

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

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Financial Statements  
Auditor's Report  
For the Years Ended  
December 31, 2017 and 2016



**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, 2017 and 2016, 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, 2017 and 2016, 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 19, 2018

THE ALIVENESS PROJECT, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

|   | 2017         |                        | 2016         |                        |              |
|---|--------------|------------------------|--------------|------------------------|--------------|
|   | Unrestricted | Temporarily Restricted | Total        | Temporarily Restricted | Total        |
| Support and Revenue:  |              |                        |              |                        |              |
| Grants and Contributions  | \$ 445,703   | \$ 107,499             | \$ 553,202   | \$ 40,815              | \$ 482,412   |
| Government Grants   | 836,125      | -                      | 836,125      | -                      | 751,849      |
| Program Fees (Net of Expenses of \$419,872 in 2017 and \$491,671 in 2016) | 135,513      | -                      | 135,513      | -                      | 128,671      |
| Special Events  | 159,305      | -                      | 159,305      | -                      | 182,117      |
| Charitable Gaming:  |              |                        |              |                        |              |
| Gross Receipts  | 3,114,394    | -                      | 3,114,394    | -                      | 2,663,098    |
| Prizes  | (2,478,008)  | -                      | (2,478,008)  | -                      | (2,135,289)  |
| Expenses  | (493,877)    | -                      | (493,877)    | -                      | (469,466)    |
| Net Charitable Gaming   | 142,509      | -                      | 142,509      | -                      | 58,343       |
| Miscellaneous   | 5,480        | -                      | 5,480        | -                      | 4,349        |
| Net Assets Released from Restrictions:                                    |              |                        |              |                        |              |
| Satisfaction of Capital Restrictions                                      | 15,000       | (15,000)               | -            | (6,000)                | -            |
| Satisfaction of Program Restrictions                                      | 92,499       | (92,499)               | -            | (58,982)               | -            |
| Total Support and Revenue   | 1,832,134    | -                      | 1,832,134    | (24,167)               | 1,607,741    |
| Expense:  |              |                        |              |                        |              |
| Program Services:   |              |                        |              |                        |              |
| Food Services   | 599,567      | -                      | 599,567      | -                      | 606,846      |
| Member Services   | 477,484      | -                      | 477,484      | -                      | 428,928      |
| Outreach and Education  | 225,678      | -                      | 225,678      | -                      | 265,645      |
| Total Program Services  | 1,302,729    | -                      | 1,302,729    | -                      | 1,301,419    |
| Support Services:   |              |                        |              |                        |              |
| Management and General  | 300,432      | -                      | 300,432      | -                      | 263,076      |
| Fundraising   | 159,009      | -                      | 159,009      | -                      | 154,981      |
| Total Support Services  | 459,441      | -                      | 459,441      | -                      | 418,057      |
| Total Expense   | 1,762,170    | -                      | 1,762,170    | -                      | 1,719,476    |
| Change in Net Assets  | 69,964       | -                      | 69,964       | (24,167)               | (111,735)    |
| Net Assets - Beginning of Year  | 1,779,438    | -                      | 1,779,438    | 24,167                 | 1,891,173    |
| Net Assets - End of Year  | \$ 1,849,402 | \$ -                   | \$ 1,849,402 | \$ -                   | \$ 1,779,438 |

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, 2017  
WITH COMPARATIVE TOTALS FOR 2016

