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May 22, 2009

Board of Directors  
Stop Child Abuse and Neglect, Inc.  
500 W. Main St.  
Fort Wayne, IN 46802

We have reviewed the audit report prepared by Haines, Isenbarger & Skiba, LLC, Independent Public Accountants, for the period October 1, 2007 to September 30, 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 Stop Child Abuse and Neglect, Inc., as of September 30, 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 findings in the report. The report on internal control contains five comments.

STATE BOARD OF ACCOUNTS

Financial Statements

**STOP CHILD ABUSE AND NEGLECT, INC.**

*Years ended September 30, 2008 and 2007  
with Report of Independent Auditors*

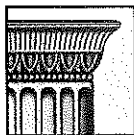
Stop Child Abuse and Neglect, Inc.

Financial Statements

Years ended September 30, 2008 and 2007

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HAINES, ISENBARGER & SKIBA, LLC  
CERTIFIED PUBLIC ACCOUNTANTS

## Report of Independent Auditors

Board of Directors  
Stop Child Abuse and Neglect, Inc.

We have audited the accompanying statements of financial position of Stop Child Abuse and Neglect, Inc. (SCAN) as of September 30, 2008 and 2007, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of SCAN'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 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 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 SCAN at September 30, 2008 and 2007 and the results of its operations, changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2009, on our consideration of SCAN'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Haines, Isenbarger & Skiba, LLC*

January 8, 2009

Stop Child Abuse and Neglect, Inc.

Statements of Financial Position

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 182,225	\$ 363,785
Cash and cash equivalents, designated for Healthy Families program	548,343	1,015,627
Certificates of deposit	55,283	47,498
Government grants receivable	1,565,129	1,014,938
Pledges receivable	7,311	29,622
Prepaid expenses	9,879	10,684
Total current assets	<u>2,368,170</u>	<u>2,482,154</u>
Property and equipment:		
Land and land improvements	208,744	159,450
Building	1,116,171	1,097,649
Office equipment	436,494	436,494
Furnishings	160,910	160,910
	<u>1,922,319</u>	<u>1,854,503</u>
Less accumulated depreciation	875,234	801,213
Total property and equipment, net	<u>1,047,085</u>	<u>1,053,290</u>
Other assets:		
Beneficial interest in perpetual trust	222,847	286,752
Bond issuance costs	8,498	9,713
Total other assets	<u>231,345</u>	<u>296,465</u>
Total assets	<u><u>\$3,646,600</u></u>	<u><u>\$3,831,909</u></u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Current portion of long-term debt	\$ 33,667	\$ 33,667
Accounts payable	436,360	196,698
Accrued expenses	29,340	173,495
Total current liabilities	<u>499,367</u>	<u>403,860</u>
Long-term debt, less current portion	59,770	93,437
Total liabilities	<u>559,137</u>	<u>497,297</u>
Net assets:		
Unrestricted	2,853,329	2,978,381
Temporarily restricted	6,287	64,479
Permanently restricted	227,847	291,752
Total net assets	<u>3,087,463</u>	<u>3,334,612</u>
Total liabilities and net assets	<u><u>\$3,646,600</u></u>	<u><u>\$3,831,909</u></u>

See accompanying notes.

Stop Child Abuse and Neglect, Inc.

Statements of Activities and Changes in Net Assets

	Year ended September 30							
	2008			2007				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Revenue, support, and other income</b>								
Contributions	\$ 969,535	\$ 13,500	\$ -	\$ 983,035	\$ 890,836	\$ 87,585	\$ -	\$ 978,421
Contributed goods and services	16,419	-	-	16,419	110,005	-	-	110,005
Government grants:								
Child Welfare Services, county and state	1,008,023	-	-	1,008,023	907,815	-	-	907,815
Community Alliance for Healthy Families	4,296,900	-	-	4,296,900	4,176,053	-	-	4,176,053
Community Partners for Child Safety	1,945,582	-	-	1,945,582	554,487	-	-	554,487
Program fees	726,085	-	-	726,085	419,556	-	-	419,556
United Way	164,534	-	-	164,534	163,952	-	-	163,952
Interest income	31,522	-	-	31,522	58,539	-	-	58,539
Change in value of beneficial interest in perpetual trust	-	-	(63,905)	(63,905)	-	-	21,077	21,077
Miscellaneous	76,984	-	-	76,984	93,378	-	-	93,378
Total revenue, support, and other income	9,235,584	13,500	(63,905)	9,185,179	7,374,621	87,585	21,077	7,483,283
before net assets released from restrictions	71,692	(71,692)	-	-	32,259	(32,259)	-	-
Net assets released from restrictions	9,307,276	(58,192)	(63,905)	9,185,179	7,406,880	55,326	21,077	7,483,283
Total revenue, support, and other income								
<b>Expenses</b>								
Program services:								
Parents & Partners	580,293	-	-	580,293	491,812	-	-	491,812
Intensive Intervention Team	88,628	-	-	88,628	207,129	-	-	207,129
Supervised Visitation	519,740	-	-	519,740	424,327	-	-	424,327
Daybreak Crisis Homes	150,781	-	-	150,781	187,949	-	-	187,949
Prevention through Education	-	-	-	-	101,256	-	-	101,256
Family Connections	118,030	-	-	118,030	76,337	-	-	76,337
Community Alliance for Healthy Families	4,978,132	-	-	4,978,132	4,212,758	-	-	4,212,758
Building Strong Families	536,747	-	-	536,747	533,156	-	-	533,156
Community Partners for Child Safety	2,024,301	-	-	2,024,301	558,066	-	-	558,066
Starting School Successfully	104,762	-	-	104,762	49,490	-	-	49,490
Total program services	9,101,414	-	-	9,101,414	6,842,280	-	-	6,842,280
Support services:								
Management and general	112,780	-	-	112,780	128,777	-	-	128,777
Fundraising	218,134	-	-	218,134	192,011	-	-	192,011
Total support services	330,914	-	-	330,914	320,788	-	-	320,788
Total expenses	9,432,328	-	-	9,432,328	7,163,068	-	-	7,163,068
<b>Increase (decrease) in net assets</b>	(125,052)	(58,192)	(63,905)	(247,149)	243,812	55,326	21,077	320,215
Net assets at beginning of year	2,978,381	64,479	291,752	3,334,612	2,734,569	9,153	270,675	3,014,397
Net assets at end of year	\$ 2,853,329	\$ 6,287	\$ 227,847	\$ 3,087,463	\$ 2,978,381	\$ 64,479	\$ 291,752	\$ 3,334,612

See accompanying notes.

Stop Child Abuse and Neglect, Inc.

Statement of Functional Expenses

Year ended September 30, 2008

	Program Services										Support Services				
	Family Restoration Services					Prevention Services					Total Support Services	Total Expenses			
	Parents & Partners	Intensive Intervention Team	Supervised Visitation	Daybreak Crisis Homes	Total Family Restoration Services	Family Connections	Community Alliance for Healthy Families	Building Strong Families	Partners for Child Safety	Starting School Successfully			Total Prevention Services	Management and General	Fundraising
Salaries	\$376,195	\$ 59,893	\$409,987	\$ 57,690	\$ 903,765	\$ 76,536	\$1,896,134	\$164,811	\$ 554,384	\$ 66,953	\$2,758,818	\$ 24,025	\$110,824	\$134,849	\$3,797,432
Payroll taxes	29,473	4,623	32,217	4,434	70,747	5,869	142,217	12,022	42,212	5,346	207,666	2,564	8,672	11,236	289,649
Employee benefits	61,411	5,524	12,948	11,313	91,196	4,119	250,124	27,028	42,081	9,875	333,227	5,385	11,178	16,563	440,986
Contract services	5,693	1,725	5,209	62,197	74,824	2,736	2,216,194	70,749	1,123,842	954	3,414,475	2,362	1,371	3,733	3,493,032
Supplies and materials	10,838	2,920	14,649	3,980	32,387	7,518	108,414	122,430	81,738	5,955	326,055	3,500	71,272	74,772	433,214
Printing and publications	6,933	2,139	5,923	1,118	16,113	1,243	40,626	3,763	25,120	1,358	72,110	4,033	2,621	6,654	94,877
Postage	2,395	675	2,055	388	5,513	394	14,506	2,890	5,124	463	23,377	1,620	968	2,588	31,478
Telephone	14,195	1,090	3,966	1,124	20,375	2,758	29,709	4,504	20,287	1,013	58,271	1,610	1,367	2,977	81,623
Conferences and training	1,834	650	1,655	328	4,467	5,079	20,807	103,923	2,212	939	132,960	1,176	386	1,562	138,989
Insurance	3,716	1,077	3,592	515	8,900	606	21,436	1,582	5,525	618	29,767	2,291	1,090	3,381	42,048
Utilities	2,526	980	3,512	360	7,378	598	17,337	1,210	4,182	170	23,497	699	921	1,620	32,495
Repairs and maintenance	8,546	2,400	7,323	1,361	19,630	3,012	50,897	7,317	14,987	1,652	77,865	4,004	2,383	6,387	103,882
Travel—mileage	36,023	167	484	3,654	40,328	766	75,798	3,448	70,526	6,698	157,236	2,662	213	2,875	200,439
Minor equipment purchases	5,817	1,584	5,067	1,019	13,487	908	40,900	2,899	13,658	1,520	59,885	2,738	1,618	4,356	77,728
Other costs	8,746	1,192	3,296	561	13,795	3,679	16,198	5,126	12,534	747	38,284	2,515	1,224	3,739	55,818
Total expenses before depreciation and interest expense	574,341	86,639	511,883	150,042	1,322,905	115,821	4,941,297	533,702	2,018,412	104,261	7,713,493	61,184	216,108	277,292	9,313,690
Depreciation expense	5,120	1,710	6,817	650	14,297	1,049	32,120	2,705	5,103	423	41,400	16,576	1,748	18,324	74,021
Interest expense and bank fees	832	279	1,040	89	2,240	1,160	4,715	340	786	78	7,079	35,020	278	35,298	44,617
Total expenses	\$580,293	\$ 88,628	\$519,740	\$150,781	\$1,339,442	\$118,030	\$4,978,132	\$536,747	\$2,024,301	\$ 104,762	\$7,761,972	\$112,780	\$218,134	\$330,914	\$9,432,328

Stop Child Abuse and Neglect, Inc.

