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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, 2013 to December 31, 2013. 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, 2013, 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, 2013 and 2012

and Independent Auditors' Report Thereon



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INDEPENDENT AUDITORS' REPORT

Board of Directors
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, 2013 and 2012, and the related statements of activities and change in net assets (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 from 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 auditors' 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 SAFY of Indiana as of December 31, 2013 and 2012, and the change in its net assets, 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
June 25, 2014

SPECIALIZED ALTERNATIVES FOR FAMILIES
AND YOUTH OF INDIANA, INC.

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2013	2012
ASSETS		
Cash	\$ 1,335	\$ 600
Accounts receivable (net of allowance for doubtful accounts of approximately \$2,000 and \$44,000 at December 31, 2013 and 2012, respectively)	1,128,108	2,035,501
Grants receivable	106,624	173,826
Prepaid expenses and other	86,909	128,185
	<u>\$ 1,322,976</u>	<u>\$ 2,338,112</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Accounts payable	\$ 39,711	\$ 76,152
Accrued expenses	299,303	330,919
Advances from affiliates, net	943,813	2,004,646
	<u>1,282,827</u>	<u>2,411,717</u>
Net Assets (Deficit)		
Unrestricted	(240,254)	(277,012)
Temporarily restricted	280,403	203,407
Total Net Assets (Deficit)	<u>40,149</u>	<u>(73,605)</u>
	<u>\$ 1,322,976</u>	<u>\$ 2,338,112</u>

See notes to financial statements.

SPECIALIZED ALTERNATIVES FOR FAMILIES
AND YOUTH OF INDIANA, INC.

STATEMENTS OF ACTIVITIES AND CHANGE IN NET ASSETS (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUE						
Foster care	\$ 3,417,707	-	\$ 3,417,707	\$ 3,388,854	-	\$ 3,388,854
Adoption	757,048	-	757,048	703,370	-	703,370
Independent living	3,287,248	-	3,287,248	1,428,455	-	1,428,455
Contributions	418	\$ 2,255	2,673	5,421	\$ 1,163	6,584
Mental health	-	-	-	323	-	323
In-kind contribution	7,478	125,270	132,748	2,667	-	2,667
Grants	-	107,949	107,949	-	178,126	178,126
Other revenue	25,934	-	25,934	56,949	-	56,949
Reclassification of net assets released from restriction	158,478	(158,478)	-	9,618	(9,618)	-
Total Revenue	7,654,311	76,996	7,731,307	5,595,657	169,671	5,765,328
OPERATING EXPENSES						
Programs	6,518,655	-	6,518,655	4,455,306	-	4,455,306
Management and general	1,098,898	-	1,098,898	1,038,820	-	1,038,820
Total Operating Expenses	7,617,553	-	7,617,553	5,494,126	-	5,494,126
Change In Net Assets	36,758	76,996	113,754	101,531	169,671	271,202
NET ASSETS (DEFICIT)						
Beginning of year	(277,012)	203,407	(73,605)	(378,543)	33,736	(344,807)
End of year	\$ (240,254)	\$ 280,403	\$ 40,149	\$ (277,012)	\$ 203,407	\$ (73,605)

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, 2013 AND 2012

	2013		
	Total Programs	Management and General	Total
Salaries	\$ 2,228,187	\$ 163,295	\$ 2,391,482
Foster parent per diem	1,502,540	-	1,502,540
Independent living, respite, wrap, etc.	1,070,625	-	1,070,625
Management fees	-	897,523	897,523
Fringe benefits	320,702	20,400	341,102
Travel and mileage reimbursement	261,488	11,857	273,345
Payroll taxes	214,549	15,302	229,851
Occupancy	154,114	5,343	159,457
Leased equipment	119,439	5,908	125,347
Outside services	120,800	602	121,402
Phones, pagers and internet	107,917	1,837	109,754
Retirement plan	65,596	5,037	70,633
Training	62,179	2,669	64,848
Supplies	54,647	2,244	56,891
Printing and subscriptions	54,553	2,042	56,595
Advertising	39,419	1,256	40,675
Resident 24/7	38,563	-	38,563
Youth activities and awards	29,670	832	30,502
Insurance	24,977	1,149	26,126
Miscellaneous	21,457	665	22,122
Meetings	14,859	30	14,889
Postage	7,096	285	7,381
Depreciation	5,278	244	5,522
Bad debt (recovery)	-	(39,622)	(39,622)
	<u>\$ 6,518,655</u>	<u>\$ 1,098,898</u>	<u>\$ 7,617,553</u>

