

INDIANA PHILANTHROPY ALLIANCE, INC.
AND AFFILIATE

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2016 and 2015

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE

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Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Indiana Philanthropy Alliance, Inc. and Affiliate
Indianapolis, Indiana

We have audited the accompanying consolidated financial statements of Indiana Philanthropy Alliance, Inc. (a nonprofit organization) and Affiliate, which comprise the consolidated statement of financial position as of December 31, 2016 and 2015, and the related consolidated 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Indiana Philanthropy Alliance, Inc. and Affiliate as of December 31, 2016 and 2015, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

DDQ + Associates, P.C.

DEHMEL & ASSOCIATES, P.C.

Indianapolis, Indiana

April 20, 2017

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2016 and 2015

ASSETS

| | December 31, | |
|--------------------------------|--------------|--------------|
| | 2016 | 2015 |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 369,225 | \$ 419,345 |
| Investments | 2,870,855 | 3,205,672 |
| Accrued interest receivable | 3,140 | 2,136 |
| Accounts receivable | 1,400 | 11,130 |
| Promises to give | - | 19,050 |
| Prepaid expenses | 13,823 | 13,064 |
| Inventory | 15,166 | 17,792 |
| Total Current Assets | 3,273,609 | 3,688,189 |
| PROPERTY AND EQUIPMENT: | | |
| Office furniture and equipment | 127,915 | 127,915 |
| Less accumulated depreciation | (114,614) | (100,335) |
| Total Property and Equipment | 13,301 | 27,580 |
| Total Assets | \$ 3,286,910 | \$ 3,715,769 |

LIABILITIES AND NET ASSETS

| | | |
|-----------------------------------|--------------|--------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 23,835 | \$ 9,683 |
| Accrued expenses | 9,705 | 8,930 |
| Deferred revenue | 29,843 | 16,962 |
| Total Current Liabilities | 63,383 | 35,575 |
| NET ASSETS: | | |
| Unrestricted net assets | 1,108,033 | 1,020,289 |
| Temporarily restricted net assets | 2,115,494 | 2,659,905 |
| Total Net Assets | 3,223,527 | 3,680,194 |
| Total Liabilities and Net Assets | \$ 3,286,910 | \$ 3,715,769 |

The accompanying notes to the financial statements are an
integral part of these statements.

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

| | 2016 | | | 2015 | | |
|--|---------------------|-------------------|---------------------|---------------------|-------------------|---------------------|
| | Program | Support | Total | Program | Support | Total |
| Salaries | \$ 630,169 | \$ 227,680 | \$ 857,849 | \$ 620,725 | \$ 223,482 | \$ 844,207 |
| Payroll taxes | 46,868 | 17,068 | 63,936 | 46,452 | 16,812 | 63,264 |
| Insurance | 75,774 | 26,995 | 102,769 | 78,847 | 29,979 | 108,826 |
| Retirement plan | 58,097 | 21,369 | 79,466 | 57,530 | 21,301 | 78,831 |
| Office supplies | 15,689 | 14,433 | 30,122 | 13,180 | 12,678 | 25,858 |
| Printing and copying | 15,258 | 1,627 | 16,885 | 17,723 | 1,651 | 19,374 |
| Postage and freight | 821 | 2,989 | 3,810 | 830 | 3,623 | 4,453 |
| Consultants and speakers | 220,193 | - | 220,193 | 332,768 | - | 332,768 |
| Consultant/speaker expenses | 12,331 | - | 12,331 | 3,420 | 16,143 | 19,563 |
| D&O, legal and property insurance | - | 8,287 | 8,287 | - | 10,116 | 10,116 |
| Legal expense | - | 975 | 975 | - | 3,506 | 3,506 |
| Professional fees | - | 59,981 | 59,981 | - | 52,410 | 52,410 |
| Finance fees | 30 | - | 30 | 81 | - | 81 |
| Dues and memberships | 8,988 | 7,354 | 16,342 | 11,708 | 9,578 | 21,286 |
| Telephone | 3,816 | 15,013 | 18,829 | 5,340 | 23,408 | 28,748 |
| Miscellaneous | - | - | - | 12,333 | - | 12,333 |
| Promotion | 2,150 | - | 2,150 | 529 | - | 529 |
| Public relations | 484 | - | 484 | 1,104 | 225 | 1,329 |
| Rent | 59,464 | 46,803 | 106,267 | 58,385 | 45,755 | 104,140 |
| Equipment rental and maintenance | - | 13,023 | 13,023 | 12,007 | 13,294 | 25,301 |
| Depreciation | - | 14,279 | 14,279 | - | 14,279 | 14,279 |
| Amortization | - | - | - | - | 3,324 | 3,324 |
| Travel, professional development and conferences | 48,747 | 3,986 | 52,733 | 67,328 | 7,405 | 74,733 |
| Local staff and board expense | 2,491 | 2,038 | 4,529 | 4,292 | 4,644 | 8,936 |
| Conference, facilities, audio visual | 84,912 | - | 84,912 | 39,502 | - | 39,502 |
| Technical support | 1,570 | 39,128 | 40,698 | 2,091 | 31,407 | 33,498 |
| Curriculum development | 5,192 | - | 5,192 | - | - | - |
| Community foundation internships | 440,389 | - | 440,389 | 467,103 | - | 467,103 |
| Community Foundation Insights | 4,110 | - | 4,110 | 2,928 | - | 2,928 |
| Family philanthropy resource | 435 | - | 435 | 15,666 | - | 15,666 |
| Resources for members | 5,000 | - | 5,000 | 5,000 | - | 5,000 |
| Cost of toolkit sales | 2,626 | - | 2,626 | 2,491 | - | 2,491 |
| | <u>\$ 1,745,604</u> | <u>\$ 523,028</u> | <u>\$ 2,268,632</u> | <u>\$ 1,879,363</u> | <u>\$ 545,020</u> | <u>\$ 2,424,383</u> |

The accompanying notes to the financial statements are an integral part of these statements.