Statement of Functional Expenses

Year ended September 30, 2007

	Program Services										Support Services					
	Family Restoration Services					Prevention Services					Support Services					
	Parents & Partners	Intensive Intervention Team	Supervised Visitation	Daybreak Crisis Homes	Total Family Restoration Services	Prevention through Education	Family Connections	Alliance for Healthy Families	Building Strong Families	Community Partners for Child Safety	Starting School Successfully	Total Prevention Services	Management and General	Fundraising	Total Support Services	Total Expenses
Salaries	\$303,022	\$144,281	\$328,266	\$ 51,226	\$ 826,795	\$ 65,638	\$ 44,232	\$1,478,091	\$250,921	\$233,068	\$ 29,968	\$2,101,918	\$ 9,915	\$100,864	\$110,779	\$3,039,492
Payroll taxes	24,602	11,613	27,661	4,049	67,925	5,052	3,461	115,622	20,573	15,347	2,468	162,503	1,446	9,148	10,594	241,022
Employee benefits	55,309	9,546	8,985	8,987	82,827	5,712	1,952	178,035	24,575	9,939	3,640	223,853	5,867	10,864	16,731	323,411
Contract services	11,285	14,678	7,654	72,152	105,769	2,333	3,987	2,050,559	46,562	214,712	2,350	2,320,503	691	1,859	2,550	2,428,822
Supplies and materials	11,442	5,579	11,004	35,474	63,499	2,664	4,737	84,967	100,709	16,667	2,697	212,441	833	54,262	55,095	331,035
Printing and publications	7,324	3,487	6,073	1,799	18,683	1,617	4,936	35,775	7,657	5,685	1,547	57,217	1,790	2,318	4,108	80,008
Postage	1,817	865	1,547	321	4,550	1,272	311	8,721	3,138	1,424	384	15,230	150	751	901	20,701
Telephone	10,339	1,932	3,451	1,172	16,894	853	3,410	27,330	5,823	8,332	1,065	46,813	620	1,630	2,250	65,957
Conferences and training	1,954	885	1,558	967	5,364	385	129	30,312	32,160	4,517	387	67,890	-	579	579	75,833
Insurance	4,252	2,005	3,900	705	10,862	897	685	20,529	4,041	2,568	807	29,527	1,707	1,373	3,080	43,469
Utilities	2,846	1,355	2,446	500	7,147	599	432	13,601	2,888	2,169	595	20,284	768	903	1,671	29,102
Repairs and maintenance	8,968	4,271	7,636	1,587	22,462	1,886	2,605	42,864	12,367	6,083	1,896	67,701	2,228	2,838	5,066	95,229
Travel—mileage	34,104	1,072	322	5,187	40,685	9,800	64	59,346	6,835	25,353	155	101,553	2,521	210	2,731	144,969
Minor equipment purchases	2,744	989	2,435	368	6,536	469	1,512	19,894	4,512	2,489	439	29,315	57,671	657	58,328	94,179
Other costs	5,655	1,810	3,394	2,818	13,677	753	1,810	15,021	7,032	8,390	678	33,684	851	1,537	2,388	49,749
Total expenses before depreciation and interest expense	485,663	204,368	416,332	187,312	1,293,675	99,910	74,263	4,180,667	529,793	556,743	49,076	5,490,452	87,058	189,793	276,851	7,060,978
Depreciation expense	5,004	2,231	6,454	516	14,205	1,088	1,082	25,908	2,725	1,076	337	32,216	38,995	1,792	40,787	87,208
Interest expense and bank fees	1,145	530	1,541	121	3,337	258	992	6,183	638	247	77	8,395	2,724	426	3,150	14,882
Total expenses	\$491,812	\$207,129	\$424,327	\$187,949	\$1,311,217	\$101,256	\$ 76,337	\$4,212,758	\$533,156	\$558,066	\$ 49,490	\$5,531,063	\$128,777	\$192,011	\$320,788	\$7,163,068

Stop Child Abuse and Neglect, Inc.

Statements of Cash Flows

	<b>Year ended September 30</b>	
	<b>2008</b>	<b>2007</b>
<b>Operating activities</b>		
Increase (decrease) in net assets	\$ (247,149)	\$ 320,215
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Noncash contribution of property and equipment	-	(19,979)
Depreciation	74,021	87,208
Amortization	1,215	1,213
Changes in operating assets and liabilities:		
Government grants receivable	(550,191)	(372,010)
Pledges receivable	22,311	(20,469)
Prepaid expenses	805	(3,345)
Accounts payable	239,662	(86,999)
Accrued expenses	(144,155)	10,747
Beneficial interest in perpetual trust	63,905	(21,077)
Net cash used in operating activities	<u>(539,576)</u>	<u>(104,496)</u>
<b>Investing activities</b>		
Purchases of property and equipment	(67,816)	(63,088)
Net change in certificates of deposit	(7,785)	(40,000)
Net cash used in investing activities	<u>(75,601)</u>	<u>(103,088)</u>
<b>Financing activity—payment of long-term debt</b>	<u>(33,667)</u>	<u>(33,667)</u>
Decrease in cash and cash equivalents	(648,844)	(241,251)
Cash and cash equivalents at beginning of year	1,379,412	1,620,663
Cash and cash equivalents at end of year	<u>\$ 730,568</u>	<u>\$1,379,412</u>
<b>Cash and cash equivalents</b>		
Cash and cash equivalents	\$ 182,225	\$ 363,785
Cash and cash equivalents, designated for Healthy Families program	548,343	1,015,627
	<u>\$ 730,568</u>	<u>\$1,379,412</u>

# Stop Child Abuse and Neglect, Inc.

## Notes to Financial Statements

September 30, 2008

### 1. Organization and Summary of Significant Accounting Policies

#### Organization

Stop Child Abuse and Neglect, Inc. (SCAN) was established in the state of Indiana. SCAN's mission is to eliminate the abuse and neglect of children through family services, education and community partnerships.

SCAN has two primary service areas: Prevention and Family Restoration. The Prevention programs include Healthy Families, Family Connections, Community Partners for Child Safety (under the program names of the Network for Safe Families and Community Partners for Safe Families), Building Strong Families, and Starting School Successfully. The Family Intervention programs include Intensive Intervention Team (IIT), Parents & Partners, Supervised Visitation, and Daybreak Crisis Homes.

**Healthy Families**—SCAN's Healthy Families program is a part of the Community Alliance for Healthy Families, a four-agency collaboration that oversees the Healthy Families program in Allen County. The Healthy Families program helps prevent abuse and neglect by working one-on-one with overwhelmed families that are struggling to balance raising children with life's demands. Targeted to help parents of newborn children, Healthy Families enrolls parents during pregnancy or immediately after the birth of their child. Most parents are screened in the hospital, and if they show signs of being overwhelmed, are offered the program. One-on-one, in-home services begin weekly and can last up to five years. The Healthy Families program works with parents to teach appropriate discipline, to review child development and age-appropriate expectations of children, to assist parents in building a strong network of support from family, neighbors, and churches; to help parents develop budgeting, time-management, and stress-management skills to better balance parenting and home-management, and to link families to community resources for health care, financial aid, food, housing, school-readiness, child care, job training, substance-abuse treatment and other mental health assistance.

**Family Connections**—Family Connections offers programs to help people address conflict and changing family situations due to a divorce, separation, or paternity issue. Programs include Pre-Divorce workshops, Kids & Divorce workshops, Parenting Coordination, Supervised Parenting Time, and Conflict groups. Some of these programs require a judge's order, others are completely voluntary.

# Stop Child Abuse and Neglect, Inc.

## Notes to Financial Statements (continued)

### 1. Organization and Summary of Significant Accounting Policies (continued)

#### Organization (continued)

**Community Partners for Child Safety (The Network for Safe Families and Community Partners for Safe Families)**—The Community Partners for Child Safety is a state initiative designed to help families before they cross the line into child abuse or neglect. Through the Network and Community Partners programs, SCAN works with other local social service agencies to offer parents help with situations that are interfering with their ability to manage their families. The goal of these programs is to provide families with in-home, one-on-one services that strengthen the family and prevent child abuse or neglect. Network and Community Partners services are offered by expert providers in every county it serves. In addition, SCAN operates a Community Outreach and Education program within these programs to increase awareness of the programs and other child abuse and neglect prevention. The Network serves families living in Adams, Allen, DeKalb, Huntington, LaGrange, Noble, Steuben, Wells, and Whitley. Community Partners offers help to families living in the following counties: Elkhart, Kosciusko, Marshall, and St. Joseph.

