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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

February 1, 2010

Board of Directors
Families United, Inc.
P.O. Box 340
Attica, IN 47918

We have reviewed the audit report prepared by Reed & Company, PC, Independent Public Accountants, for the period January 1, 2008 to December 31, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Families United, Inc., as of December 31, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

We call your attention to the finding in the report. Page 15 contains one current audit finding.

STATE BOARD OF ACCOUNTS

Families United, Inc.

**Audited Financial Statements
December 31, 2008 and 2007**

Families United, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Families United, Inc.
Attica, Indiana

We have audited the accompanying balance sheets of Families United, Inc. (an Indiana Corporation) as of December 31, 2008 and 2007, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Families United, Inc. as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Reed & Company, P.C.

Lafayette, Indiana
June 09, 2009

Families United, Inc.

Balance Sheets

December 31, 2008 and 2007

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 267,746	\$ 390,131
Accounts receivable	266,958	237,366
Certificates of deposit	104,146	52,121
Prepaid expenses	23,262	39,000
Total Current Assets	<u>662,112</u>	<u>718,618</u>
EQUIPMENT		
Furniture and fixtures	113,425	110,686
Equipment	200,854	175,978
Vehicles	14,973	44,002
	<u>329,252</u>	<u>330,666</u>
Less: accumulated depreciation	(222,480)	(221,024)
Total Equipment	<u>106,772</u>	<u>109,642</u>
TOTAL ASSETS	<u>\$ 768,884</u>	<u>\$ 828,260</u>

LIABILITIES AND SHAREHOLDER'S EQUITY

CURRENT LIABILITIES		
Accounts payable	\$ 16,643	\$ 18,826
Payroll taxes withheld and accrued	9,747	17,597
Accrued expenses	103,399	91,907
Deferred revenue	101,803	132,540
Total Current Liabilities	<u>231,592</u>	<u>260,870</u>
SHAREHOLDER'S EQUITY		
Capital stock	1,000	1,000
Retained earnings	536,292	566,390
Total Shareholder's Equity	<u>537,292</u>	<u>567,390</u>
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	<u>\$ 768,884</u>	<u>\$ 828,260</u>

See Accompanying Notes to Financial Statements

Families United, Inc.

Statements of Income

For the Years Ended December 31, 2008 and 2007

	2008		2007	
REVENUE	\$ 1,846,030	100.0 %	\$ 1,845,763	100.0 %
OPERATING EXPENSES				
Salaries and wages	1,179,058	63.9	1,148,957	62.2
Payroll taxes	87,937	4.8	86,975	4.7
Employee benefits	26,147	1.4	24,560	1.3
Advertising	2,842	0.2	4,607	0.2
Auto and travel	129,994	7.0	136,913	7.4
Depreciation	33,717	1.8	33,173	1.8
Donations	1,442	0.1	300	0.0
Dues and memberships	1,967	0.1	1,319	0.1
Education and training	9,200	0.5	9,261	0.5
Insurance	22,831	1.2	26,010	1.4
Professional fees	15,104	0.8	14,586	0.8
Meals and entertainment	3,104	0.2	2,111	0.1
Office expense	39,871	2.2	41,412	2.2
Program expense	26,675	1.4	13,049	0.7
Postage	4,989	0.3	4,763	0.3
Rent	157,923	8.6	144,671	7.8
Subscriptions	1,163	0.1	1,060	0.1
Supplies	13,372	0.7	18,130	1.0
Telephone	17,836	1.0	17,764	1.0
Total Operating Expenses	<u>1,775,172</u>	<u>96.3</u>	<u>1,729,621</u>	<u>93.6</u>
OPERATING INCOME	70,858	3.8	116,142	6.3
OTHER INCOME (EXPENSES)				
Interest income	4,926	0.3	10,433	0.6
Gain (loss) on disposal of fixed assets	2,118	0.1	(3,828)	(0.2)
Total Other Income (Expenses)	<u>7,044</u>	<u>0.4</u>	<u>6,605</u>	<u>0.4</u>
NET INCOME	<u>\$ 77,902</u>	<u>4.2 %</u>	<u>\$ 122,747</u>	<u>6.7 %</u>

See Accompanying Notes to Financial Statements

Families United, Inc.
Statements of Retained Earnings
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Balance at Beginning of Year	\$ 566,390	\$ 545,643
Net income	77,902	122,747
Distributions	<u>(108,000)</u>	<u>(102,000)</u>
Balance at End of Year	<u>\$ 536,292</u>	<u>\$ 566,390</u>

See Accompanying Notes to Financial Statements

Families United, Inc.

Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from clients and grants	\$ 1,785,701	\$ 1,923,106
Cash received from interest	4,926	10,433
Cash paid to employees and suppliers	<u>(1,724,258)</u>	<u>(1,697,746)</u>
Net Cash Provided by Operating Activities	66,369	235,793
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for purchase of fixed assets	(31,379)	(48,086)
Proceeds from the sale of fixed assets	2,650	0
Proceeds from maturity of certificate of deposit	52,121	0
Payment for purchase of certificates of deposit	<u>(104,146)</u>	<u>(52,121)</u>
Net Cash Used by Investing Activities	(80,754)	(100,207)
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions to shareholder	<u>(108,000)</u>	<u>(102,000)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(122,385)	33,586
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>390,131</u>	<u>356,545</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 267,746</u>	<u>\$ 390,131</u>

See Accompanying Notes to Financial Statements

Families United, Inc.
 Statements of Cash Flows
 For the Years Ended December 31, 2008 and 2007

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	2008	2007
NET INCOME	\$ 77,902	\$ 122,747
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Depreciation	33,717	33,173
(Gain) loss on disposal of assets	(2,118)	3,828
(Increase) Decrease in Assets:		
Accounts receivable	(29,592)	124,658
Prepaid expenses	15,738	(10,306)
Increase (Decrease) in Liabilities:		
Accounts payable	(2,183)	(4,600)
Payroll taxes withheld and accrued	(7,850)	13,732
Accrued expenses	11,492	(124)
Deferred revenue	(30,737)	(47,315)
TOTAL ADJUSTMENTS	(11,533)	113,046
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 66,369	\$ 235,793

See Accompanying Notes to Financial Statements

Families United, Inc.

Notes to Financial Statements

December 31, 2008 and 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Families United, Inc. was incorporated under the laws of the State of Indiana on March 28, 1989. Families United, Inc. is a comprehensive, home-based, family-centered service, which has provided intensive in-home support to children and families. The service is designed to prevent placement of children away from the family, or to assist in reunifying the family if children are in placement. The agency serves Benton, Boone, Carroll, Fountain, Montgomery, Putnam, Tippecanoe, Warren and White Counties.

Basis of Accounting

The financial statements of Families United, Inc. have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

For purposes of the statements of cash flows, Families United, Inc. considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Certificates of Deposit

Families United, Inc. owned the following certificates of deposit as of December 31:

	<u>2008</u>	<u>2007</u>
Certificate of deposit with an interest rate of 4.55% which matured on April 24, 2008	\$ 0	\$ 52,121
Certificate of deposit with an interest rate of 1.49% which matured on December 30, 2008*	50,495	0
Certificate of deposit with an interest rate of 2.75% which matures on February 24, 2009	<u>53,651</u>	<u>0</u>
Total Certificates of Deposit	\$ <u>104,146</u>	\$ <u>52,121</u>

*renewed after year-end with an interest rate of 2.53% and maturity of December 7, 2009

Families United, Inc.

Notes to Financial Statements

December 31, 2008 and 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Concentration of Credit Risk for Cash Held at Bank

Families United, Inc. maintains cash balances at two financial institutions. Accounts at these institutions are insured by the Federal Deposit Insurance Corporation up to \$250,000 for 2008 and up to \$100,000 for 2007. The amount of cash in excess of the insured limits at December 31, 2008 and 2007 were \$0 and \$256,384.

Accounts Receivable

Accounts receivable are shown at net realizable value. Bad debts are recognized using the direct write-off method, which does not differ materially from the allowance method.

Receivables, which are deemed to be fully collectible by management, are composed of the following amounts as of December 31:

	<u>2008</u>	<u>2007</u>
Benton County	\$ 2,157	\$ 6,459
Boone County	2,238	2,095
Fountain County	17,220	10,474
Montgomery County	31,419	9,465
Tippecanoe County	67,611	125,470
Warren County	10,083	8,635
White County	6,909	9,148
Healthy Families	17,520	8,160
TANF	110,348	55,950
Other receivables	<u>1,453</u>	<u>1,510</u>
Total Receivables	<u>\$ 266,958</u>	<u>\$ 237,366</u>

Significant Group Concentrations of Credit Risk

The majority of the revenue for services is received from agencies located within the state.

