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March 29, 2018

Board of Directors
Indiana Youth Services Association, Inc.
445 N. Pennsylvania St.
Suite 945
Indianapolis, IN 46204

We have reviewed the report prepared by Indiana Youth Services Association, Inc. and opined upon by Humphrey CPA Group, LLC, Independent Public Accountants, for the period January 1, 2016 to December 31, 2016. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Indiana Youth Services Association, Inc. 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.

In our opinion, Humphrey CPA Group, LLC 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

INDIANA YOUTH SERVICES ASSOCIATION, INC.

Financial Statements

Years Ended December 31, 2016 and 2015

INDIANA YOUTH SERVICES ASSOCIATION, INC.

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Humphrey CPA Group, L.L.C.

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445 N. Pennsylvania Street, Suite 941
Indianapolis, IN 46204

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Indiana Youth Services Association, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of Indiana Youth Services Association, Inc. (IYSA), An Indiana Not-for-Profit Corporation, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indiana Youth Services Association, Inc. as of December 31, 2016 and 2015, 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.

Report on Summarized Comparative Information

We have previously audited IYSA's financial statements for the year ended December 31, 2015 and we expressed an unmodified opinion on the financial statements dated August 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015, is consistent in all material respects, with the audited financial statements from which it has been derived.

Dumphy CPA Group, L.P.C.

Indianapolis, Indiana
September 28, 2017

INDIANA YOUTH SERVICES ASSOCIATION, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2016 and 2015

| | 2016 | 2015 |
|--|-------------------|-------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash-unrestricted | \$ 10,014 | \$ 96,506 |
| Cash held for the benefit of others | 52,581 | 14,678 |
| Accounts receivable | 579,822 | 319,476 |
| Prepaid expenses | 6,445 | 2,372 |
| Beneficial interest in Indiana Youth Services Association, Inc. Endowment Fund-non restricted portion | 18,332 | 19,326 |
| TOTAL CURRENT ASSETS | 667,194 | 452,358 |
| NON-CURRENT ASSETS | | |
| Furniture and equipment, net of depreciation | 5,067 | 6,942 |
| Investments | 112,960 | 132,718 |
| Rent deposits | 3,218 | 2,518 |
| Certificates of deposit, at cost | 43,223 | 181,866 |
| Beneficial interest in Indiana Youth Services Association, Inc. Endowment Fund-restricted portion | 50,000 | 50,000 |
| TOTAL NON-CURRENT ASSETS | 214,468 | 374,044 |
| TOTAL ASSETS | \$ 881,662 | \$ 826,402 |
| <u>LIABILITIES</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 317,804 | \$ 306,472 |
| Short term loan | 97,000 | 0 |
| Line of credit | 33,002 | 0 |
| Accrued payroll liabilities | 11,971 | 8,501 |
| Other accrued expenses | 30,200 | 23,066 |
| Amounts held on behalf of others | 52,581 | 14,678 |
| Deferred revenue | 0 | 4,015 |
| TOTAL LIABILITIES | 542,558 | 356,732 |
| <u>NET ASSETS</u> | | |
| Unrestricted | 289,104 | 419,670 |
| Temporarily restricted | 0 | 0 |
| Permanently restricted | 50,000 | 50,000 |
| TOTAL NET ASSETS | 339,104 | 469,670 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 881,662 | \$ 826,402 |

See accompanying notes and independent auditor's report.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

STATEMENTS OF ACTIVITIES

For the Year Ended December 31, 2016 (with comparative totals for 2015)