**Building Strong Families**—Through the Healthy Families program, SCAN offers Healthy Couples, a program for moms and dads together who are expecting a baby, or who have just had welcomed a newborn into their lives. As part of the federal government's Building Strong Families initiative, Healthy Couples encourages long-term commitment between parents. This program teaches participants how to build trust and improve communication for a healthier relationship, learn skills necessary to be nurturing parents, and address financial, health, employment and family pressures in a productive way.

**Starting School Successfully (S3)**—A partnership between SCAN and the United Way of Allen County, S3 works with immigrant and refugee families who are non-English speaking and non-Hispanic to ensure that their children are prepared for school in Indiana. Through a strategic planning process, it was found that many preschool-aged children and their mothers live quite isolated lives. This lack of exposure to the English language and expectations of the Fort Wayne community leaves these children at great disadvantage, causing short-term and long-term problems for these families and the community. S3 provides home-based services to refugee and immigrant families. Family support workers who are fluent in the clients' language help stabilize the families, connect clients with basic resources including health care, food, shelter, transportation and clothing, and provide translation/interpretation services for these families as they interact in the community.

# Stop Child Abuse and Neglect, Inc.

## Notes to Financial Statements (continued)

### 1. Organization and Summary of Significant Accounting Policies (continued)

#### Organization (continued)

**Intensive Intervention Team (IIT)**—This in-home team provides immediate crisis and emergency intervention to families when they are being investigated for child abuse and/or neglect, or to families who have a runaway or truant child.

**Parents & Partners**—A court-ordered program, Parents & Partners works with parents who have abused or neglected their children. Our staff works with a family at home to establish stability and teach them how to end the cycle of violence in their lives. They:

- Support the family through crisis and stress.
- Teach the difference between discipline and punishment.
- Teach parents skills to ensure their child's safety.
- Provide instruction, guidance and role-modeling of appropriate parenting and home-management skills.
- Work to reunite families when children can be safe at home.
- Update the child welfare caseworker on the family's home environment. Parents & Partners team members assess a family's situation, develop a plan to help the family, and supervise the family's progress in achieving their goals. In addition, we assist clients with job search, child development/care, attending counseling, furthering education, communication, budgeting, and nutrition/menu planning.

**Supervised Visitation**—Supervised Visitation offers abused and neglected children a safe place to visit their parents, siblings, grandparents, and relatives. This program plays a crucial role in establishing or improving the bond between children and their families. Visits usually begin in SCAN's offices and can progress to in-home visits.

**Daybreak Crisis Homes**—SCAN's Daybreak Crisis Homes offers emergency short-term care for Allen County children whose parents are in crisis and have no one else to care for their children. Primarily serving newborns and children to 10 years of age, Daybreak can also accept older siblings. Children of other ages are approved on a case-by-case basis.

SCAN is exempt from federal income taxes under Section 501(c)(3) of the United States Internal Revenue Code, and qualifies for the 50 percent charitable deduction limitation. SCAN has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code.

# Stop Child Abuse and Neglect, Inc.

## Notes to Financial Statements (continued)

### 1. Organization and Summary of Significant Accounting Policies (continued)

#### Cash and Cash Equivalents and Certificates of Deposit

All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. SCAN maintains cash accounts and certificates of deposit at local financial institutions. From time to time during the year, SCAN's cash accounts exceeded federally insured limits.

#### Property and Equipment

Property and equipment are stated at cost or if donated, at fair market value at date of donation, except for building and equipment that has been impaired. For impaired assets, the carrying amount is reduced to the estimated fair market value. There were no impaired assets as of September 30, 2008 and 2007. Property and equipment with a cost of \$2,500 or more and a useful life of one year or more are capitalized. Depreciation is computed by the straight-line method over the following estimated useful lives:

Land improvements	10 years
Building	25 years
Office equipment and furnishings	3 – 7 years

Expenditures for normal repairs and maintenance are expensed when incurred.

#### Net Assets

Net assets are allocated to and accounted for based upon the donor's intended purpose. Unrestricted net assets have no donor-imposed restrictions placed upon them. In addition, SCAN has received certain net assets for specific purposes or for later periods of time or after specified dates, and these amounts are reported as temporarily or permanently restricted net assets. Temporarily restricted net assets include amounts whose use is limited by donor imposed stipulations that can be met and removed by actions of SCAN pursuant to those stipulations, occurrence of a stated event, or passage of a specified time period. When donor imposed restrictions are met, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. Permanently restricted net assets include amounts whose use is limited by donor-imposed restrictions which stipulate that resources be maintained permanently, but permits SCAN to expend part or all of the income derived from the donated assets for either unrestricted or temporarily restricted purposes. Resources arising from the results of operations or assets set aside by the Board of Directors are not considered to be donor restricted.

# Stop Child Abuse and Neglect, Inc.

## Notes to Financial Statements (continued)

### 1. Organization and Summary of Significant Accounting Policies (continued)

#### Contributions and Pledges Receivable

Contributions, including gifts, bequests, pledges, and other unconditional promises to give, without restrictions or stipulations are recorded as support (revenue) in the period received. Contributions are reported as temporarily restricted or permanently restricted support if they are received with donor imposed stipulations that limit their use. If a donor restriction expires in the same reporting period that the contribution was made, such contribution is reported as an unrestricted contribution in the statements of activities and changes in net assets.

Conditional promises to give are recognized when the conditions on which they depend are substantially met.

Contributions of assets other than cash are recorded at their fair market value. SCAN reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations regarding how long those long-lived assets must be maintained, SCAN reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. SCAN reclassifies these temporarily restricted net assets to unrestricted net assets at that time.

SCAN provides an allowance for doubtful accounts, which is based on historical collection experience and management's estimate of the losses that will be incurred in the collection of all receivables. As of September 30, 2008 and 2007, no allowance for doubtful accounts was deemed necessary.

Contributions of services are recognized as revenue if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills and typically need to be purchased if not provided by donation. During the years ended September 30, 2008 and 2007, the fair market value of contributed goods and services recognized as revenue and expense in the accompanying statements of activities and changes in net assets were \$16,419 and \$110,005, respectively.

# Stop Child Abuse and Neglect, Inc.

## Notes to Financial Statements (continued)

### **1. Organization and Summary of Significant Accounting Policies (continued)**

#### **Government Grants**

Support funded by government grants is recognized as SCAN performs the contracted services pursuant to grant agreements. Grant revenue is recognized as earned as the eligible expenses are incurred. Grant expenditures are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required. The government grants were received from the Indiana Department of Child Services pursuant to programs, primarily temporary assistance for needy families, awarded by the United States Department of Health of Human services.

#### **Functional Allocation of Expenses**

The cost of providing the program and other activities has been summarized on a functional basis in the accompanying statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the program and supporting services benefited.

#### **Use of Estimates**

Preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

### **2. Beneficial Interest Trust (Perpetual Trust)**

SCAN has a beneficial interest in a perpetual trust administered by an outside party. Pursuant to the terms of the trust, SCAN has the irrevocable right to receive income earned on the trust assets in perpetuity, but will never receive the assets held in trust. The estimated value of SCAN's beneficial interest in the perpetual trust was \$222,847 and \$286,752 at September 30, 2008 and 2007, respectively, which represents the fair market value of SCAN's proportional interest in the trust assets.

Stop Child Abuse and Neglect, Inc.

Notes to Financial Statements (continued)

**3. Debt Arrangements**

Long-term debt consists of the following:

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Indiana Economic Development Revenue Bond, Series 2000 (SCAN, Inc. building project), variable interest that is 76 percent of prime rate, (3.8 percent at September 30, 2008) payable in monthly payments of \$2,806 plus interest, collateralized by the building	<b>\$ 93,437</b>	\$ 127,104
Less current portion	<b>33,667</b>	33,667
	<b><u>\$ 59,770</u></b>	<b><u>\$ 93,437</u></b>

Maturities on the long-term debt as of September 30, 2008 are as follows:

2009	<b>\$ 33,667</b>
2010	<b>33,667</b>
2011	<b>26,103</b>
	<b><u>\$ 93,437</u></b>

Pursuant to a revolving line of credit arrangement with a bank, SCAN may borrow up to \$100,000 subject to certain terms and conditions. This line of credit arrangement is secured by SCAN's equipment, accounts receivable, and certain other assets. The line of credit arrangement bears interest at the prime rate (5 percent at September 30, 2008), which is due and payable monthly. There were no borrowings pursuant to this line of credit arrangement at September 30, 2008 and 2007.

Interest paid was \$5,409 and \$9,200 for the years ended September 30, 2008 and 2007, respectively.

Stop Child Abuse and Neglect, Inc.

Notes to Financial Statements (continued)

**4. Net Assets**

Unrestricted net assets are as follows:

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Equipment, Healthy Families	\$ 29,287	\$ 53,217
Community Alliance for Healthy Families Fund	1,057,780	791,550
Quasi-endowment funds	38,239	38,239
General operating funds	1,728,023	2,095,375
	<u>\$ 2,853,329</u>	<u>\$ 2,978,381</u>

Unrestricted net assets include the following general and Board of Directors (Board)-designated assets and liabilities of SCAN.

