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January 9, 2020

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

We have reviewed the audit report of Social Health Association of Indiana, Inc., which was opined upon by Lemler Group, LLC, Independent Public Accountants, for the period October 1, 2018 to September 30, 2019. Per the *Independent Auditor's Report* the financial statements included in the report present fairly the financial condition of Social Health Association of Indiana, Inc. as of September 30, 2019 and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Lemler Group, LLC, prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

A handwritten signature in blue ink that reads "Paul D. Joyce".

Paul D. Joyce, CPA
State Examiner

Audited Financial Statements
with Single Audit Section

Social Health Association of Indiana, Inc.
d/b/a LifeSmart Youth

September 30, 2019 and 2018



LEMLERGROUP
certified public accountants

Social Health Association of Indiana, Inc.
d/b/a LifeSmart Youth

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INDEPENDENT AUDITOR'S REPORT

To the 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. (LifeSmart Youth), which comprise the statements of financial position as of September 30, 2019 and 2018, and the statements of activities and changes in net assets, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 LifeSmart Youth'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 LifeSmart Youth'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 positions of LifeSmart Youth as of September 30, 2019 and 2018, and the results of its statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 audits 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.

Report Issued in Accordance with Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2019, on our consideration of LifeSmart Youth's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LifeSmart Youth's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LifeSmart Youth's internal control over financial reporting and compliance.



Lemler Group, LLC
Indianapolis, Indiana

November 14, 2019

Social Health Association of Indiana, Inc.
d/b/a LifeSmart Youth

Statements of Financial Position
September 30, 2019 and 2018

	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 164,949	\$ 39,348
Accounts receivable	100	2,768
Grants receivable	200,413	121,068
Prepaid expenses	17,983	19,630
Total current assets	383,445	182,814
Fixed Assets		
Office equipment	103,689	84,122
Furniture and fixtures	25,821	25,821
Software	19,358	19,358
Total fixed asset	148,868	129,301
Accumulated depreciation	(100,401)	(80,234)
Net fixed assets	48,467	49,067
Long-term assets		
Investments	26,330	25,480
Total long-term assets	26,330	25,480
Total Assets	\$ 458,242	\$ 257,361

Social Health Association of Indiana, Inc.
d/b/a LifeSmart Youth

Statements of Financial Position (continued)
September 30, 2019 and 2018

	2019	2018
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 23,378	\$ 6,468
Accrued payroll-related expenses	19,152	11,753
Deferred revenue	126,000	-
Line of credit	-	30,000
Current portion of lease payable	2,600	2,467
Total current liabilities	171,130	50,688
Long-Term Liabilities		
Lease payable, net of current portion	7,637	10,237
Total long-term liabilities	7,637	10,237
Total Liabilities	178,767	60,925
Net Assets		
Without donor restrictions	253,145	170,956
With donor restrictions	26,330	25,480
Total Net Assets	279,475	196,436
Total Liabilities and Net Assets	\$ 458,242	\$ 257,361

Social Health Association of Indiana, Inc.
d/b/a LifeSmart Youth

Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2019 Total
Revenues			
United Way	\$ 55,539	\$ -	\$ 55,539
Grants - Government	797,560	-	797,560
Grants - Non-Government	387,427	-	387,427
Contributions	26,045	-	26,045
Program service fees	26,975	-	26,975
Interest and dividends	759	850	1,609
In-kind donations	350,533	-	350,533
Other	-	-	-
Total revenue	<u>1,644,838</u>	<u>850</u>	<u>1,645,688</u>
Net assets released from restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue and net assets released from restrictions	<u>1,644,838</u>	<u>850</u>	<u>1,645,688</u>
Expenses			
Program	1,356,769	-	1,356,769
Management and general	166,390	-	166,390
Fundraising	39,490	-	39,490
Total expenses	<u>1,562,649</u>	<u>-</u>	<u>1,562,649</u>
Net Increase In Net Assets	82,189	850	83,039
Net Assets, Beginning of Year	<u>170,956</u>	<u>25,480</u>	<u>196,436</u>
Net Assets, End of Year	<u><u>\$ 253,145</u></u>	<u><u>\$ 26,330</u></u>	<u><u>\$ 279,475</u></u>

