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302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

May 4, 2018

Board of Directors  
Prevail, Inc.  
1100 South 9<sup>th</sup> Street  
Noblesville, IN 46060

We have reviewed the report prepared by Prevail, Inc. and opined upon by Donovan CPAs and Advisors, Independent Public Accountants, for the period July 1, 2015 to June 30, 2016. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Prevail, 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, Donovan CPAs and Advisors 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*  
Paul D. Joyce, CPA  
State Examiner

**PREVAIL, INC. OF HAMILTON COUNTY AND AFFILIATE**

**CONSOLIDATED FINANCIAL STATEMENTS**

Together with Independent Auditors' Report

For the Years Ended June 30, 2016 and 2015



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## *Independent Auditors' Report*

The Board of Directors  
Prevail, Inc. of Hamilton County

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

We have audited the accompanying consolidated financial statements of Prevail, Inc. of Hamilton County and Affiliate, which comprise the consolidated statements of financial position as of June 30, 2016 and 2015, and the related consolidated statements of activities and change in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

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[www.cpadonovan.com](http://www.cpadonovan.com)

Avon Office | 5151 E. U.S. HWY 36 Avon, IN 46123 | 317.745.6411

Indianapolis Office | 9245 North Meridian Street, Ste. 302 Indianapolis, IN 46260 | 317.844.8300

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Prevail, Inc. of Hamilton County and Affiliate as of June 30, 2016 and 2015, and the changes in the consolidated net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedules of financial position and activities on pages 13 through 16 are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 November 2, 2016 on our consideration of Prevail, Inc. of Hamilton County and Affiliate's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 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 consolidated entity's internal control over financial reporting and compliance.

DONOVAN



Indianapolis, Indiana  
November 2, 2016

**PREVAIL, INC. OF HAMILTON COUNTY AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 224,591	\$ 248,853
Grants receivable	269,577	124,305
Prepaid expenses and other assets	<u>32,787</u>	<u>9,900</u>
<i>Total current assets</i>	<u>526,955</u>	<u>383,058</u>
<b>PROPERTY AND EQUIPMENT</b>		
Leasehold improvements	9,446	4,046
Equipment	109,790	106,430
Furniture and fixtures	18,527	18,527
Less: accumulated depreciation	<u>(89,319)</u>	<u>(76,987)</u>
<i>Property and equipment, net</i>	<u>48,444</u>	<u>52,016</u>
<b>LONG-TERM INVESTMENTS</b>		
Central Indiana Community Foundation endowment	73,720	80,468
Prevail Foundation endowment	<u>2,352,870</u>	<u>2,595,800</u>
<i>Total long-term investments</i>	<u>2,426,590</u>	<u>2,676,268</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,001,989</u></u>	<u><u>\$ 3,111,342</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 20,925	\$ 1,299
Compensated absences	14,702	14,486
Deferred income	<u>19,250</u>	<u>2,750</u>
<i>Total current liabilities</i>	<u>54,877</u>	<u>18,535</u>
<b>NET ASSETS</b>		
Unrestricted:		
Board-designated	2,352,870	2,595,800
Undesignated	300,020	330,622
Temporarily restricted	223,037	95,200
Permanently restricted	<u>71,185</u>	<u>71,185</u>
<i>Total net assets</i>	<u>2,947,112</u>	<u>3,092,807</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,001,989</u></u>	<u><u>\$ 3,111,342</u></u>

See independent auditors' report and accompanying notes to the consolidated financial statements