- Equipment, Healthy Families represents the net book value of equipment acquired through funding by the Community Alliance for Healthy Families.
- Community Alliance for Healthy Families Fund consists of the accumulated funds generated from the Healthy Families program.
- Quasi-endowment funds consist of Board-designated assets set aside for the establishment of a permanent endowment.
- General operating funds consist of unrestricted assets that are available for support of SCAN's operations.

Temporarily restricted net assets are to be used for the following purposes:

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Children's Garden	\$ 6,287	\$ 25,483
Children's playground	-	38,996
	<u>\$ 6,287</u>	<u>\$ 64,479</u>

## Stop Child Abuse and Neglect, Inc.

### Notes to Financial Statements (continued)

#### 4. Net Assets (continued)

Permanently restricted net assets are restricted to:

	<b>September 30</b>	
	<b>2008</b>	<b>2007</b>
Endowment	\$ 5,000	\$ 5,000
Beneficial interest in perpetual trust	<u>222,847</u>	<u>286,752</u>
	<u>\$ 227,847</u>	<u>\$ 291,752</u>

Net assets released from donor restrictions as a result of incurring expenses to satisfy the restricted purposes or by occurrence of other events specified by donors were as follows:

	<b>Year ended September 30</b>	
	<b>2008</b>	<b>2007</b>
Children's Garden	\$ 32,696	\$ 7,250
Equipment purchases and other renovations	<u>38,996</u>	<u>25,009</u>
	<u>\$ 71,692</u>	<u>\$ 32,259</u>

#### 5. Employee Benefits

SCAN maintains a 403(b) employer contributory tax-deferred annuity plan for the benefit of substantially all of its employees, which allows for both employee and employer contributions. SCAN's contribution consists of a matching contribution of 100 percent of employee contributions, up to 2 percent of eligible employee compensation. SCAN's contribution to the plan was \$39,837 and \$29,350 for the years ended September 30, 2008 and 2007, respectively.

#### 6. Related Party Transactions

Certain members of the Board of Directors are employed by companies providing construction, banking, insurance, and other services to SCAN. The fees paid to these companies were based on customary and reasonable rates for such services.

# Report to the Finance Committee of the Board of Directors of

## Stop Child Abuse and Neglect, Inc.

Preparing parents. Protecting children.

# Audit Results and Communications

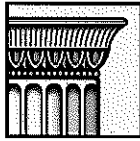
January 15, 2009

**Submitted by:**



HAINES, ISENBARGER & SKIBA, LLC  
GRAYFIELD PUBLIC ACCOUNTANTS

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



**HAINES, ISENBARGER & SKIBA, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

January 15, 2009

Finance Committee  
Stop Child Abuse and Neglect, Inc.

Dear Members of the Finance Committee:

We are pleased to present the results of our audit of the financial statements of Stop Child Abuse and Neglect, Inc. (SCAN) for the year ended September 30, 2008. The financial statements were the responsibility of management, and we expressed an opinion on those financial statements based on our audit procedures concerning their conformity with accounting principles generally accepted in the United States. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We conducted the audit with the objectivity and independence that you, and the entire Board of Directors, expect.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of SCAN's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

In prior meetings with management, we discussed the timing and scope of our engagement, the report we intended to issue and areas of audit emphasis. We considered SCAN's current and emerging business needs, 2008 transactions of significance, along with an assessment of risks that could materially affect the financial statements, and aligned our audit procedures accordingly. We received excellent support and timely assistance from SCAN's personnel and the timing of the audit was conducted as planned.

This Report to the Finance Committee summarizes the completion of our audit, presents our report on internal control, discusses our Finance Committee communications suggested by auditing standards, and presents other information. As requested, we will also walk through the financial statements with you, focusing on SCAN's financial condition, results of operation, changes in net assets, and cash flows and what you, and the Board of Directors, should be focusing on when reviewing the financial statements of nonprofit organizations.

Finance Committee  
Stop Child Abuse and Neglect, Inc.

January 15, 2009

This report is intended solely for the use of the Finance Committee, Board of Directors and management, and should not be used for any other purpose. We appreciate this opportunity to meet with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas J. Skiba". The signature is fluid and cursive, with a large initial "T" and "S".

Thomas J. Skiba  
Partner

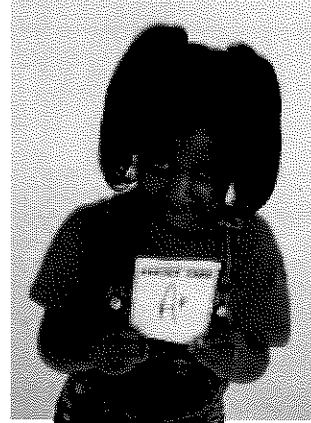
Copy to Rachel Tobin-Smith, Executive Director  
Jeffrey W. Griggs, Business Administrator



## Stop Child Abuse and Neglect, Inc.

### SCAN's Mission

To eliminate the abuse and neglect of children through family services, education, and community partnerships.



SCAN, Inc. was founded in 1974 by Charlotte Salinger and a dedicated group of volunteers to stop the ever-increasing problem of child abuse and neglect in northeast Indiana. The agency's sole mission was to prevent child abuse and neglect and it offered three primary service areas: 1) the Parent Aide project, in which volunteers were paired with parents in crisis to help prevent child abuse and neglect; 2) a crisis hotline for parents who needed assistance; and 3) public education on what abuse and neglect are.

Today, 34 years later, SCAN remains the only agency in northeast Indiana with the sole mission of preventing child abuse and neglect. Currently, SCAN offers the following program services:

- ♥ Prevention Through Education (PTE)
- ♥ Parenting Classes
- ♥ Specialty Parenting Classes
- ♥ Intensive Intervention Team (IIT)
- ♥ Parents + Partners
- ♥ Supervised Visitation
- ♥ Healthy Families
- ♥ Daybreak Crisis Homes
- ♥ The Network for Safe Families
- ♥ Community Partners for Safe Families



Currently there are no other agencies with the sole mission of preventing abuse or neglect in northeast Indiana. SCAN regularly works with Easter Seals/ARC, Community Action of Northeast Indiana, Lutheran Social Services, Inc., the Allen County Office of Family and Children, Family and Children's Services, and more than a dozen other social service organizations in the region.



## Stop Child Abuse and Neglect, Inc.

### Audit Results and Communications

- Audit timing (December 2008-January 2009) and communications.
- Financial statements and other reports
- By-products of the audit process—improvements in internal controls and operating procedures, improved financial reporting, discussion of best practices, and an ongoing external resource for management
- The key accounting literature applicable to nonprofit organizations such as the SCAN includes:
  - FASB Statement No. 116, *Accounting for Contributions Received and Contributions Made*
  - FASB Statement No. 117, *Financial Statements of Not-for-Profit Organizations*
  - FASB Staff Position No. 117-1, *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosure for All Endowment Funds*
  - FASB Statement No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*
  - FASB Statement No. 136, *Transfers of Assets to a Not-for-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*
  - AICPA Audit and Accounting Guide, *Not-for-Profit Organizations*
  - AICPA Audit and Accounting Guide, *Government Auditing Standards and Circular A-133 Audits*
  - AICPA Audit Risk Alert, *Not-for-Profit Organizations*
  - U.S. Government Accountability Office (GAO) Government Auditing Standards 2007 revision (2007 Yellow Book)
  - OMB Circular A-133, *Audits of States, Local Governments and Nonprofit Organizations*
  - OMB A-133 Compliance Supplement (2008 edition)
  - Other government publications
  - New auditing standards promulgated by the AICPA (*audit documentation, risk assessments, communicating internal control matters, auditors' communication with those charged with governance*).



## Stop Child Abuse and Neglect, Inc.

Our scope of services included the following items:

- Audit the financial statements of SCAN for the year ended September 30, 2008, including our expressing an opinion on the fairness, in all material respects, of the presentation of the financial statements in conformity with accounting principles generally accepted in the United States.
- Single Audit Report and Schedule of Expenditures of Federal Awards:
  - Schedule of expenditures of federal awards
  - Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements performed in accordance with *Government Auditing Standards*
  - Independent auditors' report on compliance and internal control over compliance with requirements applicable to major federal awards programs and schedule of expenditures of federal awards
  - Schedule of findings and questioned costs (no matters are reportable)
  - Summary schedule of prior audit findings (no matters are reportable)
- Communicate fraud, errors, and illegal acts, if any, on a timely basis.
- Provide recommendations to management to improve controls and operating procedures.
- Communicate audit results and provide other observations to the Finance Committee and Board of Directors.

Note: Management prepares Federal Form 990, Indiana Form NP-20, personal property tax returns, and other tax returns.

We are a member of the AICPA Governmental Audit Quality Center—our firm's commitment to audit quality for governmental audits, including those performed under the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* (referred to as single audits).