Social Health Association of Indiana, Inc.
d/b/a LifeSmart Youth

Statement of Activities and Changes in Net Assets
For the Year Ended September 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2018 Total
Revenues			
United Way	\$ 75,409	\$ -	\$ 75,409
Grants - Government	816,560	-	816,560
Grants - Non-Government	125,348	-	125,348
Contributions	18,603	10,000	28,603
Program service fees	22,609	-	22,609
Interest and dividends	180	480	660
In-kind donations	255,502	-	255,502
Other	383	-	383
Total revenue	<u>1,314,594</u>	<u>10,480</u>	<u>1,325,074</u>
Net assets released from restrictions	<u>(15,000)</u>	<u>15,000</u>	<u>-</u>
Total revenue and net assets released from restrictions	<u>1,299,594</u>	<u>25,480</u>	<u>1,325,074</u>
Expenses			
Program	1,178,982	-	1,178,982
Management and general	74,442	-	74,442
Fundraising	27,125	-	27,125
Total expenses	<u>1,280,549</u>	<u>-</u>	<u>1,280,549</u>
Net Increase In Net Assets	19,045	25,480	44,525
Net Assets, Beginning of Year	<u>151,911</u>	<u>-</u>	<u>151,911</u>
Net Assets, End of Year	<u><u>\$ 170,956</u></u>	<u><u>\$ 25,480</u></u>	<u><u>\$ 196,436</u></u>

Social Health Association of Indiana, Inc.
d/b/a LifeSmart Youth

Schedule of Functional Expenses
For the Year Ended September 30, 2019

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	2019 <u>Totals</u>
Expenses				
Salaries	\$ 541,099	\$ 67,006	\$ 33,033	\$ 641,138
Payroll taxes	40,899	5,066	2,504	48,469
Employee benefits	87,565	10,222	21	97,808
Professional service fees	174,653	6,418	-	181,071
Supplies	37,738	741	349	38,828
Fundraising	51	1,328	3,230	4,609
Information technology	43,958	1,439	-	45,397
Occupancy	29,237	-	-	29,237
Conferences and meetings	24,654	8,473	266	33,393
Marketing	35,270	3,046	13	38,329
Travel and transportation	19,628	-	44	19,672
Insurance	7,592	95	-	7,687
Interest	609	51	-	660
Depreciation	-	20,167	-	20,167
In-kind	311,703	38,830	-	350,533
Bank service fees	2,113	3,508	30	5,651
Total expenses	<u>\$ 1,356,769</u>	<u>\$ 166,390</u>	<u>\$ 39,490</u>	<u>\$ 1,562,649</u>

Social Health Association of Indiana, Inc.
d/b/a LifeSmart Youth

Schedule of Functional Expenses
For the Year Ended September 30, 2018

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>2018 Totals</u>
Expenses				
Salaries	\$ 543,105	\$ 30,232	\$ 21,786	\$ 595,123
Payroll taxes	40,659	2,980	1,657	45,296
Employee benefits	80,386	-	259	80,645
Professional service fees	95,744	-	-	95,744
Supplies	27,110	2,884	364	30,358
Fundraising	-	200	2,358	2,558
Information technology	36,097	181	6	36,284
Occupancy	26,289	291	-	26,580
Conferences and meetings	12,923	3,501	508	16,932
Marketing	40,458	345	-	40,803
Travel and transportation	19,019	107	97	19,223
Insurance	6,052	1,696	-	7,748
Interest	-	1,638	-	1,638
Depreciation	-	21,394	-	21,394
In-kind	248,483	7,200	-	255,683
Bank service fees	2,657	1,793	90	4,540
Total expenses	<u>\$ 1,178,982</u>	<u>\$ 74,442</u>	<u>\$ 27,125</u>	<u>\$ 1,280,549</u>

