

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Financial Statements

For the Years Ended December 31, 2013 and 2012

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

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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 statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 December 31, 2013, and the changes in its net assets and its cash flows for the year ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The December 31, 2012 financial statements were reviewed by us and our report thereon, dated May 22, 2013, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

Mid-America Audit & Tax, One.

Indianapolis, IN
August 5, 2014

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Statements of Financial Position

As of

December 31, 2013 and 2012

	<u>Audited 2013</u>	<u>Reviewed 2012</u>
Current Assets:		
Cash and cash equivalents	\$ 181,621	\$ 144,589
Accounts receivable	8,027	10,400
Grants receivable	<u>53,553</u>	<u>35,405</u>
Total Current Assets	<u>243,201</u>	<u>190,394</u>
Property and Equipment, at Cost:		
Property and equipment	47,437	47,437
Less accumulated depreciation	<u>(46,538)</u>	<u>(44,827)</u>
Total Property and Equipment, Net	<u>899</u>	<u>2,610</u>
Other Assets:		
Prepaid	<u>-</u>	<u>234</u>
Total Other Assets	<u>-</u>	<u>234</u>
Total Assets	<u>\$ 244,100</u>	<u>\$ 193,238</u>
Current Liabilities:		
Accounts payable	\$ 2,593	\$ -
Accrued payroll and taxes	<u>44,755</u>	<u>39,869</u>
Total Current Liabilities	<u>47,348</u>	<u>39,869</u>
Net Assets:		
Unrestricted	196,752	143,369
Temporarily restricted	-	10,000
Permanently restricted	<u>-</u>	<u>-</u>
Total Net Assets	<u>196,752</u>	<u>153,369</u>
Total Liabilities and Net Assets	<u>\$ 244,100</u>	<u>\$ 193,238</u>

See accompanying notes to financial statements.

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Statement of Activities - Audited

For the Year Ended December 31, 2013

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support, Revenues, and Reclassifications:				
United Way of Central Indiana	\$ 120,008	\$ -	\$ -	\$ 120,008
Grants	-	526,261	-	526,261
Board fundraisers/contributions	33,202	-	-	33,202
Program service fees	47,513	-	-	47,513
Investment income	288	-	-	288
Rent income	4,455	-	-	4,455
In kind contribution	1,606	131,871	-	133,477
Other	7,992	-	-	7,992
Net assets released from restrictions				
Satisfaction of purpose restrictions	<u>668,132</u>	<u>(668,132)</u>	<u>-</u>	<u>-</u>
 Total Public Support, Revenues, and Reclassifications	 <u>883,196</u>	 <u>(10,000)</u>	 <u>-</u>	 <u>873,196</u>
 Expenses:				
Program services	691,405	-	-	691,405
Management and general	82,363	-	-	82,363
Fundraising	<u>56,045</u>	<u>-</u>	<u>-</u>	<u>56,045</u>
 Total Expenses	 <u>829,813</u>	 <u>-</u>	 <u>-</u>	 <u>829,813</u>
 Change in Net Assets	 53,383	 (10,000)	 -	 43,383
 Net Assets, Beginning of Year	 <u>143,369</u>	 <u>10,000</u>	 <u>-</u>	 <u>153,369</u>
 Net Assets, End of Year	 <u>\$ 196,752</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 196,752</u>

See accompanying notes to financial statements.

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Statement of Activities - Reviewed

For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Public Support, Revenues, and Reclassifications:				
United Way of Central Indiana	\$ 118,816	\$ -	\$ -	\$ 118,816
Grants	250	102,500	-	102,750
Board fundraisers/contributions	36,802	-	-	36,802
Program service fees	52,993	-	-	52,993
Investment income	590	-	-	590
Rent income	5,045	-	-	5,045
In kind contribution	-	8,274	-	8,274
Net assets released from restrictions				
Satisfaction of purpose restrictions	<u>120,774</u>	<u>(120,774)</u>	<u>-</u>	<u>-</u>
 Total Public Support, Revenues, and Reclassifications	 <u>335,270</u>	 <u>(10,000)</u>	 <u>-</u>	 <u>325,270</u>
 Expenses:				
Program services	231,589	-	-	231,589
Management and general	86,976	-	-	86,976
Fundraising	<u>36,347</u>	<u>-</u>	<u>-</u>	<u>36,347</u>
 Total Expenses	 <u>354,912</u>	 <u>-</u>	 <u>-</u>	 <u>354,912</u>
 Change in Net Assets	 (19,642)	 (10,000)	 -	 (29,642)
Net Assets, Beginning of Year	<u>163,011</u>	<u>20,000</u>	<u>-</u>	<u>183,011</u>
Net Assets, End of Year	<u>\$ 143,369</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>\$ 153,369</u>

See accompanying notes to financial statements.