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>2016 Total</u> | <u>(Memo) 2015 Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|-----------------------|----------------------------------|
| SUPPORT AND REVENUE | | | | | |
| Contract income | \$ 1,432,959 | \$ 0 | \$ 0 | \$ 1,432,959 | \$ 1,349,571 |
| Dues | 110,250 | 0 | 0 | 110,250 | 109,209 |
| VOCA Grant | 582,277 | 0 | 0 | 582,277 | 33,793 |
| Grants received | 91,101 | 0 | 0 | 91,101 | 168,807 |
| Service income | 63,565 | 0 | 0 | 63,565 | 68,854 |
| Contributions | 85,946 | 0 | 0 | 85,946 | 50,077 |
| In kind donations | 17,477 | 0 | 0 | 17,477 | 0 |
| Program income | 853 | 0 | 0 | 853 | 3,704 |
| Special events, net | 124,694 | 0 | 0 | 124,694 | 93,069 |
| Net investment income | 11,285 | 0 | 0 | 11,285 | (1,519) |
| TOTAL SUPPORT AND REVENUE | <u>2,520,407</u> | <u>0</u> | <u>0</u> | <u>2,520,407</u> | <u>1,875,567</u> |
| EXPENSES | | | | | |
| Program services | 2,305,241 | 0 | 0 | 2,305,241 | 1,668,149 |
| General and administrative | 272,615 | 0 | 0 | 272,615 | 210,690 |
| Fundraising | 73,115 | 0 | 0 | 73,115 | 68,054 |
| TOTAL EXPENSES | <u>2,650,971</u> | <u>0</u> | <u>0</u> | <u>2,650,971</u> | <u>1,946,893</u> |
| CHANGE IN NET ASSETS | (130,564) | 0 | 0 | (130,564) | (71,326) |
| NET ASSETS, BEGINNING | <u>419,670</u> | <u>0</u> | <u>50,000</u> | <u>469,670</u> | <u>540,996</u> |
| NET ASSETS, ENDING | <u>\$ 289,104</u> | <u>\$ 0</u> | <u>\$ 50,000</u> | <u>\$ 339,104</u> | <u>\$ 469,670</u> |

See accompanying notes and independent auditor's report.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2016 (with comparative totals for 2015)

| | 2016 | | | 2015 | |
|----------------------------|---------------------|---------------------------|-------------------------|---------------------|--------------------------|
| | Program Services | Management and General | Fundraising Expenses | Total Expenses | Total (Memo) Expenses |
| Salaries | \$ 201,765 | \$ 141,791 | \$ 56,368 | \$ 399,924 | \$ 367,740 |
| Payroll taxes | 14,649 | 9,175 | 4,509 | 28,333 | 28,656 |
| Employee benefits | 25,303 | 25,984 | 11,208 | 62,495 | 39,476 |
| VOCA program expense | 582,277 | 0 | 0 | 582,277 | 33,793 |
| VOCA program match expense | 13,986 | 0 | 0 | 13,986 | 0 |
| Program expense | 1,404,934 | 0 | 0 | 1,404,934 | 1,314,942 |
| Travel | 7,137 | 13,861 | 781 | 21,779 | 29,404 |
| Professional services | 14,504 | 36,109 | 0 | 50,613 | 28,668 |
| Meetings | 8,079 | 23,534 | 0 | 31,613 | 27,636 |
| Occupancy | 9,048 | 4,650 | 113 | 13,811 | 21,688 |
| Dues and subscriptions | 11,217 | 2,833 | 0 | 14,050 | 15,098 |
| Office supplies | 2,780 | 4,214 | 0 | 6,994 | 14,458 |
| Bad debts | 0 | 0 | 0 | 0 | 8,000 |
| Telephone and internet | 3,914 | 2,202 | 136 | 6,252 | 6,283 |
| Insurance | 3,525 | 2,165 | 0 | 5,690 | 4,537 |
| Equipment rental | 506 | 688 | 0 | 1,194 | 2,214 |
| Depreciation | 0 | 2,979 | 0 | 2,979 | 1,448 |
| Peer review | 0 | 968 | 0 | 968 | 1,251 |
| Technology purchases | 277 | 527 | 0 | 804 | 877 |
| Postage | 852 | 308 | 0 | 1,160 | 722 |
| Interest expense | 488 | 626 | 0 | 1,114 | 0 |
| Total expenses | \$ <u>2,305,241</u> | \$ <u>272,615</u> | \$ <u>73,115</u> | \$ <u>2,650,971</u> | \$ <u>1,946,893</u> |