Social Health Association of Indiana, Inc.
d/b/a LifeSmart Youth

Statements of Cash Flows
For the Years Ended September 30, 2019 and 2018

	2019	2018
Reconciliation of Changes in Net Assets to Net Cash Provided By Operating Activities		
Change in net assets	\$ 83,039	\$ 44,525
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided By Operating Activities		
Depreciation expense	20,167	21,394
Decrease (increase) in accounts receivable	2,668	(1,998)
Decrease (increase) in grants receivable	(79,345)	3,675
Decrease (increase) in prepaid expenses	1,647	(14,780)
Increase (decrease) in accounts payable	16,910	(27,046)
Increase (decrease) in accrued payroll	7,399	(18,680)
Increase (decrease) in deferred revenue	126,000	-
Net Cash Provided By Operating Activities	178,485	7,090
Cash Flow From Investing Activities		
Purchase of fixed assets	(19,567)	(27,902)
Purchases of investments	(850)	(25,480)
Net Cash Used In Investing Activities	(20,417)	(53,382)
Cash Flow from Financing Activities		
Proceeds on line of credit	-	90,000
Payments on line of credit	(30,000)	(60,000)
Advance on capital lease	-	13,498
Payments on capital lease	(2,467)	(3,624)
Net Cash Provided By (Used In) Financing Activities	(32,467)	39,874
Net Increase (Decrease) in Cash and Cash Equivalents	125,601	(6,418)
Cash and Cash Equivalents, Beginning of Year	39,348	45,766
Cash and Cash Equivalents, End of Year	\$ 164,949	\$ 39,348
Supplemental Information		
Interest paid in cash	\$ 660	\$ 1,638

Social Health Association of Indiana, Inc. d/b/a LifeSmart Youth

Notes to Financial Statements For the Years Ended September 30, 2019 and 2018

Note 1 – Nature of Activities

Background

Social Health Association of Indiana, Inc. (LifeSmart Youth) was incorporated and commenced operations as a non-profit organization in 1943 under the laws of the State of Indiana.

LifeSmart Youth is a statewide 501(c)(3) nonprofit organization. For over 75 years, our mission has been to empower youth to make responsible choices and adopt healthy behaviors. We envision a community where all young people have the inner resources they need to meet life's challenges. By being mindful of the adverse impacts of trauma on the youth we serve, we are sensitive to their needs *and* help them learn skills to overcome these challenges. By building their social-emotional skills, LifeSmart Youth guides youth to lead healthy and safe lives.

LifeSmart Youth partners with Indiana schools and community-based organizations to provide health education and whole-life skills programs to equip youth with critical social-emotional skills. Currently, we serve Indiana youth grades K-10 who represent some of Indiana's most vulnerable youth based on their geographic location, socio-economic level, and other health risk factors. Through partnerships in ten (10) counties, LifeSmart Youth serves 22,000+ youth in 19 school districts, 98 schools, and 17 summer camps. In addition, we provide resources for trusted adults to support youth. Since 1943 we have served over 1.9 million Indiana youth with vital school-based education programs.

Children are not born with resilience, empathy, sound judgement, and good communication skills. These traits and behaviors must be modeled by caregivers, educators, and trusted adults in their lives. Youth who acquire these whole-life skills and wellness behaviors from an early age are better equipped to thrive and succeed in life. LifeSmart Youth's programs satisfy more than 175 Indiana Academic Standards of the Indiana Department of Education. Programs are evaluated by Indiana University School of Medicine, Indiana State Department of Health – Maternal and Child Services, University of Indianapolis, and other third-party experts to measure effectiveness, medical accuracy, and enable continual improvement for optimal impact.

As Indiana schools' health educator-of-choice, LifeSmart Youth, teaches youth tools and skills to confidently make safe, health-informed decisions for life.

Programs

LifeSmart Youth's major programs consist of the following:

- Reproductive Health Programs - Reproductive health encompasses physical, mental, and social well-being, not merely the absence of disease, and includes all matters relating to the reproductive system and to its functions and system at all stages of life. LifeSmart Youth's reproductive health programming offers youth in 4th – 10th grades, age-appropriate, medically accurate information to teach youth how to care for their growing bodies and skills to make healthy choices related to their reproductive health. Thus, youth gain necessary knowledge and confidence to empower them to make healthy choices throughout puberty and beyond, reducing their risk of teen pregnancy and sexually transmitted diseases (STDs). Through these programs, LifeSmart Youth is a leader in turning the curve on teen pregnancy and sexual risk behavior rates by empowering youth to lead healthy and safe lives.

Social Health Association of Indiana, Inc. d/b/a LifeSmart Youth

Note 1 – Nature of Activities (continued)

Programs (continued)

- Healthy Relationship Programs - Positive social connections with people at all stages of life help ensure healthy development – physically, socially, and emotionally. Through positive peer and teen dating relationship education for grades K-10, youth learn to cooperate with others, communicate effectively, resolve conflicts, resist negative peer pressure, and prevent peer and teen dating violence. Healthy relationship development for youth enables them to grow into healthy adults in families, the workplace, and communities.