**PREVAIL, INC. OF HAMILTON COUNTY AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>				<u>2015</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE AND SUPPORT</b>								
Grants:								
Government	\$ 342,180	\$ -	\$ -	\$ 342,180	\$ 256,761	\$ -	\$ -	\$ 256,761
Foundation	113,250	120,000	-	233,250	125,000	-	-	125,000
Contract service revenue	148,030	90,000	-	238,030	127,670	75,000	-	202,670
Contributions	112,526	3,449	-	115,975	119,248	22,276	-	141,524
Special events income, net of expenses	141,867	-	-	141,867	148,691	-	-	148,691
Interest and dividends	51,601	-	-	51,601	57,861	-	-	57,861
Gain (loss) on investments	(145,321)	(2,904)	-	(148,225)	(119,769)	1,899	-	(117,870)
Net assets released from restrictions	82,708	(82,708)	-	-	118,485	(118,485)	-	-
<i>Total revenue and support</i>	<u>846,841</u>	<u>127,837</u>	<u>-</u>	<u>974,678</u>	<u>833,947</u>	<u>(19,310)</u>	<u>-</u>	<u>814,637</u>
<b>EXPENSES</b>								
Program services	831,289	-	-	831,289	715,222	-	-	715,222
Management and general	180,753	-	-	180,753	200,865	-	-	200,865
Fundraising and public relations	108,331	-	-	108,331	85,875	-	-	85,875
<i>Total expenses</i>	<u>1,120,373</u>	<u>-</u>	<u>-</u>	<u>1,120,373</u>	<u>1,001,962</u>	<u>-</u>	<u>-</u>	<u>1,001,962</u>
<b>CHANGE IN NET ASSETS</b>	(273,532)	127,837	-	(145,695)	(168,015)	(19,310)	-	(187,325)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,926,422</u>	<u>95,200</u>	<u>71,185</u>	<u>3,092,807</u>	<u>3,094,437</u>	<u>114,510</u>	<u>71,185</u>	<u>3,280,132</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,652,890</u>	<u>\$ 223,037</u>	<u>\$ 71,185</u>	<u>\$ 2,947,112</u>	<u>\$ 2,926,422</u>	<u>\$ 95,200</u>	<u>\$ 71,185</u>	<u>\$ 3,092,807</u>

See independent auditors' report and accompanying notes to the consolidated financial statements

**PREVAIL, INC. OF HAMILTON COUNTY AND AFFILIATE**  
**CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES**  
**For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>				<u>2015</u>			
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Public Relations</u>	<u>Total</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Public Relations</u>	<u>Total</u>
<b>FUNCTIONAL EXPENSES</b>								
Salaries and benefits	\$ 657,732	\$ 130,710	\$ 63,590	\$ 852,032	\$ 531,703	\$ 146,735	\$ 53,857	\$ 732,295
Legal and accounting	13,091	4,150	1,864	19,105	13,720	7,998	1,444	23,162
Operating expense and supplies	56,426	9,016	5,038	70,480	70,412	9,422	6,882	86,716
Training and registration	10,332	2,272	533	13,137	7,778	2,114	73	9,965
Membership/dues	949	268	179	1,396	1,492	532	157	2,181
Fundraising/public awareness	1,169	181	19,004	20,354	(6,683)	1,582	13,515	8,414
Insurance	7,258	1,123	667	9,048	6,557	1,381	690	8,628
Recognition	75	-	1,647	1,722	71	-	2,051	2,122
Facility rent	44,141	13,272	10,962	68,375	49,721	10,467	5,234	65,422
Telephone/pager	7,169	2,064	3,069	12,302	8,777	1,861	825	11,463
Travel	6,058	1,431	527	8,016	4,799	721	213	5,733
Professional services	17,017	15,076	418	32,511	18,009	16,183	-	34,192
Depreciation	9,872	1,190	833	11,895	8,866	1,869	934	11,669
<i>Total functional expenses</i>	<u>\$ 831,289</u>	<u>\$ 180,753</u>	<u>\$ 108,331</u>	<u>\$ 1,120,373</u>	<u>\$ 715,222</u>	<u>\$ 200,865</u>	<u>\$ 85,875</u>	<u>\$ 1,001,962</u>

See independent auditors' report and accompanying notes to the consolidated financial statements

**PREVAIL, INC. OF HAMILTON COUNTY AND AFFILIATE**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

**For the Years Ended June 30, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ (145,695)	\$ (187,325)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	11,895	11,669
Realized and unrealized loss on investments	148,225	117,870
Changes in certain assets and liabilities:		
Grants receivable	(145,272)	34,266
Prepaid expenses and other assets	(22,887)	4,978
Accounts payable and compensated absences	19,842	(1,083)
Deferred income	<u>16,500</u>	<u>(10,290)</u>
 <i>Net cash used in operating activities</i>	 <u>(117,392)</u>	 <u>(29,915)</u>
 <b>INVESTING ACTIVITIES</b>		
Distribution received from restricted endowment	3,844	4,156
Purchases of investments	(1,489,789)	(677,652)
Sales of investments	1,587,398	775,993
Purchases of property and equipment	<u>(8,323)</u>	<u>(16,861)</u>
 <i>Net cash provided by investing activities</i>	 <u>93,130</u>	 <u>85,636</u>
 <b>NET CHANGE IN CASH</b>	 (24,262)	 55,721
 <b>CASH, BEGINNING OF YEAR</b>	 <u>248,853</u>	 <u>193,132</u>
 <b>CASH, END OF YEAR</b>	 <u>\$ 224,591</u>	 <u>\$ 248,853</u>

