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STATE OF INDIANA

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April 27, 2016

Board of Directors
ProKids, Inc.
6923 Hillsdale Court
Indianapolis, IN 46250

We have reviewed the audit report prepared by Pile CPAs, for the period July 1, 2014 to June 30, 2015. 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 ProKids, Inc., as of June 30, 2015, 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

PROKIDS, INC.

FINANCIAL REPORT

June 30, 2015

Pile CPAs

Integrity Innovation since 1938

CONTENTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ProKids, Inc.
Indianapolis, Indiana

Report on the Financial Statements

We have audited the accompanying financial statements of ProKids, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, 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.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ProKids, Inc. as of June 30, 2015 and 2014, 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.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 2015 on our consideration of ProKids, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ProKids, Inc.'s internal control over financial reporting and compliance.

Pile CPAs

Indianapolis, Indiana
September 9, 2015

PROKIDS, INC

STATEMENTS OF FINANCIAL POSITION
June 30, 2015 and 2014

	2015	2014
ASSETS		
CURRENT ASSETS		
Cash	$ 43,436	$ 20,582
Grants receivable	376,029	486,143
Other receivables	36,074	22,925
Prepaid expenses	7,869	13,007
TOTAL CURRENT ASSETS	463,408	542,657
PROPERTY AND EQUIPMENT		
Office equipment	211,057	251,051
Office furniture	174,013	174,013
Leasehold improvements	51,064	51,064
	436,134	476,128
Less accumulated depreciation	(382,656)	(368,728)
	53,478	107,400
OTHER ASSETS	19,269	19,269
TOTAL ASSETS	$ 536,155	$ 669,326
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Line of credit	$ 51,000	$ 150,000
Accounts payable	1,286	17
Salaries & wages payable	64,896	71,212
Deferred lease incentive, current portion	13,976	13,976
TOTAL CURRENT LIABILITIES	131,158	235,205
LONG-TERM LIABILITIES		
Deferred lease incentive, less current portion	25,622	39,598
Deferred rent expense	14,286	17,778
	39,908	57,376
NET ASSETS		
Unrestricted	365,089	376,745
TOTAL LIABILITIES AND NET ASSETS	$ 536,155	$ 669,326

See Notes to Financial Statements.

PROKIDS, INC.

STATEMENTS OF ACTIVITIES
Years ended June 30, 2015 and 2014

		2015		2014
SUPPORT AND REVENUE				
Grants - federal	$	3,444,826	$	3,715,826
Evaluations		1,362,495		1,241,166
Conferences		89,721		216,992
Contributions		4,131		5,734
Interest income		75		99
TOTAL SUPPORT AND REVENUE		4,901,248		5,179,817
EXPENSES				
Program expenses:				
Central Indiana Cluster G		4,419,168		4,575,524
Unified Training System		264,401		426,197
Total program expenses		4,683,569		5,001,721
General and administrative expenses		229,335		213,965
TOTAL EXPENSES		4,912,904		5,215,686
CHANGE IN NET ASSETS		(11,656)		(35,869)
NET ASSETS				
Beginning of year		376,745		412,614
End of year	$	365,089	$	376,745

See Notes to Financial Statements.

PROKIDS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2015

	Central Indiana Cluster G	Unified Training System	General and Admin.	Total
Bank service charges	$ 231	$ 2,512	$ 1,006	$ 3,749
Contract services	-	29,000	-	29,000
Depreciation	26,710	4,484	5,441	36,635
Dues and subscriptions	1,122	75	1,575	2,772
Equipment expense	21,484	4,693	163	26,340
Facilities expense	26,336	1,677	768	28,781
General insurance	-	-	17,586	17,586
Health insurance	243,816	4,812	9,561	258,189
Interest expense	-	-	2,136	2,136
Life, dental, and disability	71,092	1,177	3,023	75,292
Loss on disposition of assets	-	18,684	-	18,684
Maintenance agreements	7,955	883	127	8,965
Materials and supplies	22,048	5,159	1,441	28,648
Other grant expense	4,500	310	749	5,559
Other outside services	18,548	17,042	200	35,790
Payroll service	-	-	5,483	5,483
Payroll taxes	243,271	9,185	10,809	263,265
Postage	8,061	153	283	8,497
Professional fees	-	-	29,450	29,450
Rent	203,555	13,538	(11,552)	205,541
Retirement plan contributions	56,405	2,332	2,947	61,684
Salaries	3,205,701	114,625	146,745	3,467,071
Telephone	22,295	1,959	436	24,690
Training Event Expense	-	27,052	-	27,052
Travel	207,676	3,485	205	211,366
Utilities	20,485	1,382	567	22,434
Workers compensation	7,877	182	186	8,245
	$ 4,419,168	$ 264,401	$ 229,335	$ 4,912,904

See Notes to Financial Statements.

