

Audited Financial Statements

Indiana Youth Group, Inc.

December 31, 2017 and 2016



LEMLERGROUP.COM
certified public accountants

Indiana Youth Group, Inc.

Table of Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2-3
Statements of Activities and Changes in Net Assets	4-5
Statements of Functional Expenses	6
Statements of Cash Flows	7
Notes to Financial Statements	8-16
Schedule of Lead Auditor	17



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Indiana Youth Group, Inc.
Indianapolis, Indiana

We have audited the accompanying financial statements of Indiana Youth Group, Inc. (YIG) which comprise the statement of financial position as of December 31, 2017, and the statements of activities and changes in net assets, 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.

Auditor's 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 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 YIG'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 YIG'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 YIG as of December 31, 2017, and the results of its statements of activities and changes in net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Year Audited Financial Statements

The financial statements of YIG as of and for the year ended December 31, 2016 were audited by other auditors whose report dated July 31, 2017 expressed an unmodified opinion on those statements.

Lemler Group, LLC

Lemler Group, LLC
Indianapolis, Indiana

July 25, 2018

Indiana Youth Group, Inc.

Statements of Financial Position December 31, 2017 and 2016

	2017	Restated 2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 679,136	\$ 331,699
Grants receivable, net	72,750	62,141
Accounts receivable, net	24,222	31,152
Current portion of pledges receivable, net	896,486	234,852
Prepaid expenses	8,888	4,057
Total current assets	1,681,482	663,901
Fixed Assets		
Land	105,000	105,000
Buildings and improvements	128,281	128,281
Furnishings and equipment	46,893	27,094
Construction in progress	2,178,573	295,477
Total fixed assets	2,458,747	555,852
Accumulated depreciation	(106,005)	(99,955)
Net fixed assets	2,352,742	455,897
Long-term assets		
Long-term portion of pledges receivable, net	310,332	-
Investments	14,945	79
Total long-term assets	325,277	79
Total Assets	\$ 4,359,501	\$ 1,119,877

Indiana Youth Group, Inc.

Statements of Financial Position (continued) December 31, 2017 and 2016

	<u>2017</u>	<u>Restated 2016</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable		
Operating	\$ 41,123	\$ 14,497
Construction	1,117,147	-
Accrued payroll-related expenses	32,261	20,748
Accrued real estate taxes	-	25,809
Total Liabilities	<u>1,190,531</u>	<u>61,054</u>
Net Assets		
Net assets without donor restrictions	2,396,445	730,555
Net assets with donor restrictions	772,525	328,268
Total Net Assets	<u>3,168,970</u>	<u>1,058,823</u>
Total Liabilities and Net Assets	<u>\$ 4,359,501</u>	<u>\$ 1,119,877</u>

Indiana Youth Group, Inc.

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2017

	2017		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grant	\$ 131,354	\$ 209,359	\$ 340,713
Program services	17,766	-	17,766
License plate fees	51,125	-	51,125
Special events	59,737	-	59,737
Contributions - monetary	-	2,385,749	2,385,749
Contributions - nonmonetary	14,847	-	14,847
Merchandise sales, net	478	-	478
Interest and dividends	221	-	221
Other	2,000	-	2,000
Total revenue	277,528	2,595,108	2,872,636
Net assets released from restrictions	2,150,851	(2,150,851)	-
Total revenue and net assets released from restrictions	2,428,379	444,257	2,872,636
Expenses			
Program	577,206	-	577,206
Management and general	88,824	-	88,824
Fundraising	96,459	-	96,459
Total expenses	762,489	-	762,489
Net Increase In Net Assets	1,665,890	444,257	2,110,147
Net Assets, Beginning of Year	730,555	328,268	1,058,823
Net Assets, End of Year	\$ 2,396,445	\$ 772,525	\$ 3,168,970

Indiana Youth Group, Inc.

Statement of Activities and Changes in Net Assets For the Year Ended December 31, 2016

	2016 - Restated		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Grant	\$ 103,974	\$ 282,203	\$ 386,177
Program services	9,315	-	9,315
License plate fees	49,825	-	49,825
Special events	96,859	-	96,859
Contributions - monetary	168,769	557,261	726,030
Contributions - nonmonetary	9,929	125,658	135,587
Merchandise sales, net	305	-	305
Interest and dividends	289	(3,124)	(2,835)
Other	1,038	-	1,038
Total revenue	440,303	961,998	1,402,301
Net assets released from restrictions	671,335	(671,335)	-
Total revenue and net assets released from restrictions	1,111,638	290,663	1,402,301
Expenses			
Program	539,475	-	539,475
Management and general	68,283	-	68,283
Fundraising	165,267	-	165,267
Total expenses	773,025	-	773,025
Net Increase (Decrease) In Net Assets	338,613	290,663	629,276
Net Assets, Beginning of Year	391,942	37,605	429,547
Net Assets, End of Year	\$ 730,555	\$ 328,268	\$ 1,058,823

Indiana Youth Group, Inc.