INDIANA PHILANTHROPY ALLIANCE, INC., AND AFFILIATE
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

| | December 31, | |
|--|-------------------|-------------------|
| | 2016 | 2015 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Changes in net assets | \$ (456,667) | \$ 198,749 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 14,279 | 17,603 |
| Net realized loss on investments | - | 198 |
| Net unrealized (gain) loss on investments | (53,610) | 9,327 |
| Changes in operating assets and liabilities: | | |
| Accrued interest receivable | (1,004) | 1,381 |
| Accounts receivable | 9,730 | (10,985) |
| Promises to give | 19,050 | 80,950 |
| Prepaid expenses | (759) | 38 |
| Inventory | 2,626 | 2,485 |
| Accounts payable | 14,152 | (1,067) |
| Accrued expenses | 775 | (2,459) |
| Deferred revenue | 12,881 | (29,589) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (438,547) | 266,631 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchase of investments | (1,111,573) | (1,696,018) |
| Proceeds from sales of investments | 1,500,000 | 1,642,001 |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | 388,427 | (54,017) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (50,120) | 212,614 |
| CASH AND CASH EQUIVALENTS, beginning of year | 419,345 | 206,731 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 369,225 | \$ 419,345 |

The accompanying notes to the financial statements are an
integral part of these statements.

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Nature of Operations - Indiana Philanthropy Alliance, Inc. (the Alliance) is a not-for-profit Indiana corporation organized as an association of foundations and corporate giving programs. The Alliance provides educational programs, fosters interaction among Indiana philanthropic organizations and focuses attention on the importance of philanthropy. The Alliance is a membership organization that receives significant support through membership dues and conference registration revenues.

The Indiana Philanthropy Alliance Foundation, Inc. (the Foundation) is an affiliated organization established to support the mission of the Alliance. The Foundation is a charitable organization funded primarily by grants and gifts.

Basis of Accounting - The accompanying financial statements have been prepared on the accrual basis of accounting.

Principles of Consolidation – The consolidated financial statements include the accounts of Indiana Philanthropy Alliance, Inc. and Indiana Philanthropy Alliance Foundation, Inc. (Organizations). The Organizations are under common control and management and share administrative expenses. All significant inter-organizational accounts and transactions have been eliminated.

Financial Statement Presentation - The Alliance and Foundation have presented these financial statements in accordance with FASB Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under this guidance, the Organizations are required to report information regarding their financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organizations are required to present a statement of cash flows. As of December 31, 2016 and 2015, neither the Alliance nor the Foundation had any permanently restricted net assets.

Cash and Cash Equivalents - The Alliance and Foundation consider all highly liquid investments with a maturity of three months or less to be cash equivalents.

Investments - The Organizations carry investments in marketable securities with readily determinable fair market values and all investments in debt securities or mutual funds at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities.

Accounts Receivable - Accounts receivable are stated at unpaid balances. Management believes all receivable balances are collectible and therefore, no provision for uncollectible accounts has been made. It is management's policy to charge off uncollectible accounts receivable when management determines the amount will not be collected. Bad debt expense, if any, is included as a supporting expense.

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued:

Promises to Give – Contributions are recognized when the donor makes a promise to give to the Alliance or Foundation that is, in substance, unconditional. All promises to give in future periods are reported as increases in temporarily restricted net assets. There were no unfulfilled promises to give at December 31, 2016. There was \$19,050 in unfulfilled promises to give at December 31, 2015.

Inventory – Inventory, consisting of purchased youth philanthropy promotional items, is stated at the lower of cost (first-in, first-out method), or market.

Property and Equipment - Purchases of property and equipment are capitalized at cost. Donated assets are capitalized at their fair market value on the date of the gift. Donations of property and equipment without donor-imposed restrictions are recorded as unrestricted contributions in the year of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally ranging from five to seven years. Asset purchases under \$5,000 and expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense for each year ending December 31, 2016 and 2015 was \$14,279.

Deferred Revenue - Dues and event registrations received in advance are deferred and recognized over the period to which the fees relate.

Revenues – Alliance revenues consist primarily of membership dues and event registration fees and also include investment earnings. Foundation revenues consist primarily of grants and contributions, and occasional sales of tools to promote philanthropy.

Contributions and Grants – Under FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restriction.

The Alliance and Foundation report gifts of land, buildings and equipment, if any, as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organizations report expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated Services – The Alliance and Foundation receive contributed services from volunteers, including Board and Committee members, event volunteers and others. It is not practicable to determine the fair value of such services, and the value of those services has not been recognized as revenue in these financial statements.

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued:

Advertising Expense - Advertising costs, if any, are expensed as incurred.

Income Taxes – Both the Alliance and Foundation are exempt from federal income taxes under Section 501(c)(3) of the U.S Internal Revenue Code. In addition, both Organizations qualify for the charitable contribution deduction under Section 170(b)(1)(A) and have been classified as organizations that are not private foundations under Section 509(a). Should either organization ever have income from certain activities not directly related to its tax-exempt purpose, that income could be subject to taxation as unrelated business income.

Fair Value of Financial Instruments – Generally accepted accounting principles require disclosure of an estimate of fair value of certain financial instruments. Significant financial instruments for the Alliance and Foundation are cash, accounts receivable, marketable securities, and other short-term assets and liabilities. For these financial instruments, carrying value approximates fair value.