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Statements of Cash Flows

For the Years Ended December 31, 2013 and 2012

	<u>Audited 2013</u>	<u>Reviewed 2012</u>
Cash Flows from Operating Activities:		
Change in net assets	\$ 43,383	\$(29,642)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,711	2,671
Unrealized loss on investment	-	-
Realized gain on investment	-	-
(Increase) decrease in operating assets:		
Accounts receivable	2,373	(3,892)
Grants receivable	(18,148)	(15,405)
Prepaid expenses	234	(234)
Increase (decrease) in operating liabilities:		
Accounts payable	2,593	-
Accrued payroll and taxes	<u>4,886</u>	<u>20,898</u>
Net Cash Provided By (Used in) Operating Activities	<u>37,032</u>	<u>(25,604)</u>
Cash Flows from Investing Activities:		
Purchase of property and equipment	-	(700)
Redemption of investments	<u>-</u>	<u>-</u>
Net Cash Provided By (Used in) Investing Activities	<u>-</u>	<u>(700)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	37,032	(26,304)
Cash and Cash Equivalents, Beginning of Year	<u>144,589</u>	<u>170,893</u>
Cash and Cash Equivalents, End of Year	<u>\$ 181,621</u>	<u>\$ 144,589</u>

See accompanying notes to financial statements.

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Statement of Functional Expenses - Audited

For the Year Ended December 31, 2013

	Program Services - Health Education and Information <u>Program</u>	Support Services - Management and <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Salaries - cash	\$ 406,608	\$ 53,661	\$ 27,241	\$ 487,510
- noncash	91,339	-	-	91,339
Occupancy	17,950	2,317	1,216	21,483
- noncash	29,811	-	-	29,811
Payroll taxes	35,507	4,583	2,404	42,494
Transportation	24,754	574	-	25,328
Fundraising	-	-	22,525	22,525
Employee benefits	17,603	2,272	1,191	21,066
Office expenses	9,660	1,807	409	11,876
- noncash	12,327	-	-	12,327
Professional fees	-	6,062	-	6,062
Insurance	1,958	3,977	133	6,068
Miscellaneous	4,326	1,501	897	6,724
Meetings	2,574	2,058	-	4,632
Educational supplies	12,354	524	-	12,878
Outside printing	22,760	1,261	-	24,021
Amortization	-	1,113	-	1,113
Depreciation	-	598	-	598
Postage	426	55	29	510
Conferences/ conventions	1,448	-	-	1,448
Total Expenses	<u>\$ 691,405</u>	<u>\$ 82,363</u>	<u>\$ 56,045</u>	<u>\$ 829,813</u>

See accompanying notes to financial statements.

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Statement of Functional Expenses - Reviewed

For the Year Ended December 31, 2012

	Program Services - Health Education and Information <u>Program</u>	Support Services - Management and <u>General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses:				
Salaries - cash	\$ 147,634	\$ 60,655	\$ 15,225	\$ 223,514
- noncash	6,907	-	-	6,907
Occupancy	15,837	2,703	2,241	20,781
- noncash	586	-	-	586
Payroll taxes	14,041	2,318	1,999	18,358
Transportation	15,756	-	-	15,756
Fundraising	-	-	13,129	13,129
Employee benefits	10,756	1,776	1,531	14,063
Office expenses	10,192	945	644	11,781
- noncash	781	-	-	781
Professional fees	-	6,860	-	6,860
Insurance	794	3,839	113	4,746
Miscellaneous	2,695	489	1,129	4,313
Meetings	29	3,347	-	3,376
Educational supplies	3,039	-	-	3,039
Outside printing	1,786	574	210	2,570
Amortization	-	1,906	-	1,906
Depreciation	-	765	-	765
Postage	598	90	78	766
Conferences and conventions	-	709	-	709
Marketing/Public relations	158	-	48	206
 Total Expenses	 <u>\$ 231,589</u>	 <u>\$ 86,976</u>	 <u>\$ 36,347</u>	 <u>\$ 354,912</u>

See accompanying notes to financial statements.