See accompanying notes and independent auditor's report.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

| | <u>2016</u> | <u>2015</u> |
|--|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES | | |
| Change in net assets | \$ (130,564) | \$ (71,326) |
| Non-cash items | | |
| Depreciation | 2,979 | 1,448 |
| (Increase) Decrease in value of endowment fund | (2,620) | 1,957 |
| (Increase) Decrease in value of securities | (10,946) | 15,342 |
| Decrease (increase) in assets | | |
| Cash held for the benefit of others | (37,903) | (14,678) |
| Receivables | (260,346) | (26,624) |
| Prepaid expenses | (4,073) | (1,544) |
| Increase (decrease) in liabilities | | |
| Accounts payable | 11,334 | 38,979 |
| Accrued payroll liabilities | 3,470 | 3,613 |
| Amounts held for the benefit of others | 37,903 | 14,678 |
| Other accrued expenses and deferred revenue | 3,120 | (8,093) |
| NET CASH USED IN OPERATING ACTIVITIES | <u>(387,646)</u> | <u>(46,247)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (1,105) | (7,033) |
| Received from the endowment fund | 3,614 | 0 |
| Purchase of investments | 0 | (13,273) |
| Proceeds from the sale of securities | 30,000 | 60,000 |
| Proceeds from redemption of certificates of deposit | 138,643 | 54,068 |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>171,152</u> | <u>93,762</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net proceeds (payments) on line of credit | 33,002 | 0 |
| Net short term borrowing | 97,000 | 0 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | <u>130,002</u> | <u>0</u> |
| NET INCREASE (DECREASE) IN CASH | (86,492) | 47,514 |
| CASH, BEGINNING OF YEAR | <u>96,506</u> | <u>48,991</u> |
| CASH, END OF YEAR | <u>\$ 10,014</u> | <u>\$ 96,505</u> |
| | | |
| Interest paid during the year | <u>\$ 1,114</u> | <u>\$ 0</u> |

See accompanying notes and independent auditor's report.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

(1) Nature of operations

Indiana Youth Services Association, Inc. (IYSA) was incorporated on March 27, 1973, as an Indiana Not-for-Profit Organization. IYSA provides support and mutual assistance to members, maintain and disperse centralized information on the needs of youth and families, promote community awareness of the needs of youth and families within the State of Indiana, advocate issues pertaining to youth and families; encourage alternatives to the juvenile justice systems, act as a resource for youth and links with other youth service programs, and advocate the rights of youth. Funding of these programs come through membership dues, and government and private grants.

(2) Summary of significant accounting policies

The significant accounting policies followed by IYSA are summarized below.

Method of accounting

IYSA uses the accrual method of accounting. Revenue is recorded in the period earned. Expenses are reported in the period incurred.

Contributions

Contributions that are restricted by the donor (cash or non-cash) are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as contributions released from restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

Tax Status

IYSA has been determined to be exempt from state and federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code. There were no payments for penalties and interest related to taxes during the years ended December 31, 2016 and 2015.

Subsequent events

Subsequent events have been evaluated as of September 28, 2017, the date the financial statements were available for release.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

(2) Summary of significant accounting policies(continued)

Program services

The following program services are included in the financial statements:

Project Safe Place

This program is funded by the Indiana Department of Child Services (DCS). This is a cost reimbursement program. IYSA provides the administrative function for this program for the Youth Service Bureaus. The Youth Service Bureaus currently provide services under this program.

Youth Service Bureau Fund

The purpose of this contract is to provide administrative oversight of the Youth Service Bureau Fund on behalf of the DCS. IYSA provides peer reviews, provisional contract follow-up, quarterly report processing, monthly claims approval, and quarterly trainings.

Basic Center Program

The Basic Center Program is a federally-funded Administration for Children and Families, Family and Youth Services Bureau program meant to provide funding for emergency youth shelters for runaway and homeless youth and youth at risk of becoming runaway and homeless. Youth under the age of 18 can receive emergency shelter for up to 21 days. BCP required activities also include case management, counseling and aftercare services for the youth and their families.

Indiana Youth Services Association received BCP funding to support two sub-grantees, Youth Connections and the Youth Services Bureau of Huntington County, in providing host home services, a variation of emergency shelter, in Huntington, Wabash, Johnson and Morgan counties.

Making Good Decisions

The Making Good Decisions program educates teens and young adults on the dangers of underage drinking and destructive behaviors.

Mission Management Services

Mission Management Services provides consulting and bookkeeping services to organization based on hourly and contract rates.

Net assets

Unrestricted net assets include all assets over which IYSA has full discretion as to use. Temporarily restricted net assets include net assets whose use by IYSA is limited by donor-imposed restrictions that either expire by the passage of time or are fulfilled by IYSA. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets. Permanently restricted net assets, if any, include net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the action of IYSA.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

(2) Summary of significant accounting policies(continued)

Use of estimates

The presentation of financial statements in conformity 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 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 could differ from those estimates.