PROKIDS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES - continued
Year ended June 30, 2014

	Central Indiana Cluster G	Unified Training System	General and Admin.	Total
Bank service charges	$ 70	$ 6,283	$ 1,160	$ 7,513
Contract services	2,375	50,690	-	53,065
Depreciation	35,261	6,973	4,465	46,699
Dues and subscriptions	1,386	75	1,303	2,764
Equipment expense	62,556	1,552	832	64,940
Facilities expense	24,626	3,231	687	28,544
General insurance	-	-	12,768	12,768
Health insurance	225,405	11,300	4,684	241,389
Interest expense	-	-	2,625	2,625
Life, dental, and disability	68,420	1,734	877	71,031
Loss on disposition of assets	-	1,289	-	1,289
Maintenance agreements	16,674	1,626	90	18,390
Materials and supplies	25,568	36,066	1,063	62,697
Other grant expense	6,443	641	-	7,084
Other outside services	16,731	18,175	-	34,906
Payroll service	-	-	4,625	4,625
Payroll taxes	265,294	16,568	10,576	292,438
Postage	17,381	361	320	18,062
Professional fees	-	-	36,250	36,250
Rent	183,326	26,386	(8,626)	201,086
Retirement plan contributions	61,194	4,144	2,729	68,067
Salaries	3,306,679	211,696	136,240	3,654,615
Telephone	20,097	3,829	366	24,292
Training Event Expense	-	12,461	-	12,461
Travel	201,649	6,950	72	208,671
Utilities	26,357	3,784	748	30,889
Workers compensation	8,032	383	111	8,526
	$ 4,575,524	$ 426,197	$ 213,965	$ 5,215,686

See Notes to Financial Statements.

PROKIDS, INC.

STATEMENTS OF CASH FLOWS
Years ended June 30, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grants, contributions and interest	$ 4,998,213	$ 5,154,605
Cash disbursed for programs and general and administrative purposes	(4,874,962)	(5,172,314)
Net cash provided by (used in) operating activities	123,251	(17,709)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment acquisitions	(1,397)	(39,077)
Net cash provided by (used in) investing activities	(1,397)	(39,077)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings (payments) on line of credit	(99,000)	55,000
Net cash provided by (used in) financing activities	(99,000)	55,000
Increase (decrease) in cash	22,854	(1,786)
CASH		
Beginning	20,582	22,368
Ending	$ 43,436	$ 20,582
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	$ (11,656)	$ (35,869)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	36,635	46,699
(Gains)/losses on disposition of assets	18,684	1,289
(Increase) decrease in:		
Grants and other receivables	96,965	(25,212)
Prepaid expenses	5,138	11,168
Increase (decrease) in:		
Accounts payable and accrued liabilities	(5,047)	(1,956)
Deferred rent and lease incentive	(17,468)	(13,828)
Net cash provided by (used in) operating activities	$ 123,251	$ (17,709)
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash payments for interest	$ 2,136	$ 2,625

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

ProKids, Inc. (the "Organization") was formed to develop, implement, and manage intra-agency programs, identified by Part C of the Individuals With Disabilities Education Act ("IDEA") legislation, in order to provide early intervention services to eligible infants and toddlers (birth to three years of age) with disabilities and their families. In the State of Indiana, this Part C program is called First Steps.

The goals of the First Steps Program in Indiana are to find and identify eligible children who are developmentally delayed; to provide assessment/evaluation of development for referred children to determine eligibility; to assist children to transition into other appropriate programs, once the child is three years of age and/or no longer eligible; to teach families to be advocates for their child's needs; and to provide appropriate developmental interventions so as to decrease the need for ongoing Special Education Services.

The Organization is the Fiscal Agent for the Local Planning and Coordinating Council ("LPCC") and the System Point of Entry ("SPOE") for the Indiana First Steps Program in Marion, Hamilton, Hendricks, Johnson, Morgan and Tipton counties ("Central Indiana Cluster G").

- *Local Planning and Coordinating Councils* - The purpose of these grants is to provide funding for Marion, Hamilton, Hendricks, Johnson, Morgan and Tipton counties to do public awareness, child find, transition, education, and other activities that enhance the early intervention program in each county. The Organization provides fiscal agent services, through cost reimbursement, to administer these funds for each of the above counties.

- *System Point of Entry* - The purpose of these grants is to provide funding to receive referrals from Marion, Hamilton, Hendricks, Johnson, Morgan and Tipton counties for children who are suspected of having developmental delays or who are at risk for developmental delays due to their medical condition or other biological risk factors; to initiate the evaluation process; and to determine whether eligibility criteria have been met. The Organization provides fiscal agent services, through cost reimbursement and fee for service, to administer these funds for each of the above counties.