Schedules of Functional Expenses For the Years Ended December 31, 2017 and 2016

	Program	Management and General	Fundraising	2017 Totals
Expenses				
Salaries and wages	\$ 344,468	\$ 35,284	\$ 54,573	\$ 434,325
Other employee benefits	31,023	4,393	4,915	40,331
Payroll taxes	27,944	2,862	4,427	35,233
Accounting	-	6,610	-	6,610
Other professional fees	48,809	8,760	18,316	75,885
Advertising and promotion	6,507	-	3,360	9,867
Office	46,904	26,763	9,121	82,788
Information technology	7,747	1,193	-	8,940
Occupancy	31,153	-	-	31,153
Travel and transportation	10,796	1,559	1,747	14,102
Conferences and conventions	3,101	-	-	3,101
Depreciation	10,049	-	-	10,049
Insurance	8,705	1,400	-	10,105
Total expenses	<u>\$ 577,206</u>	<u>\$ 88,824</u>	<u>\$ 96,459</u>	<u>\$ 762,489</u>

	Program	Management and General	Fundraising	2016 - Restated Totals
Expenses				
Salaries and wages	\$ 345,348	\$ 29,666	\$ 34,905	\$ 409,919
Other employee benefits	45,552	3,103	3,992	52,647
Payroll taxes	25,200	3,757	2,348	31,305
Accounting	-	7,166	-	7,166
Other professional fees	38,502	1,280	39,697	79,479
Advertising and promotion	8,375	-	7,262	15,637
Office	22,783	19,666	74,071	116,520
Information technology	8,013	1,236	2,070	11,319
Occupancy	21,950	-	-	21,950
Travel and transportation	8,429	762	922	10,113
Conferences and conventions	2,542	-	-	2,542
Depreciation	8,227	-	-	8,227
Insurance	4,554	1,647	-	6,201
Total expenses	<u>\$ 539,475</u>	<u>\$ 68,283</u>	<u>\$ 165,267</u>	<u>\$ 773,025</u>

Indiana Youth Group, Inc.

Statements of Cash Flows For the Years Ended December 31, 2017 and 2016

	2017	Restated 2016
Reconciliation of Changes in Net Assets to Net Cash Provided By (Used In) Operating Activities		
Change in net assets	\$ 2,110,147	\$ 629,276
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided By (Used In) Operating Activities		
Depreciation expense	10,049	8,227
(Gain) loss on sale of investments	-	3,124
Nonmonetary contributions of investments	(14,847)	(116,322)
Contributions restricted for purchase of property	-	(365,756)
Decrease (increase) in grant receivable	(10,609)	15,820
Decrease (increase) in accounts receivable	6,930	(20,549)
Decrease (increase) in pledge receivable, net	(971,966)	(219,097)
Decrease (increase) in prepaid expenses	(4,831)	(1,136)
Increase (decrease) in accounts payable	6,921	296
Increase (decrease) in accrued payroll-related expenses	11,513	4,434
Increase (decrease) in accrued real estate taxes	(25,809)	25,809
Net Cash Provided By (Used In) Operating Activities	1,117,498	(35,874)
Cash Flow From Investing Activities		
Purchase of fixed assets	(770,042)	(395,477)
Reinvestment of investments for sale	(19)	-
Proceeds from sale of investments	-	113,198
Proceeds restricted for purchase of property	-	(113,198)
Net Cash Used In Investing Activities	(770,061)	(395,477)
Cash Flow from Financing Activities		
Contributions restricted for purchase of property	-	478,954
Net Cash Provided By Financing Activities	-	478,954
Net Increase in Cash and Cash Equivalents	347,437	47,603
Cash and Cash Equivalents, Beginning of Year	331,699	284,096
Cash and Cash Equivalents, End of Year	\$ 679,136	\$ 331,699
Supplemental Information		
Fixed assets included in accounts payable	\$ 1,136,852	\$ -
Interest paid on line of credit and bridge loan	\$ -	\$ -
Income taxes paid	\$ -	\$ -

Indiana Youth Group, Inc.