See independent auditors' report and accompanying notes to the consolidated financial statements

**PREVAIL, INC. OF HAMILTON COUNTY AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

General – Prevail, Inc. of Hamilton County is an Indiana not-for-profit corporation serving victims of crime and abuse in Hamilton County, Indiana in a confidential, supportive, non-judgmental environment. Its mission is to educate and engage the community to prevent crime and abuse while helping restore the lives of those who have been affected. Prevail, Inc. of Hamilton County maintains a controlling interest in Prevail Foundation, Inc., which is organized exclusively for the benefit of, to perform the functions of, or to carry out the purposes of Prevail Inc. of Hamilton County.

Principles of Consolidation – The accompanying consolidated financial statements include the accounts of Prevail, Inc. of Hamilton County and its affiliate, Prevail Foundation, Inc., collectively referred to as “Prevail”. All significant intercompany transactions and balances have been eliminated in consolidation.

Financial Statement Presentation – Prevail reports its financial position and activities according to three classes of assets as follows:

- Unrestricted net assets, which represent assets that the Board of Directors has discretionary control to use in carrying on the operations of the organization in accordance with its articles of incorporation and by-laws.
- Temporarily restricted net assets, which represent assets restricted by the donor, grantor, or other outside party for a specific purpose or until the passage of time.
- Permanently restricted net assets, which represent assets that are subject to restriction by gift instruments requiring that the principal be invested in perpetuity and only the income be expended, or assets donated with the provision that they not be sold.

Accounting Estimates – The preparation 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 certain reported amounts and disclosures. Actual results could differ from those estimates.

Functional Expenses – The costs of providing Prevail’s various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services in relation to the benefit received.

Cash and Cash Equivalents – Cash and cash equivalents consist of cash held in bank accounts and short-term, highly liquid investments with original maturities of three months or less.

Investments – Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the consolidated statements of activities and change in net assets.

**PREVAIL, INC. OF HAMILTON COUNTY AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued**

Property and Equipment – Acquisitions of property and equipment in excess of \$500 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of the donation. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The estimated useful lives are as follows:

Leasehold improvements	7 years
Equipment	3 to 10 years
Furniture and fixtures	7 years

Revenue Recognition – A portion of Prevail’s revenue is the product of cost reimbursement grants. Accordingly, Prevail recognizes revenue under these grants in the amount of costs and expenses at the time they are incurred. Revenue under fee for service arrangements is recognized at the time the service delivery requirements are met.

Contributions – Contributions received are measured at their fair values and are reported as an increase in net assets. Prevail reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of activities and change in net assets as net assets released from restrictions.

Contributed Services – Prevail receives donated services in carrying out its exempt function. No amounts have been reflected in the financial statements for these services since they do not meet the criteria for recognition under generally accepted accounting principles in the United States of America.

Taxes on Income – Prevail, Inc. of Hamilton County and Prevail Foundation, Inc. have received determinations from the U.S. Treasury Department stating that they qualify under the provisions of Section 501(c)(3) of the Internal Revenue Code as tax-exempt organizations; however, these organizations would be subject to tax on income unrelated to their tax-exempt purposes. For the years ended June 30, 2016 and 2015, no accounting for federal and state income taxes was required to be included in the accompanying consolidated financial statements.

Professional accounting standards require Prevail to recognize a tax liability only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax liability that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax liability is recorded. Prevail has examined this issue and has determined that there are no material contingent tax liabilities or questionable tax positions. Tax years ending after 2012 are open to audit for both federal and state purposes.

Subsequent Events – Prevail evaluated subsequent events through November 2, 2016, the date these financial statements were available to be issued. Events occurring through that date have been evaluated to determine whether a change in the financial statements or related disclosures would be required.

**PREVAIL, INC. OF HAMILTON COUNTY AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 2 - GRANTS RECEIVABLE**

Grants receivable are primarily related to grant reimbursements due from state and local governmental agencies. Prevail believes that all claims are within the terms of the grant agreements. As such, no allowance for doubtful accounts has been made.

