



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B50269

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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


June 13, 2018

Board of Directors
Social Health Association of Indiana, Inc.
615 N. Alabama Street
Indianapolis, IN 46204

We have reviewed the report prepared by Social Health Association of Indiana, Inc. and opined upon by Mid-America Audit & Tax, Inc., Independent Public Accountants, for the period October 1, 2016 to September 30, 2017. Per the *Independent Auditors' Report* the financial statements included in the report present fairly the financial condition of Social Health Association of Indiana, Inc. as of September 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, Mid-America Audit & Tax, 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, CPA
State Examiner

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Financial Statements

For the Years Ended September 30, 2017 and 2016

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Cash Flows	6
Statements of Functional Expenses	7-8
Notes to Financial Statements	9-17

Mid-America Audit & Tax, Inc.

Independent Auditors' Report

Board of Directors
Social Health Association of Indiana, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of Social Health Association of Indiana, Inc. (an Indiana nonprofit organization) which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years ended September 30, 2017 and 2016 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.

Auditors' 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 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 auditors' 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 circumstance, 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 Social Health Association of Indiana, Inc., as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years ended September 30, 2017 and 2016 in accordance with accounting principles generally accepted in the United States of America.

Mid-America Audit & Tax, Inc.

Indianapolis, IN
February 12, 2018

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Statements of Financial Position
As of
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Current Assets:		
Cash and cash equivalents	\$ 45,766	\$ 30,097
Accounts receivable	770	4,414
Grants receivable	124,743	40,468
Prepaid	<u>4,850</u>	<u>433</u>
Total Current Assets	<u>176,129</u>	<u>75,412</u>
Property and Equipment, at Cost:		
Property and equipment	90,886	75,184
Less accumulated depreciation	<u>(59,127)</u>	<u>(51,407)</u>
Total Property and Equipment, Net	<u>31,759</u>	<u>23,777</u>
Software, at Cost:		
Software	19,358	18,758
Less accumulated amortization	<u>(8,558)</u>	<u>(2,122)</u>
Total Software, Net	<u>10,800</u>	<u>16,636</u>
Total Assets	<u>\$ 218,688</u>	<u>\$ 115,825</u>
Current Liabilities:		
Accounts payable	\$ 33,514	\$ 11,098
Payroll liabilities	30,433	21,368
Unearned income	-	1,000
Current portion of lease payable	<u>2,090</u>	<u>1,906</u>
Total Current Liabilities	<u>66,037</u>	<u>35,372</u>
Lease payable	<u>740</u>	<u>2,830</u>
Net Assets:		
Unrestricted	151,911	77,623
Temporarily restricted	-	-
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>151,911</u>	<u>77,623</u>
Total Liabilities and Net Assets	<u>\$ 218,688</u>	<u>\$ 115,825</u>

See accompanying notes to financial statements.

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support, Revenues, and Reclassifications:				
United Way of Central Indiana	\$ 89,716	\$ -	\$ -	\$ 89,716
Grants	6,154	725,555	-	731,709
Events and gifts	46,611	-	-	46,611
Program service fees	28,041	-	-	28,041
Investment income	34	-	-	34
In-kind contribution	26,661	235,986	-	262,647
Other	9,549	-	-	9,549
Net assets released from restrictions				
Satisfaction of purpose restrictions	<u>961,541</u>	<u>(961,541)</u>	<u>-</u>	<u>-</u>
 Total Public Support, Revenues, and Reclassifications	 <u>1,168,307</u>	 <u>-</u>	 <u>-</u>	 <u>1,168,307</u>
 Expenses:				
Program services	987,831	-	-	987,831
Management and general	57,285	-	-	57,285
Fundraising	<u>48,903</u>	<u>-</u>	<u>-</u>	<u>48,903</u>
 Total Expenses	 <u>1,094,019</u>	 <u>-</u>	 <u>-</u>	 <u>1,094,019</u>
 Change in Net Assets	 74,288	 -	 -	 74,288
 Net Assets, Beginning of Year	 <u>77,623</u>	 <u>-</u>	 <u>-</u>	 <u>77,623</u>
 Net Assets, End of Year	 <u>\$ 151,911</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 151,911</u>

See accompanying notes to financial statements.