LifeSmart Youth's healthy relationships skills programming encompasses bullying and peer and teen dating violence prevention, while teaching healthy teen dating relationship skills. Youth acquire essential interpersonal skills, including verbal and nonverbal communication, which are important in the high-tech digital age. Youth also learn kindness, empathy, compassion, and communication skills. These skills are important building blocks to equip youth to make healthy choices and support health and safety by establishing healthy peer relationships and reducing substance use, suicidality, teen dating violence, and bullying.

- Adult Programs Benefiting Youth - Although peers play a key role in adolescent relationship development, so do trusted adults such as parents, coaches, mentors, teachers, neighbors, and relatives. Trusted adults are people youth feel connected to and trust. These adult relationships are key to providing youth with protective factors against adverse childhood experiences (ACEs) and developing resiliency in youth. Adults can also teach healthy practices for youth that peers cannot, such as quality sleep time, limited screen time, nutritional foods, cyber safety, and life-long goal setting. Trusted adults are key to positive youth development.

LifeSmart Youth's adult programming helps adults build knowledge and skills in sensitive topics such as reproductive health for youth, communication, and teen dating relationships. LifeSmart Youth's programming for trusted adults is provided through on-line resources and workshops in the community.

Note 2 – Significant Accounting Policies

Adoption of Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 requires significant changes to the financial reporting model of organizations that follow the not-for-profit reporting model. The changes include reducing the classes of net assets from three classes to two: net assets with donor restrictions and net assets without donor restrictions. The ASU also requires changes in the way certain information is aggregated and reported by LifeSmart Youth, including required disclosures about liquidity and availability of resources and increased disclosures on functional expenses. The new standard is effective for LifeSmart Youth's year ended September 30, 2019 and thereafter and must be applied on a retrospective basis. LifeSmart Youth adopted the ASU effective October 1, 2018. Adoption of the ASU did not result in any reclassifications or restatements to net assets or changes in net assets.

Accounting Method

LifeSmart Youth's financial statements were prepared on the accrual basis of accounting.

Use of 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 revenues, expenses, and other changes during the reporting period. Actual results could differ from those estimates.

Social Health Association of Indiana, Inc. d/b/a LifeSmart Youth

Note 2 – Significant Accounting Policies (continued)

Subsequent Events

LifeSmart Youth evaluated subsequent events through November 14, 2019, which is the date the financial statements were available to be issued. This evaluation determined that there are no subsequent events that necessitated further disclosure in and/or adjustments to the accompanying financial statements.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, LifeSmart Youth considers all highly liquid instruments with a maturity of three months or less to be considered cash and cash equivalents. The carrying amount of cash approximates fair value due to the type of investments and the maturity dates. There are no cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount LifeSmart Youth's management expects to collect from outstanding balances. Management provides for probable uncollectable amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. The allowance for doubtful accounts at September 30, 2019 and 2018 was \$0 due to subsequent collection on account receivables.

Grants Receivable

Grants receivable are stated at the amount LifeSmart Youth's management expects to collect from governmental agencies as part of the grant agreements. LifeSmart Youth has cost reimbursable agreements in which governmental agencies remit payments roughly 30 to 45 days after the reimbursement claim was submitted. The allowance for doubtful accounts at September 30, 2019 and 2018 was \$0 due to LifeSmart Youth's prior history with governmental agencies' payments.

Fixed Assets

LifeSmart Youth's fixed assets are stated at cost and depreciated over estimated useful lives of three to seven years using the straight-line method. LifeSmart Youth capitalizes items over \$2,500 that have a useful life of one year or more. Expenditures for additions are capitalized. When office equipment was sold, retired, or otherwise disposed of, the related cost, and accumulated depreciation were eliminated from the accounts and any resulting gain or loss was credited or charged to income.

Deferred Revenue

LifeSmart Youth's deferred revenue is grant revenue received for a particular purpose before those services were performed. When associated grant expenses are incurred, the deferred revenue is released into grant revenue. Should LifeSmart Youth not fulfill the grant stipulations, the entire amount would be due back to the grantor.