|                                 | 2017             |                 |                      |                  |                      |              | 2016             |              |
|---------------------------------|------------------|-----------------|----------------------|------------------|----------------------|--------------|------------------|--------------|
|                                 | Program Services |                 |                      | Support Services |                      |              | Total            | Total        |
|                                 | Food Services    | Member Services | Outreach & Education | Program Services | Management & General | Fund-raising | Support Services | All Services |
| Salaries                        | \$ 167,439       | \$ 299,818      | \$ 118,554           | \$ 585,811       | \$ 186,957           | \$ 130,843   | \$ 317,800       | \$ 903,611   |
| Employee Benefits               | 15,696           | 28,106          | 11,114               | 54,916           | 17,526               | 12,266       | 29,792           | 84,708       |
| Payroll Taxes                   | 14,627           | 26,193          | 10,357               | 51,177           | 16,333               | 11,431       | 27,764           | 78,941       |
| Total Personnel Costs           | 197,762          | 354,117         | 140,025              | 691,904          | 220,816              | 154,540      | 375,356          | 1,067,260    |
| Food Services                   | 231,040          | -               | -                    | 231,040          | -                    | -            | -                | 231,040      |
| Professional Fees               | 40,219           | 26,813          | 13,407               | 80,439           | 4,469                | 4,469        | 8,938            | 89,377       |
| Utilities and Trash Removal     | 26,092           | 10,437          | 5,218                | 41,747           | 10,437               | -            | 10,437           | 52,184       |
| Insurance                       | 17,950           | 11,967          | 5,983                | 35,900           | 3,989                | -            | 3,989            | 39,889       |
| Interest Expense                | 16,195           | 6,478           | 3,239                | 25,912           | 6,478                | -            | 6,478            | 32,390       |
| Advertising and Member Outreach | -                | 3,008           | 27,068               | 30,076           | -                    | -            | -                | 30,076       |
| Office Supplies and Equipment   | 2,864            | 8,594           | 5,730                | 17,188           | 11,459               | -            | 11,459           | 28,647       |
| Miscellaneous                   | 4,689            | 4,689           | 4,689                | 14,067           | 4,689                | -            | 4,689            | 18,756       |
| Printing and Copying            | 1,682            | 5,046           | 3,364                | 10,092           | 6,727                | -            | 6,727            | 16,819       |
| Acupuncture and Massage         | -                | 15,689          | -                    | 15,689           | -                    | -            | -                | 15,689       |
| Telephone                       | 1,869            | 3,629           | 1,869                | 7,367            | 3,629                | -            | 3,629            | 10,996       |
| Property Rental and Maintenance | 3,764            | 1,505           | 753                  | 6,022            | 1,505                | -            | 1,505            | 7,527        |
| Postage                         | 722              | 2,166           | 1,444                | 4,332            | 2,888                | -            | 2,888            | 7,220        |
| Conferences and Training        | 1,350            | 1,350           | 1,350                | 4,050            | 1,350                | -            | 1,350            | 5,400        |
| Bank Fees                       | 1,081            | 1,081           | 1,081                | 3,243            | 1,081                | -            | 1,081            | 4,324        |
| Bad Debt Expense                | -                | -               | -                    | -                | -                    | -            | -                | -            |
| Depreciation                    | 52,288           | 20,915          | 10,458               | 83,661           | 20,915               | -            | 20,915           | 104,576      |
| Total Expense                   | \$ 599,567       | \$ 477,484      | \$ 225,678           | \$ 1,302,729     | \$ 300,432           | \$ 159,009   | \$ 459,441       | \$ 1,762,170 |
|                                 |                  |                 |                      |                  |                      |              |                  | \$ 1,719,476 |

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, 2016

|                                 | Program Services |                 |                      |                  | Support Services     |              |                  | Total All Services |
|---------------------------------|------------------|-----------------|----------------------|------------------|----------------------|--------------|------------------|--------------------|
|                                 | Food Services    | Member Services | Outreach & Education | Program Services | Management & General | Fund-raising | Support Services |                    |
| Salaries                        | \$ 168,475       | \$ 231,013      | \$ 125,313           | \$ 524,801       | \$ 152,407           | \$ 110,426   | \$ 262,833       | \$ 787,634         |
| Employee Benefits               | 12,409           | 17,015          | 9,230                | 38,654           | 11,224               | 8,133        | 19,357           | 58,011             |
| Payroll Taxes                   | 13,719           | 18,812          | 10,205               | 42,736           | 12,411               | 8,992        | 21,403           | 64,139             |
| Total Personnel Costs           | 194,603          | 266,840         | 144,748              | 606,191          | 176,042              | 127,551      | 303,593          | 909,784            |
| Food Services                   | 221,880          | -               | -                    | 221,880          | -                    | -            | -                | 221,880            |
| Professional Fees               | 60,394           | 40,263          | 20,131               | 120,788          | 6,711                | 6,710        | 13,421           | 134,209            |
| Utilities and Trash Removal     | 27,155           | 10,862          | 5,431                | 43,448           | 10,861               | -            | 10,861           | 54,309             |
| Insurance                       | 14,382           | 9,588           | 4,794                | 28,764           | 3,196                | -            | 3,196            | 31,960             |
| Interest Expense                | 18,059           | 7,224           | 3,612                | 28,895           | 7,223                | -            | 7,223            | 36,118             |
| Advertising and Member Outreach | -                | 5,806           | 52,259               | 58,065           | -                    | -            | -                | 58,065             |
| Office Supplies and Equipment   | 3,914            | 11,739          | 7,826                | 23,479           | 15,653               | -            | 15,653           | 39,132             |
| Miscellaneous                   | 6,325            | 6,324           | 6,325                | 18,974           | 6,324                | -            | 6,324            | 25,298             |
| Printing and Copying            | 1,302            | 3,905           | 2,604                | 7,811            | 5,207                | 13,325       | 18,532           | 26,343             |
| Acupuncture and Massage         | -                | 35,226          | -                    | 35,226           | -                    | -            | -                | 35,226             |
| Telephone                       | 2,255            | 4,377           | 2,255                | 8,887            | 4,378                | -            | 4,378            | 13,265             |
| Property Rental and Maintenance | 2,627            | 1,051           | 525                  | 4,203            | 1,050                | -            | 1,050            | 5,253              |
| Postage                         | 707              | 2,121           | 1,414                | 4,242            | 2,829                | -            | 2,829            | 7,071              |
| Conferences and Training        | 2,575            | 2,575           | 2,575                | 7,725            | 2,576                | -            | 2,576            | 10,301             |
| Bank Fees                       | 1,266            | 1,266           | 1,266                | 3,798            | 1,266                | -            | 1,266            | 5,064              |
| Bad Debt Expense                | -                | -               | -                    | -                | -                    | 7,395        | 7,395            | 7,395              |
| Depreciation                    | 49,402           | 19,761          | 9,880                | 79,043           | 19,760               | -            | 19,760           | 98,803             |
| Total Expense                   | \$ 606,846       | \$ 428,928      | \$ 265,645           | \$ 1,301,419     | \$ 263,076           | \$ 154,981   | \$ 418,057       | \$ 1,719,476       |

