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May 24, 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, 2016 to June 30, 2017. 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, 2017 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, 2017 and 2016

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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 non-profit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, cash flows, and functional expenses 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 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, 2017, and 2016 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 Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards on page 13 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Insight Accounting Group, P.C.*

Insight Accounting Group, PC

Mishawaka, IN  
September 12, 2017

**AIDS MINISTRIES / AIDS ASSIST OF NORTH INDIANA, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 51,396	\$ 100,770
Grants and contributions receivable	147,132	88,931
Prepaid expenses	4,697	9,124
<b>Total current assets</b>	<b>203,225</b>	<b>198,825</b>
<b>Property and equipment</b>		
Land	52,025	52,025
Office equipment	52,410	51,487
Vehicles	25,183	25,183
Buildings	1,213,636	1,130,360
Furniture and fixtures in housing units	6,374	5,717
Improvements	108,812	74,160
	1,458,440	1,338,932
Less accumulated depreciation	(551,083)	(609,592)
<b>Net property and equipment</b>	<b>907,357</b>	<b>729,340</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,110,582</b>	<b>\$ 928,165</b>

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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, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Current portion of long-term debt	\$ 7,979	\$ 7,609
Accrued expenses	43,961	31,029
Total current liabilities	51,940	38,638
<b>Long-term liabilities</b>		
Notes payable - bank	229,956	237,405
Less current portion of long-term debt	(7,979)	(7,609)
Total long-term liabilities	221,977	229,796
Total liabilities	273,917	268,434
<b>Net assets</b>		
Unrestricted	812,765	641,799
Temporarily restricted	23,900	17,932
Total net assets	836,665	659,731
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,110,582</b>	<b>\$ 928,165</b>

The accompanying notes to financial statements are an integral 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, 2017 and 2016**

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>Revenue and support</b>						
Government grants	\$ 740,477	\$ -	\$ 740,477	\$ 648,080	\$ -	\$ 648,080
United Way grant	11,850	-	11,850	9,334	-	9,334
Other contributions and memorials	30,800	-	30,800	26,047	-	26,047
Other grants	-	67,718	67,718	-	40,075	40,075
Fund raisers, gross revenue	9,625	-	9,625	14,003	750	14,753
Fund raisers, direct expenses	(5,673)	-	(5,673)	(4,395)	-	(4,395)
Rent income	24,659	-	24,659	25,075	-	25,075
Other income	1,272	-	1,272	33	-	33
Gain on disposal of assets	182,677	-	182,677	-	-	-
Net assets released from restrictions satisfied by service	61,750	(61,750)	-	39,473	(39,473)	-
Total revenues and other support	<u>1,057,437</u>	<u>5,968</u>	<u>1,063,405</u>	<u>757,650</u>	<u>1,352</u>	<u>759,002</u>
<b>Expenses</b>						
Program services:						
Direct services	625,881	-	625,881	513,359	-	513,359
Preventative services	141,940	-	141,940	140,272	-	140,272
Supporting services:						
General and administrative	118,650	-	118,650	92,716	-	92,716
Total expenses	<u>886,471</u>	<u>-</u>	<u>886,471</u>	<u>746,347</u>	<u>-</u>	<u>746,347</u>
<b>CHANGE IN NET ASSETS</b>	170,966	5,968	176,934	11,303	1,352	12,655
Net assets, beginning of year	<u>641,799</u>	<u>17,932</u>	<u>659,731</u>	<u>630,496</u>	<u>16,580</u>	<u>629,145</u>
<b>Net assets, end of year</b>	<u>\$ 812,765</u>	<u>\$ 23,900</u>	<u>\$ 836,665</u>	<u>\$ 641,799</u>	<u>\$ 17,932</u>	<u>\$ 659,731</u>

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

**AIDS MINISTRIES/ AIDS ASSIST OF NORTH INDIANA, INC.**  
**STATEMENTS OF CASH FLOWS**  
**For the Years Ended June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 176,934	\$ 12,655
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	41,239	38,387
In-kind contributions	-	(2,111)
Gain on disposal of assets	(182,677)	-
(Increase) decrease in assets		
Grants receivable	(58,201)	5,778
Prepaid expenses	4,427	(4,668)
Increase (decrease) in liabilities		
Accrued liabilities	12,932	(1,895)
Net cash from operating activities	(5,346)	48,146
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	(311,493)	(67,684)
Proceeds from disposal of assets	274,914	-
Net cash from investing activities	(36,579)	(67,684)
<b>Cash flows from financing activities</b>		
Principal payments on long-term debt	(7,449)	(14,621)
Proceeds from long-term debt	-	99,935
Net cash from financing activities	(7,449)	85,314
<b>Net change in cash and cash equivalents</b>	(49,374)	65,776
Cash and cash equivalents, beginning of year	100,770	34,994
<b>Cash and cash equivalents, end of year</b>	<b>\$ 51,396</b>	<b>\$ 100,770</b>
<b>Supplemental disclosure of cash flow information</b>		
Cash paid during the year for interest	\$ 11,273	\$ 8,070