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support, Revenues, and Reclassifications:				
United Way of Central Indiana	\$ 105,497	\$ -	\$ -	\$ 105,497
Grants	-	424,582	-	424,582
Events and gifts	39,989	-	-	39,989
Program service fees	34,867	-	-	34,867
Investment income	18	-	-	18
In-kind contribution	4,308	79,782	-	84,090
Other	12,862	-	-	12,862
Net assets released from restrictions				
Satisfaction of purpose restrictions	<u>504,364</u>	<u>(504,364)</u>	<u>-</u>	<u>-</u>
 Total Public Support, Revenues, and Reclassifications	 <u>701,905</u>	 <u>-</u>	 <u>-</u>	 <u>701,905</u>
 Expenses:				
Program services	677,608	-	-	677,608
Management and general	58,955	-	-	58,955
Fundraising	<u>63,991</u>	<u>-</u>	<u>-</u>	<u>63,991</u>
 Total Expenses	 <u>800,554</u>	 <u>-</u>	 <u>-</u>	 <u>800,554</u>
 Change in Net Assets	 (98,649)	 -	 -	 (98,649)
 Net Assets, Beginning of Year	 <u>176,272</u>	 <u>-</u>	 <u>-</u>	 <u>176,272</u>
 Net Assets, End of Year	 <u>\$ 77,623</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 77,623</u>

See accompanying notes to financial statements.

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Statements of Cash Flows
For the Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 74,288	\$(98,649)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	14,156	16,973
(Increase) decrease in operating assets:		
Accounts receivable	3,644	777
Grants receivable	(84,275)	58,572
Prepaid expenses	(4,417)	717
Increase (decrease) in operating liabilities:		
Accounts payable	22,416	11,098
Accrued payroll and taxes	9,065	(12,093)
Unearned income	(1,000)	1,000
Net Cash Provided By (Used in) Operating Activities	<u>33,877</u>	<u>(21,605)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	(15,702)	(515)
Purchase of software	(600)	(15,000)
Net Cash Provided By (Used in) Investing Activities	<u>(16,302)</u>	<u>(15,515)</u>
Cash Flows from Financing Activities:		
Proceeds from line of credit	35,000	35,000
Payments on line of credit	(35,000)	(35,000)
Payments on capital lease	(1,906)	(1,598)
Net Cash Provided By (Used in) Financing Activities	<u>(1,906)</u>	<u>(1,598)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	15,669	(38,718)
Cash and Cash Equivalents, Beginning of Year	<u>30,097</u>	<u>68,815</u>
Cash and Cash Equivalents, End of Year	<u>\$ 45,766</u>	<u>\$ 30,097</u>

See accompanying notes to financial statements.

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2017

	Program Services - Health Education and Information <u>Program</u>	Support Services - Management and <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Payroll and benefits- cash	\$ 573,499	\$ 10,651	\$ 28,000	\$ 612,150
- noncash	110,541	-	-	110,541
Occupancy - cash	26,803	25	-	26,828
- noncash	122,245	6,861	-	129,106
Travel, training & conferences	34,705	663	1,264	36,632
Professional fees	23,159	10,962	48	34,169
Office expenses	30,940	245	888	32,073
Technology -cash	29,623	-	21	29,644
-noncash	12,200	10,800	-	23,000
Fundraising	-	-	18,312	18,312
Printing and copying	13,151	-	-	13,151
Depreciation	-	7,720	-	7,720
Amortization	-	6,436	-	6,436
Board expenses	3,328	281	-	3,609
Service charges	2,577	479	108	3,164
Marketing and public relations	3,037	-	-	3,037
Meeting expenses	970	1,467	46	2,483
Postage	1,053	6	216	1,275
Interest expense	-	689	-	689
Total Expenses	<u>\$ 987,831</u>	<u>\$ 57,285</u>	<u>\$ 48,903</u>	<u>\$1,094,019</u>

See accompanying notes to financial statements.

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Statement of Functional Expenses

For the Year Ended September 30, 2016

	Program Services - Health Education and Information <u>Program</u>	Support Services - Management and General <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Payroll and benefits- cash	\$ 485,810	\$ 28,596	\$ 19,370	\$ 533,776
- noncash	44,845	-	-	44,845
Occupancy - cash	18,382	4,482	467	23,331
- noncash	34,937	-	-	34,937
Office expenses	31,661	328	850	32,839
Grant writing	-	-	21,900	21,900
Travel, training & conferences	19,186	33	31	19,250
Fundraising	-	-	18,649	18,649
Technology	13,173	2,069	350	15,592
Depreciation	-	15,720	-	15,720
Professional fees	8,289	2,223	798	11,310
Marketing and public relations	10,772	-	-	10,772
Printing and copying	5,735	24	869	6,628
Service charges	1,180	2,127	45	3,352
Board expenses	985	1,896	-	2,881
Meeting expenses	2,255	24	126	2,405
Amortization	-	1,253	-	1,253
Postage	398	180	536	1,114
	<u>398</u>	<u>180</u>	<u>536</u>	<u>1,114</u>
Total Expenses	<u>\$ 677,608</u>	<u>\$ 58,955</u>	<u>\$ 63,991</u>	<u>\$ 800,554</u>

See accompanying notes to financial statements.

