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November 7, 2019

Board of Directors  
Alliance for Community Inclusion, Inc.  
d/b/a Fifth Freedom Network  
4606-C E. State Boulevard, Suite 102  
Fort Wayne, IN 46815

We have reviewed the audit report of Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network which was opined upon by Katz, Sapper & Miller, LLP, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network as of December 31, 2018 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Katz, Sapper & Miller, LLP prepared the audit report in accordance with 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



**ALLIANCE FOR COMMUNITY INCLUSION, INC.  
d/b/a FIFTH FREEDOM NETWORK**

FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITORS' REPORT

December 31, 2018 and 2017

**ALLIANCE FOR COMMUNITY INCLUSION, INC.  
d/b/a FIFTH FREEDOM NETWORK**

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*Independent Auditors' Report*

Board of Directors  
Alliance for Community Inclusion, Inc.  
d/b/a Fifth Freedom Network

We have audited the accompanying financial statements of Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network, which comprise the statements of financial position as of December 31, 2018 and 2017, 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.

***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 and the *Uniform Compliance Guidelines for Examination of Entities Receiving Financial Assistance from Governmental Sources*, issued by the Indiana State Board of Accounts. Those standards and guidelines 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 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 auditors consider 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 Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network as of December 31, 2018 and 2017, 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.

## **Emphasis of Matter**

As discussed in Note 1 to the financial statements, in 2018, Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

*Katz, Sapper & Miller, LLP*

Fort Wayne, Indiana  
July 8, 2019

**ALLIANCE FOR COMMUNITY INCLUSION, INC.  
d/b/a FIFTH FREEDOM NETWORK**

**STATEMENTS OF FINANCIAL POSITION  
December 31, 2018 and 2017**

**ASSETS**

	<b>2018</b>	<b>Adjusted 2017</b>
<b>CURRENT ASSETS</b>		
Cash	\$ 63,188	\$ 17,956
Grants receivable - GPC claims	44,630	49,902
Prepaid expenses and deposits	213	2,544
Total Current Assets	108,031	70,402
<b>FURNITURE AND EQUIPMENT, net</b>	2,199	4,158
<b>SOFTWARE AND WEBSITE COSTS, net</b>	24,978	9,105
<b>OTHER ASSETS</b>	1,200	1,200
<b>TOTAL ASSETS</b>	<b>\$ 136,408</b>	<b>\$ 84,865</b>

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 20,016	\$ 551
Accrued wages, taxes and withholdings	2,016	6,658
Refundable advances	1,869	13,000
Amounts held for others	26,689	21,789
Line of credit borrowings	20,000	5,000
Total Current Liabilities	70,590	46,998
<b>NET ASSETS</b>		
Without donor restrictions	65,818	37,867
Total Net Assets	65,818	37,867
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 136,408</b>	<b>\$ 84,865</b>

*See accompanying notes.*

**ALLIANCE FOR COMMUNITY INCLUSION, INC.  
d/b/a FIFTH FREEDOM NETWORK**

**STATEMENTS OF ACTIVITIES  
Years Ended December 31, 2018 and 2017**

	2018			Adjusted 2017		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>						
Contributions:						
Grants - GPC	\$ 220,515		\$ 220,515	\$ 214,383		\$ 214,383
Grants and contributions - other	5,868		5,868	3,422		3,422
In-kind contributions	1,678		1,678	1,950		1,950
Contracted services	1,113		1,113	2,838		2,838
Other income	82		82	152		152
Net assets released from restrictions				870	\$ (870)	
Total Revenue and Support	<u>229,256</u>		<u>229,256</u>	<u>223,615</u>	<u>(870)</u>	<u>222,745</u>
<b>EXPENSES</b>						
Program services:						
ACT	69,399		69,399	69,959		69,959
Communication	16,904		16,904	17,786		17,786
Coalition	62,603		62,603	87,883		87,883
Supporting services:						
Management and general	39,029		39,029	48,471		48,471
Fundraising	13,370		13,370	18,489		18,489
Total Expenses	<u>201,305</u>		<u>201,305</u>	<u>242,588</u>		<u>242,588</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	27,951		27,951	(18,973)	(870)	(19,843)
<b>NET ASSETS</b>						
Beginning of Year	<u>37,867</u>		<u>37,867</u>	<u>56,840</u>	<u>870</u>	<u>57,710</u>
End of Year	<u>\$ 65,818</u>	<u>\$ -</u>	<u>\$ 65,818</u>	<u>\$ 37,867</u>	<u>\$ -</u>	<u>\$ 37,867</u>

See accompanying notes.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.  
d/b/a FIFTH FREEDOM NETWORK**

**STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2018**

	<u>Programs</u>			<b>Total Program</b>	<b>Management and General</b>	<b>Fundraising</b>	<b>Total</b>
	<b>ACT</b>	<b>Communication</b>	<b>Coalition</b>				
Personnel - wages and taxes	\$ 60,840	\$ 10,750	\$ 29,401	\$ 100,991	\$ 18,744	\$ 12,308	\$ 132,043
Insurance	421	74	286	781	3,154	85	4,020
Consumable supplies			1,701	1,701	125		1,826
Contracted services			12,000	12,000			12,000
Depreciation and amortization	5,397	720	6,951	13,068	720	48	13,836
Equipment expense	85	85	1,350	1,520	293		1,813
Interest					1,658		1,658
Marketing			1,539	1,539	329	612	2,480
Occupancy	2,020	2,525	3,030	7,575	2,525		10,100
Professional fees					10,660		10,660
Programs		2,062		2,062	125		2,187
Staff training / conferences		55	1,630	1,685			1,685
Telephone	225	230	2,621	3,076	264	245	3,585
Travel			505	505	72	72	649
Website maintenance	411	403	1,589	2,403	360		2,763
<b>TOTAL EXPENSES BY FUNCTION</b>	<b><u>\$ 69,399</u></b>	<b><u>\$ 16,904</u></b>	<b><u>\$ 62,603</u></b>	<b><u>\$ 148,906</u></b>	<b><u>\$ 39,029</u></b>	<b><u>\$ 13,370</u></b>	<b><u>\$ 201,305</u></b>

See accompanying notes.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.  
d/b/a FIFTH FREEDOM NETWORK**

**STATEMENT OF FUNCTIONAL EXPENSES  
Year Ended December 31, 2017 (Adjusted)**

	Programs			Total Program	Management and General	Fundraising	Total
	ACT	Communication	Coalition				
Personnel - wages and taxes	\$ 66,720	\$ 13,773	\$ 33,883	\$ 114,376	\$ 27,368	\$ 16,877	\$ 158,621
Insurance	440	75	420	935	2,536	157	3,628
Consumable supplies			1,421	1,421	375	12	1,808
Contracted services			12,000	12,000			12,000
Depreciation and amortization	483	293	6,901	7,677	344	115	8,136
Enrichment fund expense			16,072	16,072			16,072
Equipment expense	48	48	891	987	276	791	2,054
Interest					1,139		1,139
Marketing			7,381	7,381			7,381
Occupancy		2,400	4,812	7,212	2,420		9,632
Professional fees					12,510		12,510
Staff training / conferences			100	100			100
Telephone	1,133	1,149	1,868	4,150	1,403	537	6,090
Travel			2,128	2,128			2,128
Website maintenance	1,135	48	6	1,189	100		1,289
<b>TOTAL EXPENSES BY FUNCTION</b>	<b>\$ 69,959</b>	<b>\$ 17,786</b>	<b>\$ 87,883</b>	<b>\$ 175,628</b>	<b>\$ 48,471</b>	<b>\$ 18,489</b>	<b>\$ 242,588</b>

See accompanying notes.

**ALLIANCE FOR COMMUNITY INCLUSION, INC.  
d/b/a FIFTH FREEDOM NETWORK**

**STATEMENTS OF CASH FLOWS  
Years Ended December 31, 2018 and 2017**

	<b>2018</b>	<b>Adjusted 2017</b>
<b>OPERATING ACTIVITIES</b>		
Change in net assets	\$ 27,951	\$ (19,843)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	13,836	8,136
Decrease in certain assets:		
Grants receivable	5,272	10,815
Prepaid expenses and deposits	2,331	1,358
Increase (decrease) in certain liabilities:		
Accounts payable	19,465	(1,598)
Accrued wages, taxes and withholdings	(4,642)	987
Refundable advances	(11,131)	13,000
Amounts held for others	4,900	21,789
Net Cash Provided by Operating Activities	<u>57,982</u>	<u>34,644</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of furniture and equipment		(1,416)
Purchase of software and website costs	(27,750)	(3,000)
Net Cash Used by Investing Activities	<u>(27,750)</u>	<u>(4,416)</u>
<b>FINANCING ACTIVITIES</b>		
Net borrowings (payments) on line of credit	15,000	(17,000)
Net Cash Provided (Used) by Financing Activities	<u>15,000</u>	<u>(17,000)</u>
<b>NET INCREASE IN CASH</b>	45,232	13,228
<b>CASH</b>		
Beginning of Year	<u>17,956</u>	<u>4,728</u>
End of Year	<u>\$ 63,188</u>	<u>\$ 17,956</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Cash paid for interest	\$ 1,658	\$ 1,139

*See accompanying notes.*

**ALLIANCE FOR COMMUNITY INCLUSION, INC.  
d/b/a FIFTH FREEDOM NETWORK**

**NOTES TO FINANCIAL STATEMENTS  
December 31, 2018 and 2017**

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

**General:** Alliance for Community Inclusion, Inc. d/b/a Fifth Freedom Network (the Organization) is an Indiana not-for-profit corporation which was formed in 2004. The Organization's mission was founded as a grassroots, cross-disability, and consumer organization dedicated to removing the physical and social barriers that often hold people with disabilities hostage to poverty, isolation and underachievement. The Organizations major programs are:

**ACT** increases voter participation among people with disabilities and working with other groups to remove institutional barriers to disability employment or working to improve home and community based services are typical of the issues targeted for change. The change is enacted through non-partisan political action, community events and projects, and public issues forums.