## Stop Child Abuse and Neglect, Inc.

The areas of audit emphasis included the following:

- Cash and cash equivalents and certificates of deposit.
- Beneficial interest in a perpetual trust and Community Foundation of Greater Fort Wayne Inc.
- Grants, pledges and other receivables and collectibility thereof.
- Property and equipment, including internal accounting therefor.
- Other current assets and liabilities, including accounts payable and accrued expenses.
- Long-term debt, including compliance with terms, conditions, and covenants.
- Accounting for temporarily and permanently restricted net assets, earnings thereon, and compliance with and satisfaction of restrictions and requirements imposed by the donor.
- Contributions and government grants, including compliance with terms and conditions of individual donors and grants.
- Compensation and other employee benefit expenses.
- Program expenses and compliance with terms and conditions of grants.
  
- Subrecipients and management oversight thereof:
  - Community Action of Northeast Indiana, Inc.
  - Lutheran Social Services.
  - The ARC of Northeast Indiana, Inc. (d/b/a Easter Seals ARC of Northeast Indiana, Inc.).
- Functional classification of expenses.
- Commitments and contingencies.
- Related party accounts and transactions.
- Errors, fraud, and illegal acts.
  
- Compliance with laws and regulations. *Nonprofit organizations are experiencing increasing regulatory oversight. 2008 Form 990 significantly revised and expanded. Section 403(b) plan requirements.*
- Financial reporting, including accounting presentation and disclosure requirements
- Other areas of interest:
  - Review of internal controls and operating procedures.
  - Tax exempt status.
  - Communications with governing body.



## Stop Child Abuse and Neglect, Inc.

### Required Communications

Auditing Standards promulgated by the AICPA (revised by Statements on Auditing Standards No. 114, issued in December 2006) require the auditor to communicate significant matters related to the financial statement audit that are, in the auditors' professional judgment, relevant to the responsibilities of those charged with governance (e.g. Audit or Finance Committee) in overseeing the financial reporting. Below we summarize these required communications.

Area	Comments
Auditors' Responsibilities under United States Generally Accepted Auditing Standards	<ul style="list-style-type: none"><li>• We have issued an unqualified opinion on SCAN's financial statements for the year ended September 30, 2008. In accordance with <i>Government Auditing Standards</i>, we have also issued our report on our consideration of SCAN's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with <i>Government Auditing Standards</i> and should be considered in assessing the results of our audit. The management of SCAN has acknowledged its responsibility for establishing and maintaining effective internal control, for properly recording transactions in the accounting records,</li></ul>
<ul style="list-style-type: none"><li>• The financial statements are the responsibility of management. Our audit was designed in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in <i>Government Auditing Standards</i>, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. We have a responsibility to opine on whether the financial statements are fairly stated, in all material respects, in accordance with accounting principles generally accepted in the United States. As part of our audit, we obtained a sufficient understanding of internal controls to plan our audit and to determine the nature, timing, and extent of testing performed.</li></ul>	



## Stop Child Abuse and Neglect, Inc.

### Required Communications (continued)

Area	Comments
Auditors' Responsibilities under United States Generally Accepted Auditing Standards (continued)	for safeguarding assets, and for the overall fair presentation of the financial statements and other financial information. Management of SCAN also is responsible for identifying and ensuring that SCAN complies with the laws and regulations applicable to its activities. The management of SCAN is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Significant Accounting Policies	
<ul style="list-style-type: none"><li>Initial selection of and changes in significant accounting policies or their application and new accounting and reporting standards during the year must be reported.</li></ul>	<ul style="list-style-type: none"><li>There were no initial selections of, or changes in, the application of accounting and reporting standards. Newly issued accounting standards had minimal impact on the financial statements.</li></ul>
Our Judgments About the Quality and Acceptability of SCAN's Significant Accounting Principles	
<ul style="list-style-type: none"><li>We discuss our judgments about the quality, not just the acceptability, of accounting policies as applied in the financial reporting, including consistency of the accounting policies and their application and the clarity and completeness of the financial statements and related disclosures.</li></ul>	<ul style="list-style-type: none"><li>SCAN's accounting policies were appropriate, consistently applied and properly (clearly) disclosed. SCAN has properly accounted for grant and donor provided funds and changes in those designated as temporarily or permanently restricted.</li></ul>



## Stop Child Abuse and Neglect, Inc.

### Required Communications (continued)

Area	Comments
Management Judgments and Accounting Estimates	<ul style="list-style-type: none"><li>• Methodologies used and evidence considered has lead to reasonable estimates and disclosures in the financial statements. Estimates include the useful lives of property and equipment, valuation of certain assets (e.g. beneficial interest in perpetual trust) and certain accrued expenses.</li></ul>
Recorded and Unrecorded Audit Adjustments	<ul style="list-style-type: none"><li>• There were no significant unadjusted audit differences that were material to the financial statements for the year ended September 30, 2008. In conjunction with the audit process, it was necessary to record certain audit adjustments. We encourage management to record those routine or recurring audit adjustments into its normal (regular) year end close process. During the audit process, the following adjusting journal entries were recorded:<ul style="list-style-type: none"><li>• Consolidating the Community Alliance for Healthy Families program activity for the year and related elimination entries.</li><li>• Recording the change (decrease) in value of beneficial interest in a perpetual trust (\$63,904).</li><li>• Recording amortization of bond issuance costs (\$1,214).</li><li>• Recording accrued contract labor payable and government grants receivable of \$192,460. No impact on net assets or change therein.</li></ul></li></ul>



## Stop Child Abuse and Neglect, Inc.

### Required Communications (continued)

Area	Comments
Recorded and Unrecorded Audit Adjustments (continued)	Relative to unrecorded audit adjustments, three items with a favorable impact on net assets of \$4,681 which management believes was not material (and we concur) to the financial statements. One item related to payroll earned but not accrued at year end of \$8,328. The other items related to the unrecorded beneficial interest in the Community Foundation of Greater Fort Wayne Inc. of \$7,409 and \$5,600 more in grant reimbursement subsequently received due to favorable rate change in effect at year end.
Significant Risks and Expenses and Uncertainties, such as pending litigation that are disclosed in the financial statements	• None
Other Financial Information	• The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the 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.



## Stop Child Abuse and Neglect, Inc.

### Required Communications (continued)

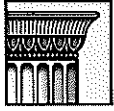
Area	Comments
Disagreements with Management on Financial Accounting, Reporting, and Compliance Matters	<ul style="list-style-type: none"><li>• None</li></ul>
Significant Issues Discussed with Management, including those in connection with the initial or recurring retention of Haines, Isenbarger & Skiba, LLC as auditors.	<ul style="list-style-type: none"><li>• None</li></ul>
Consultation with Other Accountants	<ul style="list-style-type: none"><li>• None of which we are aware.</li></ul>
Significant Difficulties During the Audit	<ul style="list-style-type: none"><li>• None. Management was very cooperative and we had access to all records and documents necessary to perform the audit procedures.</li></ul>
Fraud and Illegal Acts	<ul style="list-style-type: none"><li>• We are not aware of any instances of fraud or illegal acts.</li></ul>
Material Weaknesses in Internal Controls	<ul style="list-style-type: none"><li>• We noted no matters involving the internal control over financial reporting and its operations that we considered to be material weaknesses. We also noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.</li></ul>
Compliance and Other Matters	<ul style="list-style-type: none"><li>• As part of obtaining reasonable assurance about whether SCAN's financial statements are free of 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. The results of our</li></ul>



## Stop Child Abuse and Neglect, Inc.

### Required Communications (continued)

Area	Comments
Compliance and Other Matters (continued)	<ul style="list-style-type: none"><li>• tests disclosed no instances of noncompliance or other matters that are required to be reported under <i>Government Auditing Standards</i>. In our opinion, SCAN complied, in all material respects, with the requirements described in the U.S. Office of Management and Budget (OMB) <i>Circular A-133 Compliance Supplement</i> that are applicable to each of its major federal programs for the year ended September 30, 2008.</li></ul>
Compliance and Other Matters	<ul style="list-style-type: none"><li>• As part of obtaining reasonable assurance about whether SCAN's financial statements are free of 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. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under <i>Government Auditing Standards</i>. In our opinion, SCAN complied, in all material respects, with the requirements described in the U.S. Office of Management and Budget (OMB) <i>Circular A-133 Compliance Supplement</i> that are applicable to each of its major federal programs for the year ended September 30, 2008.</li></ul>



## Stop Child Abuse and Neglect, Inc.

### Required Communications (continued)

Area	Comments
Findings—Financial Statement Audit	<ul style="list-style-type: none"><li>• There were no reportable financial statement findings.</li></ul>
Findings and Questioned Costs—Major Federal Award Programs Audit	<ul style="list-style-type: none"><li>• There were no reportable major federal award programs findings or questioned costs.</li></ul>
Compliance with Debt Covenants	<ul style="list-style-type: none"><li>• We noted no matters of noncompliance with the terms of the line of credit or other long-term debt.</li></ul>
Interim Financial Information and Internal Controls	<ul style="list-style-type: none"><li>• We are not required to and do not perform timely quarterly reviews as required by Auditing Standards as they relate to public companies.</li></ul>
Auditor Independence	<ul style="list-style-type: none"><li>• We are not aware of any relationships between Haines, Isenbarger &amp; Skiba, LLC and SCAN that, in our professional judgment, may reasonably be thought to bear on our independence. Relating to our audit of SCAN, we are independent certified public accountants with respect to SCAN within the meaning of the applicable published pronouncement of the AICPA Independence Standards and OMB Circular A-133.</li></ul>



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## Stop Child Abuse and Neglect, Inc.