SOCIAL HEALTH ASSOCIATION OF INDIANA, INC.

Notes to Financial Statements

For the Years Ended December 31, 2013 and 2012

NOTE 1 - 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

The financial statements of the Association have been prepared on the accrual basis of accounting. Revenues and expenses are recognized and recorded when earned or incurred. Management has deemed no allowance for doubtful accounts is necessary for either program fee or grant receivables as of December 31, 2013 and 2012.

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 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Grants 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.

Contributed Services and Materials

The Association receives in-kind contributions of personnel, use of equipment 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 \$133,477 and \$8,274 for the years ended December 31, 2013 and 2012, respectively.

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.

Functional Expenses

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2013 and remains in effect through June 30, 2014.

Federal/State Grants

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 will receive up to \$270,000 per year for 3 years to implement an 8 session evidence-based curriculum to IPS middle school health students in and also deliver a 4 session program on sexual health education to 4th, 5th, and 6th grade students in IPS.

Also in October 2012, the Association received notice of award from the Indiana State Department of Health in the amount of \$200,000 to deliver abstinence education to prevent teen pregnancy. This grant focused on placing an adolescent health coordinator in specific school districts to deliver the services and coordinate efforts around health for the school district. This grant is a one year grant, which may be renewed annually contingent upon funding availability. The grant was renewed in October 2013 for the term October 1, 2013 to September 30, 2014.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Property and equipment are depreciated using the modified accelerated cost recovery system over the estimated useful life of the assets. 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.

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

Furnishings and equipment	5 – 7 years
Leasehold improvements	31.5 years

Depreciation expense related to property and equipment was \$598 and \$765 during 2013 and 2012, respectively.

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.

NOTE 3 – 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 December 31, 2013 and 2012.

NOTE 4 – 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 December 31, 2013 have been recorded as receivables.

Following are the grant commitments that extend beyond December 31, 2013:

<u>Grant</u>	<u>Term</u>	<u>Grant Amount</u>	<u>Earned as of December 31, 2013</u>	<u>Funding Available</u>
Abstinence Education IN Dept. of Health	10/13-09/14	\$ 200,001	\$ 45,764	\$ 154,237
United Way of Central Indiana	07/13-06/14	\$ 114,311	\$ 57,156	\$ 57,155
Community Crime Prevention Fund Indiana Foundation	04/13-03/14	\$ 20,000	\$ 20,000	\$ -
Personal Responsibility Education Program IN Family Health Co.	10/13-09/14	\$ 270,000	\$ 67,397	\$ 202,063

NOTE 5 – LEASES

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 deposit \$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, 2013 the deposit was \$17,710 per year. The lease is continuing on a month by month basis.

The rental expense for this lease included in the statement of activities was \$17,710 and \$16,905 for the years ended December 31, 2013 and 2012, respectively.

NOTE 6 - EMPLOYEE BENEFITS

The Association has a defined contribution plan. Contributions to the plan are made for all employees with at least one year of service. 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

NOTE 6 - EMPLOYEE BENEFITS (Continued)

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 approximately \$13,765 and \$12,550 for 2013 and 2012, respectively.

NOTE 7 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Healthy Choices Initiative	\$ <u>-</u>	\$ <u>10,000</u>

NOTE 8 - 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>2013</u>	<u>2012</u>
Healthy Choices Initiative	\$ 11,150	\$ 40,064
Bullying Prevention Initiative	34,000	13,500
Making a Difference Program	329,154	28,104
Family Life Curriculum	288,076	37,918
Technology Expense	1,000	-
Internship	<u>4,752</u>	<u>1,188</u>
Total Net Assets Released from Restrictions	<u>\$ 668,132</u>	<u>\$ 120,774</u>

NOTE 9 – INCOME TAXES

The Association has adopted 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 in accordance with FSB ASC 740-10. 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.

NOTE 10 – SUBSEQUENT EVENT

The Association has evaluated subsequent events through August 5, 2014, the date which the financial statements were available to be issued.