Families United, Inc.

Notes to Financial Statements

December 31, 2008 and 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Equipment

Equipment is recorded at cost. It is the policy of Families United, Inc. to capitalize expenditures for these items in excess of \$100. Lesser amounts and expenditures for repairs and maintenance are expensed. Equipment is depreciated using the straight-line method over the estimated useful lives of the assets.

Estimated useful lives of assets are as follows:

Furniture and fixtures	5 to 15 years
Equipment	5 to 7 years
Vehicles	5 years

Depreciation expense for the years ended December 31, 2008 and 2007 was \$33,717 and \$33,173.

Line of Credit

Families United, Inc. has a line of credit in the amount of \$200,000 which matures on November 20, 2009. The interest rate is 4.5%. There have been no borrowings against the line of credit during 2008 or 2007.

TAX STATUS

As of June 21, 1989, Families United, Inc. elected by consent of its shareholder to be taxed under the provisions of subchapter S of the Internal Revenue Code. Under these provisions, the corporation does not pay corporate income taxes. Instead, the shareholder includes her respective share of the corporation's net income in her individual tax return.

Families United, Inc.

Notes to Financial Statements

December 31, 2008 and 2007

COMMON STOCK

There are 1,000 shares of no-par value common stock authorized, issued and outstanding.

LEASE COMMITMENTS

Operating Leases

Families United, Inc. was leasing five buildings and one storage unit under a one year lease agreement from its shareholder. Total monthly rent was \$10,980 in 2008 and \$10,062 in 2007. Families United, Inc. was also leasing space from an unrelated party with annual rent of \$2,660 and \$2,664 in 2008 and 2007. Total rent expense for facilities for the years ended December 31, 2008 and 2007 was \$134,413 and \$123,328.

Families United, Inc. was leasing seven copiers under operating lease arrangements during 2008 and 2007. The following are the lease commitments:

<u>Lease term</u>	<u>Monthly payment</u>
April 2004 through April 2007	\$ 79
September 2004 through September 2007	\$ 307
March 2005 through March 2008	\$ 374
October 2005 through October 2008	\$ 138
April 2006 through April 2009	\$ 289
August 2006 through August 2009	\$ 139
August 2006 through August 2009	\$ 289
April 2007 through April 2010	\$ 136
September 2007 through September 2010	\$ 534
March 2008 through March 2011	\$ 394
October 2008 through October 2011	\$ 155

Total rent expense for copiers for the years ended December 31, 2008 and 2007 was \$23,510 and \$21,343.

Minimum future rental payments, under the non-cancelable operating leases, as of December 31, 2008:

<u>Year Ending December 31,</u>	<u>Amount</u>
2009	\$ 19,349
2010	11,269
2011	2,182
	<u>\$ 32,800</u>

Families United, Inc.

Notes to Financial Statements

December 31, 2008 and 2007

RELATED PARTY TRANSACTIONS

Families United, Inc. leases its buildings from its shareholder. The lease is classified as an operating lease. See operating lease footnote.

EMPLOYMENT RETIREMENT PLAN

Families United, Inc. adopted a Savings Incentive Match Plan for Employees (SIMPLE) in July 2000. The plan covers all employees. Employees are allowed to defer a maximum of \$10,500 in 2008 and 2007. Employees age 50 or over can make an additional catch up contribution of \$2,500 in 2008 and 2007. Families United, Inc. is matching 3% of the eligible employees' salary. Total contributions to the plan were \$26,147 and \$24,560 in 2008 and 2007.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Families United, Inc.
Attica, Indiana

Our report on our audit of the basic financial statements of Families United, Inc. as of and for the year ended December 31, 2008 appears on page one. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards, schedule of findings and questioned costs, schedule of funding sources and schedule of federal, state and local grant awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Reed & Company, P.C.
Lafayette, Indiana
June 09, 2009

Families United, Inc.
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2008

Federal Grantor / Pass-through Grantor / Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Department of Health & Human Services/Indiana Department of Child Services/Healthy Families Indiana	93.558	23-05-60-0467 23-09-60-0467	\$ 697,188 *
Department of Health & Human Services/Indiana Department of Child Services/Title IV B Part I	93.645	97-07-72-0467	45,167
Department of Health & Human Services/Indiana Department of Child Services/Title IV B Part II	93.556	97-07-72-0467	167,909
Total			\$ <u>910,264</u>

* Major Program

Basis of Accounting

The amounts of revenue recognized and expenditures shown on the Schedule of Expenditures of Federal Awards are presented in accordance with U.S. generally accepted accounting principles.