**NOTE 3 - LEASES**

Prevail leases its office facility and certain office equipment under operating leases for terms of two to four years. Rent expense under these leases was \$68,375 and \$67,395 for the years ended June 30, 2016 and 2015, respectively.

At June 30, 2016, Prevail was committed to future minimum rental obligations under operating leases of \$66,000 and \$60,500 in 2017 and 2018, respectively.

**NOTE 4 - LONG-TERM INVESTMENTS**

Investments as of June 30, 2016 and 2015 are summarized as follows:

	<u>2016</u>	<u>2015</u>
Central Indiana Community Foundation:		
Pooled account	\$ <u>73,720</u>	\$ <u>80,468</u>
Board-designated endowment:		
Cash and cash equivalents	82,192	48,595
Mutual fund equity accounts:		
U.S. stock funds	518,331	633,471
International stock funds	852,399	865,556
Mutual fund fixed income accounts:		
U.S. government and corporate fixed income	692,325	769,528
Mutual fund alternative asset accounts:		
Hedge funds	128,798	204,794
Real estate and infrastructure	<u>78,825</u>	<u>73,856</u>
	<u>2,352,870</u>	<u>2,595,800</u>
<i>Total long-term investments</i>	\$ <u>2,426,590</u>	\$ <u>2,676,268</u>

Central Indiana Community Foundation (CICF) assets represent funds held by the Legacy Fund. The assets are pooled with other investments of the Legacy Fund. Prevail is allocated a proportionate share of income and expense from the investments. Under terms of the agreement, CICF has been granted variance authority over the fund assets and earnings.

**PREVAIL, INC. OF HAMILTON COUNTY AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 5 - RESTRICTIONS ON NET ASSETS**

In accordance with professional accounting standards, Prevail has recognized its beneficial interest in assets held by the Legacy Fund of Central Indiana Community Foundation (CICF). Contributions made to CICF on Prevail's behalf are permanently restricted endowment funds that cannot be accessed by Prevail.

CICF invests these permanently restricted contributions in a pooled account. Distributions from the fund are available to support the general operations of Prevail. Undistributed earnings are classified as temporarily restricted until they have been appropriated for expenditure. During fiscal years 2016 and 2015, distributions of \$3,844 and \$4,156, respectively, were made to Prevail.

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

	<u>2016</u>	<u>2015</u>
Undistributed CICF earnings	\$ 2,535	\$ 9,283
Subsequent periods	90,000	75,000
Youth services	116,161	-
Other purpose restrictions	<u>14,341</u>	<u>10,917</u>
	<u>\$ 223,037</u>	<u>\$ 95,200</u>

Net assets were released from donor restrictions by the passage of time or by incurring expenses satisfying the purpose restriction. In 2016 and 2015, the following time and purpose restrictions were accomplished:

	<u>2016</u>	<u>2015</u>
CICF earnings appropriated for expenditure	\$ 3,844	\$ 4,156
Expiration of time restrictions	75,000	75,000
Safe dates	-	25,538
Self sufficiency	-	729
Youth services	3,839	-
Other	<u>2,929</u>	<u>13,062</u>
	<u>\$ 85,612</u>	<u>\$ 118,485</u>

**NOTE 6 - ENDOWMENTS**

The donor-restricted endowment consists of a single fund established to benefit Prevail that is held and maintained by Central Indiana Community Foundation ("CICF"). In addition, the Board of Directors has set aside funds as an endowment maintained by Prevail Foundation, Inc., a controlled entity, to provide operating support. Net assets associated with these endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**PREVAIL, INC. OF HAMILTON COUNTY AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 6 - ENDOWMENTS, Continued**

Although not specifically required by the Indiana Uniform Management of Institutional Funds Act (“UMIFA”), the Board of Directors has interpreted its responsibility to require the preservation of the fair value of the original donor-restricted gifts as of the gift dates. As a result, Prevail classifies as permanently restricted net assets the original value of gifts donated to establish the CICF endowment as well as the original value of any subsequent gifts. The remaining portion of the CICF endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until such amounts are appropriated for expenditure. The board-designated endowment is included in unrestricted net assets.