**Communication** distributes email communications on resource fairs and other important events in the community.

**Coalition** provides an opportunity for members come together to learn about government processes, disability rights, and state and national legislative change initiatives.

The Organization receives the majority of its support from a grant through the State of Indiana, foundation grants and contributions from donors.

**New Accounting Pronouncement:** During 2018, the Organization adopted Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU enhances the understandability of net asset classification, requires information about liquidity and availability of resources, and increases the consistency in the type of information provided about expenses and investment return. ASU 2016-14 has been applied retrospectively to all years presented, except for disclosures about liquidity and availability of resources were omitted for 2017, as permitted by the ASU in the year of adoption.

**Basis of Presentation:** The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

- **Net Assets Without Donor Restrictions** are not subject to donor-imposed restrictions and may be used at the discretion of the Organization's management and Board of Directors.
- **Net Assets With Donor Restrictions** are subject to stipulations imposed by donors. All of the Organization's donor restrictions are temporary in nature and those restrictions will be met by actions of the Organization or by the passage of time.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Restrictions expire when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Estimates:** The preparation of financial statements in accordance 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, the disclosure of contingent assets and liabilities, and the reported amounts of revenue and expenses. Actual results could differ from those estimates.

**Cash** consists of cash on hand or in demand deposit accounts. The Organization maintains its cash in bank deposit accounts which, at times, may exceed the federally insured limits. The Organization has not experienced any losses from its bank accounts.

**Grants Receivable** represent claims due from the State of Indiana Governor's Planning Council for People with Disabilities (GPC) and other partnering organizations. All grants receivable are expected to be collected in one year and are recorded at net realizable value.

Grants are reviewed for collectability and a provision for doubtful accounts is recorded based on management's judgement and analysis of the creditworthiness of the donors and grantors, historical experience, economic conditions, and other relevant factors. Management determined that no allowance was necessary at December 31, 2018 and 2017.

**Furniture and Equipment and Software and Website Costs:** Expenditures for furniture and equipment and software and website costs are stated at cost for purchased assets, or at fair value at the date of donation for donated assets, less accumulated depreciation and amortization. Depreciation or amortization is provided on a straight-line basis over the estimated useful lives of assets as follows:

Furniture and equipment	5-10 years
Software and website costs	3-5 years

The Organization's furniture and equipment and software and website costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by comparison of the carrying amount to future net undiscounted cash flows expected to be generated by the related asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount exceeds the fair market value of the assets. No adjustments to the carrying amount of furniture and equipment and software and website costs were required in 2018 and 2017.

**Refundable Advances** represent amounts advanced to the Organization, as fiscal agent for Partners In Policymaking Program (PIP) through the Indiana Governor's Council for People with Disabilities (GPC). Amounts are used for payment of claims submitted and approved by the GPC plus an administrative fee paid to the Organization based on the dollar amount of payments processed. Upon performance of the services by the Organization, revenue is recognized in the statements of activities.

**Amounts Held for Others** represents funds collected by the Organization, as the fiscal agent, on behalf of the Northeast Indiana Disability Advocacy Coalition (NEIDAC). The NEIDAC holds bi-annual conferences to discuss and provide education on disability programs, issues and other topics. Funds collected in advance are held and shown as a liability on the statements of position until used for the conference.

**Contributions and Grants** are recognized as support when they are received or unconditionally promised. Conditional contributions are not recorded as support and revenues until the conditions are met. Government contracts are classified as exchange transactions, which are reciprocal transfers between two entities in which goods and services of equal value are exchanged, and are not recognized until services are performed or allowable expenditures are incurred as specified in the contracts.

Government contracts and certain other grants are subject to audit by the government or granting agency, and as a result of such audit, adjustments to revenue and support could be required.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**In-kind Contributions:** Contributions of services, which consisted primarily of professional fees, are recorded at estimated fair value when received if such services require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. The Organization also receives a substantial amount of donated time from community-based volunteers. The value of these services, as determined by the State of Indiana Governor's Planning Council for People with Disabilities was \$412,987 in 2018 and \$422,035 in 2017. These services did not meet the requirements for revenue recognition and have not been recorded in the financial statements of the Organization.

