$	<u>237,405</u>

NOTE 5 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Time restricted for future periods	\$ -	\$ -
Purpose restrictions:		
Support services	17,182	16,580
Fundraising	750	-
Total temporarily restricted net assets	<u>\$ 17,932</u>	<u>\$ 16,580</u>

NOTE 6 – PENSION PLAN

The Organization maintains a defined contribution SIMPLE plan under Section 408(p) of the Internal Revenue Code that covers substantially all of its full-time employees. The Organization contributed \$6,202 and \$6,488 to the plan for the years ending June 30, 2016 and 2015, respectively.

NOTE 7 – CONTINGENCIES AND CONTRACTIONS OF RISK

The Organization maintains its cash accounts in amounts which, at times, may be in excess of insurance limits provided by the Federal Deposit Insurance Corporation.

The Organization's donors and activities are concentrated in the northwest Indiana area. Consequently, its contributions, special events, and other sources of support and revenue may be affected by conditions in that area.

For the years ended June 30, 2016 and 2015, approximately 88% and 83% of total revenues were received from state and federal government sources, all of which originated from the U.S. Departments of Health and Human Services and Housing and Urban Development. Approximately 50% and 46% of total revenues, respectively, passed through the Indiana Department of Health.

AIDS MINISTRIES/ AIDS ASSIST OF NORTH INDIANA, INC.
NOTES TO FINANCIAL STATEMENTS
For the Years Ended June 30, 2016 and 2015

NOTE 8 – RECLASSIFICATIONS

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Total net assets and change in net assets are unchanged due to the reclassification.

NOTE 9 – SUBSEQUENT EVENTS

The Organization has evaluated subsequent events for potential recognition and/or disclosure through October 21, 2016, the date the financial statements were available to be issued.

On July 27, 2016 the Elkhart location of the Organization was heavily damaged in a fire. The building is covered by insurance and no estimate of the costs to rebuild and insurance proceeds is determinable as of October 21, 2016.