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October 23, 2014

Board of Directors  
Specialized Alternatives for Families and Youth of Indiana, Inc.  
10100 Elida Road  
Delphos, OH 45833

We have reviewed the audit report prepared by Schneider Downs & Co., Inc., for the period January 1, 2011 to December 31, 2011. 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 Specialized Alternatives for Families and Youth of Indiana, Inc., as of December 31, 2011, 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.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

SPECIALIZED ALTERNATIVES FOR FAMILIES  
AND YOUTH OF INDIANA, INC.

Fort Wayne, Indiana

Financial Statements

For the years ended December 31, 2011 and 2010

and Independent Auditors' Report Thereon



SCHNEIDER DOWNS

INSTITUTE OF INNOVATION, LLC

[www.schneiderdowns.com](http://www.schneiderdowns.com)

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SCHNEIDER DOWNS

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INDEPENDENT AUDITORS' REPORT

Board of Trustees of  
Specialized Alternatives for Families  
and Youth of Indiana, Inc.  
Fort Wayne, Indiana

We have audited the accompanying statements of financial position of Specialized Alternatives for Families and Youth of Indiana, Inc. (SAFY of Indiana) as of December 31, 2011 and 2010 and the related statements of activities and change in net assets (deficit), functional expenses and cash flows for the years then ended. These financial statements are the responsibility of SAFY of Indiana'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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SAFY of Indiana's internal control over financial reporting. Accordingly, we express no such opinion. 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 SAFY of Indiana as of December 31, 2011 and 2010 and the change in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Schneider Downs & Co., Inc.*

Columbus, Ohio  
May 23, 2012

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SPECIALIZED ALTERNATIVES FOR FAMILIES  
AND YOUTH OF INDIANA, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2011	2010
<b>ASSETS</b>		
Cash	\$ 600	\$ 600
Accounts receivable (net of allowance for doubtful accounts of approximately \$200 and \$5,000 at December 31, 2011 and 2010, respectively)	636,916	696,723
Prepaid expenses	18,420	14,862
	\$ 655,936	\$ 712,185
<b>LIABILITIES AND NET DEFICIT</b>		
Accounts payable	\$ 22,656	\$ 11,260
Accrued expenses	192,430	229,777
Advances from affiliates, net	785,657	596,352
	1,000,743	837,389
Net Assets (Deficit)		
Unrestricted	(378,543)	(156,872)
Temporarily restricted	33,736	31,668
Total Net Deficit	(344,807)	(125,204)
	\$ 655,936	\$ 712,185

See notes to financial statements.

SPECIALIZED ALTERNATIVES FOR FAMILIES  
AND YOUTH OF INDIANA, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET DEFICIT  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
<b>REVENUE</b>						
Foster care	\$ 3,457,027	-	\$ 3,457,027	\$ 3,728,229	-	\$ 3,728,229
Adoption	158,555	-	158,555	40,241	-	40,241
Independent living	67,868	-	67,868	21,105	-	21,105
Contributions	2,604	\$ 44,257	46,861	1,308	\$ 42,548	43,856
Outpatient mental health	20,414	-	20,414	51,320	-	51,320
In-kind contribution	19,019	-	19,019	43,816	-	43,816
Outpatient non-mental health	16,815	-	16,815	53,916	-	53,916
Grants	-	7,550	7,550	-	14,947	14,947
Other revenue	361	-	361	3,750	-	3,750
Reclassification of net assets released from restriction	49,739	(49,739)	-	60,035	(60,035)	-
<b>Total Revenue</b>	<b>3,792,402</b>	<b>2,068</b>	<b>3,794,470</b>	<b>4,003,720</b>	<b>(2,540)</b>	<b>4,001,180</b>
<b>OPERATING EXPENSES</b>						
Programs	3,347,488	-	3,347,488	3,393,147	-	3,393,147
Management and general	613,067	-	613,067	615,829	-	615,829
Fundraising	53,518	-	53,518	100,665	-	100,665
<b>Total Operating Expenses</b>	<b>4,014,073</b>	<b>-</b>	<b>4,014,073</b>	<b>4,109,641</b>	<b>-</b>	<b>4,109,641</b>
<b>Change In Net Deficit</b>	<b>(221,671)</b>	<b>2,068</b>	<b>(219,603)</b>	<b>(105,921)</b>	<b>(2,540)</b>	<b>(108,461)</b>
<b>NET ASSETS (DEFICIT)</b>						
Beginning of year	(156,872)	31,668	(125,204)	(50,951)	34,208	(16,743)
End of year	\$ (378,543)	\$ 33,736	\$ (344,807)	\$ (156,872)	\$ 31,668	\$ (125,204)

See notes to financial statements.