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

THE ALIVENESS PROJECT, INC.  
STATEMENTS OF FINANCIAL POSITION  
DECEMBER 31, 2017 AND 2016

| <u>ASSETS</u>                         | <u>2017</u>             | <u>2016</u>             |
|---------------------------------------|-------------------------|-------------------------|
| Current Assets:                       |                         |                         |
| Cash                                  | \$ 87,116               | \$ 103,624              |
| Cash - Capital Reserve                | 27,528                  | 2,920                   |
| Cash - Operating Reserve              | 158,774                 | 157,411                 |
| Cash - Gaming                         | 84,841                  | 52,583                  |
| Total Cash                            | <u>358,259</u>          | <u>316,538</u>          |
| Grants and Contracts Receivable       | 110,780                 | 106,603                 |
| Prepaid Expense                       | 2,732                   | 15,478                  |
| Inventory                             | 500                     | 500                     |
| Total Current Assets                  | <u>472,271</u>          | <u>439,119</u>          |
| Property and Equipment - Net          | <u>2,242,347</u>        | <u>2,308,241</u>        |
| <br>TOTAL ASSETS                      | <br><u>\$ 2,714,618</u> | <br><u>\$ 2,747,360</u> |
| <br><u>LIABILITIES AND NET ASSETS</u> |                         |                         |
| Current Liabilities:                  |                         |                         |
| Accounts Payable                      | \$ 48,873               | \$ 68,777               |
| Accrued Salaries and Vacation         | 54,190                  | 61,866                  |
| Notes Payable                         | 47,692                  | 45,880                  |
| Security Deposits Held                | 350                     | -                       |
| Total Current Liabilities             | <u>151,105</u>          | <u>176,523</u>          |
| Notes Payable                         | <u>714,111</u>          | <u>791,399</u>          |
| Total Liabilities                     | <u>865,216</u>          | <u>967,922</u>          |
| Net Assets:                           |                         |                         |
| Unrestricted                          | <u>1,849,402</u>        | <u>1,779,438</u>        |
| <br>TOTAL LIABILITIES AND NET ASSETS  | <br><u>\$ 2,714,618</u> | <br><u>\$ 2,747,360</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, 2017 AND 2016