Functional allocation of expenses

The direct costs of providing various programs of IYSA have been allocated on a functional basis between programming, general and administrative and fundraising in the statement of activities.

Statement of Cash Flows - For purposes of the Statement of Cash Flows, IYSA considers all liquid investments with a maturity of three months or less to be cash equivalents.

Investments

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Equipment

Equipment is recorded at cost and depreciated using the straight-line method over estimated useful lives of five to ten years. IYSA's policy is to capitalize amounts over \$1,000 with useful lives of more than one year. Repairs and maintenance items that do not increase the useful lives of the assets are charged to change in net assets as incurred.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

(3) Concentration of credit risk

IYSA relies on funding from various sources to run its program. IYSA's members are located in the state of Indiana. IYSA receives grant revenue from the state of Indiana, Department of Child Services. Revenue from the state of Indiana represented 57% and 80% of total revenue for the year ended December 31, 2016 and 2015, respectively.

(4) Investments/Endowment fund

During 2003, IYSA was the recipient of a donor designated endowment fund in the amount of \$50,000. The purpose of the endowment, designated as the Indiana Youth Services Association, Inc. Endowment Fund (the Fund), is to assist IYSA in carrying out its role and mission. The Fund is being administered and governed by the Central Indiana Community Foundation, Inc. (CICF). Annually, IYSA can receive a portion of the fair market value of the Fund as of the end of the previous calendar year in accordance with the spending policies adopted by the Board of Directors of CICF. The amount available for distribution to IYSA in 2016 and 2015 is 5.0% of the fair market value less any carryover spendable amount as of the end of the year is available for distribution to IYSA. The Fund is presented in the Statement of Financial Position at December 31, 2016 and 2015 as follows:

| | <u>2016</u> | <u>2015</u> |
|-----------------------------------|------------------|------------------|
| Unrestricted net assets | \$ 18,332 | \$ 20,961 |
| Temporarily restricted net assets | 0 | 0 |
| Permanently restricted net assets | <u>50,000</u> | <u>50,000</u> |
| | <u>\$ 68,332</u> | <u>\$ 70,961</u> |

Donations to these funds are permanently endowed. Annually, the Foundation will allow a portion of the earnings to be returned to IYSA in the form of a grant. If these earnings are not taken by IYSA, they are reinvested in the endowment funds and become permanently restricted. Amounts available to be returned to IYSA during 2016 included \$3,288 representing amounts earned prior to 2015 and \$3,564 based on earnings for 2015. Amounts available for distribution in 2017, based on the Fund's 2016 operations are estimated to be \$3,288.

The reconciliation of activity of the endowment fund is listed below.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

(4) Investments/Endowment fund(continued)

IYSA maintains investments at Raymond James Securities, through First Financial Bank Investments. These investments are recorded at fair market value. The investments consist of the following as of December 31, 2016:

| | 2016 | | | |
|--|-------------|------------|------------|---------------|
| | Shares Held | Fair Value | Cost | Realized Gain |
| <u>Mutual Funds Held</u> | | | | |
| American Funds AMCAP Fund Class F1 | 243.688 | 6,582 | 6,619 | (37) |
| Artisan International Fund | 177.005 | \$ 4,533 | \$ 4,412 | \$ 121 |
| Dodge & Cox Income Fund | 0.000 | 0 | 0 | 0 |
| DWS RREEF Real Estate Securities Fund Class A | 362.832 | 7,297 | 7,648 | (352) |
| Federated Institutional High Yield Bond Fund | 0.000 | 0 | 0 | 0 |
| Fundamental Investors Fund Class F1 | 366.703 | 19,952 | 18,538 | 1,414 |
| Ishares TIPS Bond | 0.000 | 0 | 0.00 | 0 |
| JPMorgan Core Bond Fund Class A | 0.000 | 0 | 0.000 | 0 |
| MFS Research Fund Class A | 259.113 | 9,621 | 7,937 | 1,684 |
| New Perspective Fund Class F1 | 399.969 | 14,051 | 13,781 | 270 |
| Perkins Mid Cap Value Fund Class A | 1,081.171 | 18,088 | 18,924 | (836) |
| Prudential Jennison Mid Cap Growth Fund Class Z | 221.008 | 7,777 | 7,697 | 81 |
| T. Rowe Price International Bond Fund Advisor Class | 0.00 | 0 | 0 | 0 |
| T. Rowe Price Small Cap Value Fund Advisor Class | 343.237 | 15,408 | 13,730 | 1,677 |
| Wells Fargo Advantage Endeavor Select Fund Admin Class | 837.398 | 6,775 | 4,381 | 2,393 |
| Wells Fargo Advantage International Value Fund Admin Class | 145.131 | 1,895 | 1,838 | 58 |
| | | | | |
| Total mutual funds held at Raymond James | | \$ 111,979 | \$ 105,505 | \$ 6,473 |
| | | | | |
| Uninvested cash | | 982 | 982 | 0 |
| | | | | |
| Total investments held at Raymond James | | \$ 112,960 | \$ 106,487 | \$ 6,473 |

