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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, 2012 to December 31, 2012. 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, 2012, 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, 2012 and 2011

and Independent Auditors' Report Thereon

SCHNEIDER DOWNS

INSIGHT ■ INNOVATION ■ EXPERIENCE

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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 financial statements of Specialized Alternatives for Families and Youth of Indiana, Inc. (SAFY of Indiana), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities and change in net deficit, functional expenses, 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.

Auditors' 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 audit 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.

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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 SAFY of Indiana as of December 31, 2012 and 2011, and the change in its net deficit, functional expenses, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Schneider Downs & Co., Inc.

Columbus, Ohio
July 1, 2013

SPECIALIZED ALTERNATIVES FOR FAMILIES
AND YOUTH OF INDIANA, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31 2012	December 31 2011
ASSETS		
Cash	$ 600	$ 600
Accounts receivable (net of allowance for doubtful accounts of approximately $44,000 and $200 at December 31, 2012 and 2011, respectively)	2,035,501	636,916
Grants receivable	173,826	-
Prepaid expenses and other	128,185	18,420
	$ 2,338,112	$ 655,936
LIABILITIES AND NET DEFICIT		
Accounts payable	$ 76,152	$ 22,656
Accrued expenses	330,919	192,430
Advances from affiliates, net	2,004,646	785,657
	2,411,717	1,000,743
Net Assets (Deficit)		
Unrestricted	(277,012)	(378,543)
Temporarily restricted	203,407	33,736
Total Net Deficit	(73,605)	(344,807)
	$ 2,338,112	$ 655,936

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, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Foster care	$ 3,388,854	-	$ 3,388,854	$ 3,457,027	-	$ 3,457,027
Adoption	703,370	-	703,370	158,555	-	158,555
Independent living	1,428,455	-	1,428,455	67,868	-	67,868
Contributions	5,421	$ 1,163	6,584	2,604	$ 44,257	46,861
Mental health	323	-	323	20,414	-	20,414
In-kind contribution	2,667	-	2,667	19,019	-	19,019
Outpatient non-mental health	-	-	-	16,815	-	16,815
Grants	-	178,126	178,126	-	7,550	7,550
Other revenue	56,949	-	56,949	361	-	361
Reclassification of net assets released from restriction	9,618	(9,618)	-	49,739	(49,739)	-
Total Revenue	5,595,657	169,671	5,765,328	3,792,402	2,068	3,794,470
OPERATING EXPENSES						
Programs	4,455,306	-	4,455,306	3,338,868	-	3,338,868
Management and general	1,036,927	-	1,036,927	621,687	-	621,687
Fundraising	1,893	-	1,893	53,518	-	53,518
Total Operating Expenses	5,494,126	-	5,494,126	4,014,073	-	4,014,073
Change In Net Deficit	101,531	169,671	271,202	(221,671)	2,068	(219,603)
NET ASSETS (DEFICIT)						
Beginning of year	(378,543)	33,736	(344,807)	(156,872)	31,668	(125,204)
End of year	$ (277,012)	$ 203,407	$ (73,605)	$ (378,543)	$ 33,736	$ (344,807)

See notes to financial statements.

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SPECIALIZED ALTERNATIVES FOR FAMILIES
AND YOUTH OF INDIANA, INC.

STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012			
	Total Programs	Management and General	Fundraising	Total
Salaries	$ 1,418,083	$ 120,464	-	$ 1,538,547
Foster parent per diem	1,520,064	-	-	1,520,064
Management fees	-	804,093	-	804,093
Independent living, respite, wrap, etc.	452,611	-	-	452,611
Fringe benefits	181,169	12,297	-	193,466
Travel and mileage reimbursement	166,814	9,785	-	176,599
Payroll taxes	138,891	11,505	-	150,396
Occupancy	96,550	6,099	-	102,649
Outside services	77,301	1,099	-	78,400
Phones, pagers and internet	63,141	1,752	-	64,893
Retirement plan	57,171	4,830	-	62,001
Supplies	54,550	3,969	-	58,519
Bad debt	-	53,548	-	53,548
Training	53,091	370	-	53,461
Leased equipment	42,898	566	-	43,464
Advertising	41,300	253	-	41,553
Printing and subscriptions	30,130	2,252	-	32,382
Youth activities and awards	17,763	3	-	17,766
Insurance	14,385	934	-	15,319
Resident 24/7	12,743	-	-	12,743
Miscellaneous	2,510	2,619	$ 1,893	7,022
Meetings	6,837	1	-	6,838
Postage	6,162	415	-	6,577
Depreciation	1,142	73	-	1,215
	$ 4,455,306	$ 1,036,927	$ 1,893	$ 5,494,126

2011			
Total Programs	Management and General	Fundraising	Total
$ 934,450	$ 62,684	-	$ 997,134
1,661,001	-	-	1,661,001
-	526,408	-	526,408
49,652	-	-	49,652
115,238	6,342	-	121,580
109,036	8,521	-	117,557
98,609	5,365	-	103,974
68,184	262	-	68,446
34,885	155	-	35,040
39,516	527	-	40,043
20,906	1,932	-	22,838
16,633	378	-	17,011
-	(1,752)	-	(1,752)
35,410	385	-	35,795
30,102	412	-	30,514
50,521	395	-	50,916
27,035	536	-	27,571
17,796	2	-	17,798
12,406	338	-	12,744
-	-	-	-
-	8,758	$ 53,518	62,276
11,306	15	-	11,321
5,697	22	-	5,719
485	2	-	487
$ 3,338,868	$ 621,687	$ 53,518	$ 4,014,073

See notes to financial statements.

SPECIALIZED ALTERNATIVES FOR FAMILIES
AND YOUTH OF INDIANA, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net deficit	$ 271,202	$ (219,603)
Adjustments to reconcile change in net deficit to net cash used in operating activities:		
Change in assets and liabilities:		
Accounts receivable	(1,398,585)	59,807
Grants receivable	(173,826)	-
Prepaid expenses and other	(109,765)	(3,558)
Accounts payable	53,496	11,396
Accrued expenses	138,489	(37,347)
Net Cash Used In Operating Activities	(1,218,989)	(189,305)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from affiliates - net	1,218,989	189,305
Net Change In Cash	-	-
CASH		
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, 2012 AND 2011

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, 2012 and 2011 are primarily related to youth activities, foster parent training, and adoption. 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 eligible expenses are incurred or 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.

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, 2012 and 2011 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 July 1, 2013, which is the date that the financial statements were available to be issued.

Reclassifications - Certain amounts in the December 31, 2011 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 $804,000 and $526,000 for the years ended December 31, 2012 and 2011, respectively. In addition, SAFY of Indiana leased certain equipment from an affiliate, Specialized Alternatives for Families and Youth Holding Company, Inc. (Holding), during 2012 and 2011. Total rent expense for such equipment approximated $43,000 and $31,000 for the years ended December 31, 2012 and 2011, respectively.

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

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 $62,000 and $23,000 in 2012 and 2011, respectively.

NOTE 5 - OPERATING LEASES

SAFY of Indiana leases office space under a noncancelable operating lease agreements expiring in 2013 to 2015. Total rent expense under the agreement approximated $78,000 and $57,000 in 2012 and 2011, respectively.

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

Year Ending December 31	Amount
2013	$ 113,500
2014	76,300
2015	38,000
	$ 227,800

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 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 programs may be disallowed or adjusted in subsequent periods as a result of these reviews.

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