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June 8, 2018

Board of Directors
Crisis Connection, Inc.
1500 S. Meridian Road, P.O. Box 903
Jasper, IN 47547

We have reviewed the report prepared by Crisis Connection, Inc. and opined upon by Monroe Shine & Co., Inc., 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 Crisis Connection, 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, Monroe Shine & Co., Inc. 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

**CRISIS CONNECTION, INC. –
JASPER, INDIANA**

FINANCIAL STATEMENTS

**YEARS ENDED
DECEMBER 31, 2016 AND 2015**

CRISIS CONNECTION, INC.

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MONROE SHINE

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Independent Auditor's Report

Board of Directors
Crisis Connection, Inc.
Jasper, Indiana

We have audited the accompanying financial statements of **Crisis Connection, Inc.**, 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 audits. We conducted our audits 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 **Crisis Connection, Inc.** as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Monroe Shine

New Albany, Indiana
September 28, 2017

**CRISIS CONNECTION, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 AND 2015**

ASSETS

	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash	\$ 44,971	\$ 14,218
Contributions receivable	12,000	12,000
Grants receivable	100,552	102,583
Prepaid expense	10,290	6,288
Total Current Assets	167,813	135,089
OTHER ASSET		
Contributions receivable, net	32,840	44,508
PROPERTY AND EQUIPMENT		
Equipment	63,270	61,910
Less accumulated depreciation	54,208	48,597
Net Property and Equipment	9,062	13,313
	\$ 209,715	\$ 192,910
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	\$ 34,144	\$ 15,000
Notes payable	40,000	10,000
Accounts payable	8,456	4,265
Accrued expenses	9,434	14,041
Total Current Liabilities	92,034	43,306
NET ASSETS		
Unrestricted	70,214	90,469
Temporarily restricted	47,467	59,135
Total Net Assets	117,681	149,604
	\$ 209,715	\$ 192,910

See notes to financial statements.

**CRISIS CONNECTION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CHANGES IN UNRESTRICTED NET ASSETS:		
Revenues		
United Way	\$ 38,311	\$ 38,330
Grant income	458,926	407,042
Donations	80,780	93,207
Interest income	21	20
Other	4,045	6,994
Net assets released from restrictions	11,668	17,500
Total Revenues	593,751	563,093
Expenses		
Program services	556,122	496,855
Supporting services:		
Management and general	48,667	64,240
Fundraising	9,217	14,173
Total Expenses	614,006	575,268
CHANGE IN UNRESTRICTED NET ASSETS	(20,255)	(12,175)
CHANGES IN TEMPORARILY RESTRICTED NET ASSETS:		
Revenues		
Donations	-	56,508
Net assets released from restrictions	(11,668)	(17,500)
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	(11,668)	39,008
Total Change in Net Assets	(31,923)	26,833
Net assets at beginning of year	149,604	122,771
Net Assets at End of Year	\$ 117,681	\$ 149,604

See notes to financial statements.

CRISIS CONNECTION, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>				<u>2015</u>			
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL	FUNDRAISING	TOTAL
Compensation and related expenses								
Salaries	\$ 366,171	\$ 12,368	\$ 1,681	\$ 380,220	\$ 294,662	\$ 19,217	\$ 6,406	\$ 320,285
Employee benefits	33,022	1,115	152	34,289	53,860	3,513	1,171	58,544
Payroll taxes	28,724	970	132	29,826	23,368	1,524	508	25,400
	<u>427,917</u>	<u>14,453</u>	<u>1,965</u>	<u>444,335</u>	<u>371,890</u>	<u>24,254</u>	<u>8,085</u>	<u>404,229</u>
Client assistance	166	-	-	166	811	-	-	811
Educational	1,156	-	-	1,156	23	-	-	23
Training materials	3,663	-	-	3,663	3,973	-	-	3,973
Office supplies	32,149	6,430	5,966	44,545	34,718	6,945	4,630	46,293
Occupancy	42,568	14,128	-	56,696	40,174	12,925	-	53,099
Telephone	11,778	-	-	11,778	6,678	-	-	6,678
Advertising	2,420	-	-	2,420	3,502	-	-	3,502
Insurance	9,643	1,929	1,286	12,858	10,934	2,187	1,458	14,579
Depreciation	4,109	1,502	-	5,611	4,540	1,659	-	6,199
Professional dues	695	-	-	695	525	-	-	525
Professional services	-	10,225	-	10,225	-	16,270	-	16,270
Travel	10,988	-	-	10,988	11,964	-	-	11,964
Miscellaneous	8,870	-	-	8,870	7,123	-	-	7,123
TOTAL EXPENSES	<u>\$ 556,122</u>	<u>\$ 48,667</u>	<u>\$ 9,217</u>	<u>\$ 614,006</u>	<u>\$ 496,855</u>	<u>\$ 64,240</u>	<u>\$ 14,173</u>	<u>\$ 575,268</u>

See notes to financial statements.