Investment income from the above investments consists of the following as of December 31, 2016 and 2015:

| | 2016 | 2015 |
|---|-----------|-----------|
| Interest and dividends | \$ 7,976 | \$ 15,780 |
| Net realized and unrealized gain on investments | 3,309 | (15,342) |
| | | |
| Net investment income | \$ 11,285 | \$ 438 |

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

(4) Investments/Endowment fund(continued)

The fair values of all investments held by IYSA measured on a recurring basis as of December 31, 2016 and 2015 are as follows:

| | Fair Value | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|--|------------|---|---|--|
| 2016 | | | | |
| Beneficial interest in IYSA Endowment Fund | \$ 68,332 | \$ 0 | \$ 0 | \$ 68,332 |
| Securities held at Raymond James | 112,960 | 111,979 | 982 | 0 |
| Total | \$ 181,292 | \$ 111,979 | \$ 982 | \$ 68,332 |
| 2015 | | | | |
| Beneficial interest in IYSA Endowment Fund | \$ 69,326 | \$ 0 | \$ 0 | \$ 69,326 |
| Securities held at Raymond James | 132,718 | 132,404 | 314 | 0 |
| Total | \$ 202,044 | \$ 132,404 | \$ 314 | \$ 69,326 |

The reconciliation of the level 3 assets are as follows:

| | 2016 | 2015 |
|----------------------------|-----------|-----------|
| Balance beginning of year | \$ 69,326 | \$ 71,283 |
| Earnings on Investments | 3,249 | (1,238) |
| Distributions | (3,564) | 0 |
| Investment management fees | (678) | (719) |
| | \$ 68,332 | \$ 69,326 |

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

(5) Equipment

Equipment consists of the following as of December 31, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|-----------------|-----------------|
| Furniture and equipment | \$ 24,302 | \$ 23,197 |
| less accumulated depreciation | <u>19,235</u> | <u>16,255</u> |
| Furniture and equipment, net | <u>\$ 5,067</u> | <u>\$ 6,942</u> |

Depreciation expense for the year ended December 31, 2016 and 2015 totaled \$2,979 and \$1,448, respectively.

(6) Grants

IYSA was the recipient of a grant through the Indiana Criminal Justice Institute under the Victims of Crime Act (VOCA) program, CFDA number 16.575. The grant is for \$618,113 and runs for the period October 1, 2015 through September 30, 2016. The grant was renewed through September 30, 2018 in the amount of \$2,458,441 for the period. Amounts billed under this grant totaled \$582,277 and \$33,794 for the years ended December 31, 2016 and 2015. Included in accounts receivable as of December 31, 2016 and 2015 is \$240,656 and \$33,794 for services rendered under the grant.

IYSA received a grant from the Department of Health and Human Services to cover expenses of the Basic Center Program under CFDA 93.623, Basic Center Grant. The grant ran from October 1, 2015 through September 30, 2016. Total grant dollars available under this contract were \$126,190. \$0 and \$9,263 was included in grants receivable at December 31, 2016 and 2015. Amounts billed and included in grant revenue for 2016 and 2015 were \$91,101 and \$115,243.