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Notes to Financial Statements
For the Years Ended September 30, 2017 and 2016

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Activity

Social Health Association of Indiana, Inc. (the "Association") was incorporated and commenced operations as a non-profit organization in 1943 under the laws of the State of Indiana to provide health education programs in schools and in communities across Indiana. The Association's school programs involve human growth and development, bullying and violence prevention, teen pregnancy prevention and HIV/STD prevention. Additionally, the Association serves adults and parents through parent education programs.

Basis of Presentation

Financial statement presentation follows the recommendation of the Financial Accounting Standards Board in the codification ASC 958 Not-For-Profit Financial Statement Reporting. Under ASC 958, 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.

The financial statements reflect unrestricted, temporarily restricted, and permanently restricted net assets and activities for the specified periods. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board-designated or appropriated amounts, are reported as part of the unrestricted class.

In accordance with FASB ASC 958-605, Not-for-Profit Revenue Recognition, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions. All contributions and grants 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 specified purposes are reported as temporarily restricted or permanently restricted support and increase those net asset classes. When restrictions expire, temporarily restricted net assets become unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Description of Major Programs

Human Growth and Development programs include information for youth in grades 4-6 on hygiene, puberty, reproduction, fetal development, heredity, and sexually transmitted diseases (STDs).

Teen Pregnancy and Disease Prevention programs include information for youth in grades 7 on puberty, pregnancy myths/facts, and STD transmission including HIV. The program also discusses goal setting, healthy relationship behaviors, attitudes and beliefs about sex, abstinence, social media messages, skills for responding to peer pressure, setting limitations/boundaries and negotiation skills.

Healthy Relationships (CARE™ Communicating with And Respecting Each other) programs help teens in 8th grade learn how to effectively communicate in romantic relationships, addresses teen dating violence prevention and focuses on how to develop healthy dating relationships. The program teaches essential interpersonal communication skills. All class discussions are offered in a safe, nonjudgmental, co-ed environment where students are respected and can ask questions.

Bullying and Peer Violence Prevention (Step Up for Kindness!™) programs include information for youth in grades K-7 on kindness, empathy, compassion, the signs of bullying, the different types of bullying, diffusing bullying situations, becoming empowered bystanders, and identifying trusted adults to report bullying incidents.

United Way of Central Indiana

A significant source of revenue is the allocation from the United Way of Central Indiana (UWCI). The Association holds an annual funding agreement with UWCI. The term of the current agreement begins July 1, 2017 and remains in effect through June 30, 2018.

Grant Revenue

Significant support is funded by grants received from numerous public and private organizations. If a reimbursable grant is received, grant revenue is recognized as earned as the eligible expenses are incurred and contracted services performed. All other grants are recognized as revenue when grant is accepted. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Services and Materials

The Association receives in-kind contributions of personnel, technology and use of classroom and office space from various donors for its school programs. It is the policy of the Association to record in-kind contributions at estimated fair market value and recognize revenue in the accounting period when they are received. Contributions of donated services that 1) create or enhance nonfinancial assets or that require specialized skills, 2) are provided by individuals possessing those skills, and 3) would typically need to be purchased if not provided by donation, are recorded at their fair market values in the period received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to property and equipment. There were contributed services and materials of \$262,647 and \$84,090 for the years ended September 30, 2017 and 2016, respectively.

Federal/State Grants

The Association receives a grant from the Indiana State Department of Health to deliver abstinence education to prevent teen pregnancy. The Grant funds pay for Health Educators to educate youth statewide in all schools covered by the grant. This grant is a one year grant, which has been renewed annually. For the period ending September 30, 2016, the grant totaled \$200,000. For the period ending September 30, 2017, the grant totaled \$400,000. The grant was renewed in October 2017 in the amount of \$489,000.

In October 2012, the Indiana Family Health Council received notice of award from the Federal Government on a proposal to deliver teen pregnancy prevention services in Indianapolis Public Schools (“IPS”). Social Health Association was involved in the writing of this grant and listed as a sub-awardee to deliver the services. The Association has implemented an 8 session evidence-based curriculum to IPS middle school health students. The award was renewed in October 2017 and 2016 at an amount of \$78,560 and \$80,000, respectively.