CRISIS CONNECTION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
OPERATING ACTIVITIES		
Change in net assets	\$ (31,923)	\$ 26,833
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	5,611	6,199
Donated use of facilities	12,000	(48,000)
Amortization of discount on contributions receivable	(332)	2,492
(Increase) decrease in current assets:		
Grants receivable	2,031	(21,859)
Prepaid expense	(4,002)	4,002
Increase (decrease) in current liabilities:		
Accounts payable	4,191	(8,916)
Accrued expenses	(4,607)	1,095
Net Cash Used In Operating Activities	(17,031)	(38,154)
INVESTING ACTIVITIES		
Purchase of equipment	(1,360)	(1,360)
Net Cash Used In Investing Activities	(1,360)	(1,360)
FINANCING ACTIVITIES		
Net increase in line of credit	19,144	15,000
Repayment of notes payable	(10,000)	-
Proceeds from issuance of notes payable	40,000	10,000
Net Cash Provided By Financing Activities	49,144	25,000
Net Increase (Decrease) in Cash	30,753	(14,514)
Cash at beginning of year	14,218	28,732
Cash at End of Year	\$ 44,971	\$ 14,218
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for:		
Interest	\$ 3,379	\$ 404

See notes to financial statements.

CRISIS CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Organization provides educational and counseling services for individuals who have been exposed to domestic violence in Southern Indiana.

The Organization receives a majority of its revenue from United Way, government funding and donations.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting.

The Organization reports information regarding its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. No permanently restricted net assets existed at December 31, 2016 and 2015. The terms are defined below:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Organization and/or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization.

Certain prior year totals have been reclassified to conform with current year presentations.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Grant Revenue and Receivables

The Organization's revenue is recognized when services are rendered. Receivables represent amounts owed by various government agencies pursuant to grant reimbursement agreements. The valuation of receivables is based upon an analysis of contractual agreements and collection history. When accounts are deemed uncollectible, they are written off.

CRISIS CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2016 AND 2015

(1 – continued)

Contributions

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the entity reports the support as unrestricted.

Contributed property and equipment is recorded at fair value at the date of donation. The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed use of facilities is recorded at fair value at the date of donation. In the absence of donor-imposed stipulations regarding how long the contributed facilities must be used, the entity has adopted a policy of implying a time restriction on contributions of such facilities that expires over the original lease agreement; consequently, all contributed use of facilities, and of the assets contributed to use such facilities, are recorded as restricted support.

Contributed services that require specific expertise and would normally have been purchased and donated services that create or enhance non-financial assets are recorded at fair market value. Those donated services that do not meet these specific criteria are not reflected in the financial statements.

Property and Equipment

The Organization uses the straight-line method of computing depreciation at rates adequate to amortize the cost of the applicable assets over their useful lives. Purchased property and equipment is valued at cost. Maintenance and repairs are expensed as incurred. The asset cost and related accumulated depreciation of assets sold or otherwise disposed of are removed from the related accounts and any gain or loss is included in operations.

Advertising

The Organization uses advertising to promote its programs among the audiences it serves. The costs of advertising are expensed as incurred.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies.

CRISIS CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2016 AND 2015

(1 – continued)

Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the financial statements do not provide for income taxes.

The Organization has implemented the accounting guidance for uncertainty in income taxes. Under that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by the tax authorities. As of December 31, 2016, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization files federal and Indiana income tax returns. Returns filed in these jurisdictions for the tax years ended on or after December 31, 2013 are subject to examination by the relevant taxing authorities. Management believes the Organization's tax-exempt status would be upheld upon examination.

(2) CONTRIBUTIONS RECEIVABLE

During 2015, the Organization renewed a five-year lease for its Jasper, Indiana office. Under the original lease agreement, the Organization made monthly rental payments of \$2,300 which increased to \$2,465 starting December 1, 2015. The estimated fair rental value of the premises was \$3,300 per month which increased to \$3,465 when renewed. The in-kind donations due under this lease agreement have been included in the financial statements as contributions receivable and revenue of the appropriate net asset category. Amounts due after one year are recorded after discounting to the present value of future cash flows. The donations have been discounted at 1.84% per annum.

The donations are expected to be realized in the following periods:

	<u>2016</u>	<u>2015</u>
Less than one year	\$ 12,000	\$ 12,000
One to five years	<u>35,000</u>	<u>47,000</u>
Total contributions receivable	47,000	59,000
Less unamortized discount	<u>(2,160)</u>	<u>(2,492)</u>
Net contributions receivable	<u>\$ 44,840</u>	<u>\$ 56,508</u>

CRISIS CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2016 AND 2015

(3) LINE OF CREDIT

The Organization has a revolving line of credit with German American Bank in the amount of \$35,000. The interest rate charged on this line of credit was 6.125% and 6.0% at December 31, 2016 and 2015, respectively. The line of credit is secured by substantially all the Organization's assets. At December 31, 2016 and 2015, the Organization had borrowings of \$34,144 and \$15,000 on the line of credit, respectively. This agreement matures on October 13, 2017.