Concentrations of Credit Risk – Financial instruments which potentially subject the Organizations to concentrations of credit risk consist of cash, accounts receivable and investments. The Organizations have no cash balances in banks in excess of amounts federally insured as of December 31, 2016 and 2015. Marketable securities are held in investment accounts protected from failure of the investment company by the Securities Investor Protection Corporation and private insurance obtained by the investment companies. Accounts receivable are principally with grantors or vendors. Realization of these items is dependent on various individual economic conditions which are monitored by management. Accounts receivable are carried at estimated net realizable values.

Concentrations - The Alliance and Foundation are supported by grants and contributions from the public. It is always considered reasonably possible that benefactors, grantors or contributors might be lost in the near term. The Organizations receive significant support from one grantor. The Alliance received grants from one contributor that represent approximately 25% and 27% of all revenue for 2016 and 2015, respectively. The Foundation received grants from the same contributor that represent approximately 82% and 89% of all revenue for 2016 and 2015, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Management Evaluation – Management has evaluated the relevant financial conditions and events that are known and reasonably knowable at the date of the financial statements. Due to various factors including the amount of liquid assets on hand, Management believes that the Alliance and Foundation are viable going concerns over the next one year period.

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 2 FINANCIAL INSTRUMENTS CONCENTRATION OF CREDIT RISK:

Cash and cash equivalents consisted of the following at December 31, 2016 and 2015:

| | 2016 | 2015 |
|--------------------------------------|-------------------|-------------------|
| JP Morgan Liquid Assets Money Market | \$ 153,858 | \$ 201,943 |
| Chase Bank Checking and Savings | 215,367 | 217,402 |
| | <u>\$ 369,225</u> | <u>\$ 419,345</u> |

The balances in the Chase Bank checking and savings accounts are insured by the Federal Deposit Insurance Corporation (FDIC). Management monitors the balances in these accounts, which from time to time during the year may exceed the FDIC limits, and transfers any excess to investment accounts.

NOTE 3 INVESTMENTS:

Investments as of December 31, 2016 and 2015 for the Organizations were as follows:

| | 2016 | | 2015 | |
|--------------------------|---------------------|---------------------|---------------------|---------------------|
| | <u>Fair Value</u> | <u>Cost</u> | <u>Fair Value</u> | <u>Cost</u> |
| Fixed income securities: | | | | |
| Certificates of deposit | \$ 1,735,260 | \$ 1,732,889 | \$ 2,146,763 | \$ 2,152,241 |
| US Treasury/Agency | 567,692 | 569,439 | 549,087 | 550,091 |
| Mutual funds | 567,903 | 341,219 | 509,822 | 330,446 |
| | <u>\$ 2,870,855</u> | <u>\$ 2,643,547</u> | <u>\$ 3,205,672</u> | <u>\$ 3,032,778</u> |

Consolidated investment returns for the years ended December 31, 2016 and 2015 are summarized as follows:

| | 2016 | 2015 |
|--|------------------|-----------------|
| Interest and dividends | \$ 32,302 | \$ 18,953 |
| Realized losses | - | (198) |
| Unrealized appreciation (depreciation) | 53,610 | (9,327) |
| | <u>\$ 85,912</u> | <u>\$ 9,428</u> |

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS:

The framework for measuring fair value provides a fair value 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) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1 Inputs - Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date. The fair values of debt and equity investments that are readily marketable are determined by obtaining quoted prices from nationally recognized securities exchanges.

Level 2 Inputs - Inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 Inputs - Inputs to the valuation methodology are unobservable and significant to fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in methodologies used at December 31, 2016 and 2015.

Certificates of Deposit: Valued based upon a matrix or model pricing method by third party pricing vendors who generally assume they will be held to maturity.

U.S. Treasury/Agency Notes: Valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual Funds: Valued using quoted prices in active markets.

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 4 FAIR VALUE OF FINANCIAL INSTRUMENTS – continued:

The following table sets forth by level, within the fair value hierarchy, the entity's assets at fair value as of December 31, 2016 and 2015:

| | Fair Value Measurements: | | |
|--------------------------|--------------------------|-------------------|---------------------|
| | Fair Value | Level 1 | Level 2 |
| <u>December 31, 2016</u> | | | |
| Certificates of deposit | \$ 1,735,260 | \$ - | \$ 1,735,260 |
| US Treasury/Agency | 567,692 | - | 567,692 |
| Mutual funds | 567,903 | 567,903 | - |
| Total | <u>\$ 2,870,855</u> | <u>\$ 567,903</u> | <u>\$ 2,302,952</u> |
| <u>December 31, 2015</u> | | | |
| Certificates of deposit | \$ 2,146,763 | \$ - | \$ 2,146,763 |
| US Treasury/Agency | 549,087 | - | 549,087 |
| Mutual funds | 509,822 | 509,822 | - |
| Total | <u>\$ 3,205,672</u> | <u>\$ 509,822</u> | <u>\$ 2,695,850</u> |

NOTE 5 ACCOUNTS RECEIVABLE:

The Organizations do not typically bill for member dues or event registrations. Accounts receivable generally consist of approved grant distributions that have not yet been received, vendor refunds, event registration fees paid late, or dues received in the subsequent year for the current year.

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 6 PROMISES TO GIVE:

Promises to give are included in the financial statements as assets and revenue of the appropriate net asset category. During the years ended December 31, 2014, the Alliance received an annual grant for the 2015 Community AGenda Initiatives. The grantor promised an additional amount as a matching grant and additional donors pledged gifts eligible for match as of the end of each of the year. As of December 31, 2014, the grantor's conditional promise was recorded due to satisfaction of conditions. All of these funds were collected in 2015. In addition, in 2015 the Alliance was promised additional funds to cover expenses related to the Community AGenda initiative. Pledges of support for these initiatives as of December 31, 2015 totaled \$19,050. These funds were collected in 2016. There were no pledges receivable at December 31, 2016.