Net Assets

The financial statements were prepared in accordance with Financial Statements of Not-for-Profit Organizations. This requires, among other things, that the financial statements report the changes in and total of each of the net asset classes, based upon donor restrictions, as applicable. Net assets are classified as either without or with donor restrictions. The following class of net assets and a brief description is as follows:

Net Assets Without Donor Restrictions – These amounts are not subject to usage restrictions based on donor-imposed requirements and include general assets and liabilities of LifeSmart Youth. These amounts also include previously restricted assets where restrictions were met or expired. The net assets without donor restrictions may be used freely at the direction of management to support LifeSmart Youth's purpose and operations.

Social Health Association of Indiana, Inc. d/b/a LifeSmart Youth

Note 2 – Significant Accounting Policies (continued)

Net Assets (continued)

Net Assets With Donor Restrictions – These amounts are subject to usage limitations based on donor-imposed or grantor restrictions. These restrictions may be temporary or may be based on a particular use. Restrictions may be met by the passage of time or by management's actions. Certain assets may be restricted in perpetuity. When a restriction expired, the amount was reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions.

United Way of Central Indiana

A significant source of revenue is the allocation from the United Way of Central Indiana (UWCI). LifeSmart Youth receives an annual funding agreement and donor-designated funds with UWCI. Agreements are from July 1st to June 30th each year with two payments per month. LifeSmart Youth records the revenue when received.

Grants Revenue

LifeSmart Youth receives grants from the State of Indiana (oversight agencies) to carry out certain program activities. These grants are received under oversight agency contracts that require LifeSmart Youth to submit records of service provided to eligible individuals and organizations on a periodic basis. LifeSmart Youth records grant revenue as earned as the eligible expenses are incurred and contracted services performed. Grant expenditures are subject to audit and acceptance by the oversight agencies and, as a result of such audits, adjustments could be required.

Contributions

LifeSmart Youth accounts for contributions received and contributions made in accordance with professional standards. Contributions received are recorded as with or without donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are recorded when the unconditional promise to give is made. LifeSmart Youth reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets.

Allocation of Functional Expenses

The costs of providing various programs and other activities were summarized on a functional basis in the statement of activities and changes in net assets and statement of functional expenses. Accordingly, personnel and staffing costs were allocated among the programs and supporting services that benefited from those costs based on estimates of time and effort spent on the related activities. Remaining other costs were actual costs recorded among the programs and supporting services that benefited.

Advertising Expense

LifeSmart Youth expensed advertising costs as incurred. During the years ended September 30, 2019 and 2018, advertising costs were \$38,329 and \$40,803, respectively.

In-kind Contributions

LifeSmart Youth 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 LifeSmart Youth 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. LifeSmart Youth's policy is to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase revenue and other support by a like amount.

Social Health Association of Indiana, Inc. d/b/a LifeSmart Youth

Note 2 – Significant Accounting Policies (continued)

Income Taxes

LifeSmart Youth is exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes was made in the financial statements. LifeSmart Youth is classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Generally accepted accounting principles in the United States require LifeSmart Youth to examine its tax positions for uncertain positions. LifeSmart Youth is not aware of any tax positions that are more likely than not to change in the next 12 months, or that would not sustain an examination by applicable taxing authorities. LifeSmart Youth's policy is to recognize penalties and interest as incurred in its statement of activities as a component of operating expenses, and totaled \$0 for September 30, 2019 and 2018.

LifeSmart Youth's federal and state income tax returns are subject to examination by the applicable tax authorities, generally for three years after the later of the original or extended due date.

Reclassifications

Certain accounts in the 2018 financial statements were reclassified for comparative purposes to conform with the presentation in the 2019 financial statements. Total assets, liabilities, net assets, and net change in net assets are unchanged due to these reclassifications.

Note 3 – Investments

In December of 2017, LifeSmart Youth created a Social Health Association of Indiana Endowment Fund (Fund) with the Central Indiana Community Foundation (CICF). The purpose of the Fund is to fund future endeavors of LifeSmart Youth. LifeSmart Youth contributed \$15,000 to the Fund, which can be distributed from the fund if needed. CICF contributed \$10,000 to the Fund, which is with donor restrictions. Annually, LifeSmart Youth can receive a portion of the fair value of the Fund as of the end of the previous calendar year in accordance with the spending policies.

