

**The Aliveness Project, Inc.**  
Minneapolis, Minnesota

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Financial Statements  
Auditor's Report  
For the Years Ended  
December 31, 2016 and 2015



CERTIFIED PUBLIC ACCOUNTANTS

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### Independent Auditor's Report

Board of Directors  
The Aliveness Project, Inc.  
Minneapolis, Minnesota

We have audited the accompanying financial statements of The Aliveness Project, Inc., which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

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

*Carpenter, Evert & Associates, Ltd.*  
Certified Public Accountants

Minneapolis, Minnesota  
June 20, 2017

THE ALIVENESS PROJECT, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016		2015	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Support and Revenue:				
Grants and Contributions	\$ 390,655	\$ 40,815	\$ 431,470	\$ 115,240
Government Grants	751,849	-	751,849	-
Program Fees (Net of Expenses of \$491,671 in 2016 and \$221,866 in 2015)	128,671	-	128,671	-
Special Events - (Net of Expenses of \$6,160 in 2016 and \$28,737 in 2015)	226,898	-	226,898	-
Charitable Gaming:				
Gross Receipts	2,663,098	-	2,663,098	-
Prizes	(2,135,289)	-	(2,135,289)	-
Expenses	(469,466)	-	(469,466)	-
Net Charitable Gaming	58,343	-	58,343	-
Miscellaneous	4,349	-	4,349	-
Net Assets Released from Restrictions:				
Satisfaction of Capital Restrictions	6,000	(6,000)	-	-
Satisfaction of Program Restrictions	58,982	(58,982)	-	(91,073)
Total Support and Revenue	1,625,747	(24,167)	1,601,580	24,167
Expense:				
Program Services:				
Food Services	606,229	-	606,229	-
Member Services	427,080	-	427,080	-
Outreach and Education	264,413	-	264,413	-
Total Program Services	1,297,722	-	1,297,722	-
Support Services:				
Management and General	260,612	-	260,612	-
Fundraising	154,981	-	154,981	-
Total Support Services	415,593	-	415,593	-
Total Expense	1,713,315	-	1,713,315	-
Change in Net Assets	(87,568)	(24,167)	(111,735)	24,167
Net Assets - Beginning of Year	1,867,006	24,167	1,891,173	-
Net Assets - End of Year	\$ 1,779,438	\$ -	\$ 1,779,438	\$ 24,167
				\$ 1,891,173

The accompanying Notes to Financial Statements are an integral part of these statements.

EXHIBIT B

THE ALIVENESS PROJECT, INC.  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2016  
WITH COMPARATIVE TOTALS FOR 2015

	2016					2015				
	Program Services			Support Services		Program Services			Support Services	
	Food Services	Member Services	Outreach & Education	Program Services	Management & General	Fund-raising	Total Support Services	Total All Services	Total All Services	Total All Services
Salaries	\$ 168,475	\$ 231,013	\$ 125,313	\$ 524,801	\$ 152,407	\$ 110,426	\$ 262,833	\$ 787,634	\$ 698,098	\$ 698,098
Payroll Taxes	13,719	18,812	10,205	42,736	12,411	8,992	21,403	64,139	55,016	55,016
Employee Benefits	12,409	17,015	9,230	38,654	11,224	8,133	19,357	58,011	51,839	51,839
Total Personnel Costs	194,603	266,840	144,748	606,191	176,042	127,551	303,593	909,784	804,953	804,953
Food Services	221,880	-	-	221,880	-	-	-	221,880	218,118	218,118
Professional Fees	60,394	40,263	20,131	120,788	6,711	6,710	13,421	134,209	108,364	108,364
Advertising and Member Outreach	-	5,806	52,259	58,065	-	-	-	58,065	38,986	38,986
Utilities and Trash Removal	27,155	10,862	5,431	43,448	10,861	-	10,861	54,309	39,236	39,236
Interest Expense	18,059	7,224	3,612	28,895	7,223	-	7,223	36,118	46,294	46,294
Acupuncture and Massage	-	35,226	-	35,226	-	-	-	35,226	38,681	38,681
Office Supplies and Equipment	3,297	9,891	6,594	19,782	13,189	-	13,189	32,971	17,320	17,320
Insurance	14,382	9,588	4,794	28,764	3,196	-	3,196	31,960	28,020	28,020
Printing and Copying	1,302	3,905	2,604	7,811	5,207	13,325	18,532	26,343	14,621	14,621
Miscellaneous	6,325	6,324	6,325	18,974	6,324	-	6,324	25,298	20,520	20,520
Telephone	2,255	4,377	2,255	8,887	4,378	-	4,378	13,265	14,310	14,310
Conferences and Training	2,575	2,575	2,575	7,725	2,576	-	2,576	10,301	1,848	1,848
Bad Debt Expense	-	-	-	-	-	7,395	7,395	7,395	-	-
Postage	707	2,121	1,414	4,242	2,829	-	2,829	7,071	17,410	17,410
Property Rental and Maintenance	2,627	1,051	525	4,203	1,050	-	1,050	5,253	8,047	8,047
Bank Fees	1,266	1,266	1,266	3,798	1,266	-	1,266	5,064	6,824	6,824
Depreciation	49,402	19,761	9,880	79,043	19,760	-	19,760	98,803	93,184	93,184
Total Expense	\$ 606,229	\$ 427,080	\$ 264,413	\$ 1,297,722	\$ 260,612	\$ 154,981	\$ 415,593	\$ 1,713,315	\$ 1,516,736	\$ 1,516,736