Notes to Financial Statements For the Years Ended December 31, 2017 and 2016

Note 1 – Nature of Activities

Background

Indiana Youth Group, Inc. (YIG) is a not-for-profit corporation formed in 1989 in the state of Indiana.

YIG derives a majority of its revenues through contributions and grants. YIG also generates revenue through conducting fundraising events and sponsoring a specialty Indiana license plate. On a limited basis, YIG derives revenue from selling merchandise and charging fees for program services such as diversity training.

Mission Statement

The mission of YIG is to provide safe places and confidential environments where self-identified lesbian, gay, bisexual, transgender, and questioning youth are empowered through programs, support services, social and leadership opportunities, and community service. YIG advocates on their behalf in schools, in the community, and through family support services.

Vision Statement

The vision of YIG is to bring LGBTQ youth, families, and allies together to form inclusive communities across Indiana that are respectful and tolerant and in which youth flourish and lead positive change.

Programs

YIG conducts a variety of youth-oriented programs at its Activity Center, and also coordinates several programs at other community locations. Program services provided or sponsored by YIG include the following:

- Youth Activity Center - YIG provides a safe location where youth have the opportunity to interact, socialize, and learn under the direction or supervision of trained staff. A majority of YIG programs take place at the Activity Center. Computers, computer games, board games, and food are provided.
- Support Groups - YIG organizes groups designed to help youth deal with issues like coming out, dating, self-discovery, and to educate youth on matters such as a tobacco-free lifestyle.
- Community Service Projects - YIG staff and youth participants perform a variety of community service projects each year.
- Youth Programming - YIG coordinates programs such as the youth council, Gay Straight Alliance (GSA) Leadership Summit, creative arts projects, LGBTQ youth summit, preparation for scholarship applications, and GSA's capacity building. Some programs are geared towards leadership and socializing, while other programs address prevention of problems relating to mental health and addiction.
- Annual Social Events - YIG hosts several social events during the year.
- Capacity Building - YIG provides training for student and adult leaders of high school Gay Straight Alliances and support for additional safe places.
- Education and Training - YIG provides schools, social service agencies, community groups, and others with education about LGBTQ youth and the issues relevant to them.

Indiana Youth Group, Inc.

Note 2 – Significant Accounting Policies

Accounting Method

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

Basis of Preparation of the Financial Statements

The financial statements are prepared in conformity with the provisions of the Not-for-Profit Entities Presentation of Financial Statements topic of the Financial Accounting Standards Board (FASB) *Accounting Standards Codification (ASC) 958-205*.

In August 2016, the FASB issued Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new guidance is effective for fiscal years beginning after December 15, 2017, however, early adoption is permitted. IYG has elected early implementation of this guidance in the accompanying financial statements.

ASU 2016-14 provides for the following changes from the existing provisions of ASC 958-205:

- A reduction in net asset classifications from three categories to two: net assets without donor restrictions, and net assets with donor restrictions;
- Expanded disclosures about the nature and amount of any donor restrictions;
- Expanded disclosures on any Board designations of net assets without donor restrictions;
- Classification of underwater donor-restricted endowments as net assets with donor restrictions;
- Disclosure of expenses by both nature and function;
- Disclosure of expenses netted with investment return, and;
- Expanded disclosures regarding cost allocations.

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.

Subsequent Events

IYG evaluated subsequent events through July 25, 2018, which is the date the financial statements were available to be issued. This evaluation determined that there are subsequent events that necessitated further disclosure in and/or adjustments to the accompanying financial statements. The following subsequent events took place after December 31, 2017 and prior to July 25, 2018:

- In May 2018, IYG sold the old office at 2750 E 56th Street for \$82,000. Proceeds from the sale will be used on the new location.
- As a part of the office renovations, IYG obtained a bridge loan that converted into a note payable. See Note 5.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, IYG 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.

Indiana Youth Group, Inc.

Note 2 – Significant Accounting Policies (continued)

Grants and Accounts Receivable

Grants and accounts receivable are stated at the amount IYG'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 December 31, 2017 and 2016 were \$0 due to subsequent collection on grants and account receivables.

Pledges Receivable

Any multi-year pledges receivable are recorded at the present value of estimated future cash flows, using a discount rate that reflects the time value of money and the price for bearing the uncertainty inherent in the cash flows. At December 31, 2017 and 2016, a discount of \$0 and \$5,837, respectively, was applied against the gross balance of such pledges.