As of December 31, 2016 and 2015, promises to give expected to be realized in future periods were as follows:

| | <u>2016</u> | <u>2015</u> |
|----------------------------------|-------------|------------------|
| Receivable in less than one year | <u>\$ -</u> | <u>\$ 19,050</u> |
| Total promises to give | <u>\$ -</u> | <u>\$ 19,050</u> |

The Alliance had determined that collection of these promises was likely, therefore no allowance or discount had been recorded.

NOTE 7 CONTINGENT LIABILITY:

The Alliance has established an Ineligible Deferred Compensation Plan to provide unfunded deferred compensation for a select group of management or highly compensated employees. Participants in the plan remain unvested until conditions for payment have been met. As of December 31, 2016 none of these conditions have been met. The unfunded liability is computed on an annual basis, and includes an annual rate of return equal to the Organizations' blended investment rate of return. As of December 31, 2016, the calculated unfunded and unvested balance is \$51,590.

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 8 NET ASSET RESTRICTIONS:

Unrestricted net assets result from all activities involving membership dues, event registrations, or voluntary contributions in which no donor-imposed restrictions were stipulated beyond the general stated purposes of the Organizations. The Board has designated a reserve of unrestricted net assets to be available at the Board's discretion, with a primary goal to have available funds for operations in the event of a financial crisis. The reserve was set at \$925,000. However, in February 2015, the Board approved that \$25,000 of the reserve could be set aside and used for the online directory project. During 2015, \$3,364 was used for the online directory project. During 2016, an additional \$222 was used. As of December 31, 2016 and 2015, the reserve was \$921,414 and \$921,636, respectively.

Temporarily restricted net assets are limited by donor-imposed stipulations that either expire by the passage of time, or are fulfilled and removed by actions of the Organizations pursuant to those stipulations. As the restrictions are met, the net assets are released from restrictions and included in unrestricted net assets. Contributions or grants for which the restrictions are met in the same period in which the support is received are also recorded as temporarily restricted revenues.

At December 31, 2016 and 2015, temporarily restricted assets were available for the following purposes or periods:

| | <u>2016</u> | <u>2015</u> |
|--|---------------------|---------------------|
| Restrictions as to purpose: | | |
| GIFT Program | \$ 712,329 | \$ 769,094 |
| Internship Program | 930,278 | 1,430,667 |
| Youth in Philanthropy Initiative | 158,093 | 175,006 |
| Eileen Ryan Fund | 16,044 | 12,888 |
| | <u>1,816,744</u> | <u>2,387,655</u> |
| Restrictions as to timing: | | |
| Operating support and equipment purchase | 298,750 | 272,250 |
| Total temporarily restricted net assets | <u>\$ 2,115,494</u> | <u>\$ 2,659,905</u> |

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 8 NET ASSET RESTRICTIONS - continued:

Larger restricted grants are generally restricted both as to purpose and as to time. Most grant programs are annually or biennially funded. Residual unused grant monies at the end of the grant period continue to be restricted as to purpose. The Giving Indiana Funds for Tomorrow (GIFT) Program is a Lilly Endowment sponsored initiative to help establish and strengthen Indiana community foundations through challenge grants and technical assistance. The Internship Program for Community Foundations is also Lilly Endowment sponsored with a purpose to provide foundations participating in GIFT with additional manpower to help them make progress in achieving their missions. The Youth in Philanthropy Initiative enjoys broad support by a variety of sponsors and is committed to developing lifelong philanthropists for the future.

NOTE 9 LEASES:

The Alliance is obligated on a lease to rent its office space. An extension of the original lease, including, including renovations and additional square footage, was agreed upon in March, 2013. The extension will expire December 31, 2022 and required an initial monthly rent of \$6,485 plus annual increases of approximately 2%. Rent expense under the lease for 2016 and 2015 was \$83,457 and \$81,578 respectively.

The aggregate future minimum lease obligations through the end of the lease are estimated at \$540,189. Annual obligations over the next five years are estimated as follows:

| <u>Years ended December 31,</u> | <u>Rent Obligation</u> |
|---------------------------------|----------------------------|
| 2017 | 85,335 |
| 2018 | 87,214 |
| 2019 | 89,092 |
| 2020 | 90,971 |
| 2021 | 92,849 |

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE

NOTES TO FINANCIAL STATEMENTS

December 31, 2016 and 2015

NOTE 10 RETIREMENT PLAN:

The Alliance offers a 403(b) plan to full-time employees of the Alliance and Foundation who have fulfilled the 90-day waiting period. Employees may make salary deferral contributions to the plan. The plan also provides for an employer contribution of ten percent of eligible compensation. Retirement plan expense for 2016 and 2015 was \$79,466 and \$78,831, respectively. The Alliance also offers a 457(b) plan and a 401(k) Roth plan, to interested, eligible employees, neither of which includes an employer contribution provision.

NOTE 11 RELATED PARTIES:

The Alliance is affiliated with, and supported by, the Foundation. The Organizations share some common Board members, are under common management and share staff and office space. Certain overhead expenses are paid for by the Alliance and reimbursed by the Foundation including salaries, employee benefits, accounting and professional services, rent, technical support and other operating expenses. During 2016 and 2015, expenses totaling \$307,000 and \$297,000, respectively, were reimbursed by the Foundation to the Alliance. These transactions have been eliminated in the consolidation.

As of December 31, 2016 and 2015, the Foundation owed \$590,356 and \$480,825, respectively, to the Alliance, primarily for investment assets held for the Alliance in the Foundation's investment accounts. The two related entities share a common investment policy and have consolidated investment assets to reduce duplication of efforts and investment advisory fees and charges.

NOTE 12 SUBSEQUENT EVENTS:

Management has evaluated events and transactions for potential recognition through April 20, 2017, the date the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of or disclosure in the accompanying financial statements.