The amount available for distribution to LifeSmart Youth is 5% of the fair market value plus any carryover spendable amount as of the year end. At September 30, 2019 and 2018, LifeSmart Youth suggested the spendable amount was \$2,404 and \$1,257, respectively. If these earnings are not taken by LifeSmart Youth, they are reinvested in the Fund and become with donor restrictions.

The reconciliation of activity of the Fund is listed below:

	2019	2018
Beginning balance	\$ 25,480	\$ 0
Contributions	0	25,000
Withdrawals	0	0
Earnings (net of fees)	850	480
Ending balance	<u>\$ 26,330</u>	<u>\$ 25,480</u>

Social Health Association of Indiana, Inc.
d/b/a LifeSmart Youth

Note 4 – Line of Credit

LifeSmart Youth has a line of credit for \$100,000 with National Bank of Indianapolis. The line of credit matured January 2, 2019 and was subsequently renewed to January 2, 2021. The arrangement provides for short-term borrowings of amounts not to exceed \$100,000 and a line of credit secured by all LifeSmart Youth business assets. Interest accrues at the bank's prime rate, not to be below 3.75% per annum or above the maximum rate allowed by applicable law. The interest rate at September 30, 2019 and 2018 was 5.25% and 5.25%, respectively. Interest expense for the years ended September 30, 2019 and 2018 was \$51 and \$1,281, respectively.

Note 5 – Capital Lease

LifeSmart Youth entered into an agreement to lease a copier in January 2014, classified as a capital lease. The economic substance of the lease was that LifeSmart Youth financed the acquisition of this asset through the lease and could purchase the equipment for \$1 at the end of the lease. During the lease term, LifeSmart Youth was required to make monthly payments of \$189 for 60 months. This lease was terminated in May 2018.

During May 2018, LifeSmart Youth obtained a new agreement to lease a copier, which is classified as a capital lease. The economic substance of the lease is that LifeSmart Youth finances the acquisition of this asset through the lease and can purchase the equipment for \$1 at the end of the lease. During the lease term, LifeSmart Youth is required to make monthly payments of \$256 for 60 months.

Accordingly, the copiers were recorded as an asset and the financing as debt in LifeSmart Youth's financial statements. The lease was included in equipment as of September 30, 2019 and 2018 as follows:

	<u>2019</u>	<u>2018</u>
Property and equipment	\$ 11,843	\$ 11,843
Less accumulated depreciation	<u>(3,158)</u>	<u>(790)</u>
	<u>\$ 8,685</u>	<u>\$ 11,053</u>
Total minimum lease payments	\$ 11,533	\$ 14,608
Less amount representing interest	<u>(608)</u>	<u>(1,904)</u>
Present value of minimum lease payments	<u>\$ 10,237</u>	<u>\$ 12,704</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, 2019:

2020	\$ 2,600
2021	2,740
2022	2,887
2013	<u>2,010</u>
	<u>\$10,237</u>

Note 6 – Accounting Service Agreement

LifeSmart Youth entered into an accounting service agreement with mAccounting, an unrelated entity. The service agreement allowed a fee of \$6,750 per month for standard services rendered plus additional fees for other services. During the years ended September 30, 2019 and 2018, fees of \$86,608 and \$97,415, respectively, were earned and paid.

Social Health Association of Indiana, Inc. d/b/a LifeSmart Youth

Note 7 – Retirement Plan

LifeSmart Youth 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 who are at least 21 years of age. Employees who were previously employed by a non-profit educational institution within the three-year period immediately prior to employment with LifeSmart Youth will be credited with a year of service for purposes of eligibility, provided the employee worked at least 1,000 hours for any given year to be credited. Contributions are based on a fixed percentage of each employee's total compensation, which was 4% for the years ended September 30, 2019 and 2018. LifeSmart Youth contributed \$24,818 and \$21,986 for the years ended September 30, 2019 and 2018, respectively, and was included in employee benefit expenses on the Statement of Functional Expenses.

Note 8 – Operating Leases

LifeSmart Youth signed an office lease effective in January 2003. The office lease payment increased in January 2017 to \$17,740 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. In April 2017, LifeSmart Youth took on an additional 700 square feet of office space, increasing the payment \$7,700 per year (total of \$25,440). Quarterly payments are required. This lease is renewed on an annual basis. For the years ended September 30, 2019 and 2018, total rental expense for the facilities were \$25,440 and \$25,410, respectively, and was included in occupancy expenses on the Statement of Functional Expenses. LifeSmart Youth recognizes an additional amount of in-kind rent for the difference between market value of the office space and payments.