2012

Total Programs	Management and General	Total
\$ 1,418,083	\$ 120,464	\$ 1,538,547
1,520,064	-	1,520,064
452,611	-	452,611
-	804,093	804,093
181,169	12,297	193,466
166,814	9,785	176,599
138,891	11,505	150,396
96,550	6,099	102,649
42,898	566	43,464
77,301	1,099	78,400
63,141	1,752	64,893
57,171	4,830	62,001
53,091	370	53,461
54,550	3,969	58,519
30,130	2,252	32,382
41,300	253	41,553
12,743	-	12,743
17,763	3	17,766
14,385	934	15,319
2,510	4,512	7,022
6,837	1	6,838
6,162	415	6,577
1,142	73	1,215
-	53,548	53,548
\$ 4,455,306	\$ 1,038,820	\$ 5,494,126

See notes to financial statements.

SPECIALIZED ALTERNATIVES FOR FAMILIES
AND YOUTH OF INDIANA, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 113,754	\$ 271,202
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donation of software	(125,270)	-
Depreciation	5,522	1,215
Change in assets and liabilities:		
Accounts receivable	907,393	(1,398,585)
Grants receivable	67,202	(173,826)
Prepaid expenses and other	35,754	(110,980)
Accounts payable	(36,441)	53,496
Accrued expenses	(31,616)	138,489
Net Cash Provided By (Used In) Operating Activities	<u>936,298</u>	<u>(1,218,989)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from affiliates - net	<u>(935,563)</u>	<u>1,218,989</u>
 Net Change In Cash	735	-
 CASH		
Beginning of year	<u>600</u>	<u>600</u>
 End of year	<u>\$ 1,335</u>	<u>\$ 600</u>

See notes to financial statements.

SPECIALIZED ALTERNATIVES FOR FAMILIES
AND YOUTH OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

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, 2013 and 2012 are primarily related to youth activities, foster parent training and adoption, as well as donated software. 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 revenue when eligible expenses are incurred or the related service is provided.

Treatment foster care revenue is primarily recognized on a per diem cost 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, 2013 AND 2012

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 goods and 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, 2013 and 2012 related to uncertain tax positions. The statutory tax years subsequent to 2009 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 June 25, 2014, which is the date that the financial statements were available to be issued.

Reclassifications - Certain amounts in the December 31, 2012 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 entities. This fee is allocated based upon the proportionate percentage of revenue received by all of the SAFY entities plus any of SAFY of America's expenses that are directly paid to SAFY of Indiana from a cost reimbursement program. Total management fees paid to this affiliate approximated \$898,000 and \$804,000 for the years ended December 31, 2013 and 2012, respectively. In addition, SAFY of Indiana leased certain equipment from an affiliate, Specialized Alternatives for Families and Youth Holding Company, Inc. (Holding), during 2013 and 2012. Total rent expense for such equipment approximated \$125,000 and \$43,000 for the years ended December 31, 2013 and 2012, respectively.

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

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 Directors 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 \$71,000 and \$62,000 in 2013 and 2012, respectively.

SPECIALIZED ALTERNATIVES FOR FAMILIES
AND YOUTH OF INDIANA, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 5 - OPERATING LEASES

SAFY of Indiana leases office space under a noncancelable operating lease agreements expiring in 2014 to 2016. Total rent expense under the agreement approximated \$114,000 and \$78,000 in 2013 and 2012, 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>
2014	\$ 126,000
2015	88,000
2016	<u>51,000</u>
	<u>\$ 265,000</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 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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