DEHMEL & ASSOCIATES, P.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON
CONSOLIDATING INFORMATION

Board of Directors
Indiana Philanthropy Alliance, Inc. and Affiliate
Indianapolis, Indiana

We have audited the consolidated financial statements of of Indiana Philanthropy Alliance, Inc. and Affiliate as of and for the years ended December 31, 2016 and 2015 and our report thereon dated April 20, 2016, which expressed an unmodified opinion on those consolidated financial statements. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The following consolidating information on pages 18 to 22 is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

DEH + Associates, P.C.

DEHMEL & ASSOCIATES, P.C.

Indianapolis, Indiana

April 20, 2017

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2016 and 2015

2016

2015

| | Indiana Philanthropy Alliance, Inc. | Indiana Philanthropy Alliance Foundation, Inc. | Eliminations | Consolidated | Indiana Philanthropy Alliance, Inc. | Indiana Philanthropy Alliance Foundation, Inc. | Eliminations | Consolidated |
|-----------------------------------|--|---|---------------------|---------------------|--|---|---------------------|---------------------|
| ASSETS | | | | | | | | |
| CURRENT ASSETS: | | | | | | | | |
| Cash and cash equivalents | \$ 119,193 | \$ 250,032 | \$ - | \$ 369,225 | \$ 146,324 | \$ 273,021 | \$ - | \$ 419,345 |
| Investments | 567,903 | 2,302,952 | - | 2,870,855 | 509,822 | 2,695,850 | - | 3,205,672 |
| Accrued interest receivable | 3,140 | - | - | 3,140 | 2,136 | - | - | 2,136 |
| Accounts receivable | 1,400 | - | - | 1,400 | 980 | 10,150 | - | 11,130 |
| Promises to give | - | - | - | - | 19,050 | - | - | 19,050 |
| Accounts receivable-Foundation | 590,356 | - | (590,356) | - | 480,825 | - | (480,825) | - |
| Prepaid expenses | 13,774 | 49 | - | 13,823 | 13,064 | - | - | 13,064 |
| Inventory | - | 15,166 | - | 15,166 | - | 17,792 | - | 17,792 |
| Total Current Assets | <u>1,295,766</u> | <u>2,568,199</u> | <u>(590,356)</u> | <u>3,273,609</u> | <u>1,172,201</u> | <u>2,996,813</u> | <u>(480,825)</u> | <u>3,688,189</u> |
| PROPERTY AND EQUIPMENT: | | | | | | | | |
| Office furniture and equipment | 127,915 | - | - | 127,915 | 127,915 | - | - | 127,915 |
| Less accumulated depreciation | (114,614) | - | - | (114,614) | (100,335) | - | - | (100,335) |
| Total Property and Equipment | <u>13,301</u> | <u>-</u> | <u>-</u> | <u>13,301</u> | <u>27,580</u> | <u>-</u> | <u>-</u> | <u>27,580</u> |
| Total Assets | <u>\$ 1,309,067</u> | <u>\$ 2,568,199</u> | <u>\$ (590,356)</u> | <u>\$ 3,286,910</u> | <u>\$ 1,199,781</u> | <u>\$ 2,996,813</u> | <u>\$ (480,825)</u> | <u>\$ 3,715,769</u> |
| LIABILITIES AND NET ASSETS | | | | | | | | |
| CURRENT LIABILITIES: | | | | | | | | |
| Accounts payable | \$ 5,776 | \$ 18,059 | \$ - | \$ 23,835 | \$ 9,449 | \$ 234 | \$ - | \$ 9,683 |
| Accounts payable-Alliance | - | 590,356 | (590,356) | - | - | 480,825 | (480,825) | - |
| Accrued expenses | 4,729 | 4,976 | - | 9,705 | 5,869 | 3,061 | - | 8,930 |
| Deferred revenue | 13,960 | 15,883 | - | 29,843 | 16,795 | 167 | - | 16,962 |
| Total Current Liabilities | <u>24,465</u> | <u>629,274</u> | <u>(590,356)</u> | <u>63,383</u> | <u>32,113</u> | <u>484,287</u> | <u>(480,825)</u> | <u>35,575</u> |
| NET ASSETS: | | | | | | | | |
| Unrestricted net assets | 985,852 | 122,181 | - | 1,108,033 | 895,418 | 124,871 | - | 1,020,289 |
| Temporarily restricted net assets | 298,750 | 1,816,744 | - | 2,115,494 | 272,250 | 2,387,655 | - | 2,659,905 |
| Total Net Assets | <u>1,284,602</u> | <u>1,938,925</u> | <u>-</u> | <u>3,223,527</u> | <u>1,167,668</u> | <u>2,512,526</u> | <u>-</u> | <u>3,680,194</u> |
| Total Liabilities and Net Assets | <u>\$ 1,309,067</u> | <u>\$ 2,568,199</u> | <u>\$ (590,356)</u> | <u>\$ 3,286,910</u> | <u>\$ 1,199,781</u> | <u>\$ 2,996,813</u> | <u>\$ (480,825)</u> | <u>\$ 3,715,769</u> |

The accompanying notes to the financial statements are an integral part of these statements.