Note 9 – Concentrations in Credit Risk

Concentration in Credit Risk

LifeSmart Youth maintains cash balances in a financial institution. The bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 for the years ended September 30, 2019 and 2018. The total uninsured balances in these accounts were \$0 and \$0 at September 30, 2019 and 2018, respectively.

Concentration in Investment Risks

LifeSmart Youth invested roughly 6% and 10% of total assets in the CICF investments at September 30, 2019 and 2018, respectively. These investments could vary over time based on market activities. LifeSmart Youth monitors the CICF investment types.

Concentration in Revenue

LifeSmart Youth's grants from federal, state, and local governmental entities accounted for 48% and 62% of the total revenue during the years ended September 30, 2019 and 2018, respectively. These agencies accounted for approximately 43% and 49% of grants receivable as of September 30, 2019 and 2018, respectively.

Note 10 – Contingencies With Governmental Awards

Financial awards from federal, state, and local governmental entities are subject to financial and compliance audits. Such audits could result in claims against LifeSmart Youth for disallowed costs or noncompliance with grantor restrictions. No provision was made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

Social Health Association of Indiana, Inc.
d/b/a LifeSmart Youth

Note 11 – Liquidity

LifeSmart Youth's liquidity management consists of the following quantitative and qualitative measurements:

Quantitative measurement - LifeSmart Youth's resources available for general use within one year at September 30, 2019 and 2018 were:

	<u>2019</u>	<u>2018</u>
Financial assets	\$ 383,445	\$ 182,814
Not available within one year	(17,983)	(19,630)
Less current obligations	<u>(171,130)</u>	<u>(50,688)</u>
Financial assets available for general use within one year	<u>\$ 194,332</u>	<u>\$ 112,496</u>

Qualitative measurement - LifeSmart Youth receives a significant amount of its support through contributions and grants. Because these contributions and grants require resources to be used in a particular manner or in a future period, LifeSmart Youth must maintain sufficient resources to meet those responsibilities to its donors and grantors. Thus, financial assets may not be available for general expenditure within one year. In the course of business, management structures LifeSmart Youth's financial assets to be available as its general expenditures, liabilities, and other obligations come due, and endeavors to maintain cash balances equal to approximately three months of annual operating expenses. Should LifeSmart Youth have operating shortfalls, a line of credit is available.

Single Audit Section

**Social Health Association of Indiana, Inc.
d/b/a LifeSmart Youth**

**Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Funds Expended</u>	<u>Subrecipient Payment</u>
U.S. Department of Health and Human Services Pass Thru from Indiana State Department of Health Affordable Care Act (ACA) Abstinence Education Program - Indiana Youth LIVE! Initiative - Contract Number #22447	93.235	\$ 489,000	\$ 0
U.S. Department of Health and Human Services Pass Thru from State of Indiana Workforce Development Department, Serve Indiana Commission Temporary Assistance for Needy Families - Health Care Education and Training, Inc. (HCET) Indiana Kid Project Making a Difference (MAD)	93.558	95,000	0
U.S. Department of Health and Human Services Pass Thru from Indiana Family Health Council, Inc. Sexual Risk Avoidance Education - Indianapolis Teenage Education for Pregnancy Prevention (ITEPP) - Indiana Kid Project Making a Difference (MAD)	93.060	78,560	0
U.S. Department of Health and Human Services Pass Thru from Administration on Children, Youth and Families Sexual Risk Avoidance Education – HCET Strong Teens Acting Responsibility (STAR)	93.060	<u>135,000</u> <u>\$ 797,560</u>	<u>0</u> <u>\$ 0</u>

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal granting activity of Social Health Association of Indiana, Inc. (LifeSmart Youth) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2 – De Minimis

LifeSmart Youth elected to not use the 10% de minimis indirect cost rate as covered in section 200.414 of the Uniform Guidance for Federal Awards.



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Governmental Auditing Standards

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Social Health Association of Indiana, Inc. (LifeSmart Youth), which comprise the financial position as of September 30, 2019, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered LifeSmart Youth's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LifeSmart Youth's internal control. Accordingly, we do not express an opinion on the effectiveness of LifeSmart Youth's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of LifeSmart Youth's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LifeSmart Youth's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of LifeSmart Youth's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering LifeSmart Youth's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Lemler Group, LLC". The signature is written in a cursive, flowing style.