(4) NOTES PAYABLE

Notes payable due within one year at December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
6.000% note payable upon maturity on June 25, 2016 secured by all organizational assets	\$ -	\$ 10,000
5.125% note payable upon maturity on February 9, 2017 secured by all organizational assets	10,000	-
5.125% note payable upon maturity on February 9, 2017 secured by all organizational assets	30,000	-
	<u>\$ 40,000</u>	<u>\$ 10,000</u>

In January and February 2017, the organization paid the above balances in full. \$25,347 of this balance was refinanced with a new note payable. This note bears interest at 5.250% and is due in full on October 13, 2017.

(5) TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of December 31, 2016 and 2015 are available for the following purpose:

	<u>2016</u>	<u>2015</u>
Donor restrictions - Sunshine Lady Foundation	\$ 2,627	\$ 2,627
Contribution receivable	44,840	56,508
	<u>\$ 47,467</u>	<u>\$ 59,135</u>
Total	<u>\$ 47,467</u>	<u>\$ 59,135</u>

At December 31, 2016 and 2015, the Organization had total temporarily restricted net assets of \$47,467 and \$59,135, respectively. Donor restricted net assets were \$2,627 as of December 31, 2016 and 2015. Restrictions due to time as discussed in Note 2 totaled \$44,840 and \$56,508, respectively.

CRISIS CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2016 AND 2015

(6) COMMUNITY FOUNDATION FUND

During 2000, an account with the Dubois County Community Foundation, Inc. was created. The account was established with contributions of \$31,015 from the community. The contributions are an irrevocable transfer to the Community Foundation endowment account. The Organization receives an annual distribution of a portion of the allocable net earnings of the fund. This distribution totaled \$1,615 and \$1,535 during the years ended December 31, 2016 and 2015, respectively. The total value of the endowment at December 31, 2016 and 2015 was \$48,958 and \$47,714, respectively.

(7) LEASES

The Organization conducts its activities from leased facilities in three locations; Jasper, Rockport and Tell City, Indiana. The leases are for various periods from one to five years. Management expects that, in the normal course of business, leases will be renewed or replaced by other leases. Total rent expense for 2016 and 2015 was \$54,763 and \$51,165, respectively. The in-kind rent value received under the agreement described in Note 2 in 2016 and 2015 was estimated at \$12,000.

The following are future minimum rental payments required under leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 2016:

Year ending December 31

2017	\$ 29,580
2018	29,580
2019	29,580
2020	<u>27,115</u>
	<u>\$ 115,855</u>

(8) FAIR VALUE MEASUREMENTS

The Organization adopted the provisions of Accounting Standards Codification (ASC) 820 *Fair Value Measurements*, for financial assets and financial liabilities.

ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a fair value hierarchy that prioritizes the use of inputs used in valuation methodologies into the following three levels:

Level 1: Inputs to the valuation methodology are quoted prices, unadjusted, for identical assets or liabilities in active markets. A quoted market price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

CRISIS CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2016 AND 2015

(8 – continued)

Level 2: Inputs to the valuation methodology include quoted market prices for similar assets or liabilities in active markets; inputs to the valuation methodology include quoted market prices for identical or similar assets or liabilities in markets that are not active; or inputs to the valuation methodology that are derived principally from or can be corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Level 3 assets and liabilities include financial instruments whose value is determined using discounted cash flow methodologies, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

A description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy, is set forth below. These valuation methodologies were applied to all of the Organization's financial assets and liabilities carried at fair value. The table below presents the balances of assets measured at fair value on a nonrecurring basis.

	<u>Carrying Value</u>			<u>Total</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
As of December 31, 2016:				
Contributions receivable	\$ -	\$ -	\$ 44,840	\$ 44,840
 As of December 31, 2015:				
Contributions receivable	\$ -	\$ -	\$ 56,508	\$ 56,508

Contributions Receivable. Contributions receivable are reported at fair value on a non-recurring basis using level 3 inputs. The fair value is based on the present value of the expected future cash flows. All pledges due in one year or later are discounted using the rate in effect for the year of the original pledge. See Note 2 for details of the discount rate and time period used for discount calculations.

While management believes the Organization's valuation methodologies are appropriate and consistent, the use of different methodologies or assumptions to determine fair value could result in a different estimate of fair value at the reporting date.

(9) DONATED SERVICES

The Organization uses the services of a certified public accountant without charge. These services include bookkeeping and various tax preparation services. Amounts of \$975 were recognized as revenue and expense for the years ended December 31, 2016 and 2015.

CRISIS CONNECTION, INC.
NOTES TO FINANCIAL STATEMENTS – CONTINUED
DECEMBER 31, 2016 AND 2015

(10) SUBSEQUENT EVENTS

The Organization has evaluated whether any subsequent events that require recognition or disclosure in the accompanying financial statements and related notes thereto have taken place through September 28, 2017, the date these financial statements were available to be issued.

As described in Notes 4, the organization obtained additional debt financing in February of 2017.