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 Year Ended June 30, 2017**

	<u>Program Costs</u>		<u>Support</u>	<u>Total 2017</u>
	<u>Direct Service</u>	<u>Preventive Service</u>	<u>General and Administrative</u>	
Personnel	\$ 319,980	\$ 101,184	\$ 9,102	\$ 430,266
Payroll taxes	26,031	8,157	867	35,055
Outside services	24,634	639	12,207	37,480
Building expense	31,644	7,803	15,754	55,201
Insurance	11,438	5,544	8,038	25,020
Depreciation	-	-	41,239	41,239
Direct service	173,642	6,811	81	180,534
Travel	10,901	4,399	6,135	21,435
Legal and accounting	6,930	2,484	1,106	10,520
Professional fees	-	-	1,967	1,967
Telephone / Yellow pages	4,160	1,550	2,727	8,437
Office expense	12,978	2,767	6,367	22,112
Postage	2,059	496	865	3,420
Interest expense	-	-	12,094	12,094
Training	1,484	106	40	1,630
Miscellaneous expenses	-	-	61	61
<b>Total expense</b>	<b>\$ 625,881</b>	<b>\$ 141,940</b>	<b>\$ 118,650</b>	<b>\$ 886,471</b>

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 Year Ended June 30, 2016**

	<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
<b>Total expense</b>	<b>\$ 513,359</b>	<b>\$ 140,272</b>	<b>\$ 92,716</b>	<b>\$ 746,347</b>

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, 2017 and 2016**

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**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 2013 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, 2017 and 2016**

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**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, 2017 and 2016.

**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 \$41,239 and \$38,387 for the years ending June 30, 2017 and 2016, 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, 2017 and 2016.

**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, 2017 and 2016.

**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 pantry items totaling \$250 for the year ended June 30, 2017. In-kind revenue consisted of carpet and pantry items totaling \$2,561 for the year ended June 30, 2016.

**AIDS MINISTRIES/ AIDS ASSIST OF NORTH INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2017 and 2016**

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**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, 2017 and 2016 amounted to approximately \$0 for both years.

**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 uncollectability is considered necessary.

**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 – 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 \$6,595 and \$6,202 to the plan for the years ending June 30, 2017 and 2016, respectively.

**NOTE 5 – DEBT**

The terms of a line of credit agreement with a bank permit the Organization to borrow up to \$75,000 of which none was outstanding as of June 30, 2017 and 2016. Borrowings under this agreement bear interest at 4.75% as of June 30, 2017 and at 4.50% as of June 30, 2016. Borrowings are collateralized by substantially all of the assets of the Organization. The line of credit agreement expires in February 2018.

Long-term debt is as follows:

Note payable to a bank , including interest at a fixed rate of 4.75% (4.5% in 2016), with an estimated balloon payment of \$204,860 in April 2021 and is collateralized by certain real estate.

Less current portion of long-term debt

	<b>2017</b>	<b>2016</b>
\$	229,956	\$ 237,405
	(7,979)	(7,609)
	<b>\$ 221,977</b>	<b>\$ 229,796</b>

**AIDS MINISTRIES/ AIDS ASSIST OF NORTH INDIANA, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the Years Ended June 30, 2017 and 2016**

**NOTE 5 – DEBT (CONTINUED)**

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

2018	\$	7,979
2019		8,366
2020		8,772
2021		204,839
	\$	<u>229,956</u>

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets are available for the following purposes as of June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Time restricted for future periods	\$ -	\$ -
Purpose restrictions:		
Support services	23,900	17,182
Fundraising	-	750
Total temporarily restricted net assets	<u>\$ 23,900</u>	<u>\$ 17,932</u>

**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, 2017 and 2016, 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.

**NOTE 8 – SIGNIFICANT EVENT**

On July 27, 2016 the Elkhart location of the Organization was heavily damaged in a fire. The building is covered by insurance and the Organization received insurance proceeds of \$338,455. The reimbursement consisted of \$63,542 for clean-up costs and \$274,914 for building rebuild which is shown as proceeds from disposal of assets in the financial statements.

**NOTE 9 – SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events for potential recognition and/or disclosure through September 12, 2017, the date the financial statements were available to be issued.

**AIDS MINISTRIES/ AIDS ASSIST OF NORTH INDIANA, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2017**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass through Number</u>	<u>Program or Award Amount</u>	<u>Federal Expenditures</u>
<b>U S Department of Health and Human Services</b>				
Passed through state or local government or other organization				
Indiana Department of Health	93.940	0000015147	43,948	43,948
Indiana Department of Health	93.667	0000016423	300,000	300,000
<b>US Department of Housing and Urban Development</b>				
Paid directly	14.267	IN000174L 6H001400	87,502	87,502
Passed through state or local government or other organization				
City of South Bend, Indiana	14.231	16-JE-02	2,200	2,200
City of South Bend, Indiana	14.231	15-JE-02	35,900	35,900
City of South Bend, Indiana	14.231	14-JE-02	4,295	4,295
City of Elkhart, Indiana	14.218	793	9,000	9,000
IHCDA	14.241	CC-016-001	142,722	142,722
<b>Center for Disease Control</b>				
Passed through state or local government or other organization				
Indiana State Department of Health	93.959	0000016627	90,000	<u>90,000</u>
				<u>\$ 715,567</u>