### **Consideration of Fraud in a Financial Statement Audit**

In October 2002, the Auditing Standards Board (ASB) of the AICPA issued Statement on Auditing Standards (SAS) No. 99, *Consideration of Fraud in a Financial Statement Audit*, which supersedes SAS 82. SAS 99 was issued to heighten the awareness of auditors to the potential for fraud when planning and executing audits. SAS 99 also encourages increased professional skepticism and provides additional guidance for auditors in fulfilling their responsibility related to detecting fraud in a financial statement audit. SAS 99 does not change our responsibilities as auditors. Under SAS 99, we are responsible for planning and performing the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether caused by error or by fraud. However, the extent of required procedures related to the detection of fraud has increased. We approach all audits with an understanding that fraud could occur in any company or organization at any time, and could be perpetrated by anyone.



## Stop Child Abuse and Neglect, Inc.

### New Standards Issued by the AICPA's Auditing Standards Board

Statements on Auditing Standards (SAS) are issued by the AICPA's Auditing Standards Board (ASB). Rule 202 of the AICPA's *Code of Professional Conduct* requires adherence to the applicable generally accepted auditing standards (GAAS) promulgated by the AICPA. Rule 202 recognizes SASs as interpretations of GAAS and requires that members be prepared to justify departures from such statements.

### **Eight New SASs: The "Risk Assessment SASs"**

In March 2006, the ASB issued eight new SASs that relate to the auditor's assessment of risk in a financial statement audit. These standards, referred to as the "Risk Assessment SASs," establish the requirements and provide guidance about the auditor's assessment of the risk of material misstatement in financial statements, whether caused by error or fraud. These standards also establish requirements and provide guidance about the design and performance of audit procedures performed in response to the assessed risks. Furthermore, the new Risk Assessment SASs (SAS Nos. 104-111) establish standards and provide guidance about planning and supervision, the nature of audit evidence, and evaluating whether the audit evidence obtained provides a reasonable basis for the auditor's opinion. These SASs, are effective for audits of financial statements for periods beginning on or after December 15, 2006. Earlier application is permitted.

The eight new Risk Assessment SASs include the following:

1. SAS No. 104, *Amendment to SAS No. 1, Codification of Auditing Standards and Procedures, "Due Professional Care in Performance of Work"*
2. SAS No. 105, *Amendment to SAS No. 95, Generally Accepted Auditing Standards*
3. SAS No. 106, *Audit Evidence*
4. SAS No. 107, *Audit Risk and Materiality in Conducting an Audit*
5. SAS No. 108, *Planning and Supervision*
6. SAS No. 109, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*
7. SAS No. 110, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*
8. SAS No. 111, *Amendment to SAS No. 39, Audit Sampling*



## Stop Child Abuse and Neglect, Inc.

### New Standards Issued by the AICPA's Auditing Standards Board (continued)

These SASs were first issued as exposure drafts in December 2002, initially in response to the August 2000 report of the Public Oversight Board Panel on Audit Effectiveness that included, recommendations with respect to assessing inherent risk, assessing control risk, and linking the risk assessments to substantive procedures. In addition, recent major corporate failures have undermined the public's confidence in the effectiveness of audits and led to an intense scrutiny of the work of auditors, and the new guidance has been influenced by these events.

The ASB worked closely with the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) in developing these standards.

Thus, the new SASs are representative of the effort among standard setters to promote the convergence and acceptance of an international set of auditing standards. The ASB believes that the requirements and guidance provided in the Risk Assessment SASs will result in a substantial change in audit practice and in more effective audits. The new SASs change the audit process as follows:

- *Expand the quality and depth of the auditor's required understanding of the entity and its environment, including its internal control*—The standards require the auditor to obtain an understanding of a significantly expanded set of information about specific elements of the entity and its environment. The purpose of the required understanding of this broadened set of information about the client and its environment is to enhance the auditor's ability to identify and assess risks that may lead to material misstatements in the financial statements. The auditor is required to perform risk assessment procedures in all audits to obtain an understanding, including updated information obtained in prior audits that the auditor intends to use in the current audit. The expanded understanding about the client and its environment should also be helpful to the auditor throughout the audit when making judgments about materiality and when critically evaluating audit evidence.
- *Requires the auditor to assess the risks of material misstatements at the financial statement level and at the assertion level on all audits based on the understanding obtained*—The new SASs note that assessing risks of material misstatements encompasses a combined assessment of inherent risk and control risk. The new SASs eliminate the auditor's ability to assess "risk at the maximum" without support for that assessment. Thus, auditors will be required to support all risk assessments at whatever level, including risks at the maximum, based on their understanding of the entity and its environment. In addition, the new SASs require the auditor to identify "significant risks" (defined later in this chapter) that require special audit consideration, and risks for which substantive procedures alone will not reduce audit risk to an appropriate level.



## Stop Child Abuse and Neglect, Inc.

### New Standards Issued by the AICPA's Auditing Standards Board (continued)

- *Eliminates the "default to maximum" for control risk, which should encourage testing of controls*—Auditors will no longer be able to assess control risk "at the maximum" without support for that assessment. Thus, that kind of audit approach can no longer be used as a default audit strategy. Instead, auditors must document the basis for a control risk at maximum assessment. The ASB believes this will encourage the testing of controls in all audits. In addition, the new SASs expand the auditor's requirement to understand internal controls in every audit by also requiring the auditor to evaluate the design of controls, including relevant control procedures over "significant risks," and to determine whether those control procedures have been implemented.
- *Emphasizes importance of the entity's risk assessment process*—The new SASs emphasize that when the auditor identifies potential risks of material misstatements in the financial statements, it is important for the auditor to consider the entity's risk assessment process. To assist the auditor with this consideration, the new SASs discuss how the entity's risk assessment process fits in with the entity's process of setting objectives and strategies and assessing related business risks. When the auditor identifies risks of material misstatements that the entity's risk assessment processes failed to detect, the new SASs require the auditor to consider why the process failed and whether the process is appropriate in the circumstance.
- *Strengthens the linkage between assessed risks and the auditor's responses to those risks*—Because auditors frequently struggle with designing an appropriate audit response to risks identified, the new SASs contain expanded guidance designed to significantly improve the auditor's ability to effectively address the identified risks. Auditors are required to determine both an overall response to address the risks of material misstatements at the financial statement level and a response to assess risks of material misstatements at the assertion level. The new guidance emphasizes the importance of the nature of the audit procedures in responding to assessed risks. The new SASs also require the auditor to perform substantive procedures for "significant risks." These substantive procedures consist of tests of details alone or tests of details combined with substantive analytical procedures that are specifically responsive to the identified risks. If the auditor plans to rely on the operating effectiveness of controls to mitigate a significant risk, the auditor is required to obtain all evidence about the operating effectiveness of those controls from tests of controls performed in the current period (i.e., cannot conclude that they are operating effectively based on tests of controls performed in prior audits when the auditor also determined the controls did not change since that testing).



## Stop Child Abuse and Neglect, Inc.

### New Standards Issued by the AICPA's Auditing Standards Board (continued)

- *Clarifies the auditor's ability to rely on audit evidence gathered in prior audits*—Except for controls related to significant risks, the auditor who plans to rely on controls that have not changed since they were last tested, must perform tests of the operating effectiveness of those controls at least every third audit. As noted in the prior bullet, the auditor must test controls designed to address significant risks in the current audit.
- *Strengthens guidance for testing disclosures*—The new SASs include expanded guidance to specifically address the importance of considering the “completeness” of disclosures and their understandability. The assertions related to presentation and disclosure have been significantly revised to provide this emphasis.
- *Clarifies and expands guidance on evaluating audit findings*—When evaluating audit findings, auditors must now consider the effect of uncorrected misstatements related to prior periods on the current-period financial statements.
- *Expands documentation requirements*—Because the ASB believes that documentation requirements can drive behavior, the new SASs require the auditor to document, among other things, the following items:
  - Results of the risk assessments both at the financial statement level and the assertion levels;
  - The nature, timing, and extent of audit procedures performed;
  - The linkage of auditor responses with the assessed risks at the assertion level; and
  - Results of the audit procedures.

### **Overview of AICPA Auditing Standards Board**

The AICPA's Auditing Standards Board (ASB) has set auditing standards for all audits performed in accordance with generally accepted auditing standards up until April 2003. However, the PCAOB's April 16, 2003 Release changed the scope of the ASB dramatically. Now, auditors of publicly traded companies must follow standards adopted by the PCAOB. The PCAOB sets auditing and other professional standards to be used by auditors of publicly traded companies. While the current body of auditing standards previously issued by the ASB has been established with the needs of all entities in mind, the standards to be set by the PCAOB will appropriately focus solely on audits of publicly traded companies.



## Stop Child Abuse and Neglect, Inc.

### New Standards Issued by the AICPA's Auditing Standards Board (continued)

Because many believe that entities that comply with the provisions of the Sarbanes-Oxley Act and the PCAOB's requirements are likely to have fundamentally different financial reporting systems and corporate governance structures than nonpublic issuers, the ASB is continuing to set standards for nonpublic entities. The ASB's permission or authority to set auditing standards is vested in state board of accountancy, certain federal regulators, and other users of audited financial statements.