In October 2014, the Association entered into an agreement with Health Care Education and Training, Inc. (“HCET”) for federal funding through the Department of Health and Human Services. The Association received \$130,000 over 2 years to implement the Making a Difference Program as part of HCET’s Strong and Responsible Teens Project. In October 2016, this grant was extended with an additional \$24,500. The Association also received a second grant from HCET of \$90,000 for the same period. In October 2017, the second grant was renewed at an amount of \$139,000.

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal/State Grants (Continued)

In March, 2017 the Association entered into a second agreement with Health Care Education and Training, Inc. (“HCET”) for federal funding through the Department of Health and Human Services. The Association received \$45,000 for the seven months ending September 30, 2017 to implement the Making a Difference Program as part of HCET’s Indiana Kids Project. This grant was renewed in October 2017 in the amount of \$110,000.

Income Taxes

The Association is a non-profit corporation exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in section 501(c)(3). The Association is also exempt from most state taxes under the Indiana Non-profit Corporation Act of 1991. However, any unrelated business income may be subject to taxation. Currently, the Association has no obligation for any unrelated business income tax.

Property and Equipment

Purchases of property and equipment are recorded at cost. Donations of property and equipment are recorded as support at their estimated fair value at date of gift. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Association reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Association reclassifies temporarily restricted net assets to unrestricted net assets at that time.

The Association’s policy dictates that expenditures relating to property, equipment and vehicles exceeding \$500 (not including labor) are depreciated as fixed assets, including repairs which increase the value or extend the useful life of the asset.

Starting in 2017, property and equipment were depreciated using the straight line method over the estimated useful life of the assets. In the past, the Association had used the modified accelerated cost recovery system. The difference between the modified accelerated cost recovery system and straight line depreciation which is required by generally accepted accounting principles is deemed to be insignificant.

NOTE 1 – NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

The class lives for the more significant items within each property classification are as follows:

Property and equipment	5 – 7 years
Furniture and fixtures	5 – 7 years
Software	3 years

Depreciation expense related to property and equipment was \$7,720 and \$15,720 for the years ended September 30, 2017 and 2016, respectively. Amortization expense related to software was \$6,436 and \$1,253 for the years ended September 30, 2017 and 2016, respectively.

Allowance for Doubtful Accounts

Management has deemed no allowance for doubtful accounts is necessary for either program fee or grant receivables as of September 30, 2017 and 2016.

Functional Expenses

Functional expenses have been allocated between Program Services, Support Services, and Fundraising based on the recorded time spent by personnel on the related activities.

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 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 additions and deductions during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STATEMENTS OF CASH FLOWS

Cash Equivalents

For purposes of the statements of cash flows, the Association considers all highly liquid debt instruments purchased with an original maturity of three months or less and all certificates of deposit to be cash equivalents.

Additional Cash Flow Information

Interest in the amount of \$689 was paid during the year ended September 30, 2017. No interest was paid during the year ended September 30, 2016.

NOTE 3 – MARKETING AND PUBLIC RELATIONS

The Association uses marketing and public relations activities to promote its programs and mission among the audiences it serves and the community. The production costs of marketing are expensed as incurred. During the year ended September 30, 2017, marketing and public relations costs totaled \$3,037. During the year ended September 30, 2016, marketing and public relations costs totaled \$10,772.

NOTE 4 – CONCENTRATION OF CREDIT RISK

The Association is supported by contributions from the public. In the current year, a significant amount of revenue and support was provided by a few major contributors. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term.

The Association’s financial institutions insure aggregate funds on deposit up to \$250,000 per depositor in accordance with FDIC Guidelines. Consequently, there were no funds on deposit in excess of insured amounts at September 30, 2017 and 2016.

During the year ended September 30, 2017, a grant from a governmental agency accounted for 35% of the total revenue of the Association. During the year ended September 2016, a grant from that governmental agency accounted for 29% of the total revenue of the Association. This agency accounted for approximately 47% and 46% of grants receivable as of September 30, 2017 and 2016, respectively.

NOTE 5 – GRANT COMMITMENTS

The Association receives some of its grant support from organizations with a specified term of the grant contract. Since the financial statements of the Association are prepared on the accrual basis, all earned portions of the grants not yet received as of September 30, 2017 have been recorded as receivables.