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

| | 2016 | | | 2015 | | |
|--|-------------------------------------|--|--------------|--|--|--------------|
| | Indiana Philanthropy Alliance, Inc. | Indiana Philanthropy Alliance Foundation, Inc. | Total | Indiana Philanthropy Alliance Foundation, Inc. | Indiana Philanthropy Alliance Foundation, Inc. | Total |
| SUPPORT AND REVENUES: | | | | | | |
| Contributions and grants | \$ 410,237 | \$ 813,007 | \$ 1,223,244 | \$ 353,269 | \$ 1,805,135 | \$ 2,158,404 |
| Program revenue | 86,885 | 100,946 | 187,831 | 60,014 | 92,199 | 152,213 |
| Membership fees | 312,065 | - | 312,065 | 296,848 | - | 296,848 |
| Sales revenues | - | 2,913 | 2,913 | - | 6,239 | 6,239 |
| Investment earnings | 85,911 | 1 | 85,912 | 9,426 | 2 | 9,428 |
| Management fee | 307,000 | - | 307,000 | 297,000 | - | (297,000) |
| Total revenues | 1,202,098 | 916,867 | 1,811,965 | 1,016,557 | 1,903,575 | 2,623,132 |
| | | | | | | |
| EXPENSES: | | | | | | |
| Program expenses | 562,136 | 1,183,468 | 1,745,604 | 682,011 | 1,197,352 | 1,879,363 |
| Support expenses | 216,028 | 307,000 | 523,028 | 242,849 | 302,171 | 545,020 |
| Expenses reimbursed by management fee | 307,000 | - | (307,000) | 297,000 | - | (297,000) |
| Total expenses | 1,085,164 | 1,490,468 | 2,268,632 | 1,221,860 | 1,499,523 | 2,424,383 |
| | | | | | | |
| INCREASE (DECREASE) IN NET ASSETS | 116,934 | (573,601) | (456,667) | (205,303) | 404,052 | 198,749 |
| NET ASSETS, beginning of year | 1,167,668 | 2,512,526 | 3,680,194 | 1,372,971 | 2,108,474 | 3,481,445 |
| NET ASSETS, end of year | \$ 1,284,602 | \$ 1,938,925 | \$ 3,223,527 | \$ 1,167,668 | \$ 2,512,526 | \$ 3,680,194 |

The accompanying notes to the financial statements are an integral part of these statements.

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE
CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES
PROGRAM EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

| | 2016 | | | 2015 | | |
|---|---|---|---------------------|---|---|---------------------|
| | Indiana Philanthropy Alliance, Inc. | Indiana Philanthropy Alliance Foundation, Inc. | Consolidated | Indiana Philanthropy Alliance, Inc. | Indiana Philanthropy Alliance Foundation, Inc. | Consolidated |
| Salaries | \$ 278,276 | \$ 351,893 | \$ 630,169 | \$ 273,145 | \$ 347,580 | \$ 620,725 |
| Payroll taxes | 20,861 | 26,007 | 46,868 | 20,548 | 25,904 | 46,452 |
| Insurance | 32,994 | 42,780 | 75,774 | 36,640 | 42,207 | 78,847 |
| Retirement plan | 26,117 | 31,980 | 58,097 | 26,035 | 31,495 | 57,530 |
| Office supplies | 5,465 | 10,224 | 15,689 | 2,472 | 10,708 | 13,180 |
| Printing and copying | 11,302 | 3,956 | 15,258 | 15,234 | 2,489 | 17,723 |
| Postage and freight | - | 821 | 821 | 42 | 788 | 830 |
| Consultants and speakers | 62,331 | 157,862 | 220,193 | 172,576 | 144,049 | 316,625 |
| Consultant/speaker expenses | 3,210 | 9,121 | 12,331 | 3,799 | 15,764 | 19,563 |
| Legal expense | - | - | - | - | - | - |
| Finance fees | - | 30 | 30 | - | 81 | 81 |
| Dues and memberships | 8,988 | - | 8,988 | 11,708 | - | 11,708 |
| Telephone | 1,070 | 2,746 | 3,816 | 1,263 | 4,077 | 5,340 |
| Miscellaneous | - | - | - | 12,258 | 75 | 12,333 |
| Promotion | 2,150 | - | 2,150 | 500 | 29 | 529 |
| Public relations | - | 484 | 484 | - | 1,104 | 1,104 |
| Rent | 57,204 | 2,260 | 59,464 | 55,923 | 2,462 | 58,385 |
| Depreciation | - | - | - | - | - | - |
| Equipment rental and maintenance | - | - | - | - | 12,007 | 12,007 |
| Travel, professional development and conferences | 15,103 | 33,644 | 48,747 | 32,590 | 34,738 | 67,328 |
| Local staff and board expense | 2,491 | - | 2,491 | 4,292 | - | 4,292 |
| Conference, facilities, audio visual | 34,574 | 50,338 | 84,912 | 12,986 | 26,516 | 39,502 |
| Technical support | - | 1,570 | 1,570 | - | 2,091 | 2,091 |
| Curriculum development | - | 5,192 | 5,192 | - | - | - |
| Community foundation internships | - | 440,389 | 440,389 | - | 467,103 | 467,103 |
| Community Foundation Insights | - | 4,110 | 4,110 | - | 2,928 | 2,928 |
| Family Philanthropy Resource | - | 435 | 435 | - | 15,666 | 15,666 |
| Resources for Members | - | 5,000 | 5,000 | - | 5,000 | 5,000 |
| Cost of toolkit sales | - | 2,626 | 2,626 | - | 2,491 | 2,491 |
| | <u>\$ 562,136</u> | <u>\$ 1,183,468</u> | <u>\$ 1,745,604</u> | <u>\$ 682,011</u> | <u>\$ 1,197,352</u> | <u>\$ 1,879,363</u> |

The accompanying notes to the financial statements are an integral part of these statements.