| <u>Increase (Decrease) in Cash</u>                          | <u>2017</u>       | <u>2016</u>       |
|---|-------------------|-------------------|
| <b>Cash Flows from Operating Activities:</b>                |                   |                   |
| Change in Net Assets  | \$ 69,964         | \$ (111,735)      |
| Total Adjustments   | <u>85,035</u>     | <u>150,707</u>    |
| Net Cash Provided by Operating Activities                   | 154,999           | 38,972            |
| <b>Cash Flows from Investing Activities:</b>                |                   |                   |
| Purchase of Property and Equipment                          | (40,302)          | (91,865)          |
| Proceeds from Sale of Property and Equipment                | <u>2,500</u>      | <u>-</u>          |
| Net Cash (Used) by Investing Activities                     | (37,802)          | (91,865)          |
| <b>Cash Flows from Financing Activities:</b>                |                   |                   |
| Proceeds from Issuance of Notes Payable                     | -                 | 877,334           |
| Principal Payments on Notes Payable                         | <u>(75,476)</u>   | <u>(918,926)</u>  |
| Net Cash (Used) by Financing Activities                     | (75,476)          | (41,592)          |
| Net Increase (Decrease) in Cash                             | 41,721            | (94,485)          |
| Cash - Beginning of Year                                    | <u>316,538</u>    | <u>411,023</u>    |
| Cash - End of Year  | <u>\$ 358,259</u> | <u>\$ 316,538</u> |
| <br><u>Supplemental Disclosure of Cash Flow Information</u> |                   |                   |
| <b>Cash Paid For:</b>                                       |                   |                   |
| Interest  | <u>\$ 32,390</u>  | <u>\$ 36,118</u>  |

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



THE ALIVENESS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

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, 2017 AND 2016

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, 2017 AND 2016

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, 2017 AND 2016

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).

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 19, 2018, 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>2017</u>         | <u>2016</u>       |
| Hennepin County    | \$ 653,996          | \$ 565,882        |
| State of Minnesota | <u>179,079</u>      | <u>185,967</u>    |
| Total              | <u>\$ 833,075</u>   | <u>\$ 751,849</u> |

THE ALIVENESS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

4. Grants and Contracts Receivable

The outstanding balance of grants and contracts receivable at December 31, 2017, is expected to be collected over the following fiscal years:

|  |                   |
|--|-------------------|
| <u>Due in the Year Ending December 31,</u> |                   |
| 2018                                       | <u>\$ 110,780</u> |

5. Property and Equipment

The Aliveness Project owned the following assets as of:

|                               | <u>December 31,</u> |                     | Estimated           |
|-------------------------------|---------------------|---------------------|---------------------|
|                               | <u>2017</u>         | <u>2016</u>         | <u>Useful Lives</u> |
| Building and Improvements     | \$ 2,507,921        | \$ 2,500,196        | 7-39 years          |
| Furniture and Equipment       | 135,212             | 133,735             | 3-7 years           |
| Computer Software             | <u>54,696</u>       | <u>27,376</u>       | 3 years             |
|                               | 2,697,829           | 2,661,307           |                     |
| Less Accumulated Depreciation | <u>455,482</u>      | <u>353,066</u>      |                     |
|                               | <u>\$ 2,242,347</u> | <u>\$ 2,308,241</u> |                     |

Depreciation expense of \$104,576 and \$98,803 was recorded for the years ended December 31, 2017 and 2016, respectively.

6. 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 \$68,688 and \$40,912 for the years ended December 31, 2017 and 2016, respectively.

THE ALIVENESS PROJECT, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

7. Notes Payable

The breakdown of notes payable is as follows:

|  | December 31, |            |
|--|--------------|------------|
|  | 2017         | 2016       |
| 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. | \$ 761,803   | \$ 837,279 |
| Less Portion Due Within One (1) Year   | 47,692       | 45,880     |
| Long-term Portion  | \$ 714,111   | \$ 791,399 |

Principal payments required are as follows:

| <u>Due in the Year Ending December 31,</u> |            |
|--|------------|
| 2018                                       | \$ 47,692  |
| 2019                                       | 49,576     |
| 2020                                       | 51,534     |
| 2021                                       | 613,001    |
| Total                                      | \$ 761,803 |

8. Defined Contribution Plan

The Aliveness Project maintains a 403(b) defined contribution plan covering all eligible employees. The Organization's contribution totaled \$15,114 and \$4,429 for the years ended December 31, 2017 and 2016, respectively.

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, |            |
|---|--------------|------------|
|   | 2017         | 2016       |
| Depreciation                                  | \$ 104,576   | \$ 98,803  |
| Gain from Sale of Property and Equipment      | (880)        | -          |
| Increases (Decreases) in Current Liabilities: |              |            |
| Accounts Payable                              | (19,904)     | (15,549)   |
| Accrued Salaries and Vacation                 | (7,676)      | 10,754     |
| Security Deposits Held                        | 350          | -          |
| Decreases (Increases) in Current Assets:      |              |            |
| Grants and Contracts Receivable               | (4,177)      | 59,183     |
| Prepaid Expense                               | 12,746       | (2,484)    |
| Total Adjustments                             | \$ 85,035    | \$ 150,707 |