Following are the grant commitments that extend beyond September 30, 2017:

<u>Grant</u>	<u>Term</u>	<u>Grant Amount</u>	<u>Earned as of September 30, 2017</u>	<u>Funding Available</u>
United Way of Central Indiana	07/17-06/18	\$ 73,454	\$ 18,360	\$ 55,094
Violence and Bullying Program				
Children’s Bureau	07/17-06/18	\$ 15,772	\$ 4,897	\$ 10,875

NOTE 6 – OFFICE LEASE

On January 1, 2003, the Association entered into a lease agreement for office space, rent free, but subject to the following conditions and covenants. The Association will pay \$13,635 per year, subject to change annually, as its proportionate contribution to the payment for all capital expenditures and expenses relating to the operation, upkeep, maintenance, replacement and/or repair of the building. Effective January 1, 2017 the payment was \$17,710 per year. The lease is continuing on a month by month basis. In April 2017 the Association took on an additional 700sq feet of office space increasing the payment \$7,700 per year.

The rental expense for this lease included in the statement of activities was \$21,678 and \$17,773 for the years ended September 30, 2017 and 2016, respectively. The Association recognizes an additional amount of in-kind rent for the difference between market value of the office space and payments. See Note 1.

NOTE 7 – LINE OF CREDIT

On September 22, 2015, the Association entered into a banking line of credit arrangement for working capital. The arrangement provides for short-term borrowings of amounts not to exceed \$100,000. Borrowings under the line of credit arrangement are secured by all business assets. The interest rate on this borrowing is the Lender's Prime Rate (4.25% at September 30, 2017). The loan was renewed on September 19, 2017. There was no balance on the loan as of September 30, 2017 or 2016.

NOTE 8 - EMPLOYEE BENEFITS

The Association has a defined contribution 403(b) retirement plan. Contributions to the plan are made for all employees with at least one year of service and 21 years of age. Employees having employment with a non-profit educational institution within the three-year period immediately prior to employment with the Association will be credited with a year of service for purposes of eligibility, provided the employee worked at least 1,000 hours for any year to be credited. Contributions are based on a fixed percentage of each employee's total compensation. Employee benefit expense under this plan was \$19,761 and \$16,551 for the years ended September 30, 2017 and 2016, respectively.

NOTE 9 – CAPITAL LEASE

In January 2014, the Association entered into an agreement to lease a copier, classified as a capital lease. The economic substance of the lease was that the Association was financing the acquisition of these assets through the lease and could purchase the equipment for \$1 at the end of the lease. Accordingly, the copier was recorded as an asset and the financing as debt in the Association's financial statements.

The lease is included in equipment as of September 30, 2017 as follows:

Property and equipment	\$	8,845
Less accumulated depreciation	(7,062)
	\$	<u>1,783</u>

Depreciation of the asset held under the capital lease is included in depreciation expense.

The following is a schedule by year of future minimum payments required under the lease together with their present value as of September 30, 2017:

Years ended September 30, 2018	\$	2,090
2019		<u>740</u>
Total minimum lease payments		2,830
Less amount representing interest	(189)
Present value of minimum lease payments	\$	<u>2,641</u>

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by satisfying the restricted purposes or by occurrence of other events specified by donors.

Purpose restrictions accomplished:

	<u>2017</u>	<u>2016</u>
Teen Pregnancies and STD Prevention Program	\$ 795,485	\$ 348,865
Bullying and Peer Violence Prevention Program	159,041	137,870
Technology Expense	7,015	16,629
Other	-	<u>1,000</u>
Total Net Assets Released from Restrictions	<u>\$ 961,541</u>	<u>\$ 504,364</u>

There were no temporarily restricted assets as of September 30, 2017 and 2016.

NOTE 11 – INCOME TAXES

In accordance with the provisions of FASB ASC 740-10 (FASB Interpretation No. 48), Accounting for Income Taxes, effective January 1, 2009, the Association does not believe it has any unrecognized tax benefits or tax liabilities (tax positions) for either Federal or State taxing authorities that require disclosure. The Association continually monitors and evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings, as determined relative to the Association's operations. Penalties and interest assessed by income taxing authorities are included in operating expenses. The Association's management believes it is no longer subject to income tax examinations prior to 2014.

NOTE 12 – SUBSEQUENT EVENT

In December of 2017, the Association created an Endowment Fund with the Indianapolis Foundation. The Association contributed \$15,000 to the Fund which can be distributed from the fund if needed. The Indianapolis Foundation contributed \$10,000 to the Fund which is permanently restricted. All earnings are unrestricted and available for use or reinvestment by the Association. The purpose of the Endowment is to fund future endeavors of the Association.

The Association has evaluated subsequent events through February 12, 2018, the date which the financial statements were available to be issued.