The accompanying Notes to Financial Statements are an integral part of this statement.

THE ALIVENESS PROJECT, INC.  
STATEMENT OF FUNCTIONAL EXPENSE  
FOR THE YEAR ENDED DECEMBER 31, 2015

	2015					Support Services			Total All Services
	Program Services			Total		Management & General	Fund- raising	Total Support Services	
	Food Services	Member Services	Outreach & Education	Program Services	Total				
Salaries	\$ 188,416	\$ 211,035	\$ 98,711	\$ 498,162	\$ 77,210	\$ 122,726	\$ 199,936	\$ 698,098	
Payroll Taxes	14,849	16,631	7,779	39,259	6,085	9,672	15,757	55,016	
Employee Benefits	13,991	15,671	7,331	36,993	5,733	9,113	14,846	51,839	
Total Personnel Costs	217,256	243,337	113,821	574,414	89,028	141,511	230,539	804,953	
Food Services	218,118	-	-	218,118	-	-	-	218,118	
Professional Fees	48,764	32,509	16,255	97,528	5,418	5,418	10,836	108,364	
Advertising and Member Outreach	-	3,387	35,599	38,986	-	-	-	38,986	
Utilities and Trash Removal	19,618	7,847	3,924	31,389	7,847	-	7,847	39,236	
Interest Expense	23,147	9,259	4,629	37,035	9,259	-	9,259	46,294	
Acupuncture and Massage	-	38,681	-	38,681	-	-	-	38,681	
Office Supplies and Equipment	1,732	5,196	3,464	10,392	6,928	-	6,928	17,320	
Insurance	12,609	8,406	4,203	25,218	2,802	-	2,802	28,020	
Printing and Copying	130	389	259	778	518	13,325	13,843	14,621	
Miscellaneous	5,130	5,130	5,130	15,390	5,130	-	5,130	20,520	
Telephone	2,433	4,722	2,433	9,588	4,722	-	4,722	14,310	
Conferences and Training	462	462	462	1,386	462	-	462	1,848	
Postage	936	2,807	1,871	5,614	3,743	8,053	11,796	17,410	
Property Rental and Maintenance	4,024	1,609	805	6,438	1,609	-	1,609	8,047	
Bank Fees	1,706	1,706	1,706	5,118	1,706	-	1,706	6,824	
Depreciation	46,592	18,637	9,318	74,547	18,637	-	18,637	93,184	
Total Expense	\$ 602,657	\$ 384,084	\$ 203,879	\$ 1,190,620	\$ 157,809	\$ 168,307	\$ 326,116	\$ 1,516,736	

The accompanying Notes to Financial Statements  
are an integral part of this statement.

THE ALIVENESS PROJECT, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Current Assets:		
Cash	\$ 103,624	\$ 217,045
Cash - Capital Reserve	2,920	72,772
Cash - Operating Reserve	157,411	57,411
Cash - Gaming	52,583	63,795
Total Cash	<u>316,538</u>	<u>411,023</u>
Grants and Contracts Receivable	106,603	165,786
Prepaid Expense	15,478	12,994
Inventory	500	500
Total Current Assets	<u>439,119</u>	<u>590,303</u>
Property and Equipment - Net	<u>2,308,241</u>	<u>2,315,179</u>
 TOTAL ASSETS	 <u><u>\$ 2,747,360</u></u>	 <u><u>\$ 2,905,482</u></u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 68,777	\$ 84,326
Accrued Salaries and Vacation	61,866	51,112
Notes Payable	45,880	42,061
Total Current Liabilities	<u>176,523</u>	<u>177,499</u>
Notes Payable	<u>791,399</u>	<u>836,810</u>
Total Liabilities	<u>967,922</u>	<u>1,014,309</u>
Net Assets:		
Unrestricted	1,779,438	1,867,006
Temporarily Restricted	-	24,167
Total Net Assets	<u>1,779,438</u>	<u>1,891,173</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,747,360</u></u>	 <u><u>\$ 2,905,482</u></u>

The accompanying Notes to Financial Statements  
are an integral part of these statements.