For the year ended December 31, 2016 and 2015, IYSA billed the state \$1,432,959 and \$1,349,571 for services related to the Youth Service Bureau contract, as described in Note 9 below. Included in accounts receivable is \$297,613 and \$271,621 for services provided prior to December 31, 2016 and 2015, respectively. Amounts paid out to participating agencies totaled \$1,238,859 and \$1,197,090 for the years ended December 31, 2016 and 2015. Included in accounts payable due to these agencies, as of December 31, 2016 and 2015 is \$262,407 and \$233,929.

There are no unspent grants at December 31, 2016 and 2015 required to be set up as temporarily restricted net assets.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

(7) Operating Leases

IYSA leases its office space and equipment under operating leases. Lease payments for the years ending December 31, 2016 and 2015 were \$28,262 and \$18,144. In January 2016, IYSA entered into a one year lease for additional office space at a net cost of \$400 per month, and during 2016 entered into a one year lease agreement at \$700 per month for the purposes of operations related to the VOCA grant. The office lease expired in July 2017, and is on a month-to-month basis while new terms are being negotiated. The net future minimum lease payments for the next 5 years are as follows:

| | |
|------------------------------|------------------|
| Year ended December 31, 2017 | \$ 17,420 |
| 2018 | 10,840 |
| 2019 | 0 |
| 2020 | 0 |
| 2021 | 0 |
| | <hr/> |
| Total | <u>\$ 28,260</u> |

(8) Retirement Plan

IYSA provides for payment into an IRC 401 (k) plan for all of its employees, who meet the minimum age and service requirements, with a contribution of 5% of each eligible employee's compensation. In 2016, the 401 (k) plan was terminated and a SIMPLE IRA match was established. Total expenses for the years ended December 31, 2016 and 2015 were \$29,525 and \$16,197, respectively. As of December 31, 2016 and 2015, \$14,648 and \$11,820 have been up as employer retirement contributions payable.

(9) Commitments

IYSA entered into a contract with the Indiana Department of Child Services to provide YSB Administration Services and PSP Administration Services (Project Safe Place) to all participating agencies in the State of Indiana. This contract began August 9, 2013 and runs until June 30, 2017. IYSA will receive \$1,515,692 for the period July 2016 through June 2017 for Youth Service Bureau (YSB) Administration Services. The contract has been renewed for the period July 2017 through June 2018 in the amount of \$1,415,699.

INDIANA YOUTH SERVICES ASSOCIATION, INC.

NOTES TO FINANCIAL STATEMENTS

For the Years Ended December 31, 2016 and 2015

(10) Line of Credit/Short term borrowing

During 2016, IYSA entered into a line of credit in the amount of \$50,000. The line of credit matured in February 2017. The line of credit has an annual interest rate of 3.5%. Amounts borrowed and outstanding on the line as of December 31, 2015 totaled \$33,002. The line of credit is secured by certain assets of IYSA.

In addition to the line of credit, IYSA entered into a short term loan in October 2016, with maturity in April 2017, in the amount of \$97,000. Interest on this note was 3.5% as of December 31, 2016. The balance on this note was \$97,000 as of December 31, 2016. This loan was secured by assets of IYSA. This short term borrowing was paid off in March 2017.

In March 2017, IYSA restructured the line of credit and the short term note into a line of credit in the amount of \$150,000, maturing in February 2018. Interest on the new line of credit was 3.75%. \$50,000 of this line of credit is secured by the assets of IYSA, and \$100,000 of the new line is secured based on the grant agreement with the Indiana Criminal Justice Institute.

(11) Assets held on behalf of another

In 2015, IYSA became the fiscal agent for Magnify Learning, an independent organization that had been formed and as of the financial statement date has not obtained their own tax exempt status with the IRS. For the years ended December 31, 2016 and 2015, the net operations from Magnify Learning have not been included in the statement of activities or in the statement of functional expenses. Revenue reported by Magnify Learning for the years ended December 31, 2016 and 2015 totaled \$217,922 and \$202,796, which included accounts receivable of \$0 and \$16,900 as of December 31, 2016 and 2015. Expenses reported by Magnify Learning was \$210,915 and \$176,802 and included accounts payable of \$11,443 and \$5,583 as of December 31, 2016 and 2015. Cash held on behalf of Magnify Learning was \$52,581 and \$14,678 as of December 31, 2016 and 2015 and an offsetting payable has been recorded on IYSA's financial statements.