- *Unified Training System First Steps Programmatic Training* - The purpose of this grant is to provide statewide training for providers, parents, and family members in First Steps, essential to the continued development of the early intervention system. The Organization provides fiscal agent services, through cost reimbursement and registration income, to administer these funds statewide. The grant for the Unified Training System First Steps Programmatic Training services ended on December 31, 2014.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

A summary of the Organization's significant accounting policies are as follows:

A. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

These financial statements have been prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with accounting principles generally accepted in the United States of America. This has been done by classification of transactions and balances into three categories of net assets: unrestricted net assets which have no donor-imposed restrictions, temporarily restricted net assets which have donor-imposed restrictions that will expire in the future, and permanently restricted net assets which have donor-imposed restrictions which do not expire. The Organization has no temporarily or permanently restricted net assets.

B. Concentration of Credit Risk

Cash consists of one checking account with a financial institution. The demand deposit account is insured by the Federal Deposit Insurance Corporation up to the maximum amount prescribed by law per institution. The balance may occasionally exceed the insured limit.

Federal funding by Indiana Family and Social Services Administration, Division of Disability and Rehabilitative Services ("State of Indiana") accounted for greater than 95% of total revenue received by the Organization for 2015 and 2014. The funding is derived from reimbursable grants and a fee for service contract to carry out the mission and programs of the Organization.

C. Property and Equipment

Furniture, equipment, and leasehold improvements in excess of $500 are capitalized and recorded at cost. Fixed assets are considered to be owned by the Organization; however, state funding sources may maintain equitable interest in the property purchased by grant monies, as well as the right to determine the use of any proceeds from the sale of these assets. Depreciation is provided using the straight-line method over the following estimated useful lives of the assets:

	Years
Software	3
Furniture and equipment	5 - 10
Leasehold improvements	10

Depreciation in the amount of $36,635 and $46,699 has been allocated to program services and supporting activities in the statements of activities for the years ended June 30, 2015 and 2014, respectively.

NOTE 1 NATURE OF BUSINESS AND SIGNIFICANT ACCOUNTING POLICIES - continued

D. Grants Receivable

Grants receivable consists of grant revenue expected to be received shortly after year-end. Management considers grants receivable at June 30, 2015 and 2014, to be fully collectible; accordingly, no allowance for doubtful accounts is required.

E. Income Taxes

The Organization is exempt from federal and state income taxes on its related activities under Internal Revenue Service Code Section 501(c)(3). Accordingly, no provision for federal and state income taxes has been made.

The Organization files the required federal and state information returns. Whenever tax returns are filed, the filing organization must evaluate the merits of its tax positions and determine if they will be ultimately sustained. Those tax positions for the Organization include maintaining their tax-exempt status and the taxability of any unrelated business income. The Organization believes these positions are sustainable. Although the Organization has not incurred any interest and penalties associated with these positions, it is their policy to expense them in the statement of activities. With few exceptions, the Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for the year prior to June 30, 2012.

F. 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.

G. Evaluation of Subsequent Events

The Organization has evaluated subsequent events through September 9, 2015, which is the date the financial statements were available to be issued.

NOTE 2 LINE OF CREDIT

The Organization has a line of credit with National Bank of Indianapolis with a maximum debt facility of $350,000 available through November 18, 2015. Amounts borrowed are secured by a commercial security agreement securing all assets of the Organization. The amount borrowed under the line of credit was $51,000 and $150,000 as of June 30, 2015 and 2014, respectively. Interest is assessed at the lender's prime rate plus 0.25%, but not less than 4.50%. The effective rate at June 30, 2015 and 2014 was 4.50%.

NOTE 3 LEASE COMMITMENTS

On February 7, 2008, the Organization signed an office lease with a lease term of ten years commencing on May 1, 2008. Under the lease agreement, the Organization received a lease incentive of $139,760. The Organization used the incentive proceeds to pay-off the remaining lease payments and termination fee on the old leases. The incentive is recorded as a liability and is being amortized using the straight-line method over the term of the lease. In addition, the Organization accrues rent expense on the new lease in an amount such that total rent expense under the lease will be recognized ratably over the ten-year term. Lease expense, net of amortization of lease incentive, for the years ended June 30, 2015 and 2014, was $201,099 and $195,226, respectively.

The Organization is obligated under three operating leases for a postage machine and two copiers with monthly payments ranging from $150 to $375 and various expiration dates through September 2020.