THE ALIVENESS PROJECT, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

<u>Increase (Decrease) in Cash</u>	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ (111,735)	\$ 133,707
Total Adjustments	<u>150,707</u>	<u>76,121</u>
Net Cash Provided by Operating Activities	38,972	209,828
Cash Flows from Investing Activities:		
Purchase of Property and Equipment	<u>(91,865)</u>	<u>(17,393)</u>
Net Cash (Used) by Investing Activities	(91,865)	(17,393)
Cash Flows from Financing Activities:		
Proceeds from Issuance of Notes Payable	877,334	-
Principal Payments on Notes Payable	<u>(918,926)</u>	<u>(82,216)</u>
Net Cash (Used) by Financing Activities	<u>(41,592)</u>	<u>(82,216)</u>
Net Increase (Decrease) in Cash	(94,485)	110,219
Cash - Beginning of Year	<u>411,023</u>	<u>300,804</u>
Cash - End of Year	<u>\$ 316,538</u>	<u>\$ 411,023</u>
 <u>Supplemental Disclosure of Cash Flow Information</u>		
Cash Paid For:		
Interest	<u>\$ 36,193</u>	<u>\$ 46,294</u>

The accompanying Notes to Financial Statements  
are an integral part of these statements.



THE ALIVENESS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

1. Summary of Significant Accounting Policies

Organizational Purpose

The Aliveness Project, Inc. (The Aliveness Project) is a membership based community center in Minneapolis that links people living with HIV with resources to lead healthy, self-directed lives.

Organizational Summary

The Aliveness Project puts its values and principles into mission-driven action through the following approaches:

- **Service Delivery** - The Aliveness Project programs (case management prevention, outreach, care linkage) and services (meals, food shelf, integrated therapies, member services) takes a skills building, self-determination focused approach to improving overall emotional and physical health outcomes for PLWHA and, where necessary, foster connection to appropriate resources to remove barriers.
- **Social Support** – Our community center model provides a safe and supportive forum for community building and voice-finding for PLWHA, their families and those dedicated to improving outcomes for PLWHA.
- **Education, Awareness, Erasure of Stigma** - The Aliveness Project’s staff, members, and volunteers provide accurate information about HIV to newly diagnosed people living with HIV and their families, as well as wider community education, to eliminate stigma and influence policies impacting both HIV prevention and care strategies.

**Vision Statement:**

Across Minnesota, there is decreased stigma of HIV/AIDS, increased access to service and better health outcomes for people living with HIV. The Aliveness Project members feel supported as part of a safe community center that maximizes their health and well-being. Staff reflects the diversity of the epidemic, deliver member directed programs that evolve in a changing environment, and dedicate themselves to the overall health of The Aliveness Project community

The Aliveness Project’s services include:

Food Services – Includes an on-site meal program that serves 10 meals per week and over 32,000 meals each year, and a food shelf that distributes over 140,000 pounds of food per year, and a medical nutritional therapy program that offers nutritional counseling.

Member Services – Includes a case management program, integrative therapy program (acupuncture, massage and other treatments), social events, a holiday basket program and other supportive services for individuals living with HIV/AIDS.

THE ALIVENESS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Outreach and Education – Includes a health and wellness program that offers educational seminars, HIV testing, a resource library with Internet access, the *Aliveline* newsletter, and The Aliveness Project's website ([www.aliveness.org](http://www.aliveness.org)).

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to The Aliveness Project, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and restrictions. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets that are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment are reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of The Aliveness Project resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

Grants and Contracts Receivable and Allowance for Doubtful Accounts

The Aliveness Project extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Grants and contracts receivable are generally uncollateralized and The Aliveness Project does not charge interest on receivable balances. The Aliveness Project reviews grants and contracts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. No allowance for doubtful accounts has been provided as grants and contracts receivable are considered collectable.

Property and Equipment

All major expenditures above \$1,000 for property and equipment are capitalized at cost. Contributed items are recorded at fair market value at date of donation. Depreciation is provided through the use of the straight-line method.