Currently, 47 state boards include a reference to auditing standards issued by the AICPA's ASB in their regulations or statutes. Preserving that reference is critical. Also, the Government Accounting Office (GAO) currently recognizes SASs as its core auditing standards, with GAO-specific standards as add-ons.

The AICPA's vision for the ASB is for it to continue in its role as a thought leader in the development of auditing standards and to work with regulators and other stakeholders in the development of those standards. To fulfill its responsibilities, the AICPA Board of Directors has reconstituted the ASB. Membership on the ASB has been adjusted to match its focus on establishing standards for CPAs to follow in the conduct of audits of nonpublic issuers.

In early 2005, the AICPA announced that one of the major points of focus for the ASB will be to work towards harmonizing U.S. GAAS with international auditing standards. In fact, the ASB will work closely with the International Auditing and Assurance Standards Board (IAASB) with the goal of embracing international standards as U.S. GAAS for audits of nonpublic companies. When needed, the ASB will tailor international standards for unique issues affecting the U.S. audit services market before adopting them as U.S. standards.

The ASB now consists of 19 members (the ASB formerly consisted of 15 members) representing small and large practice units, state boards of accountancy, academia, government, the public, and users of nonpublic entity financial statements. The ASB has been reconstituted to:

- Act as the profession's voice on auditing standards as they relate to audits of nonpublic entities, and when commenting on the proposed standards of other auditing standards setters, including the GAO, IAASB, and the PCAOB.
- Serve as the profession's think tank on the strategic direction of auditing standards.
- Work closely with the IAASB and consider how changes in international standards affect U.S. auditing standards for nonpublic entities.
- Assist in rebuilding the public's trust in the CPA's audit report.



## Stop Child Abuse and Neglect, Inc.

### New Standards Issued by the AICPA's Auditing Standards Board (continued)

- Commission research that will continuously improve the auditing profession.
- Address, in a timely manner, the needs of users of nonpublic entity financial statements.
- Promulgate audit, attest, and quality control standards for engagements involving nonpublic entities.
- Issue clear authoritative guidance for auditors of nonpublic entities.
- Work with the AICPA staff to develop nonauthoritative guidance for practitioners serving the public, nonpublic, government, nonprofit, and for-profit entities.



## Stop Child Abuse and Neglect, Inc.

### Redesigned Form 990 and Instructions for 2008 tax year

**Overview and Major Changes.** The Form 990 has been redesigned effective for 2008 tax years. The new form consists of an 11-page, 11-part core form that is required to be completed by all organizations that file the Form 990, and Schedules to be completed by those organizations that satisfy the applicable requirements for each Schedule.

The following provides a brief summary of some major changes and features of the new form, and an outline of the new core form and Schedules. This summary does not describe all of the new features or changes. Some of the information previously required by the Form 990 (2007) has been eliminated or revised, and the new Form 990 (2008) requires information not previously required by the prior form. Some information previously required of only certain types of organizations now is required of all types of organizations completing the form. The organization should carefully review the new form and instructions in order to make sure it satisfies the new form's reporting requirements. See the IRS website at [www.irs.gov](http://www.irs.gov) and click on the Charities & Non-Profits tab for more information. .

Some areas of major changes in reporting requirements include governance and compensation of officers, directors, trustees, key employees, and highest compensated employees. For example, Part VI, *Governance, Management, and Disclosure*, is a new section that asks questions about the organization's governance structure, policies and disclosure practices. Part VII, *Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors*, also contains important changes, including new definitions of officer and key employee applicable to all organizations, and the extension of reporting compensation paid to the top five highest compensated employees from organizations described in section 501 (c)(3) or 4947(a)(1), as was previously the case, to all organizations filing the Form 990, such as social welfare organizations, business leagues, trade associations, and social clubs.

Other areas of significant change include determination of public charity status and public support; supplemental financial statement reporting; and fundraising, special events and gaming. For organizations described in sections 501(c)(3) or 4947(a)(1), Schedule A has been revised to emphasize reporting of public charity status and public support. Schedule D contains new reporting requirements for conservation organizations; museums and other organizations maintaining collections of works of art and other items; credit counseling organizations and others holding funds in escrow or custodial arrangements; and organizations maintaining endowments. Schedule G requires reporting of certain information regarding arrangements with professional fundraisers, special events, and gaming activities. Other new Schedules include those for reporting foreign activities (Schedule F); hospitals (Schedule H); tax exempt bonds (Schedule K); non-cash contributions (Schedule M); and related organizations (Schedule R).



## Stop Child Abuse and Neglect, Inc.

### Redesigned Form 990 and Instructions for 2008 tax year (continued)

The following is an outline of the Parts of the core form and the new Schedules.

**Core Form.** The core form required to be completed by all organizations consists of the following 11 Parts:

- Part I, *Summary*, which provides certain important information regarding the organization's mission, activities, and current and prior years' financial results;
- Part II, *Signature Block*, which contains the signature of an organization's officer, and if applicable, paid preparer;
- Part III, *Statement of Program Service Accomplishments*, which requires reporting of the organization's new, ongoing and discontinued exempt purpose achievements and related revenue and expenses;
- Part IV, *Checklist of Required Schedules*, to be used by the organization to determine which Schedules it must complete and file with the IRS as part of the Form 990;
- Part V, *Statements Regarding Other IRS Filings and Tax Compliance*, to be used by the organization to report its compliance with other federal tax reporting and substantiation requirements;
- Part VI, *Governance, Management, and Disclosure*, which requires information regarding the organization's governing body and management, policies, and disclosure practices;
- Part VII, *Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors*, to report compensation paid such persons by the organization and its related organizations that is reported on Forms W-2 and I099-MISC, and certain other compensation;
- Part VIII, *Statement of Revenue*, Part IX, *Statement of Functional Expenses*, and
- Part X, *Balance Sheet*, which comprise the financial statements of the organization for federal tax reporting purposes; and
- Part XI, *Financial Statements and Reporting*, to report information regarding the organization's accounting methods and its compiled, reviewed, or audited financial statements.

**Schedules.** The new Form 990 (2008) contains 16 Schedules. Each organization must complete Part IV, *Checklist of Required Schedules*, to determine those Schedules it must complete. These Schedules replace the prior form's schedules and most required attachments that previously had to be constructed and completed by the filing organization. The following is a list and brief description of the new Schedules:



## Stop Child Abuse and Neglect, Inc.

### Redesigned Form 990 and Instructions for 2008 tax year (continued)

- Schedule A, *Public Charity Status and Public Support*, to be completed by organizations described in sections 501(c)(3) and 4947(a)(1) to provide information relevant to its status as a public charity, including satisfaction of applicable public support tests on an ongoing basis;
- Schedule B, *Schedule of Contributors*, to be completed by organizations to provide information regarding contributions they report as revenues;
- Schedule C, *Political Campaign and Lobbying Activities*, to be completed by organizations that conduct political campaign activities, organizations described in sections 501(c)(3) and 4947(a)(1) that conduct lobbying activities, and organizations subject to section 6033(e) notice and reporting requirements and potential proxy tax on certain membership dues, assessments and similar amounts;
- Schedule D, *Supplemental Financial Statements*, to be completed by organizations to supplement certain balance sheet information, as well as conservation organizations, museums and other organizations maintaining collections, credit counseling organizations and others holding funds in escrow or custodial arrangements, and organizations maintaining endowments or donor advised funds and similar funds or accounts;
- Schedule E, *Schools*, which is the private school questionnaire previously contained in former Schedule A;
- Schedule F, *Statement of Activities Outside the United States*, to report the organization's activities conducted outside the United States;
- Schedule G, *Supplemental Information Regarding Fundraising or Gaming Activities*, which requires reporting by organizations that reported certain amounts of professional fundraising expenses, revenue from special events, and revenue from gaming activities;
- Schedule H, *Hospitals*, to be completed by organizations that operate one or more facilities licensed or registered as a hospital under state law;
- Schedule I, *Grants and Other Assistance to Organizations, Governments and Individuals in the U.S.*, to report grants and other assistance provided by the organization to others within the United States;
- Schedule J, *Compensation Information*, to be completed by organizations to provide detailed compensation information for certain current or former officers, directors, trustees, key employees, and highest compensated employees, and certain information regarding the organization's compensation practices and arrangements;
- Schedule K, *Supplemental Information for Tax Exempt Bonds*, to be completed by organizations with outstanding tax-exempt bond liabilities;
- Schedule L, *Transactions with Interested Persons*, to be completed by organizations that engage in certain types of relationships or transactions with interested persons, including excess benefit transactions, loans, grants or other financial assistance, and other financial or business transactions or arrangements;



## Stop Child Abuse and Neglect, Inc.

### Redesigned Form 990 and Instructions for 2008 tax year (continued)

- Schedule M, *Non-Cash Contributions*, to report contributions other than cash received by the organization;
- Schedule N, *Liquidation, Termination, Dissolution or Significant Disposition of Assets*, to report major dispositions of assets by the organization;
- Schedule O, *Supplemental Information to Form 990*, to be used by organizations to provide supplemental information to describe or explain the organization's responses to questions contained in the core form or Schedules; and
- Schedule R, *Related Organizations and Unrelated Partnerships*, to provide information regarding the organization's relationships with other exempt and taxable organizations.