CICF follows a practice of appropriating 5% of the value of the fund at year end for distribution annually. Prevail has the option of accepting the distribution or retaining it in the fund. CICF has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding while seeking to maintain the purchasing power of the endowment assets.

The assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk.

It is the intent of Prevail to appropriate funds from the board-designated endowment based on Prevail’s cash flow needs, not to exceed 5% of the investment balance annually. Prevail Foundation has adopted investment and spending policies for the endowment assets that attempt to provide a predictable stream of funding while seeking preservation of capital of the endowment assets. The assets are invested in a manner that is intended to produce long-term growth of capital without undue exposure to risk.

From time to time, the fair value of assets associated with the donor-restricted endowment fund may fall below the level that the donor requires CICF to retain as a fund of perpetual duration. Deficiencies of this nature are reported in unrestricted net assets. The endowment assets reflected surpluses as of June 30, 2016 and 2015.

Endowment net assets by type of fund at June 30, 2016 and 2015 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
June 30, 2016:			
Donor-restricted endowment	\$ -	\$ 2,535	\$ 71,185
Board-designated endowment	<u>2,352,870</u>	<u>-</u>	<u>-</u>
Total	<u><u>2,352,870</u></u>	<u><u>2,535</u></u>	<u><u>71,185</u></u>
June 30, 2015:			
Donor-restricted endowment	-	9,283	71,185
Board-designated endowment	<u>2,595,800</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 2,595,800</u></u>	<u><u>\$ 9,283</u></u>	<u><u>\$ 71,185</u></u>

**PREVAIL, INC. OF HAMILTON COUNTY AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 6 - ENDOWMENTS, Continued**

Changes in endowment net assets for the years ended June 30, 2016 and 2015 were as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>
Balance at July 1, 2014	\$ 2,813,910	\$ 11,540	\$ 71,185
Investment income (loss)	(77,844)	1,899	-
Appropriation of net assets for expenditure	<u>(140,266)</u>	<u>(4,156)</u>	<u>-</u>
Balance at June 30, 2015	2,595,800	9,283	71,185
Investment loss	(104,484)	(2,904)	-
Appropriation of net assets for expenditure	<u>(138,446)</u>	<u>(3,844)</u>	<u>-</u>
Balance at June 30, 2016	\$ <u>2,352,870</u>	\$ <u>2,535</u>	\$ <u>71,185</u>

**NOTE 7 - FAIR VALUE MEASUREMENTS**

Prevail's investments are reported at fair value in the accompanying consolidated statements of financial position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although Prevail believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Professional accounting standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs consist of unobservable inputs and have the lowest priority. Prevail uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, Prevail measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are used only when Level 1 or Level 2 inputs are not available.

The fair values of cash and mutual fund investments are based on quoted market prices (Level 1).

**PREVAIL, INC. OF HAMILTON COUNTY AND AFFILIATE**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2016 and 2015**

**NOTE 7 - FAIR VALUE MEASUREMENTS, Continued**

Fair value of the assets held by Central Indiana Community Foundation (“CICF”) is estimated to be Prevail’s proportionate share of the fair value of the underlying assets. Because the assets are under the control of CICF, which exercises variance power, and because the assets cannot be redeemed, there are no observable market transactions for similar assets. As such, the valuation technique used by Prevail is a Level 3 measure, shown as follows:

	<u>2016</u>	<u>2015</u>
Fair value at the beginning of the year	\$ 80,468	\$ 82,725
Investment gain (loss)	(2,904)	1,899
Amount distributed to Prevail	<u>(3,844)</u>	<u>(4,156)</u>
Fair value at the end of the year	\$ <u>73,720</u>	\$ <u>80,468</u>

**NOTE 8 - RETIREMENT PLAN**

Prevail sponsors a tax-sheltered annuity in which its employees may voluntarily contribute a portion of their salary each year on a pre-tax basis. Prevail does not make contributions to the annuity.

**NOTE 9 - RISKS AND UNCERTAINTIES**

The majority of revenues relate directly or indirectly to programs sponsored by federal and state legislation. Changes in government sponsored programs may significantly affect Prevail. Federal funding and the Hamilton County Council provided 25% and 14%, respectively, of non-investment revenue to the organization for the year ended June 30, 2016 (22% and 17% in 2015).

Prevail maintains the majority of its cash deposits in commercial banks. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation. Cash deposits are generally within the insurance limits.