THE ALIVENESS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled, and are reported in the Statements of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

Promises-To-Give (Pledges Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, The Aliveness Project will record such disallowance at the time the final assessment is made.

Program Fees

The 340B Drug Discount Program is a U.S. federal government program that requires drug manufacturers to provide outpatient drugs to eligible health care organizations and covered entities at significantly reduced prices. The Aliveness Project began this program in April 2015 and earns income after enrolling eligible clients in the 340B Drug Discount Program.

Functional Allocation of Expense

Expenses are recorded in functional categories when incurred. In certain cases, allocations between categories must be made. When allocations are required, they are based on the best estimates of management.

THE ALIVENESS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

1. Summary of Significant Accounting Policies (continued)

Income Tax

The Aliveness Project has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. The Aliveness Project's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. The Aliveness Project continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, The Aliveness Project annually files a Return of Organization Exempt From Income Tax (Form 990). The returns for the years ending December 31, 2013 and later remain subject to examination by the Internal Revenue Service.

Risks and Uncertainties

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions can affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Subsequent Events

The Aliveness Project has evaluated the effect that subsequent events would have on the financial statements through June 20, 2017, which is the date financial statements were available to be issued.

2. Significant Concentrations of Credit Risk

The Aliveness Project provides services within the Twin Cities area. The amounts due for grants and contracts receivable are from local residents, governments or institutions.

3. Major Source of Support

A major source of support was as follows as of:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Hennepin County	\$ 565,882	\$ 466,752
State of Minnesota	<u>185,967</u>	<u>230,221</u>
Total	<u>\$ 751,849</u>	<u>\$ 696,973</u>

THE ALIVENESS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

4. Grants and Contracts Receivable

The outstanding balance of grants and contracts receivable at December 31, 2016, is expected to be collected over the following fiscal years:

<u>Due in the Year Ending December 31,</u> 2017	<u>\$ 106,603</u>
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5. Property and Equipment

The Aliveness Project owned the following assets as of:

	<u>December 31,</u>		<u>Estimated Useful Lives</u>
	<u>2016</u>	<u>2015</u>	
Building and Improvements	\$ 2,500,196	\$ 2,441,648	7-39 years
Furniture and Equipment	133,735	114,812	3-7 years
Computer Software	<u>27,376</u>	<u>12,659</u>	3 years
	2,661,307	2,569,119	
Less Accumulated Depreciation	<u>353,066</u>	<u>253,940</u>	
	<u>\$ 2,308,241</u>	<u>\$ 2,315,179</u>	

Depreciation expense of \$98,803 and \$93,184 was recorded for the years ended December 31, 2016 and 2015, respectively.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts for the following purpose as of:

	<u>December 31,</u>	
	<u>2016</u>	<u>2015</u>
Food Access Program	<u>\$ -</u>	<u>\$ 24,167</u>

7. In-kind Contributions

The Aliveness Project received numerous in-kind donations that did not meet the criteria for financial statement recognition. Those included food, holiday baskets and other personal items passed directly through to members at an estimated value of \$40,912 and \$92,706 for the years ended December 31, 2016 and 2015, respectively.

THE ALIVENESS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2016 AND 2015

8. Notes Payable

The breakdown of notes payable is as follows:

	December 31,	
	2016	2015
Mortgage payable to Nonprofits Assistance Fund is due in monthly payments of \$6,708 including interest at the rate of 5.25%. The note is secured by mortgage, security agreement and assignment of rents and leases. This note was refinanced in January 2016.	\$ -	\$ 878,871
Mortgage payable to Bremer Bank is due in monthly payments of \$6,461 including interest at the rate of 3.88%. The note is secured by property. The maturity date is January 28, 2021.	837,279	-
Less Portion Due Within One (1) Year	45,880	42,061
Long-term Portion	\$ 791,399	\$ 836,810

Principal payments required are as follows:

<u>Due in the Year Ending December 31,</u>	
2017	\$ 45,880
2018	47,692
2019	49,576
2020	51,534
2021 & beyond	642,597
Total	\$ 837,279

9. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided by Operating Activities were as follows as of:

	December 31,	
	2016	2015
Depreciation	\$ 98,803	\$ 93,184
Increases (Decreases) in Current Liabilities:		
Accounts Payable	(15,549)	38,811
Accrued Salaries and Vacation	10,754	11,647
Decreases (Increases) in Current Assets:		
Grants and Contracts Receivable	59,183	(62,047)
Prepaid Expense	(2,484)	(5,474)
Total Adjustments	\$ 150,707	\$ 76,121