SPECIALIZED ALTERNATIVES FOR FAMILIES  
AND YOUTH OF INDIANA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			
	Total Programs	Management and General	Fundraising	Total
Foster parent per diem	\$ 1,661,001	-	-	\$ 1,661,001
Salaries	876,688	\$ 120,447	-	997,135
Management fees	110,546	415,862	-	526,408
Fringe benefits	106,412	15,167	-	121,579
Travel and mileage reimbursement	111,718	4,088	-	115,806
Payroll taxes	91,958	12,016	-	103,974
Miscellaneous	8,011	10,152	\$ 53,518	71,681
Occupancy	59,271	9,174	-	68,445
Advertising	45,335	5,581	-	50,916
Respite, wrap, etc.	49,652	-	-	49,652
Phones, pagers and internet	34,568	5,476	-	40,044
Training	35,203	592	-	35,795
Outside services	33,009	2,031	-	35,040
Leased equipment	26,338	4,176	-	30,514
Retirement plan	20,059	2,778	-	22,837
Printing and subscriptions	15,695	2,473	-	18,168
Youth activities and awards	17,602	195	-	17,797
Supplies	14,984	2,027	-	17,011
Insurance	12,743	-	-	12,743
Meetings	11,308	14	-	11,322
Postage	4,958	760	-	5,718
Depreciation	429	58	-	487
	<u>\$ 3,347,488</u>	<u>\$ 613,067</u>	<u>\$ 53,518</u>	<u>\$ 4,014,073</u>

2010

Total Programs	Management and General	Fundraising	Total
\$ 1,776,338	-	-	\$ 1,776,338
829,721	\$ 131,286	-	961,007
111,700	405,738	-	517,438
119,880	21,554	-	141,434
93,989	3,669	-	97,658
90,219	15,065	-	105,284
9,740	649	\$ 100,665	111,054
63,735	9,309	-	73,044
24,353	4,381	-	28,734
47,997	-	-	47,997
34,525	5,355	-	39,880
22,570	1,644	-	24,214
30,305	-	-	30,305
24,343	3,914	-	28,257
36,261	7,496	-	43,757
10,730	1,662	-	12,392
10,361	833	-	11,194
17,759	1,816	-	19,575
19,064	-	-	19,064
12,482	339	-	12,821
6,635	1,059	-	7,694
440	60	-	500
<u>\$ 3,393,147</u>	<u>\$ 615,829</u>	<u>\$ 100,665</u>	<u>\$ 4,109,641</u>

See notes to financial statements.



SPECIALIZED ALTERNATIVES FOR FAMILIES  
AND YOUTH OF INDIANA, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net deficit	\$ (219,603)	\$ (108,461)
Adjustments to reconcile change in net deficit to net cash used in operating activities:		
Change in assets and liabilities:		
Accounts receivable	59,807	(196,890)
Prepaid expenses	(3,558)	9,850
Accounts payable	11,396	(13,778)
Accrued expenses	(37,347)	28,655
Net Cash Used In Operating Activities	(189,305)	(280,624)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances from affiliates - net	189,305	280,624
 Net Change In Cash	-	-
 <b>CASH</b>		
Beginning of year	600	600
End of year	\$ 600	\$ 600

See notes to financial statements.

SPECIALIZED ALTERNATIVES FOR FAMILIES  
AND YOUTH OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

NOTE 1 - ORGANIZATION

Specialized Alternatives for Families and Youth of Indiana, Inc. (SAFY of Indiana) is an Indiana not-for-profit corporation that provides high-quality, culturally diverse treatment programs and an array of collaborative services to meet the needs of families and youth.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied by management in the preparation of the accompanying financial statements follows:

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Allowance for Doubtful Accounts** - Provision is made for estimated uncollectible trade accounts receivable. SAFY of Indiana's estimate of the allowance is based on historical collection experience, a review of current status of trade receivables and judgment. Decisions to charge-off receivables are based on management's judgment after consideration of facts and circumstances surrounding potential uncollectible accounts. It is reasonably possible that SAFY of Indiana's estimate of the allowance for doubtful accounts will change.