Organizations should complete Part IV, *Checklist of Required Schedules*, to determine which of these Schedules they must file as part of the Form 990. All filers will be required to provide certain narrative responses on Schedule O.

**Instructions, Glossary and Appendices.** The Form 990 instructions also have been revised for 2008. The new instructions contain a sequencing list to help organizations determine the order in which to complete various portions of the form (see General Instruction C), revised general and specific instructions for the core form and Schedules, a glossary of key terms, and a compensation table to help organizations determine where and how to report types of compensation paid to officers, directors, trustees, key employees, and highest compensated employees (see Specific Instructions for Part VII). The new instructions also contain new appendices for reporting requirements and guidance regarding group returns (see Appendix E), and for organizations to report activities conducted indirectly through joint ventures and disregarded entities (see Appendix F).

**Form 990-EZ Filing Amounts for 2008-2010.** Form 990-EZ, *Short Form Return of Organization Exempt From Income Tax*, may be filed by most organizations with gross receipts and total assets below certain amounts. For the 2008 tax year, most organizations with gross receipts less than \$1,000,000 and total assets less than \$2,500,000 may choose to file the Form 990 or Form 990-EZ. (For the 2007 tax year, these amounts were less than \$100,000 gross receipts and \$250,000 total assets.) For the 2009 tax year, most organizations with gross receipts less than \$500,000 and total assets less than \$1,250,000 may choose to file the Form 990 or Form 990-EZ. Beginning with the 2010 tax year, most organizations with gross receipts less than \$200,000 and total assets less than \$500,000 may file either the Form 990 or Form 990-EZ.



## Stop Child Abuse and Neglect, Inc.

### Redesigned Form 990 and Instructions for 2008 tax year (continued)

Although Form 990-EZ was not redesigned for 2008, some changes have been made so that certain information previously required to be submitted in attachments will now be reported on Schedules. Organizations that file Form 990-EZ (2008) must review the instructions for Schedules A, B, C, E, G, L, and N to determine whether they must report any of their activities or information on those Schedules. Form 990-EZ filers will not be required to complete any of the other 2008 Form 990 Schedules.

**New annual electronic filing requirement for small tax-exempt organizations.** Most small tax-exempt organizations now must file new Form 990-N, *Electronic Notice (ePostcard) for Tax-Exempt Organizations Not Required to File Form 990 or 990-EZ*. See the IRS website at [www.irs.gov](http://www.irs.gov) and click on the Form 990-N (e-Postcard) tab for more information.

**Purpose of Form.** Form 990 and Form 990-EZ are used by tax-exempt organizations, nonexempt charitable trusts, and section 527 political organizations to provide the IRS with the information required by section 6033.

An organization's completed Form 990 and Form 990-EZ, and the Forms 990-T of 501(c)(3) organizations, are available for public inspection as required by section 6104. Schedule B, *Schedule of Contributors* (Form 990, 990-EZ, or 990-PF), is available for public inspection for section 527 organizations filing Form 990 or 990-EZ. For other organizations that file Form 990 or Form 990-EZ, parts of Schedule B may be open to public inspection. See the *Instructions for Schedule B* for more details.

Some members of the public rely on Form 990, or Form 990-EZ, as their primary or sole source of information about a particular organization. How the public perceives an organization in such cases may be determined by information presented on its return. Therefore, the return must be complete, accurate, and fully describe the organization's programs and accomplishments.

Use Form 990 or Form 990-EZ to send a required election to the IRS, such as the election to capitalize costs under section 266.



## Stop Child Abuse and Neglect, Inc.

Finance Committee  
Stop Child Abuse and Neglect, Inc.

In planning and performing our audit of the financial statements of Stop Child Abuse and Neglect, Inc. (SCAN) for the year ended September 30, 2008, we considered its internal control to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. The following suggestions, which resulted from our consideration of internal control, are submitted to assist in improving procedures and controls.

### **Documentation of Internal Controls and Operating Procedures and Accounting Policies and Practices**

Management has, over the past few years, begun to formally document internal controls and accounting/finance procedures. Public companies are required to establish sound systems of internal control and document them via the books and records provisions of the Foreign Corrupt Practices Act and Sarbanes-Oxley Act of 2002, and regulations related thereto. Management has also begun to document its accounting policies and practices to promote consistent accounting treatment for recurring transactions. This documentation will also assist with formal training especially when turnover or promotions occur.

Management has developed and continues to refine detailed process and procedure documentation related to major programs and grant requests. We encourage continued documentation of internal controls (including Board of Directors or Committees thereof oversight), accounting/finance procedures, policies, and processes.

### **Internal Financial Reporting**

We are pleased to note management now maintains detail fixed accounting records and annually calculates depreciation expense. We continue to recommend certain additional procedures to enhance the meaningfulness of interim financial reporting. Management should continue to refine its interim and year end accounting close process for selected items, including the change in value of beneficial interest in a perpetual trust, in-kind contributions, amortization of bond issuance costs and certain other items. Currently, these items are recorded as post closing adjustments during the audit process.



## Stop Child Abuse and Neglect, Inc.

### **Beneficial Interest in Funds Transferred to and Held at the Fort Wayne Community Foundation**

During the past few years, certain funds were transferred to the Community Foundation of Greater Fort Wayne Inc. (Community Foundation) to benefit from their matching gift program and their ongoing support of community activities. Consistent with FASB Statement No. 136, *Transfer of Assets to a Not-For-Profit Organization or Charitable Trust that Raises or Holds Funds for Others*, such amounts are to be recorded as a beneficial interest in funds held by the Community Foundation. SCAN has not recorded its beneficial interest (\$7,409) in these transferred funds due to their immateriality. On an ongoing basis, we recommend that management monitor and record its beneficial interest in these funds for additional transfers, earnings thereon, and amounts paid out to SCAN consistent with any designated percentage payout throughout the year. No payouts have been requested to date. Certain conditions and limitations are present for SCAN to benefit from these funds.

Other funds may be directly contributed to and held by the Community Foundation for the benefit of SCAN are not permitted to be recognized on the books and records of SCAN. Donors making contributions directly to the Community Foundation explicitly grant variance power to the Community Foundation. Accordingly, SCAN is only permitted to recognize its annual grants (distributions) by the Community Foundation from these funds as contributions.

### **Accrued Contract Labor**

Pursuant to certain of the government grants received by SCAN, a significantly increased amount of contract labor is being utilized to deliver the program or grant objectives. During our testing of accounts payable to determine that expenses were recorded in the proper period, we noted that certain contract labor costs were recorded when billed versus when incurred. Generally, a one month reporting lag is being experienced from incurring contract labor costs and recording thereof. This delay understates accounts payable and the corresponding government grants receivable at a period end. As the amount incurred but not recorded was \$192,460 at September 30, 2008, an adjustment was recorded during the audit process. The adjustment had no impact on overall net assets or the change therein.

We recommend that management seek to obtain contract labor costs incurred on a timely basis to properly reflect government grants receivable and accounts payable and improve cash flow. At a minimum, this should be done at year end and at the end of any contract period to properly reflect reimbursable costs for the applicable grant period. This would also help minimize the risk of costs incurred not being reimbursed within the grant's contract period.



## Stop Child Abuse and Neglect, Inc.

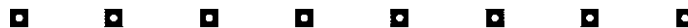
### Governance and Form 990

The Internal Revenue Service (IRS) has developed a summary of “Good Governance Practices” for 501(c)(3) Organizations. The summary contains nine recommendations to help ensure that directors understand their roles and responsibilities and actively promote good governance practices. The IRS has also dramatically redesigned Form 990 for tax year 2008, including adding or modifying 37 governance and other questions. Several questions pertain to good or best practices rather than to items required by tax law. For example, the IRS wants to know, among other things:

- The process the nonprofit organization uses to review Form 990, including whether a copy is furnished to the governing body before filing (Schedule O).
- Whether officers, directors or trustees, and key employees are *annually* required to disclose interests that could create conflicts of interest with the organization, and if so whether compliance is consistently monitored and enforced. Compliance enforcement procedures, if any, must be described (Schedule O).
- Whether the nonprofit organization has a *written* document retention and destruction policy.
- Whether there is a *contemporaneous* documentation of meetings held or written actions undertaken during the year by the governing body and each committee with authority to act on behalf of the governing body.

Nonprofit organizations are not yet required to implement procedures or policies that the IRS considers desirable. Moreover, the IRS has given minimal guidance concerning the consequences of “wrong” answers to its governance and policy questions. Some believe that the answers will be used as part of a scoring process to determine whether a return should be audited or supplemental information requested on certain issues.

We recommend that management review its reporting and compliance practices in light of the aforementioned recommendations and Form 990 revisions. This discussion should include discussing the merits of adopting these policies if they are not already in place.



We have separately reported in our letter dated January 8, 2009 addressed to the Finance Committee that we noted no matters involving internal control and its operation that we considered to be material weaknesses and significant deficiencies under standards established by the American Institute of Certified Public Accountants.

We also provided several minor suggestions and ideas for future recordkeeping that were readily accepted and implemented by management.



## Stop Child Abuse and Neglect, Inc.

This letter is intended solely for the information and use of management, the Finance Committee, the Board of Directors, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

We would be pleased to discuss the above matters or to respond to any questions at your convenience.

*Haines, Isenbarger & Skiba, LLC*

January 8, 2009