SUPPLEMENTARY INFORMATION

**PREVAIL, INC. OF HAMILTON COUNTY AND AFFILIATE**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

**June 30, 2016**

	<u>Prevail, Inc of Hamilton County</u>	<u>Prevail Foundation</u>	<u>Consolidated</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 224,591	\$ -	\$ 224,591
Grants receivable	269,577	-	269,577
Prepaid expenses and other assets	<u>32,787</u>	<u>-</u>	<u>32,787</u>
<i>Total current assets</i>	<u>526,955</u>	<u>-</u>	<u>526,955</u>
<b>PROPERTY AND EQUIPMENT</b>			
Leasehold improvements	9,446	-	9,446
Equipment	109,790	-	109,790
Furniture and fixtures	18,527	-	18,527
Less: accumulated depreciation	<u>(89,319)</u>	<u>-</u>	<u>(89,319)</u>
<i>Property and equipment, net</i>	<u>48,444</u>	<u>-</u>	<u>48,444</u>
<b>LONG-TERM INVESTMENTS</b>			
Central Indiana Community Foundation endowment	73,720	-	73,720
Prevail Foundation endowment	<u>-</u>	<u>2,352,870</u>	<u>2,352,870</u>
<i>Total long-term investments</i>	<u>73,720</u>	<u>2,352,870</u>	<u>2,426,590</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 649,119</u></u>	<u><u>\$ 2,352,870</u></u>	<u><u>\$ 3,001,989</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 20,925	\$ -	\$ 20,925
Compensated absences	14,702	-	14,702
Deferred income	<u>19,250</u>	<u>-</u>	<u>19,250</u>
<i>Total current liabilities</i>	<u>54,877</u>	<u>-</u>	<u>54,877</u>
<b>NET ASSETS</b>			
Unrestricted:			
Board-designated	-	2,352,870	2,352,870
Undesignated	300,020	-	300,020
Temporarily restricted	223,037	-	223,037
Permanently restricted	<u>71,185</u>	<u>-</u>	<u>71,185</u>
<i>Total net assets</i>	<u>594,242</u>	<u>2,352,870</u>	<u>2,947,112</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 649,119</u></u>	<u><u>\$ 2,352,870</u></u>	<u><u>\$ 3,001,989</u></u>

See independent auditors' report

**PREVAIL, INC. OF HAMILTON COUNTY AND AFFILIATE**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION**

**June 30, 2015**

	<u>Prevail, Inc of Hamilton County</u>	<u>Prevail Foundation</u>	<u>Consolidated</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash	\$ 248,853	\$ -	\$ 248,853
Grants receivable	124,305	-	124,305
Prepaid expenses and other assets	<u>9,900</u>	<u>-</u>	<u>9,900</u>
<i>Total current assets</i>	<u>383,058</u>	<u>-</u>	<u>383,058</u>
<b>PROPERTY AND EQUIPMENT</b>			
Leasehold improvements	4,046	-	4,046
Equipment	106,430	-	106,430
Furniture and fixtures	18,527	-	18,527
Less: accumulated depreciation	<u>(76,987)</u>	<u>-</u>	<u>(76,987)</u>
<i>Property and equipment, net</i>	<u>52,016</u>	<u>-</u>	<u>52,016</u>
<b>LONG-TERM INVESTMENTS</b>			
Central Indiana Community Foundation endowment	80,468	-	80,468
Prevail Foundation endowment	<u>-</u>	<u>2,595,800</u>	<u>2,595,800</u>
<i>Total long-term investments</i>	<u>80,468</u>	<u>2,595,800</u>	<u>2,676,268</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 515,542</u></u>	<u><u>\$ 2,595,800</u></u>	<u><u>\$ 3,111,342</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 1,299	\$ -	\$ 1,299
Compensated absences	14,486	-	14,486
Deferred income	<u>2,750</u>	<u>-</u>	<u>2,750</u>
<i>Total current liabilities</i>	<u>18,535</u>	<u>-</u>	<u>18,535</u>
<b>NET ASSETS</b>			
Unrestricted:			
Board-designated	-	2,595,800	2,595,800
Undesignated	330,622	-	330,622
Temporarily restricted	95,200	-	95,200
Permanently restricted	<u>71,185</u>	<u>-</u>	<u>71,185</u>
<i>Total net assets</i>	<u>497,007</u>	<u>2,595,800</u>	<u>3,092,807</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 515,542</u></u>	<u><u>\$ 2,595,800</u></u>	<u><u>\$ 3,111,342</u></u>