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE
CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES
SUPPORTING EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

| | 2016 | | | 2015 | | |
|---|---|--|-------------------|---|--|-------------------|
| | Indiana | | | Indiana | | |
| | Indiana Philanthropy Alliance, Inc. | Philanthropy Alliance Foundation, Inc. | Consolidated | Indiana Philanthropy Alliance, Inc. | Philanthropy Alliance Foundation, Inc. | Consolidated |
| Salaries | \$ 61,731 | \$ 165,949 | \$ 227,680 | \$ 65,590 | \$ 157,892 | \$ 223,482 |
| Payroll taxes | 4,628 | 12,440 | 17,068 | 4,934 | 11,878 | 16,812 |
| Insurance | 7,319 | 19,676 | 26,995 | 8,799 | 21,180 | 29,979 |
| Retirement plan | 5,794 | 15,575 | 21,369 | 6,252 | 15,049 | 21,301 |
| Office supplies | 9,699 | 4,734 | 14,433 | 8,647 | 4,031 | 12,678 |
| Printing and copying | 1,093 | 534 | 1,627 | 1,126 | 525 | 1,651 |
| Postage and freight | 2,009 | 980 | 2,989 | 2,471 | 1,152 | 3,623 |
| Consultant/speaker expenses | - | - | - | 16,143 | - | 16,143 |
| D&O, legal and property insurance | 5,569 | 2,718 | 8,287 | 6,900 | 3,216 | 10,116 |
| Legal expense | 655 | 320 | 975 | 1,258 | 2,248 | 3,506 |
| Professional fees | 40,308 | 19,673 | 59,981 | 35,748 | 16,662 | 52,410 |
| Dues and memberships | 1,994 | 5,360 | 7,354 | 2,811 | 6,767 | 9,578 |
| Telephone | 10,089 | 4,924 | 15,013 | 15,966 | 7,442 | 23,408 |
| Public relations | - | - | - | 225 | - | 225 |
| Rent | 12,690 | 34,113 | 46,803 | 13,428 | 32,327 | 45,755 |
| Equipment rental and maintenance | 8,752 | 4,271 | 13,023 | 9,067 | 4,227 | 13,294 |
| Depreciation | 14,279 | - | 14,279 | 14,279 | - | 14,279 |
| Amortization | - | - | - | 3,324 | - | 3,324 |
| Travel, professional development and conferences | 2,679 | 1,307 | 3,986 | 3,429 | 3,976 | 7,405 |
| Local staff and board expense | 552 | 1,486 | 2,038 | 1,031 | 3,613 | 4,644 |
| Technical support | 26,188 | 12,940 | 39,128 | 21,421 | 9,986 | 31,407 |
| | <u>\$ 216,028</u> | <u>\$ 307,000</u> | <u>\$ 523,028</u> | <u>\$ 242,849</u> | <u>\$ 302,171</u> | <u>\$ 545,020</u> |

The accompanying notes to the financial statements are an integral part of these statements.

INDIANA PHILANTHROPY ALLIANCE, INC. AND AFFILIATE
CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2016 and 2015

| | 2016 | | | 2015 | | | |
|---|---|---|--------------|-------------------|---|--------------|-------------------|
| | Indiana Philanthropy Alliance, Inc. | Indiana Philanthropy Alliance Foundation, Inc. | Eliminations | Consolidated | Indiana Philanthropy Alliance Foundation, Inc. | Eliminations | Consolidated |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | | |
| Changes in net assets | \$ 116,934 | \$ (573,601) | \$ - | \$ (456,667) | \$ (205,303) | \$ - | \$ 198,749 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | | | | |
| Depreciation and amortization | 14,279 | - | - | 14,279 | 17,603 | - | 17,603 |
| Net realized loss on investments | - | - | - | - | 198 | - | 198 |
| Net unrealized (gain) loss on investments | (53,610) | - | - | (53,610) | 9,327 | - | 9,327 |
| Changes in operating assets and liabilities: | | | | | | | |
| Accrued interest receivable | (1,004) | - | - | (1,004) | 1,381 | - | 1,381 |
| Accounts receivable | (420) | 10,150 | - | 9,730 | (980) | - | (10,985) |
| Promises to give | 19,050 | - | - | 19,050 | 80,950 | - | 80,950 |
| Accounts receivable-Foundation | (109,531) | - | 109,531 | - | 189,825 | - | - |
| Prepaid expenses | (710) | (49) | - | (759) | (112) | - | 38 |
| Inventory | - | 2,626 | - | 2,626 | - | - | 2,485 |
| Accounts payable | (3,673) | 17,825 | - | 14,152 | 1,007 | - | (1,067) |
| Accounts payable-Affiance | - | 109,531 | (109,531) | - | - | 189,825 | - |
| Accrued expenses | (1,140) | 1,915 | - | 775 | (555) | - | (2,459) |
| Deferred revenue | (2,835) | 15,716 | - | 12,881 | (29,205) | - | (29,589) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | (22,660) | (415,887) | - | (438,547) | 64,136 | - | 266,631 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | | |
| Purchase of investments | (10,773) | (1,100,800) | - | (1,111,573) | (9,784) | - | (1,696,018) |
| Proceeds from sales of investments | - | 1,500,000 | - | 1,500,000 | - | - | 1,642,001 |
| Transfers of net investment gains and losses | 6,302 | (6,302) | - | - | 187 | - | - |
| NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES | (4,471) | 392,898 | - | 388,427 | (9,597) | - | (54,017) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (27,131) | (22,989) | - | (50,120) | 54,539 | - | 212,614 |
| CASH AND CASH EQUIVALENTS, beginning of year | 146,324 | 273,021 | - | 419,345 | 91,785 | - | 206,731 |
| CASH AND CASH EQUIVALENTS, end of year | \$ 119,193 | \$ 250,032 | \$ - | \$ 369,225 | \$ 146,324 | \$ - | \$ 419,345 |

The accompanying notes to the financial statements are an integral part of these statements.

INDIANA PHILANTHROPY ALLIANCE, INC.
AND AFFILIATE

INTERNAL CONTROL LETTER

DECEMBER 31, 2016 and 2015

DEHMEL & ASSOCIATES, P.C.