**Classifications of Net Assets** - Resources are classified into two net asset categories according to donor-imposed restrictions. A description of these categories is as follows:

**Unrestricted Net Assets** - Net assets that are not subject to donor-imposed restrictions.

**Temporarily Restricted Net Assets** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of SAFY of Indiana and/or the passage of time. Temporarily restricted net assets at December 31, 2011 and 2010 are primarily related to youth activities and foster parent training. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Revenue Recognition** - SAFY of Indiana receives funding from federal, state and local sources. These funds are recognized as income when the related service is provided.

Foster care revenue is recognized on a cost reimbursement basis from the authorized state or county agencies and is determined by applying the approved reimbursement rate to census days for the foster children. Cost reports filed under these contracts are subject to final audit by the various agencies.

SPECIALIZED ALTERNATIVES FOR FAMILIES  
AND YOUTH OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In-Kind Contributions - Goods and services are donated to SAFY of Indiana by various individuals and organizations. Donated services meeting the requirements of accounting standards for not-for-profit entities are recorded at fair market value at the date of donation, and have been included in revenue and expenses for the respective years.

Income Taxes - SAFY of Indiana is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). SAFY of Indiana has not identified any material uncertain tax positions requiring an accrual or disclosure in the financial statements. There were no interest or penalties recognized in the statements of activities for the years ended December 31, 2011 and 2010 related to uncertain tax positions. The statutory tax years remain open to examination.

Subsequent Events - Subsequent events are defined as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or available to be issued. Management has evaluated subsequent events through May 23, 2012, which is the date that the financial statements were available to be issued.

Reclassifications - Certain amounts in the December 31, 2010 financial statements have been reclassified to conform to the current year's presentation.

NOTE 3 - RELATED-PARTY TRANSACTIONS

SAFY of Indiana pays a fee for management services to an affiliate, Specialized Alternatives for Families and Youth of America (SAFY of America), based on expenses incurred by that affiliate, which benefit all SAFY of America entities. This fee is allocated based upon the proportionate percentage of revenue received by all of the SAFY of America entities. Total management fees paid to this affiliate approximated \$526,000 and \$517,000 for the years ended December 31, 2011 and 2010, respectively. In addition, SAFY of Indiana leased certain equipment from an affiliate, Specialized Alternatives for Families and Youth Holding Company, Inc. (Holding), during 2011 and 2010. Total rent expense for such equipment approximated \$31,000 and \$28,000 for the years ended December 31, 2011 and 2010, respectively.

SAFY of America has a \$5,000 high-deductible insured plan with a Medical Expense Reimbursement Plan attached to it. SAFY of Indiana's expenses under the plan approximated \$110,000 and \$112,000 in 2011 and 2010, respectively. Effective January 1, 2012, SAFY of America became fully insured for medical expenses.

Advances from affiliates consist of non-interest-bearing advances from SAFY of America and SAFY Holdings.

SPECIALIZED ALTERNATIVES FOR FAMILIES  
AND YOUTH OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2011 AND 2010

NOTE 4 - PROFIT SHARING PLAN

SAFY of America sponsors a qualified profit sharing plan covering substantially all full-time employees and certain part-time employees. Contributions to the plan are determined by the Board of Trustees and are based upon a formula as defined in the plan document agreement. The plan provides for payments to participants at retirement, death or termination of employment in accordance with the plan's vesting schedule. SAFY of Indiana's contribution to the plan approximated \$23,000 and \$44,000 in 2011 and 2010, respectively.

NOTE 5 - LEASES

SAFY of Indiana leases office space under a noncancelable operating lease agreements expiring in 2012 and 2013. Total rent expense under the agreement approximated \$57,000 and \$58,000 in 2011 and 2010, respectively.

The following is a schedule, by year, of future minimum payments required under the operating lease:

<u>Year Ending December 31</u>	<u>Amount</u>
2012	\$ 29,000
2013	<u>21,000</u>
	<u>\$ 50,000</u>

NOTE 6 - FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the programs and other activities have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 7 - COMMITMENTS AND CONTINGENCIES

SAFY of Indiana's foster care revenues are subject to review by agents of the funding sources, the purpose of which is to ensure compliance with conditions precedent to the disbursement of funds. Revenues generated by the foster care programs may be disallowed or adjusted in subsequent periods as a result of these reviews.

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