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**PREVAIL, INC. OF HAMILTON COUNTY AND AFFILIATE**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Year Ended June 30, 2016**

	<u>Prevail, Inc of Hamilton County</u>	<u>Prevail Foundation</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
<b>REVENUE AND SUPPORT</b>				
Grants:				
Government	\$ 342,180	\$ -	\$ -	\$ 342,180
Foundation	371,696	-	(138,446)	233,250
Contract service revenue	238,030	-	-	238,030
Contributions	115,975	-	-	115,975
Special events income, net of expenses	141,867	-	-	141,867
Interest and dividends	-	51,601	-	51,601
Loss on investments	(6,749)	(141,476)	-	(148,225)
	<u>1,202,999</u>	<u>(89,875)</u>	<u>(138,446)</u>	<u>974,678</u>
<i>Total revenue and support</i>				
<b>EXPENSES</b>				
Program services:				
Victim services	831,289	-	-	831,289
Community assistance grants	-	138,446	(138,446)	-
	<u>831,289</u>	<u>138,446</u>	<u>(138,446)</u>	<u>831,289</u>
<i>Total program services</i>				
Management and general	166,144	14,609	-	180,753
Fundraising and public relations	108,331	-	-	108,331
	<u>1,105,764</u>	<u>153,055</u>	<u>(138,446)</u>	<u>1,120,373</u>
<i>Total expenses</i>				
<b>CHANGE IN NET ASSETS</b>	97,235	(242,930)	-	(145,695)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>497,007</u>	<u>2,595,800</u>	<u>-</u>	<u>3,092,807</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 594,242</u>	<u>\$ 2,352,870</u>	<u>\$ -</u>	<u>\$ 2,947,112</u>

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**PREVAIL, INC. OF HAMILTON COUNTY AND AFFILIATE**  
**CONSOLIDATING SCHEDULE OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**For the Year Ended June 30, 2015**

	<u>Prevail, Inc of Hamilton County</u>	<u>Prevail Foundation</u>	<u>Consolidating Entries</u>	<u>Consolidated</u>
<b>REVENUE AND SUPPORT</b>				
Grants:				
Government	\$ 256,761	\$ -	\$ -	\$ 256,761
Foundation	265,266	-	(140,266)	125,000
Contract service revenue	202,670	-	-	202,670
Contributions	141,524	-	-	141,524
Special events income, net of expenses	148,691	-	-	148,691
Interest and dividends	-	57,861	-	57,861
Gain (loss) on investments	1,652	(119,522)	-	(117,870)
	<u>1,016,564</u>	<u>(61,661)</u>	<u>(140,266)</u>	<u>814,637</u>
<i>Total revenue and support</i>				
<b>EXPENSES</b>				
Program services:				
Victim services	715,222	-	-	715,222
Community assistance grants	-	140,266	(140,266)	-
	<u>715,222</u>	<u>140,266</u>	<u>(140,266)</u>	<u>715,222</u>
<i>Total program services</i>				
Management and general	184,682	16,183	-	200,865
Fundraising and public relations	85,875	-	-	85,875
	<u>985,779</u>	<u>156,449</u>	<u>(140,266)</u>	<u>1,001,962</u>
<i>Total expenses</i>				
<b>CHANGE IN NET ASSETS</b>	30,785	(218,110)	-	(187,325)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>466,222</u>	<u>2,813,910</u>	<u>-</u>	<u>3,280,132</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 497,007</u>	<u>\$ 2,595,800</u>	<u>\$ -</u>	<u>\$ 3,092,807</u>

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**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 Board of Directors  
Prevail, Inc. of Hamilton County

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 consolidated financial statements of Prevail, Inc. of Hamilton County ("Prevail"), which comprise the consolidated statement of financial position as of June 30, 2016 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated November 2, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Prevail'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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Prevail's internal control. Accordingly, we do not express an opinion on the effectiveness of Prevail'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 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 Prevail's consolidated financial statements are free of 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 consolidated 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*.

## **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 organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DONOVAN

A handwritten signature in dark ink that reads "DONOVAN". The signature is written in a cursive style with a large initial "D".

Indianapolis, Indiana  
November 2, 2016