Families United, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Section I – Summary of Auditor’s Results

1. The auditor’s report expresses an unqualified opinion on the financial statements of Families United, Inc.
2. One control deficiency disclosed during the audit of the financial statements is reported in the Schedule of Findings and Questioned Costs. It is a material weakness.
3. No instances of noncompliance material to the financial statements of Families United, Inc. were disclosed during the audit.
4. No reportable conditions relating to the audit of internal control over major federal award programs are reported in the Schedule of Findings and Questioned Costs.
5. The auditor’s report on compliance for the major federal award programs for Families United, Inc. expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The program tested as major programs included: Department of Health & Human Services/Indiana Department of Child Services/Healthy Families Indiana-CFDA Number 93.558.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Families United, Inc. did qualify as a low-risk auditee.
10. There were no prior year audit findings related to major award programs.

Families United, Inc.
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2008

Section II-Findings-Financial Statements Audit

MATERIAL WEAKNESS

08-01 Financial Statement Preparation

Condition: As in prior years, Reed & Company, P.C. drafted the financial statements in accordance with accounting principles generally accepted in the United States of America.

Criteria: Families United, Inc. does not have the expertise to prepare the financial statements and disclosures in accordance with accounting principles generally accepted in the United States of America.

Effect: The financial statements were drafted by Reed & Company, P.C. and reviewed by management prior to their issuance.

Auditors' Recommendation: Management should continue to review the draft of the financial statements prior to their issuance and discuss any concerns with Reed & Company, P.C.

Response: Management of Families United, Inc. concurs with this recommendation and has reviewed a draft of the financial statements.

Section III-Findings and Questioned Costs-Major Award Programs Audit

None

Families United, Inc.
Schedule of Funding Sources
For the Year Ended December 31, 2008

State of Indiana Department of Child Services	\$ 1,025,704	55.6 %
Other funding sources	<u>820,326</u>	<u>44.4</u>
Total Revenue	<u>\$ 1,846,030</u>	<u>100.0 %</u>

See Accompanying Independent Auditor's Report on Supplementary Information

Families United, Inc.

Schedule of Federal, State and Local Grant Awards For the Year Ended December 31, 2008

STATE GRANT AWARDS DEPARTMENT OF CHILD SERVICES

IV B Part I Grant	
Grant balance, as of January 1	\$ 0
Additional awards	45,167
Funds expended	(45,167)
Grant balance, as of December 31	<u>\$ 0</u>
* zero based contract as of October 1, 2004	
IV B Part II Grant	
Grant balance, as of January 1	\$ 0
Additional awards	167,909
Funds expended	(167,909)
Grant balance, as of December 31	<u>\$ 0</u>
* zero based contract as of October 1, 2004	
Healthy Families Grant	
Grant balance, as of January 1	\$ 621,862
Additional awards	870,380
Funds expended	(812,628)
Funds expired	(104,293)
Grant balance, as of December 31	<u>\$ 575,321</u>

LOCAL GRANT AWARDS COUNTY FUNDING

Family Preservation, Supervised Visitation, and Counseling Grants	
Funds expended	<u>\$ 696,193</u>

See Accompanying Independent Auditor's Report on Supplementary Information



REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE

To the Board of Directors of
Families United, Inc.
Attica, Indiana

Compliance

We have audited the compliance of Families United, Inc. with the types of compliance requirements that are applicable to each of its major federal programs for the year ended December 31, 2008. Families United, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Families United, Inc.'s management. Our responsibility is to express an opinion on Families United, Inc.'s compliance based on our audit.

We conducted our audit of compliance 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 noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Families United, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Families United, Inc.'s compliance with those requirements.

In our opinion, Families United, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2008.

Internal Control Over Compliance

The management of Families United, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Families United, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on

compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Families United, Inc.'s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Reed & Company, P.C.

Lafayette, Indiana

June 09, 2009