Fixed Assets

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

ITYG is in process renovating an office building at 3733 N. Meridian Street in Indianapolis, Indiana. Construction in progress represents the cost incurred which has not been completed or placed in service as of December 31, 2017 and 2016. Once these items are placed in service, IYG will begin depreciating these items over the useful life.

Donated Assets

Donations of property and equipment and other assets are recorded as revenue at their estimated or quoted fair value at the date of donation. Such donations are reported as revenue without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets with explicit restrictions regarding their use and contributions of cash that must be used for specific purposes are reported as restricted revenue.

Absent donor stipulations regarding how long these donated assets must be maintained, IYG reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. IYG reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. At December 31, 2017 and 2016, restricted donated assets consist of monetary contributions and grants or pledges receivable which are designated for specific purposes further described in Note 6.

Net Assets

Net assets and revenues are classified based on the existence or absence of donor imposed restrictions and are reported as follows:

- Net assets without donor restrictions - Net assets that are not subject to donor-imposed or program-imposed stipulations.
- Net assets with donor restrictions - Net assets subject to donor-imposed or program-imposed stipulations that will be met either by actions of IYG and/or the passage of time, or that must be maintained permanently by IYG.

Indiana Youth Group, Inc.

Note 2 – Significant Accounting Policies (continued)

Revenue Recognition

Revenues generated from exchange transactions are recognized when they are both realized and earned. Contributions, including unconditional promises to give, are reported as revenues in the period they are received. Contributions held by in trust by a recipient entity for IYG are recognized as unconditional promises. Support funded by non-reimbursable grants is recognized when the grant is awarded, while support from reimbursable grants are recognized when amounts become due under the terms of the respective grant agreements.

Grants and Program Services

ITYG receives grants and pre-payment for program services for particular purposes and time periods. If these grant and program service amounts are received in advance of services to be performed, IYG will classify these amounts as deferred revenue until services are performed.

Contributions

ITYG accounts for contributions received and contributions made in accordance with professional standards. Contributions received are recorded as without donor restrictions or with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are recorded when the unconditional promise to give is made. IYG 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 which benefited from those costs based on estimates of time and effort spent on the related activities.

Advertising Expense

ITYG expensed advertising costs as they incurred. During the years ended December 31, 2017 and 2016, advertising costs were \$9,867 and \$15,637, respectively.

Income Taxes

ITYG 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. IYG 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 IYG to examine its tax positions for uncertain positions. IYG is not aware of any tax positions that are more likely than not to change in the next twelve months, or that would not sustain an examination by applicable taxing authorities. IYG's policy is to recognize penalties and interest as incurred in its statement of activities as a component of operating expenses, which totaled \$0 for December 31, 2017 and 2016. IYG's federal and state income tax returns for years ended 2014 and 2016 are subject to examination by the applicable tax authorities, generally for three years after the later of the original or extended due date.

Reclassification

Certain prior year amounts were reclassified to conform to the current year financial statement presentation. These reclassifications had no effect on total assets, total liabilities, total net assets or changes in net assets.

Restatement

ITYG restated the 2016 financial statements with regard to investments. IYG's management had determined investment amounts are for long-term purposes until sold. The effect of this restatement was a decrease in cash of \$363, increase in prepaid expenses of \$284 and an increase in investments of \$79.

Indiana Youth Group, Inc.

Note 3 – Investments and Fair Value

IYG adopted the provisions of Fair Value Measurements (Fair Value) for measurement of investments that are recognized or disclosed at fair value in the financial statements on a recurring basis. Fair Value is defined as the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date.

Interest earned is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Purchases and sales of investments are recorded on the trade date. Gains and losses on the sales of investments are determined using the specific-identification method. Realized and unrealized gains and losses on investments are included in the statement of activities.

Fair Value establishes a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that IYG has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

IYG does not have any level 2 or 3 investments for the years ended December 31, 2017 and 2016. A summary of the methods and significant assumptions used to estimate the fair values of financial instruments is as follows:

- Short-term financial instruments – The fair value of short-term financial instruments, including cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities, approximate their carrying value due to the short-term nature of these instruments. IYG's investments primarily consist of money market funds, stocks, and mutual funds. The investments are carried at fair value on quoted prices in active markets (all Level 1 measurements) and traded in active exchange markets, such as the New York Stock Exchange.