Lemler Group, LLC
Indianapolis, Indiana

November 14, 2019



Independent Auditor's Report on Compliance For Each Major Program and Report on Internal Control Over Compliance Required by The Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Social Health Association of Indiana, Inc. (LifeSmart Youth)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of LifeSmart Youth's major federal programs for the year ended September 30, 2019. LifeSmart Youth's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to LifeSmart Youth's federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of LifeSmart Youth's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining evidence on a test basis about LifeSmart Youth's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of LifeSmart Youth's compliance.

Opinion on Each Major Federal Program

In our opinion, LifeSmart Youth complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended September 30, 2019.

Report on Internal Control over Compliance

Management of LifeSmart Youth is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered LifeSmart Youth's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of LifeSmart Youth's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Lemler Group, LLC
Indianapolis, Indiana

November 14, 2019

**Social Health Association of Indiana, Inc.
d/b/a LifeSmart Youth**

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2019**

I. Summary of Independent Accountant's Results

Financial Statements

Type of auditor's report issued:	<u>Unmodified</u>	
Going concern explanatory paragraph included?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Internal control over financial reporting:		
❖ Material weakness(es) identified?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
❖ Significant deficiencies identified?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Noncompliance material to financial statements noted?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Federal Awards

Type of auditor's report issued on compliance with major programs:	<u>Unmodified</u>	
Dollar threshold used to distinguish between type A and type B programs:	<u>\$ 750,000</u>	
Does the auditee qualify as low-risk auditee?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Internal control over major programs:		
❖ Material weakness(es) identified?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
❖ Significant deficiencies identified?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Any audit findings disclosed that are required to be reported in accordance with section 200.516 of the <i>Uniformed Guidance</i> ?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>

Identification of major programs tested:

<u>CFDA Number(s)</u>	<u>Name of federal program</u>
93.235	Affordable Care Act (ACA) Abstinence Education Program - Indiana Youth LIVE! Initiative - Contract Number #22447
93.558	Temporary Assistance for Needy Families - Health Care Education and Training, Inc. (HCET) Indiana Kid Project Making a Difference (MAD)
93.060	Sexual Risk Avoidance Education - Indianapolis Teenage Education for Pregnancy Prevention (ITEPP) - Indiana Kid Project Making a Difference (MAD) and Sexual Risk Avoidance Education – HCET Strong Teens Acting Responsibility (STAR)

II. Financial Statements Findings

There were no financial statements findings as seen in the schedule of findings and questioned costs.

III. Federal Award Findings and Questioned Costs

There were no federal award findings as seen in the schedule of findings and questioned costs.

**Social Health Association of Indiana, Inc.
d/b/a LifeSmart Youth**

**Schedule of Findings and Questioned Costs (continued)
For the Year Ended September 30, 2019**

Our audit disclosed no findings, questioned costs, or recommendations that are required to be reported herein under the *OMB Compliance Supplement* for the year ended September 30, 2019.

**Social Health Association of Indiana, Inc.
d/b/a LifeSmart Youth**

Corrective Action Plan

Name of Auditee: Social Health Association of Indiana, Inc.

Name of audit firm: Lemler Group, LLC

Period covered by the audit: October 01, 2018 - September 30, 2019

Corrective action prepared by:

Name: Tonja L. Eagan, Social Health Association of Indiana, Inc.

Position: CEO

Telephone number: 317-667-0341

Email address: teagan@lifesmartyouth.org

The audit disclosed no findings, questioned costs, or recommendations that are required to be reported herein and no corrective action plan is required for the year ended September 30, 2019.

**Social Health Association of Indiana, Inc.
d/b/a LifeSmart Youth**

**Schedule of Lead Auditor
For the Years Ended September 30, 2019 and 2018**

Auditor Information: Lemler Group, LLC
5625 N. Post Road, Suite 104
Indianapolis, Indiana 46216

Phone Number: (317) 449-0121

Fax Number: (317) 489-4917

Auditor Contact: David W. Lemler, CPA

Auditor Contact Title: Member

Auditor Contact Email: dlemler@lemlergroup.com