**Functional Allocation of Expenses:** The costs of providing program and other activities have been summarized on a functional basis in the statements of activities and functional expenses. Directly identifiable expenses are charged to the specific program or supporting service benefited. Expenses related to more than one function are allocated among program and support services based on occupied space (including, occupancy, property-related insurance, telephone, and depreciation and amortization) or time spent by Organization staff (including, personnel, health insurance, and website maintenance). 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.

**Advertising Costs** are expensed as incurred and amounted to \$2,434 in 2018 and \$7,381 in 2017.

**Income Taxes:** The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Internal Revenue Code. In addition, the Organization has been determined by the Internal Revenue Service not to be a private foundation within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for 2018 and 2017.

The Organization files U.S. federal and Indiana information tax returns. The Organization is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2015.

**Subsequent Events:** Management has evaluated the financial statements for subsequent events occurring through July 8, 2019, the date the financial statements were available to be issued.

## NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY

The following reflects the Organization's financial assets and liquidity resources available for general expenditure within one year of December 31, 2018:

Cash	\$ 63,188
Grants receivable – GPC claims	<u>44,630</u>
Total Financial Assets	107,818
Contractual restrictions:	
Refundable advances	(1,869)
Amounts held for others	<u>(26,689)</u>
Total Financial Assets Available Within One Year	79,260
Line of credit availability	<u>15,000</u>
Total Financial Assets and Liability Resources Available Within One Year	<u>\$ 94,260</u>

## NOTE 2 - AVAILABLE RESOURCES AND LIQUIDITY (CONTINUED)

For purposes of analyzing resources available to meet general expenditures over a twelve-month period, the Organization considers all expenditures related to its ongoing activities of its program services as well as the conduct of services undertaken to support those activities to be general expenditures.

The Organization manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

As described in Note 5, the Organization also has a committed line of credit in the amount of \$35,000, which it could draw upon in the event of an unanticipated liquidity need.

## NOTE 3 - FURNITURE AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Furniture and equipment	\$ 35,700	\$ 35,913
Less: Accumulated depreciation	<u>(33,501)</u>	<u>(31,755)</u>
Total Furniture and Equipment, net	<u>\$ 2,199</u>	<u>\$ 4,158</u>

## NOTE 4 - SOFTWARE AND WEBSITE COSTS

Software and website costs consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Software and website costs	\$ 50,200	\$ 22,450
Less: Accumulated amortization	<u>(25,222)</u>	<u>(13,345)</u>
Total Software and Website Costs, net	<u>\$ 24,978</u>	<u>\$ 9,105</u>

## NOTE 5 - LINE OF CREDIT

The Organization has an agreement with Lake City Bank for a revolving line of credit in the amount of \$35,000 that expires on April 30, 2021. The line of credit bears interest at the bank's prime rate plus 1.75% with a floor of 5.75% (7.25% as of December 31, 2018), and is secured by grants receivable, contract rights, inventory, equipment and general intangibles. The line of credit is used to borrow funds to cover cash shortfalls when the Organization experiences delays in the receipt of reimbursements from funding sources throughout the year. Upon receipt of reimbursements, the Organization immediately pays off any outstanding balance on the line of credit. The outstanding balance was \$20,000 and \$5,000 as of December 31, 2018 and 2017, respectively.

## NOTE 6 - OPERATING LEASES

The Organization has an agreement to lease office space on a month-to-month basis with monthly payments of \$800. Rent expense was \$10,100 in 2018 and \$9,632 in 2017.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

The Organization utilizes the services of a related party as a consultant on specific projects throughout the year. All related party transactions are reviewed and approved by the Board of Directors. For 2018 and 2017, the Organization paid \$12,000, for consulting services provided by the related party.

**NOTE 8 - CONCENTRATION OF REVENUE SOURCES**

Approximately 97% and 98% of the Organization's revenue and support and 100% of outstanding receivables was derived from the State of Indiana Governor's Planning Council for People with Disabilities/Partner's grants as of and for the years ended December 31, 2018 and 2017, respectively. A significant reduction in the level of this support, if it were to occur, would have a material effect on the operations of the Organization.

**NOTE 9 - STATE AND LOCAL GOVERNMENT GRANTS**

The following is a summary of the Organization's state and local government grant expenditures for the years ended December 31, 2018 and 2017:

	<b>2018</b>	<b>2017</b>
Funder 1:		
Grant 2016-2017/Indiana Governor's Council for People with Disabilities		\$ 58,803
Grant 2017-2019/Indiana Governor's Council for People with Disabilities	\$220,515	155,580
Funder 2:		
Grant Year 2016/Indiana Governor's Council for People with Disabilities - Partner Project	<u>                    </u>	<u>2,838</u>
Total	<u>\$220,515</u>	<u>\$217,221</u>