IYG established a brokerage account to accept contributions of investments. Such investments are typically liquidated shortly after the securities are transferred to IYG from donors. During the fourth quarter of 2016, IYG received gifts of investments with a combined fair value of \$116,322 at the time of donation, and liquidated those investments for net proceeds of \$113,198, resulting in a realized loss of \$3,124 on sale of investments. During the fourth quarter of 2017, IYG received gifts of investments with a combined fair value of \$14,847 at the time of donation and liquidated these donations in 2018.

IYG's investments consist of the following at December 31, 2017 and 2016:

	December 31, 2017			December 31, 2016		
	Costs or Donated Value	Market Value	Unrealized Gain (loss)	Costs or Donated Value	Market Value	Unrealized Gain (loss)
Money Market Funds	\$ 98	\$ 98	\$ 0	\$ 79	\$ 79	\$ 0
Stocks	<u>14,847</u>	<u>14,847</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<u>\$ 14,945</u>	<u>\$ 14,945</u>	<u>\$ 0</u>	<u>\$ 79</u>	<u>\$ 79</u>	<u>\$ 0</u>

Indiana Youth Group, Inc.

Note 4 – Line of Credit

IYG had a revolving line of credit with PNC Bank for short-term borrowings. The borrowing limit of \$70,000, and advances bear interest at an index equal to PNC Bank's prime rate (3.75% at December 31, 2016), plus a margin of 2%. The line of credit expired September 24, 2017, and could be renewed upon payment of a \$175 annual fee. The line of credit was no renewed at December 31, 2017. No amounts were drawn or remained payable during the years ended December 31, 2017 and 2016.

Note 5 – Bridge Loan / Note Payable

IYG obtained an \$800,000 bridge loan from Fifth/Third Bank on November 15, 2017 for renovations of the office building at 3733 N. Meridian Street, Indianapolis, Indiana. IYG is allowed to make construction withdrawals as needed to complete the renovations. Once the renovations are completed, the loan will convert into a note payable. The bridge loan interest rate is 4.59% per annum and no advances were made during the year ended December 31, 2017.

The note payable is due in 54 monthly payments with a maturity date of November 15, 2022. The note has an interest rate of 3.75% per annum. The bridge loan and note payable collateral is all of IYG assets.

Estimated future annual maturities of principal payments are as follows based on monthly payments of \$7,822 beginning July 2018:

2018	\$ 40,118
2019	82,525
2020	85,673
2021	88,942
2022	<u>82,946</u>
	<u>\$ 380,204</u>

Note 6 – Net Assets With Donor Restrictions

IYG frequently receives contributions and grants designated for specific purposes. Net assets with donor restrictions are released from restriction when expenses are incurred that satisfy the donor-stipulated purpose, or through the occurrence of donor specified events. Below is a summary of activity in the restricted funds of IYG.

- **Capital Campaign Fund** - During 2016, IYG initiated a capital campaign to fund its acquisition and renovation of a new facility to function as its Activity Center. IYG acquired this facility on December 30, 2016. In connection with the capital campaign, IYG receives contributions of cash and other financial assets, and written unconditional promises to remit such contributions to the campaign fund.

	2017	2016
Beginning balance	\$ 269,872	\$ 0
Contributions		
and conditional promises	2,385,749	679,795
Restrictions satisfied	<u>(1,883,096)</u>	<u>(409,923)</u>
Ending balance	<u>\$ 772,525</u>	<u>\$ 269,872</u>

Indiana Youth Group, Inc.

Note 6 – Net Assets With Donor Restrictions (continued)

- Daun Fund** - In prior years, IYG received contributions from a family which were designated to fund media projects in memoriam of a relative of the donor. During the year ended December 31, 2017, the donor changed the restriction to assist with the capital campaign.

	2017	2016
Beginning balance	\$ 3,605	\$3,605
Grant proceeds drawn	0	0
Grantor restrictions satisfied	<u>(3,605)</u>	<u>0</u>
Ending balance	<u>\$ 0</u>	<u>\$ 3,605</u>

- Family and Social Services - Mental Health & Addiction (MHA) Fund** - IYG received government grants from the Indiana Family and Social Services Administration. The purpose of the grants is to fund training, case management, suicide prevention, mental health, and substance abuse prevention programs. Grant proceeds are payable upon completion of specific accomplishments and submission of reports, as specified in the grant agreement. Activity in this restricted fund for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
Beginning balance	\$ 52,500	\$ 34,000
Grant proceeds drawn	180,000	251,500
Grantor restrictions satisfied	<u>(232,500)</u>	<u>(233,000)</u>
Ending balance	<u>\$ 0</u>	<u>\$ 52,500</u>