Certified Public Accountants

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To the Boards of Directors and Management of
Indiana Philanthropy Alliance, Inc. and Affiliate

In planning and performing our audit of the consolidated financial statements of Indiana Philanthropy Alliance, Inc. and Affiliate as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered Indiana Philanthropy Alliance, Inc. and Affiliate's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizations' 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization's financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. 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.

This communication is intended solely for the information and use of management, the Boards of Directors, and others within the organizations, and is not intended to be, and should not be, used by anyone other than these specified parties.

Dehmel & Associates, P.C.

Dehmel & Associates, PC

Indianapolis, Indiana
April 20, 2017

INDIANA PHILANTHROPY ALLIANCE, INC.
AND AFFILIATE

REQUIRED COMMUNICATIONS WITH THOSE
CHARGED WITH GOVERNANCE

DECEMBER 31, 2016 and 2015

DEHMEL & ASSOCIATES, P.C.

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April 20, 2017

To the Boards of Directors
Indiana Philanthropy Alliance, Inc. and Affiliate

We have audited the financial statements of Indiana Philanthropy Alliance, Inc. and Affiliate for the year ended December 31, 2016, and have issued our report thereon dated April 20, 2017. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 3, 2016. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Indiana Philanthropy Alliance, Inc. and Affiliate are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the fair value of investment assets is based on published market values and market values provided by third party pricing vendors of specific securities on the balance sheet date. We evaluated the key factors and assumptions used to develop the fair value of investment assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of Concentrations in Note 1 to the financial statements includes a disclosure of reliance on significant support from a single grantor. Financial statement users may be concerned about the future stability of the Organizations should something happen to that grantor or to the Organizations' relationship with that grantor.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were also corrected by management.

Under generally accepted accounting principles (GAAP) grants and contributions must be recorded as revenues in the period in which they are received, rather than in the period to which they pertain or in which they will be used. If grants and contributions are restricted for use in future periods, they are classified as temporarily restricted net assets and are thus reported in the equity section of the statement of financial position. For ease of grant tracking internally and for compliance reporting to grantors, staff records grants as deferred grant income until such time as they are used, or prorated over the applicable grant period. Because your internal accounting for grants as deferred grant income is not in compliance with GAAP, the adjustments made to bring your financial statements into compliance are considered to be material misstatements.

For the Alliance, this material adjustment reduced deferred income by \$285,000 and increased temporarily restricted net assets by \$272,250. For the Foundation, this material adjustment reduced deferred income by \$780,000, decreased grant income by \$955,000, decreased unrestricted net assets by \$652,655 and increased temporarily restricted net assets by \$2,387,655.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 20, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with U.S. generally accepted accounting principles, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Boards of Directors and management of Indiana Philanthropy Alliance, Inc. and Indiana Philanthropy Alliance Foundation, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

D. Dehmel + Associates, P.C.

Dehmel & Associates, PC

INDIANA PHILANTHROPY ALLIANCE, INC.
AND AFFILIATE

MANAGEMENT LETTER

DECEMBER 31, 2016 and 2015

DEHMEL & ASSOCIATES, P.C.

Certified Public Accountants

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April 20, 2017

To the Boards of Directors and Management
Indiana Philanthropy Alliance, Inc. and Affiliate

We have audited the consolidated financial statements of Indiana Philanthropy Alliance, Inc. and Indiana Philanthropy Alliance Foundation, Inc. (Affiliate) for the year ended December 31, 2016, and have issued our report thereon dated April 20, 2017. We have the following comments for management as a result of our audit:

Balance Sheet Accounts: During our audit procedures, we noted where the accounts payable aging report did not equal the accounts payable balance on the general ledger. The dollar amount of the variance was immaterial and the discrepancy was later determined to be an error and was corrected. However, this brought to light on whether balance sheet accounts were being reconciled monthly or periodically to the general ledger. We were informed that they were not. Therefore, we recommend that a monthly (or at least a periodical) reconciliation of the balance sheet accounts be performed to identify any discrepancies. We are fairly certain that this was being done by the prior contracted accountant. We deem this oversight as nothing more than a learning curve for the new contracted accountant and only mention it here for informative purposes.

Presentation of Financial Statements for Not-for-Profit Entities: In August 2016, the Financial Accounting Standards Board issued a new standard aimed to improve presentation. ASU 2016-14 addresses the following key qualitative and quantitative measures:

Net asset classes: Replaces the current presentation of three net asset classes with two classes of net assets – net assets with donor restrictions and net assets without donor restrictions. The totals of these two required net asset categories must be reported in the statement of financial position and the changes in the statement of activities.

Investment return: The investment return should be presented in the statement of activities net of all related external and direct internal expenses. The current requirement to disclose the netted investment expenses has been eliminated. We do not see this having a material impact on the consolidated financial statements.

Expenses: All nonprofit organizations currently present expenses by function. This ASU required expenses to be presented by nature and function, as well as an analysis of these expenses in one location by both nature and function. The analysis can be presented in the face of the statement of activities, as a separate statement (not a supplemental statement) or in the notes to the financial statements.

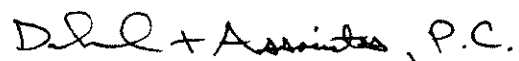
Liquidity and availability of resources: Requires nonprofits to communicate qualitatively and quantitatively how the entity manages its liquid available resources to meet cash needs for general expenditures within one year of the statement of financial position date.

ASU 2016-14 is effective for annual financial statements issues for fiscal years beginning after December 15, 2017 (2018 for the calendar year ends.)

Alliance and Foundation staff: We continue to be impressed by the high quality work produced by all members of your staff. We appreciate the opportunity to work with them.

This information is intended solely for the use of the Boards of Directors and management of Indiana Philanthropy Alliance, Inc. and Affiliate and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Handwritten signature in black ink that reads "Dehmel + Associates, P.C." with a stylized flourish.

Dehmel & Associates, P.C.