The total rent expense charged to income for the year ended June 30, 2015 and 2014, consists of the following:

	2015	2014
Rental paid on office lease	$ 218,567	$ 209,054
Annual operating expenses pass through (credit)	4,442	5,860
Adjustment to recognize lease payments ratable over the ten-year term	(3,492)	148
Amortization of deferred lease incentive over the ten-year term	(13,976)	(13,976)
Total rent expense	$ 205,541	$ 201,086

The future minimum lease payments as of June 30, 2015, are as follows:

	Facilities	Postage Machine	Copiers	Total
2016	$ 208,764	$ 1,872	$ 8,105	$ 218,741
2017	209,492	1,872	8,105	219,469
2018	177,634	1,872	6,585	186,091
2019	-	-	4,457	4,457
2020	-	-	1,114	1,114
Thereafter	-	-	-	-
	$ 595,890	$ 5,616	$ 28,366	$ 629,872

NOTE 4 EMPLOYEE BENEFIT PLAN

The organization has established a 403(b) Defined Contribution Retirement Plan (the "Plan"). An employee is eligible to make elective deferrals without a service requirement, unless they are part of an excluded class described in the Plan Adoption Agreement. Eligible classes of employees are all employees except Casual Employees who are hired to work on an as needed basis from time to time and normally work 0-19 hours per week; provided, however, that a Casual Employee who attains age 21 and completes one year of eligibility service will be eligible to become a participant for purposes of becoming a contributing participant (and thus eligible to make elective deferrals) on the first day of the next Plan Year, but not more than six months after satisfaction of this criteria. To be eligible for employer contributions, an employee must be at least 21 years of age and complete 12 consecutive months of eligibility service. Plan contributions are invested at the discretion of each participant and are fully vested and non-forfeitable when such contributions are made.

Plan contributions are made at a discretionary rate set by the Board of Directors each year. The discretionary rate for fiscal years June 30, 2015 and 2014 was 2%. Retirement plan contributions were $61,684 and $68,067 for the years ended June 30, 2015 and 2014, respectively.

NOTE 5 FUNCTIONAL EXPENSES

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

PROKIDS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2015

Federal Grantor/Pass-Through Grantor Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
US Department of Education			
Individuals with Disabilities Education Act			
Grants for Infants and Families with Disabilities	84.181		
Pass-Through Grantor:			
Indiana Family & Social Services Administration			
Pass-through programs:			
First Steps Cluster Contracts (FS)		49-14-5F-1460-02	$ 3,331,601
Unified Training System		49-12-5F-1460-05	113,225
Total expenditures of federal awards			$ 3,444,826

See Notes to the Schedule of Expenditures of Federal Awards.

PROKIDS, INC.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2015

NOTE 1 BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of ProKids, Inc. under programs of the federal government for the year ended June 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget ("OMB") Circular A-133, *Audits of States, Local Government, and Non-Profit Organization*. Because the schedule presents only a selected portion of the operations of ProKids, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of ProKids, Inc.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122 - *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ProKids, Inc.
Indianapolis, Indiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of ProKids, Inc., which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 9, 2015.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered ProKids, Inc.'s internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ProKids, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of ProKids, Inc.'s internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT - continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ProKids, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* .

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pile CPAs

Indianapolis, Indiana
September 9, 2015

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
ProKids, Inc.
Indianapolis, Indiana

Report on Compliance for Each Major Federal Program
We have audited ProKids, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of ProKids, Inc.'s major federal programs for the year ended June 30, 2015. ProKids, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility
Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of ProKids, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 ProKids, 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 on compliance for each major federal program. However, our audit does not provide a legal determination of ProKids, Inc.'s compliance.

Opinion on Each Major Federal Program
In our opinion, ProKids, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT - continued

Report on Internal Control Over Compliance

Management of ProKids, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered ProKids, Inc.'s internal control over compliance with requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 ProKids, Inc.'s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Pile CPAs

Indianapolis, Indiana
September 9, 2015

PROKIDS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2015

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal Control over financial reporting	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal Control over major programs:	
• Material weakness identified?	No
• Significant deficiency identified?	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
• Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

CFDA Number	Name of Federal Program
84.181	US Department of Education Individuals with Disabilities Education Act Grants for Infants and Families with Disabilities

Dollar Threshold used to distinguish between type A and type B programs	$ 300,000
Auditee qualified as low-risk auditee?	Yes

II. FINANCIAL STATEMENT FINDINGS	None
III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS	None

PROKIDS, INC.

SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2014

The prior year single audit disclosed no instances of noncompliance that were required to be reported under U.S. Government Auditing Standards and no uncorrected or unresolved findings exist from the prior audit's Schedule of Prior Audit Findings and Questioned Costs.