- Health Care and Education Training (HCET) Fund** - In 2015, IYG was awarded a grant funded by the U.S. Department of Health and Human Services and passed through by Health Care and Education, Inc. (HCET). The purpose of the grant is to fund training and education programs covering healthy personal development, life skills, and sexual health topics for youth who identify as LGBTQ, or are otherwise disadvantaged or considered at-risk. Activity in this restricted fund for the years ended December 31, 2017 and 2016 is as follows:

	2017	2016
Beginning balance	\$ 2,291	\$ 0
Grant proceeds drawn	29,359	30,703
Grantor restrictions satisfied	<u>(31,650)</u>	<u>(28,412)</u>
Ending balance	<u>\$ 0</u>	<u>\$ 2,291</u>

- Net Assets with Donor Restrictions** - Net assets with donor restrictions at December 31, 2017 and 2016 are as follows:

	2017	2016
Capital Campaign Fund	\$ 772,525	\$ 269,872
Daun Fund	0	3,605
MHA Fund	0	52,500
HCET Fund	<u>0</u>	<u>2,291</u>
Total	<u>\$ 772,525</u>	<u>\$328,268</u>

Indiana Youth Group, Inc.

Note 7 – Liquidity Management

Quantitative measurement - IYG's resources available for general use within one year at December 31, 2017 and 2016 were:

	<u>2017</u>	<u>2016</u>
Financial assets	\$ 1,681,482	\$ 663,901
Not available within one year (prepaid expenses)	(8,888)	(4,057)
Less current obligations	(73,384)	(61,054)
Donor-restricted net assets	<u>(772,525)</u>	<u>(328,268)</u>
Financial assets available for general use within one	<u>\$ 828,685</u>	<u>\$ 270,522</u>

Qualitative measurement - IYG receives a significant amount of its support through restricted contributions and grants. Because donor restrictions require resources to be used in a particular manner or in a future period, IYG must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. In the course of business, management structures IYG'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 six months of operating expenses. During the year ended December 31, 2017, IYG completed a successful capital campaign and completed renovations at the new location. IYG has a line of credit and note payable to meet operating shortfalls.

Note 8 – Nonmonetary Contributions (Inkind)

IYG receives in-kind contributions from various donors. IYG'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. During the years ended December 31, 2017 and 2016, IYG benefited from the following non-cash donations, measured at estimated or quoted fair value:

	<u>2017</u>	<u>2016</u>
Investments	\$ 14,847	\$ 116,322
Professional services	<u>0</u>	<u>19,265</u>
Total nonmonetary contributions	<u>\$14,847</u>	<u>\$135,587</u>

Note 9 – Operating Leases

IYG signed an office lease effective June 2016. The lease required monthly payments of \$1,138 over the one-year term until July 2017. From July 2017 until the office renovations were completed, IYG had a month to month lease. For the years ended December 31, 2017 and 2016, the total facility lease expense was \$13,136 and \$13,656, respectively, and was included in occupancy expenses on the Statement of Functional Expenses.

Indiana Youth Group, Inc.

Note 10 – Concentrations

Concentration in Credit Risk

IYG maintains cash balances in financial institutions. The bank accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The total uninsured balances in these accounts at December 31, 2017 and 2016 were \$420,304 and \$70,174, respectively.

Concentration in Receivables

As of December 31, 2017 and 2016, a balance of \$693,690 and \$98,583, respectively, or approximately 53.2% and 30.0% of grants receivable, accounts receivable, and pledges receivable, was due from two parties. Subsequent to year ends, \$575,437 and \$98,583 was collected on these receivables, respectively.

Concentration in Major Contributors

During the years ended December 31, 2017 and 2016, IYG received a significant portion of its total revenue through major contributors, as follows:

	<u>2017</u>	<u>2016</u>
MHA Fund	\$ 232,500	\$ 251,500
Pledge from one donor	400,000	250,000
United Way of Central Indiana	<u>1,048,489</u>	<u>46,366</u>
Total from major contributors	<u>\$1,680,989</u>	<u>\$ 547,866</u>
Total support and revenue	<u>\$2,872,636</u>	<u>\$1,402,301</u>
Percent received from major contributors	<u>58.5%</u>	<u>39.1%</u>

Indiana Youth Group, Inc.

Schedule of Lead Auditor For the Year Ended December 31, 2017

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